7 March 2025

Global Markets Research
Daily Market Highlights

7 Mar: Trade policy uncertainty haunts the market

Delay in tariff hikes for goods covered by USMCA; US job cuts soared on DOGE's cut
ECB lowered policy rates by 25bps; monetary policy is meaningfully less restrictive
BNM maintains OPR & neutral policy stance; reaffirm our extended pause view for 2025

- Trade tension battered US markets again, with the US' latest concessions on selected tariffs failing to calm rattled investors, who already feared that policy volatility will hamper economic growth. Just a recap, ***President Trump signed an order to exempt Mexican and Canadian goods covered by the United States-Mexico-Canada Agreement (USMCA) from his 25% tariff until April 2***. Declines were broad-based, with techs and financial stocks notable laggards, and the three major US indices closed the day down by 1.0-2.6% d/d.
- Other global markets closed mixed. Stoxx Eur 600 closed just below its flatline, but with auto stocks gaining on tariff exemption. Asian markets largely rose with Hang Seng (+3.3% d/d) leading gains in the region driven by Chinese tech stocks. That said, Asian equities are primed for a dip today with Wall Street sentiment souring overnight.
- Treasuries whipsawed on the shift between risk-on and risk off sentiment, closing mixed between -5bps to +1bps (prior: 1-4bps) across the curve. The benchmark 2Y yield closed the day 5bps lower at 3.96%, while the 10Y closed flattish at 4.28%. Trading in European bonds was much calmer. Save for the UK gilts, 10Y yields rose at a narrower pace of 3-12bps, after jumping 9-30bps the day before.
- DXY ended 0.2% lower at 104.06 but off its intraday low of 103.76. Safe haven CHF (+0.8% d/d) and JPY (+0.6% d/d to 147.98) led gains against USD, while EUR closed just below its flatline at 1.0785, having pared gains after the ECB cut rates as expected, but signalled that easing may be drawing to a close. AUD and GBP, meanwhile, depreciated between 0-0.1% d/d to 0.6333 and 1.2882 respectively.
- Regional currencies closed mostly weaker against the Dollar, with CNH and SGD depreciating by 0.1% d/d to 7.2441 and 0.2% d/d to 1.3333 respectively. MYR strengthened 0.1% d/d to close at 4.4255, paring some of its gains after the central bank left its policy rate unchanged at 3.00%.
- On the commodity space, oil prices steadied and closed 0.1-0.3% d/d higher in choppy trading amid tariff uncertainty and OPEC+ hike plans. The WTI closed the day at $66.36/barrel, and Brent at $69.46/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,579.08	-0.99
S&P 500	5,738.52	-1.78
NASDAQ	18,069.26	-2.61
Stoxx Eur 600	555.90	-0.03
FTSE 100	8,682.84	-0.83
Nikkei 225	37,704.93	0.77
CSI 300	3,956.24	1.38
Hang Seng	24,369.71	3.29
Straits Times	3,917.06	0.48
KLCI 30	1,558.91	-0.35
FX		
Dollar Index	104.06	-0.21
EUR/USD	1.0785	-0.04
GBP/USD	1.2882	-0.10
USD/JPY	147.98	-0.60
AUD/USD	0.6333	-0.03
USD/CNH	7.2441	0.10
USD/MYR	4.4255	-0.09
USD/SGD	1.3333	0.15
Commodities		
WTI ($/bbl)	66.36	0.08
Brent ($/bbl)	69.46	0.23
Gold ($/oz)	2,926.60	0.02
Copper ($$/MT)	9,734.00	1.55
Aluminum($/MT)	2,697.00	1.45
CPO (RM/tonne)	4,712.50	0.75

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 5 Mar*

ECB lowered policy rates by 25bps

- As widely anticipated, 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 2.50%, 2.65% and 2.90% respectively. The ECB rephrased a key line in the statement, stating that "***Monetary policy is becoming meaningfully less restrictive***" as compared to "remains restrictive" previously. While the nuanced language means a further rate cut in April is not a given, there is no change in our view that the ECB will deliver another 2 quarter point cuts by the end of 2025.
- ***ECB also marked down their GDP growth projections to 0.9% for 2025, 1.2% for 2026 and 1.3% for 2027***. The downward revisions for 2025 and 2026 reflect lower exports and ongoing weakness in investment, partially due the trade, as well as broader policy uncertainties. ECB also said that the disinflation process is well on track, and now expects ***headline inflation to average 2.3% in 2025, 1.9% in 2026 and 2.0% in 2027***. The upward revision in headline inflation for 2025 reflects stronger energy price dynamics.
- Meanwhile, consumer spending remained sluggish in January despite improved purchasing power, with retail sales unexpectedly worsening to 0.3% m/m after recording flat growth previously.

