

29 May 2025

Global Markets Research

Daily Market Highlights

29 May: FOMC minutes reiterated wait-and-see stance

No surprises from the FOMC minutes; affirmation of wait-and-see stance pending clarity

RBNZ delivered a hawkish cut expecting 2 more 25bps cuts by end-2025; NZD appreciated

Above-target Eurozone inflation expectations; Australia CPI came in within official targets

- Trading in US equities was muted amid a lull in tariff news and with investors largely waiting for Nvidia results that was released after the bell. Late day news that President Trump ordered software designers to stop selling to China was mildly bearish, while impact from the FOMC minutes was muted. There were no surprises from the FOMC minutes, with the bottom line being that the FOMC is well positioned to adopt a wait-and-see stance for now, in line with our rate pause view for 2Q and gradual rate cuts subsequent to that. At the end, all the 3 major stock indices closed the day lower between 0.5-0.6% d/d.
- Elsewhere, major equity indices in Asia mostly fell, while those in Europe (Stoxx 600: -0.6% d/d) also pulled-back. That said, futures climbed after the upbeat earnings by Nvidia, suggesting a rebound in Asian equities today.
- In the bond space, treasury yields rebounded and increased 2-3bps across the curve (prior: -1 to -9bps), and with the 2Y- and 10Y yields closing the day at 3.99% and 4.48%. 10Y European bond yields also closed 1-6bps higher overnight.
- In the forex space, the DXY was firmer for the second straight session, with the Dollar strengthening against most of its G10 peers except for the marginal gain in CHF and NZD (+0.3% d/d). NZD advanced after the **RBNZ delivered a hawkish cut, lowering its cash rate by 25bps to 3.25% as expected and signalling two more quarter point rate cuts by end-2025**. JPY (-0.4% d/d to 144.84) led losses against the greenback, while EUR and AUD weakened in tune to 0.3% d/d each to 1.1292 and 0.6426 respectively despite the upticks in their inflation-related prints.
- Regional currencies closed mixed against the Dollar, with the MYR (+0.3% d/d to 4.2245) and THB (+0.3% d/d to 32.62) outperforming all their peers, while SGD weakened (-0.1% d/d to 1.2894).
- In the commodity space, crude oil prices rebounded amid scepticism over a nuclear deal with Iran, and amid concerns over additional US sanctions on Russia. The WTI and Brent closed the day 1.3-1.6% d/d higher to \$61.84 and \$64.90/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,098.70	-0.58
S&P 500	5,888.55	-0.56
NASDAQ	19,100.94	-0.51
Stoxx Eur 600	548.93	-0.61
FTSE 100	8,726.01	-0.59
Nikkei 225	37,722.40	0.00
CSI 300	3,836.24	-0.08
Hang Seng	23,258.31	-0.53
Straits Times	3,911.92	0.41
KLCI 30	1,523.48	-0.18
FX		
Dollar Index	99.88	0.36
EUR/USD	1.1292	-0.32
GBP/USD	1.3469	-0.28
USD/JPY	144.84	0.35
AUD/USD	0.6426	-0.26
USD/CNH	7.1925	0.04
USD/MYR	4.2245	-0.34
USD/SGD	1.2894	0.05
USD/KHR	4,006.50	0.00
USD/THB	32.62	-0.32
Commodities		
WTI (\$/bbl)	61.84	1.56
Brent (\$/bbl)	64.90	1.26
Gold (\$/oz)	3,294.90	-0.17
Copper (\$/MT)	9,565.00	-0.33
Aluminum(\$/MT)	2,468.50	-0.66
CPO (RM/tonne)	3,840.50	0.62

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 27 May for CPO

FOMC meeting minutes suggest a hold for now, pending greater clarity on the tariff front

- Highlights from the minutes to the latest FOMC meeting include: 1) With economic growth and the labor market still solid and current monetary policy moderately restrictive, FOMC members opined that they were well positioned to wait for more clarity on the net economic effects of the changes to government policies. 2) Staff projections for real GDP growth in 2025-26 was weaker than the one prepared for the March meeting, although no details were provided. FOMC also viewed the **possibility of the economy entering a recession to be almost as likely as the baseline forecast**. 3) Tariffs are expected to boost inflation markedly in 2025 and to provide a smaller boost in 2026. Factors contributing to this include **firms generally planning to either partially or fully pass on tariff-related cost increases**, profiteering, increase in short-term inflation expectations, higher costs of intermediate goods and supply chain disruptions. Potentially negating this is the less tolerance for price increases by households, and a weaker economy. 4) The labor market was expected to weaken substantially, with the unemployment rate forecast moving above the staff's estimate of its natural rate by the end of this year.
- Mortgage applications continued to fall, albeit at a smaller pace of 1.2% w/w for the week ended May 23 (prior: -5.1% w/w) as mortgage rates reached its highest level since January at 6.98% (30Y fixed rate). The decline was predominantly driven by refinance applications, while purchase applications gained as increased housing inventory supported some transaction volume.
- Business activity in the Richmond region slowed in May, and declined modestly for Dallas. The Richmond Fed manufacturing and services indices stood at -9 and -18 (prior: -13 and -30), but the future indices for the services sector edged up. The Dallas Fed Services Activity rose but remained in negative territory at -10.1 (prior: -19.4) while expectations regarding future business activity were neutral to positive.

Eurozone's 1Y inflation expectations came in above ECB's target

- While the 3Y inflation expectations held steady at 2.5%, households see inflation at 3.1% over the next year in April, above consensus forecasts' +2.8% and March's 2.9%. April marks the first time since July 2021 where the 1Y CPI expectations were above the ECB's target range, but unlikely to fan inflation risks in our opinion.

Australia's inflation ticked up but remained largely in line with RBA's forecast

- Headline inflation held steady for the third month at 2.4% y/y in April, a shade higher than expected while trimmed mean, which exclude volatile items, inched up 0.1ppts to 2.8% y/y. The largest contributors to the annual movement were food & non-alcoholic beverages, recreation & culture and housing but all in, monthly inflation was just a shade lower than RBA's projection of 2.6% y/y for June 2025, and as such, unlikely to cast doubts for a July policy easing.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	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	3.25	3.25	3.00	2.75	2.75
BNM	3.00	3.00	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
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
30-May	US Pending Home Sales MoM (Apr)	6.10%
	UK Lloyds Business Barometer (May)	39
	JN Jobless Rate (Apr)	2.50%
	JN Tokyo CPI YoY (May)	3.50%
	JN Industrial Production MoM (Apr P)	0.20%
	JN Retail Sales MoM (Apr)	-1.20%
	AU Retail Sales MoM (Apr)	0.30%
	AU Private Sector Credit MoM (Apr)	0.50%
	US Personal Income (Apr)	0.50%
	US Advance Goods Trade Balance (Apr)	-\$162.0b
	US Personal Spending (Apr)	0.70%
	US Core PCE Price Index YoY (Apr)	2.60%

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

US MNI Chicago PMI (May)	44.6
US U. of Mich. Sentiment (May F)	50.8

Source: Bloomberg

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