22 May 2025

Global Markets Research

Daily Market Highlights

22 May: Sell-off in US asset continues

US stocks tumbled and UST yields spiked amid jittery over budget deficit

DXY below 100; JPY strengthened on safe haven bids and higher JGB yields

Jump in UK's inflation saw traders paring rate cut bets; GBP strengthened

- Continuous jittery over US budget deficit, coupled with a disappointing Treasury bond auction saw Treasury yields spiking 5-13bps across the board and sapping demand for risky assets like US stocks. Also weighing on the indices were a sell-off in retail stocks, led by Target after the retail giant cut its annual outlook. Lowe's and TJX nonetheless held their guidance for the year.
- These saw the Dow dropping 1.9% d/d overnight, while the S&P 500 and Nasdaq lost 1.6% d/d and 1.4% d/d each. The 2Y UST yield jumped 5bps to 4.09%, while the 10Y, 20Y and 30Y yields spiked 11-13bps to close at 4.60%, 5.12% and 5.09% respectively.
- Elsewhere, European equity markets were largely steady, with Stoxx Eur 600 closing just below its flatline while FTSE 100 gained 0.1% d/d. 10Y European bond yields were 3-5bps higher led by UK gilts. In Asia, Nikkei 225 (-0.6% d/d) underperformed its regional peers following the disappointing export prints and are poised to extend its losses today following futures and the sell-off in Wall Street overnight.
- In the forex space, concerns over Trump's tax bill saw the Dollar weakening against its G10 peers for the third day. The DXY fell 0.6% d/d to 99.56. NOK, SEK and JPY (+0.6% d/d to 143.68) led gains against greenback. JPT was supported by its safe haven status and the climb in JGB yields, and could likely extend its upward trend today following the jump in core machine orders print this morning. GBP jumped to as high as 1.3469 following the higher-than-expected UK inflation prints, but later pared its gains to close 0.2% d/d stronger at 1.3420.
- Led by KRW, THB (+0.8% d/d to 32.79) and MYR (+0.6% d/d to 4.2710), most regional currencies also appreciated against the USD. SGD strengthened at a narrower pace of 0.5% d/d to 1.2889, and CNH by +0.2% d/d to 7.2041.
- In the commodity space, oil prices slid after the Energy Information Administration reported a buildup in US crude inventories and a decline in gasoline demand, eclipsing

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,860.44	-1.91
S&P 500	5,844.61	-1.61
NASDAQ	18,872.64	-1.41
Stoxx Eur 600	553.82	-0.04
FTSE 100	8,786.46	0.06
Nikkei 225	37,298.98	-0.61
CSI 300	3,916.38	0.47
Hang Seng	23,827.78	0.62
Straits Times	3,882.55	0.00
KLCI 30	1,544.80	-0.26
FX		
Dollar Index	99.56	-0.56
EUR/USD	1.1331	0.43
GBP/USD	1.3420	0.20
USD/JPY	143.68	-0.57
AUD/USD	0.6436	0.19
USD/CNH	7.2041	-0.15
USD/MYR	4.2710	-0.62
USD/SGD	1.2889	-0.49
USD/KHR	4,006.50	-0.02
USD/THB	32.792	-0.83
Commodities		
WTI ($/bbl)	61.57	-1.58
Brent ($/bbl)	64.91	-0.72
Gold ($/oz)	3,313.50	0.88
Copper ($$/MT)	9,533.50	0.15
Aluminum($/MT)	2,471.50	0.00
CPO (RM/tonne)	3,948.50	1.50

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 20 May for CPO*

concerns over Israel strike on Iran. The WTI tumbled 1.6% d/d to $61.57/barrel and Brent by 0.7% d/d to $64.91/barrel.

US' mortgage applications tumbled on higher mortgage rates

- Mortgage applications continued to be driven by fluctuations in mortgage rates. Mortgage rates jumped to their highest level since February for the week ended May 16 (30Y fixed rate @ 6.92%). Investors are concerned about rising inflation and the impact of increasing deficits and debt, hence sending mortgage applications down 5.1% during the week (prior: +1.1% w/w).

UK's inflation jumped to its highest in over a year

- UK inflation overshot expectations, with headline and core accelerating more than expected to 3.5% y/y and 3.8% y/y in April (Mar: +2.6% y/y and +3.4% y/y), largely driven by a raft of administered price increases like energy and water, as well as temporary factors like airfares and recreation & culture demand due to the Easter break. Consequently, services inflation also climbed 0.7ppts to 5.4% y/y in a sign of underlying price pressure, reinforcing BOE's tone of sticky inflation and cautious easing cycle ahead. The data saw markets paring rate cut bets, but we are maintaining our view of a 25bps rate cut each for 3Q and 4Q of 2025.
- Meanwhile, growth in house prices continued to pick up pace to 6.4% y/y in March from +5.5% y/y driven by the North East region, while those in London eased for the second month to +0.8% y/y (Prior: +1.4% y/y).

