

26 May 2025

Global Markets Research

Daily Market Highlights

26 May: Renewed tariff angst overshadowed budget fears

Trump delayed 50% tariff threat on EU goods; iPhones under 25% tariff threats

Haven buying into bonds & safe currencies; US & European stocks tumbled

ECB's Stournaras suggests one rate cut in June followed by a pause

- Renewed tariff angst replaced budget deficit concerns last Friday, after President Trump recommended a "straight 50% tariff on the European Union" on June 1st, and warned that Apple must pay a 25% tariff on iPhones made outside the US. However, he has since reversed his stance and said the 50% tariff on EU will be delayed to 9-July, coinciding with the 90 days deadline of the reciprocal tariffs. Shares of Apple lost 3.0% d/d, while the broader US stock indices closed the day lower between 0.6-1.0% d/d. Over in Europe, Stoxx Eur 600 also plunged 1.0% d/d with auto stocks the hardest hit.
- In other asset classes, safe haven buying saw government bonds in the US and Europe and haven currencies climbing. In the bond space, Treasury yields mostly fell, as much as 2bps. The 2Y yield closed just above its flatline at 3.99%, but the 10Y yield dropped 2bps to 4.51%. 10Y European bond yields also plunged 4-8bps.
- In the forex market, the Dollar weakened against all its G10 peers on the tariff risks and the DXY plunged 0.9% d/d to 99.11. CHF and JPY rallied 0.9-1.0% d/d on their haven status, the latter further supported by Japan's hotter-than-expected inflation prints. GBP strengthened 0.9% d/d to 1.3537 following its stronger than expected retail sales numbers, while EUR appreciated at a milder pace compared to its peers at +0.7% d/d to 1.1362 after the tariff threat. In central bank speak, ECB's Yannis Stournaras commented that the central bank will lower rates one more time in June then pause, in line with our house view but below consensus forecasts of a further 50bps rate cut to end 2025.
- Asian currencies also mostly strengthened against the Dollar, with KRW, JPY and MYR (+1.0% d/d to 4.2315) outperforming their regional peers. SGD appreciated at a narrower pace of 0.6% d/d to 1.2848 despite its CPI beat.
- In the commodity space, the WTI and Brent drifted 0.5% d/d higher to \$61.53/barrel and \$64.78/barrel respectively given no progress on the US-Iran talks. That said, outlook for oil prices

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,603.07	-0.61
S&P 500	5,802.82	-0.67
NASDAQ	18,737.21	-1.00
Stoxx Eur 600	545.13	-0.93
FTSE 100	8,717.97	-0.24
Nikkei 225	37,160.47	0.47
CSI 300	3,882.27	-0.81
Hang Seng	23,601.26	0.24
Straits Times	3,882.42	0.06
KLCI 30	1,535.38	0.55
FX		
Dollar Index	99.11	-0.85
EUR/USD	1.1362	0.72
GBP/USD	1.3537	0.88
USD/JPY	142.56	-1.01
AUD/USD	0.6488	1.20
USD/CNH	7.1726	-0.44
USD/MYR	4.2315	-0.98
USD/SGD	1.2848	-0.60
USD/KHR	4,006.50	-0.02
USD/THB	32.496	-1.01
Commodities		
WTI (\$/bbl)	61.53	0.54
Brent (\$/bbl)	64.78	0.53
Gold (\$/oz)	3,365.80	2.15
Copper (\$\$/MT)	9,610.00	1.15
Aluminum(\$/MT)	2,463.50	0.31
CPO (RM/tonne)	3,850.00	-1.48

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 22 May for CPO

remains bearish, amid concerns over a supply glut and potentially output hikes by the OPEC+.

US new home sales jumped but susceptible to headwinds ahead

- Data wise, US April's new home sales unexpectedly rose to its highest level since February 2022 at 743k (+10.9% m/m vs +2.6% m/m to 670k). The gain was likely helped by builder incentives to boost demand and amid a slight improvement in affordability due to lower median prices (-2.0% y/y vs -7.5% y/y).
- That said, the drop in builder permits (-4.0% m/m vs -4.7% m/m), continuous affordability challenges from the still elevated home prices and mortgage rates (around 7.0%) will likely weigh on the housing market outlook going forward. On the supply side, home builders will also face challenges from higher construction costs and bloated inventory (8.1 vs 9.1 months at the current sales pace).
- The Kansas City Fed Services Activity index improved again to 11 in May from 3 in April and 0 in March. This suggests that business activity grew moderately, with activity in tourism, wholesale trade, and professional services increasing, while those in retail trade and autos declined. Expectations for future services activity remained expansionary, with sub-indicators mixed, easing for revenue but increasing for employment.

Eurozone's negotiated wages eased in nod for another ECB rate cut

- Negotiated wages in the euro bloc eased to 2.4% y/y in 1Q from 4.1% y/y the previous quarter. The data suggests that wage-push cost inflation is likely to cool further, in line with ECB's expectations that inflation will soften to 2.3% y/y in 2025 and further to 1.9% in 2026 (2024: 2.4%), and in nod to further rate cuts if needed.

UK consumer spending soared due to sunny weather

- Retail sales overshot forecasts and grew a robust +1.2% m/m in April (Mar: +0.1% m/m). This marks the fourth month of growth, with sunny weather boosting sales across most sectors especially for food and alcohol.
- The latest print suggests that consumers are proving resilient at this juncture despite the headwind from still soft, but improving consumer sentiment, the latter reflected in the GfK consumer confidence at -20 in May (Apr: -23). Of note, the personal finance outlook sub-indicator for GfK index turned positive at +2 (prior: -3).

Singapore's core CPI rebounded from its 4-year low; government maintains inflation forecast of 0.5-1.5% for 2025

- Inflation came above expectations, holding steady at +0.9% in April, while core rebounded from its 4-year low to +0.7% y/y (prior: +0.5% y/y) on higher inflation in services and food, which more than offset lower retail & other goods inflation.
- In the accompanying statement, the central bank also maintained its official inflation forecast of 0.5–1.5%, citing downside risks to forecasts due to heightened uncertainties in the external environment and impact from global demand on commodity prices. On the domestic front, unit labour costs are projected to rise gradually as nominal wage growth continues to ease, while enhanced government subsidies for essential services will also cap inflation.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DX	98-102	99.36	98.60	97.69	96.58
EUR/USD	1.11-1.15	1.14	1.16	1.18	1.19
GBP/USD	1.32-1.36	1.34	1.34	1.35	1.36
USD/CHF	0.81-0.85	0.83	0.84	0.84	0.85
USD/JPY	141-147	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	7.18-7.23	7.06	7.13	7.17	7.10
USD/MYR	4.23-4.31	4.20	4.24	4.24	4.20
USD/SGD	1.27-1.31	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
26-May	SI Industrial Production YoY (Apr)	5.80%
	HK Exports YoY (Apr)	18.50%
27-May	JN PPI Services YoY (Apr)	3.10%
	CH Industrial Profits YTD YoY (Apr)	0.80%
	EC Economic Confidence (May)	93.6
	UK CBI Retailing Reported Sales (May)	-8
	US Durable Goods Orders (Apr P)	9.20%
	US Cap Goods Orders Nondef Ex Air (Apr P)	0.10%
	US FHFA House Price Index MoM (Mar)	0.10%
	US S&P CoreLogic CS US HPI YoY NSA (Mar)	3.87%

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US Conf. Board Consumer Confidence (May)
US Dallas Fed Manf. Activity (May)

86
-35.8

Source: Bloomberg

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