6 February 2025

Global Markets Research
Daily Market Highlights

6 Feb: BOE is expected to deliver a 25bps rate cut today

G10 currencies strengthened against USD as tariff risks eased; JPY led gainers
UST yields fell after weaker than expected ISM services; shrugging off robust ADP
Equity investors refocused on corporate earnings; tech stocks lagged in the US

- The three major US stock indices closed up 0.2-0.7% d/d overnight as investors looked past the trade turmoil and refocused on corporate earnings. The smaller gain in Nasdaq was marred by lacklustre earnings from notable technology stocks like Alphabet and AMD. Apple also ended the session marginally lower amid reports that China is considering a probe into App Store fees and policies.
- Similarly, European stocks closed higher (Stoxx Eur 600: +0.5%d/d) on bullish corporate results from Novo Nordisk A/S, GSK and banking stocks like Credit Agricole and Banco Santander. In Asia, CSI 300 Index reopened higher, but reversed course to close the day 0.6% d/d lower, weighed down by the lower-than-expected Caixin Services PMI which dented investor sentiment. With futures edging up, Asian stocks are poised for higher opening today.
- In the bond space, Treasury yields dropped by a wider range of 3-11bps across the curve after falling 4-5bps the day prior. The benchmark 2Y yield dropped 3bps to 4.19%, after the weaker than expected ISM-Services bolstered expectations that the Fed funds rate remains restrictive. This reaffirmed market pricing for a full quarter-point cut in July. The yield to the 10Y plunged 9bps to 4.42%, after the government said it won't be stepping up its debt issuance. Led by UK's gilts, 10Y European bond yields fell 3-9bps, after rising 0-7bps the previous day.
- In the forex market, DXY (-0.4% d/d to 107.58) extended its slide as the immediate tariff risks eased and the Dollar weakened against most of its G10 peers as well as regional currencies. JPY led gains against USD at +1.1% d/d to 152.61 after its stronger wage data, while EUR appreciated by 0.2% d/d to 1.0403 after the French Prime Minister survived a no-confidence vote. GBP strengthened 0.2% d/d to 1.2505 ahead of the BOE's decision today, where expectations are that the central bank will deliver a 25bps rate cut to support the economy amid easing inflationary pressures. On the regional front, MYR (0.5% d/d to 4.4230) outperformed SGD (+0.3% d/d to 1.3484) and CNH (+0.1% d/d to 7.2825). The more muted gains in CNH were capped by the ongoing trade tension.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,873.28	0.71
S&P 500	6,061.48	0.39
NASDAQ	19,692.33	0.19
Stoxx Eur 600	538.56	0.47
FTSE 100	8,623.29	0.61
Nikkei 225	38,831.48	0.09
CSI 300	3,795.09	-0.58
Hang Seng	20,597.09	-0.93
Straits Times	3,815.37	-0.20
KLCI 30	1,574.51	0.64
FX		
Dollar Index	107.58	-0.35
EUR/USD	1.0403	0.23
GBP/USD	1.2505	0.20
USD/JPY	152.61	-1.12
AUD/USD	0.6285	0.50
USD/CNH	7.2825	-0.06
USD/MYR	4.4230	-0.47
USD/SGD	1.3484	-0.34
Commodities		
WTI ($/bbl)	71.03	-2.30
Brent ($/bbl)	74.61	-2.09
Gold ($/oz)	2,871.60	0.64
Copper ($$/MT)	9,240.00	0.98
Aluminum($/MT)	2,616.00	-0.82
CPO (RM/tonne)	4,599.00	-1.26

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 4 Feb*

- In the commodity space, crude oil prices tumbled 2.1-2.3% d/d after the EIA reported sharply higher inventories last week, while Trump's plan to end Russia's war on Ukraine and tariffs on energy also weighed on sentiment.

Mixed revisions to the S&P Services PMIs for the majors; Caixin Services PMI unexpectedly declined

