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Global Markets Research

Daily Market Highlights

1 Jul: Trade talks and megabill progress in focus

S&P500 and Nasdaq surged to record highs amid continued trade deal optimism

UST yields fell on Fed rate cut expectations; USD weakened against all G10s

US and Japan data disappointed; China PMIs improved more than expected

- US stocks ended the day and the 2Q higher as trade deal optimism continued to spur risk sentiments. S&P500 and Nasdaq rallied 0.5% each on the day to record high levels on the last trading day of June while the Dow advanced 0.6% d/d to its highest level in four months. On the contrary, European stocks largely ended in the red while major Asian stock indices closed mixed with the Nikkei 225 gaining 0.8% but the Hang Seng losing 0.9% on the day. Futures are pointing to another mixed opening in Asian markets this morning as investors are expected to continue thread cautiously pending more trade headlines (latest being tariff threats on Japan), and progress of the mega-bill at Congress before its schedule to reach President Trump on Friday.
- In the sovereign bond space, US treasuries rebounded and advanced on Monday, pushing yields down 3-6bps (prior: 3-4bps higher) across the curve with the long end outperforming, hence bull flattening the curve. Markets continued to price in more than two cuts for the year, with timing of the first cut in September, while US Treasury Secretary Scott Bessent downplayed more issuances of longer-dated bonds. Markets were also concerned over fiscal risks as the "big beautiful bill" is set to return to the House and subsequently onward to President Trump by this Friday. The benchmark 2-year note yield fell 3bps to 3.72% while the 10s lost 5bps to 4.23%. 10-year European bond yields ended mixed, by -3 to +2bps (prior: 1-5bps higher).
- The Dollar Index closed weaker for the 7th straight day, losing the 97 handle to a 96.79 close on Monday, down another 0.5% on the day. All G10s strengthened against the USD, with the CHF in the lead with a 0.9% d/d gain. The AUD rallied 0.8% d/d to a 7-month high at 0.6581, the EUR rose 0.6% d/d to 1.1787, its highest since Sep-21, while the sterling posted a modest gain of 0.1% on the day to 1.3732 vs the USD, also near a 4-year high.
- Meanwhile, major Asian currencies traded mixed on the last trading day of June. PHP, MYR and SGD led the gains but TWD, IDR and THB led losses. The MYR strengthened 0.5% d/d to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,094.77	0.63
S&P 500	6,204.95	0.52
NASDAQ	20,369.73	0.47
Stoxx Eur 600	541.37	-0.42
FTSE 100	8,760.96	-0.43
Nikkei 225	40,487.39	0.84
CSI 300	3,936.08	0.37
Hang Seng	24,072.28	-0.87
Straits Times	3,964.29	-0.05
KLCI 30	1,532.96	0.31
FX		
Dollar Index	96.79	-0.48
EUR/USD	1.1787	0.59
GBP/USD	1.3732	0.12
USD/JPY	144.03	-0.43
AUD/USD	0.6581	0.80
USD/CNH	7.1574	-0.21
USD/MYR	4.2102	-0.53
USD/SGD	1.2716	-0.34
USD/KHR	4,011.00	0.02
USD/THB	32.46	-0.48
Commodities		
WTI (\$/bbl)	64.97	-0.15
Brent (\$/bbl)	67.63	0.48
Gold (\$/oz)	3,315.00	0.88
Copper (\$\$/MT)	9,878.00	-0.01
Aluminum(\$/MT)	2,597.50	0.10
CPO (RM/tonne)	3,956.50	-0.16

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 26 June for CPO

4.2102 vs the USD, the SGD rose 0.3% d/d to 1.2716 while the CNH gained 0.2% d/d to 7.1574.

- Oil prices settled the day mixed as investors continued to weigh potential OPEC+ output increases. WTI slipped 0.2% d/d to US\$64.97/ barrel while the Brent crude rebounded to increase 0.5% d/d to US\$67.63/ barrel.

Disappointing regional activity indices in the US reaffirmed slowing growth outlook

- Chicago PMI unexpectedly pulled back to 40.4 in June (May: 40.5), against expectation for a pick-up to 43.0. This marked its 3rd straight month of retreat and the big miss suggested business activities failed to recover as expected. Business barometer, new orders, employment, and production all weakened and remained contractionary.
- Meanwhile, Dallas Fed manufacturing index narrowed less than expected to -12.7 in June (May: -15.3), and continued to see negative print for a 5th straight month suggesting underlying sluggishness in business activity. However, the slight narrowing in the negative reading was due to smaller contraction in company outlook, new orders, as well as upticks in production, prices paid, and employment.

UK final 1Q GDP and mortgage approvals pointed to resiliency in the UK economy

- Final 1Q GDP growth was left unrevised at +0.7% q/q and +1.3% y/y (4Q: +0.1% q/q and +1.5% y/y), as an upward revision in private consumption (from +0.2% to +0.4% q/q) was offset by downward revision in investment (from +2.9% to +2.0% q/q), suggesting the UK economy was still chugging along underpinned by continued albeit varying growth across most of the sectors, except for the decline in government spending.
- In a separate release, mortgage approvals picked up more than expected to 63.0k in May (Apr: 60.7k revised). This marked its first month-on-month increase since December although it remained shy of the 64-65k levels seen at the beginning of the year, which was somewhat distorted by the April stamp duty deadline. It was also believed that recent changes to mortgage affordability assessment could have lent some support to demand for mortgages.

