19 February 2025

Global Markets Research
Daily Market Highlights

19 Feb: RBA delivered a 25bps hawkish cut to 4.10%

AUD whipsawed following RBA's rate cut and guide for cautious easing ahead
Traders trimmed BOE rate cut bets following strong wage growth in the UK
All eyes on FOMC minutes today; Fed speaks seem to favour rate pause

- US equities kicked off Tuesday on a muted tone, before rallying before the bell, sending S&P 500 up 0.2% d/d to a record close and Nasdaq and the Dow gaining 0-0.1% d/d respectively. Driving the optimism was a rally in chipmakers, especially Intel on breakup speculations, while talks between US and Russia also raised hopes of an end of the Ukraine war, whetting appetite for risky assets like stocks.
- European markets (Stoxx Eur 600: +0.3% d/d) also benefited from prospect of a ceasefire in Ukraine, and as defence stocks continued to rally on prospects of higher defence spending in the region. Asian markets mostly rose, with Xiaomi and Tencent among the stocks gaining, a day after tech companies' chief executives met with Chinese President Xi Jinping, in what was seen as a sign of support for the private sector.
- In the bond space, UST yields climbed 5-8bps as investors await further clues on Fed policy path in the FOMC minutes, and after Fed President Mary's comment that the policy rates should be restrictive until inflation falls. Consequently, the benchmark 2Y- and 10Y yields closed the day at 4.31% (+5bps) and 4.55% (+7bps) respectively. 10Y European bond yields closed the day mixed between -1 to +3bps, after rising 3-6bps the day before.
- In the forex space, the Dollar strengthened against all its G10 peers after recent Fed speaks were seen to favour keeping interest rates on hold, and the DXY closed up 0.5% d/d at 107.05. NZD (-0.6% d/d) underperformed its peers on expectations that the RBNZ will deliver a 50bps cut to its policy rate today, while AUD depreciated 0.1% d/d to close at 0.6353 after weakening as low as 0.6335 during the day after the RBA lowered its policy rate. GBP whipsawed and closed the day 0.1% d/d weaker at 1.2613 against USD, despite traders trimming their BOE rate cut bets due to stronger UK wage growth, but could swing today after the release of UK's price prints.
- On the regional front, all Asian currencies weakened against the greenback save for the KRW, HKD and THB, and with IDR, JPY and MYR underperforming their peers at 0.3-0.4% d/d respectively. SGD

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,556.34	0.02
S&P 500	6,129.58	0.24
NASDAQ	20,041.26	0.07
Stoxx Eur 600	557.17	0.32
FTSE 100	8,766.73	-0.01
Nikkei 225	39,270.40	0.25
CSI 300	3,912.78	-0.88
Hang Seng	22,976.81	1.59
Straits Times	3,925.56	0.53
KLCI 30	1,584.84	0.13
FX		
Dollar Index	107.05	0.45
EUR/USD	1.0446	-0.36
GBP/USD	1.2613	-0.10
USD/JPY	152.06	0.36
AUD/USD	0.6353	-0.05
USD/CNH	7.2759	0.13
USD/MYR	4.4455	0.26
USD/SGD	1.3423	0.05
Commodities		
WTI ($/bbl)	71.85	1.57
Brent ($/bbl)	75.84	0.82
Gold ($/oz)	2,931.60	1.66
Copper ($$/MT)	9,472.00	0.81
Aluminum($/MT)	2,668.50	0.89
CPO (RM/tonne)	4,736.50	-0.60

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 17 Feb*

and CNH depreciated at a narrower pace of 0.1% d/d each to close at 1.3423 and 7.2759.

- In the commodity space, oil prices continued to benefit from talks of postponed supply increases from the OPEC+ and disruption to Kazakh oil flows. Brent and WTI closed the day 0.8-1.6% d/d higher at $75.84/barrel and $71.85/barrel respectively.

RBA lowered cash rate by 25bps to 4.10%; remains cautious on further policy easing

- The Reserve Bank of Australia (RBA) lowered its cash rate target by 25bps 4.10%. The decision was within consensus estimates, but slightly earlier than what we had anticipated. With this, we have brought forward our expectations for the next two rate cuts of 25bps each to 2Q and 3Q respectively.
- Key highlights from the statement include: 1) Rates will remain restrictive even after the cut in cash rate, but the board remains cautious on prospects for further policy easing. 2) The decision was due to disinflation that might be occurring a little more quickly than anticipated, and the ***RBA now expects underlying inflation to moderate to a tad above the 2–3% range by end 2025, instead of 2026.*** That said, upside risks remain, especially since labour market conditions are not expected to ease materially from here (***unemployment rate @ 4.2%, wage price index: +3.4% in December 2025***). 3) Private domestic demand is recovering more slowly than what RBA had expected and there are notable uncertainties on both the domestic and external front. Consequently, the ***RBA lowered its average GDP growth for 2025 by 0.1ppts to 2.1%.***
- The Westpac-Leading index rebounded 0.1% m/m in January from -0.02% previously, with all sub-components mostly improving. While the growth level is still not particularly strong, the uptick suggests improvement in momentum in 2H.

