

2 April 2025

## Global Markets Research

### Daily Market Highlights

## 2 Apr: All eyes on Trump's "Liberation Day"

**Anxious investors ahead of the tariff announcements; US equities closed mixed; DXY up UST yields fell following weaker than expected ISM-manufacturing and JOLTS job prints RBA maintained cash rate at 4.10%; Eurozone's inflation moved closer to 2.0% target**

- US equities closed mixed in another volatile session, as investors traded cautiously ahead of Trump's "Liberation Day," where expectations is that the President will unveil reciprocal tariffs on its global trading partners and according to the White House, will take immediate effect. While the Dow closed just below its flatline, Nasdaq and S&P 500 rose 0.9% d/d and 0.4% d/d respectively. The gains in consumer discretionary and tech stocks of the S&P 500 universe wiped out the earlier slide triggered by the weaker than expected ISM manufacturing and JOLTS jobs data. Elsewhere, Stoxx Eur 600 closed up 1.1% d/d and Asian markets closed mixed ahead of the tariff announcements.
- In the bond space, Treasury yields closed 0-5bps lower following the latest batch of weak economic prints. The 2Y yield closed just below its flatline at 3.88%, while the 10Y slid 4bps to 4.17%. Similarly, 10Y European bond yields closed the day down 3-8bps.
- In the forex space, DXY closed the day 0.1% d/d higher at 104.26 (+0.1% d/d), amid strengthening of the Dollar against DKK and EUR (-0.2% d/d to 1.0793), the latter after Eurozone's inflation eased further towards ECB's 2.0% target. Outperforming their G10 peers were nonetheless, CAD, NOK and AUD (+0.5% d/d to 0.6278), with the AUD benefiting from a hawkish hold by the RBA.
- Regional currencies closed mixed, with JPY (+0.2% d/d to 149.61) and KRW outperforming while, THB, CNH (-0.2% d/d to 7.2808) and SGD (-0.1% d/d to 1.3442) lagged. MYR closed 0.1% d/d weaker at 4.4383 last Friday (28 March).
- In the commodity space, oil prices (WTI: -0.4% d/d to \$71.20/barrel, Brent: -0.3% d/d to \$74.49/barrel) fell as uncertainty over Trump's tariff plans weighed on economic outlook and crude oil demand. That said, threats of secondary tariffs on Russian oil buyers if Moscow refused a ceasefire with Ukraine, will likely provide some support to prices in the near term.

#### RBA maintained cash rate at 4.10%

- As expected, the Reserve Bank of Australia (RBA) maintained the cash rate target unchanged at 4.10%. In the accompanying

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	41,989.96	-0.03
S&P 500	5,633.07	0.38
NASDAQ	17,449.89	0.87
Stoxx Eur 600	539.64	1.07
FTSE 100	8,634.80	0.61
Nikkei 225	35,624.48	0.02
CSI 300	3,887.68	0.01
Hang Seng	23,206.84	0.38
Straits Times	3,968.85	-0.09
KLCI 30	1,513.65	-1.44
<b>FX</b>		
Dollar Index	104.26	0.05
EUR/USD	1.0793	-0.21
GBP/USD	1.2923	0.04
USD/JPY	149.61	-0.23
AUD/USD	0.6278	0.50
USD/CNH	7.2808	0.21
USD/MYR	4.4383	0.15
USD/SGD	1.3442	0.11
<b>Commodities</b>		
WTI (\$/bbl)	71.20	-0.39
Brent (\$/bbl)	74.49	-0.33
Gold (\$/oz)	3,118.90	-0.12
Copper (\$\$/MT)	9,693.00	-0.18
Aluminum(\$/MT)	2,507.00	-1.03
CPO (RM/tonne)	4,677.00	1.14

Source: Bloomberg, HLBB Global Markets Research  
\* CPO dated as of 27 Mar; KLCI & USD/MYR dated as of 28 Mar

statement, the central bank reiterated that returning inflation sustainably to target within a reasonable timeframe remains the highest priority, and that the current policy rate remains restrictive. RBA also flagged uncertainty over the outlook abroad and domestically, the latter from the lags in the effect of monetary policy. With this, consensus is expecting gradual rate cuts going forward, pencilling in the next rate cut in the May policy meeting, and another 75bps by end-2025.

