9 May 2025

Global Markets Research
Daily Market Highlights

9 May: Optimism over trade deals spurs risk-on appetite

US stocks & DXY rallied; treasuries tumbled after US-UK trade deal; US-China to meet

BOE's 25bps rate cut decision was not unanimous; reiterated its gradual rate cut stance

BNM maintained its OPR at 3.00% with a dovish tilt; slashed SRR by 100bps to 1.00%

- Trade deal with the UK, and optimism over talks with China sparked a rally in US stocks overnight. The Dow Jones and S&P 500 closed up in tune to 0.6% d/d each, while Nasdaq surged 1.1% d/d. The UK deal is the first post "Liberation Day," sparking hopes of less aggressive trade policies going forward, thus, minimising blow to economic growth and corporate earnings.
- According to the US-UK trade deal, the reciprocal tariff rate @ 10% remains in effect, but the US levies on automotives will be lowered from 27.5% to 10%, while those for steel and aluminium will be reduced to zero. Meanwhile, the US Treasury Secretary and trade representatives are set to meet with their Chinese counterparts in Switzerland this weekend to discuss trade issues.
- Elsewhere, European and Asian markets closed mostly higher. That said, FTSE 100 fell 0.3% d/d after BOE's rate cut, while KLCI 30 tumbled 0.5% d/d after the BNM lowered the SRR.
- In the bond space, Treasuries slid as the US-UK trade deal saw investors turning risk-on and pulling back on haven assets, sending yields jumping 7-12bos across the curve. The 2Y yield rose 10bps to 3.87%, while the 10Y increased 11bps to 4.38%. Led by UK gilts, 10Y European bond yields were mostly higher by 2-9bps.
- In the forex space, optimism over trade deals and higher UST yields saw the Dollar strengthening against all its G10 peers and most regional currencies. Haven currencies CHF (-1.0% d/d) and JPY (-1.4% d/d to 145.91) were notable laggards, while GBP/USD whipsawed overnight, strengthening after BOE's decision but later pared its gains to close 0.4% d/d weaker against the USD at 1.3246. That said, GBP outperformed the rest of its G10 peers. All in, the DXY closed the day 1.0% d/d higher at 100.64.
- On the regional front, MYR weakened against most G10s and regional currencies, and were amongst the notable laggards against the Dollar, closing the day 1.0% d/d weaker at 4.2820. SGD and CNH depreciated at a milder pace of 0.5% to 1.3010 and 0.2% d/d to 7.2429 respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,368.45	0.62
S&P 500	5,663.94	0.58
NASDAQ	17,928.14	1.07
Stoxx Eur 600	535.63	0.40
FTSE 100	8,531.61	-0.32
Nikkei 225	36,928.63	0.41
CSI 300	3,852.90	0.56
Hang Seng	22,775.92	0.37
Straits Times	3,848.22	-0.44
KLCI 30	1,542.74	-0.46
FX		
Dollar Index	100.64	1.03
EUR/USD	1.1228	-0.65
GBP/USD	1.3246	-0.35
USD/JPY	145.91	1.45
AUD/USD	0.6400	-0.37
USD/CNH	7.2429	0.20
USD/MYR	4.2820	1.00
USD/SGD	1.3010	0.53
Commodities		
WTI ($/bbl)	59.91	3.17
Brent ($/bbl)	62.84	2.81
Gold ($/oz)	3,306.00	-2.53
Copper ($$/MT)	9,431.50	0.13
Aluminum($/MT)	2,412.50	1.26
CPO (RM/tonne)	3,781.00	-2.50

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 7 May*

- In the commodity space, oil prices rallied on optimism over the US-China trade talks. The WTI surged 3.2% d/d to $59.91/barrel, and Brent by 2.8% d/d to $62.84/barrel.

UK delivered a 25bps rate cut as expected; reiterated its gradual rate cut stance

- In terms of policy decisions, the Bank of England (BOE) lowered its bank rate by 25bps to 4.25% as expected in May, and stuck to its stance of a "***gradual and careful approach***" to further policy easing. ***Our base case remains that the central bank will keep cutting rates once (-25bps) per quarter***. Key highlights from the statement include: 1) ***The vote split was 5-2-2***, with 2 members preferring to cut by 50bps and 2 members preferring to maintain at 4.50%. 2) Prior to the latest global developments, most members who voted for the 25bps cut had judged that this policy decision would be finely balanced between no change in the bank rate and a further reduction. 3) In terms of growth, ***the bank expects headline GDP growth to slow sharply in 2Q to +0.1% from an estimated +0.6% in 1Q,*** **and made a modest downgrade to its 2026 projection to 1.3%, from 1.5% previously**. 4) ***Inflation is expected to rise to a peak at 3.5% on average in 3Q, before moderating to 1.9% in 2 years' time.***

