

10 January 2024

## Global Markets Research

### Daily Market Highlights

## 10 Jan: Markets stayed on the sideline ahead of US CPI

Quiet sessions ahead of the US inflation data; DXY gained on broad risk-off environment

Eurozone's unemployment rate fell to its record low of 6.4%; Japan's wages slowed

World Bank: global economic growth to ease for a third year to 2.4% in 2024

- US stocks had a relatively quiet session, closing mixed as investors look ahead to the upcoming CPI print as well as kick-off of the earnings season later in the week. Nasdaq climbed for the third day by +0.1% d/d, with shares of the Magnificent Seven group closing mixed. Dow Jones and S&P 500, on the other hand, closed lower by 0.2-0.4% d/d, with the tech sector, communication services and consumer staples advancing but financials, industrial and consumer sectors declining for the S&P. In corporate news, Hewlett Packard is in talks to buy Juniper Networks for \$13bn.
- Elsewhere, broad risk off mood weighed on the European markets, but Asian markets closed mixed. PBoC easing hopes supported CSI 300, while Nikkei hit its 33-year high on the back of gains in tech stocks.
- Treasuries had a modest rally, sending yields down 1-2bps across the curve and the 2- and 10Y closing at 4.36% and 4.01% respectively. On the other hand, 10Y European bond yields gained between 1-6bps.
- DXY bounced up to 102.57 (+0.4% d/d) in a risk-off environment, strengthening against all its G10 peers save the NOK as well as most of the regional currencies. CHF and AUD led losses against the Dollar, while closer to home, MYR appreciated by 0.2% d/d to close at 4.6425, while SGD weakened 0.2% d/d to 1.3310.
- Oil prices reversed previous day's losses and rebounded by 1.9-2.1% d/d on the back of continued attacks on merchant ships in the Red Sea and shutdowns of major oil fields in Libya. In a news update, the **Energy Information Administration (EIA) expects Brent crude oil price to average \$82/barrel in 2024, about the same as in 2023, before softening to \$79/b in 2025** as they expect production growth to slightly outpace demand, allowing inventories to build modestly.

**World Bank: Global growth in 2020-24 set to be the weakest start to a decade in 30 years**

- Key highlights from the latest Global Economic Prospects: 1) **Global growth is expected to slow for a third year in a row to 2.4% in 2024 before ticking up to 2.7% in 2025** (2023: 2.6%). These are still below the 3.1% average of the 2010s and without corrective action, global growth will remain well below potential for the remainder of the 2020s. 2) **Global inflation is expected to moderate further to 3.7% in 2024 and 3.4% in 2025**, underpinned by softer demand growth and slightly lower commodity prices. This is, however, still elevated as compared to the pre-pandemic levels. 3) In 2024, US economic growth is expected to slow to 1.6%, with high real interest rates restraining activity. Growth is expected to pick up to 1.7% in 2025 as the impact of easing monetary policy feeds through the economy. 4) Growth in Euro area is

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	37,525.16	-0.42
S&P 500	4,756.50	-0.15
NASDAQ	14,857.71	0.09
Stoxx Eur 600	477.26	-0.19
FTSE 100	7,683.96	-0.13
Nikkei 225	33,763.18	1.16
CSI 300	3,292.50	0.20
Hang Seng	16,190.02	-0.21
Straits Times	3,197.96	0.34
KLCI 30	1,498.83	0.21
<b>FX</b>		
Dollar Index	102.57	0.35
EUR/USD	1.0931	-0.17
GBP/USD	1.2710	-0.30
USD/JPY	144.48	0.17
AUD/USD	0.6687	-0.49
USD/CNH	7.1842	0.30
USD/MYR	4.6425	-0.19
USD/SGD	1.3310	0.22
<b>Commodities</b>		
WTI (\$/bbl)	72.24	2.08
Brent (\$/bbl)	77.59	1.93
Gold (\$/oz)	2,033.00	-0.02
Copper (\$\$/MT)	8,369.50	-0.93
Aluminum(\$/MT)	2,249.50	0.58
CPO (RM/tonne)	3,687.00	0.03

