

Global Markets Research

Daily Market Highlights

19 Dec: Traders to switch focus to the BOJ today

Investors snapped up US stocks, USTs with softer CPI reaffirming rate cut bets
ECB maintained policy rates; BOE lowered rates, further easing will be a close call
Sticky and steady core CPI at 3% keep rate hike bets alive for the BOJ

- US stocks jumped, snapping their losing streaks after a much softer than expected US inflation reading bolsters bulls with prospects of more decisive Fed rate cuts in 2026, while solid outlook from Micron Technology also saw a revival in appetite for AI stocks. Nasdaq led gains at 1.4% d/d, while the S&P 500 and the Dow also settled 0.8% d/d and 0.1% d/d higher.
- In the bond space, treasury yields were down 2-4bps across the curve with market sticking with their 2 quarter point cuts forecast in 2026. The 2Y yield closed the day at 3.46% while the 10Y settled at 4.12%.
- In Europe, Stoxx 600 and FTSE 100 were 0.7-0.9% d/d higher at the close of the session, while 10Y sovereign bond yields fell 1-3bps, with the exception of the Norwegian and UK bonds. Yields to the 2Y and 10Y gilts closed the day higher at 3.74% (+4bps) and 4.48% (+1bps) respectively after the BOE lowered the Bank Rate as expected, but suggests further easing will be a closer call.
- Asian markets largely tracked Wall Street's sell-off in tech stocks, but are likely to climb today with sentiment supported by the calmer tech jitters and Fed rate cut expectations.
- In the forex space, the DXY dipped to 98.17 after the CPI report but erased losses to close the session 0.1% d/d higher at 98.43. EUR weakened 0.2% d/d to 1.1722 after the ECB maintained its policy rates, while GBP reached its intraday high of 1.3446 post BOE's policy decision, before paring its gains to close the day just above its flatline at 1.3381.
- JPY strengthened 0.1% d/d to 155.55 ahead of the Bank of Japan's (BOJ) policy decision today, where consensus is expecting a 25bps rate hike by the central bank. As it is, the steady and sticky core CPI at 3.0% for November will likely justify BOJ's case for persistent price pressure as well as a rate hike.
- On the regional front, most Asian currencies appreciated against the greenback. MYR and SGD strengthened 0.1% d/d each to 4.0863 and 1.2898.
- Oil prices edged marginally higher for the second day, garnering support from the heightened geopolitical tensions

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	47,951.85	0.14
S&P 500	6,774.76	0.79
NASDAQ	23,006.36	1.38
Stoxx Eur 600	585.35	0.96
FTSE 100	9,837.77	0.65
Nikkei 225	49,001.50	-1.03
CSI 300	4,552.79	-0.59
Hang Seng	25,498.13	0.12
Straits Times	4,570.61	-0.11
KLCI 30	1,646.90	0.33
FX		
Dollar Index	98.43	0.06
EUR/USD	1.1722	-0.16
GBP/USD	1.3381	0.04
USD/JPY	155.55	-0.09
AUD/USD	0.6613	0.12
USD/CNH	7.0327	-0.11
USD/MYR	4.0863	-0.05
USD/SGD	1.2898	-0.10
USD/KHR	4,009.50	0.02
USD/THB	31.47	-0.10
Commodities		
WTI (\$/bbl)	56.15	0.38
Brent (\$/bbl)	59.82	0.23
Gold (\$/oz)	4,339.50	-0.18
Copper (\$/MT)	11,778.00	0.35
Aluminum (\$/MT)	2,916.00	0.36
CPO (RM/tonne)	3,961.50	-0.19

Source: Bloomberg, HL Bank
 * Closing as of 17 Dec for CPO

in Venezuela and Russia. Brent rose 0.2% d/d to \$59.82/barrel. and the WTI by 0.4% d/d to \$56.15/barrel.

ECB maintained policy rates; upward revisions to GDP forecasts on domestic demand

- As expected, the European Central Bank (ECB) left the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility unchanged at 2.00%, 2.15% and 2.40% respectively. With officials reiterating that rates are in a “good place,” there is no change in our view that policy rates will be left unchanged for 2026 as well.
- Its updated assessment reconfirms that inflation should stabilise at the 2% target in the medium term. ECB staff projections show headline inflation averaging 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. Core inflation is expected to average 2.4% in 2025, 2.2% in 2026, 1.9% in 2027 and 2.0% in 2028. Inflation has been revised up for 2026, mainly because the ECB expects services inflation to ease more slowly.
- Economic growth is expected to be stronger as compared to its September projections, driven especially by domestic demand. Growth was revised up to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027 and is expected to remain at 1.4% in 2028.

BOE lowered Bank Rate to 3.75% in a close call

- As expected, the Monetary Policy Committee of the Bank of England (BOE) voted by a majority of 5–4 to reduce Bank Rate by 25bps to 3.75%. Four members voted to maintain Bank Rate at 4.00%. One notable addition to the statement was the line **“judgements around further policy easing will become a closer call.”** We view this as a sign that the end of the easing cycle is on the horizon and are maintaining our forecast of one and last 25bps cut in 2026.
- Other highlights include: 1) The policy makers think that risks from greater inflation persistence had become less pronounced and the bank is expecting CPI to ease further to around 3.0% in 1Q of 2026. The one-off reductions to regulatory costs levied on households’ energy bills and changes to fuel duty announced in the Autumn Budget is likely to lower CPI inflation in April by around 0.5ppts. In tandem with this, the bank also lowered its CPI forecast to closer to 2.0% in 2Q of 2026. 2) GDP growth for 4Q was weaker than what BOE had anticipated. The bank is now pencilling in zero growth for the quarter, a deceleration from 3Q’s 0.1%. 3) The Average Weekly Earnings (AWE) private sector regular pay growth is expected to ease to around 3.5% in 4Q from 3.9% currently.

