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Global Markets Research
Daily Market Highlights

19 Mar: FOMC cautioned uncertain policy path ahead

Upgrade in growth and inflation projections saw traders paring Fed rate cut bets

Sell-off in Wall Street after FOMC's decision and Powell's presser; DXY rallied

All eyes on the ECB, BOE and BOJ today; status quo expected for all

- Wall Street remained on edge Wednesday, with the rally in oil prices and dimming hopes of Fed rate cuts saw traders largely selling off equities as well as bonds. In the commodity space, the WTI (\$96.32/barrel) and Brent (\$107.38/barrel) gained 0.1% d/d and 3.8% d/d overnight, with markets rattled by strikes on energy facilities in the Middle East.
- On the monetary policy front, the hotter than expected PPI in the US, coupled with Fed Chair Jerome Powell's comment of risk that higher energy prices will hit inflation and making it harder for policy makers to forecast future policy path saw traders paring rate cut bets to less than one cut this year. In the equity space, the 3 major US stock benchmark indices tumbled 1.4-1.6% d/d.
- In the bond space, treasury yields jumped 4-10bps led by the shorter tenures with traders. The 2Y yield closed the day at 3.77% (+10bps) and the 10Y at 4.27% (+7bps).
- In the FX space, the DXY extended its rally after Powell's presser and closed the day 0.5% d/d up at 100.09. The Dollar was already lifted earlier by the higher-than-expected PPI reading and escalating geopolitical tension. SEK (-1.5% d/d), AUD (-1.1% d/d to 0.7024) and CHF (-1.1% d/d) lagged, while JPY (-0.5% d/d to 159.86), NOK (-0.3% d/d) and CAD (-0.3% d/d) outperformed most of their G10 peers, the latter after the Bank of Canada left its policy rate unchanged at 2.25% as expected.
- Similarly, most Asian FX weakened against the Dollar. CNH and SGD depreciated 0.3-0.6% d/d to 6.9004 and 1.2836 respectively, while MYR was one of those outliers, appreciating 0.1% d/d to 3.9162 against the greenback. At the same time, MYR also strengthened to its highest level in 5 years against the SGD at 3.0690.
- On a separate note, pump price of RON97 petrol will be raised by 70 sen/litre today, while the price of diesel in Peninsular Malaysia will be hiked by 80 sen. This brings the cumulative price hike to RM1.30/litre for RON97 and RM1.60/litre for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	46,225.15	-1.63
S&P 500	6,624.70	-1.36
NASDAQ	22,152.42	-1.46
Stoxx Eur 600	597.93	-0.75
FTSE 100	10,305.29	-0.94
Nikkei 225	55,239.40	2.87
CSI 300	4,658.33	0.45
Hang Seng	26,025.42	0.61
Straits Times	5,002.17	0.00
KLCI 30	1,729.81	1.10
FX		
Dollar Index	100.09	0.51
EUR/USD	1.1452	-0.76
GBP/USD	1.3257	-0.74
USD/JPY	159.86	0.54
AUD/USD	0.7024	-1.14
USD/CNH	6.9004	0.25
USD/MYR	3.9162	-0.05
USD/SGD	1.2836	0.57
USD/KHR	4,011.00	-0.05
USD/THB	32.37	0.05
Commodities		
WTI (\$/bbl)	96.32	0.11
Brent (\$/bbl)	107.38	3.83
Gold (\$/oz)	4,896.20	-2.24
Copper (\$/MT)	12,395.50	-2.97
Aluminum(\$/MT)	3,400.00	0.01
CPO (RM/tonne)	4,540.00	0.14

Source: Bloomberg, HLBB Global Markets Research
* Closing as of 17 Mar for CPO

diesel in less than two weeks. Given the small weightage of both RON97 and diesel in the CPI basket, the impact on inflation is minimal, potentially adding 0.2ppts to full year average CPI based on the assumption that oil prices will moderate to \$80/barrel later in the year and assuming no further change to RON95 pump prices. With CPI expected to average around 2.0% in 2026, we do not expect BNM to adjust the OPR.

- Elsewhere, Stoxx Eur 600 closed 0.8% d/d lower, while major Asian bourses closed in greens ahead of the policy decision, the latter expected to track Wall Street's loss today. Nikkei led gains at 2.9% d/d, while CSI 300 and Hang Seng also rallied 0.5-0.6% d/d. 10Y European bond yields rose in tune to 2-7bps.

