

5 March 2025

Global Markets Research

Daily Market Highlights

5 Mar: Broad market selloffs as trade war erupted

**Stocks walloped; possible tariff reliefs for Canadian and Mexican goods narrowed losses
Higher UST yields; USD rattled by growth fears; weakened against all G10s except JPY
RBA minutes showed that the Board does not commit to further policy easing**

- Global equities tanked overnight, with Wall Street particularly volatile after Trump's 25% duties on Canada and Mexico and an additional 10% tariff on Chinese goods took effect. China and Canada retaliated with tariffs on American goods, while Mexico said that it would on Sunday, triggering a trade war.
- The Dow tumbled 1.6% d/d lower, while S&P 500 and Nasdaq lost 1.2% and 0.4% d/d respectively. This is despite stocks climbing in the late hours after US Commerce Secretary Howard Lutwick said that there may be some tariff relief on Mexican and Canadian goods. Shares of companies with significant imports, like GM and Ford, were hardest hit and ten out of the eleven sectors within the S&P 500 closed in red.
- Elsewhere, auto stocks led losses in Europe (Stoxx Eur 600: -2.1% d/d), while Nikkei 225 (-1.2% d/d) underperformed its Asian peers, and is set for a bumpy ride today amid tariffs uncertainties.
- In the bond space, UST yields jumped 4-9bps (prior: -4 to -7bps) across the curve as Trump's tariff hikes took effect. The 2Y yield rose 4bps to 3.99%, while the 10Y yield spiked 9bps to 4.24%. 10Y European bond yields closed mixed between -6 to +2bps, after rising 3-9bps the previous day.
- In the forex space, the Dollar was rattled by growth fears amid the trade war. With the exception of the JPY (-0.2% d/d to 149.79), the Dollar weakened against all its G10 peers. The DXY plunged 0.9% d/d to close at 105.74. EUR (+1.3% d/d to 1.0626) outperformed all its G10 peers after the EU chief announced that the bloc could potentially mobilize as much as €800bn in defence spending.
- Similarly, most regional currencies strengthened against the greenback, with THB (+1.0% d/d), CNH (+0.7% d/d to 7.2533) and SGD (+0.6% d/d to 1.3389) the notable outperformers. MYR however closed flattish at 4.4653.
- In the commodity space, oil extended its losses amid fears of slower economic growth and after OPEC+'s plan to increase output. The WTI slid 0.2% to \$68.26/barrel, while Brent tumbled 0.8% d/d to \$71.04/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,520.99	-1.55
S&P 500	5,778.15	-1.22
NASDAQ	18,285.16	-0.35
Stoxx Eur 600	551.07	-2.14
FTSE 100	8,759.00	-1.27
Nikkei 225	37,331.18	-1.20
CSI 300	3,885.22	-0.08
Hang Seng	22,941.77	-0.28
Straits Times	3,890.76	-0.46
KLCI 30	1,555.66	-1.00
FX		
Dollar Index	105.74	-0.94
EUR/USD	1.0626	1.33
GBP/USD	1.2795	0.74
USD/JPY	149.79	0.19
AUD/USD	0.6272	0.76
USD/CNH	7.2533	-0.68
USD/MYR	4.4653	0.01
USD/SGD	1.3389	-0.59
Commodities		
WTI (\$/bbl)	68.26	-0.16
Brent (\$/bbl)	71.04	-0.81
Gold (\$/oz)	2,920.60	0.67
Copper (\$\$/MT)	9,343.00	-0.81
Aluminum(\$/MT)	2,616.50	0.21
CPO (RM/tonne)	4,741.00	1.14

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 3 Mar

RBA: Rate cut does not commit the Board to further policy easing; retail sales rebounded on food

- Key highlights from the latest minutes of the Reserve Bank of Australia's (RBA) monetary policy meeting include: 1) The decision to lower rates in that meeting (-25bps to 4.10%) does not commit the board to further reductions. 2) The Board emphasized that returning inflation to the 2-3% target remains the priority. 2) The decision to cut was due to softer inflation and wage growth, and as the members place more weight on the downside risks to the economy. In this regard, the policy makers considered the risk of leaving interest rates at current levels for too long to be greater than the risk of easing policy too soon. With this, there is no change in our view that the central bank will remain cautious in its easing cycle, and we have pencilled in another two 25bps rate cuts by the end of 2025, one in 2Q and the other in 3Q.
- On the data front, Australia's retail sales rose 0.3% m/m in January, rebounding from a 0.1% m/m fall previously. Unlike the most of 2024, the uptick was food-related driven spending, rather than discretionary, as bumper crowds across large-scale events like the Australian Tennis Open boosted spending in catering services, while food retailing also benefited from low-base effect in December due to supply chain disruptions.
- The final S&P Services PMI was revised 0.6ppts lower to 50.8 in February (Jan: 51.2). Sub-indicators were mixed, with new business growth still solid, but foreign sales increased at a slower pace. On a positive note, employment levels picked up pace, while inflation rates slowed, giving the RBA room to manoeuvre if needed to.

Stable labour market in the Eurozone

- Unemployment rate unexpectedly held steady and low at 6.2% in January, helping to support consumption in a restrictive monetary policy setting.

Japan's consumer confidence unexpectedly weakened

- Consumer confidence unexpectedly weakened to 35.0 in February from 35.2 previously as consumers' perception of overall livelihood, income growth and willingness to buy durable goods moderated during the month. While this does not bode well for consumption, the drop is miniscule and the upcoming revision in spring wage will likely keep consumer spending well supported.

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	1.02-1.07	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
5-Mar	AU GDP SA QoQ (4Q)	0.30%
	HK S&P Global Hong Kong PMI (Feb)	51
	SI S&P Global Singapore PMI (Feb)	49.9
	JN Jibun Bank Japan PMI Services (Feb F)	53.1
	CH Caixin China PMI Services (Feb)	51
	SI Retail Sales SA MoM (Jan)	-1.50%
	EC HCOB Eurozone Services PMI (Feb F)	50.7
	UK S&P Global UK Services PMI (Feb F)	51.1
	EC PPI YoY (Jan)	0.00%
	US MBA Mortgage Applications	-1.20%
	US ADP Employment Change (Feb)	183k
	US S&P Global US Services PMI (Feb F)	49.7
	US Factory Orders (Jan)	-0.90%
	US ISM Services Index (Feb)	52.8
6-Mar	US Federal Reserve Releases Beige Book	
	AU Building Approvals MoM (Jan)	0.70%
	AU Exports MoM (Jan)	1.10%
	VN CPI YoY (Feb)	3.63%
	VN Exports YoY (Feb)	-4.30%
	VN Industrial Production YoY (Feb)	0.60%
	VN Retail Sales YoY (Feb)	9.50%
	MA BNM Overnight Policy Rate	3.00%
	UK DMP 1 Year CPI Expectations (Feb)	3.00%
	EC Retail Sales MoM (Jan)	-0.20%
	US Challenger Job Cuts YoY (Feb)	-39.50%
	EC ECB Main Refinancing Rate	2.90%
	US Trade Balance (Jan)	-\$98.4b
US Unit Labor Costs (4Q F)	3.00%	
US Initial Jobless Claims	242k	

Source: Bloomberg

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