

8 January 2024

## Global Markets Research

### Daily Market Highlights

## 08 Jan: Resilient US jobs data dampened March rate cut bets

**Positive surprises in nonfarm job gains overshadowed negative surprises from ISM services**  
**US equity markets closed mildly higher; 10Y UST yield back above 4%; DXY closed flattish**  
**Eurozone's inflation accelerated after Germany removed energy aid; core held steady**

- The US equity markets gyrated on Friday and closed modestly higher by 0.1-0.2% d/d, but all three major indices snapped a nine-week winning streak. Financials and utilities were the leading gainers during the day, while consumer staples and real estate lost ground after the US non-farm payroll (NFP) surprised on the upside but the ISM-Services surprised on the downside. This week, traders will be watching out for December's CPI data for fresh clues on Fed's next move as well as the kick-off of the earnings season with results from JPMorgan Chase, UnitedHealth and Delta Air Lines on deck.
- Elsewhere, Asian markets closed mixed, while European markets closed lower as sentiment faltered after the pick-up in Eurozone inflation print and bigger than expected job gains in the US. Shares of LMVH and Remy Cointreau fell after China announced an anti-dumping probe on European liquor products.
- In the Treasury market, the 10Y yield was up 5bps to 4.05%, while the 2Y closed less than 1bps to 4.38%. 10Y European bond yields fell between 3-6bps.
- DXY closed flattish at 102.41 after the mixed US data, rallying after the NFP number but fell after the ISM report, dropping to session lows below 102. DXY subsequently trimmed losses. European and regional currencies closed mixed. EUR closed flattish while GBP appreciated 0.3% d/d in Europe, while CNH strengthened 0.2% d/d and MYR weakened 0.4% d/d to 4.6553 in Asia. SGD closed flattish at 1.3296.
- Oil rebounded 1.5-2.2% d/d as US Secretary of State Antony Blinken prepares a visit to the Middle East after a deadly attack in Iran which stoked concerns that the conflict is broadening.

### Stronger than expected NFP and factory orders; ISM-Services pulled back more than expected

- NFP gained more than expected by +216k in December (Nov: +173k) while wages rose at a solid and steady clip of +0.4% m/m. Despite the 71k two months downward revision in the NFP, unemployment held steady at 3.7%, suggesting that the labour market remained resilient although cooling, should provide cushion for continued consumer spending going forward and casting doubts on market expectations that the Fed would start cutting interest rates as soon as March. Employment continued to trend up in government, health care, social assistance and construction, while transportation and warehousing lost jobs.
- In the manufacturing sector, factory orders rebounded more than expected by +2.6% m/m in November (Oct: -3.4% m/m) amid a surge in demand for civilian aircraft. Stripping this, orders also posted a mild increase of +0.1% m/m (Oct: -1.3% m/m) as orders for primary metals, machinery, computers &

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	37,466.11	0.07
S&P 500	4,697.24	0.18
NASDAQ	14,524.07	0.09
Stoxx Eur 600	476.38	-0.27
FTSE 100	7,689.61	-0.43
Nikkei 225	33,377.42	0.27
CSI 300	3,329.11	-0.54
Hang Seng	16,535.33	-0.66
Straits Times	3,184.30	0.32
KLCI 30	1,487.61	0.70
<b>FX</b>		
Dollar Index	102.41	-0.01
EUR/USD	1.0943	-0.02
GBP/USD	1.2720	0.30
USD/JPY	144.63	0.00
AUD/USD	0.6713	0.09
USD/CNH	7.1627	-0.17
USD/MYR	4.6553	0.44
USD/SGD	1.3296	0.02
<b>Commodities</b>		
WTI (\$/bbl)	73.81	2.24
Brent (\$/bbl)	78.76	1.51
Gold (\$/oz)	2,049.80	-0.01
Copper (\$\$/MT)	8,463.00	-0.04
Aluminum (\$/MT)	2,273.50	-0.33
CPO (RM/tonne)	3,666.50	1.03

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 4 Jan for CPO

electronic products as well as electrical equipment, appliances & components increased

- On the flipside, the ISM Services Index pulled back more than expected to 50.6 in December (Nov: 52.7) amidst slower expansion in new orders and a sharp contraction in the employment index, the latter the lowest since July 2020, Firms were generally concerned over the unfolding geopolitical events, economic uncertainty as well as labor constraints, and a sustained slowdown in this sector could raise risks of a broader cooling US economy.

#### **Eurozone's inflation accelerated after Germany removed energy aid; core held steady**

- While inflation may pick up temporarily in the near term, there is no change in our view that inflation is on course for a moderating trend and that the ECB will start cutting rates in 2Q. Matching expectations, inflation accelerated to +2.9% y/y in December (Nov: +2.4% y/y) while core moderated to +3.4% y/y (Nov: +3.6% y/y). The jump in headline was mainly due to lower base effect from energy, after Germany's decision to remove support for energy costs. Services inflation, meanwhile, held steady but still elevated at +4.0% y/y and as such, ECB will be watching closely wage growth going forward to determine how sticky this could be.

#### **Japan's consumer confidence improved; PMI services rose less than initially estimated**

- Mixed economic numbers from Japan. Consumer confidence improved for the third month and more than expected to 37.2 in December (Nov: 36.1), with all sub-indices increasing m/m and the percentage of group who expect price expectations a year ahead to "go up" at 90.8%, a decrease of 0.8ppts m/m.
- The final Jibun Bank Services PMI, meanwhile, was revised downwards by 0.5ppts to 51.5 in December (Nov: 50.8). At this rate, this is the second-weakest in 2023. Driving the m/m uptick was a faster rise in new business, while optimism also rose to its highest in 4 months. A steeper increase in operating expenses also led providers to raise prices to its strongest rate since August.

#### **Singapore's retail sales rebounded more than expected on online sales**

- Retail sales reversed previous month's losses and rebounded more than expected by +2.5% y/y in November (Oct: -0.1% y/y). More than half of the categories recorded growth, led by food & alcohol, motor vehicles, as well as watches & jewellery. Online retail sales also accounted for a larger percentage of total sales at 15.2%, mainly attributed to year-end online shopping events such as Singles' Day and Black Friday and benefitted computer & telecommunications equipment, furniture & household equipment as well as supermarkets & hypermarkets industries.

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

<b>FX</b>	<b>This Week</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>
DX	100-104	100	99	99	98
EUR/USD	1.08-1.11	1.11	1.11	1.10	1.09
GBP/USD	1.25-1.29	1.28	1.29	1.27	1.26
USD/JPY	142-146	139	137	135	133
AUD/USD	0.66-0.69	0.69	0.69	0.70	0.71
USD/MYR	4.60-4.66	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
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%
9-Jan	US Consumer Credit (Nov)	\$5.134b
	JN Tokyo CPI YoY (Dec)	2.60%
	JN Household Spending YoY (Nov)	-2.50%
	AU Retail Sales MoM (Nov)	-0.20%
	AU Building Approvals MoM (Nov)	7.50%
	EC Unemployment Rate (Nov)	6.50%
	US NFIB Small Business Optimism (Dec)	90.6
	US Trade Balance (Nov)	-\$64.3b
9-15 Jan	CH Aggregate Financing CNY (Dec)	2450.0b

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](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.