

7 February 2025

## Global Markets Research

### Daily Market Highlights

## 7 Feb: GBP tumbled after BOE's 25bps rate cut

**Two BOE members preferred larger cut of 50bps; downgrade in growth outlook**

**Mixed labour prints in the US - lower job cuts; higher initial jobless claims**

**Mixed equities; US treasury yields and DXY edged slightly up ahead of US NFP**

- US equities closed mixed, as investors weighed a mixed batch of corporate earnings and ahead of the US non-farm payroll (NFP) today. Amongst notable names, Philip Morris, Eli Lilly and Hershey beat forecasts, while Honeywell and Roblox shares tumbled after disappointing investors. Amazon reported after the bell, and issued disappointing revenue guidance. Meanwhile, there was no meaningful impact from Thursday's jobs print, nor comments from Treasury Secretary Scott Bessent, who said that Trump wants lower 10Y UST yields, but is not calling for the Fed to cut rates. Consequently, the S&P 500 and Nasdaq closed the day 0.4-0.5% d/d higher, while the Dow fell 0.3% d/d.
- Elsewhere, strong corporate earnings from the likes of Maersk and rebound in luxury stocks powered European markets, both Stoxx Eur 600 and FTSE 100 advanced 1.2% d/d. In Asia, markets continued to shrug off the week of trade turmoil to close mostly in the greens, but are poised for a muted trading day given cautiousness ahead of the US NFP.
- In the bond space, UST yields were up 0-3bps (prior: -3 to -11bps) across the curve ahead of the NFP report. The 2Y yield rose 3bps to 4.21%, while the benchmark 10Y yields increased 2bps to 4.43%. Led by UK's gilts, 10Y European bond yields also rebounded 0-5bps after declining 3-9bps previously.
- In the forex space, DXY closed marginally higher (+0.1% d/d to 107.69) ahead of the US NFP. The Dollar closed mixed against its G10 peers. JPY (+0.8% d/d to 151.41) led gains against USD after BOJ's Naoki Tamura said that the central bank must raise rates to at least 1.00%, while GBP underperformed G10 peers after the Bank of England (BOE) cut rates as expected, but forecast higher inflation and weaker growth, and with 2 officials calling for an even larger rate cut (50bps). GBP fell as low as 1.2361 against USD after BOE's decision, but pared its losses to close 0.6% d/d weaker at 1.2435.
- On the regional front, most regional currencies depreciated against the greenback, led by THB, IDR and MYR (-0.3% d/d to 4.4355). SGD and CNH weakened at a narrower pace of 0.2% d/d to 1.3506, and 0.1% d/d to 7.2884 respectively.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	44,747.63	-0.28
S&P 500	6,083.57	0.36
NASDAQ	19,791.99	0.51
Stoxx Eur 600	544.84	1.17
FTSE 100	8,727.28	1.21
Nikkei 225	39,066.53	0.61
CSI 300	3,842.83	1.26
Hang Seng	20,891.62	1.43
Straits Times	3,830.42	0.39
KLCI 30	1,585.17	0.68
<b>FX</b>		
Dollar Index	107.69	0.10
EUR/USD	1.0383	-0.19
GBP/USD	1.2435	-0.56
USD/JPY	151.41	-0.79
AUD/USD	0.6283	-0.03
USD/CNH	7.2884	0.08
USD/MYR	4.4355	0.28
USD/SGD	1.3506	0.16
<b>Commodities</b>		
WTI (\$/bbl)	70.61	-0.59
Brent (\$/bbl)	74.29	-0.43
Gold (\$/oz)	2,856.00	-0.54
Copper (\$/MT)	9,276.50	0.40
Aluminum(\$/MT)	2,619.00	0.11
CPO (RM/tonne)	4,650.00	1.11

Source: Bloomberg, HLBB Global Markets Research  
\* CPO dated as of 5 Feb

- In the commodity space, crude oil prices tumbled 0.4-0.6% d/d after Trump renewed his pledge to lower crude oil prices, eclipsing the tighter sanctions on Iran. The WTI and Brent closed the day at \$70.61/barrel and \$74.29/barrel overnight.

