Global Markets Research

Daily Market Highlights

11 Dec: FOMC's rate cut lifted the mood in Wall Street

FOMC lowered rates by 25bps to 3.50-3.75%; Bank of Canada paused at 2.25%
Dot plot maintains projection for one cut in 2026 vs market pricing for two
US stocks and treasuries gained; DXY tumbled to a six-week low

- Treasuries rose and US stocks jumped after the FOMC lowered its fed funds rate for the third consecutive time, while the dot plot suggests another rate cut in 2026. Within the equity space, the Dow (1.1% d/d) led gains amongst the 3 major bourses, while the S&P 500 and Nasdaq also rose 0.7% d/d and 0.3% d/d. Save consumer staples and utilities, all sectors closed in green led by industrials, materials and consumer discretionary stocks.
- Trading elsewhere was muted ahead of Fed's policy decision. Stoxx Eur 600 closed 0.1% d/d higher, while Asian bourses traded mixed. Nikkei 225 and CSI 300 fell 0.1% d/d but Hang Seng rose 0.4% d/d.
- Treasuries gained after the rate cut and as traders continue to wager two more in 2026. Yields plunged 8bps to 3.54% for the 2Y and fell 4bps to 4.15% for the 10Y. In contrast, 10Y bond yields were 0-3bps higher across in Europe.
- The DXY (-0.4% d/d to 98.79) fell alongside the treasury yields and the Dollar weakened against all its G10 peers. CAD fell to its session low after the ***Bank of Canada maintained its policy rate at 2.25%,*** but sharply reversed losses later in the session and closed the day stronger by 0.4% d/d against USD. SEK (1.1% d/d), CHF (0.8% d/d) and NOK (0.7% d/d) outperformed their G10 peers, while GBP, EUR, AUD and JPY appreciated by 0.5-0.7% d/d to 1.3383, 1.1695, 0.6676 and 156.02 respectively. The slightly improved BSI Large All Industry index to 4.9 in 4Q (prior: 4.7) will lend some support for JPY today.
- Regional currencies traded mixed against greenback with MYR weakening 0.1% d/d to 4.1178, while SGD appreciated 0.4% d/d to 1.2930. CNH closed flattish at 7.0610.
- Crude oil prices erased earlier declines and closed 0.4% d/d up after the US forces intercepted and seized a sanctioned oil tanker off the coast of Venezuela, escalating geopolitical tension. The WTI closed the day at $58.46/barrel and Brent at $62.21/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	48,057.75	1.05
S&P 500	6,886.68	0.67
NASDAQ	23,654.15	0.33
Stoxx Eur 600	578.17	0.07
FTSE 100	9,655.53	0.14
Nikkei 225	50,602.80	-0.10
CSI 300	4,591.83	-0.14
Hang Seng	25,540.78	0.42
Straits Times	4,511.90	-0.03
KLCI 30	1,611.00	-0.20
FX		
Dollar Index	98.79	-0.44
EUR/USD	1.1695	0.58
GBP/USD	1.3383	0.65
USD/JPY	156.02	-0.55
AUD/USD	0.6676	0.51
USD/CNH	7.0610	0.00
USD/MYR	4.1178	0.09
USD/SGD	1.2930	-0.35
USD/KHR	4,008.25	0.01
USD/THB	31.82	-0.11
Commodities		
WTI ($/bbl)	58.46	0.36
Brent ($/bbl)	62.21	0.44
Gold ($/oz)	4,196.40	-0.24
Copper ($/MT)	11,556.50	0.61
Aluminum($/MT)	2,867.00	0.37
CPO (RM/tonne)	4,037.00	-0.96

Source: Bloomberg, HL Bank
** Closing as of 9 Dec for CPO, USD/THB*

FOMC lowered policy rates by 25bps, another quarter point cut projected for 2026 amid some silent dissenters

- As expected, the FOMC lowered its fed funds rate by a quarter point to 3.50-3.75%. Key highlights include: 1) The decision was not unanimous with Stephen Miran preferring to lower the fed funds rate by 50bps, while Austan Goolsbee and Jeffrey Schmid preferred no change. 2) The FOMC's dot plot indicated just one quarter point cut in 2026 (consensus and HLB: -50bps) and another in 2027, amid considerable disagreement from members about where rates should head. 3) FOMC judged that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis. 4) The accompanying statements saw some edits, notably omitting the statement that the unemployment rate has remained low. The median unemployment rate projections by the Fed were nonetheless left unchanged at 4.5% for 2025 and 4.4% for 2026. 5) Median projections for real GDP were revised up to 1.7% for 2025 (+0.1ppts) and 2.3% to 2026 (+0.5ppts), 2.0% for 2027 (+0.1ppts) and 1.9% for 2028 (+0.1ppts). Core-PCE projections were revised lower by 0.1ppts each to 3.0% in 2025 and 2.5% for 2026, and maintained at 2.1% and 2.0% for 2027 and 2028 respectively.
- Data wise, the employment cost index unexpectedly slowed to 0.8% in 3Q to reassure Fed of stable inflationary pressures while mortgage applications rebounded 4.8% w/w for the week ended December 5 (prior: -1.4% w/w).

Pick-up in China's CPI underpinned by temporary factors

- Price prints were mixed. CPI matched expectations and accelerated to 0.7% y/y in November (prior: 0.2% y/y), a sign that deflationary pressure maybe easing even as downward pressure on costs (PPI: worse than expected at -2.2% y/y in Nov vs -2.1% y/y in Oct) remained widespread. That said, the uptick for consumer prices was mainly due to food prices, which swung from -2.9% y/y to 0.2% y/y, while prices for non-food and core-CPI were largely unchanged, suggesting little shift in underlying soft demand in our opinion.

House View and Forecasts

FX	This Week	1Q-26	2Q-26	3Q-26	4Q-26
DXY	97-101	97.33	95.92	94.52	93.15
EUR/USD	1.15-1.18	1.17	1.19	1.21	1.23
GBP/USD	1.31-1.35	1.32	1.34	1.35	1.37
USD/CHF	0.79-0.82	0.80	0.79	0.78	0.77
USD/JPY	153-159	151	148	145	142
AUD/USD	0.65-0.68	0.66	0.67	0.68	0.68
NZD/USD	0.55-0.59	0.57	0.57	0.58	0.59
USD/CNY	7.05-7.09	7.03	6.94	6.86	6.77
USD/MYR	4.08-4.14	4.12	4.08	4.05	4.05

USD/SGD	1.28-1.31	1.28	1.26	1.25	1.24
USD/THB	31.93-32.67	32.30	32.20	32.10	32.00

FX	**Last close**	**1Q-26**	**2Q-26**	**3Q-26**	**4Q-26**
SGD/MYR	3.1768	3.21	3.23	3.24	3.27
EUR/SGD	1.5122	1.51	1.50	1.51	1.52
GBP/SGD	1.7305	1.69	1.69	1.69	1.70
AUD/SGD	0.8634	0.85	0.84	0.85	0.85

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	4.00	3.50	3.50	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.50	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: HL Bank

Up Next

Date	**Events**	**Prior**
11-Dec	AU Employment Change (Nov)	42.2k
	AU Unemployment Rate (Nov)	4.30%
	US Initial Jobless Claims	191k
	US Exports MoM (Sep)	0.10%
12-Dec	MA Industrial Production YoY (Oct)	5.70%
	MA Manufacturing Sales Value YoY (Oct)	4.30%
	JN Industrial Production MoM (Oct F)	1.40%
	UK Monthly GDP (MoM) (Oct)	-0.10%

Source: Bloomberg

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

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