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Global Markets Research

Daily Market Highlights

17 Jan: Waller said the Fed does not need to move as quickly

Waller: Fed should be methodical and careful when lowering rates

US stocks closed in red; DXY jumped above 103; 10Y UST yields back above 4.00%

Premier Li said China grew around 5.2% in 2023; UK wage growth slowed sharply

- Wall Street slumped as markets reopened after the long weekend holiday, largely weighed down by comments from Fed Governor Waller who pushed back against aggressive rate cuts expectations. In a virtual event hosted by Brookings Institutions, he said that the central bank should be methodical and careful when lowering rates and added that the bank does not need to move as quickly as in the past. This sent all the 3 major indices sliding 0.2-0.6% d/d at close. Selling was especially pronounced in the energy sector after the retreat in oil prices and after Shell halted shipments through the Red Sea. Most financial stocks were also under pressure with the kick-off of the earnings reporting season.
- Similarly, European markets also closed mostly in the red as ECB members talked about rate cuts at Davos. ECB officials have expressed a series of diverging views at the summit so far, but have largely pushed back on market expectations for a cut soon. Hang Seng tumbled 2.2% d/d amid broader decline in Asian markets, although CSI 300 gained. Nikkei 225 also snapped its 6-day winning streak.
- Treasury yields rose across the curve led by long-dated bonds post Waller's comments. The 10Y rebounded back above the 4.00% level to close at 4.06% (+12bps), while the 2Y gained 8bps to 4.22%. 10Y European bond yields closed up between 1-5bps save for the Swedish sovereign bonds.
- DXY, on the other hand, had one of its best sessions in months, settling above 103 for the first time since December at 103.36 (+0.9% d/d). Against USD, EUR and GBP weakened 0.7% d/d each, the latter slipping after data showed that British wage growth slowed sharply. In Asia, JPY depreciated sharply by 1.0% d/d after data showed Japan's wholesale price index stayed flat y/y in December, taking pressure off the BOJ to back away from its monetary stimulus measures soon. CNH, MYR and SGD also weakened between 0.5-0.7% d/d. Investors will be closely watching out for China's GDP today for impact on the CNH after Premier Li Qiang commented that the Chinese economy grew around 5.2% in 2023 (target: 5.0%) in Davos.
- Oil closed mixed between -0.4% and +0.2% d/d in a tug of war between risk-off sentiment and supply disruption in North Dakota as well as geopolitical tension in the Red Sea.

Empire Manufacturing Index unexpectedly dropped sharply

- Business activity dropped sharply in New York, with the Empire Manufacturing Index unexpectedly worsening to -43.7 in January (Dec -14.5). This is the lowest since May 2020 as new orders and shipments sub-indices posted sharp declines. Unfilled orders continued to shrink significantly, delivery times shortened, inventories edged lower while employment-related

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,361.12	-0.62
S&P 500	4,765.98	-0.37
NASDAQ	14,944.35	-0.19
Stoxx Eur 600	473.06	-0.24
FTSE 100	7,558.34	-0.48
Nikkei 225	35,619.18	-0.79
CSI 300	3,300.88	0.61
Hang Seng	15,865.92	-2.16
Straits Times	3,184.99	-0.45
KLCI 30	1,493.87	-0.48
FX		
Dollar Index	103.36	0.93
EUR/USD	1.0875	-0.68
GBP/USD	1.2637	-0.71
USD/JPY	147.19	1.00
AUD/USD	0.6584	-1.14
USD/CNH	7.2190	0.47
USD/MYR	4.6945	0.51
USD/SGD	1.3425	0.68
Commodities		
WTI (\$/bbl)	72.40	-0.39
Brent (\$/bbl)	78.29	0.18
Gold (\$/oz)	2,030.20	-1.04
Copper (\$\$/MT)	8,354.50	-0.32
Aluminum(\$/MT)	2,214.00	0.43
CPO (RM/tonne)	3,841.00	0.64

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 15 Jan for CPO

sub-indices declined modestly. The increase in input prices picked up, but the increase in selling prices were little changed. Looking ahead, firms expect conditions to improve but optimism remains subdued.

Eurozone's inflation expectations and investor sentiment eased

- Mixed slew of data from the Eurozone. The ECB 1- and 3Y CPI expectations eased to 3.2% and 2.2% respectively in November (Oct: 4.0% and 2.5%). This is the lowest since February 2022. The ZEW Survey Expectations Index also edged down slightly to 22.7 in January (Dec: 23.0), but sentiment in Germany, its largest economy within the bloc, unexpectedly improved to 15.2 (Dec: 12.8). The uptick for the latter was lifted by expectations that the ECB will make interest rate cuts in the 1H of the year.

Slower wage growth in the UK boost case for easing price pressure

- Matching expectations, wage growth (excluding bonuses) slowed sharply to 6.6% for the three months ended November (Oct: +7.2% y/y), easing wage-price spiral concerns and bolstering the case for a BOE pivot towards rate cuts in the coming months. Accompanying data also showed a cooling labour market, with vacancies falling 49k in December led by the wholesale & retail trade; repair of motor vehicles & motorcycles, and transport & storage sectors, and the number of payrolled employees fell 24k m/m (Nov: +9k).

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	1.26-1.30	1.28	1.29	1.27	1.26
USD/JPY	144-149	139	137	135	133
AUD/USD	0.65-0.69	0.69	0.69	0.70	0.71
USD/MYR	4.63-4.72	4.55	4.50	4.45	4.39
USD/SGD	1.32-1.35	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
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
18-Dec	US Federal Reserve Releases Beige Book	
	JN Core Machine Orders MoM (Nov)	0.70%
	AU Consumer Inflation Expectation (Jan)	4.50%
	UK RICS House Price Balance (Dec)	-43%
	AU Unemployment Rate (Dec)	3.90%
	JN Industrial Production MoM (Nov F)	-0.90%
	HK Unemployment Rate SA (Dec)	2.90%
	US Building Permits MoM (Dec)	-2.50%
	US Philadelphia Fed Business Outlook (Jan)	-10.5
	US Housing Starts MoM (Dec)	14.80%
	US Initial Jobless Claims	202k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets
Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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