

3 February 2025

Global Markets Research

Daily Market Highlights

3 Feb: Trump imposed tariffs on Canada, Mexico & China

Canada responded with a 25% tariff on US goods; Mexico & China vowed to retaliate US stocks pared early gains from solid corporate results; DXY rose; USTs closed mixed US Core-PCE prices held steady; higher tariffs will derail disinflation trend ahead

- The three major US equity indices have been trading higher Friday morning following a solid batch of corporate earnings, before giving up these earlier gains after the White House announced that it would slap tariffs on Canada, Mexico and China starting February 1st. The S&P 500 and Nasdaq fell 0.5% and 0.3% d/d respectively, while the Dow Jones tumbled 0.8% d/d weighed down by a decline in Chevron shares.
- Elsewhere, European and Asian stock markets had closed mostly in greens earlier in the day, but are likely to fall today after Trump carried out his threats to impose these tariffs.
- ***On Saturday, Trump signed an order imposing 25% tariffs on imports from Mexico and Canada, as well as an additional 10% duty on China. Energy resources from Canada will be hit with a lower 10% tariffs.*** In response, ***Canadian Prime Minister Justin Trudeau had announced retaliatory tariffs of 25% on US goods effective 4th Feb***, while Mexico and Canada have vowed to retaliate.
- In the bond space, Treasury yields mostly rose after White House said that tariffs will kick off over the weekend. The 2Y yield fell 1bp to 4.20%, while the 10Y yield rose 2bps to 4.54%. Save for the Norwegian bonds, 10Y European bond yields fell another 1-7bps, after declining 4-7bps the prior day following ECB's rate cut.
- In the forex space, DXY jumped 0.5% d/d to 108.37 and the Dollar strengthened against all its G10 peers save for the AUD (+0.1% d/d). CAD (-0.4% d/d), SEK (-0.4% d/d) and JPY (-0.6% d/d) led losses against the Dollar, the latter after BOJ Governor Kazuo Ueda dampened expectations of a near-term rate hike. Similarly, Asian currencies mostly weakened against the Dollar, with KRW (-1.6% d/d) and MYR (-1.5% d/d to 4.4602) underperforming their regional peers.
- In the commodity markets, crude oil prices narrowed their early losses after Trump denied reports that some goods, including crude oil, may be exempted from the trade restrictions. Consequently, the WTI and Brent closed the day 0.3% and 0.1% d/d lower at \$72.53/barrel and \$76.76/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,544.66	-0.75
S&P 500	6,040.53	-0.50
NASDAQ	19,627.44	-0.28
Stoxx Eur 600	539.53	0.13
FTSE 100	8,673.96	0.31
Nikkei 225	39,572.49	0.15
CSI 300	3,817.08	-0.41
Hang Seng	20,225.11	0.14
Straits Times	3,855.82	1.44
KLCI 30	1,556.92	0.27
EX		
Dollar Index	108.37	0.53
EUR/USD	1.0362	-0.28
GBP/USD	1.2395	-0.19
USD/JPY	155.19	0.58
AUD/USD	0.6218	0.14
USD/CNH	7.3220	0.39
USD/MYR	4.4602	1.50
USD/SGD	1.3568	0.30
Commodities		
WTI (\$/bbl)	72.53	-0.27
Brent (\$/bbl)	76.76	-0.14
Gold (\$/oz)	2,812.50	-0.37
Copper (\$\$/MT)	9,048.00	-0.88
Aluminum(\$/MT)	2,594.00	-1.24
CPO (RM/tonne)	4,560.00	-0.13

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 28 Jan; CSI 300 dated as of 27 Jan

