

13 October 2025

Global Markets Research

Daily Market Highlights

13 Oct: Trump threatened additional 100% tariff on China

Risk-off: global equities, USD & oil prices tumbled; haven USTs, JPY & CHF benefitted

Finely balanced 2026 Budget for Malaysia: GDP growth @4.0-4.5%; fiscal @ -3.5% of GDP

Stable US consumer sentiment despite shutdown; Upside surprise for Malaysia's IPI

- Wall Street settled lower last Friday after President Trump threatened higher tariffs on China, accusing the latter of becoming very "hostile" after it imposed new export controls on rare earth minerals and slapped more port fees on US ships. The Dow Jones closed down 1.9% d/d, while the S&P 500 and Nasdaq lost a whopping 2.7% d/d and 3.6% d/d. The CBOE Volatility index spiked to 22 from 16, while tech stocks, the most to lose from the trade tension led the sell-off. (Trump announced that he would impose an additional 100% tariff on China beginning November 1, bringing it to a total 130% after market closed).
- In the bond space, risk-off saw traders piling up on treasuries, sending yields plunging 9-11bps across the curve. The longer-tenures led the way and the benchmark 10Y yield closed the day at 4.03% (-11bps). The benchmark 2Y closed 9bps lower at 3.50%.
- Similarly, Stoxx Eur600 tumbled 1.3% d/d lower after Trump's threat, while 10Y European sovereign bond yields closed the session 3-7bps lower. Most Asian markets traded down, and will likely extend their downward trend today on US-China jitters although US futures have since rebounded this morning after Trump's softer stance on China.
- In the forex space, the Dollar fell 0.6% d/d to 98.98 after Trump's threat and boosted appetite for haven currencies CHF (0.8% d/d) and JPY (1.2% d/d to 151.19). AUD, on the other hand, was hammered by Trump's comment, and weakened 1.3% d/d to 0.6474.
- Asian currencies traded mixed against the Dollar, with SGD appreciating 0.2% d/d to 1.2969, while MYR narrowed its losses after the government projected a lower budget deficit for 2026, closing the session 0.1% d/d weaker at 4.2227.
- The flare-up in US-China trade tension saw crude oil prices plunging more than 3.0% d/d each to close the day at \$58.90/barrel for the WTI and \$62.73/barrel for Brent.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	45,479.60	-1.90
S&P 500	6,552.51	-2.71
NASDAQ	22,204.43	-3.56
Stoxx Eur 600	564.16	-1.25
FTSE 100	9,427.47	-0.86
Nikkei 225	48,088.80	-1.01
CSI 300	4,616.83	-1.97
Hang Seng	26,290.32	-1.73
Straits Times	4,427.06	-0.30
KLCI 30	1,622.25	-0.46
FX		
Dollar Index	98.98	-0.56
EUR/USD	1.1619	0.48
GBP/USD	1.3360	0.42
USD/JPY	151.19	-1.23
AUD/USD	0.6474	-1.25
USD/CNH	7.1453	0.10
USD/MYR	4.2227	0.14
USD/SGD	1.2969	-0.22
USD/KHR	4,019.85	0.06
USD/THB	32.72	0.41
Commodities		
WTI (\$/bbl)	58.90	-4.24
Brent (\$/bbl)	62.73	-3.82
Gold (\$/oz)	3,975.90	0.75
Copper (\$/MT)	10,518.00	-3.22
Aluminum(\$/MT)	2,748.00	-1.80
CPO (RM/tonne)	4,491.50	0.92

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 9 Oct for CPO

Malaysia's Budget 2026: Policy continuity guided by MADANI Economy Framework & 13MP; steady growth trajectory of 4.0-4.5% for 2026

- We are positive over Belanjawan 2026 which demonstrated policy continuity and the government's commitment on the three key pillars of the MADANI Economy Framework - raising the ceiling of national competitiveness and growth, raising the floor of living standards of the rakyat, and driving reforms through strengthening good governance. We noticed some well-crafted follow-through measures from earlier initiatives under various master plans/roadmaps, placing Malaysia on the right track to achieving its long-term vision, as well as the more immediate 13MP targets of sustainable and inclusive growth. Despite prevailing short term uncertainties posed by the shift in global monetary and trade policies, the Malaysian government is mapping out a steady growth path for the country via implementation of various pro-growth strategies, whilst staying mindful of its fiscal responsibility.
- MOF expects the Malaysian economy to expand at a relatively steady pace of 4.0-4.5% (midpoint 4.1%) in 2026, sustaining its growth trajectory of between 4.0-4.8% (midpoint 4.5%) in 2025. We believe these projections are achievable and largely in line with our projection of 4.0-4.5% for both years. Inflation is expected to remain manageable between 1.3-2.0% in 2026 (2025e: 1.0-2.0%), a shade lower than our projection of 2.1% for the year (2025e: 1.4%). The government expects fiscal deficit to narrow to RM74.6bn or 3.5% of GDP in 2026 (2025e: - \$76.7bn or -3.8% of GDP) while over a longer period, the government remains committed to rein in its fiscal shortfall, with the budget shortfall expected to narrow further to 3.2% of GDP under the Medium-Term Fiscal Framework (MTFF) 2026-2028, based on an average GDP growth of 4.9% and oil price assumption of \$70/ barrel (2026: \$60-65/ barrel). Please refer to Research Alert "2026 Budget: Finely balanced between growth and fiscal discipline" dated 11th October for more details.

