12 June 2025

Global Markets Research
Daily Market Highlights

12 June: Tamer than expected US CPI spurred rate cut bets

Cooler than expected US CPI showed little signs of tariff-induced inflationary impact yet
US stocks and Dollar Index pared gains to end lower; UST rallied post-CPI
Malaysia IPI surprised on the downside but manufacturing output remained robust

- The tamer than expected US CPI was the biggest market mover in the US and European trading sessions, more so in the US sovereign bond space as continued disinflation and little evidence of extensive tariff cost pass-through for now bolstered expectations of Fed rate cut. All the three US equity indices gave up early session gains to end the day lower by as much as 0.5% (Nasdaq), while the S&P500 snapped a three-day winning streak and fell 0.3% d/d. The Dow ended just a tad below Tuesday's close.
- Conversely, the "trade deal" reached between the US and China which was reported to be just pending the signing from the two leaders, have had little impact on US markets overnight, although the positive negotiation outcome did spur rallies in Asian stocks with notable gains in Mainland China and Hong Kong stock indices.
- In the bond space, UST rallied across the curve led by the short-end and bull steepening the curve, as the tame CPI report prompted traders to increase bets of Fed rate cuts to 50bps for 2025 currently, from 43-44bps prior to the CPI release. Benchmark UST yields fell 1-7bps across the curve with the 2s falling 7bps to 3.95% and the 10s by 5bps to 4.42%. UST was also supported by the reopening of 10-year bond sale that garnered decent BTC of 2.52x at a high yield of 4.421%. In Europe, 10-year bond yields saw extended declines by 1-3bps, albeit narrowing from the 4-9bps declines on Tuesday.
- On the FX front, the USD gave up gains in Asian and early European sessions and fell after the release of US CPI data. The USD weakened against all G10s save for the commodity currencies, pushing the DXY down 0.5% on the day to 98.63, pulling back sharply from an intraday high of 99.22. The EUR led gainers, by 0.5% to 1.1487, followed by the DKK and SEK. The sterling advanced 0.4% to 1.3547 as at Wednesday close, as the UK unveiled spending plans.
- Regional currencies traded in a more bullish note in Asian trading hours amid trade deal optimism but closed out the day mixed. MYR strengthened marginally by 0.05% d/d to 4.2368,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,865.77	0.00
S&P 500	6,022.24	-0.27
NASDAQ	19,615.88	-0.50
Stoxx Eur 600	551.64	-0.27
FTSE 100	8,864.35	0.13
Nikkei 225	38,421.19	0.55
CSI 300	3,894.63	0.75
Hang Seng	24,366.94	0.84
Straits Times	3,919.05	-0.37
KLCI 30	1,523.84	0.45
FX		
Dollar Index	98.63	-0.47
EUR/USD	1.1487	0.54
GBP/USD	1.3547	0.35
USD/JPY	144.56	-0.21
AUD/USD	0.6501	-0.32
USD/CNH	7.1986	0.14
USD/MYR	4.2368	-0.05
USD/SGD	1.2847	-0.18
USD/KHR	4,009.88	-0.08
USD/THB	32.61	-0.06
Commodities		
WTI ($/bbl)	68.15	4.88
Brent ($/bbl)	69.77	4.34
Gold ($/oz)	3,321.30	0.01
Copper ($$/MT)	9,648.00	-1.11
Aluminum($/MT)	2,515.50	0.92
CPO (RM/tonne)	3,938.00	-0.29

Source: Bloomberg, HLBB Global Markets Research
* *Dated as of 10 June for CPO*

SGD firmed up 0.2% on the day to 1.2847 against the USD, but CNH weakened 0.1% d/d to 7.1986 as at Wednesday's close.

- Crude oil prices rebounded and rallied 4.3-4.9% d/d amid geopolitical tensions in the Middle-east with the US ordering a partial evacuation of its embassy in Iraq. The WTI ended the day at $68.15/ barrel while the Brent last settled at $69.77/ barrel.

