14 April 2025

## Global Markets Research

## Daily Market Highlights

# 14 Apr: Selling pressure in US Treasuries and the Dollar

### US consumer sentiments plunged; inflation expectations spiked amid trade war worries

### Malaysia's IPI and wholesale & retail trade data points to continued moderate growth

### Singapore shaved its GDP growth forecast for 2025; reduces the slope of S$NEER band

- US equities sank, then soared last Friday. Stocks started the day on a negative note when US consumer confidence plunged more than expected, but later turned sharply higher after White House said it had 15 trade deal offers on the table and after assurance from Fed President Susan Collins that the central bank is prepared to keep financial markets functioning should the need arise. Her counterpart John Williams, meanwhile, warned that growth could slow and inflation could rise to 4.0%. The S&P 500 advanced 1.8%, Dow up 1.6% while Nasdaq gained 2.1% d/d.
- Earlier Friday, Stoxx Eur 600 closed slightly lower by 0.1% d/d after the US-China trade tension escalated with China boosting tariffs on the US to 125%. China added that it would ignore any further increases announced by the US, because the "Trump administration's moves has become a joke." At the point of writing, Trump has also exempted chips, computers and chips from the new tariffs. Asian stocks closed mixed, with Nikkei 225 tumbling 3.0% d/d to close the week.
- Meanwhile, flagship US assets such as Treasuries and the Dollar saw selling pressure. The benchmark 2Y yield jumped 10bps to 3.96%, while the 10Y climbed 7bps to 4.49%.
- For the latter, the Dollar weakened against all its G10 peers and the DXY slipped 0.8% d/d to 100.10. CHF (+1.1% d/d) and EUR (+1.4% d/d to 1.1355) were amongst the best performers in G10, with the EUR hitting its highest since 2022. GBP appreciated 0.9% d/d to 1.3087 against the greenback, JPY advanced 0.6% d/d to 143.54, while AUD strengthened 1.1% d/d to 0.6289.
- On the regional front, Asian currencies also appreciated against the Dollar led by KRW, THB and MYR (1.0% d/d to 4.4245). SGD and CNH strengthened 0.8% d/d and 0.3% d/d to close at 1.3191 and 7.2875 respectively.
- In the commodity space, the WTI and Brent climbed more than 2.0% d/d each to $61.50/barrel and $64.76/barrel respectively on the possibility of an Iranian crude restriction.

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 40,212.71 | 1.56 |
| S&P 500 | 5,363.36 | 1.81 |
| NASDAQ | 16,724.46 | 2.06 |
| Stoxx Eur 600 | 486.80 | -0.10 |
| FTSE 100 | 7,964.18 | 0.64 |
| Nikkei 225 | 33,585.58 | -2.96 |
| CSI 300 | 3,750.52 | 0.41 |
| Hang Seng | 20,914.69 | 1.13 |
| Straits Times | 3,512.53 | -1.83 |
| KLCI 30 | 1,454.76 | -0.57 |
| **FX** | | |
| Dollar Index | 100.10 | -0.76 |
| EUR/USD | 1.1355 | 1.37 |
| GBP/USD | 1.3087 | 0.90 |
| USD/JPY | 143.54 | -0.63 |
| AUD/USD | 0.6289 | 1.04 |
| USD/CNH | 7.2875 | -0.30 |
| USD/MYR | 4.4245 | -1.00 |
| USD/SGD | 1.3191 | -0.84 |
| **Commodities** | | |
| WTI ($/bbl) | 61.50 | 2.38 |
| Brent ($/bbl) | 64.76 | 2.26 |
| Gold ($/oz) | 3,222.20 | 2.12 |
| Copper ($$/MT) | 9,154.50 | 1.85 |
| Aluminum($/MT) | 2,396.50 | 1.12 |
| CPO (RM/tonne) | 4,520.00 | 0.68 |

