

22 December 2023

Global Markets Research

Daily Market Highlights

22 Dec: All eyes on US core PCE tonight

US equities and UST yields saw renewed gains ahead of US core PCE print tonight

DXY lost 102s amid downward revision to final 3Q GDP reading and soft US data

AUD and JPY led gains among the majors; SGD led the pack among Asian FX

- Global equities traded on a mixed note overnight. The three major benchmark US stock indices rebounded to increase 0.9-1.2% d/d, putting a halt to the shortlived selloffs on Wednesday, and all closing near the intraday highs and just shy of the record highs. Gains were broad-based across all sectors with financials and technology leading the pack. Earlier in Europe and Asian markets, equities closed mixed to largely lower tracking the selloffs in US equities on Wednesday. Futures are however pointing to a higher opening in Asian markets today, boosted by the rebound in US markets overnight.
- UST came under pressure again and saw yields push higher by 2-5bps across the curve, led by the long ends 20Y and 30Y. Meanwhile, the benchmark 2Y UST yields added 2bps to 4.35% while the 10s rose 4bps to 3.89%, off from a 5-month low. European sovereign bond yields however ended on a mixed note, settling between -1 to +3bps.
- The Dollar Index lost the 102 big figure in early European trading session, last settled 0.6% d/d lower at 101.84, its intraday low and the lowest since end-July, hit by a downward revision in the final reading of 3Q GDP in the US. The greenback depreciated against all majors, the most vs the AUD (-1.1%) and JPY (-1.0%), while losses against the EUR and GBP were comparatively the smallest at 0.6% and 0.4% d/d respectively. Asian currencies traded on a firmer note by and large as well, with the SGD leading the pack with a 0.5% gain to 1.3263. The CNH and MYR clocked muted gains of around 0.1% to 7.1436 and 4.6545 against the USD respectively at close.
- Negative momentum in the DXY has picked up, likely testing the next support at 101.45, a break of which would lead the pair towards 100.50-101.00. A softer USD outlook, barring any surprises in core PCE print tonight, as well as potential year end window dressing, could offer some downside to USD/ MYR as the year draws to a close.
- Oil prices fell after three consecutive days of gains, as higher US production overshadowed potential supply concerns arising from the Red Sea attacks. The Brent and WTI retreated 0.4% d/d each to US\$79.45/ barrel and US\$73.98/ barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,404.35	0.87
S&P 500	4,746.75	1.03
NASDAQ	14,963.87	1.26
Stoxx Eur 600	476.94	-0.21
FTSE 100	7,694.73	-0.27
Nikkei 225	33,140.47	-1.59
CSI 300	3,330.87	1.01
Hang Seng	16,621.13	0.04
Straits Times	3,112.50	0.14
KLCI 30	1,455.58	-0.61
FX		
Dollar Index	101.84	-0.55
EUR/USD	1.1011	0.63
GBP/USD	1.2690	0.40
USD/JPY	142.12	-1.01
AUD/USD	0.6802	1.07
USD/CNH	7.1436	-0.10
USD/MYR	4.6545	-0.08
USD/SGD	1.3263	-0.47
Commodities		
WTI (\$/bbl)	73.89	-0.44
Brent (\$/bbl)	79.39	-0.39
Gold (\$/oz)	2,039.10	0.23
Copper (\$\$/MT)	8,595.50	0.15
Aluminum(\$/MT)	2,244.00	0.13
CPO (RM/tonne)	3,709.50	0.18

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 20 Dec for CPO

US final 3Q GDP growth downgraded to +4.9% q/q; initial jobless claims rose; Philly Fed business outlook worsened; leading index saw extended decline

- The final reading of 3Q GDP growth showed economic activities picked up less than initially estimated, growing by only 4.9% q/q, down 0.3ppt from the earlier estimate of +5.2% q/q. This was due to downward revision in private consumption growth (from +3.6% to +3.1% q/q), raising concerns the consumer sector is beginning to falter as the labour market softens. Initial

jobless claims rose 2k to 205k for the week ended 16-December, although the increase was much smaller than expected for a rise to 215k.

