17 April 2025

Global Markets Research

Daily Market Highlights

17 Apr: All eyes on the ECB today

Tech selloff and Powell's wait-and-see stance weighed on US stocks, UST yields and DXY

US retail sales and manufacturing output rose ahead of tariffs; softer UK inflation print

China's 1Q25 GDP growth steadied at 5.4%; officials confident with its 5% growth target

- US equities fell sharply on Wednesday after US' tightened curbs on Nvidia's China exports saw a tech stock rout. The equity markets took another leg down after ***Fed Chair Jerome Powell signalled a wait-and-see approach before considering any adjustments to the Fed's policy stance, adding that the central bank could face difficult trade-offs in achieving its dual mandate of maximum employment and stable prices due to Trump's tariff***. Nasdaq led losses at Wall Street with a 3.1% d/d decline, while the Dow and S&P 500 lost 1.7% d/d and 2.2% d/d respectively.
- Elsewhere, most Asian (Nikkei 225: -1.0% d/d, Hang Seng: -1.9% d/d) and European (Stoxx Eur 600: -0.2% d/d) markets tumbled as the brewing trade war continues to dent sentiment, the latter dragged lower by critical chip stock ASML.
- Powell's pushing back hopes for a quick policy action saw a surge in demand for haven assets like Treasuries, sending yields plunging 4-9bps across the curve. The 2Y yield fell 8bps to 3.77%, while the 10Y yield dropped 6bps to 4.28%. 10Y European bond yields also slid 1-5bps (prior: -2 to +4bps).
- In the forex space, the DXY resumed its fall (-0.8% d/d to 99.38) as investors waited on trade talks and as Trump's trade policy continued to erode confidence for the reserve currency. All the G10 currencies strengthened against the Dollar, led by SEK (+1.3% d/d), CHF (+1.2% d/d) and EUR (+1.0% d/d to 1.1399). JPY and AUD appreciated by 0.9% d/d to 141.88 and 0.4% d/d to 0.6371 respectively, while GBP strengthened by a milder pace of 0.1% d/d to 1.3244 after a softer-than-expected UK inflation prints.
- On the regional front, CNH weakened to 7.3347 post the release of China's 1Q GDP beat, but later pared its losses and more to close the day 0.4% d/d stronger at 7.2989. Meanwhile, MYR and SGD appreciated 0.1% d/d and 0.6% d/d to close at 4.4097 and 1.3106 respectively.
- In the commodity space, crude oil prices jumped more than 1.8% d/d each on global supply concerns after Washington issued new sanctions targeting Chinese importers of Iranian oil. The WTI

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,669.39	-1.73
S&P 500	5,275.70	-2.24
NASDAQ	16,307.16	-3.07
Stoxx Eur 600	507.09	-0.19
FTSE 100	8,275.60	0.32
Nikkei 225	33,920.40	-1.01
CSI 300	3,772.82	0.31
Hang Seng	21,056.98	-1.91
Straits Times	3,662.45	1.04
KLCI 30	1,476.92	-0.64
FX		
Dollar Index	99.38	-0.83
EUR/USD	1.1399	1.04
GBP/USD	1.3244	0.10
USD/JPY	141.88	-0.93
AUD/USD	0.6371	0.41
USD/CNH	7.2989	-0.41
USD/MYR	4.4097	-0.06
USD/SGD	1.3106	-0.64
Commodities		
WTI ($/bbl)	62.47	1.86
Brent ($/bbl)	65.85	1.82
Gold ($/oz)	3,326.60	3.35
Copper ($$/MT)	9,203.50	0.43
Aluminum($/MT)	2,382.00	0.29
CPO (RM/tonne)	4,349.50	-1.56

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 15 April*

closed the day at $62.47/barrel, and Brent at $65.85/barrel respectively.

US retail sales and manufacturing output rose ahead of tariffs; downbeat housing numbers