*Source: Bloomberg, HLBB Global Markets Research*
** CPO dated as of 10 April*

### US consumer sentiment plunged on trade war worries; PPI unexpectedly fell

- The University of Michigan consumer sentiment index fell for the fourth month and by more than expected to 50.8 in April from 57.0 previously, as growing worries over trade war developments saw expectations for business conditions, personal finances, incomes, inflation, and labor markets all deteriorating. In fact, the share of consumers expecting unemployment to increase in the year ahead rose to its highest since 2009.
- Meanwhile, producer prices (PPI) unexpectedly fell 0.4% m/m in March (Feb: +0.1% m/m), the most since October 2023 largely due to gasoline costs. Services PPI also fell 0.2% m/m, its largest decline since July 2024 as wholesale and retail margins continued to narrow. That said, the Trump administration's current trade policies will accelerate price pressures this year, while rising inflation expectations (1Y CPI expectations: from 5.0% to 6.7%, 5Y: from 4.1% to 4.4%) being anchored, raises risks of persistent inflation going forward, as feared by the FOMC members.

### Strong UK GDP for the month of February

- Monthly real GDP grew at a much stronger than expected pace by +0.5% m/m in February (Jan: no change), with widespread pick-up observed in all main sectors from services to construction and manufacturing, the later due to computer, electronic and optical products.
- As it is, BOE expects GDP growth of 0.25% in 1Q and with growth averaging 0.25% for the first two months of 2025, this suggests that the growth target will be achievable at this juncture. Moving further along, forward-looking PMIs released earlier suggest a contraction and businesses cautious on hiring and investment plans due to the higher national insurance contribution and minimum wage, suggesting potential softening in the UK economy from 2Q onwards.

### China’s credit surged as stimulus starts to trickle in

- Aggregate financing totalled 15.2tn yuan in 1Q, exceeding forecast as corporate and stronger government bond issuance surged in the last month of the quarter, the latter a sign that policymakers are ramping up stimulus to provide buffer from any shocks from the trade war.

### Singapore grew at a slower than expected pace of 3.8% y/y in 1Q; MAS shaved its GDP growth forecast for 2025 to 0-2%; MAS eased as expected by reducing slightly its rate of appreciation

- Singapore’s grew at a slower than expected pace of 3.8% y/y in 1Q and contracted 0.8% q/q (4Q: +5.0% y/y and +0.5% q/q). On a y/y basis, the slower growth was driven a deceleration the manufacturing (+5.0% y/y vs +7.4% y/y) and services (+3.4% y/y and +4.6% y/y) sectors, while construction picked up pace to +4.6% y/y from +4.4% y/y previously.

- In tandem with the release of the advance 1Q print, the central bank also shaved its GDP growth projection for 2025 to 0-2.0% from 1.0-3.0% previously (2024: 4.4%) as Singapore's high trade dependency and deep integration with global supply chains, slowing global trade as well as heightened policy uncertainty is expected to weigh on external-facing sectors, and in tandem, could spill over into the domestic-oriented sectors.
- Amid the weakening external outlook and inflation pressures that has remained low, MAS will continue with the policy of a modest and gradual appreciation of the S$NEER policy band. However, the rate of appreciation will be reduced slightly. There will be no change to the width of the band and the level at which it is centred. *(Please refer our separate commentary for details)*

**Malaysia's IPI growth eased more than expected in February despite pick-up in manufacturing; Decent expansion in wholesale & retail trade will support growth in 1Q25**