Japan industrial production and housing starts both surprised on the downside

- Industrial production rebounded albeit at a less than expected pace to +0.5% m/m in May (Apr: -1.1% m/m) but unexpectedly contracted 1.8% y/y during the month, bucking expectations for a pick-up to +1.6% y/y, from April's +0.5% y/y increase. Higher US tariffs are hitting Japanese producers and exporters, and the still

murky trade policies will continue to dampen growth outlook in the foreseeable future.

- Housing starts also surprised on the downside, registering a deeper than expected contraction of 34.4% y/y in May (Apr: -26.6% y/y), its worst fall since 2009. The decline was evident across the board from owner occupied to housing for sale and housing for rent, underscoring sluggishness in the Japanese housing market.

Bigger than expected pick-up in China PMIs signalling growth is on the mend

- Composite PMI inched up 0.3ppt to 50.7 in June, thanks to bigger than expected improvement in both the manufacturing (49.7 vs 49.5) and services (50.5 vs 50.3) activities. While the manufacturing PMI remained contractionary for the 3rd straight month, it has been slowly inching up from the low seen in April, indicating firming traction from the initial sharp pullback from tariff angst. This added on to expectations that the China economy will be able to weather the trade policy uncertainties well.

Australia inflation expectations rebounded on a monthly basis but eased on an annual comparison

- Melbourne Institute inflation gauge rebounded to eke out a marginal 0.1% m/m increase in June, suggesting the 0.4% m/m decline in May was just a blip. This inflation gauge which is also a proxy to cost of living signals inflation remains generally muted, reinforced by the back-to-back moderation from 2.6% y/y to 2.4% y/y in the month under review, which was its lowest in four months, keeping the RBA's gradual easing path intact.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DX	95.50-98.50	99.36	98.60	97.69	96.58
EUR/USD	1.15-1.19	1.14	1.16	1.18	1.19
GBP/USD	1.35-1.39	1.34	1.34	1.35	1.36
USD/CHF	0.78-0.81	0.83	0.84	0.84	0.85
USD/JPY	142-147	144	146	145	142
AUD/USD	0.64-0.67	0.65	0.65	0.65	0.66
NZD/USD	0.59-0.62	0.60	0.60	0.59	0.60
USD/CNY	7.15-7.19	7.06	7.13	7.17	7.10
USD/MYR	4.20-4.26	4.20	4.24	4.24	4.20
USD/SGD	1.26-1.29	1.28	1.30	1.31	1.30
USD/THB	32.10-33.10	32.70	33.00	33.10	32.70

Rates, %	Current	2Q-25	3Q-25	4Q25	1Q26
Fed	4.25-4.50	4.25-4.50	4.00-4.25	3.75-4.00	3.50-3.75
ECB	2.00	2.00	2.00	2.00	2.00
BOE	4.25	4.25	4.00	3.75	3.50
SNB	0.00	0.00	0.00	0.00	0.00

BOJ	0.50	0.50	0.50	0.75	0.75
RBA	3.85	3.85	3.60	3.35	3.10
RBNZ	3.25	3.25	3.00	2.75	2.75
BNM	3.00	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-Jul	AU PMI Mfg (Jun F)	51.0
	JN Tankan Large Mfg Outlook (2Q)	12.0
	JN Tankan Large Non-Mfg Outlook (2Q)	28.0
	JN PMI Mfg (Jun F)	50.4
	MA PMI Mfg (Jun)	48.8
	VN PMI Mfg (Jun)	49.8
	CH Caixin PMI Mfg (Jun)	48.3
	JN Consumer Confidence Index (Jun)	32.8
	UK Nationwide House PX MoM (Jun)	0.0
	EC Manufacturing PMI (Jun F)	49.4
	UK Manufacturing PMI (Jun F)	47.7
	EC CPI Estimate YoY (Jun P)	1.9%
	US Manufacturing PMI (Jun F)	52.0
	US ISM Manufacturing (Jun)	48.5
	US JOLTS Job Openings (May)	7391k
	US Dallas Fed Services Activity (Jun)	-10.1
2-Jul	AU Building Approvals MoM (May)	-5.70%
	AU Retail Sales MoM (May)	-0.10%
	HK Retail Sales Value YoY (May)	-2.30%
	EC Unemployment Rate (May)	6.20%
	US MBA Mortgage Applications (27-Jun)	1.1%
	US Challenger Job Cuts YoY (Jun)	47.00%
	US ADP Employment Change (Jun)	37k
	SI Purchasing Managers Index (Jun)	49.7
	SI Electronics Sector Index (Jun)	49.9

Source: Bloomberg

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