7 April 2025

Global Markets Research

Daily Market Highlights

7 Apr: Global equity rout deepens amid China's retaliation

Sentiment dented by China's 34% retaliation tariff; UST yields fell on growth concerns

DXY recovered after US NFP beat estimates; and Powell's no hurry to cut stance (still)

Vietnam maintained 8% growth target despite hefty tariff; 1Q GDP slower than expected

- The market rout worsened last Friday after China retaliated with a 34% tariff on all US goods. The three major US equity indices closed the day 5.5-6.0% d/d lower, with sell-off seen across the board and led by tech stocks, Stoxx Eur 600 plunged 5.1% d/d while Nikkei 225 lost 2.8% d/d. CSI 300 and Hang Seng was closed for trading but investors should brace for a gloomy start today. The Dow and S&P 500 futures traded around 4.0% lower at the point of writing while futures for Asian stock indices all mired in a sea of red with losses as high as almost 5.0%.
- In the bond space, Treasury yields fell 2-6bps as the trade war continued to spur growth angst. Both the 2Y and 10Y yields closed 3bps lower at 3.65% and 3.99% respectively, while 10Y European bond yields closed 1-13bps down.
- In the forex space, DXY recovered two big figures from a low of 101.54 to 103.02 (+0.9% d/d) at close as the greenback advanced against its G10 peers after the US jobs data beat estimates and after Fed Chair Jerome Powell commented that the larger-than-expected tariffs mean higher inflation and slower growth, but added that the Fed is "well positioned to wait for greater clarity before considering any adjustments to our policy stance."
- Amongst G10, CHF and JPY (-0.6% d/d to 146.93) outperformed their G10 peers against the USD, while AUD (-4.6% d/d to 0.6040) suffered the biggest drop. Regional peers closed mixed against the Dollar, with CNH depreciating 0.2% d/d to 7.2951 and SGD tanked 1.0% on the day to 1.3473 as at Friday's close. On the contrary, the MYR appreciated for the 2nd straight day, by 0.1% d/d to 4.4367. Malaysia remains well-positioned to benefit from trade diversion although remains susceptible to both direct and indirect rippling effects from slower global trade and economic growth of its trading partners.
- On the commodity space, the tariff turmoil and OPEC+ supply boost continued to weigh on crude oil prices. The WTI closed the day 7.4% d/d lower at $61.99/barrel, while Brent slid 6.5% d/d to $65.58/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,314.86	-5.50
S&P 500	5,074.08	-5.97
NASDAQ	15,587.79	-5.82
Stoxx Eur 600	496.33	-5.12
FTSE 100	8,054.98	-4.95
Nikkei 225	33,780.58	-2.75
CSI 300	3,861.50	-0.59
Hang Seng	22,849.81	-1.52
Straits Times	3,825.86	-2.95
KLCI 30	1,504.14	-0.97
FX		
Dollar Index	103.02	0.93
EUR/USD	1.0956	-0.87
GBP/USD	1.2887	-1.63
USD/JPY	146.93	0.60
AUD/USD	0.6040	-4.57
USD/CNH	7.2951	0.20
USD/MYR	4.4367	-0.12
USD/SGD	1.3473	1.00
Commodities		
WTI ($/bbl)	61.99	-7.41
Brent ($/bbl)	65.58	-6.50
Gold ($/oz)	3,012.00	-2.74
Copper ($$/MT)	8,780.00	-6.26
Aluminum($/MT)	2,378.50	-2.84
CPO (RM/tonne)	4,810.00	-0.95

Source: Bloomberg, HLBB Global Markets Research
** CSI 300, HSI, CPO dated as of 3 April*

Upward surprise to the US NFP; headwinds ahead

- US added more jobs than expected by +228k in March (Feb: +117k downwardly revised from 151k), with job gains led by leisure & hospitality, education and healthcare sectors. Employment also increased in retail trade, partially reflecting the return of workers from a strike, while job gains in the government sector picked up to +19k (Feb: +1k) despite the DOGE layoff plan. There was also a 48k downward revision to the last two months payroll, while the unemployment rate ticked up to 4.2% (prior: 4.1%). Wage growth accelerated to +0.3% m/m but was softer on a y/y basis at +3.8% (prior: +0.2% m/m and +4.0% y/y).
- The still solid labour market will give Fed room to maintain rates for now to contain inflation, but we expect government workers' positions are going to be contracting more noticeably starting 2Q in view of DOGE actions, while employment in the manufacturing and consumer-discretionary sectors will likely cool further due to negative impact from the trade tension, all not boding well for consumer spending in 2H and posing a dilemma for the Fed.

