10 July 2025

Global Markets Research

Daily Market Highlights

10 Jul: Markets shrugged of tariff news & FOMC minutes

More tariff demand from Trump; Brazil slapped with a 50% levy rate

FOMC minutes: Members divided on rate cut path amid differing views on CPI

BNM delivered a 25bps pre-emptive rate cut; likely to pause for the rest of 2025

- Investors turned bullish on US stocks overnight, with traders largely shrugging off the latest round of tariff demand from President Trump, as well as divided views of the FOMC members in terms of the easing policy cycle, as reflected in the latest meeting minutes. Largely driving the uptick was a rally in megacap tech stocks, boosted by the positive spillover from Nvidia briefly hitting its $4 trillion mark. On the tariff front, President Trump also sent letters to at least a dozen countries with his latest tariff demand, with the key highlight being the whopping 50% tariff rate slapped on Brazil.
- In Europe, Stoxx Eur 600 gained 0.8% d/d at close, with banks leading gains on the back of a rally in UniCredit shares. Asian markets traded mixed, with KLCI 30 paring earlier losses to close 0.1% d/d down after Bank Negara lowered its benchmark OPR as expected. As it is, Asian equities are expected to join US rally today, but risk sentiment over the next week will continue to be tariff-related driven. 2Q US earnings season is also due to begin in full swing, led by some banking giants like JP Morgan.
- In the bond space, Treasuries snapped its 5-day sell-off after a 10Y auction saw strong demand, calming investors' jitter. Treasury yields closed the day 5-7bps lower, with the 2Y yield ending the day down 5bps at 3.84%, and the 10Y sliding 7bps to 4.33%. Trading in European sovereign bonds were muted, with 10Y yields inching down 0-2bps.
- In the forex space, the Dollar traded within a tight range against its G10 peers and the DXY closed just above its flatline at 97.56. JPY (+0.2% d/d to 146.33) and CHF (+0.2% d/d) outperformed its G10 peers, while CAD (-0.2% d/d) lagged. NZD closed just above its flatline after ***the Reserve Bank of New Zealand maintained its policy rate at 3.25***%, as expected.
- On the regional front, most Asian currencies weakened against the Dollar, notably for THB, PHP and TWD (-0.3 to -0.5% d/d). MYR depreciated to 4.2558 following BNM's policy decision, before paring some of its losses to close the day 0.2% d/d weaker at 4.2502. MYR also weakened against all G10 currencies

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,458.30	0.49
S&P 500	6,263.26	0.61
NASDAQ	20,611.34	0.94
Stoxx Eur 600	549.96	0.78
FTSE 100	8,867.02	0.15
Nikkei 225	39,821.28	0.33
CSI 300	3,991.40	-0.18
Hang Seng	23,892.32	-1.06
Straits Times	4,057.82	0.25
KLCI 30	1,529.24	-0.06
FX		
Dollar Index	97.56	0.04
EUR/USD	1.1720	-0.04
GBP/USD	1.3586	-0.04
USD/JPY	146.33	-0.17
AUD/USD	0.6535	0.08
USD/CNH	7.1828	0.01
USD/MYR	4.2502	0.24
USD/SGD	1.2803	0.06
USD/KHR	4,012.50	0.01
USD/THB	32.70	0.51
Commodities		
WTI ($/bbl)	68.38	0.07
Brent ($/bbl)	70.19	0.06
Gold ($/oz)	3,321.00	0.12
Copper ($$/MT)	9,630.50	-1.63
Aluminum($/MT)	2,596.50	0.41
CPO (RM/tonne)	4,078.50	1.18

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 8 July for CPO*

and most regionals. Similarly, SGD also weakened against the greenback, albeit at a milder pace of 0.1% d/d to 1.2803.

- In the commodity space, crude oil prices steadied as traders weighed in the large gain in US crude supplies against fresh sanctions on Iranian crude exports. Both the WTI and Brent closed mildly higher by 0.1% d/d to close the day at $68.38/barrel and $70.19/barrel.

