

20 March 2025

Global Markets Research
Daily Market Highlights

20 Mar: Relief rally after expected Fed rate pause

FOMC maintained 50bps rate cut projection for 2025; downgraded GDP growth forecasts
Inflation forecast was revised higher although Powell said inflation bump is transitory
BOJ maintained policy rate at 0.50%; flagged high uncertainties from trade war

- US equities hit session highs while bond yields tumbled after the FOMC kept its policy rates steady as expected. Fed Chair Jerome Powell's reassurance that the central bank wouldn't need to take drastic actions because of the tariffs further calmed markets, sending the three major equity averages up 0.9-1.4% d/d during the day. All the sectors within S&P 500 closed in green, with consumer discretionary and energy stocks leading gains.
- Earlier in European trading session, Stoxx Eur 600 rose 0.2% d/d ahead of the FOMC's decision and as investors weighed on progress of a potential Russia-Ukraine ceasefire. Defense stocks nonetheless declined, amid signs of profit taking. Asian stocks closed mixed, with Nikkei 225 losing 0.3% d/d in choppy trade after BOJ's policy decision, and will likely track Wall Street's relief rally today.
- Of note, the arrest of Istanbul's mayor Ekrem Imamoglu, President Recep Tayyip Erdogan's top political rival, sparked protest in the nation and a sell-off in Turkish stocks (-8.7% d/d) and lira (-3.2% d/d).
- Treasury yields fell from their session highs after no surprises from the FOMC's policy decision and dot plot. The 2Y yield plunged 7bps to 3.97%, while the 10Y yield fell 4bps to 4.24%. Save for the Swedish and Irish bonds, 10Y sovereign bond yields slid 0-6bps, after closing mixed by +/-2bps the previous day.
- DXY pared gains after the FOMC's decision, but still closed the day 0.2% d/d higher at 103.43. All G10 currencies weakened against the USD, with EUR (-0.4% d/d to 1.0903) amongst the notable laggards. JPY and GBP were the outliers. JPY strengthened 0.4% d/d to 148.69 vs the USD while the GBP closed just above its flatline at 1.3003.
- Similarly, regional currencies mostly weakened against USD, with CNH closing marginally weaker (-0.04%) at 7.2309. SGD closed flat at 1.3306, while MYR outperformed, appreciating 0.2% d/d to 4.4360 against the greenback.
- Crude oil prices gained 0.3-0.4% d/d to \$67.16/barrel (WTI) and \$70.78/barrel (Brent), after an Energy Information Administration

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,964.63	0.92
S&P 500	5,675.29	1.08
NASDAQ	17,750.79	1.41
Stoxx Eur 600	555.37	0.19
FTSE 100	8,706.66	0.02
Nikkei 225	37,751.88	-0.25
CSI 300	4,010.17	0.06
Hang Seng	24,771.14	0.12
Straits Times	3,908.31	0.00
KLCI 30	1,517.66	-0.66
FX		
Dollar Index	103.43	0.18
EUR/USD	1.0903	-0.38
GBP/USD	1.3003	0.02
USD/JPY	148.69	-0.39
AUD/USD	0.6357	-0.06
USD/CNH	7.2309	0.04
USD/MYR	4.4360	-0.21
USD/SGD	1.3306	0.00
Commodities		
WTI (\$/bbl)	67.16	0.39
Brent (\$/bbl)	70.78	0.31
Gold (\$/oz)	3,041.20	0.01
Copper (\$\$/MT)	9,987.50	0.84
Aluminum(\$/MT)	2,671.00	0.62
CPO (RM/tonne)	4,749.00	-1.36

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

report showed a drop in US distillate inventories, alleviating demand concerns.

