19 March 2025

Global Markets Research
Daily Market Highlights

19 Mar: FOMC & BOJ likely to maintain policy rates today

Bump in US IPI and homebuilding ahead of tariff hikes
Mixed China data point to a modest growth pick-up in the first two months of 2025
OECD lowered global GDP growth forecast on trade barriers; CPI estimates revised up

- A tech sell-off and renewed turmoil in the Middle East snapped the 2-day winning streak for Wall Street, and saw all the 3 major equity indices closing the day 0.6-1.7% d/d lower. Tesla shares were one of the hardest hit, but the EV-maker wasn't the only tech name down during the session. Shares of Nvidia also fell even as the chipmaker's flagship AI conference got under way.
- Stoxx Eur 600 rallied 0.6% d/d after Germany's parliament approved its massive spending package, while Asian stocks mostly rose led by Hong Kong tech stocks. The Jakarta Composite was one of the outliers, plummeting 3.8% d/d weighed down by concerns over the government's fiscal and nation's growth prospects.
- In the bond space, Treasury yields closed 0-2bps lower on eve of Fed's decision day, reversing earlier advance after the stronger than expected housing starts data. The 2Y yield closed the day just below its flatline at 4.04%, while the 10Y dropped 2bps to 4.28%. 10Y European bond yields closed mixed between -/+2bps.
- In the forex space, DXY erased earlier gains from the jump in housing starts to close 0.1% d/d weaker at 103.24. G10 currencies closed mixed against greenback, with EUR and GBP appreciating 0.1-0.2% d/d to close at 1.0945 and 1.3001 respectively. JPY closed just below its flatline at 149.27 ahead of BOJ's policy decision today, while AUD underperformed all its peers, weakening 0.4% d/d to 0.6361.
- Regional currencies closed mixed against the Dollar, with IDR underperforming most of its peers and depreciating 0.2% d/d to close at 16,425 along with selloffs in its equity market. CNH and SGD closed just below their flatlines at 7.2277 and 1.3306 respectively, while MYR closed slightly firmer at 4.4455 on Monday.
- In the commodity space, oil prices eased 0.7-1.0% d/d on broad market weakness, concerns over a supply glut and Ukraine peace talks, which more than offset Mideast instability worries. The WTI and Brent closed the day at $66.90/barrel and $70.56/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,581.31	-0.62
S&P 500	5,614.66	-1.07
NASDAQ	17,504.12	-1.71
Stoxx Eur 600	554.30	0.61
FTSE 100	8,705.23	0.29
Nikkei 225	37,845.42	1.20
CSI 300	4,007.72	0.27
Hang Seng	24,740.57	2.46
Straits Times	3,894.97	0.00
KLCI 30	1,527.81	1.04
FX		
Dollar Index	103.24	-0.12
EUR/USD	1.0945	0.21
GBP/USD	1.3001	0.07
USD/JPY	149.27	0.04
AUD/USD	0.6361	-0.36
USD/CNH	7.2277	0.01
USD/MYR	4.4455	-0.02
USD/SGD	1.3306	0.03
Commodities		
WTI ($/bbl)	66.90	-1.01
Brent ($/bbl)	70.56	-0.72
Gold ($/oz)	3,040.80	1.15
Copper ($$/MT)	9,904.50	0.44
Aluminum($/MT)	2,654.50	-1.21
CPO (RM/tonne)	4,814.50	-0.10

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 14 Mar; KLCI and USDMYR as at 17-Mar closing*

OECD: Softening global growth prospects, significant risks from trade fragmentation

