30 June 2025

Global Markets Research

Daily Market Highlights

30 June: Expect trade headlines to gain traction

Trade deal optimism revived demand for riskier equities; bonds under pressure

DXY saw extended decline for a 6th straight day to a fresh low since Mar-22

Mixed signals from US data are keeping the Fed in a bind

- A rather eventful Friday and weekend swamped by trade headlines, and first tier US economic dataflow, which overshadowed geopolitical newsflow for the first time in weeks.
- Trade negotiation/ deal headlines suddenly gained traction as the 90-day reciprocal tariff truce deadline (8 July) approaches. Early Friday morning, Beijing said it has reached an agreement with the US on details of the London trade framework while EU said its plan to ramp up defense spending will lead to more purchases US weapons, hence helping resolve the trade imbalances with the US. Later, news reports that the US was halting trade talk with Canada sent chills to markets but subsequent headlines saying the EU is considering lowering tariffs on US imports soothed market fear and further boosted trade deal optimism. However, we opine this is an uphill task as EU member countries are divided if they should strike a quick deal with the US or continued to negotiate for a better deal. Would expect trade jitters to pick up steam in the days ahead with the 90-day truce expiry fast approaching.
- Meanwhile on the data front, the surprised contraction in personal income and spending in May coupled with the higher than expected core PCE reading at 2.7% (Apr: 2.6% upwardly revised) will continue to complicate the Fed's job. Investors however took comfort in the downward revision to Uni Michigan inflation expectations to 5.0% for 1Y and 4.0% for 5-10Y. Market pricing for Fed rate cut for the whole of 2025 hovered at 64bps, with the first rate cut priced in for September. We maintain our view for one 25bps cut each in 3Q and 4Q.
- Key US stock indices rose 0.5-1.0% d/d with gains in tech stocks expanding beyond Magnificent 7. Over in Europe, major equity bourses generally advanced but Asian equities ended Friday's session mixed. Futures are pointing to a mixed opening in Asian markets this morning.
- Government bonds traded on a softer note overall amid the revival in risk sentiments. US treasuries were sold off across the curve, pushing yields up by 3-4bps (prior: 0-1bps down). The

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,819.27	1.00
S&P 500	6,173.07	0.52
NASDAQ	20,273.46	0.52
Stoxx Eur 600	543.63	1.14
FTSE 100	8,798.91	0.72
Nikkei 225	40,150.79	1.43
CSI 300	3,921.76	-0.61
Hang Seng	24,284.15	-0.17
Straits Times	3,966.20	0.70
KLCI 30	1,528.16	0.55
FX		
Dollar Index	97.25	-0.10
EUR/USD	1.1718	0.15
GBP/USD	1.3716	-0.09
USD/JPY	144.65	0.16
AUD/USD	0.6529	-0.26
USD/CNH	7.1726	0.12
USD/MYR	4.2327	-0.10
USD/SGD	1.2759	0.14
USD/KHR	4,010.00	0.02
USD/THB	32.61	0.37
Commodities		
WTI ($/bbl)	65.07	-0.23
Brent ($/bbl)	67.31	-0.75
Gold ($/oz)	3,286.10	-1.66
Copper ($$/MT)	9,879.00	-0.17
Aluminum($/MT)	2,595.00	0.39
CPO (RM/tonne)	3,963.00	-0.93

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 25 June for CPO; 26 June for KLCI*

benchmark 2-year note yield fell 3bps to 3.75% while the 10s lost 4bps to 4.28%. 10-year European bond yields rose further, by 1-5bps (prior: 1-4bps higher).

- The Dollar Index traded choppily through the day but within similar ranges as Thursday before settling the day lower for the 6th straight day, at 97.25 as at Friday's close, a fresh low since Mar-22. However, the greenback traded mixed against the G10s. The DKK, CHF and EUR gained while the CAD and AUD led decliners against the greenback. Major Asian currencies last closed Friday generally on a weaker note, with the KRW, THB and SGD registering the biggest losses. THE CNH and SGD weakened 0.1% d/d to 7.1726 and 1.2759 respectively vs the greenback. The MYR last closed at 4.2327 on Thursday, firmer by 0.1% on the day.
- Oil prices remained under pressure as OPEC+ is reported to be considering extending its production increases at a meeting next month in a bid to recoup market share, hence raising oversupply concern. WTI slipped 0.2% d/d to US$65.07/ barrel while the Brent crude fell 0.8% d/d to US$67.31/ barrel.

Mixed signals from US data will continue to keep the Fed on cautious mode

- Headline PCE picked up to 2.3% y/y in May as expected while core PCE surprised on the upside at 2.7% y/y. Both the April prints were revised higher by 0.1ppt, headline from 2.1% to 2.2% while core from 2.5% to 2.6% y/y, and the quicker gain was broad-based from services to durable and non-durable goods, suggesting underlying inflation was higher than initially reported. On the contrary, final readings of University of Michigan inflation expectations for June were revised lower; 1-year to 5.0% (May: 6.6%) and 5-10-year inflation to 4.0% (May: 4.2%). Bigger than expected pick-up in actual core PCE and bigger than expected pullback in inflation expectations are sending mixed signals on the inflation front and shall keep the Fed on a cautious easing mode.
- Growth data surprised on the downside. Final 1Q GDP print was revised lower to show a bigger than initially estimated contraction of 0.5% q/q (second reading -0.2% q/q and 4Q's +2.4% q/q), as private consumption grew at a much slower than initially estimated pace of +0.5% (second reading +1.2% q/q and 4Q's +4.0% q/q). Adding to signs of weakness in the consumer sector, personal income unexpectedly fell 0.4% m/m in May (Apr: +0.7% m/m) while personal spending staged a surprised 0.1% m/m decline (Apr: +0.2% m/m). This marked the first decline in income since Sept-21 and first decline in spending in four months. Real spending also posted its first decline in three months, by 0.3% m/m in May (Apr: +0.1% m/m), on account of higher inflation and lower income.

