21 February 2025

Global Markets Research

Daily Market Highlights

21 Feb: USDJPY broke below the 150-handle

Jump in Japan's inflation keeps BOJ rate hike on track; JPY likely well-supported today

Walmart's guidance raised concern over state of US consumers; weighed on US equities

Sharp pullback in Malaysia's exports growth amid fading pre-tariff distortions

- US equities took a tumble overnight after Walmart's results met expectations but delivered a weaker than expected guidance for the year ahead, raising concerns over the strength of US consumers. Target and Costco also traded down following Walmart's move, while Palantir, another market favourite, also faced downward pressure amid reports of potential defence budget cuts. Besides consumer stocks, banks also took a beating, sending all the three major equity indices down 0.4-1.0% d/d.
- European stocks (Stoxx Eur 600: -0.2% d/d) also closed lower amid mixed corporate results and uncertainty over Ukraine's peace negotiation, while Asian markets retreated with sentiment dented by fresh tariff threats from Trump and Fed's higher-for-longer stance.
- In the bond space, US Treasuries closed mostly with modest gains. While the benchmark 2Y yield closed just above the flatline at 4.27%, the 10Y yield slid 3bps to 4.51%. Trading in the European bonds was equally muted, with 10Y European bond yields falling 0-3bps (prior: +4 to +10bps) save for the Norwegian bonds.
- In the forex space, JPY rallied 1.2% to 149.64 against the USD as at Thursday's close, its strongest since December on rising expectations of more BOJ rate hike this year. The jump in Japan's CPI this morning is expected to reinforce BOJ rate hike bets and keep the JPY supported today. The rest of the G10 currencies also strengthened against the Dollar between 0.4-1.0% d/d, sending DXY down by 0.8% d/d to settle at 106.37. Closer to home, SGD (+0.7% d/d to 1.3335) and CNH (+0.7% d/d to 7.2352) led gains against the USD, the latter boosted by a "possible" US-China trade deal. MYR appreciated at a narrower pace of 0.3% d/d to 4.4295.
- In the commodities market, crude oil prices extended gains amid uncertainty over global supply and on a weaker USD. The WTI rose 0.4% d/d to $72.57/barrel, while Brent settled 0.6% d/d higher at $76.48/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,176.65	-1.01
S&P 500	6,117.52	-0.43
NASDAQ	19,962.36	-0.47
Stoxx Eur 600	551.01	-0.20
FTSE 100	8,662.97	-0.57
Nikkei 225	38,678.04	-1.24
CSI 300	3,928.90	-0.29
Hang Seng	22,576.98	-1.60
Straits Times	3,927.51	-0.17
KLCI 30	1,577.67	-0.20
FX		
Dollar Index	106.37	-0.75
EUR/USD	1.0501	0.75
GBP/USD	1.2669	0.66
USD/JPY	149.64	-1.21
AUD/USD	0.6400	0.88
USD/CNH	7.2352	-0.67
USD/MYR	4.4295	-0.31
USD/SGD	1.3335	-0.70
Commodities		
WTI ($/bbl)	72.57	0.44
Brent ($/bbl)	76.48	0.58
Gold ($/oz)	2,940.00	0.71
Copper ($$/MT)	9,563.50	1.02
Aluminum($/MT)	2,727.50	1.51
CPO (RM/tonne)	4,787.00	0.94

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 19 Feb*

PBoC maintained lending rates to support the economy and currency

- The People's Bank of China (PBoC) maintained the 1Y- and 5Y-lending rates unchanged at 3.10% and 3.60% respectively. The decision was widely anticipated, as the central bank balances the need to support both the yuan and the sluggish domestic economy, while likely adopting a wait and see attitude on how US tariffs could impact China before calibrating further easing measures.

US leading index fell; initial jobless claims rose

- The Conference Board's leading index fell more than expected by -0.3% m/m in January (prior: +0.1% m/m), reversing most of the gains from the previous two months. Consumers expectations and weekly hours worked in manufacturing drove the decline, but the index's annual growth rate has been improving, signalling milder downside risks to growth.
- The Philadelphia Fed Business Outlook index fell sharply to 18.1 in February from 44.3 previously, as indicators for current general activity, new orders, and shipments declined. Firms continue to expect growth over the next six months, although expectations were less widespread.
- Initial jobless claims rose more than expected by 5k to 219k for the week ended February 15 (prior: -6k), while continuing claims jumped 24k to 1869k the week before (Feb 1: -41k), putting some upward pressure on unemployment. Claims at this level remains low and signals a still solid labour market, but could face some negative impact from the mass layoffs of federal government workers and deep spending cuts by the Government going forward.