Tame US CPI suggests little signs of tariff-induced cost pass through yet

- US headline and core CPI reported easier month-on-month increase of 0.1% each in May, undershot expectations for a stable 0.2% m/m gain for headline, and 0.3% m/m increase for the core, as a result of softer core services inflation and decline in energy prices. However, headline CPI inched up 0.1ppt to 2.4% y/y as expected in May (Apr: +2.3% y/y), while core CPI stabilized at 2.8% y/y, defying expectations for an uptick to 2.9% y/y. Sticky food, shelter, and services prices were neutralized by lower prices of energy, airfares, cars, used trucks, and apparels.
- The tinge of softness in the latest CPI figures signalled little evidence of extensive cost pass through from higher tariffs, and will continue to support the Fed's policy easing. We maintain our view for two 25bps rate cuts this year, premised on subdued inflation and added signs of a softening labour market. While disinflation prevailed thus far, upside risks to inflation as tariff-related cost pass through eventually filters through to the economy towards the later part of the year, is expected to complicate the Fed's policy decisions.
- In a separate release, weekly mortgage applications snapped a three straight week of decline and increased 12.5% w/w for the week ended 6-Jun (prior: -3.9%), marking its best gain in two months, shored up by rebounds in both the refinancing (+15.6% vs -3.5%) and new purchases (+10.3% vs -4.4%) indices. Despite the slight uptick in the 30-year contract rate to 6.93%, it remains below last year's 7.02%.

Japan BSI Tankan survey showed business conditions broadly fell in 2Q; to recover in 2H

- According to the BSI Tankan survey by the Ministry of Finance of Japan, business conditions deteriorated across the board in 2Q. Business conditions for all large industry turned negative for the first time in nine quarters in 2Q (-1.9 vs +2.0 in 1Q), while small (-12.3) and medium (-0.9) firms also experienced similar fate. The weaker conditions were also observed across both manufacturing (-4.8 vs -2.4) and non-manufacturing (-0.5 vs +4.1).

- That said, on a more positive note, the survey showed that all large industry business outlook is expected to rebound to +5.2 in 3Q, and pick up further to +6.1 in 4Q, with improvement in medium firms, manufacturing and non-manufacturing sectors. Outlook for small firms are also expected to improve but remain negative in the next two quarters. This raised hopes that the Japanese economy will rebound from the slump in 1Q and keep the BOJ in a tightening mode.

Malaysia's industrial production grew at a slower pace in April; labour market remained healthy

- Industrial production growth unexpectedly tapered off to 2.7% y/y in April (Mar: +3.2%), mainly due to contractions in mining (-6.3% vs +1.9% y/y) and electricity production (-1.6% vs -2.2% y/y. What was comforting to note was the quicker growth in manufacturing output during the month (+5.6% vs +4.0% y/y), a sign that the reciprocal 24% tariffs announced on 2-April and subsequently revised to 10% on 9-April for a temporary 90 days truce has yet to have any impact on factory production and the Malaysian economy thus far. Although IPI growth came in weaker than expected in April, it is nevertheless in line with our expectation for slower real GDP growth in 2Q.
- A separate release showed the labour market remained healthy. Unemployment rate dropped for the first time in four months, to 3.0% in April (Mar: 3.1%), a decade-low. Statistics also showed the job market in the manufacturing sector remained healthy, with the number of employees rising from 2.39k to 2.40k in April, a sign companies are still hiring. However, wage growth eased for the 4th straight month on a m/m basis, although wages managed to grow at a stronger pace on a y/y basis, by 2.4% in May (Apr: +1.8% y/y), and will help support consumption growth going forward.
- *Please refer to our separate commentary sent yesterday for further details.*

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	97-101	99.36	98.60	97.69	96.58
EUR/USD	1.12-1.15	1.14	1.16	1.18	1.19
GBP/USD	1.33-1.37	1.34	1.34	1.35	1.36
USD/CHF	0.80-0.85	0.83	0.84	0.84	0.85
USD/JPY	142-147	144	146	145	142
AUD/USD	0.63-0.66	0.65	0.65	0.65	0.66
NZD/USD	0.58-0.61	0.60	0.60	0.59	0.60
USD/CNY	7.16-7.22	7.06	7.13	7.17	7.10
USD/MYR	4.21-4.28	4.20	4.24	4.24	4.20
USD/SGD	1.27-1.31	1.28	1.30	1.31	1.30
USD/THB	32.20-33.19	32.70	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	0.25	0.25	0.25	0.25	0.25
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	3.00	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
12-Jun	AU Consumer Inflation Expectation (Jun)	4.10%
	UK Monthly GDP (MoM) (Apr)	0.20%
	US PPI Final Demand YoY (May)	2.40%
	US Initial Jobless Claims	247k
13-Jun	UK BoE/Ipsos Inflation Next 12 Mths (May)	3.40%
	EC Trade Balance SA (Apr)	27.9b
	EC Industrial Production SA MoM (Apr)	2.60%
	US U. of Mich. Sentiment (Jun P)	52.2
	US U. of Mich. 1 Yr Inflation (Jun P)	6.60%
	US U. of Mich. 5-10 Yr Inflation (Jun P)	4.20%

Source: Bloomberg

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