

12 January 2024

## Global Markets Research

### Daily Market Highlights

## 12 Jan: Elevated shelter costs continued to haunt US CPI

**US equity markets shrugged off hotter-than-expected CPI print; UST yields and DXY fell**  
**Crude oil prices jumped after Iran seized oil tanker; US and UK announced military strikes**  
**Slower IPI growth for Malaysia on the back of broad-based pullback across sectors**

- US equities were little changed after a choppy day, as investors largely shrugged off the higher-than-expected inflation print for December. The S&P had earlier fallen by as much as 1.1% after the data was released but pared its losses later in the day. In corporate updates, Citigroup fell 1.8% d/d after disclosing billions of dollars in 4Q costs, while Boeing dropped 2.3% d/d after the US air safety regulator announced an investigation over the 737 Max 9 mid-air blowout. Hertz tumbled 4.3% d/d after it announced plans to sell 20k EVs due to poor demand.
- Elsewhere, European markets closed lower after the US inflation report. British retailer Marks & Spencer fell 5.2% d/d after pointing to “near-term challenges” despite reporting strong Christmas sales growth, but Tesco shares rose 1.4% d/d after lifting its profit forecast. Nikkei 225 led advance in Asia markets, extending its record-breaking rally. The index popped 1.8% d/d to above the 35k mark for the first time since February 1990. With this, Asian stocks look set to open mixed this morning as investors weigh and await more inflation data.
- UST yields initially rose on the back of the CPI data, with the 10Y reaching a high of 4.06% before slipping and closing at 3.97% (-6bps). 2Y yield plunged 11bps to 4.25%. In Europe, 10Y bond yields closed down between 1-4bps save for the UK gilts and Norwegian bonds.
- DXY closed just below the flatline at 102.29 (-0.1% d/d), off its low of 102.16 and closing mixed against its regional peers. Regional currencies strengthened against USD, save the MYR and THB. MYR closed slightly in the red at 4.6440.
- Oil prices increased 0.8-0.9% d/d after Iran seized an oil tanker off the coast of Oman, raising the prospect of escalating conflict in the Middle East. As it is, UK Prime Minister Rishi Sunak has authorised joint military strikes with the US against Houthi rebels.

### Hotter than expected US CPI print on the back of higher energy costs, elevated shelter inflation

- Headline inflation accelerated more than expected by +0.3% m/m and +3.4% y/y in December (Nov: +0.1% m/m and +3.1% y/y), the most in three months as shelter maintained their upward trend while energy costs rebounded to +0.4% m/m (Nov: -2.3% m/m), potentially delaying a much-anticipated consensus call for a rate cut in March. Even excluding the volatile food and energy components, CPI remained elevated at +0.3% m/m and 3.9% y/y (Oct: +0.3% m/m and +4.0%). On a m/m basis, shelter, which accounts for a third of the overall index and more than half of the increase, accelerated to 0.5% m/m (Oct: +0.4% m/m), sending the services costs up and still elevated at +0.5%

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	37,711.02	0.04
S&P 500	4,780.24	-0.07
NASDAQ	14,970.18	0.00
Stoxx Eur 600	472.77	-0.77
FTSE 100	7,576.59	-0.98
Nikkei 225	35,049.86	1.77
CSI 300	3,295.67	0.57
Hang Seng	16,302.04	1.27
Straits Times	3,201.41	0.67
KLCI 30	1,483.00	-0.26
<b>FX</b>		
Dollar Index	102.29	-0.07
EUR/USD	1.0972	-0.01
GBP/USD	1.2760	0.14
USD/JPY	145.29	-0.32
AUD/USD	0.6688	-0.18
USD/CNH	7.1751	-0.11
USD/MYR	4.6440	0.04
USD/SGD	1.3308	-0.06
<b>Commodities</b>		
WTI (\$/bbl)	72.02	0.91
Brent (\$/bbl)	77.41	0.79
Gold (\$/oz)	2,019.20	-0.42
Copper (\$\$/MT)	8,355.00	-0.19
Aluminum(\$/MT)	2,235.00	0.11
CPO (RM/tonne)	3,759.50	1.38

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 10 Jan for CPO

m/m. Prices of goods were flat, blunting a 6-month trend of declines due to used-car and airline fares.

- The report followed news that real average weekly earnings growth were slightly softer at +0.5% m/m in December, (Nov: +0.6% m/m) while jobless claims fell slightly by the second week by 1k to 202k for the week ended January 6 (Dec 30: -17k). Continuing claims also plunged 34k to 1834k the week prior (Dec 23: -18k), reaffirming resiliency in the US labour market.

#### **Australia's trade surplus widened as export growth picked up, imports fell on consumer goods**

- Trade surplus widened more than expected to A\$11.4bn in November (Oct: \$7.7bn), its highest in 8 months driven by higher shipment of coal, meat and grains while imports tumbled as consumer spending continued to moderate. Export growth accelerated to +1.7% m/m (Oct: +0.8% m/m) as exports of coal, coke & briquettes jumped 6.8% m/m and other mineral fuels like LNG rose 0.8% m/m. Shipment of meat, cereal grains and wool also climbed. Imports, meanwhile, plunged 7.9% m/m (Oct: -2.9% m/m) as imports of consumer goods fell 14.0% in line with the cooler consumer sector. As it is, Australia has been running trade surpluses since 2018, underpinned by strong appetite for iron ore and coal from China.

#### **Japan's leading index fell for the third month; bank lending accelerated for the second month**

- Mixed data from Japan. Leading index slid for the third month and by more than expected to 107.7 in November (Oct: 108.9), weighed down by declines in the floor area, housing starts and new job offer sub-indices. The coincident index also fell slightly to 114.5 (Oct: 115.9) but assessment was maintained as "improving." Data this morning, on the other hand, showed that bank lending ex trusts accelerated for the second month to 3.4% y/y in December (Nov: +3.1% y/y).

#### **Slower IPI growth for Malaysia on the back of broad-based pullback across sectors**

- IPI growth tapered off more than expected to register a meagre 0.6% y/y increase in November (Oct: +2.4% downwardly revised), as a result of slower growth in both mining (+1.9% vs +7.4% y/y) and electricity (+4.2% vs +5.6% y/y) sectors, compounded by renewed contraction in manufacturing output (-0.1% vs +0.9% y/y). The dismal performance in the manufacturing sector was dragged by deterioration in both the domestic- as well as export-oriented sectors. Tracking the softer momentum in IPI, manufacturing sales slipped further by 2.6% y/y in November (Oct: -1.4% y/y), accompanied by softening wage and employment growth in the manufacturing sector.
- Economic indicators released for last October and November suggest continued moderate growth in the final quarter of 2023. 4Q GDP growth is expected to at least match the 3Q growth trajectory of +3.3% y/y, hence bringing the full year 2023 growth forecast closer to our upside scenario of 3.8%.

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

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
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
12-Jan	AU Home Loans Value MoM (Nov)	5.40%
	JN Eco Watchers Survey Outlook SA (Dec)	49.4
	UK Monthly GDP (MoM) (Nov)	-0.30%
	US PPI Ex Food and Energy YoY (Dec)	2.00%
	CH Exports YoY (Dec)	0.50%
15-Jan	AU Melbourne Institute Inflation YoY (Dec)	4.40%
	UK Rightmove House Prices MoM (Jan)	-1.90%
	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	AU CBA Household Spending MoM (Dec)	1.80%
	EC Industrial Production SA MoM (Nov)	-0.70%
	EC Trade Balance NSA (Nov)	11.1b

Source: Bloomberg

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