Eurozone's consumers turned less pessimistic

- Consumer confidence improved more than expected to its highest in 4 months at -13.6 in February from -14.2 previously. The index at this level remains below its long-term average and suggests easing pessimism, and will likely weigh on retail sales going forward.

UK's manufacturing orders improved but still below "normal"

- The CBI Trends Total Orders index improved more than expected to -28% in January (prior: -34%). Despite this, the index remains below "normal," suggesting a downbeat manufacturing sector and low domestic business confidence following the Autumn Budget. That said, manufacturers expect to raise output in the quarter ahead.

Australia's labour market remains resilient, private sector activities in support for gradual rate cuts

- Labour prints were better than expected, with employment gains slowing less than expected to +44.0k in January from +60.0k previously. While unemployment rate ticked up to 4.1% (prior: 4.0%), it was within expectation, and was attributable to a record participation rate in the labour force (67.3% vs 67.2%) as well as more people than usual who had a job but were waiting to start/return to work. As it is, with the labour market extending its run of surprisingly strong growth, we maintain our view that the pace of rate cuts going forward by the RBA will remain gradual.

- February's preliminary PMI composite (51.2 vs 51.1 in January) signals further improvement in business conditions and marked its strongest in six months. The improvement was broad-based as the faster services sector (51.4 vs 51.2) was complemented by a pick-up in manufacturing activities (50.6 vs 50.2). That said, a fall in business sentiment to its lowest since last October provided mixed signals for near-term outlook.

Japan's headline inflation jumped to its highest since 2023

- A jump in food prices drove January's inflation to its highest since 2023 at 4.0% y/y (prior: 3.6% y/y). While headline matched expectations, core also picked-up more than expected to 3.2% y/y from 3.0% y/y previously on prices for household goods, medical care, transport and education, keeping BOJ on track for another rate hike by end-2025 and JPY well supported today.

Jump in Hong Kong's inflation to 2.0% due to seasonal factor

- Underlying inflation remains modest at 2.0% y/y in January, despite the faster than expected acceleration from +1.4% y/y in December. The larger jump was attributable to the waiver of the extra public housing rent payable, as well as the increases in inbound and outbound transport fares and basic food prices due to the Chinese New Year. Looking ahead, price pressures should remain modest, amid some upward pressure from domestic costs. External price pressures remain debatable, amid uncertainties from geopolitical and trade tensions.

Malaysia's exports kickstarted 2025 on a softer than expected note; tariff threats will suppress exports outlook going forward

- Export growth halted three straight months of pick-up and grew a mere 0.3% y/y in January, normalizing from the hefty 16.9% y/y increase in December, which was skewed by pre-tariff front-loading activities back then. We noticed broad-based slowdown across key sectors, as well as key export destinations. Manufacturing exports pulled back sharply to +0.4% y/y in January (Dec: +18.5% y/y), while growth in agriculture exports softened remarkably to +11.0% y/y (Dec: +28.9% y/y). Mining exports fell for a 6th straight month, at a faster rate of 12.6% y/y (Dec: -5.1% y/y), dragged by protracted contractions in LNG and crude petroleum. Exports of E&E products remained the key growth driver, despite the more moderate growth pace of 14.8% y/y in January, a marked moderation from the 27.8% y/y increase seen in December.

- Looking ahead, we continue to expect some bumps in the near term, a pick-up in February followed by another downturn or even contraction in March given the bumps from festive seasons and dissipation of tariff-related frontloading activities. However, for the year as a whole, we remain cautiously optimistic that exports will continue to expand in 2025, albeit at a more gradual pace as imminent trade conflicts and potential shift in international trade flows will inadvertently keep a lid on global trade activities especially during the interim uncertain period where talks continued to dwarf actions. That said, we remain hopeful that Malaysia stands ready to benefit from these trade diversions, once the dust surrounding the actual new tariff framework and retaliation settles, as long as Malaysia does not become the next tariff target.

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
21-Feb	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

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

	US U. of Mich. Sentiment (Feb F)	67.8
	US Existing Home Sales MoM (Jan)	2.20%
24-Feb	SI CPI Core YoY (Jan)	1.80%
	EC CPI Core YoY (Jan F)	2.70%
	US Chicago Fed Nat Activity Index (Jan)	0.15
	US Dallas Fed Manf. Activity (Feb)	14.1

Source: Bloomberg