- Highlights from the latest OECD Economic Outlook include: 1) Global GDP growth is projected to moderate from 3.2% in 2024 to 3.1% (-0.2ppts) in 2025 and 3.0% (-0.3ppts) in 2026, with higher trade barriers as well as increased geopolitical and policy uncertainty weighing on investment and household spending. 2) Inflation is projected to be higher than previously expected, albeit moderating from 5.3% in 2024 to 3.8% (+0.3ppts) in 2025 and 3.2% (+0.3ppts) in 2026 for the G20. Meanwhile, core inflation is projected to remain above central bank targets in many countries in 2026.
- Amongst the majors, GDP growth for the US was revised 0.2ppts and 0.5ppts lower to 2.2% in 2025 and 1.6% in 2026 (2024: 2.8%). Euro area GDP growth is projected to be 1.0% (-0.3ppts) in 2025 and 1.2% (-0.3ppts) in 2026 (2024: +0.7%), as heightened uncertainty keeps growth subdued. Meanwhile, growth in the UK is expected to accelerate from +0.9% in 2024 to +1.4% (-0.3ppts) in 2025 and +1.2% (-0.1ppts) in 2026. In Asia, growth in China is projected to slow from 5.0% in 2024 to 4.8% (+0.1ppts) this year and 4.4% in 2026, but the Japanese economy is expected to pick-up pace from +0.1% in 2024 to +1.1% (-0.4ppts) in 2025 and +0.2% (-0.4ppts) in 2026.

US retail sales, IPI and homebuilding rose; tariff casts doubt of a sustainable growth

- Retail sales rebounded less than expected by +0.2% m/m in February following a 1.2% m/m decline the prior month. The disappointment was driven by a 1.0% m/m plunge in gas stations' sales due to lower prices, while spending at food service and drinking places, a proxy for services and discretionary spending, also fell 1.5% after showing flat growth the prior month.
- That said, front-loading of goods purchases contributed to the overall growth, but this also suggests rising likelihood that this could falter soon given consumer caution amid slower job and income growth.
- Industrial production (IPI) rose by the most in a year at +0.7% m/m (Jan: +0.3% m/m), as a surge in motor vehicle output led to a broader increase in the manufacturing sector. The uptick largely reflects manufacturers racing to produce goods ahead of the 25% tariff on all imported goods from Canada and Mexico, and as such, could see a pull-back post-tariff hikes and a view supported by the softer ISM prints recently.
- While import prices held steady at +0.4% m/m, prices were higher than expected reflecting a passing through effect from higher tariff costs from China to prices, and likely due to some front-running by firms ahead of tariff hikes from Canada and Mexico. This is reflected by prices from China jumping 0.5% m/m during the month, its highest since March 2022, while import prices from Canada also rose a strong 0.8% m/m (prior: +1.6% m/m).

- Housing indicators were mixed. Housing starts rose strongly by more than expected in February (+11.2% m/m vs -11.5% m/m), but rising construction costs from tariffs, labour shortages and declining permits (-1.2% m/m vs -0.6% m/m) suggests a potential slowdown going forward. This is also reflected by the NAHB Housing Market Index unexpectedly falling to its lowest in 7 months at 39 in March (prior: 42), as these threats more than offset some reliefs on the regulatory front.

Eurozone's investor sentiment jumped on German fiscal policy; trade balance narrowed

- The ZEW Investor Sentiment improved considerably again by 15.6 points to 39.8 in March, driven by positive signals regarding the future German fiscal policy and favourable financing conditions after ECB's sixth rate cut.
- Trade balance narrowed to its lowest since 2023 to €1.0bn in January (prior: +€15.5bn and Jan 2024: +€10.6bn), as import growth outpaced exports at +7.6% m/m and +3.0% m/m respectively, and driven by negative changes to machineries and vehicles. Of note, surplus to the US rose to €16.2bn during the month amid signs of front-loading (exports: +16.0% m/m).

Growth in Australia's leading index eased slightly; gradual but above trend momentum expected for the economy

- Westpac Leading Index rose at a slightly slower pace of +0.07% m/m in February as compared to +0.10% m/m previously, suggesting a gradual but above-trend momentum for the economy. Sub-indicators were mixed, but noted downward contribution observed by the equity indices, dwelling approvals and US IPI.

