

20 February 2025

Global Markets Research
Daily Market Highlights

20 Feb: Markets shrugged off FOMC minutes & tariff threats

FOMC minutes: rate pause until inflation eases; upside inflation risks from trade policy

RBNZ lowered policy rate by 50bps as expected; signalled smaller rate cuts ahead

UK's CPI jumped more than expected to 3.0%; maintain our view for gradual rate cuts

- The S&P 500 rallied 0.2% d/d to its second record close in a row, as traders looked past signals from the FOMC minutes that the Fed is in no rush to lower its rates and fresh tariff threats from President Donald Trump. The Dow and Nasdaq also gained 0.1-0.2% d/d respectively, but in a sign of caution, defensive stocks like healthcare and consumer staples outperformed. Microsoft also led the broader technology sector higher, after the company unveiled its first ever quantum computing chip.
- Elsewhere, Stoxx Eur 600 plunged 0.9% d/d, while Asian markets closed mixed after Trump proposed new tariffs on auto, semiconductor and pharmaceutical goods.
- In the bond space, US treasuries rose slightly after the FOMC meeting minutes showed that the Fed discussed pausing or slowing the balance sheet runoff until the resolution of the debt ceiling drama, sending yields 0-4bps lower (prior: +5 to +8bps) across the curve. The benchmark 2Y yield fell 4bps to 4.27%, while the 10Y slid 2bps to 4.53%. 10Y European bond yields closed the day 4-10bps up after closing mixed the prior day.
- In the forex space, DXY gained for the second day (+0.1% d/d to 107.17) after Fed signalled caution on further rate cuts, and the Dollar strengthened against all its G10 peers save for the JPY (+0.4% d/d to 151.47), NOK (+0.2% d/d) and NZD (less than +0.1% d/d). NZD erased earlier losses after the RBNZ delivered a 50bps rate cut as expected, but signalled smaller rate cuts ahead, while JPY was the best performer amongst G10 after BOJ's Hajime Takata pledged to consider gradual rate hikes ahead. GBP closed the day 0.2% d/d weaker at 1.2586, trimming early gains from the bigger than expected uptick in UK's inflation print.
- Regional currencies closed mixed against the greenback, with MYR eking out a 0.1% d/d gain to 4.4433 vs the USD, while CNH (-0.1% d/d to 7.2842) and SGD (-0.04% d/d to 1.3429) lagged.
- In the commodity space, crude oil prices edged higher (WTI: +0.6% d/d to \$72.25/barrel, Brent: +0.3% d/d to \$76.04/barrel) on supply concerns, stemming from possible pushbacks to planned output increase by the OPEC+, disruption to Kazakh's oil pipeline after the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,627.59	0.16
S&P 500	6,144.15	0.24
NASDAQ	20,056.25	0.07
Stoxx Eur 600	552.10	-0.91
FTSE 100	8,712.53	-0.62
Nikkei 225	39,164.61	-0.27
CSI 300	3,940.16	0.70
Hang Seng	22,944.24	-0.14
Straits Times	3,934.04	0.22
KLCI 30	1,580.88	-0.25
FX		
Dollar Index	107.17	0.11
EUR/USD	1.0423	-0.22
GBP/USD	1.2586	-0.21
USD/JPY	151.47	-0.39
AUD/USD	0.6344	-0.14
USD/CNH	7.2842	0.11
USD/MYR	4.4433	-0.05
USD/SGD	1.3429	0.04
Commodities		
WTI (\$/bbl)	72.25	0.56
Brent (\$/bbl)	76.04	0.26
Gold (\$/oz)	2,919.40	-0.42
Copper (\$\$/MT)	9,466.50	-0.06
Aluminum(\$/MT)	2,687.00	0.69
CPO (RM/tonne)	4,742.50	0.13

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 18 Feb

drone attack, and as the G7s consider tightening the price cap on Russian crude exports.

