

13 December 2023

## Global Markets Research

### Daily Market Highlights

# 13 Dec: US CPI eased but monthly momentum picked up

Traders scaled back bets on how aggressively the Fed will cut rates in 1Q post US CPI print  
US stock markets closed higher; UST closed mixed; DXY pared losses but still closed lower  
UK wage growth eased as labour market cools; Optimism among Japanese firms improved

- The US equity markets hit their highest since 2022 on Tuesday after the latest inflation reading kept expectations of a soft-landing intact. Adding to optimism was Treasury Secretary Janet Yellen's comment that the economy was on track to achieve a soft landing, sending Nasdaq up by 0.7% d/d, while the S&P 500 and Dow Jones closed 0.5% d/d higher each. S&P and Dow are now trading at their highest close since January 2022, and Nasdaq at its highest since March 2022. Shares of Alphabet, meanwhile, fell during the day after Google lost an antitrust case while Hasbro shares eased after reports that the toymaker would cut nearly 20% of its workforce.
- European markets closed mostly lower as investors digested the US inflation data and kept an eye on the upcoming Fed, ECB and BOE meetings. Hang Seng led gains in Asia but is expected to tread cautiously today ahead of Fed's final meeting in 2023.
- Treasuries closed mixed, with the 2Y yield up 2bps to 4.73%, but the 10Y yield slid 3bps to 4.20%. Led by UK gilts, 10Y European bond yields closed down between 4-11bps.
- The Dollar pared its losses after data showed that some areas of inflation remained relatively elevated even as price pressures were broadly as expected. DXY stumbled to as low as 103.49 during the day before recovering to close at 103.87 (-0.2% d/d), weakening against most of its G10 peers save NOK, CAD and AUD. Regional currencies closed mixed, with CNH and MYR closing around their flatlines at 7.1939 and 4.6840 respectively, while SGD strengthened 0.2% d/d to 1.3414.
- Oil prices plunged 3.7-3.8% d/d to their lowest in 5 months after Russian data showed that the weekly average of Russia's seaborne crude exports jumped to their highest levels since early July, bolstering glut concerns. The EIA meanwhile also raised its estimate for US' output this year by 30k barrels per day.

#### US core-CPI held steady y/y as per expected, but accelerated on a m/m basis

- Matching expectations, headline inflation eased slightly to +3.1% y/y in November (Oct: +3.2% y/y), while core held steady at 4.0% y/y. While the y/y data suggests that inflation is still broadly on a downward trend, the overall CPI report is less encouraging looking on the m/m front. Both the headline and core accelerated to +0.1% m/m and +0.3% m/m respectively (Oct: 0% and +0.2% m/m), the former above street estimate as core services inflation elevated at +0.5% m/m (Oct: +0.3% m/m). Services inflation during the month was driven by higher shelter costs, medical care, and motor vehicle insurance, while energy costs helped to contain prices (-2.3% m/m vs -2.5% m/m).

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,577.94	0.48
S&P 500	4,643.70	0.46
NASDAQ	14,533.40	0.70
Stoxx Eur 600	472.72	-0.21
FTSE 100	7,542.77	-0.03
Nikkei 225	32,843.70	0.16
CSI 300	3,426.80	0.21
Hang Seng	16,374.50	1.07
Straits Times	3,102.31	0.39
KLCI 30	1,447.12	0.05
<b>FX</b>		
Dollar Index	103.87	-0.22
EUR/USD	1.0794	0.27
GBP/USD	1.2563	0.06
USD/JPY	145.45	-0.49
AUD/USD	0.6559	-0.14
USD/CNH	7.1939	-0.01
USD/MYR	4.6840	0.02
USD/SGD	1.3414	-0.18
<b>Commodities</b>		
WTI (\$/bbl)	68.61	-3.80
Brent (\$/bbl)	73.24	-3.67
Gold (\$/oz)	1,977.80	-0.01
Copper (\$\$/MT)	8,355.00	0.17
Aluminum(\$/MT)	2,121.00	0.19
CPO (RM/tonne)	3,652.00	0.22

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 11 Dec for CPO

Partially attributable to the moderating inflation rate, separate data also showed that real average weekly earnings increased by +0.5% y/y in November (Oct: -0.1% y/y). As it is, the latest CPI print is unlikely to alter Fed's near-term policy stance, but traders scaled back bets on how aggressively the Fed will cut rates in 1Q. We maintain our view that the Fed funds rate has peaked for this cycle and the first cut is expected only towards mid-2024.

