23 May 2025

Global Markets Research
Daily Market Highlights

23 May: Trump's tax bill heightened fiscal concerns

US equities plunged in late trading hours; treasuries and DXY rebounded
Mixed PMIs for the majors in May; all contractionary save for the US
Malaysia CPI steadied near 4-year low; Japan's core inflation at 2-year high

- Wall Street failed to make a comeback from the Treasury sell-off due to fiscal fears. After a brief pause in stock sell off, the Dow and S&P 500 lost steam in their last hours of trading and wiped out earlier gains to close in the red. This came after news that the House narrowly passed the wide-ranging tax and spending bill backed by Trump. While the legislation still needs Senate approval, it is estimated to increase the US budget deficit by about $3-4 trillion over the next decade.
- Despite this fiscal concern, dip buying saw the 30Y Treasury yield retreating from its intraday high of 5.15% (highest since 2023) to close 5bps lower at 5.04%. The benchmark 2Y yield also fell 3bps to 3.99%, while the 10Y dropped 7bps to 4.53%.
- Elsewhere, Asian and European stocks retreated, echoing Wednesday's falls in Wall Street, while trading in the 10Y European bonds were muted and yields closed mixed between -1 to +3bps.
- In the forex space, the Dollar strengthened against most of its G10 peers after US' PMIs beat estimates and the DXY closed 0.4% d/d higher at 99.96. NZD (-0.7% d/d) lagged its peers, after the Treasury department lowered its GDP forecasts for 2025-26. EUR weakened 0.4% d/d to 1.1281) while the sterling closed marginally weaker at 1.3419 after releases of their contractionary PMIs.
- Regional currencies closed mixed, with IDR and TWD leading gains, while INR and KRW lagged. MYR and SGD appreciated 0.1% and 0.3% d/d to close the day at 4.2735 and 1.2926 respectively.
- In the commodity space, reports that OPEC+ members are discussing a potential third output hike in July saw the WTI tumbling 0.6% d/d to $61.20/barrel, and Brent sliding 0.7% d/d to $64.44/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,859.09	0.00
S&P 500	5,842.01	-0.04
NASDAQ	18,925.73	0.28
Stoxx Eur 600	550.27	-0.64
FTSE 100	8,739.26	-0.54
Nikkei 225	36,985.87	-0.84
CSI 300	3,913.87	-0.06
Hang Seng	23,544.31	-1.19
Straits Times	3,880.09	-0.06
KLCI 30	1,527.02	-1.15
FX		
Dollar Index	99.96	0.40
EUR/USD	1.1281	-0.44
GBP/USD	1.3419	-0.01
USD/JPY	144.01	0.23
AUD/USD	0.6411	-0.39
USD/CNH	7.2044	0.00
USD/MYR	4.2735	0.06
USD/SGD	1.2926	0.29
USD/KHR	4,007.25	0.02
USD/THB	32.825	0.10
Commodities		
WTI ($/bbl)	61.20	-0.60
Brent ($/bbl)	64.44	-0.72
Gold ($/oz)	3,295.00	-0.56
Copper ($$/MT)	9,500.50	-0.35
Aluminum($/MT)	2,456.00	-0.63
CPO (RM/tonne)	3,908.00	-1.03

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 21 May for CPO*

Mixed PMIs for the majors; expansionary for the US but contractionary for the rest

- The US Composite PMI rebounded more than expected from its 19-month low of 50.6 in April to 52.1 in May, as both the manufacturing (52.3 vs 50.2) and services (52.3 vs 50.8) sectors accelerated more than expected. Both the current and future output indices improved thanks to the pause in tariffs, but remained subdued amid ongoing concerns over tariff impact.
- In the Eurozone, the Composite PMI unexpectedly turned contractionary for the first time in 5 months at 49.5 (Apr: 50.4) as the services sector unexpectedly shrank for the first time since November 2024 at 48.9 (prior: 50.1) weighed down by both export and domestic demand. This more than offset the third consecutive month of improvement and better than expected manufacturing sector (49.4 vs 49.0). Expectations index suggests that companies are only cautiously optimistic for the future, supported by ECB rate cuts and bumper budget in Germany.
- The UK PMI contracted for the second month running with the Composite PMI at 49.4 in May (Apr: 48.5). The downturn was driven by a steeper than expected downturn for manufacturing (45.1 vs 45.4), offsetting the slightly better than expected rebound in services (50.2 vs 49.0). The downturn in the manufacturing sector mirrors CBI total orders which remained below normal and unexpectedly worsened to -30% in May (Apr: -26%). As it is, sunny weather and the tariff pause appears to have boosted business confidence, but prospects for the year ahead are still subdued amid the weak new orders due to cutbacks in non-essential spending and delayed investment decision.
- Japan's PMI retreated below the 50-threshold for the second time in 3 months in May (Composite PMI: 49.8 vs 51.2), weighed down by the contraction for the manufacturing sector (49.0 vs 48.7) while services eased (50.8 vs 52.4). Demand conditions also looked more fragile with new orders contracting, while business confidence slid to its second-lowest since the COVID-19 pandemic. Amid uncertainty around the future trade environment and foreign demand, this will likely dampen production outlook for the year ahead.