BNM maintains OPR and neutral policy stance

- BNM left OPR unchanged at 3.00% for the eleventh consecutive meeting as widely expected. There were no material changes in the policy statement, other than the characterization of exports being "expected to expand at a more moderate pace" amidst global policy uncertainties. The neutral policy statement suggests that there is no plan to adjust the policy rate in the foreseeable future, hence our view for a continued pause in the OPR in 2025 remains unchanged.
- Recent developments in the global macro landscape and financial markets reaffirms our view for a differing speed and depth of monetary policy easing globally. The US economy continues to remain resilient buoyed by a healthy labour market, and the still intact disinflation outlook in spite of the recent noise and uncertainty from potential inflationary policies from the US government, reinforces our view that the FOMC will continue to ease albeit more gradually, further narrowing the yield differentials between Malaysia and the US, as BNM is expected to maintain a steady OPR on the back of continued moderate growth outlook in the Malaysian economy. Meanwhile, inflationary pressures are expected to remain well contained despite ongoing plans for subsidy reforms. We reaffirm our view for an extended pause in the OPR in 2025, barring any substantial external shocks.

Job cuts soared; trade deficit widened for the US in a negative sign for 1Q GDP

- The Department of Government Efficiency (DOGE) actions, as well as cancelled Government contracts, fears of trade wars and bankruptcies sent job cuts soaring to its highest since 2009 at 172.0k in February (+103.2% y/y vs prior: -39.5% y/y). According to Challenger, the Government led all sectors in job cuts, followed by retail and technology sector. Separate data also showed that initial jobless claims fell more than expected by 21k to 221k for the week ended March 1 (prior: +22k), but we expect this to rise in the coming weeks amid the DOGE cost-cutting efforts.
- Trade deficit widened more than expected to a record of $131.4bn in January (prior: -$98.1), as imports jumped 10.0% m/m to a record $401.2bn (prior: +3.6% m/m), while exports grew at a more moderate pace of 1.2% m/m (prior: -2.6% m/m). Notably, imports from Mexico, China and Canada jumped between 10-15% y/y during the month, suggesting some tariff related front-loading before President Trump’s tariff hikes.

Slightly higher output costs and inflationary expectations for the UK

- According to the DMP Survey, firms reported that their output prices accelerated to 4.0% in the 3-months to February, and expect inflation 1-year ahead to tick up to 3.1% (Jan: 3.9% and 3.0%).

Mixed data from Australia

- Building approvals jumped 6.3% m/m in January, following a 1.7% m/m rise the prior month, but trade data was mixed, with exports gaining 1.3% m/m (Dec: +1.2% m/m) while imports fell 0.3% m/m (Dec: +5.9% m/m) because of capital goods. The decline in imports does not bode well for investment outlook going forward, while exports could face headwinds from a slowdown in trade activities given the ongoing trade tension.

Vietnam’s inflation moderated sharply; robust economic prints suggest a strong 1Q

- Inflation decelerated sharper than expected to 2.9% y/y in February from 3.6% y/y previously, with prices falling or moderating across all its components, save for medical and construction costs, the latter due to softer consumer demand. Other economic indicators were nonetheless robust, suggesting a sturdy 1Q, with retail sales growing by 9.4% y/y (prior: +9.5% y/y), while IPI and exports recording double digit growth of 17.2% y/y and +25.7% y/y respectively (Jan: +0.6% y/y and -4.3% y/y). Exports gain was partially due to front-loading of shipments in view of tariff uncertainties and in line with higher commodity prices for agriculture products like coffee.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	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	2.50	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
7-Mar	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)	
10-Mar	JN Labor Cash Earnings YoY (Jan)	4.80%
	JN Bank Lending Ex-Trusts YoY (Feb)	3.30%
	JN Leading Index CI (Jan P)	108.3
	JN Eco Watchers Survey Outlook SA (Feb)	48
	EC Sentix Investor Confidence (Mar)	-12.7
	US NY Fed 1-Yr Inflation Expectations (Feb)	3.00%

Source: Bloomberg

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