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 8 Jan for CPO

expected to remain anaemic at 0.7% in 2024, with easing price pressures boosting real wages and lifting disposable incomes, but the lagged effects of past monetary tightening are expected to keep a lid on domestic demand, Growth is projected to pick up to 1.6% in 2025, supported by a recovery in investment growth. The European Union's NextGenerationEU (NGEU) funds is expected to lift public investment. 5) Growth in China is projected to slow to 4.5% in 2024 as subdued sentiment is expected to weigh on consumption, while persistent strains in the property sector will hold back investment. Growth is expected to edge down further to 4.3% in 2024, amid the continuing slowdown of potential growth.

**US NFIB Small Business Optimism improved to av5-month high but still below long-term average; trade deficit narrowed on higher services exports and decline in imports of consumer foods**

- The NFIB Small Business Optimism index improved more than expected to its 5-month high of 91.9 in December (Nov: 90.6) as owners were less downbeat over sales, earnings trends and economic expectations. The index at this level however, remained below the 5Y average of 98.0, suggesting that owners remained very pessimistic about economic prospects, plagued by inflation concerns.
- Trade deficit unexpectedly narrowed to \$63.2bn in December (Nov: -\$64.5) driven by a pick-up in services exports to a record \$85.7bn and a slight decline in imports of consumer goods, the latter reflecting softer consumer spending as imports of consumer goods like cellphones fell to its 1-year low. There were also declines in imports of pharmaceutical preparations as well as industrial supplies and materials, which include petroleum products. Overall, total exports and imports for both goods and services fell by 1.9% m/m each in December (Nov: -1.1% m/m and +0.2% m/m).

**Eurozone's unemployment rate fell to its record low of 6.4%**

- Unemployment rate unexpectedly fell to its record low of 6.4% in November (Oct: 6.5%). Despite the economic downturn, employers are still struggling to find staff, pushing wages higher, keeping upside risks to inflation and supporting our call that the ECB will maintain its policy rates until 2Q.

**Better than expected Australia's retail sales and building approvals data**

- A slew of better-than-expected November economic data from Australia. Building approvals moderated to +1.6% y/y (Oct: +7.2% y/y), while retail sales rebounded to +2.0% y/y (Oct: -0.4% m/m). The latter does not change our view that consumer spending remained subdued and was largely distorted by seasonal spending in view of the upcoming Christmas season as well as "Black Friday" sales. As it is, retailers have reported that consumers are seeking discounts on discretionary goods in light of the higher cost of living, and with this, we saw spending on household goods retailing, department stores as well as clothing, footwear and personal accessory retailing leading uptick during the month.

**Japan's wage growth unexpectedly slowed**

- Wage growth unexpectedly slowed to +0.2% y/y in November (Oct: +1.5% y/y), adding more reasons for BOJ to stand pat in the near term. As it is, officials have said that they are monitoring wage trends for signs that there is enough momentum for the economy to achieve its inflation target of 2% and thus, we expect central bank to look ahead of the annual spring wage

negotiations in March. In this context, it has been reported that Japan's largest labour union federation is urging companies to raise wage by at least 5%.

#### 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
10-Jan	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%
11-Jan	AU Exports MoM (Nov)	0.40%
	MA Manufacturing Sales Value YoY (Nov)	-1.40%
	MA Industrial Production YoY (Nov)	2.70%
	JN Leading Index CI (Nov P)	108.9
	US CPI Ex Food and Energy YoY (Dec)	4.00%
	US Initial Jobless Claims	202k
	US Real Avg Weekly Earnings YoY (Dec)	0.50%
	CH FDI YTD YoY CNY (Dec)	-10.00%
11-18 Jan	CH FDI YTD YoY CNY (Dec)	-10.00%

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)

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