FOMC left its Fed funds rate unchanged at 4.25%-4.50%; maintain projection for 50bps rate cut in 2025

- As expected, the FOMC kept its Fed funds rate at 4.25%-4.50%. The decision to maintain rates was unanimous, but Governor Chris Waller preferred to keep the pace of balance sheet reduction unchanged. Beginning in April, the Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35bn, but will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities to \$5bn from \$25bn previously.
- Key highlights include: 1) The accompanying statement repeated that inflation remains “somewhat elevated” and that both growth and labour market conditions remain “solid”. That said, the statement also said that **uncertainty around the economic outlook has increased**. 2) In terms of their new economic forecasts, the dot plot continues to pencil in **50bps rate cut this year, another 50bps next year and 25bps in 2027**. Long run Fed funds rate remains unchanged at 3.00%. 3) **The Committee lowered its GDP forecasts to 1.7% in 2025 (-0.4ppts), 1.8% in 2026 (-0.2ppts) and 1.8% in 2027 (-0.1ppts)**. 4) **FOMC revised up their core-PCE projections for 2025 to 2.8% for 2025 (+0.3ppts)**, presumably due to tariffs, but left its forecasts for 2026 and 2027 unchanged at 2.2% and 2.0%. This is largely in line with Powell’s comment during the press conference that his base case is for any **inflation bump from the tariff to be transitory**.
- In short, the Fed remains in no hurry to cut interest rates, but spending cuts and the trade war will likely hurt growth and prompt the Fed to lower rates in 2H of the year. **We maintain our view for one 25bps cut this year**.
- Mortgage rates (30Y fixed rate: 6.72%) increased for the first time in 9 weeks, sending mortgage applications tumbling 6.2% w/w for the week ended March 14 (prior: +11.2% w/w). While refinancing applications fell, purchase applications continue to increase, supported by growing inventories of homes, steadier mortgage rates and spring home buying season.

BOJ maintained policy rates unchanged at 0.50%

- As widely anticipated, the Bank of Japan (BOJ) maintained its overnight call rate at 0.50%. The central bank flagged high uncertainties surrounding the trade landscape, but expects the economy to keep growing at a pace above its potential growth rate. In the accompanying press conference, Governor Ueda stuck to its relatively optimistic view on private consumption after the highest pay hike agreement with the trade union in 34 years, but also said that underlying inflation trend is BOJ’s target of 2.0%.

With this, there is no change in our view of gradual rate hikes going forward, pencilling in another 25bps to 0.75% to end 2025.

Eurozone's unit labour cost grew at a softer pace of 3.7%

- Growth in unit labour costs decelerated sharply and for the third quarter to +3.7% in 4Q from +4.5% previously. While this will help to contain price pressure going forward, this does not bode well in an already sluggish consumption environment.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	102-106	109.10	108.58	106.93	105.27
EUR/USD	1.06-1.10	1.03	1.03	1.05	1.06
GBP/USD	1.27-1.31	1.24	1.24	1.25	1.27
USD/CHF	0.86-0.92	0.91	0.91	0.90	0.88
USD/JPY	144-151	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.21-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.40-4.47	4.55	4.50	4.40	4.35
USD/SGD	1.32-1.35	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	2.50	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
SNB	0.50	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
20-Mar	AU Employment Change (Feb)	44.0k
	AU Unemployment Rate (Feb)	4.10%
	CH 1-Year Loan Prime Rate	3.10%
	CH 5-Year Loan Prime Rate	3.60%
	MA Exports YoY (Feb)	0.30%
	UK Average Weekly Earnings 3M/YoY (Jan)	6.00%
	UK ILO Unemployment Rate 3Mths (Jan)	4.40%
	UK Payrolled Employees Monthly Change (Feb)	21k
	HK CPI Composite YoY (Feb)	2.00%
	EC ECB Publishes Economic Bulletin	
	UK Bank of England Bank Rate	4.50%
	US Initial Jobless Claims	220k
	US Philadelphia Fed Business Outlook (Mar)	18.1
	US Leading Index (Feb)	-0.30%
US Existing Home Sales MoM (Feb)	-4.90%	
21-Mar	JN Natl CPI Ex Fresh Food YoY (Feb)	3.20%
	UK GfK Consumer Confidence (Mar)	-20
	MA CPI YoY (Feb)	1.70%
	EC Consumer Confidence (Mar P)	-13.6

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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