

4 February 2025

## Global Markets Research

### Daily Market Highlights

## 4 Feb: Trump delays tariffs on Canada and Mexico

**Global markets whipsawed; equity markets sank; auto stocks the notable losers  
DXY pared early gains; Treasury yields closed mixed with front-end underperforming  
US ISM manufacturing beats forecasts; China Caixin manufacturing PMI fell**

- Global markets whipsawed overnight after Trump announced tariffs on Canada, Mexico and China over the weekend and threatened to impose tariffs on the EU, but struck a last-minute deal to delay its tariffs on Mexico for one month. At the point of writing, Canadian Prime Minister Justin Trudeau said that US tariffs would be paused as well.
- In the US, the Dow fell more than 500 points before making a comeback to close 0.3% d/d lower, while S&P 500 and Nasdaq plunged 0.8% d/d and 1.2% d/d respectively. European and Asian markets also tumbled overnight, with auto stocks across the globe notably hammered by the tariff news earlier.
- In the bond space, Treasury yields closed mixed with the shorter-tenures underperforming. The 2Y yield closed 5bps higher at 4.25%, while the 10Y yield inched up 2bps to 4.56%. 10Y European bond yields fell at a wide range of 2-10bps, after declining 1-7bps the day prior.
- In the forex space, DXY jumped to as high as 109.88 before paring these gains following news of the delayed tariffs. Still, the DXY closed 0.6% d/d up at 108.99. and the Dollar closed mixed against its G10 peers. CAD, GBP and JPY led gains against USD between 0.3-0.8% d/d, the latter after summary of BOJ's policy meeting flagged the board's concerns over a weak yen and its impact on inflation. Regional currencies, meanwhile, mostly weakened against the Dollar led by THB, TWD and IDR. MYR and SGD weakened 0.3% d/d each to close at 4.4735 and 1.3611 respectively.
- Similarly, trading in oil was volatile following the news, and the Brent and WTI closed mixed at the end of the day. WTI closed up 0.9% d/d at \$73.16/ barrel while the Brent slid 1.1% d/d to \$75.96/barrel.

**Overall upward revisions to S&P Manufacturing PMIs for the majors; China's Caixin manufacturing sector softened, still contractionary for Malaysia**

- The final US Manufacturing PMI was revised up 1.1ppts to 51.2 in January (prior: 49.4). This marked its first expansion in 7 months as new orders returned to growth, while confidence jumped to its 34-

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	44,421.91	-0.28
S&P 500	5,994.57	-0.76
NASDAQ	19,391.96	-1.20
Stoxx Eur 600	534.85	-0.87
FTSE 100	8,583.56	-1.04
Nikkei 225	38,520.09	-2.66
CSI 300	3,817.08	-0.41
Hang Seng	20,217.26	-0.04
Straits Times	3,826.47	-0.76
KLCI 30	1,553.63	-0.21
<b>FX</b>		
Dollar Index	108.99	0.57
EUR/USD	1.0344	-0.17
GBP/USD	1.2450	0.44
USD/JPY	154.73	-0.30
AUD/USD	0.6227	0.14
USD/CNH	7.3114	-0.14
USD/MYR	4.4735	0.30
USD/SGD	1.3611	0.32
<b>Commodities</b>		
WTI (\$/bbl)	73.16	0.87
Brent (\$/bbl)	75.96	-1.04
Gold (\$/oz)	2,833.90	0.76
Copper (\$\$/MT)	9,099.00	0.56
Aluminum(\$/MT)	2,623.00	1.12
CPO (RM/tonne)	4,600.00	0.88

Source: Bloomberg, HLBB Global Markets Research  
\* CPO dated as of 31 Jan; CSI 300 dated as of 27 Jan

month high underpinned by expectations that business conditions will improve under President Trump.

- The final Eurozone Manufacturing PMI was revised up 0.5ppts to 46.6 in January (prior: 45.1), its highest in 8 months and marks the first step towards stabilisation. Despite possibilities that the Trump US administration will hit the European manufacturing sector and its export industry with tariffs, confidence in the future jumped 4 points to slightly above its long-term average.
- The final UK Manufacturing PMI was revised up 0.1ppts to 48.3 in January (prior: 47.0). This marks the 4<sup>th</sup> consecutive month of contraction, and with demand still weak and cost pressures rising due to minimum wage and employer's national insurance contribution, this leaves BOE in a dilemma this week.
- The final Jibun Bank Japan Manufacturing PMI was revised 0.1ppts lower to 48.7 (prior: 49.6). The near- and medium-term outlooks for demand remain muted, but businesses were confident that output would rise over the coming year.
- The Caixin China General Manufacturing PMI unexpectedly fell 0.4ppts m/m to 50.1. That said, businesses grew more optimistic, with future output expectations continued to grow albeit still below its historical average. This sector will face headwinds from slower export growth in view of the US trade policies, and on the domestic front, diminishing effectiveness of stimulus measures from the large-scale equipment upgrades and trade-in programs for consumer goods.
- The Malaysia Manufacturing PMI was little changed at 48.7 in January (Dec: 48.6), suggesting that GDP growth is running at a softer, yet still positive rate in 1Q. Notably, manufacturing firms lowered their selling prices for the first time since June 2023 to spur demand.
- Business conditions deteriorated in Vietnam, with the Manufacturing PMI below the 50-threshold for the second month at 48.9 (Dec: 49.8), as subdued demand conditions led to falls in both new orders and output and a pronounced scaling back in employment.
- The official Singapore PMI dipped 0.2ppts to 50.9 in December as the electronics PMI slid 0.3 points to 51.1. The dip during the month reflects a slowdown in activity during the Chinese New Year holiday. Despite the free trade agreement with the US, Singapore remains vulnerable to downside risks from the escalating trade war and potential disruption to the supply chain.

