HongLeong Bank

3 March 2025

Global Markets Research
Daily Market Highlights

3 Mar: All eyes on the Trump-Zelensky spat

US equity markets recovered from the Trump-Zelensky's testy meeting; havens rallied
US PCE prices eased as expected; Atlanta Fed's indicator flagged risk of a softer 1Q GDP
China's official manufacturing PMI returned to expansionary; risks lie ahead

- US equities see-sawed on the last day of February, with major US stock benchmarks turning negative briefly after a testy Oval Office meeting between US President Trump and Ukraine's Zelensky, before rallying sharply at close. By the closing bell, the stock indices recovered and closed up 1.4-1.6% d/d, and with every sector of the S&P posting gains.
- Elsewhere, European equity markets closed mixed during the day, and investors will be watching out for more developments in the US-Ukraine impasse over Russia's war this week. Asian markets fell after Trump confirmed that the tariff hikes on Canada, Mexico and Canada will proceed as planned, and will likely face a murky opening following uncertainties from the policy front as well as geopolitically.
- In the bond space, Treasuries rallied as US inflation cooled as expected, and as markets searched for haven assets, sending yields down 4-6bps (prior: +/-2bps) across the curve. The 2Y yield fell 6bps to 3.99%, while the 10Y yield slid 5bps to 4.21%. 10Y European bond yields closed mixed between -5 to +1bps, after falling 0-4bps the prior day.
- In the forex space, DXY extended its gains (+0.4% d/d to 107.61) in the aftermath of Trump's and Zelensky's public spat. The stall in this peace talk weighed heavily on EUR (-0.2% d/d to 1.0375), while S&P Global Ratings revised France's outlook to "negative" from "stable" also dampened sentiment for the currency. GBP depreciated 0.2% d/d to 1.2577 even after BOE's Dave Ramsden said interest rate cuts must be gradual as UK inflation may remain more persistent than previously thought.
- Similarly, regional currencies mostly weakened against the USD, as investors turned cautious given Trump's tariff talk. The MYR depreciated 0.5% d/d to close at 4.4625 while the SGD weakened 0.2% d/d to 1.3514. CNY and CNH were the outliers, and the latter appreciated 0.1% d/d to 7.2934.
- In the commodity space, oil prices fell between 0.8-1.2% d/d to $69.76/barrel for the WTI and $73.18/barrel for the Brent, as tariff risks battered sentiment and on a potential restart on pipeline exports from Iraq's Kurdistan region. That said, OPEC+'s expected

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,840.91	1.39
S&P 500	5,954.50	1.59
NASDAQ	18,847.28	1.63
Stoxx Eur 600	557.19	0.01
FTSE 100	8,809.74	0.61
Nikkei 225	37,155.50	-2.88
CSI 300	3,890.05	-1.97
Hang Seng	22,941.32	-3.28
Straits Times	3,895.70	-0.65
KLCI 30	1,574.70	-0.75
FX		
Dollar Index	107.61	0.35
EUR/USD	1.0375	-0.22
GBP/USD	1.2577	-0.19
USD/JPY	150.63	0.55
AUD/USD	0.6209	-0.43
USD/CNH	7.2934	-0.10
USD/MYR	4.4625	0.48
USD/SGD	1.3514	0.22
Commodities		
WTI ($/bbl)	69.76	-0.84
Brent ($/bbl)	73.18	-1.16
Gold ($/oz)	2,848.50	-1.64
Copper ($$/MT)	9,358.00	-0.34
Aluminum($/MT)	2,605.50	-1.03
CPO (RM/tonne)	4,687.50	-1.46

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 27 Feb*

deferral of a supply increase, and a failed deal between US-Ukraine will likely keep geopolitical tension elevated and crude oil prices supported for now.

US PCE prices eased as expected; upside surprise to personal income vs weaker than expected spending; Atlanta Fed indicator suggests a contraction in US' 1Q GDP

- Headline and core personal consumption expenditures (PCE) prices eased to 2.5% y/y and 2.6% y/y respectively (prior: 2.6% y/y and 2.9% y/y), in line with consensus but worries over prices accelerating over President Trump's tariff will likely keep the FOMC on hold for the time being regarding interest rates. On a m/m basis, prices accelerated for both durable and non-durables goods, while services inflation eased.
- Meanwhile, income and spending numbers showed some surprises. Personal income posted a much sharper increase than expected, up 0.9% m/m (prior: +0.4% m/m), but this did not translate into spending, which fell 0.2% m/m (prior: +0.8% m/m). Irregular factors could have contributed to this divergence, with the higher income benefitting from the annual social security cost of living adjustments, and spending weighed down by lower auto sales and some pull-back post-holiday spending.
- Trade deficit widened sharply to $153.3bn in January (prior: -$122.0bn), most likely as businesses front-loaded imports ahead of tariffs and suggests a potential drag in net exports to growth in 1Q. Consequently, we saw imports jumping 11.9% m/m (prior: +4.0% m/m), outpacing exports at +2.0% m/m (prior: -3.8% m/m).
- In terms of regional activities, services in the Kansas City grew slightly in February (+2 vs -4). Expectations for future activity remained expansionary, but input price growth accelerated and far outpaced selling price increases. The Chicago Business Barometer increased more than expected by 6 points to 45.5 in February, second consecutive monthly gain and its highest level since June 2024.
- According to Atlanta Fed's GDPNow model, it is estimated that the US economy contracted by 1.5% in 1Q, with contribution from net exports to GDP at -3.7ppts, while the nowcast of real PCE declining 1.3%.

