

6 March 2025

Global Markets Research

Daily Market Highlights

6 Mar: Return of risk-on sentiment in the broad market

US equities surged on tariff concession; Higher UST yields; DXY slumped below 105

China set 2025 GDP growth target at 5%; raised its budget deficit target to around 4%

ECB expected to lower policy rates by 25bps today; BNM to maintain OPR at 3.00%

- Global tensions over trade remained high on Wednesday, but US stocks staged a recovery rally after the White House said it granted a 1-month delay for tariffs on automakers. This exemption is a temporary reprieve following pleas from industry leaders, Stellantis, Ford and General Motors, but opened the floodgates for more concessions going forward. The Dow Jones rebounded by 1.1% d/d, while S&P 500 and Nasdaq added 1.1% d/d and 1.5% d/d, capping another volatile day and ending its 2-day losing streak.
- Elsewhere, European stocks (Stoxx Eur 600: +0.9% d/d) and bond yields (10Y: 9-30bps) jumped after Germany paved the way for new military spending, while Asian markets closed mostly higher after China set its GDP growth target for 2025 at about 5.0%. Beijing also raised its budget deficit target to "around 4%" of GDP for the year, but lowered its inflation expectations to "around 2%."
- In the bond space, Treasury yields were 1-4bps higher across the curve as risk-appetite surged. The 2Y yield inched up 1bps to 4.01%, while the 10Y yield increased 4bps to 4.28%.
- In the forex space, DXY slumped to its lowest since November to 104.28 (-1.4% d/d), amid deepening concerns over the negative impact of tariffs on the US economy. Save CHF, all G10 currencies strengthened against the Dollar led by SEK, DKK and EUR (+1.5% d/d to 1.0789), the latter amid a massive ramp-up in Germany's fiscal spending. AUD appreciated 1.0% d/d to 0.6335, after data showed that the economy accelerated in 4Q and after China pledged more fiscal stimulus to support growth.
- Similarly, all regional currencies appreciated against the Dollar led by KRW, IDR and MYR (+0.8% d/d to 4.4295). CNH and SGD strengthened, albeit at a narrower pace to 7.2366 (+0.2% d/d) and 1.3313 (+0.6% d/d) respectively.
- In the commodity space, crude oil prices tumbled more than 2% d/d each on the OPEC+ output increase and as Trump's tariffs continued to raise demand concerns for crude oil. The WTI and Brent closed the day at \$66.31/barrel and \$69.30/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,006.59	1.14
S&P 500	5,842.63	1.12
NASDAQ	18,552.73	1.46
Stoxx Eur 600	556.09	0.91
FTSE 100	8,755.84	-0.04
Nikkei 225	37,418.24	0.23
CSI 300	3,902.57	0.45
Hang Seng	23,594.21	2.84
Straits Times	3,898.40	0.20
KLCI 30	1,564.42	0.56
FX		
Dollar Index	104.28	-1.39
EUR/USD	1.0789	1.53
GBP/USD	1.2895	0.78
USD/JPY	148.88	-0.61
AUD/USD	0.6335	1.00
USD/CNH	7.2366	-0.23
USD/MYR	4.4295	-0.80
USD/SGD	1.3313	-0.57
Commodities		
WTI (\$/bbl)	66.31	-2.86
Brent (\$/bbl)	69.30	-2.45
Gold (\$/oz)	2,926.00	0.18
Copper (\$\$/MT)	9,585.00	2.59
Aluminum(\$/MT)	2,658.50	1.61
CPO (RM/tonne)	4,677.50	-1.34

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 4 Mar

Mixed revisions to S&P Services PMIs for the majors; China's Caixin services strengthened

- The S&P Global US Services PMI was revised up 1.3ppts to 51.0 in February. That said, the rate of expansion was modest and the slowest since November 2023, and businesses were gloomier on future output growth, increasingly worried over slower demand growth and uncertainty over the impact of new government policies from tariffs, trade and federal budget cutting.
- The final Eurozone Services PMI was revised 0.1ppts down to 50.6 (prior: 51.3), as new orders dropped for the first time since last November. Optimism over future activity also fell short of the long-term average, as political uncertainty in France and developments on the international front discouraged consumer spending.
- The final UK Services PMI was revised marginally lower to 51.0 in February (prior: 50.8). The latest reading remains well below the long-run average of 54.3, and has clearly shown a loss of growth momentum since last Autumn. Forward-looking indicators also continue to suggest an elevated risk of stagflation on the horizon.
- The final Japan Services PMI was revised 0.6ppts up to 53.7 in February, an improvement from 53.0 the prior month and its highest since September 2024. The increase was underpinned by higher sales volumes, supported by a stronger rise in export business. Businesses were confident that this would be sustained in 2025, and this is mirrored in the continued expansion in employment levels.
- The Caixin China Services PMI unexpectedly strengthened by 0.4ppts to 51.4. Both supply and demand grew, employment remained stable and service firms were generally optimistic over the outlook for the coming year, planning to take more aggressive measures to boost sales.
- The S&P Global Hong Kong PMI showed that business conditions deteriorated for the first time since August 2024 to 49.0 in February (prior: 51.0). Demand conditions worsened both domestically and externally, and forward-looking indicators, including new orders and future activity indices, suggest deepening contraction in the coming months.
- The S&P Global Singapore PMI improved to 51.0 in February (prior: 49.9) after a brief downturn at the start of the year. Moving forward, solid new business and heightened optimism suggests continued business activity growth in the near-term, albeit not broad based and will likely face headwinds from the ongoing trade war.