Australia's leading index fell at a smaller pace; S&P composite PMI fell slightly; likely subpar growth for 2025

- The Westpac leading index fell at a narrower pace of 0.01% m/m in April (Mar: -0.15% m/m), while the 6-month annualised growth rate slowed to 0.2% from 0.5% previously. This suggests sub-par growth for the rest of 2025, as external factors like uncertainty and less supportive commodity price drags on growth.
- Mirroring the leading index, data this morning by the S&P also showed a loss of momentum for the economy. The Composite PMI edged down slightly to 50.6 in May (Apr: 51.0), amongst its weakest in seen in 2025 as the manufacturing index held steady at 51.7 while services fell slightly to 50.5 (Apr: 51.0). That said, details were a mixed bag, with business sentiment waning, but companies were confident to hire staff at a solid pace. New order also continued to grow.

Jump in Japan's machine orders, but outlook not as upbeat

- Defying expectations for a contraction, core machine orders jumped 13.0% m/m in March (Feb: +4.3% m/m) as orders for both manufacturing and non-manufacturing recorded solid orders. Outlook is nonetheless less upbeat for 2Q, with orders expected to fall 2.1%, weighed down by the non-manufacturing sector (-4.5% vs +5.7% in 1Q), while manufacturing is expected rebound 1.7% (1Q: -0.9%) despite concerns over Trump's tariff.

Singapore's final 1Q GDP growth revised slightly up to 3.9% y/y

- The final 1Q GDP was revised up 0.1ppts to 3.9% y/y, and fell at a narrower pace of 0.6% on a quarterly basis (4Q: +5.0% y/y vs +0.5% q/q). At the same time, the government maintained its GDP growth forecast for 2025 at 0.0 to 2.0%.
- On a y/y basis, the slower growth was driven by a deceleration in the manufacturing (+4.0% vs +7.4% y/y) and services (+3.6% and +4.6% y/y) sectors, while construction picked up pace to +5.5% y/y, from +4.4% y/y previously. Within manufacturing, growth was mainly driven by higher output in the electronics, precision engineering and transport engineering clusters. Within services, growth eased due to wholesale trade, finance & insurance as well as other services, and a contraction in accommodation.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	99-103	99.36	98.60	97.69	96.58
EUR/USD	1.10-1.14	1.14	1.16	1.18	1.19
GBP/USD	1.31-1.35	1.34	1.34	1.35	1.36
USD/CHF	0.81-0.85	0.83	0.84	0.84	0.85
USD/JPY	143-148	144	146	145	142
AUD/USD	0.62-0.66	0.65	0.65	0.65	0.66
NZD/USD	0.57-0.61	0.60	0.60	0.59	0.60
USD/CNY	7.19-7.26	7.06	7.13	7.17	7.10
USD/MYR	4.24-4.33	4.20	4.24	4.24	4.20
USD/SGD	1.28-1.32	1.28	1.30	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	4.25-4.50	4.00-4.25	3.75-4.00	3.50.-3.75
ECB	2.25	2.25	2.00	2.00	2.00
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	3.85	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
22-May	JN Jibun Bank Japan PMI Mfg (May P)	48.7
	JN Jibun Bank Japan PMI Services (May P)	52.4

	MA CPI YoY (Apr)	1.40%
	MA Foreign Reserves	$118.7b
	EC HCOB Eurozone Manufacturing PMI (May P)	49
	EC HCOB Eurozone Services PMI (May P)	50.1
	HK CPI Composite YoY (Apr)	1.40%
	UK S&P Global UK Manufacturing PMI (May P)	45.4
	UK S&P Global UK Services PMI (May P)	49
	UK CBI Trends Total Orders (May)	-26
	US Chicago Fed Nat Activity Index (Apr)	-0.03
	US Initial Jobless Claims	229k
	US S&P Global US Manufacturing PMI (May P)	50.2
	US S&P Global US Services PMI (May P)	50.8
	US Existing Home Sales MoM (Apr)	-5.90%
	US Kansas City Fed Manf. Activity (May)	-4
23-May	UK GfK Consumer Confidence (May)	-23
	JN Natl CPI Ex Fresh Food, Energy YoY (Apr)	2.90%
	SI CPI Core YoY (Apr)	0.50%
	UK Retail Sales Inc Auto Fuel MoM (Apr)	0.40%
	EC Euro Area Indicator of Negotiated Wage Rates	
	US New Home Sales MoM (Apr)	7.40%
	US Kansas City Fed Services Activity (May)	3

Source: Bloomberg

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