- On labour market, initial jobless claims eased more than expected to 236k for the week ended 21-Jun (prior 246k), resulting in a slight retreat in the 4-week moving averages claims for the first week in five, from 245.75k to 245.00k. This offered some relieves to the back-to back weakening in the job market recently, but continuing claims continued to edge higher, from 1937k to 1974k for the week ended 14-Jun, hitting its highest since May-21, implying no change in the underlying softening traction in the US labour market, likely a tipping point for the Fed policy decision sooner than later.

Japan data showed a still stable jobless rate but retail sales and Tokyo inflation eased

- Retail sales pulled back sharply and grew at a much weaker than expected pace of 2.2% y/y in May (Apr: +3.5% y/y upwardly revised), as the increases in department store sales eased from +1.5% y/y to 0.6% y/y in the month in review. On a similarly softer note, wholesale sale fell 0.9% y/y (Apr: +1.6% y/y), all pointing to weakening consumer spending as growth outlook turned less sanguine. Nonetheless, the labour market has been holding steady thus far, with jobless rate stabilizing at 2.5% in May.
- A separate release showed Tokyo CPI moderated more than expected to 3.1% y/y in June (May: +3.4% y/y), while core CPI ex-fresh food and energy also unexpectedly pulled back from 3.3% to 3.1% y/y, solidifying the BOJ's slight tightening stance.

China industrial profits fell taking the hit from higher tariffs and deflation

- Industrial profits fell 9.1% y/y in May, reversing the 3.0% y/y increase in April to mark its first decline since November last year. This pushed profits to fall for the first month in three, by 1.1% y/y YTD May (YTD Apr: +1.4% y/y). Weaker demand in the wake of higher tariffs, ongoing trade dispute, and deflation, are hitting industrial companies in China. We expect prevailing challenges to continue undermine profits of industrial companies in the foreseeable future, posing further risks to the labour market and growth of the China economy.

House View and Forecasts

FX	This Week	2Q-25	3Q-25	4Q-25	1Q-26
DXY	95.50-98.50	99.36	98.60	97.69	96.58
EUR/USD	1.15-1.19	1.14	1.16	1.18	1.19
GBP/USD	1.35-1.39	1.34	1.34	1.35	1.36
USD/CHF	0.78-0.81	0.83	0.84	0.84	0.85
USD/JPY	142-147	144	146	145	142
AUD/USD	0.64-0.67	0.65	0.65	0.65	0.66
NZD/USD	0.59-0.62	0.60	0.60	0.59	0.60
USD/CNY	7.15-7.19	7.06	7.13	7.17	7.10

USD/MYR	4.20-4.26	4.20	4.24	4.24	4.20
USD/SGD	1.26-1.29	1.28	1.30	1.31	1.30
USD/THB	32.10-33.10	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	2.00	2.00	2.00	2.00	2.00
BOE	4.25	4.25	4.00	3.75	3.50
SNB	0.00	0.00	0.00	0.00	0.00
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
30-Jun	JN Industrial Production MoM (May P)	0.0%
	AU Melbourne Institute Inflation MoM (Jun)	0.0%
	CH Manufacturing PMI (Jun)	49.5
	CH Non-manufacturing PMI (Jun)	50.3
	JN Housing Starts YoY (May)	-0.3
	UK GDP QoQ (1Q F)	0.7%
	UK Mortgage Approvals (May)	60.5k
	US MNI Chicago PMI (Jun)	40.5
	US Dallas Fed Manf. Activity (Jun)	-15.3
1-Jul	AU PMI Mfg (Jun F)	51.0
	JN Tankan Large Mfg Outlook (2Q)	12.0
	JN Tankan Large Non-Mfg Outlook (2Q)	28.0
	JN PMI Mfg (Jun F)	50.4
	MA PMI Mfg (Jun)	48.8
	VN PMI Mfg (Jun)	49.8
	CH Caixin PMI Mfg (Jun)	48.3
	JN Consumer Confidence Index (Jun)	32.8
	UK Nationwide House PX MoM (Jun)	0.0
	EC Manufacturing PMI (Jun F)	49.4
	UK Manufacturing PMI (Jun F)	47.7
	EC CPI Estimate YoY (Jun P)	1.9%
	US Manufacturing PMI (Jun F)	52.0
	US ISM Manufacturing (Jun)	48.5
	US JOLTS Job Openings (May)	7391k
	US Dallas Fed Services Activity (Jun)	-10.1

Source: Bloomberg

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