BNM maintained OPR at 3.00% and shifted to a slightly dovish bias as expected; paving the way for an OPR cut as early as July; SRR to be cut by 100bps effective 16-May

- BNM left OPR unchanged at 3.00% as expected. However, we noticed a few tweaks in the policy statement towards a slightly dovish bias that could potentially pave the way for an easing in the OPR. The statement has dropped the phrase saying monetary policy stance 'remains supportive" of the economy. Instead, it said "***the monetary policy stance is consistent with the current assessment of inflation and growth prospects***". This opens up the door for future policy adjustment should the assessment on growth and inflation outlook change in the future. We therefore maintain our view for a 25bps cut in the OPR in the second half of the year, and as early as July in our view. (*Refer to our detailed report dated 8th May)*
- In a separate statement an hour later, BNM decided to cut SRR by 100bps from the current 2% to 1% effective 16 May. This marked its first SRR cut since 2020, and back to the level last seen in 2009-2011. ***The 100bps cut is estimated to release RM19bn liquidity into the banking system***, helping to ensure sufficient liquidity in the market at times of heightened financial market volatility.
- In terms of data, growth in IPI picked up for the first time in three months and by a better-than-expected pace of 3.2% y/y in March (Feb: +1.5% y/y). Output from the mining (+1.9% vs -8.9% y/y) and

electricity (+7.1% vs -5.4% y/y) sectors rebounded in March, offsetting the slower expansion in manufacturing production (+4.0% vs +4.8% y/y). Within manufacturing, we noticed broad easing from both the export- and domestic-oriented sectors. The moderation in the export-oriented sector started since December last year (+6.8% y/y), to a growth of 4.8% y/y in March. Meanwhile, production from domestic-oriented sectors have been seeing a more prominent down trend since last August (+7.1% y/y), to +2.3% y/y in March.

- Contrary to the quicker IPI gains, manufacturing sales increased at a slower pace of 3.7% y/y (Feb: +4.7% y/y), while labour market conditions in the manufacturing sector remained resilient, with the number of employees sustaining a 1.1% y/y increase in March (Feb; +1.2% y/y). Salaries & wages saw slower growth of 1.8% y/y (Feb: +2.0%), but remained at the higher end of recent growth pace. This will be closely watched as the secondary spillover effects from the tariff unfolds.
- With this, we are maintaining our 4.4% real GDP growth estimate for 1Q at this juncture and estimate full year growth will likely pull back to 3.8-4.3%, from our original pre- tariff base case of 4.5%. (*Refer to our report" MY: IPI surprised on the upside at 3.2% YOY in March suggesting some resiliency; expect softer output growth ahead amid trade uncertainties" dated 8 May).*
- Lastly, foreign reserves rose at a milder pace of $0.3bn in the second half of the month to $118.7bn as at 30 April (1H: +$0.9bn). The reserves position is sufficient to finance 5.0 months of imports of goods and services and is 0.9 times the total short-term external debt.

Drop in US initial jobless claims post spring recess in further sign of a solid US labour market; higher inflation expectations and labour costs, lower productivity does not bode well for inflation outlook

- In the US, initial jobless claims fell more than expected by 13k to 228k in the week ended May (Apr 26: +18k), following a brief spike during spring recess (more filings from school workers) and consistent with a stable labour market. Continuing claims, a proxy of those receiving benefits also dropped sharply by 29k to 1879k the week prior (Apr 19: +75k).
- Meanwhile, New York Fed's medium-term inflation expectations climbed to an almost 3Y high of 3.2% in April, while expectations and longer-term were largely stable. Labour productivity also fell for the first time in nearly three years in 1Q (-0.8% vs +1.7%), snapping a streak of efficiency gains that have helped temper the inflationary impact from employment costs (unit labour cost: +5.7% vs +2.0%).

Slower wage growth; sturdy consumer spending for Japan

- Mixed print from Japan. Labour cash earnings eased more than expected to 2.1% y/y in March (Feb: 2.7% y/y), but household spending rebounded more than expected by +2.1% y/y (Feb: -0.5% y/y). With household spending still sturdy, the latest print is unlikely to derail BOJ's tightening pace, but the slower wage growth will back our case for a BOJ caution, pushing back expectations for the next rate hike to the last quarter of this year.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	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	4.18-4.30	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	4.25	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	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
9-May	JN Leading Index CI (Mar P)	107.9
	CH Exports YoY (Apr)	12.40%
9-15 May	CH New Yuan Loans CNY YTD (Apr)	9780.0b
10-May	CH PPI YoY (Apr)	-2.50%
	CH CPI YoY (Apr)	-0.10%
12-May	JN Bank Lending Incl Trusts YoY (Apr)	2.80%
	JN Eco Watchers Survey Outlook SA (Apr)	45.2

Source: Bloomberg

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