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Global Markets Research

Daily Market Highlights

28 Jan: DeepSeek upended the financial markets

Sell-off in global tech stocks; Investors flocked to haven assets like USTs, CHF and JPY

Better-than-expected new home sales and regional indices from the US

China's industrial profits fell in 2024 despite year-end uptick; Worse than expected PMIs

- China's DeepSeek upended the financial markets overnight with its RI, sparking a sell-off in global tech stock and investors flocking into haven assets like Treasuries, CHF and JPY. In the US, S&P 500 and Nasdaq tumbled 1.5% d/d and 3.1% d/d respectively, with Nvidia shares plunging more than 10% d/d while derivative plays from the AI buildout also took a hit. This comes after DeepSeek unveiled RI, its sophisticated AI model built at a fraction of the cost of its Silicon Valley rivals, threatening dominance of current AI leaders in the US.
- In Europe, Stoxx 600 (-0.1% d/d) pared losses as traders snapped up defensive shares to offset losses in tech stocks. In Asia, Japan's chip-related companies weighed on Nikkei 225, while Hang Seng and CSI 300 dipped following the disappointing PMI prints for China. Asian equity markets are poised for a turbulent start today, following the meltdown in tech stocks overnight.
- In the bond space, Treasury yields plunged 7-9bps (prior: -2 to -3bps) and the benchmark 2- and 10Y yields closed at 4.20% and 4.53% respectively. 10Y European bond yields fell in tune to 1-8bps, after closing up 0-3bps the day before.
- In the forex space, JPY and CHF appreciated 0.4-1.0% d/d as DeepSeek concerns drained risk appetite, while AUD and NZD (-0.3% d/d), proxies to China, underperformed their peers following China's weak PMIs. With this, the DXY closed 0.1% d/d lower at 107.34. Most regional currencies weakened against the Dollar save SGD (+0.1% d/d), with notable laggards including PHP, INR and THB. CNH and MYR also depreciated, but by a softer pace of 0.1% d/d each to 7.2522 and 4.3800 respectively.
- Oil prices fell 1.8-2.0% d/d on the risk-off sentiment in the financial markets, and as the crude oil market continued to feel the rumble from Trump's call for lower oil prices.

Better than expected new home sales and regional indices from the US

- Improved sentiment and inventory levels saw new home sales beating expectations and growing for the second month in December. Sales expanded 3.6% m/m after growing by 9.6% m/m

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,713.58	0.65
S&P 500	6,012.28	-1.46
NASDAQ	19,341.83	-3.07
Stoxx Eur 600	529.69	-0.07
FTSE 100	8,503.71	0.02
Nikkei 225	39,565.80	-0.92
CSI 300	3,817.08	-0.41
Hang Seng	20,197.77	0.66
Straits Times	3,796.71	-0.20
KLCI 30	1,558.97	-0.94
FX		
Dollar Index	107.34	-0.09
EUR/USD	1.0492	-0.05
GBP/USD	1.2499	0.12
USD/JPY	154.51	-0.96
AUD/USD	0.6293	-0.33
USD/CNH	7.2522	0.11
USD/MYR	4.3800	0.06
USD/SGD	1.3445	-0.13
Commodities		
WTI (\$/bbl)	73.17	-2.00
Brent (\$/bbl)	77.08	-1.81
Gold (\$/oz)	2,738.40	-1.46
Copper (\$\$/MT)	9,095.00	-1.95
Aluminum(\$/MT)	2,602.50	-1.46
CPO (RM/tonne)	4,527.50	0.23

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 24 Jan

previously and in tandem with this, home prices ticked up higher by 2.1% y/y to \$427k (prior: -6.3% y/y to \$402.5k).

- Regional indicators were also more positive than expected The Chicago Fed National index increased to +0.15 in December from -0.01 in November, while the Texas Manufacturing Outlook index picked up notably to 14.1, its highest since October 2021. Forward looking indicators also suggest that manufacturing activity will continue to increase 6 months from now for the Texas region.

China's industrial profits fell in 2024 despite year-end uptick; official manufacturing PMI turned contractionary; services PMI moderated

- In contrast, China reported a slew of negative prints. Both the official manufacturing and services PMIs came worse than expected at 49.1 and 50.2 respectively in January (Prior: 50.1 vs 52.2), while industrial profits contracted 3.3% for the whole of 2024 despite the year-end uptick due to the recent roll-out of broad stimulus package, which boosted profits for equipment makers and home appliance producers.
- While the Spring festival holiday contributed partially to the downturn for the PMIs, the drop in production and new orders to its 5-month low and new exports orders to its lowest since February 2025 suggest that growth has lost momentum and will likely stay sluggish going forward.

Hong Kong's exports accelerated on demand from China and EU

- Exports unexpectedly accelerated to +5.2% y/y in December from +2.1% y/y, driven by shipments to China and as exports to the EU turned positive. Exports to the US fell further while those to other major Asian markets showed mixed performance. Moving forward, uncertainties due to trade conflicts are expected to weigh on exports for Hong Kong, but a recovery in China's economy should help to mitigate some of this negative impact.

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
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
29-Jan	AU CPI Trimmed Mean YoY (Dec)	3.20%
	JN Consumer Confidence Index (Jan)	36.2
	US MBA Mortgage Applications	0.10%
	US Advance Goods Trade Balance (Dec)	-\$102.9b

Source: Bloomberg

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