MARKET UPDATE

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Stocks slip, dollar boosted by US rate outlook.

Global stocks slid, with European shares set for a weak open on Wednesday as worries over U.S. inflation resurfaced and bond yields spiked, boosting the dollar and keeping the yen, yuan and euro near multi-month lows.

After losses in Asia and Wall Street overnight, European bourses were due to open lower after data showed the U.S. economy and labour market remained stable, spurring expectations that the Federal Reserve will be measured in its rate cutting cycle.

Eurostoxx 50 futures were down 0.3%, while German DAX futures fell 0.23%. Rising bond yields will probably weigh on tech stocks in Europe as well after they touched a more than five-month high on Tuesday.

Investor focus in 2025 has been on shifting U.S. rate expectations, amid growing policy divergence between the U.S. and other economies and the threat of tariffs once President-elect Donald Trump steps back into the White House on Jan. 20.

The Fed in December projected just two rate cuts for 2025, half the number it had earlier predicted. Markets are currently pricing in 38 basis point of easing this year with the first cut fully priced in for July.

European stocks mostly lower.

European stock markets broadly retreated Wednesday, with investors cautious as they digested the region’s economic outlook.

At 03:05 ET (08:05 GMT), the DAX index in Germany dropped 0.1% and the CAC 40 in France slipped 0.2%, while the FTSE 100 in the U.K. gained 0.1%.

The major European indices posted healthy gains on Tuesday, as investors in the region digested the latest eurozone inflation data, which came in as expected, dismissing worries that elevated consumer prices would limit interest rate cuts by the European Central Bank this year.

German industrial orders slumped

The need for the ECB to ease monetary policy significantly in 2025 was illustrated by economic data released earlier Wednesday.

German industrial orders fell 5.4% in November, sapped by a decline in large orders, showing that a recovery in the industrial sector is not in sight.

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Oil rises on tighter OPEC supply.

Oil prices rose on Wednesday as supplies from Russia and OPEC members tightened while data showing an unexpected increase in U.S. job openings pointed to expanding economic activity and consequent growth in oil demand.

Brent crude was up 37 cents, or 0.5%, at $77.42 a barrel at 0730 GMT. U.S. West Texas Intermediate crude climbed 44 cents, or 0.6%, to $74.69.

Oil output from the Organization of the Petroleum Exporting Countries fell in December after two months of increases, a Reuters survey showed. Field maintenance in the United Arab Emirates offset a Nigerian output hike and gains elsewhere in the group.

In Russia, oil output averaged 8.971 million barrels a day in December, below the country's target, Bloomberg reported citing the energy ministry.

On the economic front, job openings rose in the United States in November and the number of layoffs was low, while workers were reluctant to quit, the Job Openings and Labor Turnover Survey showed.

"Robust U.S. economic data continues to bolster the outlook for the U.S. economy and oil demand, further supported by a larger-than-anticipated drawdown in crude inventories," said IG market strategist Yeap Jun Rong.

"After trading within a prolonged tight range since October last year, selling pressures may have been exhausted for now, paving the way for a modest recovery," Yeap said.

U.S. crude oil stocks fell last week while fuel inventories rose, market sources said, citing American Petroleum Institute figures on Tuesday.

Going forward, analysts expect oil prices to be on average down this year from 2024 due in part to production increases from non-OPEC countries.