

8 May 2025

Global Markets Research

Daily Market Highlights

8 May: FOMC maintained policy rates & wait-and-see stance

Powell's assurance of a still solid economy boosted appetite for US stocks, USTs & USD

Yuan weakened; CSI 300 rallied after China unveiled a 10-point monetary package

All eyes BOE & BNM's policy decisions today; a cut expected for BOE; unchanged for BNM

- In a choppy trading day, US equities and DXY rallied after Fed Chair Jerome Powell reassured investors that the economy remains on a solid footing and that the Fed is still in no rush to lower rates. The S&P 500 jumped after Powell's speech, closing the day 0.4% d/d higher and with chipmakers leading gains, the sector benefiting from reports that the administration plans to roll-back Biden-era AI chip restrictions. Nasdaq and the Dow also rose 0.3% d/d and 0.7% d/d respectively, with the latter boosted by a 11% pop in Disney shares after the company reported earnings beat.
- Elsewhere, CSI 300 (+0.6% d/d) led the rally in Asia after China laid out sweeping easing policy, but Stoxx Eur 600 closed 0.5% d/d lower, with health-care stocks reeling from Trump's announcement that tariffs for pharmaceuticals would be announced soon. As it is, the European Trade Commission has also said that it will announce further details of its proposed countermeasures to US tariffs in a Thursday update.
- In the bond space, Treasuries rose after Powell's no rush to cut stance, sending yields down 1-4bps (prior: -4 to -5bps) across the curve. The 2Y yield fell 1bps to 3.78%, while the 10Y yield slid 4bps to 4.27%. 10Y European bond yields fell at a larger pace of 5-8bps (prior: 0 to +3bps).
- In the forex space, the DXY jumped 0.4% d/d to 99.61 after Powell downplayed rate cuts, and the Dollar strengthened against all its G10 peers, as well as most regional currencies. NZD and AUD (-1.1% d/d to 0.6424) underperformed their peers, while EUR and JPY depreciated 0.6% d/d to 1.1301 and 1.0% d/d to 143.83 respectively. GBP weakened 0.6% d/d to 1.3292 ahead of BOE's policy decision today, where a 25bps cut to 4.25% is expected.
- For Asian currencies, CNH weakened 0.3% d/d to 7.2283 as PBoC delivered a long-awaited rate cut, while MYR depreciated 0.2% d/d to 4.2397 ahead of BNM's policy decision today, where a pause at 3.00% is expected. SGD traded 0.5% d/d weaker at 1.2942.
- In the commodity space, oil prices tumbled in tune to 1.7% d/d amid lingering uncertainty over US-China trade talks, and after

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,113.97	0.70
S&P 500	5,631.28	0.43
NASDAQ	17,738.16	0.27
Stoxx Eur 600	533.47	-0.54
FTSE 100	8,559.33	-0.44
Nikkei 225	36,779.66	-0.14
CSI 300	3,831.63	0.61
Hang Seng	22,691.88	0.13
Straits Times	3,865.37	0.13
KLCI 30	1,549.90	0.85
FX		
Dollar Index	99.61	0.38
EUR/USD	1.1301	-0.61
GBP/USD	1.3292	-0.58
USD/JPY	143.83	0.97
AUD/USD	0.6424	-1.09
USD/CNH	7.2283	0.26
USD/MYR	4.2397	0.17
USD/SGD	1.2942	0.46
Commodities		
WTI (\$/bbl)	58.07	-1.73
Brent (\$/bbl)	61.12	-1.66
Gold (\$/oz)	3,391.90	-0.90
Copper (\$\$/MT)	9,419.50	-1.24
Aluminum(\$/MT)	2,382.50	-1.83
CPO (RM/tonne)	3,878.00	0.21

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 6 May

Fed held rates steady and sees no rush to adjust rates, all raising demand concerns. The WTI fell to \$58.07/barrel, and Brent to \$61.12/barrel.