#### **US ISM-Manufacturing and construction spending picked up and surpassed forecasts**

- The ISM Manufacturing improved more than expected to 50.9 in January from 49.2 previously, as demand (new orders: 55.1 vs 52.1) clearly improved, employment was stable (50.3 vs 45.4), while

prices growth (54.9 vs 52.5) was moderate, indicating that further growth will put additional pressure on prices.

- Construction spending, meanwhile, grew at a faster pace of +0.5% m/m in December (prior: +0.2% m/m) on hopes of an improved regulatory environment, but builders have expressed concern over how building material tariff and costs could affect future prices.

#### **Eurozone's inflation unexpectedly accelerated on energy**

- Headline inflation unexpectedly accelerated for the fourth month to 2.5% y/y in January from 2.4% y/y previously, thanks to a higher contribution from energy prices (1.8% y/y and +0.1% y/y). Prices for industrial goods remained stable, while services costs and food prices eased to 3.9% y/y and 2.3% y/y respectively (prior: 4.0% y/y vs 2.6% y/y). Given the uptick in inflation was energy driven and on the back of softer wage growth, this should keep the disinflation trend intact at this juncture and the ECB on its easing cycle.

#### **Australia's retail sales fell due to supply chain disruptions**

- Broadly positive economic data from Australia. Melbourne Institute's inflation gauge eased to 2.3% in January from 2.6% previously, while building approvals rebounded to +0.7% m/m in December from -3.4% m/m previously, driven by private dwelling excluding houses. Retail sales, although fell 0.1% m/m in December (prior: +0.7% m/m), this was above forecasts and partially due to food retailing impacted by supply chain disruptions. As it is, retail sales have largely held firm with promotional activity stretched across the quarter and driving spending for discretionary items like household goods.

#### **Hong Kong's economy accelerated to 2.4% y/y and +0.8% q/q in 4Q advance estimate**

- The economy grew at a faster pace in 4Q (+2.4% y/y/+0.8% q/q vs +1.9% y/y vs -0.1% q/q), albeit a shade below expectations, based on advanced estimate. The acceleration was driven by a narrower contraction in household spending, while government spending accelerated. Trade numbers were broadly softer, with the exception of services, driven by further growth of visitor arrivals and improvement in other cross-border economic activities.
- All in, real GDP posted moderate growth of 2.5% (2023: 3.2%) and is expected to hold steady in 2025. Trade protectionist policies implemented by the US will disrupt global trade flows and adversely affect Hong Kong's goods exports, but China's proactive policy to boost its economy will help bolster economic activities.

### House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	106-110	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.22-1.26	1.24	1.24	1.25	1.27
USD/CHF	0.89-0.93	0.91	0.91	0.90	0.88
USD/JPY	151-157	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.19-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.46-4.52	4.55	4.50	4.40	4.35
USD/SGD	1.34-1.37	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00	3.75-4.00
ECB	2.75	2.50	2.00	2.00	2.00
BOE	4.75	4.50	4.25	4.00	4.00
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
4-Feb	AU Household Spending MoM (Dec)	0.40%
	US Factory Orders (Dec)	-0.40%
	US JOLTS Job Openings (Dec)	8098k
5-Feb	AU S&P Global Australia PMI Services (Jan F)	50.4
	JN Labor Cash Earnings YoY (Dec)	3.00%
	HK S&P Global Hong Kong PMI (Jan)	51.1
	SI S&P Global Singapore PMI (Jan)	51.5
	JN Jibun Bank Japan PMI Services (Jan F)	52.7
	CH Caixin China PMI Services (Jan)	52.2
	SI Retail Sales YoY (Dec)	-0.70%
	EC HCOB Eurozone Services PMI (Jan F)	51.4
	UK S&P Global UK Services PMI (Jan F)	51.2
	EC PPI YoY (Dec)	-1.20%
	US MBA Mortgage Applications	-1.20%
	US ADP Employment Change (Jan)	122k
	US Trade Balance (Dec)	-\$78.2b
	US S&P Global US Services PMI (Jan F)	52.8
	US ISM Services Index (Jan)	54.1

Source: Bloomberg

### Hong Leong Bank Berhad

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

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

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 herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and 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 Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness 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 HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

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.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. 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 herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB 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 or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. 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 hereof agrees to be bound by the foregoing limitations.