

3 June 2025

Global Markets Research

Daily Market Highlights

3 June: Flare-ups in trade and geopolitical tensions

Trump proposed 50% tariff on steel; steel & auto stocks hardest hit in Asia & Europe

Softer ISM manufacturing weakened the USD; UST yields off session highs

OPEC+ to increase output in July; all eyes on RBA minutes today

- Wall Street kicked-off June in green with investors largely shrugging off the trade tension flare-up and weak economic prints from the US. The three major US stock indices were trading in red in the morning after President Trump said that he plans to double steel and aluminium tariffs to 50% and amid a flare up in tension with China. Weak ISM data also added to the early losses, but stocks rebounded in the afternoon supported by big-tech stocks.
- The S&P 500 and Nasdaq closed the day with gains of 0.4% d/d and 0.7% d/d, while the Dow closed mildly higher at +0.1% d/d. Stocks across Europe (Stoxx 600: -0.1% d/d) and Asia, on the other hand, posted modest losses, weighed down by steel and car stocks following Trump's plan.
- In the bond space, Treasury yields rose 4bps across the curve but were off their session highs. The benchmark 2Y yield closed the day at 3.94%, and the 10Y yield at 4.44%. Save for Swedish sovereign bonds, 10Y European bond yields also ticked up 2-6bps.
- In the forex space, DXY was largely on a downward trajectory, extending its losses following the weaker than expected US ISM manufacturing print. DXY closed the day 0.6% d/d lower at 98.71 and the Dollar traded weaker against all its G10 peers. Leading gains against USD were NOK, NZD and JPY (+0.9% d/d to 142.71), while EUR, GBP and AUD appreciated at a narrower pace of 0.6-1.0% d/d to 1.1441, 1.3544 and 0.6495.
- On the regional front, Asian currencies settled mixed against the Dollar with SGD outperforming most of its peers at 0.5% d/d to 1.2852, while CNH lagged and fell 0.1% d/d to 7.2106. MYR closed 0.3% d/d weaker at 4.2568 last Friday.
- In the commodity space, the flare-up in geopolitical tension in Ukraine and Iran, sent crude oil prices rallying 1.1-2.9% d/d to \$62.52/barrel for the WTI and \$64.63/barrel for Brent. That said, OPEC+'s announcement that it will raise output in July will likely cap significant gains for crude oil prices ahead.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,305.48	0.08
S&P 500	5,935.94	0.41
NASDAQ	19,242.61	0.67
Stoxx Eur 600	547.92	-0.14
FTSE 100	8,774.26	0.02
Nikkei 225	37,470.67	-1.30
CSI 300	3,840.23	-0.48
Hang Seng	23,157.97	-0.57
Straits Times	3,890.59	-0.10
KLCI 30	1,508.35	-0.70
FX		
Dollar Index	98.71	-0.63
EUR/USD	1.1441	0.83
GBP/USD	1.3544	0.63
USD/JPY	142.71	-0.91
AUD/USD	0.6495	1.00
USD/CNH	7.2106	0.08
USD/MYR	4.2568	0.32
USD/SGD	1.2852	-0.45
USD/KHR	4,009.50	0.04
USD/THB	32.83	0.18
Commodities		
WTI (\$/bbl)	62.52	2.85
Brent (\$/bbl)	64.63	1.14
Gold (\$/oz)	3,370.60	2.48
Copper (\$\$/MT)	9,616.50	1.25
Aluminum(\$/MT)	2,466.00	0.90
CPO (RM/tonne)	3,952.00	1.84

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 29 May for CPO, 30 May for USD/MYR & USD/THB

Mixed revisions for PMI manufacturing for the majors; narrower contraction in manufacturing activities in the region

