

7 May 2025

Global Markets Research

Daily Market Highlights

7 May: Policy decisions week starting with the FOMC today

US stocks extended declines despite trade talks between US and major trading partners

Treasury yields fell; Dollar weakened against G10 peers ahead of the FOMC meeting

China's Caixin services PMI disappointed; signalling a still sluggish domestic sector

- US stocks fell and Treasuries rose as tariff angst returned to the market amid trade talks between US and its major trading partners. The three major US stock indices posted back-to-back declines in tune to 0.8-1.0% d/d overnight, with stocks wavering even after President Trump met with Canadian Prime Minister Mark Carney, marking the start of negotiations between the two leaders. The Canadian PM also reiterated that Canada is not for sale. Corporate earnings were mixed but Ford and Matter were the latest slate of corporates suspending earnings guidance on tariff uncertainties.
- Elsewhere, Asian markets closed mixed, but Stoxx Eur 600 closed 0.2% d/d lower. Germany's DAX was down 0.4% d/d, paring some losses after Friedrich Merz was elected as Germany's chancellor in a second-round parliamentary vote. Despite the downbeat Wall Street, we are cautiously optimistic on the regional markets today amid confirmation of trade talks between US and China, and reaffirmed by the uptick in the futures. Geopolitical tension between India and Pakistan may however add some noises in the region.
- In the bond space, US treasuries yields fell 4-5bps across the curve on the tariff angst, and after the 10Y auction saw strong demand. Both the 2Y and 10Y yields fell 5bps each to 3.78% and 4.30% respectively. 10Y European bond yields were modestly higher between 0-3bps, a turnaround from the 0-3bps drop the prior day.
- In the forex space, the Dollar traded weaker against its G10 peers ahead of FOMC meeting. The DXY fell 0.6% d/d to 99.24. CAD strengthened 0.3% d/d following Carney's meeting with Trump, while EUR appreciated 0.5% d/d to 1.1370 after Friedrich Merz secured parliamentary backing in Germany.
- Amongst regionals, TWD depreciated 0.5% d/d, consolidating from multi-year highs the day before. Similarly, MYR also gave back some of its gains to close 0.7% d/d weaker at 4.2323. CNH weakened to 7.2352 following the release of its dismal Services PMI, but later pared its losses to close 0.1% d/d weaker at 7.2098.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,829.00	-0.95
S&P 500	5,606.91	-0.77
NASDAQ	17,689.66	-0.87
Stoxx Eur 600	536.35	-0.18
FTSE 100	8,597.42	0.01
Nikkei 225	36,830.69	1.04
CSI 300	3,808.54	1.01
Hang Seng	22,662.71	0.70
Straits Times	3,860.41	0.19
KLCI 30	1,536.80	-0.18
FX		
Dollar Index	99.24	-0.59
EUR/USD	1.1370	0.49
GBP/USD	1.3369	0.55
USD/JPY	142.45	-0.87
AUD/USD	0.6495	0.40
USD/CNH	7.2098	0.12
USD/MYR	4.2323	0.74
USD/SGD	1.2883	-0.08
Commodities		
WTI (\$/bbl)	59.09	3.43
Brent (\$/bbl)	62.15	3.19
Gold (\$/oz)	3,422.80	3.03
Copper (\$\$/MT)	9,538.00	1.84
Aluminum(\$/MT)	2,427.00	-0.19
CPO (RM/tonne)	3,870.00	-2.49

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 5 May; Nikkei 225 dated as of 2 May

SGD, on the other hand, strengthened 0.1% d/d to close the day at 1.2883.

- In the commodity space, easing oversupply concerns sent crude oil prices climbing 3.2-3.4% d/d to \$59.09/barrel for the WTI and \$62.15/barrel for the Brent. This comes after the US cut its forecast for domestic oil output and Diamondback Energy trimmed its shale production projections for 2025.

Downward revisions to S&P services PMIs for the Eurozone and UK; China's services PMI disappointed; uptick for Singapore's composite PMI

- Both the Eurozone and UK Services PMIs were revised up to 50.1 and 49.0 respectively in April (Mar: 51.0 and 52.5), marking a smaller than initially estimated moderation. In China, the Caixin Services PMI disappointed investors at 50.7 in April, down 1.2ppts m/m and marked its lowest reading since September. With new order growth at its 28-month low, business sentiment at its lowest since February 2020 and staffing levels continuing to fall, the sectoral outlook and domestic demand does not look promising. On a positive note, foreign tourists remained resilient, contributing marginal growth to new export business.
- For Singapore, its composite PMI rose for the third month to 52.8 in April (Mar: 52.7), its fastest pace since last November. That said, evidence pointed to further signs of front-loading ahead of tariffs, while business sentiment and pricing powers were clearly affected by concerns over trade and global growth. Job shedding also continued despite the uptick in new orders, suggesting caution among businesses in 2Q.