Australia’s household grew at a slower than expected pace; discretionary spending nonetheless held firm

- Although below expectations, household spending grew for the fifth month in a row by +0.2% m/m in February (Jan: +0.5% m/m). The rise in spending on recreational and cultural activities, purchases of new vehicles and eating out contributed to a 0.3% m/m rise in discretionary spending, a positive nod to sustained momentum going forward even before the rate cut. Meanwhile, spending on non-discretionary goods and services fell by 0.1% m/m, driven by lower spending on health, particularly doctor and hospital visits.

Singapore’s retail sales fell more than expected

- Retail sales fell more than expected by 3.6% y/y in February as compared to +4.7% y/y the prior month. The decline was primarily due to the timing of Chinese New Year, and with the majority of the industries reporting contraction led by wearing apparel.

Vietnam’s 1Q GDP growth slowed ahead of US tariff

- Vietnam's economy grew by 6.9% y/y in 1Q, a deceleration from 7.6% in 4Q and a shade below street estimate’s +7.1% y/y. With the country slapped with a hefty 46% tariff by the US recently, we opine that the official targeted GDP growth of 8.0% is at risk at this juncture, and at the point of writing, consensus is pencilling in a more conservative growth projection of 6.7% for 2025.

- US accounts for 30% of Vietnam's export and the Vietnam General Statistics Office (GSO) has estimated that a ***10% drop in the country's shipments to the US due to the tariff, could cut Vietnam's GDP growth by 0.84ppts.*** Hardest hit would be the textiles and apparels, footwear, electronics and wood sectors. The tariff may also lower foreign investments into Vietnam, especially as a "China+1".
- For 1Q, growth continued to be driven by the manufacturing sector (+9.3% y/y), while services and construction grew at a robust pace of 7.7% y/y and 8.0% y/y respectively. The agriculture, forestry & fishing sector expanded at a tame pace of 3.7% y/y while mining contracted 5.8% y/y.
- On the demand side, available data showed that retail sales and exports grew by double-digits at 10.8% y/y and 14.5% y/y in March (prior: 9.4% y/y and 25.7% y/y), the latter partially due to front-loading ahead of the tariffs. Although an uptick at 3.1% y/y (prior: 2.9% y/y), inflation remains mild and below the government's target of 4.0-4.5%. *(Please refer to our separate commentary for more details)*

House View and Forecasts

FX	This Week	1Q-25 Act	2Q-25	3Q-25	4Q-25
DXY	100-104	104.21	108.58	106.93	105.27
EUR/USD	1.09-1.12	1.08	1.03	1.05	1.06
GBP/USD	1.29-1.33	1.29	1.24	1.25	1.27
USD/CHF	0.83-0.89	0.88	0.91	0.90	0.88
USD/JPY	142-149	150	155	150	146
AUD/USD	0.62-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.56-0.60	0.57	0.56	0.57	0.58
USD/CNY	7.24-7.29	7.26	7.30	7.23	7.15
USD/MYR	4.40-4.47	4.44	4.50	4.40	4.35
USD/SGD	1.31-1.35	1.34	1.35	1.32	1.29

Rates, %	Current	1Q-25 Act	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
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%
8-Apr	AU Westpac Consumer Conf SA MoM (Apr)	4.00%
	AU NAB Business Confidence (Mar)	-1

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

JN Eco Watchers Survey Outlook SA (Mar)	46.6
MA Foreign Reserves	$118.0b
US NFIB Small Business Optimism (Mar)	100.7

Source: Bloomberg