13 March 2025

Global Markets Research
Daily Market Highlights

13 Mar: Cooler than expected US CPI

UST yields closed higher amid inflationary concerns from trade war; eclipsing softer CPI

DXY closed up; S&P 500 & Nasdaq rebounded; brief sharp dip amid ongoing tariff war

More modest economic data for Malaysia; MYR weakened in line with regional FX

- Investors remained jerky and US stocks fluctuated. Cooler than expected inflation pushed stocks higher, but anxiety over escalation in trade war saw US equities making a brief sharp dip. The bounce was led by tech stocks, but investors were also snapping up consumer discretionary and financial stocks. This sent the S&P 500 and Nasdaq up 0.5% and 1.2% d/d, but the Dow remains in red and was down0.2% on the day.
- Canada announced new 25% tariffs on about C$30bn of US-made goods, after the Trump administration went ahead with the 25% tariff on steel and aluminium imports early Wednesday. The European Union also responded swiftly, pledging to impose counter-tariffs on €26bn worth of US imports. President Trump followed through soon saying the US will retaliate.
- Elsewhere, European markets closed higher despite escalation in US-EU tariff conflict, as Ukraine peace hopes buoyed sentiment. Asian markets traded mixed but are primed for gains today following futures.
- In the bond space, Treasury yields plunged when the bigger than expected easing in US CPI was released, but rebounded to close higher. The 2Y note yields climbed 4bps higher to 3.99% at close. The 10Y yield closed 3bps up at 4.31%, but European bond yields slid between 0-4bps save for the UK and Norwegian bonds (prior: up 3-6bps).
- In the forex space, the DXY edged 0.2% d/d higher to 103.61 following the Treasury yields, and the Dollar closed mixed against its G10 peers. CAD (+0.5% d/d) led gains against the Dollar as it signalled a cautious approach ahead even after the Bank of Canada cut rates by 25bps as expected. Meanwhile, JPY (-0.3% d/d to 148.25) and EUR (-0.3% d/d to 1.0888) underperformed their regional peers.
- This comes even after BOJ Governor Kazuo Ueda commented that he is not too concerned about the higher JGB yields, signalling no imminent action to counter the moves. ECB's Chirstine Lagarde also said that the trade war and region's defence spending will make ECB's inflation job a harder fight, suggesting cautious cuts going forward.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,350.93	-0.20
S&P 500	5,599.30	0.49
NASDAQ	17,648.45	1.22
Stoxx Eur 600	541.25	0.81
FTSE 100	8,540.97	0.53
Nikkei 225	36,819.09	0.07
CSI 300	3,927.23	-0.36
Hang Seng	23,600.31	-0.76
Straits Times	3,833.07	0.00
KLCI 30	1,484.83	-2.32
FX		
Dollar Index	103.61	0.19
EUR/USD	1.0888	-0.28
GBP/USD	1.2963	0.09
USD/JPY	148.25	0.32
AUD/USD	0.6321	0.37
USD/CNH	7.2415	0.20
USD/MYR	4.4280	0.31
USD/SGD	1.3329	0.21
Commodities		
WTI ($/bbl)	67.68	2.16
Brent ($/bbl)	70.95	2.00
Gold ($/oz)	2,946.80	0.89
Copper ($$/MT)	9,770.00	1.11
Aluminum($/MT)	2,702.50	-0.02
CPO (RM/tonne)	4,798.00	-0.87

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 11 Mar*

- Regional currencies, meanwhile, mostly weakened against the Dollar, with MYR (-0.3% d/d to 4.4280) amongst the notable laggards, and the SGD depreciating 0.2% d/d to 1.3329.
- In the commodity space, prices for the WTI (+2.2% d/d to $67.68/barrel) and Brent (+2.0% d/d to $70.95/barrel) ticked up on higher gasoline demand prints from the US, which more than eclipsed economic growth fears from the tariff war.

