

21 January 2025

Global Markets Research

Daily Market Highlights

21 Jan: Trump held off from imposing new tariffs

Tariff relief lifted risk appetite; European equity markets rose; DXY closed near 108

PBoC left lending rates unchanged; CNH strengthened; Hang Seng led gains in Asia

Malaysia's exports closed out 2024 on a strong note; maintain 2024 GDP forecast at 5.2%

- Wall Street was closed in commemoration of Martin Luther King Jr. Day but in Europe, sentiment for equities were lifted after President Donald Trump held off from imposing new tariffs on his first day of office. That said, the president had promised to sign a series of executive orders, including one that declares national emergency at the US-Mexico border and one to pull out of Paris climate agreement.
- Stoxx Eur 600 was up by less than 0.1% d/d, with materials and industrial stocks leading gains. Hang Seng led gains in Asia, following a "positive" call between Trump and China's Xi Jinping last Friday, and will likely continue its upward momentum today as the US tariff threat wanes.
- In the bond space, trading in European bond yields was muted, and 10Y bond yields closed mostly lower in tune to 1-3bps (prior: -1 to -7bps).
- In the forex space, the Dollar traded weaker against all its G10 peers and the DXY plunged 1.2% d/d to 108.07 on Trump trade unwinding. NZD and SEK led gains against USD at +1.5% d/d each, while EUR and GBP appreciated in tune to 1.3-1.4% d/d. JPY strengthened 0.4% d/d, as traders wager the Bank of Japan will hike its policy rate this week. All regional currencies also strengthened against the Dollar, led by KRW (+1.2% d/d), CNH (+1.1% d/d) and SGD (+0.9% d/d). MYR appreciated at a softer pace of 0.3% d/d to 4.4932, despite its better-than-expected trade prints.
- In the crude oil market, Brent retreated 0.8% d/d after President Trump's tariff delay and after he promised to increase US crude production

Lending rates left unchanged for China

- The 1- and 5Y loan prime rates were left unchanged at 3.10% and 3.60% respectively. The decision was widely anticipated given that PBoC has left its 7-day reverse repo rates low and steady at 1.50% recently, in order to support the uneven economic recovery and lingering deflationary risks, and at the same time, the currency.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,487.83	0.78
S&P 500	5,996.66	1.00
NASDAQ	19,630.20	1.51
Stoxx Eur 600	523.87	0.05
FTSE 100	8,520.54	0.18
Nikkei 225	39,111.33	0.54
CSI 300	3,829.68	0.45
Hang Seng	19,925.81	1.75
Straits Times	3,807.97	-0.07
KLCI 30	1,572.34	0.36
FX		
Dollar Index	108.07	-1.17
EUR/USD	1.0416	1.39
GBP/USD	1.2328	1.31
USD/JPY	155.62	-0.44
AUD/USD	0.6275	1.32
USD/CNH	7.2629	-1.07
USD/MYR	4.4932	-0.30
USD/SGD	1.3564	-0.88
Commodities		
WTI (\$/bbl)	77.88	-1.02
Brent (\$/bbl)	80.15	-0.79
Gold (\$/oz)	2,748.70	-0.08
Copper (\$\$/MT)	9,275.00	0.92
Aluminum(\$/MT)	2,691.50	0.26
CPO (RM/tonne)	4,577.50	-0.91

Source: Bloomberg, HLBB Global Markets Research

* DJIA, S&P 500, Nasdaq, WTI, gold, CPO dated as of 17 Jan

Eurozone's construction activities picked up pace

- Construction output accelerated to +1.2% m/m in November from +0.8% m/m previously. This marks its fastest pace in more than a year, driven by specialized construction activities and amongst its largest economies, led by construction activities in Spain.

Low and steady unemployment rate for Hong Kong

- Matching expectations, the unemployment rate remained low and steady at 3.1% in December, with unemployment rates falling for many sectors and notably for manufacturing, financing and arts, entertainment & recreation. The labour market should remain largely stable in the near term, though employment in selected sectors like manufacturing may be affected by any global trade tensions.

Malaysia's exports picked up more than expected to increase 16.9% y/y in December on frontloading boost

- Exports picked up steam for the 3rd month in a row, and expanded by 16.9% y/y in December (Nov: +3.9% y/y revised), believed to be attributable to front-loading activities ahead of the roll-out of higher trade tariffs. This marked its fastest growth pace since Oct-22, thanks to commendable growth in manufacturing exports (+18.5% vs +5.2% y/y) led by E&E shipment and agriculture exports (+28.9% vs +13.4% y/y), led by palm oil and palm-based products.
- Imports growth also chalked up another good month as the year 2024 concluded. The expansion in imports jumped to 11.9% y/y in December (Nov: +1.6% y/y), lifted by a sharp turnaround in capital goods imports (+41.5% vs -10.0% y/y) and tripled in the growth pace of consumption goods imports (+11.9% vs +3.5% y/y), as consumers bought ahead of the roll-out of higher tariff rates in January, and in part due to seasonal demand in our view. On a less promising note, intermediate goods imports, which is a proxy for exports performance going forward, saw a much slower growth of 1.4% y/y in December (Nov: +13.0% y/y), its slowest in a year, casting some doubts on exports outlook ahead.
- The exports numbers pointed to a strong end to 4Q and the year 2024 as a whole. During 4Q24, exports expanded 7.3% y/y while imports grew 8.9% y/y (3Q: +7.7% and +12.0% y/y), the resulting higher trade surplus of RM46.1bn (3Q: RM24.7bn), will be positive for net exports and hence, the final print of overall 4Q GDP reading. This came in line with our view that economic activities will pick up steam towards the end of the year, leading to odds that the final 4Q GDP report due on 14-Feb, will be revised upwards from the advanced estimate of 4.8% y/y. We are therefore maintaining our full year 2024's growth estimate of 5.2% y/y pending the release of more high frequency data for the month of December.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	107-111	109.10	108.58	106.93	105.27
EUR/USD	1.01-1.05	1.03	1.03	1.05	1.06
GBP/USD	1.21-1.24	1.24	1.24	1.25	1.27
USD/JPY	152-158	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
USD/MYR	4.47-4.53	4.55	4.50	4.40	4.35
USD/SGD	1.35-1.38	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00	3.75-4.00
ECB	3.00	2.50	2.00	2.00	2.00
BOE	4.75	4.50	4.25	4.00	4.00
BOJ	0.25	0.50	0.50	0.75	0.75
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21-Jan	UK Average Weekly Earnings 3M/YoY (Nov)	5.20%
	UK ILO Unemployment Rate 3Mths (Nov)	4.30%
	UK Payrolled Employees Monthly Change (Dec)	-35k
	HK CPI Composite YoY (Dec)	1.40%
	EC ZEW Survey Expectations (Jan)	17
22-Jan	US Philadelphia Fed Non-Manufacturing Activity (Jan)	-6
	AU Westpac Leading Index MoM (Dec)	0.05%
	MA CPI YoY (Dec)	1.80%
	MA Foreign Reserves	\$116.2b
	MA BNM Overnight Policy Rate	3.00%
	US MBA Mortgage Applications	33.30%
	US Leading Index (Dec)	0.30%

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

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