29 Jan: Status quo for central bank decisions

FOMC, Bank of Canada and MAS maintained policy rates and rhetoric

FOMC upped its assessment on the economy; extended pause likely for now

MAS flagged upside risks to growth & CPI forecasts; core expected at 1-2%

- The S&P 500 started the day on a positive note, briefly touching 7k for the first time ever, before pulling back ahead of the FOMC meeting and wavered post-decision, where policy makers kept its rates unchanged, upped their economic growth assessment and cited jobs stabilization. The broad market index (S&P 500) ended the day just below its flatline, while the Dow saw marginal gain and Nasdaq closed up 0.2% on the day, bolstered by upbeat earnings from tech companies. Treasuries, meanwhile, were steady post-FOMC meeting. The 2Y yield closed just below its flatline at 3.57%, while the 10Y closed flattish at 4.24%.
- Elsewhere, Stoxx Eur 600 dropped 0.8% d/d amid a mixed slew of earnings from ASML to LVMH, while 10Y sovereign bond yields fell 1-4bps save the UK gilts. Major Asian bourses closed mixed, but Jakarta Composite closed 7.4% lower after MSCI warned of a potential downgrade to frontier-market status. The index plunged as much as 8.8% earlier in the day, triggering a 30-minute market halt.
- In the FX space, the DXY rallied to its intra-day high of 96.79 after FOMC's decision and after Treasury Secretary Scott Bessent shot down reports of potential yen intervention by the US, before narrowing gains to close the day at 96.45 (0.2% d/d). JPY weakened 0.8% d/d to 153.41, while CAD appreciated 0.3% d/d after the Bank of Canada left its policy rate steady at 2.25%. Closer to home, AUD strengthened 0.4% d/d to 0.7041 after Australia's inflation was higher than what RBA had expected, fanning rate hike bets.
- MYR (0.9% d/d to 3.9200) extended its rally and outperformed its regional peers on its upbeat growth outlook, while SGD weakened 0.1% d/d to 1.2629 just ahead of its policy decision.
- In the commodity space, gold rallied 4.4% d/d to close above $5.3k/oz, while crude oil prices jumped more than 1% d/d after President Donald Trump threatened another attack on Iran, urging Tehran to negotiate a nuclear deal. Brent closed the day at $68.40/barrel and the WTI at $63.21/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	49,015.60	0.02
S&P 500	6,978.03	-0.01
NASDAQ	23,857.45	0.17
Stoxx Eur 600	608.51	-0.75
FTSE 100	10,154.43	-0.52
Nikkei 225	53,358.71	0.05
CSI 300	4,717.99	0.26
Hang Seng	27,826.91	2.58
Straits Times	4,909.34	-0.28
KLCI 30	1,756.49	-0.83
FX		
Dollar Index	96.45	0.24
EUR/USD	1.1954	-0.72
GBP/USD	1.3808	-0.30
USD/JPY	153.41	0.79
AUD/USD	0.7041	0.43
USD/CNH	6.9437	0.14
USD/MYR	3.9200	-0.85
USD/SGD	1.2629	0.13
USD/KHR	4,021.50	-0.04
USD/THB	31.05	0.01
Commodities		
WTI ($/bbl)	63.21	1.31
Brent ($/bbl)	68.40	1.23
Gold ($/oz)	5,303.60	4.35
Copper ($/MT)	13,086.50	0.62
Aluminum($/MT)	3,257.00	1.56
CPO (RM/tonne)	4,144.50	0.74

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 27 Jan for CPO*

FOMC held rates steady in a 10-2 majority vote

- As expected, the FOMC held the Fed funds rate steady at 3.50-3.75%. The decision was not unanimous, with Governors Stephen Miran and Christopher Waller voting to cut rates by a quarter point. Waller's dissent will, thus, keep him in the race as the next Fed chair.
- Key highlights from the statement include: 1) In voting to hold the line, the committee upgraded its assessments of economic activity to "expanding at a solid pace" from "expanding at moderate pace." 2) FOMC also opined that job gains have remained low and the unemployment rate has shown some signs of stabilization, an improvement from December's statement of "Job gains have slowed this year, and the unemployment rate has edged up through September". 3) FOMC's assessment of inflation was left unchanged at "somewhat elevated," but we should be reminded that the Fed had limited data points in December due to the government shutdown. 4) Most importantly, the statement erased a clause indicating that the committee saw a higher risk from the threat of a weakening labor market than that of heightened inflation. That would argue for a pause on rate cuts at least in the near term, as per our house view as well as consensus. 5) Over a longer-run, Fed Chair Jerome Powell's comment that the monetary policy is "loosely neutral" or "somewhat restrictive" suggests that the FOMC is nearing, if not at the end of the easing cycle.
- Mortgage rates rose for the first time in four weeks (30Y: 6.24%), pushing total applications down 8.5% w/w for the week ended January 23 (prior: 14.1% w/w) suggesting that both the new purchase and refinance markets are likely to remain sensitive to week-to-week rate movements.

