

27 January 2025

Global Markets Research

Daily Market Highlights

27 Jan: Investors await FOMC & ECB meetings this week

BOJ raised its policy rate by 25bps; upped its inflation forecasts for 2025 and 2026

Moody's Ratings affirmed Malaysia's A3 ratings, maintained stable outlook

US Manufacturing PMI turned expansionary; strong December existing home sales

- The S&P 500 closed lower after briefly hitting new records on Friday, as investors took some profit to end a solid week on Trump euphoria. The benchmark index shed 0.3% d/d, reversing course after hitting a fresh intraday record earlier in the session, while Nasdaq and the Dow slid 0.5% d/d and 0.3% d/d respectively, snapping a 4-day winning streak for the three indices.
- Similarly, European equity markets slipped into red amid mixed results from Ericsson to Burberry, while Asian markets closed mixed after Trump pushed for rate cuts and lower oil prices the day before.
- In the bond space, Treasury yields slid 2-3bps after US Services PMI came below street estimate, showing signs that the US economy is cooling. Yields to the benchmark 2- and 10Y closed at 4.27% and 4.62% respectively, while in Europe, 10Y bond yields closed up in tune to 0-3bps (prior: 0-5bps), save the French and British bonds.
- In the forex space, the Dollar weakened against all its G10 peers and the DXY closed 0.6% d/d lower at 107.44, after Trump appeared to soften his approach on China. GBP led gains against the greenback at +1.1% d/d after UK's Composite PMI beat economists' forecasts, while EUR strengthened 0.8% d/d after its Composite PMI turned expansionary. AUD surged 0.5% d/d as a proxy for Chinese sentiment, while JPY closed just above the flatline at 156.00 after the BOJ hiked its policy rate. Similarly, regional currencies strengthened against USD, led by MYR (+1.5% d/d to 4.3775), THB and IDR. CNH and SGD appreciated by a narrower pace of 0.6-0.7% d/d.
- In the commodity space, oil prices settled 0.1-0.3% d/d higher on Friday but posted a weekly decline, after US President Donald Trump announced sweeping plans to boost domestic production, called for lower prices and on concerns that his protectionist policies could dampen global consumption and growth.

BOJ raised its policy rate by 25bps

- In an 8-1 majority vote, the Bank of Japan (BOJ) raised its uncollateralized overnight call by 25bps to 0.50%. The decision was in line with consensus forecasts, as well as ours for a rate by hike by the end of 1Q.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,424.25	-0.32
S&P 500	6,101.24	-0.29
NASDAQ	19,954.30	-0.50
Stoxx Eur 600	530.07	-0.05
FTSE 100	8,502.35	-0.73
Nikkei 225	39,931.98	-0.07
CSI 300	3,832.86	0.77
Hang Seng	20,066.19	1.86
Straits Times	3,804.26	-0.06
KLCI 30	1,573.73	-0.22
FX		
Dollar Index	107.44	-0.56
EUR/USD	1.0497	0.79
GBP/USD	1.2484	1.06
USD/JPY	156.00	-0.03
AUD/USD	0.6314	0.46
USD/CNH	7.2443	-0.60
USD/MYR	4.3775	-1.50
USD/SGD	1.3462	-0.65
Commodities		
WTI (\$/bbl)	74.66	0.05
Brent (\$/bbl)	78.50	0.27
Gold (\$/oz)	2,778.90	0.50
Copper (\$\$/MT)	9,276.00	0.48
Aluminum(\$/MT)	2,641.00	0.67
CPO (RM/tonne)	4,517.00	-1.06

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 23 Jan

- Moving forward, this rate hike is likely to be followed by another increase by the end of the year, especially since the BOJ have flagged upside risks to inflation in the statement. In terms of outlook, the BOJ maintained its GDP growth projection for fiscal 2025 and 2026 at 1.1% and 1.0%, but upped its headline inflation forecasts for the same period to 2.4% and 2.0% respectively (previous estimate: 1.9% and 1.9%).

PBoC maintained 1Y lending facility rate

- The People's Bank of China (PBoC) maintained its 1Y lending facility rates unchanged at 2.00%. The decision was within expectations, as a weak yuan has largely limited Beijing's monetary policy easing efforts. With the economy still sluggish, this could nonetheless lend argument for the central bank to cut their policy rates going forward.

Moody's Ratings affirmed Malaysia's A3 ratings, maintained stable outlook

- Moody's Ratings reaffirmed Malaysia's sovereign credit rating at "A3" with a "stable" outlook. According to Moody's, Malaysia will "be the fastest growing A-rated economy over the next two years" and that the country's medium-term growth prospects remain buoyant. The rating agency cited structural credit strengths as among the factors that bulwark consumption, complemented by deep domestic capital markets and a sophisticated financial system.