- Further clouding growth outlook in the US are the surprised deterioration in Philly Fed business outlook from -5.9 in November to -10.5 in December, which was dragged by a sharp drop in new orders (-25.6 vs +1.3), shipments (-10.8 vs -17.9), and number of employees (-1.7 vs +0.8). Kansas City Fed manufacturing activity however showed a surprised improvement from -2 to -1 in December, as declines in production, shipment and new orders were offset by improvement in employment and exports.
- Looking forward, leading index contracted at its smallest pace in three months, by 0.5% m/m in November (Oct: -1.0% m/m revised), thanks to improvement in consumer goods orders and stock prices. This however marked its 20th straight month of contraction signalling the US economy remains susceptible to slowdown risk going forward.

Japan CPI tapered off as expected in November

- Headline CPI tapered off to 2.8% y/y in November (Oct: +3.3%) while core CPI ex fresh food and energy also moderated, to 3.8% y/y (Oct: +4.0%), both as expected. Headline CPI was at its lowest since Jul-22 while core CPI clocked an 8-month low, suggesting further retreat in inflationary pressure. The softer price gains was rather broad-based, save for the slight uptick in medical care (+2.5% vs +2.3%) and entertainment (+7.5% vs +6.4%).

Hong Kong CPI eased to 2.6% y/y in November but remained near its year-high on housing costs

- CPI unexpectedly tapered off to 2.6% y/y in November, against expectations for a stable print at October's level of 2.7% y/y. Despite the slight moderation, this nevertheless marked its second highest print this year shored up by the jump in public housing rent following the expiry of rate concessions and one year waiver on extra public housing rent payable. Easier gains in food and miscellaneous services as well as decline in utilities costs more than offset quicker inflation in housing and transport.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	100-104	107	107	106	105
EUR/USD	1.08-1.12	1.04	1.04	1.04	1.05
GBP/USD	1.25-1.29	1.20	1.20	1.20	1.21
USD/JPY	139-145	150	147	144	141
AUD/USD	0.65-0.69	0.64	0.65	0.66	0.67
USD/MYR	4.63-4.69	4.74	4.69	4.65	4.60
USD/SGD	1.31-1.34	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
22-Dec	MA CPI YoY (Nov)	1.80%
	UK Retail Sales Inc Auto Fuel MoM (Nov)	-0.30%
	UK GDP QoQ (3Q F)	0.00%
	MA Foreign Reserves	\$112.3b
	US Personal Income (Nov)	0.20%
	US Personal Spending (Nov)	0.20%
	US Durable Goods Orders (Nov P)	-5.40%
	US PCE Core Deflator YoY (Nov)	3.50%
	US Cap Goods Orders Nondef Ex Air (Nov P)	-0.30%
	US New Home Sales MoM (Nov)	-5.60%
	US U. of Mich. Sentiment (Dec F)	69.4
	US U. of Mich. 1 Yr Inflation (Dec F)	3.10%
	US U. of Mich. 5-10 Yr Inflation (Dec F)	2.80%
	US Kansas City Fed Services Activity (Dec)	1
26-Dec	JN Jobless Rate (Nov)	2.50%
	JN PPI Services YoY (Nov)	2.30%
	SI CPI Core YoY (Nov)	3.30%
	SI Industrial Production YoY (Nov)	7.40%
	US Chicago Fed Nat Activity Index (Nov)	-0.49
	US Philadelphia Fed Non-Manufacturing Activity (Dec)	-11
	US FHFA House Price Index MoM (Oct)	0.60%
	US S&P CoreLogic CS US HPI YoY NSA (Oct)	3.93%
	US Dallas Fed Manf. Activity (Dec)	-19.9

Source: Bloomberg

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