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Global Markets Research

Daily Market Highlights

28 May: Huge rally in longer dated government bonds

Yields fell sharply for JGB amid talks of cutbacks in supply; JPY underperformed

Risk-on in equities amid fast-track US-EU trade talks; USD strengthened vs all G10s

All eyes on FOMC meeting minutes, RBNZ's policy decision, Australia's CPI today

- Talks that the EU will fast-track the trade talks with the US boosted risk sentiment overnight and saw Wall Street surging as it reopened from the long Memorial Day weekend. The Dow Jones and S&P 500 snapped their 4-day losing streaks, closing 1.8% and 2.1% d/d higher, while Nasdaq also rallied 2.5% d/d.
- Elsewhere, European stocks (Stoxx Eur 600: +0.3% d/d) extended gains as the US-EU trade tension eased, with Germany's DAX closing at a fresh record high. Asian markets closed mixed, but will likely echo Wall Street's optimism today.
- Within the global bond space, longer dated government bonds rallied globally and especially sharply in Japan on talks that the authorities are seeking to stabilize its bond market, in part by cutting back bond supply. This sent yields to the 10- to 40-year JGB plunging 5-23bps.
- Treasuries and the US Dollar also advanced. DXY gained 0.6% d/d to 99.52, while UST yields fell 1-9bps across the curve. The benchmark 2Y yield closed the day 1bps lower at 3.98%, while the 10Y yield fell at a faster pace of 7bps to 4.44%, bull flattening the curve. Further out this week, a slew of S&P companies including AI giant Nvidia, are set to report earnings, while FOMC meeting minutes are also on deck early tomorrow morning, and will likely be a key market mover especially if there are any surprises.
- In the forex space, JPY came under pressure amid the drop in long-dated JGB yields, and closed the day 1.0% d/d weaker at 144.33 against the US Dollar. This came after JPY hit an intraday high of 142.12, after BOJ's Kazuo Ueda signalled that the central bank remains on a tightening cycle if the economy improves.
- EUR depreciated at a milder pace of 0.5% d/d to 1.1328 against the USD, but mostly outperformed the rest of its G10 peers. On the regional front, KRW, MYR and SGD led losses amongst Asian currencies. The MYR weakened 0.5% d/d to 4.2387 while the SGD lost 0.4% d/d to 1.2887 as at Tuesday's close.
- In the commodity space, crude oil tumbled 1.0% d/d each to \$60.89/barrel for the WTI and \$64.09/barrel for Brent, weighed

Key Market Metrics

	Level	d/d (%)
<u>Equities</u>		
Dow Jones	42,343.65	1.78
S&P 500	5,921.54	2.05
NASDAQ	19,199.16	2.47
Stoxx Eur 600	552.32	0.33
FTSE 100	8,778.05	0.69
Nikkei 225	37,724.11	0.51
CSI 300	3,839.40	-0.54
Hang Seng	23,381.99	0.43
Straits Times	3,896.09	0.53
KLCI 30	1,526.16	-0.53
<u>FX</u>		
Dollar Index	99.52	0.59
EUR/USD	1.1328	-0.52
GBP/USD	1.3507	-0.42
USD/JPY	144.33	1.04
AUD/USD	0.6443	-0.66
USD/CNH	7.1896	0.18
USD/MYR	4.2387	0.47
USD/SGD	1.2887	0.35
USD/KHR	4,006.50	0.06
USD/THB	32.747	0.43
<u>Commodities</u>		
WTI (\$/bbl)	60.89	-1.04
Brent (\$/bbl)	64.09	-1.00
Gold (\$/oz)	3,300.40	-1.94
Copper (\$\$/MT)	9,596.50	-0.14
Aluminum(\$/MT)	2,485.00	0.87
CPO (RM/tonne)	3,817.00	-1.11

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 26 May for CPO

down by expectations of OPEC+ output hike, overshadowing the EU trade thaw and mixed signals on the geopolitical front.

Pessimism amongst US consumers moderated; drop in durable and capex spending

- The Conference Board's consumer confidence index rebounded sharply and more than expected by 12.3 points to 98.0 in May. The Expectations index surged 17.4 points to 72.8 (but remained below the threshold of 80 that typically suggests a recession ahead), suggesting that consumers were less pessimistic over the future business conditions, employment prospects and future income and may improve in June post the tariff pause.
- Continuous tariff uncertainty, and concerns that it will hit firms' demand and profit margin, coupled with paybacks from the front-loading saw durable and capital goods orders nondef air contracting 6.3% m/m and 1.3% m/m in April (Mar: +7.6% m/m and +0.3% m/m). Transport equipment, which includes autos (25% tariff) and always a volatile component, was a notable drag, declining double-digit m/m, while computer & electronics, which were tariff exempted, grew 1.0% m/m (Mar: +1.8% m/m).
- Home price growth continued to decelerate, with the FHFA House Price Index (HPI) softer at 3.7% y/y and the S&P CoreLogic HPI at 3.4% y/y in March (Feb: +3.9% y/y and +4.0% y/y). While spring buying season could keep prices supported in the short-term, constrained affordability, elevated mortgage rates and higher inventory levels suggest a broad cooling trend in prices in 2H.

Eurozone's ESI rebounded but remains below long-term average

- After two months of decline, the Economic Sentiment Indicator (ESI) rebounded by 1.0ppts to 94.8 in May. The result was better than expected, primarily driven by a rebound of confidence in the retail trade sector and among consumers, and amongst its largest economies, led by Italy and Germany. That said, the index at this level remains below its long-term average of 100, suggesting that the economy may struggle to gain momentum in the near term.

Continuous drop in UK's retail sales volume

- In loggerhead against official prints, y/y retail sales volume fell at a sharper rate in May (-27% vs -8%) according to the CBI, and is expected to decline at a faster pace in June (-37%). Amidst subdued demand, retailers will also likely reduce investment and headcount going forward, not boding well for the overall economy that has been struggling with potential fallout from the Autumn Budget.

Steady industrial profits for China thanks to high-tech sectors

- Industrial profits held up in April despite Trump's tariff, accelerating slightly to 3.0% y/y from +2.6% y/y previously, as strong earnings from the high-tech sectors (exports of electrical equipment and machinery: +15.4% y/y) benefitting from the AI boom and government's program to subsidize upgrades of equipment and consumer goods, offset downward pressures from export-oriented industries like auto (-5.1% YTD). As it is, improved corporate earnings are crucial to bolster business confidence and investment in wake of the still high US levies on China goods and its repercussions on global trade and economy.

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
28-May	AU CPI Trimmed Mean YoY (Apr)	2.70%
	NZ RBNZ Official Cash Rate	3.50%
	EC ECB 1 Year CPI Expectations (Apr)	2.90%
	US MBA Mortgage Applications	-5.1%
	US Richmond Fed Manufact. Index (May)	-13
	US Richmond Fed Business Conditions (May)	-30
	US Dallas Fed Services Activity (May)	-19.4
29-May	AU Private Capital Expenditure (1Q)	-0.20%
	JN Consumer Confidence Index (May)	31.2
	US GDP Annualized QoQ (1Q S)	-0.30%
	US Initial Jobless Claims	227k
	US Pending Home Sales MoM (Apr)	6.10%

Source: Bloomberg

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