- Retail sales came in softer than expected at +0.2% m/m in February (prior: +0.3% m/m). Food-related spending drove the rise in retail turnover, while spending in household goods continued to moderate amid lower discretionary spending.

### **Mixed revisions to the S&P Manufacturing PMIs for the majors; China's PMI gained further traction**

- The final S&P Manufacturing PMI for the US was revised up 0.4ppts to 50.2 in March (February: 52.5). That said, this is the weakest reading in 2025, as optimism surrounding the new administration and the need to front-run tariffs are fading. Business optimism over the year ahead also dropped sharply, causing firms to stop raising payroll counts for the first time since October.
- The final HCOB Eurozone Manufacturing PMI was revised 0.1ppts lower to 48.6 (February: 47.6). While this still pointed to a deterioration, the index at this level suggests a modest decline and the softest since January 2023. Forward looking indicators point to stability for the sector, with new orders barely falling and fewer people being laid off. The additional public sector spending will also lend support to growth going forward.
- The final UK PMI was revised 0.3ppts higher to 44.9 (February: 46.9), as new business growth fell at the steepest rate for 1.5 years. The outlook is also darkening, with overall business optimism plunging to its lowest levels since late 2022 as many manufacturers report that domestic market conditions are deteriorating and costs are rising due to changes in the national minimum wage and national insurance contributions.
- The final Australia's Manufacturing PMI was revised 0.5ppts lower to 52.1 in March (February: 50.4). This the strongest reading in 2.5 years but forward-looking indicators brought conflicting signals regarding growth. Business confidence notably eased, despite the rise in new orders and employment sub-indicators.
- The final Japanese manufacturing PMI was revised 0.1ppt higher to 48.4 in March (February: 49.0). That said, this is its 1-year low print and confidence remained below its long-term average as manufacturers noted weaker demand from both domestic and international clients.
- The Caixin China Manufacturing PMI unexpectedly improved 0.4 points to 51.2 in March. This marked its strongest growth since

November and businesses expressed confidence in the near-term economic outlook, reflected in the 1ppts point jump in future output expectations as compared to 2024's average. The uptick in the index signalled a good traction in China's economy in 1Q, amid continued tailwinds from a still relatively sluggish job market and deflationary pressures on the domestic front and headwind from the trade war on the external environment.

- Vietnam Manufacturing PMI (50.5 vs 49.2) recorded its first increases in output and new orders in 2025. While firms were hopeful that the sector will continue to improve, firms remained cautious in hiring and purchasing extra inputs amid an uncertain international environment and new export orders falling.

### **Disappointing US Manufacturing ISM and JOLTS job openings prints**

- ISM Manufacturing index slipped into contraction in March (49.0 vs 50.3), after 2 consecutive months of expansion. Demand (new orders: 45.2 vs 48.6), production and employment (44.7 vs 47.6) weakened, while prices paid (69.4 vs 62.4) accelerated due to tariffs, causing new order placement backlogs and manufacturing inventory growth. Of the 6 largest manufacturing industries, 3 (petroleum & coal products, computer & electronic products and transportation equipment) expanded during the month.
- JOLTS job openings came in below consensus at 7.6m in February (prior: 7.8k), as job openings fell for cyclical sectors like retail trade, as well as finance and insurance. Consequently, the job openings rate, a gauge of labour market strength, eased slightly to 4.5% from 4.6% previously, but layoffs and quits rates held steady at 1.1% and 2.0%. As it is, the downward surprise for vacancies is consistent with a softening labour market, but not at a recession-consistent pace at this juncture.
- On the housing front, construction spending rebounded more than expected to +0.7% m/m in February from -0.5% m/m previously.
- Core PCE prices released last Friday matched expectations and held steady at 2.5% y/y in February. Core PCE nonetheless, came in higher than expected at +2.8% y/y (Jan: +2.7% y/y revised) driven by services inflation and smaller drag from durable goods orders. Despite this, consumers are still holding up with spending growing 0.4% m/m, below the 0.5% m/m forecast but a rebound from -0.3% m/m previously.

