24 February 2025

Global Markets Research
Daily Market Highlights

24 Feb: Renewed concern over health of the US economy

US bonds extended rally; stocks fell amid slowdown in Services PMI, drop in home sales
Preliminary PMIs suggest business activity for most majors nearly stalled in February
Malaysia's CPI surprised on the downside; maintain mild inflation and OPR pause view

- US bonds extended their rally while stocks came under pressure last Friday after US S&P PMI showed services sector weakness and existing home sales fell, pointing to signs of a lacklustre economy. Flagging health care stocks after UnitedHealth stocks plunged amid reports of a DOJ probe into Medicare billing also weighed on sentiment, sending all the three major US stock indices down 1.7-2.2% d/d.
- In global markets, European stocks (Stoxx 600: +0.5% d/d) rose, boosted by chemical stocks and Novo Nordisk A/S gains, while enthusiasm over AI sparked a rally in Hang Seng (+4.0% d/d) and CSI 300 (+1.3% d/d). That said, Asian stocks are likely to echo Wall Street's slump today.
- In the bond space, Treasury yields were sharply lower by 7bps across the curve as investors ran for cover in the view of the equities market sell-off and as concern over the health of the economy grew. The 2Y yield settled at 4.20%, while the 10Y yield closed at 4.43%. 10Y European bond yields slid between 4-7bps.
- Within the forex space, the DXY closed up 0.2% d/d at 106.61, following the jump in US consumers' inflation expectations and the Dollar strengthened against all its G10 peers save for the JPY (+0.3% d/d to 149.27). AUD (-0.7% d/d to 0.6357) and NOK underperformed their peers, while EUR weakened 0.4% d/d to 1.0458 ahead of Germany's election, where the conservative opposition party emerged as the winner according to newswires this morning. GBP depreciated by 0.3% d/d to 1.2632, despite a brief support from UK's retail sales print.
- Regional currencies closed mixed against the greenback, with CNH and SGD depreciating between 0.2-0.3% d/d to 7.2550 and 1.3366 respectively while MYR strengthened 0.3% d/d to 4.4183.
- In the commodity space, oil prices settled lower on easier Middle East risk premium and weakening supply constraints. WTI closed the day 3.0% d/d down at $70.40/barrel, while Brent slid 2.7% d/d to $74.43/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,428.02	-1.69
S&P 500	6,013.13	-1.71
NASDAQ	19,524.01	-2.20
Stoxx Eur 600	553.85	0.52
FTSE 100	8,659.37	-0.04
Nikkei 225	38,776.94	0.26
CSI 300	3,978.44	1.26
Hang Seng	23,477.92	3.99
Straits Times	3,929.94	0.06
KLCI 30	1,591.03	0.85
FX		
Dollar Index	106.61	0.23
EUR/USD	1.0458	-0.41
GBP/USD	1.2632	-0.29
USD/JPY	149.27	-0.25
AUD/USD	0.6357	-0.67
USD/CNH	7.2550	0.27
USD/MYR	4.4183	-0.25
USD/SGD	1.3366	0.23
Commodities		
WTI ($/bbl)	70.40	-2.99
Brent ($/bbl)	74.43	-2.68
Gold ($/oz)	2,937.60	-0.08
Copper ($$/MT)	9,559.00	-0.05
Aluminum($/MT)	2,688.00	-1.45
CPO (RM/tonne)	4,840.50	1.12

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 20 Feb*

S&P PMIs suggest the business activity for most majors nearly stalled in February

- US PMI suggests that business activity growth came close to stalling in February (worse than expected at 50.4 vs 52.7), as a renewed fall in services sector (49.7 vs 52.9) offset faster manufacturing (51.6 vs 51.2) growth, the latter driven by a temporary boost linked to the front-running of tariffs. With new order growth and business expectations weakening, this suggests faltering growth in 2H of the year.
- Eurozone continued to eke out marginal growth in February (unexpectedly unchanged at 50.2), as the services sector showed some signs of renewed weakness (50.7 vs 51.3) while the manufacturing sector showed smaller contraction (47.3 vs 46.6). Moving forward, a new German government may provide a positive impetus for the eurozone as a whole, but this will be offset by a relatively unstable France and US trade policy, suggesting no sight of recovery in the near term.
- Preliminary UK Composite PMI (slightly below expectations at 50.5 vs 50.6) suggests that the economy largely stalled as the pick-up in the services sector (51.1 vs 50.8) offset a solid downtick in the manufacturing sector (46.4 vs 48.3). With sales pipelines subdued, job losses mounting and rising costs, this points to stagflationary risk for the economy.
- Japan's composite PMI rose to its highest in 5 months at 51.6 (Jan: 51.1), driven by modest improvement in services (53.1 vs 53:0) while manufacturing (48.9 vs 48.7) fell at a softer rate. That said, confidence regarding business activity growth over the next year softened to its lowest since 2021, as companies cited labour shortages, persistent inflation and economic malaise in the domestic economy as factors dampening overall sentiment.