Cooler than expected US CPI; strong mortgage applications

- Consumer price inflation surprised on the downside, with headline and core easing more than expected to +2.8% y/y and +0.2% m/m and +3.1% y/y and +0.2% m/m respectively in February (Jan: +3.0% y/y and +0.5% m/m for headline and +3.3% y/y and +0.4% m/m for core). The details were nonetheless less rosy, with air fares and new vehicles the main factors driving the softer inflation readings. New vehicle prices could however nudge higher following the tariff hikes, while strong and steady growth in real average weekly earnings (+0.6% y/y) could also keep disinflation in check.
- Supported by the lowest mortgage rate since October 2024 (30Y fixed rate: 6.67%) and as the US enters the spring homebuying season, mortgage applications remained strong and grew a steady 11.2% w/w for the week ended March 7th (prior: +20.4% w/w).

Australia's inflation expectations decelerated sharply

- Consumer inflation expectation decelerated sharply to 3.6% y/y in March, its lowest since 2021, from +4.6% y/y previously. Coupled with anticipation of slower wage growth, these will likely assist in the disinflation trend towards RBA's 2-3% CPI target by end-2025.

Malaysia's IPI and wholesale & retail trade pointed to a soft start to 2025; pick-up in retail sales growth however reaffirmed consumption-driven growth optimism going forward

- Industrial Production Index (IPI) grew at a slower pace for the first month in three, by 2.1% y/y in January (Dec: +4.6% y/y), matching our expectations but below consensus estimate. We noticed broad easing across all sectors, namely manufacturing (+3.7% vs +5.8% y/y), and contractions in mining (-3.1% vs +0.4% y/y) and electricity (-0.1% vs +3.5% y/y), partly due to the Lunar New Year effect. On a seasonality adjusted basis, overall IPI grew 0.2% m/m in January, underpinned by gains in the manufacturing sector (+1.2% m/m).
- In tandem with softer IPI gains, manufacturing sales also reported a smaller increase of 3.5% y/y in January (Dec: +5.7% y/y), amid slower expansions in both export- and domestic-oriented industries. Labour market conditions in the manufacturing sector remained healthy nonetheless, with the number of employees growing 0.9% y/y to 2.395k amid a 1.5% y/y increase in salaries & wages.

- On a similar note, the wholesale & retail trade sector also registered slower growth in January, pulling back from +5.7% to +4.6% y/y, its slowest in four months, dragged by a sharp 9.1% y/y decline in motor vehicle sales. It was however comforting to note that the usual festive spending remained strong, pushing gains in retail trade higher to 8.2% y/y (Dec: +5.4% y/y), which was its best reading in eight months. This should reaffirm hopes that resilient consumption will continue to underpin domestic demand going forward, anchoring growth in the Malaysian economy.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	102-106	109.10	108.58	106.93	105.27
EUR/USD	1.06-1.10	1.03	1.03	1.05	1.06
GBP/USD	1.27-1.31	1.24	1.24	1.25	1.27
USD/CHF	0.87-0.92	0.91	0.91	0.90	0.88
USD/JPY	145-150	158	155	150	146
AUD/USD	0.62-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.22-7.30	7.37	7.30	7.23	7.15
USD/MYR	4.39-4.46	4.55	4.50	4.40	4.35
USD/SGD	1.31-1.35	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.00.-4.25
ECB	2.50	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
SNB	0.50	0.25	0.25	0.25	0.25
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.10	4.10	3.85	3.60	3.60
RBNZ	3.75	3.75	3.50	3.25	3.00
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13-Mar	EC Industrial Production SA MoM (Jan)	-1.10%
	US PPI Final Demand YoY (Feb)	3.50%
	US Initial Jobless Claims	221k
14-Mar	UK Monthly GDP (MoM) (Jan)	0.40%
	US U. of Mich. Sentiment (Mar P)	64.7
	US U. of Mich. 1 Yr Inflation (Mar P)	4.30%

Source: Bloomberg

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