

14 May 2025

Global Markets Research

Daily Market Highlights

14 May: No signs of tariff impact on US inflation yet

Little change in pricing for Fed rate cut despite softer than expected US CPI prints

Global stocks ended mixed; UST yields mildly lower; USD weakened against all G10s

GBP strengthened despite cooler jobs and wage growth for the UK

- US equity closed mostly higher after the US reported a softer-than-expected inflation print overnight, and marked its lowest reading since 2021. The S&P 500 gained 0.7% d/d, Nasdaq rallied 1.6% d/d, but the Dow lost 0.6% d/d as shares of UnitedHealth pressured the benchmark. Also lifting sentiment was the recent trade pact with the UK and China, a welcome sign of thawing trade tension between the US and the rest of the world, sending stocks like Nvidia, AMD and Boeing higher for another day.
- Elsewhere, stocks closed mixed. Equity indices closed higher in Europe (Stoxx 600: +0.1% d/d) and Japan (Nikkei 225: +1.4% d/d), but fell in Hong Kong (Hang Seng: -1.9% d/d). That said, Asian markets are poised to trade higher today tracking Wall Street and futures.
- In the bond space, Treasuries were little changed despite the light US CPI, as investors largely held on bets that the Fed will likely stay put in the near term while waiting for impact from the tariffs to trickle in. The 2Y and 10Y Treasury yields fell 1bps each to 4.00% and 4.47% respectively. 10Y European bond yields, meanwhile, closed up a more modest pace of 1-4bps (prior: 6-9bps).
- In the forex space, the Dollar traded weaker against all its G10 peers after the softer than expected US CPI print, and the DXY slid 0.8% d/d to 101.00. The US-China trade truce also saw investors piling up on risk-on currencies aligned to China's outlook like AUD (+1.6% d/d to 0.6471), while GBP appreciated 1.0% d/d 1.3306 despite data showing a cooler labour market for the UK.
- Regional currencies, meanwhile, closed mixed against the Dollar, with CNH and SGD strengthening to 7.1991 (+0.02% d/d) and 1.3011 (+0.4% d/d) respectively, but MYR weakened 0.5% d/d to 4.3222.
- In the commodity space, oil prices jumped more than 2.0% d/d after President Trump threatened to ramp up sanctions against Iranian crude if a nuclear deal is not reached. The WTI closed the day at \$63.67/barrel, and Brent at \$66.63/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,140.43	-0.64
S&P 500	5,886.55	0.72
NASDAQ	19,010.08	1.61
Stoxx Eur 600	545.17	0.12
FTSE 100	8,602.92	-0.02
Nikkei 225	38,183.26	1.43
CSI 300	3,896.26	0.15
Hang Seng	23,108.27	-1.87
Straits Times	3,881.05	0.13
KLCI 30	1,582.39	2.32
FX		
Dollar Index	101.00	-0.77
EUR/USD	1.1185	0.88
GBP/USD	1.3306	0.99
USD/JPY	147.48	-0.66
AUD/USD	0.6471	1.55
USD/CNH	7.1991	-0.02
USD/MYR	4.3222	0.50
USD/SGD	1.3011	-0.39
Commodities		
WTI (\$/bbl)	63.67	2.78
Brent (\$/bbl)	66.63	2.57
Gold (\$/oz)	3,247.80	0.61
Copper (\$\$/MT)	9,599.50	0.83
Aluminum(\$/MT)	2,490.00	0.40
CPO (RM/tonne)	3,797.00	0.46

