2 May 2025

Global Markets Research
Daily Market Highlights

2 May: Persistent risk-on sentiment in Wall Street

Stocks rallied for 8th consecutive day and UST were sold off despite weak economic prints
Expect cautious tone today ahead of US NFP; disappointing results from Apple & Amazon
JPY led losses against USD following downgrades in BOJ's 2025-2026 growth forecasts

- Earnings beat from Microsoft and Meta (released after the bell on Wednesday) pushed US stocks higher for the eight consecutive days. Nasdaq led gains and rose 1.5% d/d, while the Dow and S&P 500 gained at a narrower pace of 0.2% d/d and 0.6% d/d respectively. A smaller than expected decline in ISM-manufacturing and signs of easing US-China trade tension also added to the positive backdrop to Wall Street, but other major earnings were mixed. General Motors notably said that tariffs will cause a $5bn financial hit to the auto giant, McDonald's sales fell sharply in 1Q but Mastercard topped expectations.
- Many European and Asian markets were closed for trading for Labour Day, but FTSE 100 closed just above its flatline on mixed corporate earnings. Nikkei 225 climbed 1.1% d/d after the BOJ left its policy rates unchanged as expected.
- Despite the upbeat Wall Street overnight, we expect trading to be cautious today ahead of the US NFP print. and after Apple and Amazon reported underwhelming results after trading hours on Thursday.
- The pop in risk appetite weighed on Treasuries, sending yields rising 4-10bps across the curve. The 2Y yield jumped 10bps to 3.70%, while the 10Y increased 6bps to 4.22%. Elsewhere, 10Y UK gilts rose 4bps to 4.48%, while 10Y JGB fell 6bps to 1.25%.
- In the forex space, optimism over US trade deals with its trading partners sent the Dollar strengthening against all its G10 peers in tune to 0.3-1.6% d/d, and the DXY closed 0.8% d/d up at 100.25, back to the 100 handle for the first time in two weeks. JPY notably lagged its peers, weakening 1.6% d/d to 145.39 after the BOJ's downgrades on growth outlook. While the decision to hold was unanimous and anticipated, investors saw the downgraded outlook as a dovish tilt.
- Meanwhile, regional currencies were thinly traded, with CNH and SGD depreciating 0.1% d/d to 7.2789 and 0.5% d/d to 1.3122 respectively. MYR closed 0.3% d/d stronger at 4.3158 as at 30-April.
- In the commodity space, crude oil prices closed mixed, with the WTI rebounding 1.8% d/d to $59.24/barrel, but Brent slid 1.6%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,752.96	0.21
S&P 500	5,604.14	0.63
NASDAQ	17,710.74	1.52
Stoxx Eur 600	527.60	0.02
FTSE 100	8,496.80	0.02
Nikkei 225	36,452.30	1.13
CSI 300	3,770.57	-0.12
Hang Seng	22,119.41	0.51
Straits Times	3,832.51	0.72
KLCI 30	1,540.22	1.63
FX		
Dollar Index	100.25	0.78
EUR/USD	1.1290	-0.34
GBP/USD	1.3278	-0.38
USD/JPY	145.39	1.62
AUD/USD	0.6383	-0.30
USD/CNH	7.2789	0.13
USD/MYR	4.3158	-0.27
USD/SGD	1.3122	0.45
Commodities		
WTI ($/bbl)	59.24	1.77
Brent ($/bbl)	62.13	-1.57
Gold ($/oz)	3,222.20	-2.92
Copper ($$/MT)	9,206.00	0.89
Aluminum($/MT)	2,416.00	0.69
CPO (RM/tonne)	4,018.00	-1.50

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 29 April, 30 April for Stoxx Eur 600, CSI 300, Hang Seng, Straits Times, KLCI & USD/MYR*

d/d to $62.13/barrel. Driving prices up for the WTI was newly imposed sanctions on Iran. President Trump said that any country or person that buys oil or petrochemicals from Iran will not be allowed to do any business with the US. The gains come after prices fell sharply after Saudi officials reportedly told its allies that the kingdom is willing to endure a prolonged period of low prices, suggesting higher supplies in the market.