Eurozone's inflations expectations eased for the year ahead

- ECB's 1Y CPI expectations unexpectedly eased to 2.6% y/y in January (prior: 2.8%) while median expectations for inflation 3 years ahead were unchanged at 2.4% y/y. Inflation expectations nonetheless remained below the perceived past inflation rate, and thus, is supportive of an easier monetary policy ahead.

UK's business confidence rebounded; home prices remained solid

- Lloyds Business Barometer rebounded to 49 in February from 37 previously, as businesses were more optimistic over the current as well as year ahead business conditions. That said, price expectations also ticked up, likely to complicate the central bank's easing monetary policy decision ahead.
- The Nationwide house price index remained solid at 3.9%y/y in February (prior: +4.1% y/y), as housing market activity remained buoyant despite ongoing affordability challenges. That said, the changes to stamp duty in April will likely see buyers bringing forward their purchases to avoid the additional tax, likely resulting in a jump in transactions in March and a corresponding period of weakness in the following months.

Australia's private sector credit slowed; S&P Manufacturing PMI revised down slightly

- Matching expectations, private sector credit eased to +0.5% m/m in January from +0.6% m/m previously, as lending to both businesses, consumers and households eased during the month.
- Data this morning showed that the Melbourne Institute inflation expectations eased for the fourth month to 2.2% in February from 2.3% previously. While the final S&P PMI manufacturing was revised down 0.2ppts to 50.4 in February. That said, this marks a second consecutive month of improvement and forward-looking indicators, including a renewed rise in new orders and the highest future output reading seen in nearly 3 years, further provided positive signals for output growth in the coming months.

China's factory activity returned to expansion but trade risks growth; services and construction sectors picked up pace

- The official manufacturing PMI returned to growth, albeit below consensus forecast at 50.2 in February (Prior: 49.1), while the non-manufacturing sector matched expectations and picked up pace at 50.4 (Prior: 50.2).
- Despite the better PMIs, we do not see a sustained recovery for the economy at this juncture as domestic demand has remained weak, and as the services PMI will likely have benefitted from seasonal and one-off factors, and the manufacturing sector from front-loading of shipments ahead of more tariff hikes from the US.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	105-109	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.24-1.28	1.24	1.24	1.25	1.27
USD/CHF	0.88-0.92	0.91	0.91	0.90	0.88
USD/JPY	145-152	158	155	150	146

AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.23-7.31	7.37	7.30	7.23	7.15
USD/MYR	4.42-4.49	4.55	4.50	4.40	4.35
USD/SGD	1.33-1.37	1.37	1.35	1.32	1.29

Rates, %	**Current**	**1Q-25**	**2Q-25**	**3Q-25**	**4Q25**
Fed	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.00.-4.25
ECB	2.75	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
SNB	0.50	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**
3-Mar	JN Jibun Bank Japan PMI Mfg (Feb F)	48.9
	MA S&P Global Malaysia PMI Mfg (Feb)	48.7
	VN S&P Global Vietnam PMI Mfg (Feb)	48.9
	CH Caixin China PMI Mfg (Feb)	50.1
	HK Retail Sales Value YoY (Jan)	-9.70%
	EC HCOB Eurozone Manufacturing PMI (Feb F)	47.3
	UK Mortgage Approvals (Jan)	66.5k
	UK S&P Global UK Manufacturing PMI (Feb F)	46.4
	EC CPI Core YoY (Feb P)	2.70%
	SI Purchasing Managers Index (Feb)	50.9
	US S&P Global US Manufacturing PMI (Feb F)	51.6
	US Construction Spending MoM (Jan)	0.50%
	US ISM Manufacturing (Feb)	50.9
4-Mar	JN Jobless Rate (Jan)	2.40%
	JN Capital Spending YoY (4Q)	8.10%
	AU RBA Minutes of Feb. Policy Meeting	
	AU Retail Sales MoM (Jan)	-0.10%
	JN Consumer Confidence Index (Feb)	35.2
	EC Unemployment Rate (Jan)	6.30%

Source: Bloomberg

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