Malaysia's IPI growth surprised on the upside in August; wholesale & retail trade moderated but remained decent

- IPI growth surprised on the upside for the 3rd month in a row, unexpectedly picked up to 4.9% y/y in August (Jul: +4.2% y/y), its fastest growth pace in 13 months. The strong headline number was mainly due to a surge in mining output (+16.8% y/y vs +4.3% y/y) as a result of hefty pick-ups in both crude oil (+11.4% y/y) and natural gas (+20.6% y/y). Electricity saw steady increase of 1.6% y/y while manufacturing grew at a slower pace of 2.8% y/y during the month (Jul: +4.4% y/y).

- A separate release showed the wholesale & retail sector remained relatively resilient, with overall growth moderating just a notch from 5.0% y/y in July to 4.9% y/y in August. Wholesale trade grew 5.1% y/y in August underpinned by food, beverages & tobacco, and household goods, while retail trade expanded 5.0% y/y, supported by sales in non-specialized stores, and other goods in specialized stores. Please refer to Research Alert "Upbeat IPI and resilient wholesale & retail trade for August" dated 10 October for more details.

Broadly steady US consumer sentiment; improved current conditions index offset by softer future outlook

- The University of Michigan Consumer Sentiment index broadly moved sideways and was better than expected in October (-0.1ppts to 55.0), with improvement in current conditions (61.0 vs 60.4) offset by the retreat in expectations index (51.2 vs 51.7). Still elevated inflation expectations (1Y: 4.6% vs 4.7%, 5-10Y: 3.7% for Sept-Oct) and weakening job prospects remained at the forefront of consumers' concerns while there was little evidence that the ongoing federal government shutdown has dented sentiment.

House View and Forecasts

FX	This Week	4Q-25	1Q-26	2Q-26	3Q-26
DXY	99-101	96.45	95.57	94.24	92.99
EUR/USD	1.14-1.17	1.19	1.20	1.22	1.24
GBP/USD	1.31-1.35	1.36	1.37	1.38	1.39
USD/CHF	0.78-0.82	0.78	0.78	0.77	0.76
USD/JPY	150-155	146	145	142	140
AUD/USD	0.64-0.67	0.67	0.67	0.68	0.68
NZD/USD	0.56-0.60	0.59	0.60	0.60	0.60
USD/CNY	7.10-7.15	7.08	7.06	6.99	6.94
USD/MYR	4.19-4.25	4.20	4.15	4.10	4.10
USD/SGD	1.28-1.32	1.28	1.26	1.24	1.23
USD/THB	31.55-33.10	32.25	32.30	32.20	32.00

Rates, %	Current	4Q25	1Q26	2Q26	3Q26
Fed	4.00-4.25	3.50-3.75	3.25-3.50	3.00-3.25	3.00-3.25
ECB	2.00	2.00	2.00	2.00	2.00
BOE	4.00	3.75	3.50	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.50	0.50	0.75	0.75	0.75
RBA	3.60	3.35	3.10	3.10	3.10
RBNZ	2.50	2.25	2.25	2.25	2.25
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13-Oct	CH Exports YoY (Sep)	4.40%
14-Oct	SI GDP YoY (3Q A)	4.40%

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SI MAS Oct Monetary Policy Statement	
AU NAB Business Confidence (Sep)	4
AU RBA Minutes of Sept. Policy Meeting	
UK Average Weekly Earnings 3M/YoY (Aug)	4.70%
UK ILO Unemployment Rate 3Mths (Aug)	4.70%
UK Payrolled Employees Monthly Change (Sep)	-8k
EC ZEW Survey Expectations (Oct)	26.1
US NFIB Small Business Optimism (Sep)	100.8

Source: Bloomberg

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