BOJ maintained policy rate at 0.50%; lowered GDP growth forecasts

- As widely anticipated, the Bank of Japan (BOJ) kept its uncollateralized overnight call rate unchanged at 0.50%. Despite the uncertainty from the trade fallout, details suggest that the BOJ is poised for more rate hikes (albeit more paced in our opinion), with the central bank maintaining that it "***will continue to raise the policy interest rate and adjust the degree of monetary accommodation***" in its statement.
- At the same time, the central bank ***lowered its GDP forecast for fiscal 2025 and 2026 to +0.5% and +0.7%*** respectively (prior forecasts: +1.1% and +1.0%). ***In terms of core-CPI, the BOJ upped its forecast to 2.3% for fiscal 2025, but lowered its projection for fiscal 2026 to 1.8%*** (prior forecasts: 2.1% for both years). Amid this dovish tilt in growth outlook and upward revision in 2025's inflation forecast, there is no change in our view that the BOJ will likely delay its next 25bps rate hike to 4Q of 2025.

Mixed revisions to S&P manufacturing PMIs for the majors; China's official PMI tumbled into contraction zone

- The final revisions to April's S&P manufacturing PMIs for the majors were mixed. The US PMI was revised 0.5ppts lower to 50.2 (Mar: 50.2), Australia PMI was left unchanged at 51.7 (Mar: 52.1) while the UK and Japan PMIs were revised up 1.4ppts and 0.2ppts respectively to 45.4 and 48.7 (Mar: 44.9 and 48.4).
- Be it upped or lowered, manufacturing sectors for the majors have clearly softened and were largely supported by stockpiling because of the uncertainty to global trade. Moving forward, firms will likely struggle unless there is a noticeable improvement in demand on their domestic shores, as current sentiment and new export orders have shown further signs of being dented by trade policy updates since April.
- For China, freshly published Caixin Manufacturing PMI came in at 50.4 in April (Mar: 51.2), its lowest since January, but the ***official manufacturing PMI tumbled more than expected into contraction zone at 49.0*** (prior: 50.5), its lowest in 16 months. Its official non-manufacturing PMI remained expansionary but slowed to 50.4 (prior: 50.8) despite government's infrastructure spending. While officials have partly blamed the downticks to

high base effect and have reiterated their 5.0% growth target, business and consumer confidence have remained subdued, and thus, unlikely to provide adequate boost to domestic demand and offset the ripple effects of the ongoing China-U.S. tariff standoff in 2H.

US economy contracted for the first time since 2022 dragged by net exports; consumer spending still sturdy; softer core-PCE; ISM-manufacturing slipped further into contraction; mixed labour prints

- 1Q GDP logged its first contraction since 2Q of 2022 and the contraction was sharper than expected at –0.3% q/q (4Q: +2.4% q/q). The details showed that consumer spending (+1.8% q/q) performed better than what consensus had anticipated (+1.2% q/q) although it moderated sharply from +4.0% q/q in 4Q24. Private investment grew a robust 21.9% q/q but government spending cuts saw government spending dragging on growth at +1.4% q/q. As we have already highlighted earlier, ***the net trade components subtracted 4.8ppts from growth, with imports surging 41.3% q/q*** ahead of reciprocal tariffs, outpacing exports at +1.8% q/q and exaggerating the slowdown.
- For March, personal spending (+0.7% m/m vs +0.5% m/m) surprised on the upside, but half of this growth was attributable to front-loading of durable goods, notably motor vehicles. With weaker consumer sentiment recently, this will likely give way to softer consumer spending going forward. Accompanying data also showed that core-PCE prices matched expectations and slowed to 2.6% y/y in March (Feb: +3.0% y/y), but will likely be temporary given the tariff and supply disruption induced price hikes later in the year.
- According to the ISM, manufacturing activity slipped further into contraction at 48.7 in April (Mar: 49.0), as demand remains weak with both new orders (47.2 vs 45.2) and new export orders (43.1 vs 49.6) in contraction territory, de-staffing (employment: 46.5 vs 44.7) continued while prices (69.8 vs 69.4) accelerated slightly due to tariffs.
- Labour market indicators were mixed, but all in, employers largely held back from hiring given the current unease in the policy environment and consumer uncertainty. Private employers added 62k jobs in April according to the ADP, sharply lower than expected and March's +147k. Education and health services, information, and professional and business services lost jobs, while hiring in other sectors was moderate.
- On the layoffs front, employers announced 105.4k job cuts in April, down 61.7% m/m but was up 62.7% y/y (Mar: +60.0% m/m and +204.8% y/y) according to Challenger. Government led all sectors in job cuts.

