

6 June 2025

## Global Markets Research

### Daily Market Highlights

## 6 June: Cautious sentiment likely ahead of US NFP today

**ECB cut policy rates by 25bps after CPI fell below 2%; EUR outperformed most G10 peers**

**Weak US economic data weighed on US stocks & USD; eclipsing US-China trade talk**

**All eyes on US nonfarm payroll and jobless rate today for clues on the next Fed easing**

- The three major US equity indices closed 0.3-0.8% d/d lower overnight as another slew of weak economic data weighed on sentiment, eclipsing hopes of easing tension between the US and China after Presidents Trump and Xi agreed to further trade talks. Nasdaq was the hardest hit overnight, with the face-off between Trump and Elon Musk knocking 14.3% off Tesla shares.
- Elsewhere, Stoxx Eur 600 rose 0.2% d/d after ECB's decision, while KOSPI extended post-election gains amid mixed Asia trading session, the latter likely to be under pressure today following a downbeat Wall Street.
- In the bond space, UST closed mostly higher between 1-7bps (prior: -9 to -10bps) led by the front-end tracking higher European government bond yields ahead of the release of the non-farm payroll report today. The 2Y yield rose 5bps to 3.92%, while the 10Y increased 4bps to 4.39%. Save for the Swedish bonds, 10Y European bond yields rose 1-6bps, after closing up 0-2bps the day before.
- In the forex space, DXY closed 0.1% d/d lower at 98.74 after falling as low 98.35 during the session after the higher-than-expected US jobless claims and ECB's decision, easing after reports of the call between Trump and Xi. EUR surged to as high as 1.1495 after ECB Lagarde signalled that the ECB is nearing the end of its easing cycle, then pared its gains to close 0.3% d/d stronger at 1.1445. EUR also outperformed the rest of its G10 peers save for the NOK.
- On the regional front, most regional currencies also appreciated against the USD save for the CNH (-0.1% d/d to 7.1761) and JPY (-0.5% d/d to 143.53). MYR and SGD appreciated to close at 4.2270 (+0.5% d/d) and 1.2860 (+0.02% d/d) respectively.
- In the commodity space, traders looked favourably to Trump-Xi trade call, sending crude oil prices up 0.7-0.8% d/d to \$63.37/barrel for the WTI and \$65.34/barrel for Brent.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	42,319.74	-0.25
S&P 500	5,939.30	-0.53
NASDAQ	19,298.45	-0.83
Stoxx Eur 600	551.88	0.16
FTSE 100	8,811.04	0.11
Nikkei 225	37,554.49	-0.51
CSI 300	3,877.56	0.23
Hang Seng	23,906.97	1.07
Straits Times	3,917.69	0.35
KLCI 30	1,518.12	0.67
<b>FX</b>		
Dollar Index	98.74	-0.05
EUR/USD	1.1445	0.25
GBP/USD	1.3570	0.12
USD/JPY	143.53	0.53
AUD/USD	0.6506	0.22
USD/CNH	7.1761	0.07
USD/MYR	4.2270	-0.45
USD/SGD	1.2860	-0.02
USD/KHR	4,006.00	0.01
USD/THB	32.51	-0.60
<b>Commodities</b>		
WTI (\$/bbl)	63.37	0.83
Brent (\$/bbl)	65.34	0.74
Gold (\$/oz)	3,350.70	-0.68
Copper (\$\$/MT)	9,739.50	1.23
Aluminum(\$/MT)	2,478.00	-0.20
CPO (RM/tonne)	3,940.50	-0.35

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 4 June for CPO

#### ECB lowered interest rates in view of softer inflationary pressure

- Matching expectations, the European Central Bank (ECB) lowered the interest rates on the deposit facility, the main

refinancing operations and the marginal lending facility by 25bps each to 2.00%, 2.15% and 2.40% respectively wef 11 June.

