19 May 2025

Global Markets Research
Daily Market Highlights

19 May: Downgrade in US rating likely to spur-risk off mood

Moody's cut US sovereign rating to Aa1 on rising debt concerns
Jump in US consumer inflation expectations sent UST yields & DXY higher last Friday
Malaysia's 1Q GDP growth eased to 4.4%; expect softer growth of 3.8-4.3% for 2025

- The three major US equity indices closed Friday on a positive note, but with ***Moody's Ratings downgrade of the nation's ratings to Aa1 from Aaa on large fiscal deficits and rising interest costs concerns***, investors will likely trade US assets, as well as other risky assets on a cautious note today. The S&P 500 climbed 0.7% d/d, the Dow Jones Industrial Average gained 0.8% d/d, while Nasdaq rebounded 0.5% d/d.
- Elsewhere, Stoxx Eur 600 closed up 0.4% d/d with most corporate earnings turning out better than expected, but Asian shares closed mostly in the red after Japan's downbeat GDP data.
- In the bond space, Treasury yields rebounded 4-6bps across the curve (prior: -8 to -11bps) amid heightened consumer inflation fears. The 2Y yield rose 4bps to 4.00% and the 10Y increased by 5bps to 4.48%. Save for the Norwegian sovereign bonds, 10Y European bond yields fell 1-4bps after tumbling 3-9bps the day prior.
- In the forex space. the Dollar strengthened against most of its G10 peers following the jump in US consumer inflation expectations and the DXY closed up 0.2% d/d to 101.09. JPY closed just below its flatline at 145.70 following Japan's 1Q downbeat GDP, while EUR reversed earlier gains and closed 0.2% d/d weaker at 1.1163. Of note, ***ECB's Martins Kazaks said that interest rates are "relatively close to the terminal rate" if inflation stays within range.***
- Regional currencies closed mixed against the Dollar. SGD strengthened post the stronger than expected NODX print but later erased all these gains to close the day 0.2% weaker at 1.3004. MYR depreciated 0.3% d/d to 4.2937 following the release of its final 1Q GDP print which confirmed a growth moderation in 1Q.
- In the commodity space, doubts over a US-Iran nuclear deal and reports of Israel's strike on Houthi-led areas sent oil prices up in tune to 1.4% d/d during the day, but gains were capped as the International Energy Agency reiterated prospects of a supply

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,654.74	0.78
S&P 500	5,958.38	0.70
NASDAQ	19,211.10	0.52
Stoxx Eur 600	549.26	0.42
FTSE 100	8,684.56	0.59
Nikkei 225	37,753.72	0.00
CSI 300	3,889.09	-0.46
Hang Seng	23,345.05	-0.46
Straits Times	3,897.87	0.15
KLCI 30	1,571.75	-0.08
FX		
Dollar Index	101.09	0.21
EUR/USD	1.1163	-0.21
GBP/USD	1.3283	-0.17
USD/JPY	145.70	0.02
AUD/USD	0.6406	0.00
USD/CNH	7.2105	0.08
USD/MYR	4.2937	0.25
USD/SGD	1.3004	0.21
USD/KHR	4,007.00	-0.02
USD/THB	33.240	-0.40
Commodities		
WTI ($/bbl)	62.49	1.41
Brent ($/bbl)	65.41	1.36
Gold ($/oz)	3,187.20	-1.22
Copper ($$/MT)	9,447.50	-1.35
Aluminum($/MT)	2,481.50	-0.30
CPO (RM/tonne)	3,882.50	-2.39

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 15 May for CPO*

glut in 2025-26. The WTI closed the day at $62.49/barrel and Brent at $65.41/barrel.

Hints of improved US consumer sentiment on China tariff pause; Import prices rose in April; mixed housing prints

- The University of Michigan Sentiment fell by 1. 4ppts to 50.8 in May, below consensus forecast and is now down almost 30% since January. That said, with the survey conducted between April 22 and May 13, and the report noting some signs of improvement following the temporary reduction of China tariffs, thus the final print at end-May may fully reflect this.
- Both the current and outlook (46.5 vs 47.3) indices declined during the month, dented by the current assessments of personal finances (nearly -10%) on weakening incomes, and as consumers braced for higher inflationary pressures ahead (year-ahead expectations: 7.3% vs 6.5%, long-run: 4.6% vs 4.4%).
- Import prices unexpectedly rose 0.1% m/m in April, following a 0.4% m/m decline in March prices but details suggest that imports from most countries fell slightly or rose marginally despite the large increases in tariffs, a sign that US importers have likely absorbed most of the tariff increases. Import prices from China were down 0.1% m/m, narrowing from -0.5% m/m in March, while those from Mexico and Canada declined 0.1% m/m and 0.3% m/m respectively.
- On the housing front, building permits (-4.7% m/m and +1.9% m/m) fell more than expected in April, while housing starts (+1.6% m/m vs -10.1% m/m) rebounded less than expected, a sign of tepid growth for the sector going forward facing headwinds from higher construction costs, labour shortages and affordability issues.

