

5 January 2024

Global Markets Research

Daily Market Highlights

05 Jan: Resilient labour data sent UST yields higher

Better than expected US ADP job gains and jobless claims pared rate cut bets

DXY dipped but still above 102s; second downgrade on Apple weighed down on stocks

Overall upgrades in PMI services underscored resiliency in the services sector globally

- Nasdaq closed lower for a fifth consecutive session as shares of Amazon and Apple weighed on the tech-heavy index. The benchmark S&P 500 also slid 0.3% d/d, while Dow was the outlier, closing just above the flatline. Apple slid another 1.3% d/d, hit by a second downgrade this week on iPhone worries. Shares of Walgreens Boots Alliance and Conagra Brands also dropped, the former after the drugstore chain slashed its next dividend by nearly half, and the latter after it said it expects organic sales to decline. Elsewhere, European stocks mostly climbed, while stocks fell in Shanghai and Tokyo.
- Led by the long-end, US treasury yields rose between 5-8bps across the curve after jobless claims and monthly employment data came in better than expected, signaling a still resilient US labour market in December. In Europe, 10Y sovereign bond yields gained between 8-18bps led by Norwegian bonds.
- DXY closed marginally lower at 102.42 (-0.1% d/d), holding above the 102-handle for the 3rd day. Dollar closed mixed against its G10 peers, and mostly strengthened against regionals. MYR and SGD depreciated by 0.1% d/d each to 4.6350 and 1.3293.
- Oil prices unwound an earlier rally, closing the day 0.7-0.8% d/d lower as a massive gasoline stockpile in the US overshadowed a larger-than-expected crude stock draw. Gasoline stocks swelled the most in 30 years. while total crude stockpiles fell nationwide despite Cushing buildup. Crude had rallied earlier in the session as protests in Libya shut output from yet another oil field.

Generally positive PMI services

- The final Services PMI for the US was revised upwards by 0.1ppts to 51.4 in December (Nov: 50.8). The faster upturn was stemmed from the sharpest rise in new orders and employment growth in six months.
- The final Services PMI for the Eurozone was revised upwards by 0.7ppts to 48.8 (Nov: 48.7). Key highlights from this report are that businesses are successfully transferring a portion of their growing input costs to customers, pessimistic signals of future activity, and that the three biggest economies in the Eurozone continued to languish.
- The final Services PMI for the UK was revised upwards by 0.7ppts to 53.4 (Nov: 50.9), as business activity and incoming new work both picked up at the strongest rates in six months. Optimism regarding the business outlook for 2024 also improved for the second month in a row to its highest since last May, driven by hopes of a sustained turnaround in client demand. However, it should be noted that employment fell slightly and prices charged inflation accelerated again.
- The Caixin China Services PMI improved more than expected to 52.9 in December (Nov: 51.5). This is the quickest recorded since July and solid, aided

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,440.34	0.03
S&P 500	4,688.68	-0.34
NASDAQ	14,510.30	-0.56
Stoxx Eur 600	477.68	0.69
FTSE 100	7,723.07	0.53
Nikkei 225	33,288.29	-0.53
CSI 300	3,347.05	-0.92
Hang Seng	16,645.98	0.00
Straits Times	3,174.01	-0.79
KLCI 30	1,477.26	1.02
FX		
Dollar Index	102.42	-0.07
EUR/USD	1.0945	0.21
GBP/USD	1.2682	0.13
USD/JPY	144.63	0.94
AUD/USD	0.6707	-0.37
USD/CNH	7.1752	0.12
USD/MYR	4.6350	0.05
USD/SGD	1.3293	0.05
Commodities		
WTI (\$/bbl)	72.19	-0.70
Brent (\$/bbl)	77.59	-0.84
Gold (\$/oz)	2,050.00	0.35
Copper (\$\$/MT)	8,466.50	-0.59
Aluminum(\$/MT)	2,281.00	-1.36
CPO (RM/tonne)	3,629.00	-0.49

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 3 Jan for CPO

by the fastest rise in new work since May as well as a slight increase in employment.

- The final Jibun Bank Japan Manufacturing PMI was revised upwards by 0.2ppts to 47.9 in December (Nov: 48.3). However, this remained the steepest contraction since February as market uncertainty weighed on new orders and output. Input price inflation picked up to a 3-month high, while confidence in the future also rose to a 5-month high.
- The Hong Kong PMI rose to 51.3 in December (Nov: 50.1) as new business expanded for the first time since June. Forward-looking PMI indicators, nonetheless, provided a more measured outlook with the backlogs of work index falling at a faster rate and business sentiment turned more pessimistic. The good news is that cost pressures have eased to its historical average.
- The Singapore PMI inched down to 55.7 in December (Nov: 55.8) but still ended 2023 with solid growth. New business rose at the fastest rate since last May and businesses employed staff at a survey-record rate. Selling price inflation eases despite faster rise in average costs, suggesting some pressures on margins.

