4 April 2025

Global Markets Research

Daily Market Highlights

4 Apr: Global equities meltdown post "Liberation Day"

S&P 500 posted its steepest drop since 2020; UST yields plunged on growth concerns

DXY slipped to the 102-handle; safe haven CHF and JPY outperformed G10 peers

US ISM-services tumbled; job cuts jumped on DOGE; Fitch downgraded China to 'A'

- Global equity markets plummeted overnight after President Trump's sweeping tariffs raised investors' concerns of a global retaliation and risk of a recession for the US economy. Already, some of America's allies from France to Canada have delivered verbal warnings of retaliation, while the UK has drawn up a 400-page "hitlist" of US goods to tax. ***The WTO also warned that global trade volume could fall 1.0% due to the tariff. Our preliminary estimate shows Malaysia's economic growth could be set back by 0.6-0.7ppt given the latest tariffs which would undoubtedly jeopardize global trade and economic activities.***
- In the US, the "America First" policy saw the three major equity indices tumbling 4.0-6.0% d/d, their steepest drop since 2020, and with a dozen of household names posting double-digit declines. In Europe, Stoxx Eur slid 2.6% d/d, while in Asia, CSI 300 dipped 0.6% d/d after China was hit with a new 34% tariff.
- Unease over global growth saw futures pricing in close to four quarter-point cuts by the Fed by end-2025, sending UST yields down 3-18bps across the curve. The 2Y yield plunged 18bps to 3.68%, while the 10Y yield fell 10bps to 4.03%. Yields to the 10Y European sovereign bonds also slid 4-13bps, as investors seek safety bets.
- In the forex space, the Dollar weakened against all its G10 peers. The DXY plunged and hit an intraday low of 101.27 before paring some losses, but still closed at its lowest of the year at 102.07 (-1.7% d/d). Safe haven CHF (+2.6% d/d) and JPY (+2.2% d/d to 146.06) outperformed their G10 peers, while EUR, GBP and AUD appreciated 0.5-1.8% d/d to close at 1.1052, 1.3100 and 0.6329 respectively against the Dollar. That said, a drop in Japan's household spending data this morning (-0.5% m/m in Mar vs +0.8% m/m) could likely cap gains for JPY today.
- On the regional front, CNH, MYR and SGD all erased early session losses and appreciated 0.2-0.9% d/d to close at 7.2804, 4.4420 and 1.3339.
- In the commodity space, oil prices closed 6.4-6.6% d/d lower as Trump's escalating trade war menaced the outlook for consumption. OPEC+ producers also said that it will accelerate

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,545.93	-3.98
S&P 500	5,396.52	-4.84
NASDAQ	16,550.61	-5.97
Stoxx Eur 600	523.12	-2.57
FTSE 100	8,474.74	-1.55
Nikkei 225	34,735.93	-2.77
CSI 300	3,861.50	-0.59
Hang Seng	22,849.81	-1.52
Straits Times	3,942.23	-0.30
KLCI 30	1,518.91	-0.50
FX		
Dollar Index	102.07	-1.67
EUR/USD	1.1052	1.83
GBP/USD	1.3100	0.71
USD/JPY	146.06	-2.16
AUD/USD	0.6329	0.48
USD/CNH	7.2804	-0.22
USD/MYR	4.4420	-0.24
USD/SGD	1.3339	-0.88
Commodities		
WTI ($/bbl)	66.95	-6.64
Brent ($/bbl)	70.14	-6.42
Gold ($/oz)	3,097.00	-1.37
Copper ($$/MT)	9,366.50	-3.44
Aluminum($/MT)	2,448.00	-1.71
CPO (RM/tonne)	4,856.00	2.27

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 2 April*

crude output increases, weighing further on prices. The WTI closed at $66.95/barrel, and Brent at $70.14/barrel.

Fitch downgraded China to 'A'; Outlook "Stable"

- Fitch Rating has downgraded China's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'A' from 'A+', while the outlook is "Stable." The downgrade reflects Fitch's expectations of a continued weakening of China's public finances and a rapidly rising public debt trajectory to support growth amid subdued domestic demand, rising tariffs and deflationary pressures.

Upward revisions to S&P Services PMIs for most majors; China Caixin Services PMI gained traction