- The final US Services PMI was revised up 0.1ppts to 52.9 in January. The index at this level is down markedly from 56.8 in December, but still signals solid growth. Mirroring the ISM, some of this cooling off was due to adverse weather disruptions and as such, growth could revive in February, further reflected by the marked upturn in hiring.
- The final Eurozone Services PMI was revised 0.1ppts lower to 51.3 in January (Dec: 51.6). Services sector outlook remains modest for now, with business expectations falling slightly and below the historical average amid political uncertainties from Germany to France.
- The final UK Services PMI was revised down 0.4ppts to 50.8 in January (Dec: 51.5) as stagflation risks appeared to take a firmer hold. Output levels increased only marginally, while input cost inflation accelerated to its highest since April 2024, driven by the wage hike and suppliers passing on forthcoming increases in employers' national insurance contributions. With this, near-term UK economic outlook remains tilted to the downside.
- The final Japan Services PMI was revised up 0.3ppts to 53.0 in January, its steepest expansion since last September. Accordingly, new client wins, improved sales and business expansions were the driving factors to the latest increase and companies remained upbeat regarding their 12-month prospect. By sector, the strongest growth was observed for the transport & storage and finance & insurance sectors.
- China Caixin Services index unexpectedly fell 1.2ppts to 51.0 in January. Market sentiment continued to be optimistic but firms expressed concerns about intense market competition and global trade uncertainties. Consequently, while business expectations ticked up, the gauge remained below its historical average.
- The headline S&P Global Hong Kong PMI inched down slightly to 51.0 in January (Dec: 51.1), weighed down by weak external demand. Firms remained pessimistic over the near-term outlook, in particular the impact of US tariffs on trade.
- The headline S&P Global Singapore PMI dipped below the neutral mark to 49.9 (prior: 51.5), its first contraction in almost two years. Firms pointed to the spread of COVID-19 cases and its impact on output, orders, supply chains and business confidence. While these effects could prove temporary, we remained cautious going forward amid the ongoing trade war.

Worse than expected ISM Services for the US, solid hiring numbers, mortgage applications rebounded, trade deficit widened sharply on front-loading

- The ISM Services declined more than expected to 52.8 in January from 54.0 previously, as slower growth in the business activity and new orders sub-indices due to poor weather conditions led to the downtick. That said, the index at this level remains above the 2024 average reading, and with more industries reporting growth, this suggests potentially a more broad-based and solid economy for January 2025.
- Hiring momentum remained robust in January. According to the ADP, hiring jumped more than expected by +183k from an upwardly revised +176k previously, while pay gains were stable. Year-on-yeaer pay growth for job-stayers was 4.7%, and for changers was +6.8%. Consumer-facing industries drove hiring, while job growth was weaker in business services and production.
- Mortgage applications rose by 2.2% w/w for the week ended January 31, a rebound from -2.0% w/w previously as lower mortgage rates (30Y fixed rate: 6.97%) drove a 12% w/w jump in refinance applications.
- Trade deficit widened sharply to $98.4bn in December on a surge in imports prior to the start of Trump 2.0 and his follow-through on the promise of sweeping tariffs. This was worse than expected and a jump from November's -$78.9bn, as imports surged 3.5% m/m while exports fell 2.6% m/m (prior: +3.5% m/m and +2.7% m/m). The end-of-year flurry of imports was broad-based, and includes a sharp spike in imports of industrial products as US companies secured products in advance of Trump's tariffs.

Energy helped to contain Eurozone's producer prices

- Producer price inflation (PPI) eased more than expected to +0.4% m/m in December from +1.7% m/m previously, mainly due to a sharp deceleration in energy prices (+1.4% m/m vs +4.5% m/m). Stripping this off, PPI was stable and flat for the third straight month, suggesting contained price pressures for now.

Slump in Singapore's retail sales

- Retail sales unexpectedly fell 2.9% y/y in December following the 0.5% y/y decline the prior month. Most industries recorded contractions, led by discretionary items like computer & telecommunications equipment, minimarts & convenience stores and wearing apparel & footwear, raising concerns that consumer spending is indeed weakening and that the MAS will ease its policy again in April. With this, we will also be watching out for more consumption-boosting measures in the upcoming Budget on February 18.

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	4.40-4.52	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
6-Feb	AU Exports MoM (Dec)	4.80%
	VN CPI YoY (Jan)	2.94%
	VN Exports YoY (Jan)	12.80%
	VN Industrial Production YoY (Jan)	8.80%
	VN Retail Sales YoY (Jan)	9.30%
	EC Retail Sales MoM (Dec)	0.10%
	UK Bank of England Bank Rate	4.75%
	US Challenger Job Cuts YoY (Jan)	11.40%
	US Unit Labor Costs (4Q P)	0.80%
	US Initial Jobless Claims	207k
	UK DMP 1 Year CPI Expectations (Jan)	3.00%
7-Feb	JN Household Spending YoY (Dec)	-0.40%
	MA Industrial Production YoY (Dec)	3.60%
	MA Manufacturing Sales Value YoY (Dec)	4.50%
	JN Leading Index CI (Dec P)	107.5
	MA Foreign Reserves	$115.5b
	US Change in Nonfarm Payrolls (Jan)	256k
	US Unemployment Rate (Jan)	4.10%
	US Average Hourly Earnings YoY (Jan)	3.90%
	US U. of Mich. Sentiment (Feb P)	71.1

Source: Bloomberg

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