4 June 2025

Global Markets Research
Daily Market Highlights

4 June: OECD lowers GDP growth forecast for 2025-26

Slowdown most concentrated in the US, Canada, Mexico & China
Upward surprise in JOLTS job openings sent UST yields modestly higher; DXY advanced
China Caixin manufacturing PMI turned contractionary; weighing on AUD & NZD

- Nvidia and other big tech stocks drove the Nasdaq up 0.8% d/d overnight. S&P 500 and the Dow also gained, albeit at a milder pace of 0.5-0.6% d/d. Supporting the risk-on sentiment was the recent spate of strong corporate earnings, hopes for a trade deal amid talks that President Trump could meet with President Xi this week, while the upward surprise in JOLTS job openings also bolstered hopes that Trump's tariff will not tip the economy into recession or the labour market to weaken sharply.
- Elsewhere, European markets (Stoxx 600: +0.1% d/d) closed higher despite the collapse of the Dutch government, while Asian markets closed mixed following the weaker than expected China's PMI. That said, the US job data surprise could likely buoy sentiment for the Asian markets today.
- In the bond space, Treasuries extended losses, erasing early gains after the US jobs data. Yields closed the day modestly higher between 1-2bps (prior: +4bps across the curve), and the benchmark 2Y yield closed the day at 3.95%, and the 10Y yield at 4.45%. 10Y European yields closed mixed between -3 to +1bps after rising 2-6bps the day before.
- The DXY spiked to 99.33 after the release of the jobs print, before paring some of these gains to close the day firmer at 99.23 (+0.5% d/d). SEK (-1.0%) and JPY (-0.9% d/d to 143.97) underperformed all their G10 peers, while NZD (-0.6% d/d) and AUD (-0.5% d/d to 0.6462) were weighed down by the weak China's PMI. EUR depreciated 0.6% d/d to 1.1372, after data showed that Eurozone's inflation was softer than expected and below ECB's 2% target.
- Regional currencies closed mixed against the Dollar, with MYR (+0.3% d/d to 4.2455) and CNH (+0.3% d/d to 7.1917) leading gains amongst Asian currencies, while SGD lagged and depreciated 0.4% d/d to 1.2897.
- In the commodity space, crude oil prices rallied for the second day amid supply disruptions from Canada's wildfires, while the stronger hiring data also boosted sentiment for the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,519.64	0.51
S&P 500	5,970.37	0.58
NASDAQ	19,398.96	0.81
Stoxx Eur 600	548.44	0.09
FTSE 100	8,787.02	0.15
Nikkei 225	37,446.81	-0.06
CSI 300	3,852.01	0.31
Hang Seng	23,512.49	1.53
Straits Times	3,894.38	0.10
KLCI 30	1,503.25	-0.34
FX		
Dollar Index	99.23	0.53
EUR/USD	1.1372	-0.60
GBP/USD	1.3517	-0.20
USD/JPY	143.97	0.88
AUD/USD	0.6462	-0.51
USD/CNH	7.1917	-0.26
USD/MYR	4.2455	-0.27
USD/SGD	1.2897	0.35
USD/KHR	4,010.75	0.03
USD/THB	32.83	0.18
Commodities		
WTI ($/bbl)	63.41	1.42
Brent ($/bbl)	65.63	1.55
Gold ($/oz)	3,350.20	-0.61
Copper ($$/MT)	9,634.00	0.18
Aluminum($/MT)	2,463.50	-0.10
CPO (RM/tonne)	3,854.50	-2.47

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

commodity. The WTI closed up 1.4% d/d at $63.41/barrel, while Brent rose 1.6% d/d to $65.63/barrel.

RBA discussed a 50bps rate cut, but not time to move to an expansionary stance; trade uncertainty not impacting the economy significantly

- 3 key highlights to the latest Reserve Bank of Australia (RBA) policy meeting minutes include: 1) RBA discussed a 50bps rate cut as a greater insurance against more adverse scenarios, but ultimately decided for a quarter point reduction to ensure that the monetary policy settings remained predictable at a time of heightened uncertainty. 2) While the current policy rate is somewhat restrictive, RBA said that it was not time to move the monetary policy to an expansionary stance, given the wide range of estimates involved, inflation yet to return sustainably to the midpoint target range, and that the labour market was still tight.3) The central bank also noted that the global trade policy uncertainty was NOT having a significant negative impact on the economy.

