20 May 2025

Global Markets Research

Daily Market Highlights

20 May: Markets shrugged off Moody's downgrade on the US

US stocks & bonds rebounded to close higher; USD weakened against G10 peers

AUD jumped in anticipation of a hawkish RBA cut; EUR & GBP advanced after UK-EU deal

Pullback in China's first tier data for April; PBoC expected to lower policy rates today

- US stocks and treasuries pared early losses and closed Monday in the green as investors largely looked past Moody's downgrade of the US credit rating. The S&P 500 added 0.1% d/d, marking its sixth consecutive session of win, while the Dow gained 0.3% d/d and Nasdaq closed just above its flatline.
- US treasuries, meanwhile, rallied with yields closing down 2-4bps across the curve. The 2Y yield closed the day 2bps lower at 3.98%, 10Y slid 3bps to 4.45% while 30Y fell 4bps to 4.90%. Earlier in the session, yields have risen to highs of 4.04% for the 2Y, 4.56% for the 10Y and 5.04% for the 30Y.
- Elsewhere, Asian markets fell after Moody's downgrade on the US and generally softer China data, but Stoxx Eur 600 and FTSE 100 in Europe rose 0.1% d/d and 0.2% d/d respectively after the ***UK and EU agreed to a post-Brexit reset deal***. While the details will be set later, some key takeaways include: 1) Reducing red tape for British food and drink imports and exports. 2) Paving the way for the UK to participate in the EU's new £150bn defense fund. 3) Extending fishing rights for EU trawlers in UK waters until 2038.
- In the forex space, the DXY closed lower at 100.43 (-0.7% d/d) in the middle of the session's range of 100.06-100.88. The US Dollar weakened against all its G10 peers. AUD (+0.8% d/d to 0.6457) was amongst the best performers in anticipation of a hawkish RBA rate cut today, while EUR and GBP strengthened 0.7% d/d (to 1.1240) and 0.6% d/d (to 1.3361) respectively after the post-Brexit reset deal.
- Economic data was sparse to sway the forex market, but ***two Fed officials implied that the FOMC may not be ready to lower rates before September***. At the point of writing, the market is pricing less than 10% probability of a rate cut in the July FOMC meeting, but expects 2 quarter point cuts by end-2025.
- Against regionals, the Dollar closed mixed. CNH depreciated to 7.2180, before erasing some of these losses to close 0.1% d/d weaker at 7.2147. MYR and SGD, on the other hand, appreciated 0.1% d/d to 4.2908 and 0.4% d/d to 1.2947 respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,792.07	0.32
S&P 500	5,963.60	0.09
NASDAQ	19,215.46	0.02
Stoxx Eur 600	549.98	0.13
FTSE 100	8,699.31	0.17
Nikkei 225	37,498.63	-0.68
CSI 300	3,877.15	-0.31
Hang Seng	23,332.72	-0.05
Straits Times	3,876.20	-0.56
KLCI 30	1,556.14	-0.99
FX		
Dollar Index	100.43	-0.66
EUR/USD	1.1240	0.69
GBP/USD	1.3361	0.59
USD/JPY	144.86	-0.58
AUD/USD	0.6457	0.80
USD/CNH	7.2147	0.06
USD/MYR	4.2908	-0.07
USD/SGD	1.2947	-0.44
USD/KHR	4,009.00	0.05
USD/THB	33.065	-0.53
Commodities		
WTI ($/bbl)	62.69	0.32
Brent ($/bbl)	65.54	0.20
Gold ($/oz)	3,233.50	1.45
Copper ($$/MT)	9,523.50	0.80
Aluminum($/MT)	2,450.00	-1.27
CPO (RM/tonne)	3,820.00	-1.61

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 16 May for CPO*

- In the commodity space, crude oil prices ended the session 0.2-0.3% d/d higher in a volatile trading day, amid uncertainty over the Ukraine-Russia truce and Iran nuclear deals. The WTI closed the day at $62.69/barrel and Brent at $65.54/barrel.

US leading index recorded its largest monthly decline since 2023

- Matching expectations, the US leading index (LEI) registered its largest month decline since 2023 by -1.0% in April (Mar: -0.8% m/m). Widespread weakness was observed but notably for consumers' expectations, while the contribution of building permits and average worker hours for manufacturing also turned negative during the month. The LEI's six-month average declined further, but remained slightly above the recession signal threshold.

EC slashed its GDP forecasts for the Euro area; expects headline CPI to meet target by mid-2025

- Key highlights from the latest economic forecast by the European Commission (EC) include: 1) ***The EC expects GDP growth of 0.9% in 2025 for the euro area, unchanged from 2024 but a downgrade from its previous projection of 1.3%,*** owing to the impact of increased tariffs and the heightened uncertainty due to the abrupt changes in US trade policies. Despite this, ***Euro area growth is expected to rise to 1.4% in 2026*** supported by continued consumption growth and a rebound of investment. 2) Disinflation is anticipated to proceed more quickly than expected, as new disinflationary factors from ongoing trade tensions are expected to outweigh higher food prices and stronger short-term demand pressures. ***After averaging 2.4% in 2024, headline inflation in the euro area is expected to meet the ECB target by mid-2025 (2025 average: 2.1%) and to average 1.7% in 2026.*** 3) Exports are expected to grow by a modest 0.7% this year and 2.1% in 2026, downward revisions from its earlier projections of 2.2% and 3.0%, respectively.

Softer prints from China; industrial output beat forecasts but retail sales undershot

- Mixed April prints from China, but notably, the upward surprise in the IPI (+6.1% y/y vs +7.7% y/y) suggests some economic resiliency even at the height of the tariff tension, and that the economy will likely dodge a sharp slowdown. No doubt, uncertainty surrounding the outcome from the trade negotiations could likely keep corporates cautious from ramping up production and investment, but policy push from both fiscal and monetary fronts will likely help to negate them.
- Amongst the tariff hit products, output of steel and motor vehicles remained decent at +6.6% y/y and +8.5% y/y respectively (prior: +8.3% and +8.4% y/y). Fixed asset investment (FAI)

unexpectedly slowed to 4.0% YTD April given sluggish private demand, but notably, FAI into metal and car manufacturing industries continue to record double-digit growth, while property investment continues to underperform at -10.3% y/y.

- Retail sales slowed sharply to +5.1% y/y in April (Mar: 5.9%) despite a still sturdy labour market (unemployment rate: 5.1% in April vs 5.2% in Mar) and trade-in programme that continued to spur buying activities for big-tickets items like autos, smart phones and household goods.

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
USD/THB	32.84-33.46	32.70	33.00	33.10	32.70

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
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
21-May	JN Exports YoY (Apr)	3.90%
	AU Westpac Leading Index MoM (Apr)	-0.11%
	UK CPI Core YoY (Apr)	3.40%
	UK House Price Index YoY (Mar)	5.40%
	US MBA Mortgage Applications	1.10%

Source: Bloomberg

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