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Global Markets Research

Daily Market Highlights

17 Feb: Weaker than expected US retail sales hastened rate cut bets

UST yields fell; USD weakened as traders brought forward bets for next rate cut to Sept

Eurozone's 4Q GDP revised up to +0.1%; Japan's GDP beat forecasts at +2.8% in 4Q

Malaysia's 4Q GDP growth revised up to 5.0%; expect GDP growth of 4.5-5.0% for 2025

- The US bond market closed Friday with solid gains after a soft reading on retail sales saw traders bring forward bets of the next rate cut to the September FOMC meeting again but have a largely muted impact on equities. The S&P 500 was little changed and closed just below its flatline, as Airbnb led the broad index higher but this was offset by a retreat in the health services segment. Dow also slid 0.4% d/d weighed down by Procter & Gamble shares, but Nasdaq was the outlier and gained 0.4% d/d to close the day.
- In Europe, Stoxx Eur 600 snapped its winning streak and closed 0.2% d/d lower despite earnings beat from the likes of NatWest to Hermes. Asian stocks closed mixed and are set for a cautious trading day amid rising US-EU tension.
- In the bond space, Treasury yields fell 3-6bps (prior: -5 to -10bps) across the curve following the weak retail sales reading and the 2Y- and 10Y benchmark yields closed at 4.26% (-5bps) and 4.48% (-5bps) respectively. Trading in 10Y European bonds were muted and yields closed the day 1-3bp higher. This comes after falling 3 -9bps the previous day.
- In the forex space, the Dollar weakened against all the Asian currencies and G10 peers following its weak retail sales print and the DXY closed 0.6% d/d lower at 106.71. Leading gains against the Dollar were NZD, AUD and SEK (0.4-0.9% d/d) amongst G10, and THB, IDR and KRW (0.5-0.6% d/d) amongst regional currencies. SGD and MYR appreciated at a narrower pace of 0.3-0.4% d/d to close at 1.3394 and 4.4358 respectively.
- In the commodity space, oil prices fell as prospects of a Russia-Ukraine peace deal eased supply worries. Brent closed the day 0.4% d/d lower at $74.74/barrel, while the WTI dropped 0.8% d/d to $70.74/barrel.

Cold weather and wildfires weighed on IPI and retail sales in the US

- Cold snap and the Los Angeles wildfires weighed on January's manufacturing sector and consumer spending, while weaker consumer confidence may have also dented retail sales as well. Retail sales fell more than expected and by the most in nearly two

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,546.08	-0.37
S&P 500	6,114.63	-0.01
NASDAQ	20,026.77	0.41
Stoxx Eur 600	552.41	-0.24
FTSE 100	8,732.46	-0.37
Nikkei 225	39,149.43	-0.79
CSI 300	3,939.01	0.87
Hang Seng	22,620.33	3.69
Straits Times	3,877.50	-0.13
KLCI 30	1,591.60	-0.04
FX		
Dollar Index	106.71	-0.56
EUR/USD	1.0492	0.26
GBP/USD	1.2586	0.16
USD/JPY	152.31	-0.32
AUD/USD	0.6352	0.55
USD/CNH	7.2578	-0.17
USD/MYR	4.4358	-0.44
USD/SGD	1.3394	-0.31
Commodities		
WTI ($/bbl)	70.74	-0.77
Brent ($/bbl)	74.74	-0.37
Gold ($/oz)	2,883.60	-1.45
Copper ($$/MT)	9,477.00	-0.08
Aluminum($/MT)	2,637.50	1.31
CPO (RM/tonne)	4,793.50	-1.36

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 13 Feb*

years by 0.9% m/m (prior: +0.7% m/m) as consumers sharply pulled back spending on autos, furniture, electronics, building materials, health spending, sporting goods and internet sales.

- Industrial production (IPI), meanwhile, slowed less than expected to +0.5% m/m (prior: +1.0% m/m), as manufacturing output fell 0.1% m/m held down by a 5.2% m/m plunge in motor vehicles and parts. Mining production also contracted, but the cold snap boosted demand for heating and utilities output.
- Import prices rose less than expected by +0.3% m/m (prior: +0.2% m/m). That said, this is the largest monthly increase since April 2024, boosted by a jump in fuel prices while prices for nonfuel imports ticked up 0.1% m/m for the third month, as higher prices for nonfuel industrial supplies and materials, capital goods and foods, feeds, & beverages more than offset lower prices for automotive vehicles and consumer goods.

Eurozone's 4Q GDP revised slightly up

The Euro bloc grew a touch faster than initially thought at +0.1% q/q in 4Q (previous estimate: flat). That said, growth is a deceleration from 3Q's +0.4% q/q, as its biggest economies likes Germany and France continued to struggle, and will continue to face headwinds from sluggish consumption, while threats of tariffs from the US, political and geopolitical concerns continued to weigh on investment. Employment growth also slowed to +0.1% q/q after gaining 0.2% q/q previously.

Japan's economy grew a strong 2.8% in 4Q

- The Japanese economy grew a strong 2.8% q/q on an annualized basis in 4Q, better than expected and an acceleration from +1.7% q/q in 3Q. The uptick was largely driven by a rebound in business spending and net exports contribution to GDP, while private consumption slowed to +0.1% q/q from +0.7% q/q previously. With growth beating forecasts, this reaffirms expectations that the BOJ will deliver its next rate hike by 3Q of this year.

China's bank lending hit record high on government financing

- New loans surged more than expected to a record high in January at 5.1tn yuan. Government financing was the main driver to credit growth, while lending to corporates also increased, suggesting some recovery in business demand. On the other hand, household loans, which includes household mortgages declined, suggesting a loss of momentum in the housing market.

Malaysia's final 4Q GDP growth revised higher to 5.0% y/y as expected; maintain our view for 4.5-5.0% growth in 2025 underpinned by sustained domestic demand

- The final reading of 4Q GDP was revised higher to +5.0% y/y as per our expectations, although it came in north of market expectations for an unrevised +4.8% y/y print as indicated by the advanced estimate released last month. This marked a slower than initially estimated moderation from 3Q's +5.3% y/y as economic activities picked up through 4Q to end the year 2024 at its best month in five in December, bringing full year 2024 growth to +5.1% y/y (2023: +3.6% y/y). This, coupled with the upticks seen in the leading indicator, reaffirmed our view that the Malaysian economic outlook will remain sanguine in the foreseeable future, barring unforeseen external shocks.

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	1.03-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.24-1.27	1.24	1.24	1.25	1.27
USD/CHF	0.89-0.93	0.91	0.91	0.90	0.88
USD/JPY	150-155	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.25-7.31	7.37	7.30	7.23	7.15
USD/MYR	4.41-4.48	4.55	4.50	4.40	4.35
USD/SGD	1.33-1.36	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
17-Feb	SI Non-oil Domestic Exports SA MoM (Jan)	1.70%
	EC Trade Balance NSA (Dec)	16.4b
18-Feb	AU RBA Cash Rate Target	4.35%
	UK Average Weekly Earnings 3M/YoY (Dec)	5.60%
	UK ILO Unemployment Rate 3Mths (Dec)	4.40%
	UK Payrolled Employees Monthly Change (Jan)	-47k
	HK Unemployment Rate SA (Jan)	3.10%
	EC ZEW Survey Expectations (Feb)	18
	US Empire Manufacturing (Feb)	-12.6
	US NAHB Housing Market Index (Feb)	47
	SI Budget (2025)	

Source: Bloomberg

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

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