

26 February 2025

Global Markets Research

Daily Market Highlights

26 Feb: Growth fear raised Fed rate cut bets

Plunge in US consumer confidence saw traders pencilling in 2 quarter-point cuts in 2025

Economic jitters hit Wall Street; equities & DXY tumbled; bonds rallied

PBoC maintained 1Y MLF rate; Eurozone's wage growth slowed in nod to more rate cuts

- US equities took a beating overnight and bonds surged, as another disappointing reading on the US consumers amid tariff fears, fuelled concerns over the health of the economy. Tech stocks were among the hardest hit, while shares of major bank stocks also rolled over. The S&P 500 closed the day 0.5% d/d lower, while Nasdaq dropped 1.4% d/d. The Dow was the outlier, inching up 0.4% d/d.
- Meanwhile, banking stocks led gains in Europe (Stoxx Eur 600: +0.2% d/d), after Dutch National Bank Governor said that he is open to delaying the region's adoption of the latest suite of Basel trading book rules, while Nikkei 225 (-1.4% d/d) led Asian markets lower as Trump tariffs stoked a risk-off mood.
- Investors turned to Treasuries for safety, sending the yields sliding 7-11bps across the curve. The benchmark 2Y note yield fell 7bps to 4.09%, while the 10Y plunged 11bps to 4.29%, its lowest since December 2024. 10Y European bond yields fell 1-7bps, after trading mixed the previous day.
- In the forex space, the DXY weakened 0.3% d/d to 106.31 after the drop in US consumer confidence and heightened rate cut bets. **Futures are now pricing in more than 2 quarter-point cuts by the Fed in 2025.** JPY (+0.5% d/d to 149.03) outperformed most of its G10 peers amid haven demand and expectations that the BOJ will hike its interest rates, while CAD (-0.3% d/d) lagged with the deadline for the tariff approaching. EUR appreciated by 0.4% d/d to 1.0514 as Germany's chancellor-in-waiting is said to be in talks with Social Democrats to approve up to €200bn emergency defence spending. GBP strengthened at a narrower pace of 0.3% d/d to 1.2666, while AUD weakened 0.1% d/d to 0.6344.
- The CNH closed slightly weaker at 7.2549 after the **People's Bank of China (PBoC) left its 1Y medium-term lending facility (MLF) rate unchanged at 2.00%, as expected.** MYR also weakened 0.3% d/d to 4.4242, but SGD appreciated 0.2% d/d to 1.3363.
- In the commodity space, crude oil prices slumped more than 2.0% d/d as the US confidence index tumbled, and on mounting concern that Trump's tariffs are worsening the outlook for energy demand. The WTI closed the day at \$68.93/barrel, and Brent at \$73.02/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,621.16	0.37
S&P 500	5,955.25	-0.47
NASDAQ	19,026.39	-1.35
Stoxx Eur 600	554.20	0.15
FTSE 100	8,668.67	0.11
Nikkei 225	38,237.79	-1.39
CSI 300	3,925.65	-1.11
Hang Seng	23,034.02	-1.32
Straits Times	3,915.87	-0.30
KLCI 30	1,568.03	-1.02
FX		
Dollar Index	106.31	-0.27
EUR/USD	1.0514	0.44
GBP/USD	1.2666	0.32
USD/JPY	149.03	-0.46
AUD/USD	0.6344	-0.09
USD/CNH	7.2549	0.02
USD/MYR	4.4242	0.29
USD/SGD	1.3363	-0.18
Commodities		
WTI (\$/bbl)	68.93	-2.50
Brent (\$/bbl)	73.02	-2.35
Gold (\$/oz)	2,904.50	-1.47
Copper (\$\$/MT)	9,401.50	-0.98
Aluminum(\$/MT)	2,638.50	-0.64
CPO (RM/tonne)	4,789.50	-1.61

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 24 Feb

US consumer confidence dropped sharply on revived pessimism over the future; home price growth quickened in December; all regional services indices worsened

- The Conference Board Consumer Confidence index dropped sharper than expected to 98.3 in February (prior: 105.3), its largest monthly decline since August 2021 as consumers become pessimistic about the future. At 72.9 (-9.3 points), the Expectations Index was below the threshold of 80, which usually signals a recession ahead.
- In the housing market, the FHFA House Price index grew at a slightly faster pace in 4Q (+4.7% y/y vs +4.6% y/y) after three straight quarters of slower growth, as the inventory of homes for sale tightened. Similarly, the S&P CoreLogic Case-Shiller National Home Price index also picked up pace to +3.9% y/y in December from +3.7% y/y the prior month.
- While the Richmond Fed Manufacturing Index improved somewhat in February (+6 vs -4), all three other regional services indices worsened, mirroring the weaker S&P PMI services index for the month. Future indicators also suggest less optimism and/or less widespread optimism, not boding well for the outlook for the services industry. The services index for the Richmond region fell from 7 to 1, while the Dallas Fed Services Activity index slipped from 7.4 to 4.6. The Philadelphia Fed Non-Manufacturing Activity also moved down 4 points to -13.1.

Eurozone's wage growth cooled; backing case for rate cut

- 4Q negotiated wages rose by 4.1% y/y, a deceleration from +5.4% y/y from the previous quarter. Despite likely to stay elevated in the near term, salaries are expected to rise more slowly going forward amid a cooling labour market, helping to ease services inflation and backing the case for a rate cut next week.

UK's retail sales volume continued to fall and may worsen in March

- CBI Retailing Reported Sales index was broadly unchanged and worse than expected at -23% in February (prior: -24%). This marks another month of declining annual sales and was extended across the broader distribution sector. Looking ahead, retailers expect a sharper sales downturn in March, partly due to the later timing of Easter compared to last year.

Hong Kong's export growth eased sharply; exports to the US rose notably on frontloading

- Export growth moderated sharply to +0.1% y/y in January (prior: +5.2% y/y), partially weighed down by the different timing of the Lunar New Year. The result was nonetheless better than expected as exports to the US rose notably, partially due to frontloading activities ahead of tariff hikes. Export growth to many Asian markets

rose, but shipments to China and the EU fell. While uncertainties in the trade environment would continue to weigh on exports going forward, a steady global economic growth and a recovery in China's economy could lend some support to demand going forward.

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
SNB	0.50	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
26-Feb	AU CPI Trimmed Mean YoY (Jan)	2.70%
	SI Industrial Production SA MoM (Jan)	-0.70%
	US MBA Mortgage Applications	-6.60%
	US New Home Sales MoM (Jan)	3.60%
	HK GDP Annual YoY (2024 F)	2.50%
27-Feb	AU Private Capital Expenditure (4Q)	1.10%
	EC Economic Confidence (Feb)	95.2
	US GDP Annualized QoQ (4Q S)	2.30%
	US Durable Goods Orders (Jan P)	-2.20%
	US Cap Goods Orders Nondef Ex Air (Jan P)	0.40%
	US Initial Jobless Claims	219k
	US Pending Home Sales MoM (Jan)	-5.50%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.