Tariff fallout was worse than what OECD previously thought

- Highlights from the latest OECD Economic Outlook: 1) Global economic prospects have shifted from a period of resilient growth to weakening, weighed down by substantial barriers to trade, tighter financial conditions, diminishing confidence and heightened policy uncertainty. 2) Consequently, **OECD expects global growth to slow from 3.3% in 2024 to 2.9% in both 2025 and 2026** (prior forecast: 3.1% vs 3.0%), with the slowdown most concentrated in the US, Canada, Mexico and China. Specifically, GDP growth in the US is expected to ease from 2.8% in 2024 to 1.6% in 2025 and 1.5% in 2026 (prior: 2.2% in 2025 and 1.6% in 2026), while China’s growth is projected to moderate from 5.0% in 2024 to 4.7% in 2025 and 4.3% in 2026 (prior: 4.8% in 2025 and 4.4% in 2026). 3) Higher trade costs in countries raising tariffs are expected to push inflation up, but this will be partially offset by weaker commodity prices. **OECD expects headline inflation for the G20 to moderate from 6.2% to 3.6% in 2025 and 3.2% in 2026** (prior: 3.8% in 2025, 3.2% in 2026).

Upward surprise in US jobs vacancies

- JOLTS job openings surprised on the upside at 7.4m in April (Mar: 7.2m), as job openings increased for most professional & business services and healthcare & assistance, but declined notably for discretionary services tied to travel and manufacturing. The uptick in job openings, alongside steady hiring and low unemployment rate supported the Fed’s solid labour market view, but with the numbers of layoffs climbing

(1.8m vs 1.6m) and fewer quitters (quit rate: 2.0% vs 2.1%), these signals labour market slack and that workers are less confident in getting new jobs.

- Echoing recent weakness in manufacturing ISM, factory orders dropped sharper than expected by 3.7% m/m in April (Mar: +3.4%) as business spending on equipment appeared to have lost momentum as the boost from front-loading of purchases faded. Commercial aircraft orders plunged 51.5% m/m, while orders for motor vehicles also dropped 0.7% m/m. Orders for computers and electronic products gained 1.0% being exempted by the tariff hike.

Eurozone's inflation dipped below 2% ahead of the ECB meeting

- Led by services inflation (+3.2% vs 4.0%), inflation in the Eurozone dropped markedly to 1.9% in May from 2.2% in April, while core eased to 2.3% from 2.7% previously. Both were softer than expected and the headline brings inflation back below the ECB target of 2% for the first time since September last year, reaffirming market expectations of a quarter point cut in ECB rates later in the week. As it is, the recent trade war and its resulting softer global commodity prices and stronger EUR appears to have a downward impact on inflation for the bloc for now.
- Meanwhile, the labour market remains tight for the bloc, with the employment rate holding steady at 6.2% for April.

Both China's and Malaysia's S&P manufacturing PMIs in the contraction zone

- The China Caixin manufacturing PMI came in worse than expected at 48.3 in May, down 2.1ppts m/m, its first contraction since September and its lowest since September 2022. The decline in foreign demand accelerated, with the new export orders index falling to its lowest level since July 2023 and notably for investment products. Total new orders also contracted for the first time in 8-months, while the job market remained grim with employment shrinking at the fastest pace since January. That said, business confidence improved and the future output expectations index remained in expansionary territory, as firms believed that the China-US trade conflict would abate in the near term
- Mirroring most regional peers, S&P manufacturing Malaysia PMI improved slightly but remained below the 50-threshold at 48.8 in May (Apr: 48.6), suggesting that the manufacturing sector in 2Q will likely grow at a similar pace to 1Q. Manufacturing firms also reported a gradual increase in costs, but business confidence stayed positive with firms expecting higher output in the coming year.

- The final services PMI for Australia was revised 0.1ppts higher at 50.6 in May (Apr: 51.0). That said, the index at this level is its lowest in 6 months, while optimism over the future remained soft.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	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
4-Jun	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	
5-Jun	JN Labor Cash Earnings YoY (Apr)	2.10%
	AU Exports MoM (Apr)	7.60%
	AU Household Spending MoM (Apr)	-0.30%
	CH Caixin China PMI Services (May)	50.7
	SI Retail Sales SA MoM (Apr)	-2.80%
	UK DMP 1 Year CPI Expectations (May)	3.10%
	EC PPI YoY (Apr)	1.90%
	US Challenger Job Cuts YoY (May)	62.70%
	EC ECB Deposit Facility Rate	2.25%
	US Trade Balance (Apr)	-$140.5b
	US Unit Labor Costs (1Q F)	5.70%
	US Initial Jobless Claims	240k

Source: Bloomberg

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