18 May 2026

Global Markets Research
Daily Market Highlights

18 May: Sell-offs in equities and bonds amid inflation concerns

Further rally in crude oil prices amid lack of progress in Iran war resolution
Greenback strengthened for the 5th day; strong IPI growth for the US
Divergence in 1Q GDP growth momentum for Hong Kong and Malaysia

- Rising energy prices due to the Middle East war and mounting inflationary pressures and concerns saw the rout in global sovereign bonds intensifying last Friday. In Japan, the higher-than-expected PPI saw JGB yields jumping 1-14bps across the curve, while in the UK, the threat of Starmer's leadership was an added dampened and saw gilt yields 13-19bps higher.
- These sharp selloffs spilled over to the US market. US treasury yields jumped 5-11bps across the curve and pushed the 3 major equity indices down 1.1-1.5% d/d. Investors took profits in tech after the sector saw sharp gains recently, while the benchmark 2Y and 10Y yields closed the day at 4.07% and 4.59%.
- Crude oil prices rallied more than 3.0% d/d each to $105.42/barrel for the WTI and $109.26/barrel for Brent as President Trump departed China with limited progress on Hormuz and as the President warned that he is losing patience with Iran.
- Elsewhere, Stoxx Eur 600 finished the session 1.5% d/d lower, while Nikkei 225, Hang Seng and CSI 300 lost 2.0%, 1.6% and 1.1% d/d respectively.
- In the forex space, the DXY strengthened for the fifth straight day, by 0.5% d/d to 99.28 amid the broad sell-off in global bond markets and amid doubts that energy supplies will normalise soon. All G10 FX weakened against the greenback, with NZD (-1.2% d/d) and AUD (-1.0% d/d to 0.7150) the notable laggards, while CAD (-0.2% d/d) and JPY (-0.2% d/d to 158.74) weakened at a milder pace and outperformed most of their peers.
- Similarly, most Asian currencies weakened against the greenback, with THB (-1.0% d/d), MYR (-0.7% d/d to 3.9565), CNH (-0.4% d/d to 6.8139), KRW (0.4% d/d) and SGD (-0.4% d/d to 1.2805) leading losses on the regional front.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	49,526.17	-1.07
S&P 500	7,408.50	-1.24
NASDAQ	26,225.14	-1.54
Stoxx Eur 600	606.92	-1.48
FTSE 100	10,195.37	-1.71
Nikkei 225	61,409.29	-1.99
CSI 300	4,859.59	-1.12
Hang Seng	25,962.73	-1.62
Straits Times	4,989.08	-0.14
KLCI 30	1,740.22	-0.31
FX		
Dollar Index	99.28	0.47
EUR/USD	1.1625	-0.38
GBP/USD	1.3326	-0.57
USD/JPY	158.74	0.23
AUD/USD	0.7150	-0.98
USD/CNH	6.8139	0.40
USD/MYR	3.9565	0.65
USD/SGD	1.2805	0.35
USD/KHR	4,012.41	0.02
USD/THB	32.65	1.00
Commodities		
WTI ($/bbl)	105.42	4.20
Brent ($/bbl)	109.26	3.35
Gold ($/oz)	4,561.90	-2.63
Copper ($/MT)	13,555.00	-2.75
Aluminum($/MT)	3,563.00	-2.58
CPO (RM/MT)	4,390.00	0.64

Source: Bloomberg, HLBB Global Markets Research

Strongest US IPI growth since February 2025 amid broad-based gains

- US industrial output (IPI) growth surpassed expectations and posted its strongest growth in more than a year at 0.7% m/m in April (prior: -0.3% m/m). Manufacturing output, which accounts for about three quarters of total production, climbed 0.6% m/m (prior: 0.1% m/m), while mining output, which includes energy extraction, fell for the second month at 0.1% m/m. Most market groups posted positive results, with consumer goods rebounding 0.9% m/m (prior: -0.8% m/m) amid gains for both durable and nondurable goods, while business equipment also jumped 1.5% m/m on account of a 4.2% m/m surge in transit equipment.
- A separate report showed factory activity in New York state expanded at the fastest pace in four years in May at 19.6 (prior: 11.0), adding to evidence that the manufacturing sector has held up even as the Iran war and tariffs drive up input costs, thanks in part to tax cuts and the tailwind from the data centre boom. Still, some of the strength may reflect stockpiling ahead of additional price increases.