US core-PCE matched expectations and held steady at 2.8%

- Matching expectations, headline PCE prices accelerated to 2.6% y/y and 0.3% m/m in December (prior: +2.4% y/y and +0.1% m/m), but Fed's preferred inflation gauge (core-PCE) held steady at +2.8% y/y and rose 0.2% m/m (prior: +0.1% m/m). With the increase in the employment cost index relatively contained (+0.9% in 4Q vs +0.8% in 3Q), inflation appears on track for the 2.0% target but this disinflation trend will most likely be disrupted by Trump's higher tariffs.
- Accompanying data, meanwhile, showed that personal spending (+0.7% m/m vs +0.6% m/m) was robust during the month, as consumers snapped up durables amid threat of tariffs and supported by growth in personal income (+0.4% m/m vs +0.3% m/m). With consumer spending still solid and the Fed likely adopting a wait-and-see mode, markets reaffirmed their bets that the next rate cut will only happen in July.
- The MNI Chicago PMI rose less than expected to 39.5 in January (prior: 36.9). This is the first increase after three consecutive months of decline, though the index remains below its 2024 average.

Eurozone's short-term inflation expectations revised up

- 1Y CPI inflation expectations were revised up more than expected to 2.8% for 2025 (prior: 2.6%), but longer-term expectations remained at 2.4%. Despite the uptick in the short-term expectations, there is no change in our view of more rate cuts going forward on expectations that the economy will remain weak in the near-term.

UK's business confidence fell; house price growth softened

- Lloyds Business Barometer fell 2 points to 37 in January. While there hasn't been any significant monthly change, business confidence has gradually drifted since summer, this month due to downdrifts to current economic optimism and prices charged in the next 12-months sub-indices.
- According to Nationwide, house price growth softened more than expected to +4.1% y/y in January (prior: +4.7% y/y). The housing market continues to show resilience despite affordability challenges, and will likely be supported by buyers bringing forward their purchases to avoid higher property taxes as well as lower interest rates going forward.

Australia's PPI eased q/q; private sector credit holds steady

- No surprises in terms of Australia's economic data. Private sector credit held steady at +0.6% m/m for the fourth month in December, as most loans stabilised or accelerated slightly. Producer prices, meanwhile, eased slightly to +0.8% q/q in 4Q (3Q: +1.0% q/q), as sharp rises in property operators and accommodation, due to

strong seasonal demand for summer holiday accommodation offset lower commodity prices, namely refined fuel.

- Data this morning showed that the Australia S&P Manufacturing PMI was revised up 0.4ppts to 50.2 in January (prior: 47.8). This is the first growth in a year as new business fell at a noticeably slower rate and firms were willing to raise employment, adding to signs of a turnaround.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	106-110	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.22-1.26	1.24	1.24	1.25	1.27
USD/CHF	0.89-0.93	0.91	0.91	0.90	0.88
USD/JPY	151-157	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.19-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.46-4.52	4.55	4.50	4.40	4.35
USD/SGD	1.34-1.37	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00	3.75-4.00
ECB	2.75	2.50	2.00	2.00	2.00
BOE	4.75	4.50	4.25	4.00	4.00
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
3-Feb	AU Melbourne Institute Inflation YoY (Jan)	2.60%
	JN Jibun Bank Japan PMI Mfg (Jan F)	48.8
	MA S&P Global Malaysia PMI Mfg (Jan)	48.6
	VN S&P Global Vietnam PMI Mfg (Jan)	49.8
	AU Retail Sales MoM (Dec)	0.80%
	AU Building Approvals MoM (Dec)	-3.60%
	CH Caixin China PMI Mfg (Jan)	50.5
	HK GDP Annual YoY (2024 A)	3.20%
	HK Retail Sales Value YoY (Dec)	-7.30%
	EC HCOB Eurozone Manufacturing PMI (Jan F)	46.1
	UK S&P Global UK Manufacturing PMI (Jan F)	48.2
	EC CPI Core YoY (Jan P)	2.70%
	SI Purchasing Managers Index (Jan)	51.1
	US S&P Global US Manufacturing PMI (Jan F)	50.1
	US Construction Spending MoM (Dec)	0.00%
	US ISM Manufacturing (Jan)	49.3
	4-Feb	AU Household Spending MoM (Dec)
US Factory Orders (Dec)		-0.40%
US JOLTS Job Openings (Dec)		8098k

Source: Bloomberg

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