28 February 2025

Global Markets Research

Daily Market Highlights

28 Feb: All eyes on US core-PCE prices today

25% tariff hikes for Canada & Mexico; additional 10% for China effective next week

US & European stock markets took a tumble; DXY above 107; UST yields closed mixed

US's 4Q GDP growth left unchanged at 2.3%; higher initial jobless claims bear watching

- US equities fell in a volatile session, after President Trump, in the social media, said that the proposed tariffs of 25% on Mexico and Canada will proceed as planned on March 4tth. He also stated that China could face an additional 10% levy, sending S&P 500 and Dow sliding 1.6% d/d and 0.5% d/d lower. Nasdaq lagged its peers with a 2.8% d/d plunge, amid a sell-off in all the Magnificent 7 shares led by Nvidia (-8.5% d/d).
- European stocks (Stoxx Eur 600: -0.5% d/d) also tumbled after Trump's tariff threat, with auto stocks the notable losers on prospects of a US-EU trade war. Asian markets closed mixed, and will likely echo Wall Street's selling today.
- In the bond space, Treasury yields closed the day mixed in tune to +/-2bps (prior: -2 to -5bps). The 2Y yield fell 2bps to 4.05%, while the 10Y closed just above the flatline at 4.26%. Save for the UK gilts, 10Y European bond yields fell between 0-4bps (prior: -1 to -5bps).
- The DXY jumped 0.8% d/d to close the day at 107.24 after the tariff talk, despite a brief blip after the higher-than-expected jobless claims. EUR (-0.8% d/d to 1.0398). CAD (-0.7% d/d). MEX (-0.2% d/d), and CNH (-0.5% d/d to 7.3010) saw a huge sell off, just as China liquid proxy AUD (-1.1% d/d to 0.6236) did. SGD and MYR also weakened by 0.7% to 1.3484 and 0.3% d/d to 4.4410 respectively.
- Oil prices rose by more than 2.0% d/d each amid resurfaced supply concerns after Trump revoked Chevron's to operate in Venezuela and reaffirmed tariffs on Canada and Mexico. Investors were also keeping an eye on signs of a potential peace deal with Ukraine, which could result in higher Russian oil flows. Brent and the WTI closed the day at $70.35/barrel and $74.04/barrel respectively.

US' second 4Q GDP print was unrevised at 2.3% q/q in 4Q amid healthy consumer spending; durable and capital goods orders rose ahead of tariffs; pending home sales pulled back; jobless claims spiked amid extreme weather and DOGE's layoff plan

- The US economy advanced at a healthy pace in 4Q, with GDP increasing at an unrevised 2.3% q/q (3Q: +3.1% q/q). The quarterly growth primarily reflected increases in consumer (+4.2% vs 3.7%) and government spending (+2.9% vs +5.1%), that were partly offset

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,239.50	-0.45
S&P 500	5,861.57	-1.59
NASDAQ	18,544.42	-2.78
Stoxx Eur 600	557.11	-0.46
FTSE 100	8,756.21	0.28
Nikkei 225	38,256.17	0.30
CSI 300	3,968.12	0.21
Hang Seng	23,718.29	-0.29
Straits Times	3,921.19	0.34
KLCI 30	1,586.60	-0.13
FX		
Dollar Index	107.24	0.78
EUR/USD	1.0398	-0.83
GBP/USD	1.2601	-0.59
USD/JPY	149.81	0.48
AUD/USD	0.6236	-1.09
USD/CNH	7.3010	0.49
USD/MYR	4.4410	0.28
USD/SGD	1.3484	0.72
Commodities		
WTI ($/bbl)	70.35	2.52
Brent ($/bbl)	74.04	2.08
Gold ($/oz)	2,895.90	-0.72
Copper ($$/MT)	9,389.50	-0.75
Aluminum($/MT)	2,632.50	0.00
CPO (RM/tonne)	4,757.00	-0.74

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 26 Feb*

by a decrease in investment (-5.7% vs -5.6%). Both exports (-0.5% vs + 9.6%) and imports (-1.2% vs +10.7%) also declined.

