HongLeong Bank

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Global Markets Research

Daily Market Highlights

20 May: All eyes on the FOMC meeting minutes today

Inflation worries saw traders dumping US treasuries & stocks; USD strengthened

Hawkish RBA minutes; but no change to our rate pause view in the June meeting

Weak labour data for the UK; Malaysia's CPI accelerated to its highest in 1.5 years

- It was another day of cautious trading in Wall Street. Oil held firmly above the $100/barrel. Inflation fears saw traders continuing to dump bonds. US treasury yields climbed consequently and added a new wrinkle to the equity markets. The three major US stock indices slid 0.7-0.8% d/d, with tech and financial stocks amongst the laggards, while energy and safe stocks like healthcare and consumer staples outperformed.
- In the bond space, the sell-off in US treasuries and Fed rate hike anxiety saw yields to the 2Y, 10Y and 30Y jumping to 4.12% (+7bps), 4.67% (+8bps) and 5.18% (+6bps), the latter its highest since 2007.
- Despite still elevated, crude oil prices eased slightly after President Trump called off plans to attack Iran. The WTI fell 0.8% d/d to $107.77/barrel, while the Brent shed 0.7& d/d to $111.28/barrel.
- Elsewhere, Stoxx Eur 600 closed up 0.2% d/d, while Asian equity markets traded mixed after Trump delayed planned Iran strike. Nikkei 225 fell 0.4% d/d, while CSI 300 and Hang Seng added 0.4% d/d and 0.5% d/d. Yields to the 10Y gilt, bund and JGB were up 3bps. 4bps and 6bps (prior: -7bps. -2bps, +2bps).
- On the FX front, the DXY rose (0.1% d/d to 99.33) alongside the treasury yields and all G10 currencies weakened against the greenback overnight. AUD led losses at 0.9% d/d (to 0.7107) despite hawkish RBA minutes, while GBP depreciated 0.3% d/d to 1.3395 amid the weak UK labour data. EUR and JPY traded 0.4% d/d and 0.2% d/d weaker at 1.1605 and 159.07 respectively. Similarly, most regional FX depreciated against the USD. CNH, MYR and SGD closed the day at 6.8169 (-0.3% d/d), 3.9765 (-0.1% d/d) and 1.2823 (-0.3% d/d) respectively against the greenback.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	49,363.88	-0.65
S&P 500	7,353.61	-0.67
NASDAQ	25,870.71	-0.84
Stoxx Eur 600	611.34	0.19
FTSE 100	10,330.55	0.07
Nikkei 225	60,550.59	-0.44
CSI 300	4,852.88	0.40
Hang Seng	25,797.85	0.48
Straits Times	5,072.34	1.51
KLCI 30	1,727.27	-0.03
FX		
Dollar Index	99.33	0.14
EUR/USD	1.1605	-0.44
GBP/USD	1.3395	-0.29
USD/JPY	159.07	0.16
AUD/USD	0.7107	-0.85
USD/CNH	6.8169	0.26
USD/MYR	3.9765	0.05
USD/SGD	1.2823	0.28
USD/KHR	4,018.60	0.11
USD/THB	32.65	0.02
Commodities		
WTI ($/bbl)	107.77	-0.82
Brent ($/bbl)	111.28	-0.73
Gold ($/oz)	4,511.20	-1.03
Copper ($/MT)	13,411.00	-1.30
Aluminum($/MT)	3,602.50	0.94
CPO (RM/MT)	4,533.00	-0.15

Source: Bloomberg, HLBB Global Markets Research

RBA minutes reinforced our view of a pause in the June meeting

- Highlights to the latest RBA policy meeting minutes include: 1) The decision to increase cash rate to 4.35% (+25bps) will provide policy makers greater confidence that underlying inflation would return to 2.5% within the forecast period, and at the same time, would give them space to see how the conflict in the Middle East develops as well as how households and businesses respond. 2) Policy makers were concerned about inflation expectations becoming de-anchored due to the oil price shock, a view reiterated by RBA Governor Sarah Hunter at the Bloomberg Forum for Investment Managers forum on Tuesday. 3) ***Policy makers opined that the financial conditions would probably be somewhat restrictive after raising rates and as such, despite the hawkish note and upside risks to the cash rate, we are holding on to our view that the central bank will hold rates unchanged at 4.35% at least at the June meeting, and most probably for the rest of the year.***
- The Westpac Consumer Confidence index, meanwhile, rebounded 3.5% m/m in May after falling 12.5% m/m to its extreme low last month as the shock from the spike in fuel prices eased. Despite the small improvement, consumers remain deeply pessimistic at this level.