US job gains rose more than expected, job cuts second lowest in 2023, jobless claims lower than expected

- A slew of December data highlighting a resilient labor market. The ADP Employment report showed that job gains rose for the fourth straight month and more than expected by +164k in December (Nov: +101k) but wage growth slowed further to +5.4% y/y (Nov: +5.6% y/y). Job gains were led by a healthy bump in leisure and hospitality, while construction held strong. Manufacturing continued to struggle, notching another month of losses.
- The Challenger report meanwhile showed that employers announced 34.8k job cuts for the same month (-20.2% y/y vs -40.8% y/y), its second-lowest monthly total in 2023. Nonetheless, YTD cuts jumped 98.4% y/y to 721.7k, its highest since 2020 as the tech sector led cuts, impacted by the onset of AI, mergers and acquisitions as well as realigning of resources and talent. This is followed by retail sales and health care.
- Meanwhile, both the initial and continuing jobless claims came in lower than expected. Initial claims fell 18k to 202k for the week ended December 30 (Dec 23: +14k), its lowest since October while continuing claims dropped 31k to 1855k for the week ended Dec 23 (Dec 16: +25k)

UK's mortgage approvals jumped; consumer credit highest in almost 7 years

- Mortgage approvals rose more than expected to 50.1k in November (Oct: 47.9k), its highest since June as cooling borrowing costs brought buyers into the market. Nonetheless, approvals at this level are down nearly a third as compared to August 2022 and is well below the 10Y average of 69k.
- In tandem with this, net consumer credit also jumped £2.0bn (Oct: £1.4bn), its highest in almost 7 years mainly driven by credit cards, a potential sign of strengthening consumer confidence as wage growth outpaced inflation. Separate data also showed that the Decision Maker Panel (DMP) 1Y CPI Expectations continued with its downward trend to +4.0% in December (Nov: +4.4%).

Robust retail sales for Hong Kong

- Retail sales accelerated more than expected by +15.9% y/y in November (Oct: +5.8% y/y) as demand picked up even for discretionary items like electrical goods & other consumer durable goods not elsewhere classified; jewellery,

watches & clocks, and valuable gifts as well as for wearing apparel. Moving forward, inbound tourism should continue to benefit the retail sector, and will be further supported by improvement in household income, as well as various promotional campaigns and activities launched by the Government and the industry

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	100-104	100	99	99	98
EUR/USD	1.08-1.12	1.11	1.11	1.10	1.09
GBP/USD	1.25-1.29	1.28	1.29	1.27	1.26
USD/JPY	140-144	139	137	135	133
AUD/USD	0.66-0.70	0.69	0.69	0.70	0.71
USD/MYR	4.58-4.65	4.55	4.50	4.45	4.39
USD/SGD	1.31-1.34	1.31	1.30	1.29	1.28

Rates, %	Current	1Q-24	2Q-24	3Q-24	4Q-24
Fed	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75	4.50-4.75
ECB	4.50	4.50	4.25	3.75	3.50
BOE	5.25	5.25	5.25	5.00	4.50
BOJ	-0.10	-0.10	-0.10	0.00	0.00
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
5-Jan	JN Jibun Bank Japan PMI Services (Dec F)	52
	SI Retail Sales SA MoM (Nov)	-0.80%
	JN Consumer Confidence Index (Dec)	36.1
	EC CPI Core YoY (Dec P)	3.60%
	EC PPI YoY (Nov)	-9.40%
	US Change in Nonfarm Payrolls (Dec)	199k
	US Average Hourly Earnings MoM (Dec)	0.40%
	US Factory Orders (Nov)	-3.60%
	US ISM Services Index (Dec)	52.7
8-Jan	MA Foreign Reserves	\$112.8b
	EC Sentix Investor Confidence (Jan)	-16.8
	EC Retail Sales MoM (Nov)	0.10%
	EC Economic Confidence (Dec)	93.8
8—19 Jan	CH CPI YoY (Dec)	-0.50%
	CH PPI YoY (Dec)	-3.00%
	CH New Home Prices MoM (Dec)	-0.37%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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