US core inflation eased to its 4-year low

- Inflation was surprisingly soft in November despite the backdrop of higher tariffs. Headline and core CPI came in at 2.7% y/y and 2.6% y/y, a marked stepdown for both from 3.0% y/y in September. While no data was available for October due to the government shutdown, the report indicated that softer food prices (2.6% y/y vs 3.1% y/y) contributed to the softer inflationary pressure and within core, because of used cars & trucks (3.6% y/y vs 4.6% y/y), shelter (3.0% y/y vs 3.6% y/y) and medical care services (3.3% y/y vs 3.9% y/y).
- Despite some concerns over the quality and reliability of data because of the shutdown, falling energy prices, expectations of softer labour market and wage growth ahead suggest that the economy remains on track to its 2% inflation target, possibly quicker than anticipated.
- Other data released during the day nonetheless showed that real average weekly earnings accelerated to 0.8% y/y in Nov from 0.7% y/y in Sep, while initial jobless claims drifted lower by -13k to 224k for the week ended Dec 13 (prior: +45k).

House View and Forecasts

FX	This Week	1Q-26	2Q-26	3Q-26	4Q-26
DX	97-100	97.33	95.92	94.52	93.15
EUR/USD	1.16-1.19	1.17	1.19	1.21	1.23
GBP/USD	1.32-1.36	1.32	1.34	1.35	1.37
USD/CHF	0.79-0.82	0.80	0.79	0.78	0.77
USD/JPY	153-158	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	3.1637	3.21	3.23	3.24	3.27
EUR/SGD	1.5121	1.51	1.50	1.51	1.52
GBP/SGD	1.7263	1.69	1.69	1.69	1.70
AUD/SGD	0.8531	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	3.75	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
19-Dec	MA Exports YoY (Nov)	15.70%
	UK Retail Sales Inc Auto Fuel MoM (Nov)	-1.10%
	EC Consumer Confidence (Dec P)	-14.2
	US Existing Home Sales MoM (Nov)	1.20%
	US U. of Mich. Sentiment (Dec F)	53.3
	JN BOJ Target Rate	0.50%
	US Kansas City Fed Services Activity (Dec)	-7
22-Dec	CH 1-Year Loan Prime Rate	3.00%
	CH 5-Year Loan Prime Rate	3.50%
	MA CPI YoY (Nov)	1.30%
	UK GDP QoQ (3Q F)	0.10%
	HK CPI Composite YoY (Nov)	1.20%
	US Chicago Fed Nat Activity Index (Nov)	-0.12

Source: Bloomberg

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

General Disclaimer by the Bank

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained in this report does not constitute the provision of investment advice and is not to be regarded as an offer to sell or a solicitation of an offer to buy with respect to the purchase or sale of any of the financial instruments mentioned in this report and/or to participate in any trading strategy. This report will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by HL Bank to be reliable and in good faith, but no warranties or guarantees, representations are made by HL Bank with regard to the accuracy, completeness, correctness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HL Bank or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected in this report may change without notice and the opinions do not necessarily correspond to the opinions of HL Bank. HL Bank does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient in the event that any matter stated in this report, or any opinion, projection, forecast, valuation or estimate in this report, changes or subsequently becomes inaccurate. The information contained in this report may be incomplete, condensed and it may not contain all material information concerning the company or currency referred to in this report.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter nor will any liability be accepted for any loss whatsoever that may arise from any use and/or reliance on this report. HL Bank may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities or currencies mentioned in this report. The past performance of financial instruments is not indicative of future results. The value of and the income that is produced by the financial instruments mentioned in this report may fluctuate so that an investor may get back less than originally invested. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described in this report would yield favorable investment results. Recipients should seek the advice of their independent financial advisor before taking any investment decision based on any recommendations that may be contained in this report. Any recommendation that may be contained in this report does not consider the specific investment objectives, financial situation, suitability and the particular needs of a particular customer. This report is for the information of the addressee only and is not to be taken in substitution for the exercise of judgment by the addressee who should obtain separate independent legal or financial advice.

Past performance does not always indicate future performance or future results. The value of any investment or income from any investment may go up as well as down. All investments involve an element of risk including the potential to lose the entire amount that is invested.

HL Bank may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HL Bank endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HL Bank does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced, copied, duplicated or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HL Bank. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient agrees to be bound by all limitations contained in this report.

This report is being distributed in Singapore by HL Bank (Company registration number S56FC1182L) to Accredited Investors, Expert Investors or Institutional Investors, as defined in the Securities and Futures Act (Chapter 289 of Singapore). HL Bank is an Exempt Financial Adviser, as defined in the Financial Advisers Act (Chapter 110 of Singapore), and regulated by the Monetary Authority of Singapore. HL Bank is a branch of Hong Leong Bank Berhad, a limited liability company incorporated in Malaysia. HL Bank holds a full bank license in Singapore. Hong Leong Bank Berhad is also a member of the Hong Leong Group Malaysia.