

16 January 2024

## Global Markets Research

### Daily Market Highlights

## 16 Jan: PBoC unexpectedly maintained 1Y MLF rate at 2.50%

**Wall Street was closed for Martin Luther Jr. Day; World Economic Forum kicked off in Davos**

**Brent crude oil slid despite Red Sea tension and cold snap in the US**

**PBoC offered 995bn yuan through the MLF; all eyes on 4Q GDP tomorrow**

- Wall Street was closed for Martin Luther King Jr. Day holiday. In Europe, equity markets closed lower with Stoxx Eur 600 slipping 0.5% and FTSE 100 losing 0.4% d/d as investors geared up for the World Economic Forum in Davos. Sentiment for the former was dampened by reports of a 0.3% contraction in the German economy for 2023, weighing on basic resources, retail and consumer-products shares. In Asia, Nikkei 225 continued hitting multi-decade highs, Taiwan stocks rose after the elections, while CSI 300 erased losses after the central bank maintained its 1-year MLF rates.
- Led by Norwegian sovereign bonds, 10Y European bond yields closed up between 1-8bps.
- In the forex market, DXY wobbled between the 102.31-102.67 range before settling flat at 102.40 and strengthening against all of its G10 peers. In Asia, USD appreciated against regional currencies, save the THB, PHP, CNH and INR. CNH appreciated by 0.1% d/d to 7.1854 after PBoC maintained its policy rates, but investors will keep their eyes on the upcoming China's 4Q GDP, IPI, retail sales and unemployment rate data due on Wednesday. JPY remained under pressure at 145.73 on expectations that the BOJ is likely to keep its ultra-loose policy settings unchanged at its upcoming policy meeting next week.
- Brent slid 0.2% d/d despite the Middle East risks and cold snap in the US. On Monday, Houthi militants hit a US owned commercial vessel and multiple tanker companies have paused voyages through the Red Sea. In the US, cold snap in North Dakota, home of the Bakken shale formation, reduced oil output by as much as 425k barrels per day.

#### PBoC maintained 1Y MLF rate at 2.50%, offered 995bn yuan through the MLF

- The People's Bank of China (PBoC) maintained its 1Y medium-term lending facility (MLF) rate unchanged at 2.50%. This is within our forecast but consensus had anticipated a cut in rates by 10bps. The bank also offered 995bn yuan through the MLF, suggesting a 216bn yuan net injection (Nov: 800bn yuan) that will boost liquidity and meet funding demand, as well as a clear sign of the bank's preference to maintain its loose monetary policy with liquidity instead of rates for now.

#### Contraction in Eurozone's IPI narrowed on energy; Euro area continued to record trade surplus

- Matching expectations, the contraction in industrial output (IPI) narrowed for the second month to -0.3% m/m in November (Oct: -0.7% m/m). Despite this, fundamentals remained weak as the improvement was largely underpinned by a pick-up in energy output and steady growth in non-durable consumer

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	37,592.98	-0.31
S&P 500	4,783.83	0.08
NASDAQ	14,972.76	0.02
Stoxx Eur 600	474.19	-0.54
FTSE 100	7,594.91	-0.39
Nikkei 225	35,901.79	0.91
CSI 300	3,280.92	-0.10
Hang Seng	16,216.33	-0.17
Straits Times	3,199.42	0.24
KLCI 30	1,501.11	0.93
<b>FX</b>		
Dollar Index	102.40	0.00
EUR/USD	1.0950	-0.01
GBP/USD	1.2727	-0.20
USD/JPY	145.73	0.59
AUD/USD	0.6660	-0.39
USD/CNH	7.1854	-0.05
USD/MYR	4.6707	0.49
USD/SGD	1.3334	0.15
<b>Commodities</b>		
WTI (\$/bbl)	72.68	0.92
Brent (\$/bbl)	78.15	-0.18
Gold (\$/oz)	2,051.60	1.60
Copper (\$\$/MT)	8,381.00	0.50
Aluminum(\$/MT)	2,204.50	-0.68
CPO (RM/tonne)	3,816.50	0.87

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 12 Jan for CPO, DJIA, S&P 500, Nasdaq, WTI, Gold

goods. Output of intermediate, capital and durable consumer goods remained contractionary.

