

13 February 2025

Global Markets Research
Daily Market Highlights
13 Feb: Higher than expected US CPI pushed back rate cut bets to 4Q
UST yields jumped after strong CPI print; Powell said need to keep rates restrictive
DXY closed flattish; JPY lagged on concerns that Japan will be hit by Trump's tariff
EUR strengthened; oil prices slipped on prospects of Russian-Ukraine ceasefire

- US treasury yields soared, while the Dow and S&P 500 fell after the stronger than expected readout for US inflation and Fed Chair Jerome Powell's testimony to the Congress reignited worries over stubborn price pressures and that interest rates will stay on hold in the near term. Powell said that the latest inflation data showed that while the Fed has made progress in taming inflation, there is still more work to do and the Fed needs to keep policy restrictive for now, prompting the market to reprice the prospect of rate cuts and pencilling in only one 25bps cut for the year in 4Q. Taking cue from more signs of upside inflationary risks and moderating but still resilient growth outlook in the near term, we have tweaked our house view to reflect only one 25bps Fed rate cut for the year, in 4Q.
- The Dow and S&P 500 slipped 0.5% d/d and 0.3% d/d overnight, while Nasdaq erased its earlier gains to close above the flatline. Almost every major group within the S&P fell, led by energy, real estate and material stocks. Meanwhile, European stocks held steady (Stoxx Eur 600: +0.1% d/d). the latter supported by strong corporate earnings, while Asian stocks closed mostly in greens.
- In the bond space, US treasury yields jumped 7-10 bps (prior: 1-4bps) across the curve and the benchmark 2Y and 10Y yields closed at 4.36% (+7bps) and 4.62% respectively (+9bps). 10Y European bond yields were also up 2-7bps, after gaining 1-8bps the prior day.
- In the forex space, DXY jumped as high as 108.52 following the CPI report, before paring its gains to close just below the flatline at 107.94 (-0.02%). The Dollar strengthened against all its G10 peers save for the DKK and EUR (+0.2% d/d at 1.0383), the latter supported by prospects of a cease-fire in the Russia-Ukraine war. JPY (-1.3% d/d to 154.42) underperformed all its G10 and regional peers, on concerns that Japan will be included in Trump's latest tariff plan.
- Trading in the rest of the Asian currencies, meanwhile, were largely muted and regional currencies closed mixed between +/- 0.2% d/d against the USD. SGD weakened 0.1% d/d to 1.3538, while MYR closed just above its flatline at 4.4692 against the Dollar.

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 44,368.56 | -0.50 |
| S&P 500 | 6,051.97 | -0.27 |
| NASDAQ | 19,649.95 | 0.03 |
| Stoxx Eur 600 | 547.78 | 0.11 |
| FTSE 100 | 8,807.44 | 0.34 |
| Nikkei 225 | 38,963.70 | 0.42 |
| CSI 300 | 3,919.86 | 0.95 |
| Hang Seng | 21,857.92 | 2.64 |
| Straits Times | 3,874.62 | 0.36 |
| KLCI 30 | 1,603.05 | 0.82 |
| FX | | |
| Dollar Index | 107.94 | -0.02 |
| EUR/USD | 1.0383 | 0.21 |
| GBP/USD | 1.2446 | 0.00 |
| USD/JPY | 154.42 | 1.27 |
| AUD/USD | 0.6280 | -0.24 |
| USD/CNH | 7.3104 | 0.01 |
| USD/MYR | 4.4692 | -0.02 |
| USD/SGD | 1.3538 | 0.05 |
| Commodities | | |
| WTI (\$/bbl) | 71.37 | -2.66 |
| Brent (\$/bbl) | 75.18 | -2.36 |
| Gold (\$/oz) | 2,909.00 | -0.12 |
| Copper (\$\$/MT) | 9,454.50 | 1.03 |
| Aluminum(\$/MT) | 2,621.00 | -0.87 |
| CPO (RM/tonne) | 4,789.00 | 0.51 |

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 10 Feb

- In the commodity space, crude oil prices fell overnight, weighed down by higher US crude inventories data, relatively hawkish Powell's comments and after President Trump and President Vladimir Putin agreed to begin talks of ending the war in Ukraine, easing crude supply concerns in the region. The WTI and Brent fell 2.4-2.7% d/d to \$71.37/barrel and \$75.18/barrel respectively.

US inflation unexpectedly accelerated; dampening rate cut bets

- January's inflation came ahead of expectation. Headline CPI unexpectedly picked up to +3.0% y/y and +0.5% m/m (Dec: +2.9% y/y and +0.4% m/m) while core CPI also defied expectation for a moderation and inched higher to 3.3% y/y and +0.4% m/m in January (Dec: +3.2% y/y and +0.2% m/m), with shelter costs accounting for 30% of the monthly inflation, while prices of food and energy, as well as motor vehicle insurance, recreation, used cars & trucks, medical care, communication, and airline fares within core also jumped.
- While the uptick partially reflects seasonality factors, tariffs, as well as still strong weekly earnings (+0.7% y/y vs +0.6% y/y) will add upside risks to US inflation moving forward, but this impact may likely be negated by softer shelter costs ahead.
- In the housing market, mortgage rates (30Y fixed rates: 6.95%) moved slightly lower, leading to a spurt in refinance applications to its strongest week since October 2024 and mortgage applications up at a slightly faster pace of 2.3% w/w for the week ended February 7 (prior: +2.2% w/w).

Japan's PPI accelerated on energy prices

- Data this morning showed that producer prices accelerated more than expected to 4.2% y/y in January (Dec: +3.8% y/y) but eased on a m/m basis to +0.3% m/m from +0.4% m/m previously. Largely contributing to the monthly inflation were prices for petroleum products, and to a lesser extent, from food & beverages and non-ferrous metals.

House View and Forecasts

| FX | This Week | 1Q-25 | 2Q-25 | 3Q-25 | 4Q-25 |
|---------|-----------|--------|--------|--------|--------|
| DX | 106-109 | 109.10 | 108.58 | 106.93 | 105.27 |
| EUR/USD | 1.02-1.05 | 1.03 | 1.03 | 1.05 | 1.06 |
| GBP/USD | 1.23-1.26 | 1.24 | 1.24 | 1.25 | 1.27 |
| USD/CHF | 0.88-0.92 | 0.91 | 0.91 | 0.90 | 0.88 |
| USD/JPY | 148-154 | 158 | 155 | 150 | 146 |
| AUD/USD | 0.61-0.65 | 0.62 | 0.63 | 0.64 | 0.66 |
| NZD/USD | 0.55-0.58 | 0.56 | 0.56 | 0.57 | 0.58 |
| USD/CNY | 7.24-7.30 | 7.37 | 7.30 | 7.23 | 7.15 |
| USD/MYR | 4.40-4.47 | 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 |
| 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 |
|--------|---|-------|
| 13-Feb | AU Consumer Inflation Expectation (Feb) | 4.00% |
| | UK Monthly GDP (MoM) (Dec) | 0.10% |
| | US PPI Final Demand YoY (Jan) | 3.30% |
| | US Initial Jobless Claims | 219k |
| 14-Feb | MA GDP YoY (4Q F) | 4.80% |
| | EC GDP SA QoQ (4Q P) | 0.00% |
| | EC Employment QoQ (4Q P) | 0.20% |
| | US Retail Sales Advance MoM (Jan) | 0.40% |
| | US Import Price Index YoY (Jan) | 2.20% |
| | US Industrial Production MoM (Jan) | 0.90% |

Source: Bloomberg

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