MAS maintained policy rates amid upside risks to its growth and inflation outlook

- As expected, MAS maintained the prevailing rate of appreciation of the S$NEER policy band in its latest monetary policy meeting. There will also be no change to its width and the level at which it is centred. The decision is premised upon expectations that economic growth this year will remain resilient and the output gap positive for the year as a whole. Underlying price pressures is also expected to return closer to trend. MAS is expecting core inflation to average 1.0–2.0%, in line with our in-house forecast of around 1.5%.
- We also note that the statement had a hawkish tilt, with the statement flagging upside risks to the growth and inflation outlook. Accordingly, MAS opines that persistently stronger-than-expected GDP growth could lead to higher wage growth,

boost consumer sentiment leading to demand-pull inflationary pressures, while supply shocks could lift imported inflation.

More elevated Australia's CPI than what RBA had anticipated

- Matching consensus expectations, trimmed mean CPI accelerated slightly to 3.3% y/y from 3.2% y/y previously, with goods inflation ticking up 3.4% y/y (prior: 3.3% y/y) on account of electricity costs, while services inflation also jumped to 4.1% y/y (prior: 3.6% y/y) due to seasonal demand from domestic holiday travel and accommodation. With Australia's CPI persistently staying above RBA's target and labour data remains resilient, these will indeed strengthen the case for a cautious 25bp RBA hike in February. We nonetheless expect the central bank to maintain status quo for now to assess the persistence of inflationary pressure.

House View and Forecasts

FX	This Week	1Q-26	2Q-26	3Q-26	4Q-26
DXY	94-100	96.71	95.13	94.70	95.49
EUR/USD	1.16-1.22	1.20	1.22	1.22	1.21
GBP/USD	1.33-140	1.36	1.37	1.37	1.35
USD/CHF	0.76-0.82	0.78	0.78	0.78	0.78
USD/JPY	150-161	153	149	147	147
AUD/USD	0.67-0.71	0.68	0.69	0.70	0.69
NZD/USD	0.56-0.61	0.58	0.59	0.59	0.58
USD/CNY	6.94-6.98	6.90	6.83	6.85	6.90
USD/MYR	3.90-4.00	4.00	3.97	3.97	4.00
USD/SGD	1.25-1.30	1.26	1.23	1.23	1.24
USD/THB	30.70-31.70	32.2	32,1	32.0	30.8

FX	Last close	1Q-26	2Q-26	3Q-26	4Q-26
EUR/MYR	4.6999	4.78	4.82	4.85	4.84
GBP/MYR	5.4051	5.44	5.45	5.45	5.41
AUD/MYR	2.7450	2.72	2.75	2.78	2.76
CNY/MYR	0.5643	0.58	0.58	0.58	0.58
SGD/MYR	3.1099	3.17	3.21	3.23	3.22

Rates, %	Current	1Q26	2Q26	3Q26	4Q26
Fed	3.50-3.75	3.50-3.75	3.25-3.50	3.00-3.25	2.75-3.00
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	1.00	1.00
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
29-Jan	JN Consumer Confidence Index (Jan)	37.2
	EC Economic Confidence (Jan)	96.7
	US Initial Jobless Claims	200k
	US Exports MoM (Nov)	2.60%
	US Factory Orders (Nov)	-1.30%
30-Jan	JN Tokyo CPI YoY (Jan)	2.00%
	JN Jobless Rate (Dec)	2.60%
	JN Retail Sales MoM (Dec)	0.60%
	JN Industrial Production MoM (Dec P)	-2.70%
	AU Private Sector Credit MoM (Dec)	0.60%
	UK Mortgage Approvals (Dec)	64.5k
	EC GDP SA QoQ (4Q A)	0.30%
	EC Unemployment Rate (Dec)	6.30%
	US PPI Final Demand YoY (Dec)	3.00%
	US MNI Chicago PMI (Jan)	43.5
	HK GDP Annual YoY (2025 A)	2.50%

Source: Bloomberg

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