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Global Markets Research
Daily Market Highlights

21 Mar: Markets swung amid mixed US data post-FOMC

BOE, Riksbank & PBoC maintained policy rates; SNB lowered policy rate by 25bps
US leading index worsened; existing home sales rebounded; jobless claims remain low
Quicker export growth for Malaysia; but expect softer exports outlook ahead

- The post-FOMC rally sputtered overnight, with equities erasing earlier gains from housing data boost. All the 3 major US averages closed the day 0-0.3% d/d lower, and is set for more volatility today amid triple witching for options. Meanwhile, the sub-components for S&P 500 traded mixed, with safer stocks like healthcare mostly outperforming its peers like consumer discretionary.
- Elsewhere, Stoxx Eur 500 tumbled 0.4% d/d following comments from ECB President Christine Lagarde that the tariff war could weaken growth for the region. Asian markets closed mixed after China and the US kept their policy rates steady.
- US treasuries yields were mixed and little changed at +/-1bps. The benchmark 2- and 10Y yields closed the day 1bps lower at 3.96% and 4.24% respectively. Trading in European sovereign bonds were equally muted, with the 10Y yields closing the day mixed between -4 to +1bps.
- In the forex space, DXY closed up 0.4% d/d to 103.85 and the Dollar strengthened against most of its G10 peers amid Fed's "no hurry to cut" stance and as investors await the April 2 tariff deadline. SEK (-0.3% d/d) and GBP (-0.3% d/d to 1.2967) weakened after the central banks kept their policy rates unchanged, while CHF plunged 0.5% d/d after the Swiss National Bank lowered its policy rate by 25bps to 0.25% as per expectations. Appetite for EUR was dented by Lagarde's comments, and EUR weakened 0.5% d/d to 1.0851.
- Meanwhile, regional currencies closed mixed in tune to +/-0.3% d/d against the Dollar, with CNH and SGD depreciating 0.3% d/d each to 7.2522 and 1.3348 respectively. MYR strengthened to its session high of 4.4178 before paring its gains to close the day 0.2% d/d stronger at 4.4253 against the USD.
- In the commodity space, the WTI and Brent gained 1.6-1.7% d/d to $68.26/barrel and $72.00/barrel respectively after the US slapped more sanctions on Iran-related crude oil.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,953.32	-0.03
S&P 500	5,662.89	-0.22
NASDAQ	17,691.63	-0.33
Stoxx Eur 600	552.98	-0.43
FTSE 100	8,701.99	-0.05
Nikkei 225	37,751.88	-0.25
CSI 300	3,974.99	-0.88
Hang Seng	24,219.95	-2.23
Straits Times	3,930.49	0.00
KLCI 30	1,504.16	-0.89
FX		
Dollar Index	103.85	0.41
EUR/USD	1.0851	-0.48
GBP/USD	1.2967	-0.28
USD/JPY	148.78	0.06
AUD/USD	0.6303	-0.85
USD/CNH	7.2522	0.29
USD/MYR	4.4253	-0.24
USD/SGD	1.3348	0.32
Commodities		
WTI ($/bbl)	68.26	1.64
Brent ($/bbl)	72.00	1.72
Gold ($/oz)	3,043.80	0.09
Copper ($$/MT)	9,936.50	-0.51
Aluminum($/MT)	2,659.50	-0.43
CPO (RM/tonne)	4,706.50	-0.89

Source: Bloomberg, HLBB Global Markets Research
** Nikkei 225, CPO dated as of 19 Mar*

BOE maintained Bank Rate at 4.50%, reinstated its gradual and careful rate cut stance; still elevated pay gains and stabilizing jobs data for the UK

- The monetary policy committee of the Bank of England (BOE), voted by a majority of 8–1 to maintain its bank rate at 4.50%. One member preferred to lower the policy rate by 25bps. Key highlights include: 1) ***The central bank stuck with the line "a gradual and careful approach*** to the further withdrawal of monetary policy restraint is appropriate." Barring a collapse in the jobs market or a shock in inflation, this reaffirms our expectations of quarterly rate cuts through 3Q of 2025 at least. 2) Heightened uncertainties from the global trade policy and geopolitical landscape were flagged numerous times in the statement. 3) While UK GDP growth estimates have been slightly stronger than expected, business surveys continue to suggest weakness in growth and employment intentions. ***For 1Q, BOE expects the economy to grow by 0.25%*** (prior estimate: +0.1%). 4) Domestic price and wage pressures are moderating, but remain elevated. BOE expects ***CPI inflation to accelerate to around 3.75% in 3Q*** (Jan: 3.1%).
- Meanwhile, elevated pay gains and stabilizing job data released reaffirmed our gradual rate cuts going forward, either matched expectations or were better than expected. Payrolled employees change increased by +21k in February, defying expectations for a downtick from +9k previously. Unemployment rate held steady for the third month at 4.4% y/y, while weekly earnings ex-bonus was also unchanged at +5.9% y/y for the 3-months ended January. The estimated number of vacancies in the UK fell by 9k, but remains above pre-COVID pandemic levels.
- Meanwhile, the GfK consumer confidence index was largely unchanged, improving slightly to -19 in March from -20 previously. Sub-indicators were mixed, but broadly points general weakness.

PBoC maintained 1Y and 5Y lending rates at 3.10% and 3.60%

- As widely expected, the People's Bank of China (PBoC) left its 1- and 5Y lending rates unchanged at 3.10% and 3.60% respectively. That said, Premier Li Qiang has pledged "timely" interest rate cuts and long-term liquidity injections in the banking sector this year to support the economy and prop the property market, and to offset the fallout from higher tariffs.

