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Global Markets Research

Daily Market Highlights

16 May: April data shows payback from 1Q's frontloading

Global equities closed mixed; US treasuries yields & DXY fell after a bag of weak US data

US retail sales and industrial output normalized from pre-tariff boosts; PPI fell

Strong Eurozone & UK 1Q GDPs unlikely to be repeated; Japan's economy shrank in 1Q

- Wall Street was choppy and settled mixed. The S&P 500 climbed for the fourth straight session by 0.4% d/d, continued piggybacking on positive vibes from the US-China's temporary trade truce. The Dow rebounded +0.7% d/d, but Nasdaq lost 0.2% d/d dragged by reports that Meta will delay the rollout of its AI model. Treasury yields also fell, providing a tailwind to stocks.
- Other news making the headline overnight includes **Walmart cautioning that tariffs means that the retailer expects to begin raising some prices this month**. Fed Chair Jerome Powell also warned that we may be entering a period of more frequent and potentially more persistent supply shocks, a challenge for central banks worldwide. President Trump, meanwhile, turned his sight on India and asked Apple to stop iPhone production in India.
- Elsewhere, Stoxx Eur 600 closed 0.6% d/d higher with defense sector leading charge after German's new defense minister pledged more on its military and defense spending, but Asian markets closed mostly in red.
- In the bond space, Treasuries yields slid 8-11bps (prior: +5 to +7bps) across the curve after US PPI unexpectedly fell and amid the pullback in retail sales. The 2Y yield fell 9bps to 3.96%, while the 10Y yield plunged 11bps to 4.43%. 10Y European bond yields also tumbled 3-9bps during the day after closing up 1-4bps the day before.
- In the forex space, the DXY fell 0.2% d/d to 100.88 after the PPI and retail sales prints, and the Dollar weakened against most of its G10 peers save for the NZD, NOK and AUD. AUD strengthened to 0.6458 after Australia's stronger-than-expected labour prints, but later pared its gains to close 0.3% d/d weaker at 0.6406. Haven currencies CHF (+0.8% d/d) and JPY (+0.7% d/d to 145.67) outperformed all their G10 peers, while GBP rallied 0.3% d/d to 1.3305 after UK's strong 1Q GDP reading.
- Similarly, most Asian currencies strengthened against the Dollar with SGD (+0.4% d/d to 1.2977) outperforming most of its regional peers. CNH and MYR appreciated in tune to 0.1% d/d

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,322.75	0.65
S&P 500	5,916.93	0.41
NASDAQ	19,112.32	-0.18
Stoxx Eur 600	546.95	0.56
FTSE 100	8,633.75	0.57
Nikkei 225	37,755.51	-0.98
CSI 300	3,907.20	-0.91
Hang Seng	23,453.16	-0.79
Straits Times	3,891.94	0.54
KLCI 30	1,573.02	-0.66
FX		
Dollar Index	100.88	-0.16
EUR/USD	1.1187	0.11
GBP/USD	1.3305	0.32
USD/JPY	145.67	-0.74
AUD/USD	0.6406	-0.34
USD/CNH	7.2049	-0.09
USD/MYR	4.2828	-0.12
USD/SGD	1.2977	-0.36
USD/KHR	4,008.00	0.00
Commodities		
WTI (\$/bbl)	61.62	-2.42
Brent (\$/bbl)	64.53	-2.36
Gold (\$/oz)	3,226.60	1.20
Copper (\$\$/MT)	9,577.00	-0.31
Aluminum(\$/MT)	2,489.00	-1.56
CPO (RM/tonne)	3,977.50	2.26

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 14 May for CPO, USD/KHR

each to close at 7.2049 and 4.2828 respectively, the latter ahead of the release of its final 1Q GDP number.

- In the commodity space, oil prices tumbled in tune to 2.4% d/d each to \$61.62/barrel for the WTI and \$64.53/barrel for the Brent. This comes after President Trump said that the US was close to a deal in which Tehran would drop its nuclear-weapon ambitions, raising potential of fresh Iranian crude supplies.

US consumer spending and manufacturing output pulled back in April after 1Q's front-loading boosts; unexpected fall in PPI as companies absorbed higher costs for now

- Although better than expected, the much smaller increase in April's retail sales (+0.1% m/m vs +1.7% m/m) suggests a pullback in spending after March's surge due to pre-emptive buying ahead of tariff-related price hikes. 7 of the 13 categories posted declines, led by gasoline and apparel, the latter which is largely imported. Car sales also declined slightly after a buying spree in the previous month.
- Meanwhile, industrial production was softer than expected with stalled growth (Mar: -0.3% m/m) as manufacturing contracted 0.4% m/m (Mar: +0.3% m/m), while a subdued PPI (+2.4% vs +3.4% y/y and -0.5% vs 0.0% m/m) signals that companies are absorbing higher costs and lower margins for now but this may not continue for long, as suggested by Walmart.
- On the labour front, initial jobless claims held steady at 229k for the week ended May 10 after declining 12k the prior week in a sign of a still stable labour market. On the housing front, the NAHB Housing Market index, a measure of builder confidence, unexpectedly fell 6 points to 34.
- All in, data in general suggests there will be payback in 1Q's front-loading and that the Fed will be in a position to loosen monetary policy later in the year, but likely at a very careful pace of 25bps every quarter.

