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Global Markets Research

Daily Market Highlights

03 Jan: Markets started 2024 on a cautious note

Tech sector led US stocks lower after Barclay's cut its ratings for Apple

Treasury yields climbed led by the short-end; DXY strengthened against G10, regionals

Overall downward revisions to Manufacturing PMIs for the majors; Caixin PMI improved

- US equity indices started 2024 on a gloomy note, with the tech-focused Nasdaq leading the way lower. The index fell 1.6% d/d as shares of the Magnificent Seven dropped led by Apple shares. Shares of the iPhone maker slid more than 3% d/d after Barclays cut its ratings to underweight, citing weakness in volumes. S&P 500 also lost 0.6% d/d but the Dow remained in positive territory supported by defensive stocks like Johnson & Johnson and Merck.
- Elsewhere, European and Asian markets kicked-off the year on a cautious note and closed mixed. Energy, defence and shipping stocks supported European indices amidst the Red Sea tension, while China and Hong Kong stocks closed in the red after official data showed that the China manufacturing PMI contracted further in December 2023. Markets in Japan remained closed for the public holiday.
- Treasury yields climbed in tune to 4-8bps led by the short-end. The 2Y yield closed up 7bps to 4.32%, while the 10Y gained 5bps to 3.93%. 10Y European bond yields also rose in tune to 2-11bps save the Norwegian bonds which fell 1bps.
- DXY recovered from its low of 101.34 and closed the day at 102.20 (+0.9% d/d), strengthening against all its G10 peers and regional currencies amidst higher UST yields. Weak manufacturing PMI data also weighed on European currencies (-0.9% to -1.8% d/d) while regional currencies depreciated up to 1.0% d/d each.
- Oil was volatile, pulled back from an earlier rally and closed the day 1.5-1.8% d/d lower as risk-off sentiment outweighed heightened geopolitical tension. Crude prices had rallied earlier in the day after Iran sent its warship to the Red Sea after the US sank three Houthi boats.

Mostly downward revisions to S&P Manufacturing PMIs for the majors; China Caixin PMI unexpectedly improved

- The final Manufacturing PMI for the US was revised downwards 0.3ppts to 47.9 in December (Nov: 49.4) on renewed contraction in output as orders fell at sharper pace. The rates of inflation picked up, while the employment sub-index recorded its joint-fastest drop since June 2020.
- The final Manufacturing PMI for the Eurozone was revised upwards by 0.2ppts to 44.4 in December (Nov: 44.2), primarily reflecting softer deteriorations in Germany and Italy. France, on the other hand, recorded the strongest worsening of business conditions in over 3.5 years. All three main industrial groups remained sluggish, but were most acute for intermediate goods producers.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,715.04	0.07
S&P 500	4,742.83	-0.57
NASDAQ	14,765.94	-1.63
Stoxx Eur 600	478.51	-0.11
FTSE 100	7,721.52	-0.15
Nikkei 225	33,464.17	-0.22
CSI 300	3,386.35	-1.30
Hang Seng	16,788.55	-1.52
Straits Times	3,229.95	-0.32
KLCI 30	1,453.10	-0.11
FX		
Dollar Index	102.20	0.86
EUR/USD	1.0942	-0.88
GBP/USD	1.2617	-0.90
USD/JPY	141.99	0.67
AUD/USD	0.6761	-0.75
USD/CNH	7.1491	0.33
USD/MYR	4.6058	0.26
USD/SGD	1.3256	0.40
Commodities		
WTI (\$/bbl)	70.38	-1.77
Brent (\$/bbl)	75.89	-1.49
Gold (\$/oz)	2,073.40	0.08
Copper (\$\$/MT)	8,544.50	-0.17
Aluminum(\$/MT)	2,335.50	-2.03
CPO (RM/tonne)	3,716.50	0.50

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 27 Dec for CPO

- The final Manufacturing PMI for the UK was revised downwards by 0.2ppts to 46.2 in December (Nov: 7-month high of 47.2). as the demand backdrop remained frosty for both the domestic and in key export markets, notably the EU. The downturn hit manufacturers' confidence, which dipped to its lowest level in a year, and encouraged renewed cost caution, further cutbacks to stock, purchasing and employment.
- The final Judo Bank Australia Manufacturing PMI was revised downwards by 0.2ppts to 47.6 in December (Nov: 47.7). This is the sharpest since May 2020 as employment levels fell at a quicker pace but input cost and output price inflation intensified.
- The Caixin China Manufacturing PMI unexpectedly improved to 50.8 in December (Nov: 50.7), the 4th in 5 months that the index was in expansion mode. Firms signalled stronger increases in output and new orders amidst reports of firmer market demand. Of note, new export business fell at the smallest rate in six months. Business confidence regarding the year-ahead, nonetheless, remained subdued and firms maintained a cautious approach to employment.
- The Malaysia PMI was unchanged at 47.9 in December, as moderations in production and new business inflows suggest subdued demand moving forward. There was also evidence that firms are increasingly utilising existing stocks to complete orders. On a positive note, input inflation eased to a 3-month low and employment levels rose for the first time since April 2023.
- The Vietnam PMI turned contractionary at 48.9 in December (Nov: 50.0), weighed down by the second successive monthly fall in new orders as well as scale back in output. Purchasing activity and employment were broadly unchanged and moving forward, firms were still optimistic that output will expand.

US construction spending rose less than expected due to public projects

- US construction spending rose less than expected by 0.4% m/m in November amidst a decline in outlays on public projects, but data for the prior month was revised sharply higher to +1.2% m/m, suggesting underlying strength in the sector. Spending on new single-family construction projects jumped 2.9% m/m (Oct: +1.1% m/m) as shortage of previously owned homes on the market is boosting new construction, while outlays of multi-family housing projects remained soft at +0.1% m/m (Oct: 0). Spending on private non-residential structures was unchanged at +0.2% m/m, with outlays on the manufacturing sector supported by the Biden administration efforts to bring semiconductor manufacturing back to the US.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	100-104	101	107	106	105
EUR/USD	1.08-1.12	1.10	1.04	1.04	1.05
GBP/USD	1.25-1.29	1.27	1.20	1.20	1.21
USD/JPY	140-144	141	147	144	141
AUD/USD	0.66-0.70	0.68	0.65	0.66	0.67
USD/MYR	4.58-4.65	4.59	4.69	4.65	4.60
USD/SGD	1.31-1.34	1.32	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
3-Jan	US MBA Mortgage Applications	-1.50%
	SI Purchasing Managers Index (Dec)	50.3
	US ISM Manufacturing (Dec)	46.7
	US JOLTS Job Openings (Nov)	8733k
4-Jan	US FOMC Meeting Minutes	
	AU Judo Bank Australia PMI Services (Dec F)	47.6
	HK S&P Global Hong Kong PMI (Dec)	50.1
	JN Jibun Bank Japan PMI Mfg (Dec F)	47.7
	SI S&P Global Singapore PMI (Dec)	55.8
	CH Caixin China PMI Services (Dec)	51.5
	HK Retail Sales Value YoY (Nov)	5.60%
	EC HCOB Eurozone Services PMI (Dec F)	48.1
	UK Net Consumer Credit (Nov)	1.3b
	UK Mortgage Approvals (Nov)	47.4k
	UK DMP 1 Year CPI Expectations (Dec)	4.40%
	UK S&P Global UK Services PM (Dec F)	52.7
	US Challenger Job Cuts YoY (Dec)	-40.80%
	US ADP Employment Change (Dec)	103k
	US Initial Jobless Claims	218k
	US S&P Global US Services PMI (Dec F)	51.3

Source: Bloomberg

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