FOMC maintained Fed funds rate and wait-and-see stance

- As widely expected, the FOMC unanimously decided to maintain the Fed funds target rate range unchanged at 4.25-4.50%. Key highlights from the statement and press conference include: 1) The lines describing the economy as expanding at a “solid pace”, labour market conditions remain “solid,” while inflation “remains somewhat elevated” were the same. 2) The press release nonetheless added the line that the **uncertainty over the economic outlook has increased further**, and that the risks of higher unemployment and higher inflation have risen. 3) **Fed Chair Jerome Powell**, in his press conference, **knocked down any notion of taking preemptive rate cuts**, saying that “we actually don’t know what the right response to the data will be until we see more data.” 4) He also said that the trade negotiations could have a material impact on the economic outlook and thus, the FOMC will have to “wait and see.” He added that Trump’s April 2 tariffs were substantially larger than what Fed had anticipated. 5) At the point of writing, futures is pricing in 3 quarter point cuts for the remainder of 2025, with the first expected in the September FOMC meeting, little change from pre-FOMC.
- Data wise, mortgage applications rebounded 11.0% w/w for the week ended May 2 (prior: -4.2% w/w) as negative economic prints during the week pushed the 30Y mortgage rates down to 6.84%.
- March’s consumer credit rose by the most in 3 months and by more than expected in echo to Powell’s still healthy consumer stance. Total credit climbed \$10.2bn following a \$0.6bn drop the prior month, reflecting a pick-up on credit card balances as well as solid rise in motor-vehicle and non-revolving credit.

PBoC lowered policy rate and RRR to support the economy and liquidity

- In China, the People’s Bank of China (PBoC) **lowered its 7-day repo rate to 1.4% from 1.5% previously and cut reserve requirement ratio (RRR) by 0.5ppts** to support liquidity. Accordingly, the RRR ratio for major banks will drop to 9.00% from 9.50% after the reduction, the 7-day repo will go into force today, and the RRR a week later.
- Beijing also stepped up its **macro-policy adjustment** to support the economy, amongst others, unveiling a 500bn yuan relending tool for consumption and elderly care, as well as increasing its technology relending fund by 300bn yuan. Officials also plan to increase its agriculture and SME relending fund, and a series

financing policies to help stabilize the property market, the latter includes a 0.25ppts drop in housing provident fund loan rate.

- We opine that the impact from these measures to support the economy and liquidity hit by US tariffs may have limited impact on boosting domestic financing demand, as borrowing has been somewhat insensitive to the already low policy rates, while the latest stimulus is estimated to add 0.1-0.2ppts to GDP directly.

Upward revisions to S&P services PMI for Japan; stable but contractionary business conditions for Hong Kong

- The final Jibun Bank Japan services PMI was revised 0.2ppts up to 52.4 in April (Mar: 50.0). Despite the improvements in demand, the 12-month outlook waned amid concerns over global trade outlook, labour shortages and inflation.
- For Hong Kong, the composite PMI was unchanged at 48.3, suggesting that business conditions continue to deteriorate at a modest pace on steep declines for new export businesses. Forward-looking indicators, such as lower employment, purchasing, stock levels and business pessimism, also suggest that business conditions will likely stay muted in the near term.

Eurozone's retail sales inched down slightly

- Retail sales have been roughly stable in 1Q, with spending matching expectations and declining 0.1% m/m in March after registering 0.2% m/m gain the prior month. Despite real wage gains, uncertainty seems to be holding consumers back from spending and thus, the current global economic backdrop will likely continue to spook consumers and weigh on spending in the near term. By sector, sales fell for food and non-food, but ticked up for automotive fuel in specialised stores.

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
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%
9-April	NY Fed 1Y Inflation Expectations (Apr)	3.58%
	JN Labor Cash Earnings YoY (Mar)	3.10%
	JN Household Spending YoY (Mar)	-0.50%
	JN Leading Index CI (Mar P)	107.9
	CH Exports YoY (Apr)	12.40%

Source: Bloomberg

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