The rush to beat tariffs saw US trade deficit jumping to record high

- The US trade deficit widened to a record high of \$140.5bn in March (Feb: -\$123.2bn) as businesses boosted imports of goods ahead of President Trump's reciprocal tariffs and dragged 1Q into contraction zone for the first time in three years. While services surplus fell slightly to \$23.0bn from \$23.8bn, goods trade deficit jumped to \$163.5bn from \$147.0bn previously, as imports surged 4.4% m/m on stronger demand for most goods, outpacing exports at +0.2% m/m. YTD imports from most major trading partners rose faster than typically, with imports from Mexico, Canada and China jumping 9.6% y/y, 7.9% y/y and 5.2% y/y respectively.

Eurozone's PPI fell sharply on energy

- Producer prices (PPI) fell sharper than expected by 1.6% m/m in March and was a shade softer at +1.9% y/y (Feb: -+0.2% m/m and +3.0% y/y). Driving the downtick on a monthly basis was the 5.8% drop in energy prices, a trend likely to persist in April, but other

components were mixed. Prices were unchanged for intermediate goods, increased at a softer pace by 0.1% for capital goods but accelerated for consumer goods.

Disappointing building approvals and household spending data from Australia

- Disappointing prints from Australia. Building approvals fell sharper than expected by 8.8% m/m in March (Feb: -0.2% m/m), while housing spending unexpectedly slid 0.3% m/m (Feb: +0.3% m/m) after rising for the 5th month, as tropical cyclone Alfred impacted spending in Queensland, notably for transport and healthcare. Spending elsewhere was mixed, suggesting some resiliency, albeit softer consumer spending before Trump's tariff, giving leeway for the RBA to continue with its measured rate cuts moving forward.

Still robust data for Vietnam in April

- Still robust data from Vietnam in April. Growth in retail sales and IPI accelerated to +11.1% y/y and +8.9% y/y (Mar: +10.8% y/y and +8.6% y/y), while exports beat forecasts and rose sharply by +19.8% y/y (prior: +14.5% y/y), the latter likely reflecting a surge in front-loaded orders from the delay in 46% tariffs slapped on Vietnam, and temporary exemptions on electronics. Amid tariff uncertainties, computers and electronics surged 58.7% y/y, while shipments of footwear as well as textiles and garments, key export products to the US, rose sharply by 20.5% y/y and 17.7% y/y. Exports to the US also jumped 34.0% y/y during the month. Meanwhile, inflation held steady at 3.1% y/y.
- Prime Minister Pham Minh Chinh has said that the first round of tariff negotiations with the US will begin today (7th May), and has requested acceleration of key major national projects to support his 8% GDP growth target for 2025, a mammoth task considering that the economy is highly reliant on exports (30% of GDP) and its forward-looking indicator, PMI has already turned contractionary. In its latest outlook, the IMF has in fact significantly marked down its 2025 projection by a whopping -0.9ppts to 5.2%.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DX	98-102	99.70	98.35	97.01	95.70
EUR/USD	1.11-1.15	1.14	1.15	1.17	1.19
GBP/USD	1.31-1.35	1.31	1.32	1.33	1.34
USD/CHF	0.80-0.85	0.81	0.80	0.79	0.78
USD/JPY	142-149	142	139	136	133
AUD/USD	0.62-0.66	0.62	0.62	0.63	0.64
NZD/USD	0.57-0.61	0.57	0.57	0.58	0.58
USD/CNY	7.19-7.30	7.43	7.35	7.28	7.21
USD/MYR	4.15-4.25	4.54	4.50	4.47	4.40

USD/SGD 1.28-1.33 1.34 1.33 1.31 1.30

Rates, %	Current	2Q-25	3Q-25	4Q25	1Q26
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.50-3.75	3.25-3.50
ECB	2.25	2.00	1.75	1.75	1.75
BOE	4.50	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	4.10	3.85	3.60	3.35	3.10
RBNZ	3.50	3.25	3.00	2.75	2.50
BNM	3.00	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
7-May	HK S&P Global Hong Kong PMI (Apr)	48.3
	JN Jibun Bank Japan PMI Services (Apr F)	52.2
	EC Retail Sales MoM (Mar)	0.30%
	US MBA Mortgage Applications	-4.2%
	US FOMC Rate Decision (Upper Bound)	4.50%
	US Consumer Credit (Mar)	-\$0.810b
8-May	MA Industrial Production YoY (Mar)	1.50%
	MA Manufacturing Sales Value YoY (Mar)	4.70%
	MA BNM Overnight Policy Rate	3.00%
	MA Foreign Reserves	\$118.4b
	UK Bank of England Bank Rate	4.50%
	US Unit Labor Costs (1Q P)	2.20%
	US Initial Jobless Claims	241k
	UK DMP 1 Year CPI Expectations (Apr)	3.40%
	NY Fed 1Y Inflation Expectations (Apr)	3.58%

Source: Bloomberg

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