Expansionary Composite PMIs for the majors; manufacturing sector turned positive for the US

- According to the S&P PMI, US businesses started 2025 still in an upbeat mood, with rising optimism notable in the manufacturing sector (50.1 vs 49.4) though service providers (52.8 vs 56.8) also entered 2025 in confidence. Although overall growth (52.4 vs 55.4) slowed slightly, sustained confidence due to policy support from the new administration suggests that this slowdown might be short-lived. Especially encouraging is the upturn in hiring, but rising price pressures remained a concern, with companies reporting supplier-driven price hikes as well as wage growth.
- Eurozone kicked off 2025 mildly encouraging, with the manufacturing sector (46.1 vs 45.1) drag easing and the services sector (51.4 vs 51.6) growing moderately. Germany drove the improvement, while France contracted. Ahead of the ECB meeting this week, news on the price front was discouraging, suggesting that the ECB will likely stick to its gradual pace of cutting interest rates for now.
- Sub-indicators continue to point gloom and stagflation risks for the UK. While the Composite PMI (50.9 vs 50.4) ticked up, companies have been cutting employment amid falling sales and concerns

about business prospects. Price indices suggest that inflation is turning higher again, a policy dilemma for the BOE next week.

- Japan's S&P PMI stayed expansionary and strengthened for the third month to 51.1 in January (prior: 50.5). The expansion was primarily services-driven (52.7 vs 50.9), as manufacturing fell at a faster pace at 48.8 (prior: 49.6). As it is, overall confidence level remains elevated and this has translated into strongest job creation for 6 months, boding well for consumption going forward.

Jump in December's US existing home sales; highest level since last February

- In the housing market, existing home sales showed solid growth in December despite mortgage rates still elevated, and will continue to be supported by increased inventory as well as job and wage gains going forward. Sales rose more than expected by 2.2% m/m (prior: +4.8% m/m) to 4.24m, its strongest pace since February. In tandem with this, median existing-home sales price recorded its biggest y/y price gain since October 2022 at +6.0% to \$404.4k.
- The final University of Michigan Sentiment index was revised down to 71.1 for January (prior: 74.0), its first decline in 6-months amid concerns over the future trajectory of inflation in anticipation of higher tariffs ahead. Consumers expressed intention to buy-in-advance and this has been reflected by the robust auto and retail sales data recently.

Slump in UK consumer confidence, retail sales gauge

- The retail sector saw a further deepening in downturn, as downbeat sentiment continued to strain on sales. The GfK consumer confidence worsened more than expected to its lowest in a year at -22 in January (prior: -17), while the CBI reported that y/y retail sales volumes fell at a faster pace (of -24% from -15%) and are expected to decline at a broadly similar rate next month (-26%). Moving forward, we will need to see robust improvements in consumers' perceptions of the economy, before we can see any sustained improvement in consumer spending.

Singapore's manufacturing output continued to chalk double-digit growth

- Manufacturing output beat forecasts and grew 10.6% y/y in December (prior: 10.8% y/y), as all clusters recorded output growth and production of electronics grew a still robust 14.3% y/y (prior: +31.3% y/y). Driven by the infocomms & consumer electronics, computer peripherals & data storage and semiconductors segments, this reflects some front-loading of shipments amid uncertainty on trade policies, but also suggests that exporters remain positive in the near term and why we expect MAS to likely maintain status quo in its next meeting in April.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	106-110	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.22-1.25	1.24	1.24	1.25	1.27
USD/CHF	0.88-0.92	0.91	0.91	0.90	0.88
USD/JPY	152-159	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.22-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.41-4.48	4.55	4.50	4.40	4.35
USD/SGD	1.34-1.37	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	0.50	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
27-Jan	CH Industrial Profits YTD YoY (Dec)	-4.70%
	CH Manufacturing PMI (Jan)	50.1
	CH Non-manufacturing PMI (Jan)	52.2
	HK Exports YoY (Dec)	2.10%
	US Chicago Fed Nat Activity Index (Dec)	-0.12
	US New Home Sales MoM (Dec)	5.90%
	US Dallas Fed Manf. Activity (Jan)	3.4
28-Jan	JN PPI Services YoY (Dec)	3.00%
	AU NAB Business Confidence (Dec)	-3
	US Durable Goods Orders (Dec P)	-1.20%
	US Cap Goods Orders Nondef Ex Air (Dec P)	0.40%
	US FHFA House Price Index MoM (Nov)	0.40%
	US S&P CoreLogic CS US HPI YoY NSA (Nov)	3.60%
	US Dallas Fed Services Activity (Jan)	9.6
	US Conf. Board Consumer Confidence (Jan)	104.7
	US Richmond Fed Manufact. Index (Jan)	-10
	US Richmond Fed Business Conditions (Jan)	14

Source: Bloomberg

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