FOMC minutes signalled rate pause until inflation eases; weaker housing data

- Highlights from the latest FOMC meeting minutes include: 1) The vast majority of FOMC members judged that ***risks to the dual-mandate were roughly in balance***, though a couple of members saw upside risks to inflation. 2) Many emphasized that more evidence of disinflation would be needed to support the view that inflation was returning to the 2% target. While factors such as easing wage growth, well-anchored longer-term inflation expectations, waning business pricing power, and the ***still-restrictive policy stance*** could put downward pressure on inflation, ***upside risks from potential changes in trade and immigration policy***, as well as strong consumer demand were flagged. 3) ***FOMC members would want to see further progress on inflation before making additional adjustments to the policy rate***, suggesting that the easing bias remains, albeit with intermittent pause.
- Despite easing mortgage rates (30Y fixed mortgage rate: 6.93%), mortgage applications fell at its slowest pace since the beginning of the year at -6.6% w/w for the week ended February 14 (prior: +2.3% w/w). Driving the downtick was slower purchase applications, as buyers remained on the sideline hoping for rates or home prices to moderate, although loosening inventory may help support housing activities in the coming months. Forward looking indicator for the latter was nonetheless mixed, with housing starts falling 9.8% m/m, while building permit rebounded +0.1% m/m (prior: 16.1% m/m vs -0.7% m/m).
- The New York Fed Services Business Activity fell to its lowest in a year to -10.5 in February (-5 points), as business climate and supply availability indicators worsened, employment declined modestly, while wage growth and prices picked up. Firms expect conditions to improve in the months ahead, though optimism dropped noticeably.

UK's headline inflation climbed back up to 3.0% y/y due to food and transport inflation

- UK headline CPI picked up more than expected to 3.0% y/y in January, a tad higher than expected and up from +2.5% y/y in December, while core also accelerated to +3.7% y/y from +3.2% y/y previously. The uptick was mainly driven by increases in transport inflation due to airfares, while prices for food & non-alcoholic beverages costs, as well as education also jumped, the latter due to the introduction of VAT on private school fees.
- With services inflation still elevated at 5.0% y/y (prior: 4.4% y/y), albeit from seasonal and one-off factors, there is no change in our view that the central bank will continue with its gradual easing cycle

going forward, pencilling in another 25bps cut each in policy rate in 2Q and 3Q respectively.

- Meanwhile, producer price (PPI)-input fell at a narrower pace of 0.1% y/y (prior: -1.3% y/y), but the House Price index grew at a faster pace of 4.6% y/y in December (Nov: 3.9% y/y).

Australia's wage growth slowed in support of an RBA rate cut

- Wage price index slowed more than expected to +0.7% q/q in 4Q from +0.9% q/q previously. This is the lowest growth since 1Q of 2022 as pay slowed for both the public and private sectors, paving the way for the RBA to ease, albeit cautiously going forward given the still tight labour market for selected sectors like health care & social assistance and construction.

FDI into China, home prices continued to fall

- Still sluggish economic indicators from China. Foreign investments (FDI) into China remains on a downward trend, falling 13.4% y/y in January. To reverse this trend, China's officials recently met with Japanese delegations in an attempt to boost bilateral ties and investment into China.
- In the property market, new and used home prices continued to fall by 0.1% m/m and 0.3% m/m in January. While this was largely unchanged from the previous month in a sign of stability, continued declines for home prices and mortgage finances suggest that the housing industry remained sluggish for now.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DX	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
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%
21-Feb	EC Consumer Confidence (Feb P)	-14.2
	AU S&P Global Australia PMI Mfg (Feb P)	50.2
	AU S&P Global Australia PMI Services (Feb P)	51.2
	JN Natl CPI YoY (Jan)	3.60%
	UK GfK Consumer Confidence (Feb)	-22
	JN Jibun Bank Japan PMI Mfg (Feb P)	48.7
	JN Jibun Bank Japan PMI Services (Feb P)	53
	MA CPI YoY (Jan)	1.70%
	MA Foreign Reserves (41671)	\$116.4b
	UK Retail Sales Inc Auto Fuel MoM (Jan)	-0.30%
	EC HCOB Eurozone Manufacturing PMI (Feb P)	46.6
	EC HCOB Eurozone Services PMI (Feb P)	51.3
	UK S&P Global UK Manufacturing PMI (Feb P)	48.3
	UK S&P Global UK Services PMI (Feb P)	50.8
	US S&P Global US Manufacturing PMI (Feb P)	51.2
	US S&P Global US Services PMI (Feb P)	52.9
	US U. of Mich. Sentiment (Feb F)	67.8
	US Existing Home Sales MoM (Jan)	2.20%

Source: Bloomberg

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