Hong Kong recorded strongest GDP growth in nearly 5 years in 1Q

- The final 1Q GDP growth was left unchanged at 5.9% y/y and 2.9% q/q, an acceleration from 4.0% y/y and 1.1% q/q in the final quarter of 2025. The 1Q print had surpassed consensus forecast, marks its strongest growth in nearly 5 years and saw broad-based acceleration with the exception of exports of services. Taking cue from this robust growth, the official growth projection of 2.5-3.5% for 2026 was maintained, an achievable target in our opinion despite headwind from the Middle East war, benefitting from resilient business and consumer sentiment, AI boom, sustained growth in visitor arrivals and robust cross-boundary financial activities. Please refer to Research Alert "Hong Kong: Strongest GDP growth in nearly five years" dated 18th May.

Malaysia's final 1Q GDP growth was revised a tad higher but still marked a moderation to 5.4% y/y

- The final reading of 1Q26 GDP confirmed a moderation in the Malaysian economy to 5.4% y/y as expected (4Q: 6.2% y/y revised), although the pullback is lesser than the initial estimate of 5.3% y/y from the advanced print. This put a halt to two consecutive quarters of pick-up seen in the second half of last year, as economic activities reverted to more normal pace (prior to the outbreak of the Middle East conflict) after disruptions from US trade policies in earlier part of last year. Tentative signs of the war impact were also noticeable in the monthly GDP, which pulled back month after month through 1Q, from a 17-month of 7.1% y/y in December. On a seasonally adjusted quarterly basis, growth softened for the 2nd straight quarter to - 0.01% q/q in 1Q (4Q: +1.4% q/q). Refer to Research Alert "Decent start to 2026 despite geopolitical upheavals" dated 15th May.

House View and Forecasts

FX	This Week	2Q-26	3Q-26	4Q-26	1Q-27
DXY	97-101	100.63	99.80	97.96	96.48
EUR/USD	1.15-1.18	1.14	1.15	1.17	1.19
GBP/USD	1.32-1.36	1.31	1.32	1.34	1.35
USD/CHF	0.76-0.80	0.79	0.78	0.76	0.75
USD/JPY	155-161	159	155	152	152
AUD/USD	0.70-0.74	0.68	0.69	0.70	0.71
NZD/USD	0.57-0.61	0.57	0.58	0.58	0.59
USD/CNY	6.76-6.82	6.93	6.88	6.84	6.77
USD/MYR	3.90-3.97	3.98	3.96	3.93	3.90
USD/SGD	1.26-1.29	1.29	1.28	1.27	1.25
USD/THB	31.70-33.00	31.60	31.80	31.80	31.40

FX	Last close	2Q-26	3Q-26	4Q-26	1Q-27
EUR/MYR	4.5986	4.55	4.55	4.60	4.66
GBP/MYR	5.2814	5.23	5.23	5.26	5.28
AUD/MYR	2.8279	2.72	2.72	2.75	2.77
CNY/MYR	0.5810	0.58	0.58	0.58	0.58
SGD/MYR	3.0901	3.09	3.10	3.11	3.12

Rates, %	Current	2Q26	3Q26	4Q26	1Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.25-3.50	3.25-3.50
ECB	2.00	2.25	2.50	2.50	2.50
BOE	3.75	4.00	4.25	4.25	4.25
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.75	1.00	1.00	1.00	1.00
RBA	4.35	4.35	4.35	4.35	4.35
RBNZ	2.25	2.25	2.25	2.25	2.25
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
18-May	SI Non-oil Domestic Exports YoY (Apr)	15.30%
	CH New Home Prices MoM (Apr)	-0.21%
	CH Used Home Prices MoM (Apr)	-0.24%
	CH Retail Sales YoY (Apr)	1.70%
	CH Industrial Production YoY (Apr)	5.70%
	CH Fixed Assets Ex Rural YTD YoY (Apr)	1.70%
	CH Surveyed Jobless Rate (Apr)	5.40%
	US New York Fed Services Business Activity (May)	-14
	US NAHB Housing Market Index (May)	34
19-May	JN GDP Annualized SA QoQ (1Q P)	1.30%
	AU Westpac Consumer Conf SA MoM (May)	-12.50%
	AU RBA Minutes of May Policy Meeting	
	MA CPI YoY (Apr)	1.70%

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UK Average Weekly Earnings 3M/YoY (Mar)	3.80%
UK ILO Unemployment Rate 3Mths (Mar)	4.90%
UK Payrolled Employees Monthly Change (Apr)	-11k
EC Trade Balance NSA (Mar)	11.5b
US Pending Home Sales MoM (Apr)	1.50%

Source: Bloomberg