

22 May 2026

Global Markets Research
Daily Market Highlights

22 May: Increasingly evident impact from US-Iran war

**Services PMIs hit hard by the war; manufacturing benefitted from stockpiling
US-Iran deal optimism sent oil prices lower; the Dow to record; mixed UST yields
DXY up but off intraday peak tracking softer oil prices & softer than expected PMI**

- US-Iran deal hopes that could pave the way for the re-opening of Strait of Hormuz and consequently reviving energy flows propped the three major US stock indices higher overnight and sent crude oil prices (WTI: \$96.35/barrel, Brent: \$102.58) tumbling around 2.0% d/d. In tandem with this, treasuries erased earlier declines and yields closed the day mixed between -/+3bps. The benchmark 2Y yield closed up 3bps to 4.08%, while the 10Y fell 2bps to 4.57%.
- The three major US equity indices rallied 0.1-0.6% d/d, with the Dow leading gains and closing at record high. Gains were rather broad-based with investors largely shrugging off the weaker than expected but still steady headline PMI, while tech stocks closed mixed despite Nvidia posting strong results the day before.
- Sentiment towards tech was more positive in Asia. KOSPI and Nikkei 225 rallied 8.4% d/d and 3.1% d/d. Stoxx Eur 600 whipsawed on Middle East headlines before finishing the day just marginally higher. 10Y European bond yields closed mixed between -2 to +7bps.
- In the forex space, the DXY trimmed earlier gains following the pullback in oil prices as well as the softer than expected PMI. That said, the index still closed up 0.2% d/d at 99.26. G10 currencies traded mixed against the greenback. EUR, GBP, JPY and AUD weakened less than 0.1% d/d each to 1.1619, 1.3431, 158.98 and 0.7150 respectively against the USD. The softer AUD was further dampened by an increase in Australia's unemployment rate that pared RBA rate hike bets.
- JPY, meanwhile, could face headwind from the softer than expected April's CPI for Japan, which should curtail and/or delay rate hike bets. Both headline and core, which excludes food, came in at 1.4% y/y, moderating from 1.5% y/y and 1.8% y/y previously and the deceleration was rather broad-based.
- Regional currencies closed mixed against USD, but MYR were amongst the leading gainers at 0.3% d/d to 3.9597. CNH and SGD closed just above their flatlines at 6.8001 and 1.2780.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	50,285.66	0.55
S&P 500	7,445.72	0.17
NASDAQ	26,293.10	0.09
Stoxx Eur 600	620.56	0.04
FTSE 100	10,443.47	0.11
Nikkei 225	61,684.14	3.14
CSI 300	4,783.10	-1.39
Hang Seng	25,386.52	-1.03
Straits Times	5,045.71	0.02
KLCI 30	1,708.36	-0.54
FX		
Dollar Index	99.26	0.17
EUR/USD	1.1619	-0.04
GBP/USD	1.3431	-0.03
USD/JPY	158.98	0.04
AUD/USD	0.7150	-0.01
USD/CNH	6.8001	-0.03
USD/MYR	3.9597	-0.25
USD/SGD	1.2780	-0.01
USD/KHR	4,019.50	0.09
USD/THB	32.64	-0.16
Commodities		
WTI (\$/bbl)	96.35	-1.94
Brent (\$/bbl)	102.58	-2.32
Gold (\$/oz)	4,542.50	0.16
Copper (\$/MT)	13,515.50	-1.03
Aluminum(\$/MT)	3,637.00	0.40
CPO (RM/MT)	4,424.00	0.48

Source: Bloomberg, HLBB Global Markets Research

Services PMIs for the majors were hit hard by higher cost pressure in May; manufacturing benefitted from stockpiling