- Growth in Malaysia's Industrial Production Index (IPI) tapered off for the 2nd straight month, to a mere 1.5% y/y in February (Jan: +2.1% y/y), undershooting both ours as well as consensus estimates. Unlike the broad-based weakness in January, the pullback in February was dragged by deeper contractions in mining (-8.9% vs -3.1% y/y) and electricity (-2.8% vs -0.2% y/y), while manufacturing IPI staged a renewed pick-up to grow at a faster pace of 4.8% y/y in February (Jan: +3.7% y/y), which is a commendable showing given the shorter February month.
- Contrary to the softer IPI gains, manufacturing sales increased 4.7% y/y in February, picking up from the 3.5% y/y growth in January. Mirroring IPI, growth in export-oriented sectors continued to outpace growth in domestic-oriented sectors. Export-oriented IPI's grew 5,7% y/y in February (manufacturing sales: +5.9% y/y) while domestic-oriented IPIs grew 2.9% y/y in the month in review (manufacturing sales: +2.1% y/y), but this situation may change soon.
- In contrast to the softer production growth, wholesale & retail trade saw quicker growth in February (+5.1% vs +4.6% y/y), thanks to the pick-up in wholesale trade (+5.3% vs +4.9% y/y) and a rebound in motor vehicle sales (+1.5% vs -9.1% y/y). Meanwhile, retail trade normalized from the seasonal high of +8.2% y/y in January to +5.9% y/y in February, which is just a tad below the 12-month average of +6.1% y/y. This reinforced our view that resilient consumer spending will continue to underpin domestic demand going forward, anchoring growth in the Malaysian economy. *(Please refer our separate commentary for details)*

## House View and Forecasts

| FX | This Week | 2Q-25 | 3Q-25 | 4Q-25 | 1Q-26 |
|---|---|---|---|---|---|
| DXY | 99-103 | 99.70 | 98.35 | 97.01 | 95.70 |
| EUR/USD | 1.19-1.14 | 1.14 | 1.15 | 1.17 | 1.19 |
| GBP/USD | 1.28-1.32 | 1.31 | 1.32 | 1.33 | 1.34 |
| USD/CHF | 0.79-0.88 | 0.81 | 0.80 | 0.79 | 0.78 |
| USD/JPY | 141-148 | 142 | 139 | 136 | 133 |
| AUD/USD | 0.60-0.64 | 0.62 | 0.62 | 0.63 | 0.64 |
| NZD/USD | 0.54-0.60 | 0.57 | 0.57 | 0.58 | 0.58 |
| USD/CNY | 7.25-7.34 | 7.43 | 7.35 | 7.28 | 7.21 |
| USD/MYR | 4.42-4.50 | 4.54 | 4.50 | 4.47 | 4.40 |
| USD/SGD | 1.31-1.35 | 1.34 | 1.33 | 1.31 | 1.30 |

| Rates, % | Current | 2Q-25 | 3Q-25 | 4Q25 | 1Q26 |
|---|---|---|---|---|---|
| Fed | 4.25-4.50 | 4.00-4.25 | 3.75-4.00 | 3.50.-3.75 | 3.5-3.50 |
| ECB | 2.50 | 2.25 | 2.00 | 2.00 | 2.00 |
| BOE | 4.50 | 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 | 4.10 | 3.85 | 3.60 | 3.35 | 3.10 |
| RBNZ | 3.50 | 3.25 | 3.00 | 2.75 | 2.50 |
| BNM | 3.00 | 3.00 | 2.75 | 2.75 | 2.75 |

*Source: HLBB Global Markets Research*

## Up Next

| Date | Events | Prior |
|---|---|---|
| 14-Apr | US NY Fed 1-Yr Inflation Expectations (Mar) | 3.13% |
| | CH Exports YoY (Mar) | -3.00% |
| 15-Apr | AU RBA Minutes of April Policy Meeting | |
| | UK Average Weekly Earnings 3M/YoY (Feb) | 5.80% |
| | UK ILO Unemployment Rate 3Mths (Feb) | 4.40% |
| | UK Payrolled Employees Monthly Change (Mar) | 21k |
| | EC ZEW Survey Expectations (Apr) | 39.8 |
| | EC Industrial Production SA MoM (Feb) | 0.80% |
| | US Empire Manufacturing (Apr) | -20 |
| | US Import Price Index YoY (Mar) | 2.00% |

*Source: Bloomberg*

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