US existing home sales fell; consumer confidence index revised lower

- Still elevated mortgage rates and home prices, coupled with on-off factors like the wildfires in Los Angeles and severe winter storms, sent home sales falling more than expected by 4.9% m/m in January (prior: +2.9% m/m). The median existing-home sales price gained further by 4.8% y/y to $396.9k, while the inventory of unsold existing homes grew 3.5% m/m, or the equivalent of 3.5 months' supply at the current monthly sales pace.
- The University of Michigan Sentiment index was revised a whopping 3.1ppts down to 64.7 in February (Jan: 71.7), as consumers' confidence was dented by fears of tariff-induced price increases. This is reflected in the jump in year-ahead inflation expectations to 4.3%, its highest reading since November 2023 and marking two consecutive months of unusually large increases.

Better than expected, but still weak consumer confidence and retail sales print for the UK

- Better than expected prints on the consumer front for the UK. While the higher minimum wage will further lend support going forward, still low consumer confidence (GfK index: -20 in Feb vs -22 in Jan), suggests that consumer spending is unlikely to show any significant improvements soon.
- Retail sales rebounded by 1.7% m/m in January (prior: -0.6% mm/m), but this was primarily due to food store sales, while non-food stores sales fell across the board. The former posted its largest rise since March 2020 with more people eating at home, while the latter saw clothing retailers and household goods stores leading the decline.

Malaysia's CPI surprised on the downside, but core rose for the first time in ten months

- Consumer price index (CPI) surprised on the downside for the 3rd straight month, holding steady at +1.7% y/y in January, contrary to our as well as market expectations for a slight uptick to +1.8% y/y. This somewhat reaffirmed the case of still very well-contained inflation in the system. However, a closer scrutiny on the details revealed that the overall inflationary environment was not as stable as the headline suggests. 9 out of the 13 key categories registered higher inflation while 2 saw smaller declines. This offset slower inflation seen in the two 'heavy-weights" food & beverages, and housing & utilities, which respectively made up 29.8% and 23.2% of the CPI basket. Besides, core CPI increased at a faster pace for the first time in ten months, to +1.8% y/y in January, bouncing back from a near 3-year low of +1.6% y/y in December.
- Our projection shows CPI prints will likely taper off further to the 1.0% level in the absence of both supply-push and demand-pull inflationary pressure, before picking up in the 2H of the year, as and when policy price adjustments kick in. Despite this, overall inflation outlook is expected to remain very benign despite potential upside risks from proposed subsidy rationalization, most notably electricity and petrol. We are maintaining our inflation forecast of 2.0-3.0% at this juncture pending more clarity on the timing and implementation of RON95 subsidy retargeting.
- On a separate note, foreign reserves increased further by $1.3bn in 1H of the month to $117.7bn as at 14 February (2H of Jan: +$0.9bn to $116.4bn). The reserves position is sufficient to finance 5.0 months of imports and is 0.9 times of the total short-term external debt.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	105-108	109.10	108.58	106.93	105.27
EUR/USD	1.03-1.07	1.03	1.03	1.05	1.06
GBP/USD	1.25-1.28	1.24	1.24	1.25	1.27

USD/CHF	0.88-0.93	0.91	0.91	0.90	0.88
USD/JPY	146-153	158	155	150	146
AUD/USD	0.62-0.66	0.62	0.63	0.64	0.66
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.22-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.39-4.46	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	2.75	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.10	4.10	3.85	3.60	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	**Events**	**Prior**
24-Feb	SI CPI Core YoY (Jan)	1.80%
	EC CPI Core YoY (Jan F)	2.70%
	US Chicago Fed Nat Activity Index (Jan)	0.15
	US Dallas Fed Manf. Activity (Feb)	14.1
25-Feb	JN PPI Services YoY (Jan)	2.90%
	HK Exports YoY (Jan)	5.20%
	UK CBI Retailing Reported Sales (Feb)	-24
	US Philadelphia Fed Non-Manufacturing Activity (Feb)	-9.1
	US FHFA House Price Index MoM (Dec)	0.30%
	US House Price Purchase Index QoQ (4Q)	0.70%
	US S&P CoreLogic CS US HPI YoY NSA (Dec)	3.75%
	US Conf. Board Consumer Confidence (Feb)	104.1
	US Richmond Fed Manufact. Index (Feb)	-4
	US Richmond Fed Business Conditions (Feb)	7
	US Dallas Fed Services Activity (Feb)	7.4

Source: Bloomberg

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