US existing home sales fell amid higher house prices; jobless claims eased to its lowest in 4 weeks

- Albeit worse than expected, the decline in existing home sales narrowed to -0.5% m/m in April from -5.9% m/m previously as home prices remained elevated and rose for the 22nd month by 1.8% y/y to $414.0k. Consequently, the inventory of unsold existing homes jumped 9.0% m/m to 1.45m, or the equivalent of 4.4 months' supply at the current monthly sales pace, up from

4.0 months previously. While pent-up demand remains, economic uncertainty, softer labour market, still elevated home prices and mortgage rates will likely weigh on housing activities going forward

- On the labour front, jobless claims fell to its lowest in 4 weeks in a sign that the job market remains healthy and businesses are still taking a wait-and-see approach to hiring or firing. Initial jobless claims unexpectedly fell 2k to 227k for the week ended May 17th after holding steady the prior week, but the volatile continuing claims jumped more than expected by 36k to 1903k for the week ended May 10. This comes after declining for the past 2 consecutive weeks.

Quick core inflation in 2 years for Japan

- Core inflation, which excludes fresh food accelerated more than expected to 3.5% y/y in April (Mar: 3.2% y/y), its fastest pace in 2 years largely driven by higher food and energy prices, the latter as the government phases out subsidies for gas and electricity.
- Despite the hotter prices which could pressure the BOJ to hike, there is no change in our view of a status quo for the policy rate until 4Q amid some pockets of weakness in the economy as well as ongoing uncertainty in the trade policies.

Hong Kong's inflation jumped but remained modest

- Inflation remained largely moderate despite accelerating to +2.0% y/y in April (Mar: +1.4% y/y) and is expected to stay modest for the rest of the year (2025 forecast: 1.8% y/y). The uptick in underlying inflation mainly reflects temporary increases in the travel-related component due to the timing of the Easter holiday, while prices for the rest stayed contained in general.

Malaysia benign inflation will provide more policy flexibility for BNM to prioritize growth

- Malaysia's consumer price index (CPI) held steady at its lowest in nearly four years, at +1.4% y/y in April (Mar: +1.4% y/y) as expected, while core picked up for the first month in four, from +1.9% y/y in March to +2.0% y/y in April. Services CPI also gained speed to 2.1% y/y (Mar: +2.0% y/y), its first uptick in six months and its highest reading in five months. On a monthly basis, prices rose 0.1% m/m after staying stagnant in March.
- Despite these upticks, we reiterate our view of little signs of any inflationary pressure in the system. Despite concerns over potential upside risks from higher tariffs as well as policy price adjustments on domestic prices in the second half of the year, we opine overall inflation will remain well-contained, hence giving BNM more room to maneuver in adjusting monetary

policy should growth outlook deteriorate sharply as a result of slowdown in global trade and global growth. We therefore maintain our view for an OPR cut in the 2H of the year to help support growth amid external fallout stemming from the trade jitters.

- On a separate note, foreign reserves rose at a faster pace of $0.4bn in 1H of May to $119.1bn as at 15 May (2H of April: +$0.3bn). The reserves position is sufficient to finance 5.0 months of imports and is 0.9 times the total short-term external debt.

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
23-May	UK GfK Consumer Confidence (May)	-23
	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
26-May	SI Industrial Production YoY (Apr)	5.80%
	HK Exports YoY (Apr)	18.50%

Source: Bloomberg

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