- The NFIB Small Business Optimism index stayed below the 50Y average, unexpectedly falling to 0.1ppts to 90.6 in November. According to the survey, job openings on Main Street remain elevated and small business owners have not seen a strong wave of workers to fill their open positions. Inflation continues to be the most important problem among small businesses.

#### **ZEW indicators improved for the Eurozone and Germany**

- The Eurozone's ZEW Survey Expectations index jumped to 23.0 in December (Nov: 13.8), while financial market experts' sentiment for Germany unexpectedly improved to 12.8 (Nov: 9.8). The uptick for the latter was supported by heightened expectations of interest rate cuts by the ECB in the medium term and in turn, has contributed to a more optimistic view for the German construction industry.

#### **UK wage growth slowed as the labour market cools**

- While wage growth in the UK remains high, the latest data reaffirmed expectations that wage growth is easing overall as the labour market cools, bolstering expectations that BOE has done enough to rein in inflationary pressures stemming from the labour market. Wage growth slowed more than expected to its lowest pace in almost 2 years at +7.3% y/y for the 3 months ended October (Sep: 7.8% y/y), while the number of employees on payrolls fell 13k in November (Oct: +39k).

#### **Australia's business confidence and conditions worsened**

- NAB Business Confidence and Conditions indices worsened to -9 and +9 respectively in November (Oct: -3 and 13), with easing evident across most industries. Though they remained above average, they are now well off their recent peak in mid-2022 and are being supported by strong employment indices. With forward orders and confidence softening, this suggests that business conditions will continue to weaken further moving forward.

#### **Japan's large manufacturer sentiment improved**

- Tankan Large Manufacturing index improved more than expected to +12 in 4Q (3Q: +9) but is expected to retreat to 8 next quarter. In tandem with this, business mood amongst the largest non-manufacturers also improved to 30 (3Q: 27), indicating that optimistic respondents outnumber pessimists. Data also showed that sentiment picked up across the board and firms expect to increase capital investment by 13.5% in FY2023.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>
DX	102-105	107	107	106	105
EUR/USD	1.06-1.10	1.04	1.04	1.04	1.05
GBP/USD	1.24-1.28	1.20	1.20	1.20	1.21
USD/JPY	141-146	150	147	144	141
AUD/USD	0.65-0.68	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.69	4.74	4.69	4.65	4.60
USD/SGD	1.32-1.36	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25
ECB	4.50	4.50	4.50	4.25	4.00
BOE	5.25	5.25	5.25	5.00	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.35	4.35	4.35	4.35	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

## Up Next

Date	Events	Prior
13-Dec	AU CBA Household Spending MoM (Nov)	-1.00%
	UK Monthly GDP (MoM) (Oct)	0.20%
	EC Industrial Production SA MoM (Oct)	-1.10%
	US MBA Mortgage Applications	2.80%
	US PPI Final Demand YoY (Nov)	1.30%
14-Dec	US FOMC Rate Decision (Upper Bound)	5.50%
	US FOMC Rate Decision (Lower Bound)	5.25%
	JN Core Machine Orders MoM (Oct)	1.40%
	AU Consumer Inflation Expectation (Dec)	4.90%
	UK RICS House Price Balance (Nov)	-63%
	AU Employment Change (Nov)	55.0k
	AU Unemployment Rate (Nov)	3.70%
	JN Industrial Production MoM (Oct F)	1.00%
	HK Industrial Production YoY (3Q)	2.60%
	UK Bank of England Bank Rate	5.25%
	EC ECB Main Refinancing Rate	4.50%
	US Retail Sales Advance MoM (Nov)	-0.10%
	US Initial Jobless Claims	220k
	US Import Price Index YoY (Nov)	-2.00%
	US Export Price Index YoY (Nov)	-4.90%

Source: Bloomberg

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