13 June 2025

Global Markets Research

Daily Market Highlights

13 June: Another cooler than expected inflation report

US stocks rebounded and US treasuries saw extended rally

Added signs of tame inflation and softening labour market raised Fed rate cut bets

Dollar Index pulled back further to a 3-year low with the USD weakening against all G10s

- US stocks shrugged off early session losses to close Thursday higher by between 0.2-0.4% d/d. Trade and geopolitical anxieties were quickly replaced by Fed rate cut hopes following the release of another downbeat inflation report and jobless claims. The Dow and Nasdaq rose 0.2% d/d while the broader S&P500 advanced 0.4% on the day, led by gains in utilities and IT stocks.
- Elsewhere in Europe and Asia, stocks were mixed but largely in a bearish undertone, unnerved by Trump's comment on unilateral tariffs within two weeks and escalating tension in the Middle-east between Israel and Iran. Stock losses were seen in Stoxx Eur 600 (-0.3% d/d), Nikkei 225 (-0.7%), CSI 300 (-0.1%), and Hang Seng (-1.4%). On the contrary, FTSE and KLCI rose 0.2% on the day, while STI saw a more modest 0.1% d/d increase.
- In the bond space, UST extended its rally for a 2nd straight day, with yields falling 4-8bps across the curve (prior: 1-7bps). The long-end bonds outperformed this time around, compared to the front-end a day ago, thanks to the strong 30-year bond auction with a BTC of 2.43x at a high yield of 4.84% (prior: 2.31x at 4.82%), The benchmark 2-year note yields fell 4bps to 3.91% while the 10-year bond yields lost 6bps to 4.15%. European sovereign bonds also saw solid gains for a 3rd straight day, with 10-year bond yields falling 3-8bps overall (prior: 1-3bps decline).
- On the FX front, the USD deepened its losses through the day. The DXY hit an intraday low of 97.60 before paring some of these losses to close the day 0.7% lower at 97.92, its lowest level in over three years. The USD weakened against all G10s, the most vs the NOK (-1.3% d/d), followed by CHF and SEK. The EUR strengthened 0.8% d/d to 1.1584 while the GBP and AUD gained 0.5% d/d each to 1.3613 and 0.6533 respectively. Asian currencies including the safe haven JPY also traded in a bullish note, led by KRW and TWD. JPY advanced 0.8% d/d to 143.48, SGD firmed up by 0.5% to 1.2789, while the MYR and CNH strengthened 0.4% each to 4.2220 and 7.1735 respectively as at Thursday's close.
- Crude oil prices reversed Wednesday's hefty gain and fell modestly by 0.2-0.6% d/d with the WTI and Brent last settled at $68.04/ barrel and $69.36/ barrel respectively. Higher prices

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,967.62	0.24
S&P 500	6,045.26	0.38
NASDAQ	19,662.48	0.24
Stoxx Eur 600	549.84	-0.33
FTSE 100	8,884.92	0.23
Nikkei 225	38,173.09	-0.65
CSI 300	3,892.20	-0.06
Hang Seng	24,035.38	-1.36
Straits Times	3,922.20	0.08
KLCI 30	1,526.62	0.18
FX		
Dollar Index	97.92	-0.72
EUR/USD	1.1584	0.84
GBP/USD	1.3613	0.49
USD/JPY	143.48	-0.75
AUD/USD	0.6533	0.49
USD/CNH	7.1735	-0.35
USD/MYR	4.2220	-0.35
USD/SGD	1.2789	-0.45
USD/KHR	4,010.00	0.00
USD/THB	32.38	-0.70
Commodities		
WTI ($/bbl)	68.04	-0.16
Brent ($/bbl)	69.36	-0.59
Gold ($/oz)	3,380.90	1.79
Copper ($$/MT)	9,702.00	0.56
Aluminum($/MT)	2,517.50	0.08
CPO (RM/tonne)	3,854.50	-2.12

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 11 June for CPO*

triggered by geopolitical conflicts in the Middle-east were dampened by Trump's comment on unilateral tariffs that is expected to adversely impact growth and demand outlook.

US PPI and job data came in softer than expected; further spurring Fed rate cut bets

- Closely tracking the cooler than expected CPI released just a day ago, producer prices (PPI) surprised on the downside as well, with the headline and core readings both rising less than expected by 0.1% m/m in May (Apr: upward revised to -0.2% m/m for headline and core). The rebound in the headline PPI was driven by rebound in the prices of food (+0.1% vs -0.9% m/m) and services (+0.1% vs -0.4% m/m), while gasoline prices also rose 1.6% m/m (Apr: -2.0% m/m). On a y/y basis, headline PPI ticked up to 2.6% as expected in May (Apr: upward revised +2.5% y/y) while core PPI unexpectedly tapered off to 3.0% (Apr: upward revised to +3.2% y/y).
- The latest PPI report added to signs of little inflationary pressure and suggests CPI will likely remain modest in the near term before picking up towards the later part pf the year. Timing gap in the price passthrough mechanism as well as slowing demand are expected to curtail the pace of pick-up in inflation nonetheless, giving room for the Fed to ease as the labour market turns. We therefore maintain our view for a total of 50bps cut this year.
- In a separate release, initial jobless claims held steady at 248k for the week ended 7-Jun, unchanged from an upwardly revised 248k in the preceding week, This was against expectation for a pullback to 242k, adding to the latest signs of a softening labour market. Initial claims hovered at a 8-month high while continuous claims increased to its highest level since Nov-21, at 1956m for the week ended 31-May (prior: 1902k).

UK monthly GDP contracted; cooling labour market and tariff impact will continue to dampen growth outlook ahead

- The UK economy contracted more than expected by 0.3% m/m in April (Mar: +0.2% m/m), its worst contraction since October last year, dragged by declines in industrial output (-0.6% vs -0.7% m/m), and services (-0.4% vs +0.4% m/m). Mining and construction activities expanded by 3.6% and 0.9% m/m respectively, but failed to offset the declines in services and manufacturing. On the trade part, visible trade deficit widened to £23.2bn in April (Mar: -£19.9bn), as exports fell 8.8% m/m and imports rose 1.2% m/m, exerted further drag on growth. Moving forward, we expect a cooling UK job market, higher UK taxes and US tariffs, and dwindling global trade to continue dampen growth outlook in the UK economy, placing its fiscal spending plans at risks.

Spike in Australia consumer inflation expectations likely cap RBA's policy easing

- Consumer inflation expectations down under jumped to 5.0% for Jun (May: 4.1%), its highest since Jul-23, according to a survey by the Melbourne Institute. This, coupled with the upside surprises in April CPI and trimmed CPI released two weeks ago, affirmed elevated inflation outlook in Australia that will likely limit the room for RBA policy easing going forward. Market is currently pricing in a total of 76bps cut for the remaining of the year, vs our house view for a 50bps cut.

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
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%
16-Jun	UK Rightmove House Prices MoM (Jun)	0.60%
	CH Retail Sales YoY (May)	5.10%
	CH Industrial Production YoY (May)	6.10%
	CH Fixed Assets Ex Rural YTD YoY (May)	4.00%
	CH Surveyed Jobless Rate (May)	5.10%
	CH Property Investment YTD YoY (May)	-10.30%
	CH Residential Property Sales YTD YoY (May)	-1.90%
	US Empire Manufacturing (Jun)	-9.20

Source: Bloomberg

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.