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Global Markets Research

Daily Market Highlights

2 Jan: A good start to 2026

Bumper 2025 for US stocks, treasuries and gold; not so for USD and oil
FOMC meeting minutes showed a divided Fed and a finely balanced decision
Upside surprises in China PMIs >50 and Singapore's 2025 GDP growth at 4.8%

- Wall Street ended 2025 on a softer note with US stocks (-0.6% to -0.8% d/d) and treasuries posting modest daily losses on the last trading day of year on Wednesday. However, the 3 major equity indices still closed out a bumper year in 2025. The S&P 500 logged its third straight annual double-digit gain at 16.4% y/y, while the tech-heavy Nasdaq surged 20.4% y/y. The Dow gained posted smaller but still impressive gain of 13.0% y/y, tempered a bit by its lack of tech representation.
- As it is, US stocks have staged a sharp recovery from the April's rout after President Trump's sweeping tariffs announcement, largely supported by robust corporate earnings, monetary policy easing and AI enthusiasm, although jitters over their lofty valuations saw a mild reversal towards the end of the year.
- Moving into 2026, AI stocks will most likely continue to take centre stage, with market participants watching closely if the corporate earnings growth catches up to the lofty multiples. FOMC's policy moves will also define sentiment in 2026, especially in view of the change of Fed Chair in May but as it is, we are pencilling 2 quarter point cuts by the FOMC for 2026.
- Treasuries were equally volatile in 2025 amid ever changing FOMC rate cut expectations, and are expected to stay volatile given a divided Fed over the policy direction in 2026. As it is, the benchmark 2Y yield closed 2025 at 3.47% (+3bps d/d and -76bps y/y) and the 10Y at 4.17% (+5bps d/d and -40bps y/y).
- In the forex space, the DXY closed Wednesday at 98.32 (+0.1% d/d), up for the fifth straight session, but left the year sharply lower by 9.4% y/y amid a year of interest rate cuts, fiscal worries and erratic US trade policy. European currencies like SEK (20.1% y/y), CHF (14.4% y/y) and EUR (13.4% y/y to 1.1746) led gains against the greenback in 2025, while JPY lagged even as the Bank of Japan raised rates twice during the year, appreciating a mere 0.3% y/y to 156.71. Within the regional

Key Market Metrics

	Level	y/y (%)
Equities		
Dow Jones	48,063.29	12.97
S&P 500	6,845.50	16.39
NASDAQ	23,241.99	20.36
Stoxx Eur 600	592.19	16.66
FTSE 100	9,931.38	21.51
Nikkei 225	50,339.48	26.18
CSI 300	4,629.94	17.66
Hang Seng	25,630.54	27.77
Straits Times	4,646.21	22.67
KLCI 30	1,680.11	2.30
FX		
Dollar Index	98.32	-9.37
EUR/USD	1.1746	13.44
GBP/USD	1.3475	7.66
USD/JPY	156.71	-0.31
AUD/USD	0.6673	7.84
USD/CNH	6.9757	-4.94
USD/MYR	4.0603	-9.21
USD/SGD	1.2854	-5.88
USD/KHR	4,011.00	-0.45
USD/THB	31.51	-7.60
Commodities		
WTI (\$/bbl)	57.42	-19.94
Brent (\$/bbl)	60.85	-18.48
Gold (\$/oz)	4,341.10	64.37
Copper (\$/MT)	12,423.00	41.69
Aluminum(\$/MT)	2,995.50	17.40
CPO (RM/tonne)	3,945.00	-19.82

Source: Bloomberg, HLBB Global Markets Research
 * Closing as of 30 Dec for CPO, Nikkei 225 and USD/THB

space, MYR topped its peers against the greenback at +9.2% y/y to 4.0603, while SGD also appreciated 5.9% y/y to 1.2854.

- With more Fed rate cuts expected in 2026, concerns over Fed's independence and continuing diversification of central bank reserves (***IMF Currency Composition of Official Foreign Exchange Reserves survey result shows that the share of USD holdings decreased slightly to 56.9% in 3Q of 2025 from 57.1% in 2Q***), dollar weakness should continue into 2026 and we expect the DXY to close the year at 93.15.
- In the commodity space, oil (-19.9% y/y to \$57.42/barrel for the WTI and -18.5% y/y to \$60.85/barrel for Brent) posted deep losses amid expectations that the crude oil market will remain oversupplied into 2026. Gold (+64.4% y/y), on the other hand, saw strong demand in 2025 on the mounting and wide-ranging geopolitical risks, added boost from haven flows as well as on a weaker USD.

FOMC meeting minutes showed a divided Fed and a finely balanced decision

- No surprises from the minutes to the latest FOMC meeting but in short, showed that the decision to lower rates was "finely balanced" even for the few participants who supported lowering the policy rate at that meeting. Going forward, most FOMC participants judged that further rate are cuts would be appropriate, but "some felt" that it would likely be appropriate to keep the target range unchanged for some time to assess the lagged effects from the recent cuts. In our view, our expectations of lower inflation and softer labour market for the US will likely pave the way for a 50bps in 2026, as per our house view.
- Data wise, while initial jobless claims dropped below 200k during the Christmas week (-16k to 199k for the week ended Dec 26 vs -9k for the week ended Dec 19), we attribute this to seasonal distortions and maintain our view that low hiring (as well as low firing) will keep labour market soft into 2026.