Eurozone's 1Q GDP revised slightly lower; still sturdy employment market

- The Eurozone economy grew slower than initially estimated by +0.3% q/q in 1Q, below its initial estimate of +0.4% q/q but was still an improvement from 4Q's +0.2% q/q. Notably, industrial output (+2.6% m/m in Mar vs +1.1% m/m Feb) had a strong start during the year, likely related to US front-loading, and as such, could mirror US' April numbers and see a pull-back going forward. Employment (+0.3% q/q vs +0.1% q/q) held up well, but weaker growth ahead could prompt firms to start shedding workers, not boding well for an already anaemic consumer spending and growth outlook going forward.

Jump in UK's 1Q GDP unlikely to be repeated in 2Q

- In the UK, GDP growth came in stronger than expected at +0.2% m/m in March (Feb: +0.5% m/m) and +0.7% q/q in 1Q (prior: +0.1% q/q), driven by an increase of 0.7% q/q (prior: +0.1% q/q) in the services sector. Production rebounded to increase by 1.1% q/q (prior: -0.4% q/q), while the construction sector showed no growth after growing +0.3% q/q previously. In expenditure terms, growth was driven by increases in gross fixed capital formation (+2.9% q/q vs -0.6% q/q), net trade and household consumption (+0.2% q/q vs +0.1% q/q).
- Notably, manufacturing was up by 0.8% q/q, with transport equipment, a major export to the US, driving the bulk of the growth and likely due to tariff-driven preloading effect. As such, this bump in activity will likely be short-lived given the double-blow from the steep increase in its national insurance contribution (NIC) and tariff fallout in 2Q, in line with BOE's projection of a softer growth of 0.1% q/q during the quarter.

Tight labour market for Australia; softer but still elevated inflation expectations

- Echoing the strong wage growth data, labour market remains solid in April with employment jumping more than expected by +89.0k (prior: 36.4k) and unemployment rate steady at 4.1%. The rise in employment was driven by full-time workers, while employment growth also outpaced population growth at 2.7% y/y and 2.1% y/y respectively, a sign of a still tight labour market and likelihood of still elevated wage growth going forward and only gradual rate cuts in the next RBA meeting next week. Consumer inflation expectations also eased, but remained above the central bank's target range at 4.1% in May (Apr: 4.2%).

Japan's economy shrank for the first time in five quarters

- In Japan, the economy contracted more than expected by an annualized rate of 0.7% q/q in 1Q (Prior: +2.4% q/q), as private consumption stalled (prior: +0.1% q/q) while net exports subtracted 0.8ppts to GDP as import growth outpaced exports growth. Business spending accelerated to +1.4% q/q (prior: +0.8% q/q), while inventory also added 0.3ppts to GDP, a turnaround from -0.3ppts the prior quarter.
- The quarterly contraction even before Trump's tariffs kicks in raises concerns over the resilience of the economy, and this weakness will further lend support that the BOJ will likely pause its tightening cycle while it assesses the impact from the higher levies.

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	1.10-1.14	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
16-May	SI Non-oil Domestic Exports YoY (Apr)	5.40%
	MA GDP YoY (1Q F)	4.40%
	HK GDP YoY (1Q F)	3.10%
	EC Trade Balance NSA (Mar)	24.0b
	US Housing Starts MoM (Apr)	-11.40%
	US Building Permits MoM (Apr P)	0.50%
	US Import Price Index YoY (Apr)	0.90%
	US New York Fed Services Business Activity (May)	-19.8
	US U. of Mich. Sentiment (May P)	52.2
19-May	CH New Home Prices MoM (Apr)	-0.08%
	CH Used Home Prices MoM (Apr)	-0.23%
	CH Retail Sales YTD YoY (Apr)	4.60%
	CH Industrial Production YTD YoY (Apr)	6.50%
	CH Fixed Assets Ex Rural YTD YoY (Apr)	4.20%
	CH Surveyed Jobless Rate (Apr)	5.20%
	EC CPI Core YoY (Apr F)	2.70%
	US Leading Index (Apr)	-0.70%

Source: Bloomberg

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