- Both retail sales and manufacturing output grew a solid pace in March, as consumers boosted demand for big -ticket items ahead of higher tariffs. That said, with confidence plummeting on price, job and wealth concerns, consumer spending could see a pullback going forward, while higher materials costs and trade policy uncertainty will most likely weigh on production and investment plans on the business front.
- Matching expectations, retail sales jumped 1.4% m/m in March (Feb: +0.2% m/m) with most of the uptick coming from auto sales, building material and food services & drinking places, the latter a proxy of resilient services spending.
- Industrial production (IPI) fell more than expected by 0.3% m/m in March (Feb: +0.8% m/m), but this was largely due to a 5.8% m/m drop in utilities output due to warm weather. In contrast, manufacturing output grew a solid +0.3% m/m (Feb: +1.0% m/m) fuelled by a surge in motor vehicle assemblies, while output of aerospace & miscellaneous transportation equipment as well as most categories of durable manufacturing also increased.
- On the housing front, growing economic uncertainty from the tariff and elevated building material concerns weighed on data. Despite a modest bump (NAHB Housing Market Index: +1 points to 40), builder sentiment stayed in the negative territory, while higher mortgage rates saw applications plunging 8.5% w/w for the week ending April 11 (prior: +20.0% w/w). Moving forward, economic uncertainty and correspondingly volatility in rates, as well as elevated home prices due to higher construction costs will likely dampen housing activities. Already, 60% of builders reported that their suppliers have increased or plans to increase material prices, to a tune of 6.3%.
- In the services sector, the New York Fed business activity index declined more significantly than expected to its lowest in more than a year at -19.8 in April (Mar: -19.3). After turning pessimistic about the outlook last month, firms became even more negative, with half now expecting activity to contract in the months ahead.

UK's inflation eased, but will be short-lived

- Headline inflation eased for the second month and by more than expected to 2.6% y/y in March from +2.8% y/y previously. Core, which excludes volatile energy and food, also moderated to 3.4% y/y from 3.5% y/y previously, while services inflation, a good gauge for domestic price pressure, was lower at +4.7% y/y (Feb: 5.0% y/y) due to milder inflation for recreation & culture as well as housing & household services.

- As it is, the softer data and headwinds from the tariff, will increase odds for the BOE to cut interest rates next month. That said, we opine that future increases will remain gradual going forward given expectations that CPI will tick up to 3.7% in 3Q. Already, households will be hit by huge increases in energy & water bills as well as council tax starting April this year.
- Led by the north-west region, the House Price index continued to accelerate to +5.4% y/y in February from +4.8% y/y previously, largely driven by demand ahead of the higher stamp duties in April.

Australia's leading index fell for the first time since April 2024

- Westpac leading index recorded its first decline in seven months by 0.11% m/m in March (Feb: +0.07%). Sub-indices performance was mixed, with the consumer expectations, MI-UE index and aggregate monthly hours worked largely weighing on the headline, potentially suggesting that the tariff shocks may start to have impact on the economy.

Japan's trade data undershot expectations

- Japan's trade data came below expectations in March, with exports easing more than expected to 3.9% y/y, while imports rebounded to increase 2.0% y/y (Feb: +11.4% y/y and -0.7% y/y). Consequently, trade surplus narrowed to 544.1bn yen from 590.5bn yen previously. We have already mentioned that trade has but can't fuel growth forever due to tariffs, and exports could turn negative especially since the US and China are Japan's largest trading partners.

China's 1Q GDP growth beat expectations; holding steady at 5.4% ahead of the tariffs

- 1Q GDP growth came in stronger than expected, holding steady at the same pace as 4Q last year at 5.4% y/y, but outlook has deteriorated rapidly due to the intense tariff woes, potentially pushing exports and IPI data into the red later in the year. Meanwhile, domestic demand has remained sluggish although glimpses of stability have emerged save for the property sector, all pointing to risks that growth could struggle to miss Beijing's target of "around 5%" for 2025.
- Accompanying economic indicators have largely come above street forecasts with exports data (Mar: 12.4% y/y) and production numbers (Mar: +7.7% y/y) likely spurred by front-loading. Retail sales also beat street estimate at +5.9% y/y for the month of March, likely benefitting from its still resilient labour market and low unemployment rate (5.2% in Mar vs 5.4% in Feb), as well as positive impact from the nationwide trade-in initiatives, the latter reflected in strong demand for household electronics and autos. That said, growth at this level, remains below the 8.0% pre-

pandemic level. Meanwhile, fixed asset investment (FAI) unexpectedly strengthened to 4.2% YTD March (Jan-Feb: 4.1% y/y), but was largely due to state spending. Private and property investment remained sluggish inching up by a mere 0.4% and plunging 9.9% y/y respectively in the first three months of 2025.

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	4.40-4.50	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	3.25-3.50
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
17-Apr	SI Non-oil Domestic Exports YoY (Mar)	7.60%
	AU Employment Change (Mar)	-52.8k
	AU Unemployment Rate (Mar)	4.10%
	EC ECB Deposit Facility Rate	2.50%
	US Housing Starts MoM (Mar)	11.20%
	US Initial Jobless Claims	223k
	US Philadelphia Fed Business Outlook (Apr)	12.5
18-Apr	JN Natl CPI Ex Fresh Food YoY (Mar)	3.00%
	MA GDP YoY (1Q A)	5.00%

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.