BNM delivered a pre-emptive quarter point cut

- As expected, the BNM lowered its Overnight Policy Rate (OPR) by 25bps to 2.75% as a pre-emptive move to ensure the economy remains on a steady growth path amid moderate inflation pressure. With the lowered rate, the ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 3.00% and 2.50% respectively as well.
- All in all, the statement was less dovish than expected, with the central bank flagging it just as an insurance move to support a still steady economy and resilient domestic demand. With BNM's outlook on the economy largely unchanged since the May's policy meeting save a prolonged environment of uncertainty, and our expectations that GDP will remain steady and inflation mild at 1.9%, we thus, do not expect the central bank to deliver a back-to-back rate cut going forward, and there is no change in our view that the BNM will likely to end 2025 at the current OPR level of 2.75%, on hold for the rest of the year but ready to act should downside growth risks materialise.

FOMC meeting minutes showed a wide divide on rate cut path

- Key highlight from the minutes to the latest FOMC meeting was that members were divided on how aggressive they would be willing to lower the Fed funds rate, with opinions ranging from a "***couple" of officials who thinks that the Fed should cut rates as soon as the next meeting, to "some" who think that no reductions this year would be appropriate. Several participants also commented that the current rate may not be far above its neutral level, suggesting only a few cuts ahead***. Despite this differing view, participants generally agreed that with economic growth and the labor market still solid, the FOMC was well positioned to wait for more clarity on the outlook for inflation and economic activity before making any changes to rates.
- Largely driving the divided outlook was the differing expectations on how tariffs could impact inflation in terms of timing, size and duration. Many noted that the impact on final goods could lag due to inventory dynamics, but several warned that disruptions in global supply chain or productivity could exacerbate inflationary pressures. While a few FOMC participants noted that tariffs would lead to a 1x increase in prices and would not affect longer-term inflation expectations,

most saw a risk of more persistent impacts. Several also noted that the pass-through of tariffs could be limited.

- Data wise, mortgage applications surged 9.4% w/w for the week ended July 4 (prior: 2.7% w/w) amid lower mortgage rates (30Y: 6.77%, lowest in 3 months). Of note, purchase applications increased to its highest since February 2023 with homebuyers' demand fuelled by increasing housing inventory and moderating home-price growth.

China's PPI fell to its lowest in 2 years; CPI rebounded but remains low

- Producer prices (PPI) plunged more than expected by 3.6% y/y in June (May: -3.3% y/y), marking its largest fall in 2 years and overshadowing upward surprise for CPI (+0.1% y/y vs -0.1% y/y). The drop in PPI was underpinned by lower mineral prices, likely to spillover to deflationary pressures downstream. Meanwhile, the upswing in CPI was mainly driven by prices of durable goods due to government subsidies for purchase of home appliances. Consumer good prices as a whole, nonetheless, continued to fall suggesting still weak domestic demand and more stimulus needed to boost consumption.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	95.75-98.75	96.88	98.60	97.69	96.58
EUR/USD	1.16-1.19	1.18	1.16	1.18	1.19
GBP/USD	1.34-1.38	1.37	1.34	1.35	1.36
USD/CHF	0.78-0.82	0.79	0.84	0.84	0.85
USD/JPY	142-148	143	146	145	142
AUD/USD	0.64-0.67	0.66	0.65	0.65	0.66
NZD/USD	0.59-0.62	0.61	0.60	0.59	0.60
USD/CNY	7.15-7.19	7.16	7.13	7.17	7.10
USD/MYR	4.19-4.26	4.21	4.24	4.24	4.20
USD/SGD	1.26-1.29	1.27	1.30	1.31	1.30
USD/THB	32.00-33.10	32.50	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	0.00	0.00	0.00	0.00	0.00
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	2.75	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
10-Jul	JN PPI YoY (Jun)	3.20%
	US Initial Jobless Claims	233k

Hong Leong Bank Berhad
Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

11-Jul	MA Industrial Production YoY (May)	2.70%
	MA Manufacturing Sales Value YoY (May)	4.80%
	UK Monthly GDP (MoM) (May)	-0.30%
11-18 Jul	CH FDI YTD YoY CNY (Jun)	-13.20%

Source: Bloomberg