### **Eurozone's inflation ticks nearer to ECB's target**

- Matching expectations, headline inflation ticked down from 2.3% y/y to 2.2% y/y in March, while core eased more than expected from 2.6% y/y to 2.4% y/y. The downtick was not only attributable to just lower energy prices (-0.7% y/y vs +0.2% y/y), but also a pronounced softening in services inflation (3.4% y/y vs +3.7% y/y).

Even though the latter was in part driven by a late Easter, the decline is a dovish sign for the ECB ahead of possible trade upsets to the inflation outlook. Meanwhile the unemployment rate unexpectedly improved to 6.1% in February from 6.2% previously, in a nod to a still resilient labour market.

### Still upbeat business mood in Japan

- Business sentiment, according to the Tankan survey, amongst large manufacturers remained upbeat at +12 in March (prior: +14), while confidence amongst services firms improved 2 points to 35. The latter will bode well for more rate hikes by the BOJ, signalling strength on the domestic front amid strong wage hikes and a resilient labour market (jobless rate: 2.4% in Feb vs 2.5% in Jan) which will help households cope with persistent inflationary pressures. Accompanying data also showed that manufacturers planned to increase their investment by a softer rate of 3.1% for the current fiscal year. As it is, the latest survey may not have fully reflected the impact from Trump's tariffs yet, given that the survey was conducted from 26 February to 31 March before the 25% tariff on US auto imports kicks in.

### House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	102-106	104.21	108.58	106.93	105.27
EUR/USD	1.06-1.10	1.08	1.03	1.05	1.06
GBP/USD	1.27-1.31	1.29	1.24	1.25	1.27
USD/CHF	0.87-0.91	0.88	0.91	0.90	0.88
USD/JPY	148-154	150	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.56-0.59	0.57	0.56	0.57	0.58
USD/CNY	7.23-7.28	7.26	7.30	7.23	7.15
USD/MYR	4.40-4.47	4.44	4.50	4.40	4.35
USD/SGD	1.32-1.36	1.34	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.00-4.25
ECB	2.50	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
SNB	0.25	0.25	0.25	0.25	0.25
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.10	4.10	3.85	3.60	3.60
RBNZ	3.75	3.75	3.50	3.25	3.00
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
2-Apr	MA S&P Global Malaysia PMI Mfg (Mar)	49.7
	AU Building Approvals MoM (Feb)	6.30%
	US MBA Mortgage Applications	-2.00%

	US ADP Employment Change (Mar)	77k
	SI Purchasing Managers Index (Mar)	50.7
	US Factory Orders (Feb)	1.70%
3-Apr	HK S&P Global Hong Kong PMI (Mar)	49
	SI S&P Global Singapore PMI (Mar)	51
	JN Jibun Bank Japan PMI Services (Mar F)	49.5
	AU Job Vacancies QoQ (Feb)	4.20%
	AU Exports MoM (Feb)	1.30%
	CH Caixin China PMI Services (Mar)	51.4
	EC HCOB Eurozone Services PMI (Mar F)	50.4
	UK DMP 1 Year CPI Expectations (Mar)	3.10%
	UK S&P Global UK Services PMI (Mar F)	53.2
	EC PPI YoY (Feb)	1.80%
	US Challenger Job Cuts YoY (Mar)	103.20%
	US Trade Balance (Feb)	-\$131.4b
	US Initial Jobless Claims	224k
	US S&P Global US Services PMI (Mar F)	54.3
	US ISM Services Index (Mar)	53.5

Source: Bloomberg

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