- The final US Services PMI was revised up 0.1ppts to 54.4 in March (Feb: 51.0), as the employment sub-index returned to growth during the month. That said, the headline index remains below its average in 2H of 2024, and business sentiment suggests a gloomier outlook going forward. Mirroring ISM, service providers also flagged cost headwinds from tariffs.
- The final HCOB Eurozone Services PMI was revised 0.6ppts higher to 51.0 in March (Feb: 50.6). Despite a likely boost from rising real wages as well as Germany's spending on infrastructure and defense, forward looking indicators suggest tougher times ahead. Notably, new orders saw a small drop for the second month running, and backlogs of work continued their downward trend.
- The final Services PMI for the UK was revised 1.0ppts lower to 52.5 in March. While this is still the highest reading since August 2024, the index level remains below its long-run average of 54.3, signals only a moderate rate of expansion and was driven by a relatively narrow segment of the UK economy, primarily technology and financial services.
- The final au Jibun Bank Japan Services PMI was revised up 0.5ppts to 50.0. That said, this marks a retreat from its 6-month high of 53.7 previously amid softest increase in overall new orders in 4 months. Cost pressures remained sharp, and business confidence slipped to the lowest level in over 4 years.
- The Caixin China Services came in better than expected at 51.9 in March, gaining 0.5ppts m/m as, both business activity and new orders increased at faster rates. Firms were also optimistic regarding future output but staffing levels declined. Stiff competition led firms to lower their selling prices, suggesting a continuous contraction in CPI prints during the month, data due to be released next week.
- The headline Hong Kong PMI fell to 48.3 in March (prior: 49.0), as new order fell to its lowest in 9 months amid softer demand conditions both at home and abroad. In tandem with this,

employment also fell at a steeper rate and business sentiment deteriorated to its most severe since November 2020.

- S&P Global Singapore PMI improved for the second successive month to 52.7 (prior: 51.0). Faster new business expansion alongside a rise in confidence suggest that business activity growth will be sustained in the coming months. Meanwhile, price pressures remained subdued.

Softer than expected US services sector; job cuts jumped on DOGE; trade deficit narrowed sharply despite still elevated import levels

- The ISM-Services index fell sharper than expected to 50.8 in March from 53.5 previously. The month's reading saw declines in readings in three of the four sub-components, and with the employment index (46.2 vs 53.9) dropping into contraction territory. Despite increasing concerns on tariff impacts and declining governmental spending, near-term outlook was close to balance.
- Mixed print on the labour front. Challenger job cuts surged 204.8% y/y and 60.0% m/m to 275.2k in March (prior: +103.2% y/y), driven by DOGE plans to eliminate jobs in the federal government. Job cut announcements elsewhere were fairly quiet. Meanwhile, initial jobless claims unexpectedly fell 6k to 219k for the week ended March 29 (prior: 0), while the continuing claims jumped 56k the week prior (Mar 15: -34k) to 1903k, its highest since November 2021.
- Trade deficit narrowed sharply and more than expected to $122.7bn in February from -$130.7bn in January, as exports rose 2.9% m/m (prior: +1.5% m/m) in broad advance, blunting a slight pull-back for imports (0 vs +10.0% m/m) from its record high, the latter due to industrial materials, while imports for most other categories increased. Imports may very well fall in the coming month, which would help to narrow the net export drag to GDP from 2Q onwards.

Softer than expected Eurozone's producer price inflation

- Producer prices (PPI) came in lower than expected at +0.2% m/m in February (Jan: +0.7% m/m), driven by broad softening in prices save intermediate goods.

UK's 1Y inflation expectations surged

- The Decision Maker Panel survey shows that firms' year-ahead inflation expectations accelerated more than expected to 3.4% in March (prior: 3.1%) even as its 3-month output price expectations eased 0.1ppts to 3.9%.

Job vacancies in Australia fell; but overall labour market remains tight

- Job vacancies fell 4.5% over the quarter to 329k February (prior: +5.2% q/q)), as job vacancies fell in 11 of the 18 industries, led by arts & recreation and professional, scientific & technical services. Despite this fall, job vacancies remained significantly above its pre-pandemic levels, suggesting a still resilient and tight labour market at this juncture.
- On the trade front, trade surplus narrowed more than expected to $3.0bn from $5.2bn, as exports fell 3.6% m/m in February (Jan: +0.8% m/m) on non-monetary gold, while imports also jumped 1.6% m/m (prior: -0.4% m/m) on capital goods. This does not bode well for GDP calculation in 1Q and moving forward, will likely face headwinds from disrupted trade activities following US 10% tariffs on Australian goods as well as indirect impact from any slowdown in other economies especially China.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	101-106	104.21	108.58	106.93	105.27
EUR/USD	1.06-1.11	1.08	1.03	1.05	1.06
GBP/USD	1.27-1.32	1.29	1.24	1.25	1.27
USD/CHF	0.85-0.91	0.88	0.91	0.90	0.88
USD/JPY	145-154	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	7.23-7.29	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
4-Apr	SI Retail Sales SA MoM (Feb)	2.40%
	US Change in Nonfarm Payrolls (Mar)	151k
	US Unemployment Rate (Mar)	4.10%
	US Average Hourly Earnings MoM (Mar)	0.30%
7-Apr	JN Labor Cash Earnings YoY (Feb)	2.80%
	JN Leading Index CI (Feb P)	108.3
	EC Sentix Investor Confidence (Apr)	-2.9
	EC Retail Sales MoM (Feb)	-0.30%

Source: Bloomberg

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