Eurozone's trade surplus widened sharply on US

- Trade surplus widened to €36.8bn in March from a surplus of €24.0bn the prior month and +€22.8bn in March 2024, as exports surged 13.6% y/y & 2.9% m/m, outpacing imports growth at 8.8% y/y & 1.0% m/m. Notably, surplus to the US widened sharply to €40.7bn (Mar 2024: €16.7), as exports jumped 59.5% y/y on signs of front-loading ahead of the reciprocal tariffs in the month of April and thus could likely narrow moving forward.

Hong Kong's final 1Q GDP was maintained at 3.1% y/y; strongest growth since 4Q of 2023 driven by exports of goods and services

- The final Hong Kong 1Q GDP growth print was left unchanged at 3.1% y/y (4Q24: +2.5% y/y) as expected, but the quarterly growth was revised 0.1ppts lower to +1.9% q/q (4Q24: +0.9% q/q). At 3.1% y/y, this is the strongest growth since 4Q of 2023 driven by increase in visitor arrivals and cross-boundary economic activities, as well as goods export bump before

Trump's tariff. Private consumption remained weak, falling at a larger pace of 1.1% y/y as compared to -0.2% y/y in 4Q as residents continue to seek bargains in neighbouring Shenzhen due to the strong HKD.

- That said, the pace is unlikely to last as exports will likely take a hit from the paybacks from the front-loading, and this will cast a chilling effect on business sentiment and investment for Hong Kong. With this, the IMF has recently cut its 2025 GDP growth projection for Hong Kong from 3.0% to 1.5%, a shade lower than the Government's projection of 2-3% for the year.

Singapore NODX held strong despite softer exports to the US

- Singapore's non-oil domestic exports (NODX) were more robust than expected at +12.4% y/y in April (Mar: +5.4% y/y), with both exports of electronics (+23.5% y/y vs +12.2% y/y) as well as non-electronics (+9.3% y/y vs +3.7% y/y) accelerating during the month. Mirroring China's export trend, exports to the US (+1.2% y/y vs +6.2% y/y) decelerated sharply despite chips and pharmaceutical products exempted from the tariff levies, but these were cushioned by higher exports to the rest of its top 10 markets like Indonesia, Taiwan, South Korea and Malaysia.

Malaysia's 1Q GDP growth eased to 4.4% y/y amid moderation in domestic demand and net exports growth

- The final 1Q25 GDP growth print was maintained at +4.4% y/y (4Q24: +4.9% y/y revised), as per the advanced reading, largely within ours as well as market expectations. This marked its third straight quarters of moderation, and its slowest in a year, in line with our view that growth momentum has already begun to taper off even before the onset of higher tariffs and trade uncertainties. Despite this, the seasonally adjusted quarterly growth showed a rebound from 4Q24's 0.2% q/q contraction to an increase of +0.7% q/q in 1Q25, while monthly GDP showed a commendable uptick to +6.0% y/y in March, from the +3.5% and +3.6% y/y increase seen in January and February respectively, spurred by a sharp pick-up in services for the month of March (+6.7% vs +3.7% y/y in February) and a rebound in mining (+2.1% vs -7.9% y/y). This offset the slower growth in manufacturing (+4.1% vs +4.8% y/y in February), which also pointed to little pre-tariff frontloading activities in our view.
- Moving forward, given increasing downside risks to growth arising from uncertainties and impending global fallout from the trade disputes, we now foresee a softer growth prospect for the Malaysian economy in the region of 3.8-4.3% for 2025, down from the 4.5-5.0% projection earlier. Despite the downgrade, we remain cautiously optimistic that sustained domestic demand underpinned by resilient consumer spending will continue to anchor growth, helping cushion the adverse impact and risks

from a slower world economy and global trade. We also believe BNM would stand ready to act in the 2H of the year to support growth should downside growth risks materialize, as signalled by the slight dovish tilt in its latest May monetary policy statement. We therefore maintain our view for one 25bps OPR cut in the second half of 2025, and as early as July. (Refer to our detailed report "1Q25 GDP growth eased to 4.4% y/y as expected" on 16th May).

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	143-148	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
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%
20-May	CH 1-Year Loan Prime Rate	3.10%
	CH 5-Year Loan Prime Rate	3.60%
	MA Exports YoY (Apr)	6.80%
	AU RBA Cash Rate Target	4.10%
	HK Unemployment Rate SA (Apr)	3.20%
	EC Construction Output MoM (Mar)	-0.50%
	US Philadelphia Fed Non-Manufacturing Activity (May)	-42.7
	EC Consumer Confidence (May P)	-16.7

Source: Bloomberg

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