Less gloomy PMIs for China

- China's economy ended the year on a slightly less gloomy note with PMIs improving and beating expectations in the month of December. The official manufacturing PMI rose to 50.1 (prior: 49.2), while the non-manufacturing PMI, which covers services and construction, increased to 50.2 from 49.5. Private-sector data showed a similar trend, with the RatingDog manufacturing PMI rising to 50.1 from 49.9.
- While gains in both production and demand supported growth during the month, firms were nonetheless less optimistic and confidence remained below the historical average, suggesting an uneven growth momentum heading

into 2026. With lack of self-sustaining growth momentum, we thus expect more proactive roll outs of stimulus measures from both the monetary (more cuts in RRR and interest rates) and fiscal front, the latter which includes allocating the 62.5bn yuan from ultra-long special treasury bond fund to subsidise its consumer goods trade-in drive in 2026.

Strong 4.8% GDP growth for Singapore for 2025 due to manufacturing

- GDP growth came in above official and consensus forecasts at 4.8% y/y in 2025 (2024: 4.4% y/y) and 5.7% y/y in 4Q (prior: 4.3% y/y). By sector, the acceleration was underpinned by strong growth of 15.0% y/y for manufacturing (prior: 4.9% y/y) in 4Q, while construction (4.2% y/y vs 5.1% y/y) and services (3.8% y/y vs 4.1% y/y) sectors moderated.
- Moving into 2026, the government is expecting growth to normalise to 1-3% with impact from the US tariffs expected to be more pronounced on the trade and manufacturing front. The growth forecast is balance in our opinion, downside from elevated global economic uncertainty and risk-off sentiment which could trigger sharp corrections in global financial markets and upside, on continuous robust demand from AI products.

House View and Forecasts

FX	This Week	1Q-26	2Q-26	3Q-26	4Q-26
DX	96-100	97.33	95.92	94.52	93.15
EUR/USD	1.15-1.20	1.17	1.19	1.21	1.23
GBP/USD	1.32-1.38	1.32	1.34	1.35	1.37
USD/CHF	0.77-0.81	0.80	0.79	0.78	0.77
USD/JPY	153-159	151	148	145	142
AUD/USD	0.64-0.69	0.66	0.67	0.68	0.68
NZD/USD	0.56-0.60	0.57	0.57	0.58	0.59
USD/CNY	6.98-7.03	7.03	6.94	6.86	6.77
USD/MYR	4.02-4.11	4.12	4.08	4.05	4.05
USD/SGD	1.26-1.31	1.28	1.26	1.25	1.24
USD/THB	31.08-31.86	32.30	32.20	32.10	32.00

FX	Last close	1Q-26	2Q-26	3Q-26	4Q-26
EUR/MYR	4.7645	4.83	4.86	4.89	4.97
GBP/MYR	5.4559	5.44	5.45	5.48	5.55
AUD/MYR	2.7137	2.72	2.73	2.74	2.77
CNY/MYR	0.5810	0.59	0.59	0.59	0.60
SGD/MYR	3.1567	3.21	3.23	3.24	3.27

Rates, %	Current	1Q26	2Q26	3Q26	4Q26
Fed	3.50-3.75	3.25-3.50	3.00-3.25	3.00-3.25	3.00-3.25
ECB	2.00	2.00	2.00	2.00	2.00
BOE	3.75	3.50	3.50	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.75	0.75	0.75	0.75	0.75

RBA	3.60	3.60	3.60	3.60	3.60
RBNZ	2.25	2.25	2.25	2.25	2.25
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
2-Jan	MA S&P Global Malaysia PMI Mfg (Dec)	50.1
	VN S&P Global Vietnam PMI Mfg (Dec)	53.8
	UK Nationwide House Px NSA YoY (Dec)	1.80%
	HK Retail Sales Value YoY (Nov)	6.90%
	EC HCOB Eurozone Manufacturing PMI (Dec F)	49.2
	UK S&P Global UK Manufacturing PMI (Dec F)	51.2
	SI Purchasing Managers Index (Dec)	50.2
	US S&P Global US Manufacturing PMI (Dec F)	51.8
5-Jan	JN S&P Global Japan PMI Mfg (Dec F)	49.7
	CH RatingDog China PMI Services (Dec)	52.1
	SI Retail Sales YoY (Nov)	4.50%
	UK Mortgage Approvals (Nov)	65.0k
	US ISM Manufacturing (Dec)	48.2
	VN CPI YoY (Dec)	3.58%
	VN GDP YoY (4Q)	8.23%
	VN Exports YoY (Dec)	15.10%
	VN Industrial Production YoY (Dec)	10.80%
	VN Retail Sales YoY (Dec)	7.10%

Source: Bloomberg

Note: Due to lapse in government services, US release dates are subject to change

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