US builder sentiment dented by tariffs concerns; manufacturing activities in the New York region jumped

- The NAHB Housing Market Index fell sharper than expected to 42 in February (prior: 47), its lowest level in five months as builder sentiment was weighed down by concerns over elevated mortgage rates, high housing costs and tariffs. Concerns over the latter were prevalent, as this pushed expectations for future sales volume down to its lowest since December 2023 and builders were increasingly worried over rising costs (>30% of appliances and softwood lumber from international trade).
- Business activity edged higher in the New York region in February. The Empire State Manufacturing index jumped more than expected by 18 points to 5.7, as new orders and shipments grew moderately, employment levels moved lower while price indices ticked up noticeably. Though firms expect conditions to improve over the next six months, optimism about the outlook dropped significantly.

Jump in investors sentiment in the Eurozone

- The ZEW Survey Expectations indices for both Germany and the Euro bloc improved more than expected to +26.0 and +24.2 respectively (prior: +10.3 and +18.0), driven by optimism over a new federal government, a pick-up in consumer demand as well as ECB's recent interest rate cut, which boosted confidence amongst construction industry.

UK jobs data surprised on the upside, but will face headwinds from the Autumn Budget

- UK’s latest jobs data surprised on the upside, even if the outlook is increasingly shaky in view of the tax hikes and increase in minimum wage in spring. That said, a cooler job market should help wage growth (average weekly earnings: +5.9% y/y in December vs +5.6% y/y in November), and hopefully inflation soften gradually, paving the way for a cautious BOE rate cut moving forward. The number of employees on payrolls increased 21k in January after falling 14k previously, while the unemployment rate was unchanged at 4.4% in December. The number of vacancies maintained their downward trend and fell 9k to 819k in January.

Japan’s exports accelerated, but tariffs and a decline in core machine orders suggests that manufacturing could slow

- Mixed economic numbers from Japan. Exports accelerated to +7.2% y/y in January (Dec: +2.8% y/y), missing estimates but a sign that business ramped up shipments ahead of tariff hikes from the US. While Japan was directly spared from the recent trade war, President Trump has said that tariffs on automobile, semi-conductor and drugs are next on the list, suggesting more headwinds to global trade growth and will directly hit Japan’s exports and manufacturing sector ahead.
- Reaffirming our view is cautiousness amongst manufacturers, who have refrained from ramping up investment. Core machine orders, unexpectedly fell 1.2% m/m in December (prior: +3.4% m/m), largely driven by a 10.4% m/m plunge in orders for the manufacturing sector and will likely register flat growth for the next two months as well.

Hong Kong’s unemployment rate remains low and stable at 3.1%

- Unemployment rate remained low and unchanged at 3.1% in December. Moving forward, the labour market should remain largely stable in the near term, though uncertainties in the global economy would continue to pose headwinds to the economy and the labour market.

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	4.10	4.10	3.85	3.60	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
19-Feb	AU Wage Price Index QoQ (4Q)	0.80%
	CH New Home Prices MoM (Jan)	-0.08%
	CH Used Home Prices MoM (Jan)	-0.31%
	UK CPI Core YoY (Jan)	3.20%
	UK PPI Output NSA YoY (Jan)	0.10%
	UK House Price Index YoY (Dec)	3.30%
	US MBA Mortgage Applications	2.30%
	US Housing Starts MoM (Jan)	15.80%
	US Building Permits MoM (Jan P)	-0.70%
	US New York Fed Services Business Activity (Feb)	-5.6
20-Feb	AU Employment Change (Jan)	56.3k
	AU Unemployment Rate (Jan)	4.00%
	CH 1-Year Loan Prime Rate	3.10%
	CH 5-Year Loan Prime Rate	3.60%
	MA Exports YoY (Jan)	16.90%
	HK CPI Composite YoY (Jan)	1.40%
	UK CBI Trends Total Orders (Feb)	-34
	US Philadelphia Fed Business Outlook (Feb)	44.3
	US Initial Jobless Claims	213k
	US Leading Index (Jan)	-0.10%
	EC Consumer Confidence (Feb P)	-14.2

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investmen t advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to t he accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified fina ncial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assuranc e can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any i nvestment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to la w or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.