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 9 May for CPO

Muted impact from tariffs on US inflation in April

- US inflation rose 0.2% m/m for both headline and core in April (Mar: -0.1% m/m for headline, +0.1% m/m for core), below the 0.3% m/m increase expected by the market. This means headline inflation eased to 2.3% y/y (prior: 2.4% y/y), its lowest reading since February 2021, while core held steady at 2.8% y/y. Shelter costs rose 0.3% m/m during the month (Mar: +0.2% m/m), accounting for more than half of the monthly increase.
- April report also showed muted impact from the tariff fallout, with prices of new vehicles and apparel unchanged and falling 0.2% m/m respectively. Deflationary pressures in recreation and travel-related categories also helped to offset the inflationary pressure, but is also a sign that consumers are cutting back on leisure and discretionary spending. Despite the softer print, we opine that it is unlikely that the Fed will accelerate its rate-cut timetable at this juncture, as concerns over increases due to tariffs remain in the next few months, and amid still sturdy average weekly earnings (+1.7% y/y vs 1.1% y/y).
- Meanwhile, the NFIB Small Business Optimism index declined less than expected by 1.6ppts to 95.8 in April. This marks the second reading below the long-term average of 98 as policy uncertainty continues to dent sentiment. As it is, outlook on business conditions is less supportive of future business investments.

Jump in economic sentiment for the Eurozone

- In contrast, the ZEW economic sentiment jumped to 11.6 in May, up a whopping 30.1 points m/m on optimism over the new government, some progress in the tariff disputes and a stabilising inflation rate. Notably, outlook improved for the banking industry and export-intensive sectors such as the automobile and chemical industries, as well as metal, machine and steel production.

Cooler labour and wage growth for the UK; unlikely to alter gradual rate cut path

- Despite the steep increases in payroll taxes and minimum wage in April, the UK labour market did not show any sharp sign of deterioration. The number of payrolled employees fell just a shade more than expected by 33k in April (Mar: -47k), while unemployment rate ticked up to 4.5% from 4.4%. As hiring conditions cooled, wage growth also eased gradually to +5.6% y/y in the 3-months to March (prior: 5.9% y/y). That said, with wage growth running well above the wage growth consistent with UK's 2.0% inflation target, it is thus unlikely for the BOE to speed up rate cuts going forward. No change in our view of a quarter point cut each in 3Q and 4Q of 2025.

Still weak Australia's business and consumer confidence

- Both consumer (Westpac: +2.2% m/m in May vs -6.0% m/m in April) and business (NAB: -1 in April vs -3 in March) confidence remained weak as compared to historical levels, adding to signs that the economy is struggling to gain momentum and boosting the case for rate cuts going forward. Business conditions also eased slightly to +2 (Mar: +3), its lowest since August 2020, as profitability weakened, forward orders slipped and firms' spending plans took a hit.

Softer Japan's PPI as prices of raw materials declined

- Data this morning showed that Japan's producer prices decelerated more than expected by 0.2% m/m in April following March's +0.4% m/m increase. Largely driving the softer prices were contractions in prices of chemicals, non-ferrous metals, petroleum, iron and steel products.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DX	99-103	99.70	98.35	97.01	95.70
EUR/USD	1.10-1.14	1.14	1.15	1.17	1.19
GBP/USD	1.31-1.35	1.31	1.32	1.33	1.34
USD/CHF	0.81-0.85	0.81	0.80	0.79	0.78
USD/JPY	143-149	142	139	136	133
AUD/USD	0.62-0.66	0.62	0.62	0.63	0.64
NZD/USD	0.57-0.61	0.57	0.57	0.58	0.58
USD/CNY	7.19-7.26	7.43	7.35	7.28	7.21
USD/MYR	4.24-4.33	4.54	4.50	4.47	4.40
USD/SGD	1.28-1.32	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	3.25-3.50
ECB	2.25	2.00	1.75	1.75	1.75
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	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-May	AU Wage Price Index YoY (1Q)	3.20%
	US MBA Mortgage Applications	11.0%
15-May	AU Consumer Inflation Expectation (May)	4.20%
	AU Employment Change (Apr)	32.2k
	AU Unemployment Rate (Apr)	4.10%
	UK GDP QoQ (1Q P)	0.10%
	EC GDP SA QoQ (1Q S)	0.40%
	US Retail Sales Advance MoM (Apr)	1.40%
	US Empire Manufacturing (May)	-8.1
	US PPI Final Demand YoY (Apr)	2.70%

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US Philadelphia Fed Business Outlook (May)	-26.4
US Initial Jobless Claims	228k
US Industrial Production MoM (Apr)	-0.30%
US NAHB Housing Market Index (May)	40

Source: Bloomberg

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