### **The BOE lowered Bank Rate by 25bps to 4.50% in a 7-2 majority vote**

- As expected, the BOE voted by a majority of 7–2 to reduce the Bank Rate by 25bps to 4.50%. Two members preferred more aggressive cuts of 50bps to 4.25%. The committee’s guidance was broadly unchanged, stating that “a gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate.”
- That said, BOE was more pessimistic in terms of its economic outlook and now expects the **economy to contract 0.1% in 4Q of 2024 and grow marginally by 0.1% in 1Q of 2025** (Nov’s forecast: +0.3% and +0.4%).
- In terms of prices, BOE expects domestic inflationary pressures to wane further, but **higher energy costs and regulated price changes (like water) are expected to push up headline CPI inflation to 3.7% in 3Q**. This is slightly above the DMP’s 1Y inflation expectations of 3.0% in January. With this, **the market is currently pricing in another 50-75bps rate cut by end 2025**.

### **Fewer job cuts in January for the US; jobless claims ticked up but remains low**

- According to the Challenger report, US announced 49.8k job cuts in January (-39.5% y/y vs +11.4% y/y), its lowest January job cut since 2022. This blip could nonetheless prove temporary, given some major job cuts announcements (from Meta to Salesforce) which had been made since early February. Again, technology led job cuts in terms of industry, followed by retail and services.
- Initial jobless claims rose more than expected by 11k to 219k for the week ended February 1 (prior: -15k), while continuing claims increased 36k to 1886k the week before (Jan 18: -50k). Claims at this level remains low and should likely stabilize in February post-seasonal effect and given improved sentiment amongst manufacturers and service providers (as reflected by the recent ISMs).
- Meanwhile, productivity also rose at a solid pace of 1.2% in 4Q (3Q: +2.3%) and this should help to contain unit labour costs going forward (3.0% vs 0.5%), which is good news for the Fed to bring inflation closer to target.

### **Eurozone’s consumer spending remained lacklustre**

- Retail sales fell more than expected by 0.2% m/m in December, extending its weak prints since -0.3% m/m in October and flat growth in November. Lower energy prices contributed to the lower sales, as well as food, drink & tobacco. Moving forward, weak

consumer confidence will continue to weigh on consumer spending, especially with economic uncertainty having increased since Trump's presidency, but improving real wage growth will help to cushion some of this negative impact.

### **Australia's trade balance narrowed due to jump in imports, slower export growth**

- Goods trade balance narrowed more than expected to A\$5.1tn in December from A\$6.8tn previously, as imports outpaced exports at 5.9% m/m and 1.1% m/m respectively (Nov: +1.4% m/m and +4.2% m/m). Largely supporting exports were demand for metal ores and minerals, while the uptick for imports was driven by capital goods, the latter painting a slightly favourable picture for the capex spending going forward for Australia.

### **Japan's household spending expanded for the first time since July**

- Data this morning showed that household spending beats expectations and rose for the first time since July at +2.7% y/y in December (Nov: -0.4% y/y). With inflation and wages largely progressing in line with BOJ's expectations the central bank remains on track to increase its policy rates by another 25bps within the next 6 months.

### **Vietnam's IPI and trade data eased sharply; consumer spending remained robust; inflation rate accelerated to its 6-month high**

- Vietnam economic data was mixed but exceptionally sluggish for industrial output (IPI) and external trade. IPI moderated sharply to +0.6% y/y in January from +8.8% y/y previously, weighed down by broad-based softening and a sharp drop in mining & quarrying output. while both exports and imports worsened more than expected to -4.3% y/y and -2.6% y/y respectively (prior: +12.8% y/y and +19.2% y/y), and will face headwinds from US protectionist policies, even as an alternative to China manufacturing hub.
- Retail sales, meanwhile, remained robust at 9.5% y/y (prior: 9.3% y/y) while inflation accelerated more than expected to 3.6% y/y (prior: 2.9% y/y), its fastest in six months driven by higher medical costs. While this will add pressure for the central bank to rein on inflation, we do not foresee this to change the course of the monetary policy as inflation rate at this level remains below the official's preferred target and there are clearly brewing headwinds for the real economy.

### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-25</b>	<b>2Q-25</b>	<b>3Q-25</b>	<b>4Q-25</b>
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	4.50	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
7-Feb	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%
10-Jan	US U. of Mich. Sentiment (Feb P)	71.1
	JN Bank Lending Incl Trusts YoY (Jan)	3.10%
	JN Eco Watchers Survey Outlook SA (Jan)	48.8
	EC Sentix Investor Confidence (Feb)	-17.7
	US NY Fed 1-Yr Inflation Expectations (Jan)	3.00%

Source: Bloomberg

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