- Negative impact from the war is becoming increasingly evident in private sector activities.
- In the US, the headline PMI held steady but below expectations at 51.7 in May with improved manufacturing sector (better than expected at 55.3 vs 54.5) offset by a sluggish services sector (worse than expected at 50.9 vs 51.0). Again, factory growth was partially due to temporary stock building and both sectors reported subdued order book growth. With this, the PMI suggests that the economy will likely struggle to manage its GDP growth momentum from 2Q onwards.
- Eurozone's headline PMI (worse than expected at 47.5 vs 48.8) signalled a deepening downturn for the bloc amid sharper drops in output, new orders and employment, while business confidence also slipped. The services sector (worse than expected at 46.4 vs 47.6) was especially hit hard by the surge in the cost of living, while manufacturing (worse than expected at 51.4 vs 52.2) was supported by precautionary stock building.
- UK's headline PMI (worse than expected at 48.5 vs 52.6) signalled the possibility of a contraction in economic activities in 2Q, with the blame lying first and foremost with the Middle East war, but domestic politics are also taking an increasing toll, driving uncertainty higher and deterring spending, hiring and investment. Things could worsen in the coming months especially with the precautionary stock building in manufacturing (better than expected and steady at 53.7) likely to fade, while services (worse than expected at 47.9 vs 52.7) continues to struggle.
- Japan's composite PMI slipped to its 5-month low of 51.1 in May (prior: 52.2) amid further easing of growth momentum for both services (50.0 vs 51.0) and manufacturing (54.5 vs 55.1), the latter despite support from stockpiling. Costs rose at their sharpest pace in 3.5 years, selling price quickened, and if sustained, the already subdued business confidence and the broader economy could come under more pressure.

Better than expected jobless claims data for the US

- Initial jobless claims fell more than expected by 3k to 209k for the week ended May 16 (prior: +13k), while continuing claims increased at a narrower pace of 6k to 1782k for the week of May 9 (prior: +18k). Despite expectations that claims could rise due to summer seasonal quirks, the labour market has largely remained steady, giving the Fed leeway to focus on inflation.

- Housing data was mixed. Housing starts fell 2.8% m/m in April after a robust 12.0% m/m in March, while building permits increased by 5.8% m/m (prior: -11.5% m/m). Both data were above forecasts but the housing industry will battle headwinds from higher mortgage rates and construction costs going forward.

Eurozone's consumer confidence improved, but remained below average

- Consumer confidence improved in May, rising above economist forecasts at -19.0 (Apr: -20.6). Despite this, confidence remained well below its long-term average as well as below the levels observed before the outbreak of the Middle East conflict.
- On a positive note, construction output rebounded 0.8% m/m in March (Feb: -0.8% m/m), while unit labour costs accelerated to 3.4% y/y in 1Q from 3.3% y/y previously, the latter should support consumer spending but also add to wage-push inflation.

Softer Australia's labour data reaffirms our RBA hold view

- Unemployment rate unexpectedly climbed to 4.5% in April (Mar: 4.3%), its highest since November 2021, after employment unexpectedly fell by 18.6k (Mar: +23.3k). The data suggests that the labour market is cooling faster than expected as a result of higher borrowing costs and energy-driven shock. Coupled with the easing PMIs, this suggests that this softening trend is unlikely to be a blip, and saw traders paring rate hike bets to less than one in 2026. We are maintaining our view that RBA will keep rates unchanged for the rest of the year for now.

Steady and moderate CPI for Hong Kong

- Inflation unexpectedly held steady and stayed moderate at 1.7% y/y in April, as prices of fuel-related components accelerated further, offset by contained price pressures on non-fuel components. Moving forward, the feed-through from fuel could trickle-in in the coming months, but contained price pressures from other fronts should help rein in upward price pressure.

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	4.6060	4.55	4.55	4.60	4.66
GBP/MYR	5.3227	5.23	5.23	5.26	5.28
AUD/MYR	2.8254	2.72	2.72	2.75	2.77
CNY/MYR	0.5825	0.58	0.58	0.58	0.58
SGD/MYR	3.0982	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
22-May	UK GfK Consumer Confidence (May)	-25
	UK Retail Sales Inc Auto Fuel MoM (Apr)	0.70%
	MA Foreign Reserves	\$129.7b
	US U. of Mich. Sentiment (May F)	48.2
	US U. of Mich. Current Conditions (May F)	47.8
	US Kansas City Fed Services Activity (May)	3
25-May	SI GDP YoY (1Q F)	4.60%
	SI CPI YoY (Apr)	1.80%

Source: Bloomberg

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.