Strong export growth from Japan with tariff hikes in view; core machine orders contracted

- Mixed data from Japan this morning. Although lower than expected, exports grew a sturdy +11.4% y/y in February (prior: +7.3% y/y), with signs that businesses also front-loaded their shipments before more tariff hikes (Exports to the US: +10.5% y/y).
- Core machine orders, meanwhile, worsened more than expected to -3.5% m/m in January (prior: -0.8% m/m), mainly driven by non-manufacturing (-7.4% m/m vs +3.3% m/m). Orders from manufacturing, meanwhile, fell at a narrower pace of -1.3% m/m (prior: -8.4% m/m) but all in, orders are expected to remain contractionary for the rest of 1Q, as the economy is unlikely to be spared from the ripple effect of the US-China trade war, especially since both nations are Japan's biggest trading partners.

Modest pick-up in China's economy for the first 2 months of 2025

- Mixed data from China. Retail sales, IPI and fixed asset investment (FAI) rose more than expected by 4.0% y/y, 5.9% y/y and 4.1% y/y in the January-February period. Property investment, meanwhile, remains sluggish, falling more than expected by 9.8% y/y, while both new and used home prices contracted 0.1% m/m and 0.3% m/m in February. Jobless rate unexpectedly worsened to 5.4% from 5.2%.
- The details were nonetheless, less impressive, with retail sales of household electronics losing momentum from its initial trade-in boost, while FAI was largely driven by state-owned enterprises rather than the private sector. In short, underlying demand has remained soft, but is expected to maintain its steady and modest growth going forward, driven by policy support and China's tech innovation led by AI, the latter likely to benefit manufacturing investment and equipment manufacturing.

Singapore's NODX rebounded double-digit growth in shipments to the US

- Although below expectations, non-oil domestic exports (NODX) grew 7.6% y/y in February, reversing from the previous month's 2.1% y/y contraction, as both electronics (+6.9% y/y vs +9.5% y/y) and non-electronics (+7.8% y/y vs -4.8% y/y) exports rose, the latter driven by specialised machinery, non-electric engines & motors and jewellery. Amongst its top ten markets, exports to the Taiwan, EU and the U increase, the latter driven by front-loading, though NODX to the China, Hong Kong and Indonesia declined
- Just a recap, officials are expecting NODX to grow between 1-3% in 2025, after expanding by 0.2% in 2024.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	102-106	109.10	108.58	106.93	105.27
EUR/USD	1.06-1.10	1.03	1.03	1.05	1.06
GBP/USD	1.27-1.31	1.24	1.24	1.25	1.27
USD/CHF	0.86-0.92	0.91	0.91	0.90	0.88
USD/JPY	144-151	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.21-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.40-4.47	4.55	4.50	4.40	4.35
USD/SGD	1.32-1.35	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.00.-4.25
ECB	2.50	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
SNB	0.50	0.25	0.25	0.25	0.25
BOJ	0.50	0.50	0.50	0.75	0.75

RBA	4.10	4.10	3.85	3.60	3.60
RBNZ	3.75	3.75	3.50	3.25	3.00
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

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Date	Events	Prior
19-Mar	EC Labour Costs YoY (4Q)	4.60%
	US MBA Mortgage Applications	11.20%
	JN BOJ Target Rate	0.50%
20-Mar	US FOMC Rate Decision (Upper Bound)	4.50%
	AU Employment Change (Feb)	44.0k
	AU Unemployment Rate (Feb)	4.10%
	CH 1-Year Loan Prime Rate	3.10%
	CH 5-Year Loan Prime Rate	3.60%
	MA Exports YoY (Feb)	0.30%
	UK Average Weekly Earnings 3M/YoY (Jan)	6.00%
	UK ILO Unemployment Rate 3Mths (Jan)	4.40%
	UK Payrolled Employees Monthly Change (Feb)	21k
	HK CPI Composite YoY (Feb)	2.00%
	EC ECB Publishes Economic Bulletin	
	EC Construction Output MoM (Jan)	0.00%
	UK Bank of England Bank Rate	4.50%
	US Initial Jobless Claims	220k
	US Philadelphia Fed Business Outlook (Mar)	18.1
	US Leading Index (Feb)	-0.30%
	US Existing Home Sales MoM (Feb)	-4.90%

Source: Bloomberg

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