- Weighing on output was the still sluggish external demand, as reflected in exports falling 0.6% y/y for the period Jan-Nov 2023. However, as imports outpaced the contraction in exports at -13.1% y/y, the economic bloc recorded a surplus of €49.7bn as compared to -€323.7bn in 2022. As it is, largely weighing on imports and contributing to a turnaround in trade balance last year was lower energy imports from Russia with the Ukraine war.

#### **Australia's household spending and consumer confidence fell; inflation gauge picked up**

- CBA Household spending declined by 3.9% m/m in December and slowed to +3.1% on a y/y basis (Nov: +1.6% m/m and +4.0% y/y). The m/m fall was largely weighed down by a sharp drop in household goods, partially reflecting higher base effects due to the Black Friday/Cyber Monday sales. Nonetheless, 8 of the 12 categories also fell in December, suggesting widespread softening in consumer spending on the back of slower GDP growth, tight monetary policy as well as still elevated inflation rates. In this context, separate data by the Melbourne Institute showed that the inflation gauge accelerated to +5.2% y/y for the same month (Nov +4.4% y/y).
- Data this morning showed that Westpac consumer confidence fell 1.3% m/m to 81.0 in January (Dec: +2.7% m/m). This is the weakest January reading outside the early-90s recession as pessimism continued to be driven by rate hike fears ease. Views around jobs and housing were largely unchanged.

#### **Japan's PPI unexpectedly held steady at +0.3% m/m**

- Producer prices (PPI) unexpectedly held steady at +0.3% m/m in December (Nov: upwardly revised +0.3% m/m), marking 2 consecutive months of expansion and largely driven by petroleum and coal related products. Export prices fell 0.1% m/m for the third month, while import prices was unchanged after three consecutive months of growths.
- As it is, despite the higher-than-expected PPI, there is no change in our view that the BOJ is likely to keep its ultra-loose policy settings unchanged at its upcoming policy meeting next week.

#### **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>
DXY	100-104	100	99	99	98
EUR/USD	1.08-1.11	1.11	1.11	1.10	1.09
GBP/USD	1.26-1.30	1.28	1.29	1.27	1.26
USD/JPY	142-147	139	137	135	133
AUD/USD	0.65-0.69	0.69	0.69	0.70	0.71
USD/MYR	4.61-4.66	4.55	4.50	4.45	4.39
USD/SGD	1.31-1.34	1.31	1.30	1.29	1.28

<b>Rates, %</b>	<b>Current</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>
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
16-Jan	UK Payrolled Employees Monthly Change (Dec)	-13k
	UK Average Weekly Earnings 3M/YoY (Nov)	7.20%
	EC ECB 1 Year CPI Expectations (Nov)	4.00%
	EC ECB 3 Year CPI Expectations (Nov)	2.50%
	EC ZEW Survey Expectations (Jan)	23
	US Empire Manufacturing (Jan)	-14.5
17-Jan	SI Non-oil Domestic Exports SA MoM (Dec)	0.30%
	CH New Home Prices MoM (Dec)	-0.37%
	CH GDP YoY (4Q)	2.90%
	CH Industrial Production YTD YoY (Dec)	4.30%
	CH Fixed Assets Ex Rural YTD YoY (Dec)	2.90%
	CH Property Investment YTD YoY (Dec)	-9.40%
	CH Retail Sales YTD YoY (Dec)	7.20%
	CH Surveyed Jobless Rate (Dec)	5.00%
	UK CPI Core YoY (Dec)	5.10%
	UK PPI Output NSA YoY (Dec)	-0.20%
	UK PPI Input NSA YoY (Dec)	-2.60%
	UK House Price Index YoY (Nov)	-1.20%
	EC CPI Core YoY (Dec F)	3.40%
	US MBA Mortgage Applications	9.90%
	US New York Fed Services Business Activity (Jan)	-14.6
	US Retail Sales Advance MoM (Dec)	0.30%
	US Import Price Index MoM (Dec)	-0.40%
	US Export Price Index MoM (Dec)	-0.90%
	US Industrial Production MoM (Dec)	0.20%
	US NAHB Housing Market Index (Jan)	37

Source: Bloomberg

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