Third straight month of gains for US pending home sales

- Pending home sales surprised on the upside at the start of the spring season, growing 1.4% m/m in April after gaining 1.7% m/m previously. This marks its third straight month of growth, suggesting that the housing market may be finding some footing albeit with downside risks from increasing economic uncertainty, still elevated home prices and recent uptick in mortgage rates.

Narrower trade surplus for the Eurozone

- Eurozone's trade surplus narrowed sharply to €3.5bn in March from €6.5bn previously as import growth (3.5% m/m) outpaced exports (2.1% m/m). Notably, US tariffs hit EU's exports growth hard, saw shipment to the US plunging 37.1% y/y and trade surplus narrowing sharply to €13.5bn in March from €40.4b a year ago.

UK employers slashed more jobs than expected; unemployment rate ticked up; wage growth slowed

- UK employers slashed more jobs than expected by 100k in April after falling 28k previously, a sign that demand for workers is weakening as the Iran war pushed up energy costs and sap business confidence. A separate survey showed that unemployment rate unexpectedly weakened to 5.0% in March (Feb: 4.9%) while private earnings ex-bonus eased more than expected to 3.0% y/y from 3.2% y/y, a sign that wage gain is unlikely to respond materially to the energy-fuelled rise in inflation. While the data can be heavily revised especially around the tax season, the broader picture of labour market weakness put our two BOE rate hikes base case forecast at risk for now.

Malaysia's CPI accelerated further to 1.9% y/y in April led by transport

- April CPI continued its upward climb for the 2nd straight month, reaching 1.9% y/y in April (Mar: 1.7% y/y), to mark its biggest gain in 18 months. This came in within market expectations but a tad below ours. Indisputably, the higher inflation was spurred by doubling transport costs (4.1% vs 1.9% y/y), following the hefty increases in petrol pump prices by as much as 100% y/y in April. We foresee growing upside risks to inflation given the longer than expected geopolitical stand-off in the Middle East which continue to keep global crude oil prices elevated. Meantime, continued closure of the Strait of Hormuz will prolong the disruption to global supply chains, hence further repercussions on inflation, trade and growth globally. Refer to Research Alert "Further acceleration in April CPI" dated 19th 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	4.6205	4.55	4.55	4.60	4.66
GBP/MYR	5.3315	5.23	5.23	5.26	5.28
AUD/MYR	2.8291	2.72	2.72	2.75	2.77
CNY/MYR	0.5842	0.58	0.58	0.58	0.58
SGD/MYR	3.1039	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
20-May	CH 1-Year Loan Prime Rate	3.00%
	CH 5-Year Loan Prime Rate	3.50%
	MA Exports YoY (Apr)	8.30%
	UK CPI Core YoY (Apr)	3.10%
	UK PPI Input NSA YoY (Apr)	5.40%
	US MBA Mortgage Applications	1.70%
	US FOMC Meeting Minutes	
21-May	AU S&P Global Australia PMI Mfg (May P)	51.3
	AU S&P Global Australia PMI Services (May P)	50.7
	JN Exports YoY (Apr)	11.70%
	JN Core Machine Orders MoM (Mar)	13.60%
	JN S&P Global Japan PMI Mfg (May P)	55.1
	JN S&P Global Japan PMI Services (May P)	51
	AU Employment Change (Apr)	17.9k
	AU Unemployment Rate (Apr)	4.30%
	EC S&P Global Eurozone Manufacturing PMI (May P)	52.2
	EC S&P Global Eurozone Services PMI (May P)	47.6
	HK CPI Composite YoY (Apr)	1.70%
	UK S&P Global UK Manufacturing PMI (May P)	53.7
	UK S&P Global UK Services PMI (May P)	52.7
	EC Construction Output MoM (Mar)	-0.20%
	EC Labour Costs YoY (1Q P)	3.30%
	US Initial Jobless Claims	211k
	US Philadelphia Fed Business Outlook (May)	26.7
	US Housing Starts MoM (Apr)	10.80%
	US Building Permits MoM (Apr P)	-11.40%
	US S&P Global US Manufacturing PMI (May P)	54.5
	US S&P Global US Services PMI (May P)	51
	EC Consumer Confidence (May P)	-20.6

Source: Bloomberg

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