US LEI worsened on consumer sentiment; existing home sales rebounded; jobless claims ticked up but remains low

- Leading index (LEI) fell more than expected by 0.3% m/m in February (prior: -0.2% m/m). Half of the 10 components fell, and were driven by more pessimistic consumers' expectations of future business conditions. While the LEI's 6-month growth rate remained on an upward trend, weaknesses amongst the sub-components flagged headwinds ahead.

- Stabilizing mortgage rates, improved weather, more inventory and choices, as well as pent-up demand saw existing home sales rebounding by 4.2% m/m to 4.26m in February (prior: -4.7% m/m). Accompanying data also showed that median existing-home sales price rose 3.8% y/y to $398.4k, while the inventory of unsold existing homes climbed 5.1% m/m to 1.24, or the equivalent of 3.5 months' supply at the current monthly sales pace.
- The labour market remains solid, with jobless claims still low, but the impact of DOGE cuts will increasingly be felt in the prints going forward. Initial jobless claims rose less than expected to 223k for the week ended March 15 (+2k vs -1k), while continuing claims jumped 33k to 1892k the week prior (Mar 1: -38k).

Australia's unemployment rate held steady at 4.1%

- Unemployment rate remained steady within the 3.9-4.1% range over the past year, standing at 4.1% for the month of February. The stable rate was largely due to fewer older workers returning to work during the month and consequently lower participation rate (66.8% vs 67.2%), which offset the unexpected 52.8k decline in employment level (prior: +30.5k). As it is, recent indicators suggest that labour market conditions remain tight despite some gradual easing and will likely remain steady going forward.

Japan's inflation eased the first time in 4 months on energy subsidies; still higher than expected

- CPI inflation (headline: 3.7% y/y vs +4.0% y/y; core: +3.0% y/y vs +3.2% y/y) slowed for the first time in 4 months as the resumption in energy subsidies helped to lower utility costs. That said, prices were higher than expected, and broadly in line with the bank's outlook that inflation will ease gradually. As such, there is also no change in our view of gradual rate hikes going forward, pencilling the next one in 3Q.

Hong Kong's inflation decelerated sharply to +1.4%

- CPI inflation decelerated more than expected to +1.4% y/y in February (prior: +2.0% y/y)., likely due to the timing of Chinese this year as compared to 2024. Overall outlook should remain moderate in the near term., with domestic costs pressures increasing somewhat, offsetting softer external price pressures. That said, uncertainties from the geopolitical tensions and trade conflicts pose an upside risk to prices.

Wider trade surplus amid quicker exports growth and slower imports growth; expect softer exports outlook ahead amid slower global trade and growth outlook

- Exports grew at a faster pace of 6.2% y/y in February, bouncing off the meagre 0.3% y/y increase in January, due to the timing difference of the Lunar New Year for this (Jan) and last year (Feb).

February saw encouraging pick-up in most exports categories, namely manufacturing (+8.8% vs +0.4% y/y) and agriculture (+27.4% vs +11.0% y/y), while mining exports registered bigger contraction (-33.0% vs -12.6% y/y), dragged by hefty falls in both crude petroleum and LNG.

- Contrary to the pick-up in exports growth, imports growth eased for the 2nd straight month, to 5.5% y/y in February (Jan: +6.2% y/y). This helped widen the trade surplus again from pandemic-low levels to RM12.6bn (Jan: RM3.7bn), and will provide the much needed support to 1Q growth. The underlying details were also encouraging, as the pick-up in intermediate goods imports (+5.8% vs +3.3% y/y) and rebound in consumption goods imports (+7.4% vs -2.6% y/y), suggest continuous growth in exports and domestic consumption in the near term. Capital goods imports remained hefty with a 35.3% y/y increase, albeit slowing from the 45.9% y/y growth in January.
- Looking ahead, we continue to expect some bumps in the near term, foreseeing a contraction in March followed by a rebound in April given the swings from festive seasons. However, for the year as a whole, we remain cautiously optimistic that exports will continue to expand in 2025, albeit at a more gradual pace as imminent trade conflicts and potential shift in international trade flows will inadvertently keep a lid on global trade activities, more so given the tit-for-tat retaliation from affected countries.

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	0.25	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

Up Next

Date	Events	Prior
21-Mar	MA CPI YoY (Feb)	1.70%
	EC Consumer Confidence (Mar P)	-13.6
24-Mar	AU S&P Global Australia PMI Mfg (Mar P)	50.4
	AU S&P Global Australia PMI Services (Mar P)	50.8
	JN Jibun Bank Japan PMI Mfg (Mar P)	49
	JN Jibun Bank Japan PMI Services (Mar P)	53.7
	SI CPI Core YoY (Feb)	0.80%
	MA Foreign Reserves	$118.3b
	EC HCOB Eurozone Manufacturing PMI (Mar P)	47.6
	EC HCOB Eurozone Services PMI (Mar P)	50.6
	UK S&P Global UK Manufacturing PMI (Mar P)	46.9
	UK S&P Global UK Services PMI (Mar P)	51
	US Chicago Fed Nat Activity Index (Feb)	-0.03
	US S&P Global US Manufacturing PMI (Mar P)	52.7
	US S&P Global US Services PMI (Mar P)	51

Source: Bloomberg

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