- Mixed revisions in manufacturing PMIs for the majors, but ***manufacturing activities broadly contracted but improved in May following the thawing US-China trade tensions***. While most business sentiment and forward-looking indicators also rebounded, global uncertainty remains despite this temporary suspension of tariffs, and factories have by and large been reluctant to expand headcount because of this.
- The final US and Australia's manufacturing PMIs were revised 0.3ppts and 0.7ppts lower to 52.0 (Apr: 50.2) and 51.0 (prior: 51.7) in May, while the Eurozone Manufacturing PMI was left unchanged at 49.4 (Apr: 49.0). The UK and Japan PMIs, on the other hand, were revised 1.3ppt and 0.4ppts up to 46.4 (Apr: 45.4) and 49.4 (Apr: 48.7) respectively.
- Similarly, fresh data showed that regional manufacturing activities shrank again in May, although at a slower pace than last month. In Vietnam, the S&P Manufacturing PMI improved to 49.8 in May (Apr: 45.6). As was the case in April, new orders, particularly exports, continued to fall due to the US tariffs, leading to its first fall in input costs in almost two years, and firms continuing to lower their own selling price to support demand.
- May's official Singapore manufacturing PMI improved 0.1ppts to 49.7, with the linchpin electronics sector, which accounts for about 40% of output and exempted from the tariffs, edging up 0.1ppts to 49.9.
- In China, the official manufacturing PMI contracted at a narrower pace of 49.5 in May after April's 49.0 after the reprieve in trade war lifted both supply and demand side indicators. The non-manufacturing sector remained stable albeit below expectations at 50.3 (Apr: 50.4), as the holiday lifted tourism-related services sectors, but less working days weighed on construction activities. Amid still sluggish domestic demand, an export-led recovery remains fragile unless Beijing can secure a lasting truce with Washington in the trade war and come to an agreement with Brussels on a series of dumping claims.

Weaker than expected US manufacturing ISM; core-CPCE prices slowed further

- In the US, the ISM manufacturing index unexpectedly slipped further into contraction at 48.5 in May (Apr: 48.7), with two of the trade-related indicators highlighting the widespread impact from the uncertainties from the rollouts. The new export orders tumbled 3.0ppts to 40.1, while the imports index plunged 7.2ppts to 39.9, but these were offset by improvements in demand-related indicators like new orders (47.6 vs 47.2) and employment (46.8 vs 46.5),

- April's personal income (+0.8% m/m vs +0.7% m/m) and real spending (+0.2% m/m vs +0.7% m/m) growth was firmer than expected, while inflation prints were mild and largely as expected but unlikely, in our opinion to ease concerns that tariffs will lift inflation going forward, especially with categories with heavy exposure to imports from China. Headline PCE eased to 2.1% y/y but was up 0.1% m/m (Mar: 2.3% y/y vs 0%), while core PCE decelerated to 2.5% y/y (prior: 2.7% y/y) and held steady at 0.1% m/m as service sector softness offset goods inflation for now.
- The University of Michigan Sentiment index was revised up 1.4ppts to 52.2 in May, unchanged from the previous month, while advanced goods trade deficit narrowed sharply to -\$87.6bn in April from -\$162.3bn previously. This was better than expected as imports took a sharp swing after March's front-loading (-19.8% m/m vs +5.7% m/m), while exports grew +3.4% m/m (Mar: +2.3% m/m). This data improves the prospect of a decent 2Q economic growth, with the **Atlanta Fed's GDPNow model estimating for real GDP growth of 3.8% during the quarter (1Q: -0.2%)**.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DX	97-101	99.36	98.60	97.69	96.58
EUR/USD	1.12-1.16	1.14	1.16	1.18	1.19
GBP/USD	1.33-1.37	1.34	1.34	1.35	1.36
USD/CHF	0.80-0.85	0.83	0.84	0.84	0.85
USD/JPY	141-147	144	146	145	142
AUD/USD	0.63-0.66	0.65	0.65	0.65	0.66
NZD/USD	0.58-0.61	0.60	0.60	0.59	0.60
USD/CNY	7.16-7.22	7.06	7.13	7.17	7.10
USD/MYR	4.20-4.28	4.20	4.24	4.24	4.20
USD/SGD	1.27-1.31	1.28	1.30	1.31	1.30
USD/THB	32.42-33.16	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	2.25	2.25	2.00	2.00	2.00
BOE	4.25	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	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
3-Jun	MA S&P Global Malaysia PMI Mfg (May)	48.6
	AU RBA Minutes of May Policy Meeting	
	CH Caixin China PMI Mfg (May)	50.4

4-Jun	EC CPI Core YoY (May P)	2.70%
	EC Unemployment Rate (Apr)	6.20%
	US Factory Orders (Apr)	4.30%
	US JOLTS Job Openings (Apr)	7192k
	AU S&P Global Australia PMI Services (May F)	50.5
	HK S&P Global Hong Kong PMI (May)	48.3
	SI S&P Global Singapore PMI (May)	52.8
	JN Jibun Bank Japan PMI Services (May F)	50.8
	AU GDP SA QoQ (1Q)	0.60%
	EC HCOB Eurozone Services PMI (May F)	48.9
	UK S&P Global UK Services PMI (May F)	50.2
	US MBA Mortgage Applications	-1.2%
	US ADP Employment Change (May)	62k
	US S&P Global US Services PMI (May F)	52.3
	US ISM Services Index (May)	51.6
	US Fed Releases Beige Book	

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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