

5 June 2025

Global Markets Research

Daily Market Highlights

5 June: Traders upped rate cut bets after weak US data

ADP jobs hiring data slowed sharply; ISM services slipped into negative zone

US treasuries rallied & USD weakened against G10 peers; US equities closed mixed

Bank of Canada left policy rates unchanged; all eyes on the ECB policy meet today

- Treasuries rallied and stocks closed mixed after the weak-than-expected jobs hiring and services activity data from the US saw traders adding to bets that the Fed could cut rates as soon as September. At the point of writing, futures is pricing in a 68% chance of a quarter point cut in the Fed funds rate in that meeting, with an eye for the second in the December FOMC meeting.
- The 30-stock Dow Jones snapped its 4-day winning streak and lost 0.2% d/d, S&P 500 closed just above its flatline while Nasdaq settled 0.3% d/d higher. Elsewhere, Germany's DAX (+0.8% d/d) led gains in Europe (Stoxx Eur 600: +0.5% d/d) after the Cabinet gave the greenlight to a tax relief package for corporates, while South Korea's KOSPI (+2.7% d/d) led gains in Asia after the opposition leader won the presidential election.
- In the bond space, UST yields plunged 9-10bps across the curve. The 2Y yield closed the day at 3.87% and 10Y yield at 4.36%. Save for the UK gilts, 10Y European bond yields were modestly higher between 0-2bps. This comes after closing mixed between -3 to +1bps the day before.
- In the forex space, the US Dollar weakened against all its G10 peers following the data miss and the DXY tumbled 0.4% d/d to 98.79. Safe currencies JPY (+0.8% d/d to 142.77) and CHF (+0.7% d/d) led gains against the greenback, while GBP was up 0.3% d/d to 1.3554 after Prime Minister Keir Starmer said that the UK is hoping to complete the trade deal in the next 2 weeks to avoid the new tariffs on steel. EUR appreciated 0.4% d/d to 1.1417 ahead of ECB's decision today, while CAD strengthened 0.3% d/d after the **Bank of Canada held policy rate unchanged at 2.75% as per expectations**. AUD strengthened 0.5% d/d to 0.6429, as Dollar softness outweighed the GDP miss for Australia.
- Regional currencies closed mixed against the greenback with KRW (+1.1% d/d) and THB (+0.4% d/d to 32.71) leading gains, while CNH (+0.3% d/d to 7.1713) and SGD (+0.3% d/d to 1.2862) also outperformed but at a narrower pace. MYR closed just below its flatline at 4.2463.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,427.74	-0.22
S&P 500	5,970.81	0.01
NASDAQ	19,460.49	0.32
Stoxx Eur 600	551.02	0.47
FTSE 100	8,801.29	0.16
Nikkei 225	37,747.45	0.80
CSI 300	3,868.74	0.43
Hang Seng	23,654.03	0.60
Straits Times	3,903.88	0.24
KLCI 30	1,507.97	0.31
FX		
Dollar Index	98.79	-0.44
EUR/USD	1.1417	0.40
GBP/USD	1.3554	0.27
USD/JPY	142.77	-0.83
AUD/USD	0.6492	0.46
USD/CNH	7.1713	-0.28
USD/MYR	4.2463	0.02
USD/SGD	1.2862	-0.27
USD/KHR	4,005.50	-0.13
USD/THB	32.71	-0.37
Commodities		
WTI (\$/bbl)	62.85	-0.88
Brent (\$/bbl)	64.86	-1.17
Gold (\$/oz)	3,373.50	0.70
Copper (\$\$/MT)	9,621.50	-0.13
Aluminum(\$/MT)	2,483.00	0.79
CPO (RM/tonne)	3,954.50	0.88

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 3 June for CPO

- In the commodity space, crude oil prices tumbled on reports that Saudi Arabia is seeking more production hikes, adding to the supply glut concerns already prevalent in the market. WTI closed the day 0.9% d/d lower at \$62.85/barrel, and Brent slid 1.2% d/d to \$64.86/barrel.