FOMC maintained policy rate unchanged as expected

- As widely expected, the FOMC decided to maintain the target range for the Fed funds rate at 3.50-3.75%. The decision was not unanimous, with Stephen Miran preferring to lower the fed funds rate by 25bps. The accompanying statement contained minimal changes. Instead of describing the labour market as having shown signs of stabilization, it has been amended to "unemployment rate has been little changed in recent months." **In regards to the developments in the Middle East, the statement merely stated that the implications for the economy are uncertain.**
- In terms of Fed's projections, **the median projections for real GDP were revised up** across all the forecast horizons. The median forecast for 2026, 2027 and 2028 GDP growth was revised up to 2.4% (+0.1ppts), 2.3% (+0.3ppts) and 2.1% (+0.2ppts). **Core PCE projections were also revised higher** for 2026 and 2027. Core is expected to increase by 2.7% (+0.2ppts) and 2.2% (+0.1ppts) for the two years. However, **the Fed dot plot was left unchanged, with one 25bps cut each in 2026 and 2027**, and is projected to hold steady thereafter. **We have tweaked our house view to just one 25bps cut for the year**, likely in the 4Q but caution that the situation remains very fluid and we will keep a close eye and review as and when necessary.
- In terms of data, producer prices (PPI) unexpectedly accelerated to 0.7% m/m in February (prior: 0.5% m/m), reflecting higher costs for goods (1.1% m/m vs -0.2% m/m) while services (0.5% m/m and 0.8% m/m) contributed to more than half of the February rise, the latter due to the jump in traveller accommodation services. Energy prices were up 2.3% m/m (prior: -2.3% m/m) and will likely see more upward pressure in March following the recent oil price shock.

- The spike in mortgage rates (30Y: +11bps to 6.30%) to its highest in a year, meanwhile, saw mortgage applications falling a sharp 10.9% w/w for the week ended March 13 (prior: 3.2% w/w), while factory orders matched expectations and rebounded 0.1% m/m in January (prior: -0.4% m/m) driven by stronger orders for consumer goods.

House View and Forecasts

FX	This Week	1Q-26	2Q-26	3Q-26	4Q-26
DXY	98-102	96.71	95.13	94.70	95.49
EUR/USD	1.15-1.17	1.20	1.22	1.22	1.21
GBP/USD	1.31-1.35	1.36	1.37	1.37	1.35
USD/CHF	0.76-0.80	0.78	0.78	0.78	0.78
USD/JPY	156-162	153	149	147	147
AUD/USD	0.69-0.72	0.68	0.69	0.70	0.69
NZD/USD	0.57-0.61	0.58	0.59	0.59	0.58
USD/CNY	6.87-6.93	6.90	6.83	6.85	6.90
USD/MYR	3.89-3.97	4.00	3.97	3.97	4.00
USD/SGD	1.26-1.29	1.26	1.23	1.23	1.24
USD/THB	31.50-32.50	32.2	32.1	32.0	30.8

FX	Last close	1Q-26	2Q-26	3Q-26	4Q-26
EUR/MYR	4.5203	4.78	4.82	4.85	4.84
GBP/MYR	5.2323	5.44	5.45	5.45	5.41
AUD/MYR	2.7854	2.72	2.75	2.78	2.76
CNY/MYR	0.5699	0.58	0.58	0.58	0.58
SGD/MYR	3.0690	3.17	3.21	3.23	3.22

Rates, %	Current	1Q26	2Q26	3Q26	4Q26
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.25-3.50
ECB	2.00	2.00	2.00	2.00	2.00
BOE	3.75	3.50	3.50	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.75	0.75	0.75	1.00	1.00
RBA	4.10	4.10	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
19-Mar	JN Core Machine Orders MoM (Jan)	19.10%
	AU Unemployment Rate (Feb)	4.10%
	MA CPI YoY (Feb)	1.60%
	MA Exports YoY (Feb)	19.60%
	JN Industrial Production MoM (Jan F)	2.20%
	UK ILO Unemployment Rate 3Mths (Jan)	5.20%
	UK Payrolled Employees Monthly Change (Feb)	-11k
	EC Construction Output MoM (Jan)	0.90%
	EC Labour Costs YoY (4Q)	3.30%
	UK Bank of England Bank Rate	3.75%
	US Initial Jobless Claims	213k
	US Philadelphia Fed Business Outlook (Mar)	16.3
	EC ECB Main Refinancing Rate	2.15%

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	US New Home Sales MoM (Jan)	-1.70%
	JN BOJ Target Rate	0.75%
20-Mar	CH 5-Year Loan Prime Rate	3.50%
	CH 1-Year Loan Prime Rate	3.00%
	HK CPI Composite YoY (Feb)	1.10%

Source: Bloomberg

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