- The **decision to cut was based on updated assessment of the inflation outlook and the dynamics of underlying inflation. The ECB is projecting headline inflation to average 2.0% in 2025, 1.6% in 2026 and 2.0% in 2027.** The downward revisions, by 0.3ppts for both 2025 and 2026, mainly reflect lower assumptions for energy prices and a stronger euro. Core inflation is expected to average 2.4% in 2025 and 1.9% in 2026 and 2027, broadly unchanged since March. Meanwhile, with headline CPI at 1.9% y/y and producer prices easing sharply to +0.7% y/y in April (Mar: +1.9% y/y), risks of inflation undershooting ECB's forecasts have increased.
- **ECB also expects GDP growth to average 0.9% in 2025, 1.1% in 2026 and 1.3% in 2027.** The unrevised growth projection for 2025 reflects a stronger than expected 1Q and weaker prospects for the remainder of the year.
- ECB President Lagarde also said during the press conference that one Governing Council member did not support the decision, and **at the current level of interest rates, ECB is in a good position to navigate the uncertain conditions ahead,** suggesting that the central bank is in no hurry to cut rates again, if any. These saw traders trimming wagers on additional cuts, with another quarter point move by the end of 2025 no longer seen as a certainty.

### More job cuts for the US; highest jobless claims since October 2024

- According to the Challenger report, employers announced 93.8k job cuts in May, up 47.0% y/y (Apr: +62.7% y/y), as cuts spread to other non-government sector like retail, technology, non-profits and media. Separate data also showed that initial jobless claims unexpectedly increased to its highest level since October at 247k for the week ended May 31 (+8k vs +13k), but continuing claims fell 3k to 1904 the week prior (May 17: +14k). As it is, tariffs, funding cuts, consumer spending and overall economic pessimism saw companies spending less, likely to slow hiring as well as layoffs.
- Trade deficit narrowed sharply to \$61.6bn in April from \$138.3bn previously, as imports of goods and services plunged 16.3% m/m after Trump's "Liberation Day," while exports increased 3.0% m/m (prior: +4.7% m/m and +0.9% m/m). The sharp narrowing in trade deficit will provide tailwinds for growth in 2Q, but slower inventory accumulation and spending could temper this growth going forward.

### Australia's household spending rebounded albeit below forecasts; exports fell amid lower shipments to the US

- Household spending rebounded at a narrower pace than expected by 0.1% m/m in April. This follows a 0.1% m/m fall in March and a 0.2% m/m rise in February, and with a rise in services spending partly offset by a fall in goods spending. All in, mixed prints on discretionary spending suggests that household spending has and will likely remain steady for now, reaffirming bets that any rate cuts will likely be gradual.
- Meanwhile, export growth fell 2.4% m/m in April after March's +7.2% m/m, with shipments to the US pulling back sharply by 57.6% m/m post the tariff hike, and after March's +4.7% m/m front-loading. Exports to China continued to increase, while total imports rebounded 1.1% m/m from -2.4% m/m previously, supported by capital goods. These sent trade balance narrowing to A\$5.4bn and not boding well for GDP calculation in 2Q.

### China's services PMI improved on domestic orders

- Caixin Services PMI came in a shade higher than expected, up 0.4ppts to 51.1 in May. Firms signalled stronger increases in new business, driven primarily by domestic orders. As a result, companies hired additional staff to cope with higher workloads and optimism rose, but firms opted to cut their selling prices to support demand, suggesting tepid recovery outlook ahead.

### Singapore's retail sales eased as residents continued to spend abroad amid strong SGD

- Retail sales unexpectedly eased to 0.3% y/y in April from +1.3% y/y previously. Most industries recorded y/y growth, led by the computer & telecommunications equipment industry, sales of jewellery and recreational goods, while sales at wearing apparel & footwear retailers and at petrol service plunged, as a stronger SGD encouraged residents to spend abroad and in line with lower crude oil prices.

### 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	2.00	2.00	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
6-Jun	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
9-Jun	JN GDP SA QoQ (1Q F)	-0.20%
	JN Bank Lending Incl Trusts YoY (May)	2.40%
	CH PPI YoY (May)	-2.70%
	CH CPI YoY (May)	-0.10%
	JN Eco Watchers Survey Outlook SA (May)	42.7
	MA Foreign Reserves	\$119.1b
	US NY Fed 1-Yr Inflation Expectations (May)	3.63%
CH Exports YoY (May)	8.10%	
9-15 Jun	CH Aggregate Financing CNY YTD (May)	16340.0b

Source: Bloomberg

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