- Durable and core capital goods (non-defence ex air) orders surged more than expected by +3.1% m/m and +0.8% m/m in January (prior: -1.8% m/m and +0.2% m/m), suggesting that demand may have strengthened after the election. That said, businesses have turned cautious recently and as we opine that some businesses may have front loaded orders due to uncertainty over tariffs, and thus, we could see a pull-back in capex spending later in the year.
- Pending home sales pulled back more than expected by 4.6% m/m in January (prior: -4.1% m/m). While the cold spell could have contributed to fewer buyers in the market, it is evident that higher home prices and elevated mortgage rates have strained affordability and housing demand.
- Initial jobless claims jumped more than expected by 22k to 242k for the week ended February 22 (prior: +6k), while continuing claims fell 5k to 1862k the week prior (Feb 8: +22k). Extreme weather and DOGE's layoff plans could have jointly contributed to the spike in claims, and the latter may lead to further rise in claims and jobless rate going forward.
- The Kansas City Fed Manufacturing. Activity unexpectedly held steady at -5 in February, suggesting that regional factory activity continued to fall. Firms cut employment levels moderately but expect overall activity and employment to increase in the next six months.

Eurozone's industry and consumer sentiments improved

- The Eurozone's Economic Sentiment Indicator (ESI) increased more than expected by 1 point to 96.3 in February, driven by improved confidence in industry and among consumers. Construction confidence fell, while sentiment amongst retail trade and service providers remained broadly unchanged. Amongst its largest economies, ESI increased noticeably for France and Germany, but fell for Italy and Spain.

Australia's capex spending fell in 4Q

- Private capex worsened more than expected and fell 0.2% q/q in 4Q after gaining 1.6% q/q previously. Driving the downtick was a drop in business investment in mining, while non-mining industries were mixed. Construction drove capex down for the latter, while information media & telecommunications industry offset this decline.

Japan's data in line with BOJ's outlook of flat growth for IPI, moderate increase for consumption

- Data this morning from Japan was mixed, with IPI declining at a faster pace of 1.1% m/m in January (matching consensus and -0.2% m/m in Dec), while retail sales rebounded 0.5% m/m in January (below forecast and -0.8% m/m in Dec). Tokyo's inflation also slowed more than forecast to 2.9% y/y for headline and 2.2% y/y for core in February (Jan: +3.4% y/y and +2.5% y/y), but prices were heavily distorted by government subsidies, and as such unlikely to deter Bank of Japan from raising its interest rates 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
28-Feb	AU Private Sector Credit MoM (Jan)	0.60%
	UK Nationwide House Px NSA YoY (Feb)	4.10%
	EC ECB 1 Year CPI Expectations (Jan)	2.80%
	US Advance Goods Trade Balance (Jan)	-$122.1b
	US Personal Income (Jan)	0.40%
	US Personal Spending (Jan)	0.70%
	US Core PCE Price Index YoY (Jan)	2.80%
	US MNI Chicago PMI (Feb)	39.5
3-Mar	AU S&P Global Australia PMI Mfg (Feb F)	50.6
	AU Melbourne Institute Inflation YoY (Feb)	2.30%
	JN Jibun Bank Japan PMI Mfg (Feb F)	48.9
	MA S&P Global Malaysia PMI Mfg (Feb)	48.7
	VN S&P Global Vietnam PMI Mfg (Feb)	48.9
	CH Caixin China PMI Mfg (Feb)	50.1
	HK Retail Sales Value YoY (Jan)	-9.70%
	EC HCOB Eurozone Manufacturing PMI (Feb F)	47.3
	UK Mortgage Approvals (Jan)	66.5k
	UK S&P Global UK Manufacturing PMI (Feb F)	46.4
	EC CPI Core YoY (Feb P)	2.70%
	SI Purchasing Managers Index (Feb)	50.9
	US S&P Global US Manufacturing PMI (Feb F)	51.6
	US Construction Spending MoM (Jan)	0.50%
	US ISM Manufacturing (Feb)	50.9

Source: Bloomberg

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