US economy rose slightly according to the Beige Book; ISM-Services improved and better than forecast, but hiring slowed more than expected

- Highlights to the latest Beige Book include: 1) Overall economic activity rose slightly (previous: slightly to moderately). 2) Consumer spending was lower, in contrast to moving up moderately in the

previous Beige Book. 3) Manufacturing activity improved, showing slight to modest increases (prior: decreased slightly) but manufacturers expressed concerns over the potential impact of trade policy changes. 4) Residential property markets were mixed, but construction activity declined modestly. 5) Expectations for economic activity over the coming months were slightly optimistic.

- The ISM Services' February reading of 53.5 not only exceeded expectations and January's 52.8, it was also a full ppts above the average reading of 52.5 for the last 12 months and marks the 3rd month with all 4 sub-indices (business activity, new orders, employment and supplier deliveries) that directly factor into the calculation in expansion territory. That said, some respondents indicated that federal spending cuts are having negative impacts on their business forecasts.
- Matching expectations, factory orders rose by 1.7% m/m in January (prior: -0.6% m/m), partially due to businesses frontloading their purchases ahead of the tariff hikes, and as such, could see a pull-back in the months ahead. Orders for transportation goods led the uptick, further supported by spikes in orders for durable and capital goods orders. Orders for consumer goods were flat after growing by +0.2% m/m the previous month.
- According to ADP, hiring slowed more than expected to +77k in February (prior: +186k) with trade & transportation, health care & education, and information sectors showing job losses. Policy uncertainty and a slowdown in consumer spending might have led to layoffs or hiring slowdown, and indicators suggest continuing hiring hesitancy as employers await more clarity on the economic climate ahead.
- Mortgage applications rebounded a whopping 20.4% w/w for the week ended February 28 (prior: -6.4% w/w) as mortgage rates fell to 6.73% for the 30Y fixed rate, its lowest since December. Refinance activities (+37.0% w/w vs -3.6% w/w) rose at its fastest pace since October 2024, while home buyers ramped up home purchases (+9.1% w/w vs -8.1% w/w) heading into the spring homebuying season.

Eurozone's PPI accelerated; no change in our view of an ECB rate cut today

- Producer prices (PPI) grew at a faster pace than expected at +0.8% m/m and 1.8% y/y in February (prior: +0.5% m/m and +0.1% y/y). The m/m jump was broad-based and notable for energy and capital goods, but unlikely, in our opinion, to change the course of the easing policy cycle to support the sluggish economy at this juncture. With this, the market is pencilling with near certainty that the ECB will proceed with another 25bps rate cut in its policy meeting today.

Australia's economy accelerated in 4Q

- Matching expectations, 4Q GDP grew at a faster pace of +0.6% q/q and 1.3% y/y (prior: +0.3% q/q and +0.8% y/y). Modest expansion was seen broadly across the economy, with both public and private spending contributing to growth, supported by a rise in exports of goods and services.

Singapore's retail sales rebounded, partially due to CNY

- Retail sales unexpectedly strengthened to 3.5% y/y in January from -2.9% y/y previously. This is the fastest in 11-months, but was partially due to Chinese New Year being celebrated in January this year, as opposed to February last year and was led by sales of jewellery. Sales of food & alcohol, cosmetics, toiletries & medical goods as well as supermarkets & hypermarkets also expanded strongly and recorded double-digit increases.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DX	103-109	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.07	1.03	1.03	1.05	1.06
GBP/USD	1.24-1.30	1.24	1.24	1.25	1.27
USD/CHF	0.88-0.92	0.91	0.91	0.90	0.88
USD/JPY	145-152	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.23-7.31	7.37	7.30	7.23	7.15
USD/MYR	4.42-4.49	4.55	4.50	4.40	4.35
USD/SGD	1.33-1.37	1.37	1.35	1.32	1.29

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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
6-Mar	AU Building Approvals MoM (Jan)	0.70%
	AU Exports MoM (Jan)	1.10%
	VN CPI YoY (Feb)	3.63%
	VN Exports YoY (Feb)	-4.30%
	VN Industrial Production YoY (Feb)	0.60%
	VN Retail Sales YoY (Feb)	9.50%
	MA BNM Overnight Policy Rate	3.00%
	UK DMP 1 Year CPI Expectations (Feb)	3.00%

7-Mar	EC Retail Sales MoM (Jan)	-0.20%
	US Challenger Job Cuts YoY (Feb)	-39.50%
	EC ECB Main Refinancing Rate	2.90%
	US Trade Balance (Jan)	-\$98.4b
	US Unit Labor Costs (4Q F)	3.00%
	US Initial Jobless Claims	242k
	AU Household Spending MoM (Jan)	0.40%
	MA Foreign Reserves	\$117.7b
	EC GDP SA QoQ (4Q F)	0.10%
	EC Employment QoQ (4Q F)	0.10%
	US Change in Nonfarm Payrolls (Feb)	143k
	US Average Hourly Earnings YoY (Feb)	4.10%
	US Unemployment Rate (Feb)	4.00%
	CH Exports YTD YoY (Feb)	

Source: Bloomberg

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