- Meanwhile, jobless claims jumped more than expected by 18k to 241k for the week ended April 26 (prior: +7k), its highest since February on spike in New York during spring recess.

Eurozone's 1Q GDP beat expectations; expanded fiscal spending unlikely to fully offset headwind from the reciprocal tariff

- 1Q GDP came in better than expected at +0.4% q/q (4Q: +0.2% q/q) but the preliminary data for 2Q and the reciprocal tariffs suggests that some weakening is in the offing. Among the larger economies, Spain led with a 0.6% q/q increase, while France, Germany and Italy grew by 0.1% q/q, 0.2% q/q and +0.3% q/q respectively. Ireland, with its significant share of US multinationals, largely distorted GDP figures with its 3.2% q/q surge.

Australia's underlying inflation eased broadly in line with RBA's expectations

- March's CPI was above forecasts, coming in unchanged at 2.4% y/y, while core also held steady at 2.7% y/y, in line with RBA's expectations for an +2.7% reading by June 2025. For 1Q, trimmed mean continued to ease towards target at 2.9% y/y, down from 3.3% y/y in 4Q and its lowest since 2021. The upward surprise suggests that the RBA will remain cautious and may not cut rates rapidly this year, in line with our view of a quarter point cut each in 2Q, 3Q and 4Q.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	98-101	99.70	98.35	97.01	95.70
EUR/USD	1.12-1.16	1.14	1.15	1.17	1.19
GBP/USD	1.31-1.35	1.31	1.32	1.33	1.34
USD/CHF	0.80-0.85	0.81	0.80	0.79	0.78
USD/JPY	139-146	142	139	136	133
AUD/USD	0.62-0.66	0.62	0.62	0.63	0.64
NZD/USD	0.57-0.61	0.57	0.57	0.58	0.58
USD/CNY	7.26-7.33	7.43	7.35	7.28	7.21
USD/MYR	4.34-4.41	4.54	4.50	4.47	4.40
USD/SGD	1.30-1.33	1.34	1.33	1.31	1.30

Rates, %	Current	2Q-25	3Q-25	4Q25	1Q26
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.50.-3.75	3.25-3.50
ECB	2.25	2.00	1.75	1.75	1.75
BOE	4.50	4.25	4.00	3.75	3.50
SNB	0.25	0.25	0.25	0.25	0.25
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.10	3.85	3.60	3.35	3.10
RBNZ	3.50	3.25	3.00	2.75	2.50
BNM	3.00	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
2-May	JN Jobless Rate (Mar)	2.40%
	MA S&P Global Malaysia PMI Mfg (Apr)	48.8
	VN S&P Global Vietnam PMI Mfg (Apr)	50.5
	AU PPI YoY (1Q)	3.70%
	AU Retail Sales MoM (Mar)	0.20%
	EC HCOB Eurozone Manufacturing PMI (Apr F)	48.74
	HK Retail Sales Value YoY (Mar)	-13.00%
	HK GDP YoY (1Q A)	2.40%
	EC CPI Core YoY (Apr P)	2.40%
	EC Unemployment Rate (Mar)	6.10%
	US Change in Nonfarm Payrolls (Apr)	228k
	US Unemployment Rate (Apr)	4.20%
	US Average Hourly Earnings MoM (Apr)	0.30%
	US Average Weekly Hours All Employees (Apr)	34.2
	SI Purchasing Managers Index (Apr)	50.6
	US Factory Orders (Mar)	0.60%
5-May	AU S&P Global Australia PMI Services (Apr F)	51.4
	AU Melbourne Institute Inflation YoY (Apr)	2.80%
	SI Retail Sales YoY (Mar)	-3.60%
	EC Sentix Investor Confidence (May)	-19.5
	US S&P Global US Services PMI (Apr F)	51.4
	US ISM Services Index (Apr)	50.8

Source: Bloomberg

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