

9 January 2024

Global Markets Research

Daily Market Highlights

09 Jan: Investors await US CPI print for the Fed's next move

Revivals in tech stocks lifted Wall Street; UST yields and DXY closed mildly lower

Bostic sees two rate cuts in 2H2024; US consumer credit jumped on credit card spending

Eurozone's retail sales fell, confidence improved but still weak

- US major stock indices posted solid gains between 0.6-2.2% d/d on Monday with a rebound in large tech stocks at the forefront of the rally. All the Magnificent Seven stocks climbed more than 1% d/d each, led by chip maker Nvidia which jumped 6.4% d/d. Boeing shares, nonetheless, tempered Dow's gains, plunging 8.0% d/d following the Max 9 mishap. As it is, the plane maker took its first step to unground the Max 9 jetliners, issuing guidance to airlines on required inspection to prevent another midair fuselage blowout. In Fed speak, Atlanta President Raphael Bostic said that he sees two rate cuts in 2024 starting in 3Q.
- European markets also turned positive after the improved economic confidence data, with the technology and retail stocks leading gains. Oil and gas stocks retreated following Saudi Arabia's announcement to cut prices to its Asian customers. Hang Seng and CSI 300 led losses in Asia after shadow bank Zhongzhi filed for bankruptcy.
- Treasuries also rallied, driving yields down in tune of 1-2bps across the curve and the 2Y and 10Y yields closing at 4.38% and 4.03% respectively. 10Y European bond yields fell 2-3bps, save for the Norwegian and Swedish bonds which rose 1-3bps.
- DXY slumped 0.2% d/d to 102.21, weakening against 9 of its G10 peers as traders continued to digest last week's mixed data and looked ahead to the key US CPI reading for fresh clues on Fed's next move. Asian currencies, meanwhile, closed mixed against USD. SGD and MYR strengthened slightly by 0.1% d/d each to 1.3281 and 4.6515 respectively.
- Crude oil prices plunged more than 3.0% d/d after Saudi Aramco sharply lowered the price of Arab Light Crude to its Asian customers by \$2.00/barrel. This is the lowest since November 2021, the latest signs of demand weakness.

US consumer credit jumped on credit card

- Consumer credit surged more than expected and by the most in a year in November (+\$23.8bn vs \$5.8bn). Revolving credit outstanding rose \$19.1bn (Oct: \$2.9bn), the most since March 2023, driven by a jump in credit card balances as the holiday-shopping season kicked off, while non-revolving credit which includes auto purchases and school tuition climbed slightly by +\$4.6bn (Oct: +\$2.8bn). With elevated borrowing costs and bigger credit card balances, consumers are at risk of a pullback in discretionary spending going forward.
- In a nod to easing price pressures, NY Fed inflation expectations declined across all its horizons, with the 1Y retreating to its 3-year low 3.0% in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,683.01	0.58
S&P 500	4,763.54	1.41
NASDAQ	14,843.77	2.20
Stoxx Eur 600	478.18	0.38
FTSE 100	7,694.19	0.06
Nikkei 225	33,377.42	0.27
CSI 300	3,286.06	-1.29
Hang Seng	16,224.45	-1.88
Straits Times	3,187.02	0.09
KLCI 30	1,495.70	0.54
FX		
Dollar Index	102.21	-0.20
EUR/USD	1.0950	0.06
GBP/USD	1.2748	0.22
USD/JPY	144.23	-0.28
AUD/USD	0.6720	0.10
USD/CNH	7.1627	0.00
USD/MYR	4.6515	-0.08
USD/SGD	1.3281	-0.11
Commodities		
WTI (\$/bbl)	70.77	-4.12
Brent (\$/bbl)	76.12	-3.35
Gold (\$/oz)	2,033.50	-0.80
Copper (\$\$/MT)	8,448.00	-0.18
Aluminum(\$/MT)	2,236.50	-1.63
CPO (RM/tonne)	3,686.00	0.53

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 5 Jan for CPO

December (Nov: 3.4%). The 3Y and 5Y also moderated to 2.6% and 2.5% respectively (Nov: 3.0% and 2.7%).

Sentiment in the Eurozone improved but still weak; retail sales fell

- A slew of still weak data from the Eurozone, suggesting that the economy is still flirting with recession risks and reaffirming our expectations that the ECB could out-dove the Fed. Matching expectations, retail sales fell for the first time in three months and by its sharpest since August at -0.3% m/m in November (Oct: +0.4% m/m). Sales of food, beverages, and tobacco fell for a second month, while non-food sales excluding fuel dropped by 0.4% (Oct: +1.0% m/m) amid a slump in online retail sales.
- Confidence in the economic bloc, meanwhile, improved but remained negative overall and thus, too early to suggest a sustained turnaround sentiment. Economic confidence improved more than expected to 96.4 in December (Nov: 94.0), driven by higher confidence among consumers, retail trade, services and construction sectors, while confidence in industry remained broadly unchanged. Sentix Investor Confidence also rose for the third month to -15.8 (Nov: -16.8), its highest since May 2023 as both the situation and expectations sub-indices improved.

Tokyo's inflation rate slowed; Japan consumers cut back on spending

- Tokyo's inflation rate slowed for the second month and by more than expected (Dec: +2.4% y/y vs Nov: +2.7% y/y), a sign that cost-push inflation is easing further while Japanese consumers are also cutting back on discretionary spending (Nov: -2.9% y/y vs Oct: -2.5% y/y). Data this morning showed that prices in the capital were weighed down by easing prices for processed food, while utility prices continued to fall as gas prices sank sharply. The latest data is broadly in line with BOJ's view that imported inflation is subsiding and the central bank have now switch focus on wage hikes for any shifts in policy decisions.

Malaysia's foreign reserves stood at \$113.bn as of end-2023

- Foreign reserves rose by \$0.7bn in 2H of December to US\$113.5bn as of end-2023 (1H: +\$0.5bn). The reserves level has, nonetheless, taken into account the quarterly foreign exchange revaluation changes and is sufficient to finance 5.4 months of imports of goods and services and is 1.0 times the total short-term external debt.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	100-104	100	99	99	98
EUR/USD	1.08-1.11	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
9-Jan	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
10-Jan	JN Labor Cash Earnings YoY (Nov)	1.50%
	AU Job Vacancies QoQ (Nov)	-8.90%
	AU CPI YoY (Nov)	4.90%
	US MBA Mortgage Applications	-9.40%
	US Wholesale Inventories MoM (Nov F)	-0.20%
	US Wholesale Trade Sales MoM (Nov)	-1.30%

Source: Bloomberg

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