Upward revisions to S&P services PMIs for the majors; mixed prints for regional composite indices

- In a nutshell, upwards revisions to the services PMIs for all the majors, while 1Y outlook also broadly improved. Tariff impacts saw price pressures intensifying for the US, but appears to have downward impact on the rest of the majors. The final services PMI for the US was revised up 1.4ppts to 53.7 for May (Apr: 50.8), and was revised 0.8ppts higher to 49.7 for the Eurozone (Apr: 50.1). Similarly, services PMI for the UK was revised up 0.7ppts to 50.9 for the UK (Apr: 49.0) and was revised 0.2ppts higher to 51.0 for Japan (Apr: 52.4).
- On the regional front, the S&P composite Hong Kong PMI contracted at a milder pace, at 49.0 in May (Apr: 48.3) amid narrower contractions in new orders and output, and as firms take on additional staff. Notably, sales to Mainland China were reported to have broadly stabilised following the sharp reductions in Mar-Apr, but businesses remained pessimistic regarding the year-ahead business outlook.
- In Singapore, the composite PMI fell to its lowest in 3 months at 51.5 (Apr: 52.8), while forward-looking indicators flag more softening of conditions ahead. Specifically, a marked deceleration in new order growth was accompanied by sentiment turning pessimistic to post-pandemic low.

Fed Beige Book said that economic activity has declined slightly; just as the ISM services and ADP employment change disappointed

- Key highlights from the latest Beige Book include: 1) ***Economic activity has declined slightly since the previous report, while outlook remains slightly pessimistic and uncertain*** (unchanged from the previous report). 2) Economic and policy uncertainties have led to hesitancy and a cautious approach to business and household spending. 3) Mirroring the latest ISM, manufacturing activity declined slightly, but activity at ports was robust despite the latest reciprocal tariffs. 4) Residential real estate sales were little changed, and most districts reported flat or slowing construction activities.
- In this regard, a separate report showed that mortgage applications fell for the third week and by a larger pace of 3.9% w/w for the week ended May 30 (prior: -1.2% w/w) despite mostly lower mortgage rates (30Y fixed rate: 6.92%).

- The services sector contracted in May, for the first time since June 2024 as tariff uncertainty saw firms delaying/minimizing orders until impacts become clearer. The ISM services index unexpectedly fell 1.7ppts to 49.9, as new orders (46.4 vs 52.3) slipped into contraction territory for the first time in nearly a year. Tariff impacts also saw the price index (68.7 vs 65.1) hitting its highest since November 2022, but the employment indicator (50.7 vs 49.0) continues to signal a solid labour market.
- According to ADP, the pace of hiring (+37k vs +60k) slowed to its lowest level since March 2023 but pay growth was little changed in May, holding at robust levels for both job-stayers (+4.5%) and job-changers (+7.0%). By sector, tariff strain was prevalent, with hiring falling for the manufacturing as well as trade, transportation & utilities sectors.

Temporary blip for Australia's GDP

- 1Q GDP decelerated more than expected to +0.2% q/q in 1Q (4Q: +0.6% q/q) as public sector was flat with the government spending less on social benefits to households for energy bill relief, while extreme weather also dampened consumer spending and commodity exports. With the household sector holding up (savings rate: 5.2% vs 3.9%, consumer spending: +0.4% vs +0.7%), there is no change in our view of gradual rate cuts by the RBA going forward.

Steady wage growth for Japan

- Data this morning showed that labour cash earnings was below expectations but held steady at 2.3% y/y in April. As it is, amid tight labour market and positive shunto wage negotiations, outlook for wages remains bright, backing the case for another BOJ rate hike in 2H of the year.

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
5-Jun	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%
6-Jun	US Initial Jobless Claims	240k
	JN Household Spending YoY (Apr)	2.10%
	VN CPI YoY (May)	3.12%
	VN Exports YoY (May)	19.80%
	VN Industrial Production YoY (May)	8.90%
	VN Retail Sales YoY (May)	11.10%
	JN Leading Index CI (Apr P)	108.1
	EC Retail Sales MoM (Apr)	-0.10%
	EC GDP SA QoQ (1Q T)	0.30%
	EC Employment QoQ (1Q F)	0.30%
	US Change in Nonfarm Payrolls (May)	177k
	US Unemployment Rate (May)	4.20%
	US Average Hourly Earnings MoM (May)	0.20%
	US Average Weekly Hours All Employees (May)	34.3
	US Consumer Credit (Apr)	\$10.172b

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

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.