

z 25 March 2025

Global Markets Research
Daily Market Highlights

25 Mar: Trump signals targeted measures for April 2 tariff

Risk-on sentiment again; DXY gained; sell-off in US Treasuries and stocks

Improved PMIs for most majors due to services; headwinds ahead in 2Q

BNM projects stable growth of 4.5-5.5% for 2025; inflation to accelerate to 2.0-3.5%

- US stocks started the week on an upbeat note after President Trump signalled that tariffs arriving April 2 will be more targeted than anticipated, alleviating concerns of a severe slowdown in the US economy from a protracted trade war. The better-than-expected US Services PMI also boosted sentiment, sending all the three major stock indices up 1.4-2.3% d/d and all the 11 sectors within S&P except utilities gaining during the day,
- In a choppy trading session, Stoxx Eur 600 ended 0.1% d/d lower as earlier optimism over a measured US tariff faded. Asian markets closed mixed, with KLCI sliding 0.1% d/d after the release of BNM's Annual Report.
- The risk-on move weighed heavily on Treasuries, sending yields jumping 7-9bps across the UST curve. The 2Y yield rose 9bps to 4.04%, while the 10Y increased 9bps to 4.34%. Meanwhile, 10Y European bond yields closed mixed between -1 to +5bps (prior: -2 to +6bps).
- In the forex space, the better-than-expected US Services PMI and tariff optimism sent DXY up 0.2% d/d to 104.26. G10 currencies closed mixed against the Dollar, with JPY (-0.9% d/d to 150.70) the worst performer amongst its peers after the weak Japanese PMI. EUR weakened 0.2% d/d to 1.0801, reversing earlier gains from the Eurozone PMI. GBP closed just above its flatline at 1.2923, paring earlier gains following its weak manufacturing PMI.
- Meanwhile, regional currencies mostly depreciated against the Dollar. MYR closed the day 0.3% d/d weaker at 4.4355, but was well supported after the release of BNM's Annual Report. SGD and CNH depreciated 0.1-0.2% d/d to 1.3386 and 7.2639. CNH will likely to stay under pressure today despite Trump's tariff relief.
- In the commodity space, oil prices gained more than 1.0% d/d each after Trump said that he will impose a 25% tariff on countries that buy oil and gas from Venezuela. Price gains were nonetheless capped after the US extended Chevron's deadline to wind down its operations in Venezuela to 27-May. The WTI and Brent closed the day at \$69.11/barrel and \$73.00/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,583.32	1.42
S&P 500	5,767.57	1.76
NASDAQ	18,188.59	2.27
Stoxx Eur 600	548.93	-0.13
FTSE 100	8,638.01	-0.10
Nikkei 225	37,608.49	-0.18
CSI 300	3,934.85	0.51
Hang Seng	23,905.56	0.91
Straits Times	3,936.33	0.00
KLCI 30	1,503.82	-0.11
FX		
Dollar Index	104.26	0.17
EUR/USD	1.0801	-0.16
GBP/USD	1.2923	0.03
USD/JPY	150.70	0.92
AUD/USD	0.6286	0.21
USD/CNH	7.2639	0.09
USD/MYR	4.4355	0.34
USD/SGD	1.3386	0.19
Commodities		
WTI (\$/bbl)	69.11	1.22
Brent (\$/bbl)	73.00	1.16
Gold (\$/oz)	3,015.60	-0.19
Copper (\$\$/MT)	9,956.00	1.02
Aluminum(\$/MT)	2,615.50	-0.27
CPO (RM/tonne)	4,660.00	-1.00

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 21 Mar

BNM: Cautiously optimistic growth prospects for Malaysia; monetary policy will be data-dependent in view of heightened uncertainties

- Despite external uncertainties, Bank Negara Malaysia (BNM) expects the economy to grow at a relatively steady rate of 4.5-5.5% in 2025 (point forecast: 4.9% vs 2024: 5.1%). This echoes Ministry of Finance (MOF)'s forecast released back in October last year, and was largely in line with our house view of 4.5-5.0% for 2025.
- In terms of inflation, BNM has pencilled a wide forecast range of 2.0-3.5% for headline and 1.5-2.5% for core inflation (2024: +1.8% y/y for both headline and core), largely taking in account the uncertainty from the timing of domestic policy measures, namely the targeted RON95 subsidy rationalization measures. That said, BNM opines that the impact from this will likely be transitory and manageable, and prices are expected to continue to be led by moderating global commodity prices and with upside risks from larger-than-expected spillovers from global trade and geopolitical tensions. *(Please refer our separate write-up published yesterday for further details)*
- Meanwhile, foreign reserves retreated slightly by \$0.3bn in 1H of March to \$118.0bn as at 14 March (2H of Feb: +\$0.6bn to \$118.3bn as of 28 Feb). The reserves position is sufficient to finance 5.0 months of imports and is 0.9 times of the total short-term external debt.

US Composite S&P PMI picked up on services; highest Eurozone's PMI since August; UK's PMI improved slightly; Japan contracted for the first time in 5-months

- US business activity growth picked up momentum in March, as an unexpected marked upturn in the service sector (54.3 vs 51.0) post-adverse weather conditions offset a renewed fall in manufacturing output (49.8 vs 52.7). Business expectations for the year ahead nonetheless soured, and slid to their second lowest since October 2022 as companies grew increasingly cautious about the economic outlook due to worries over customer demand and the impact from the Federal spending cuts and tariffs.
- Albeit less than expected, the Eurozone Composite PMI rose to its highest since August to 50.4 in March (prior: 50.2). The overall increase in output reflected growth for services (50.4 vs 50.6), while manufacturing, while remaining contractionary (48.6 vs 47.6), improved to its highest in 2 years. Germany outperformed its key European trading partner France, and we expect the economy to strengthen going forward, amid higher defense spending and stabilised political environment.

- The UK's Composite PMI (52.0 vs 50.5) suggests that the economy unexpectedly improved in March., driven by the fastest upturn in the service economy (53.2 vs 51.0) since August 2024. That said, the improvement was driven by only small pockets of growth and will face additional headwinds from higher National Contribution in April. Meanwhile, rising global economic uncertainty and potential US tariffs saw manufacturers reporting the steepest downturn in production in nearly 1.5 years (44.6 vs 46.9).
- The Japan Composite PMI contracted for the first time in 5 months at 48.5 (prior: 52.0), largely due to a fresh fall in the services sector (49.5 vs 53.7) while manufacturing (48.3 vs 49.0) saw a larger drop. Optimism over the future remains subdued, dampened by strong inflation data recently, concerns over labour shortages, subdued new orders and increased uncertainty over the international trade environment.

Economic activity picked up pace in the Chicago region

- The Chicago Fed National Activity index improved more than expected to +0.18 in February from -0.08 in January. Three of the four broad sub-categories improved and two made positive contributions in February.

Softer than expected inflation prints for Singapore

- Headline and core inflation undershot consensus forecasts at +0.9% y/y and +0.6% y/y in February (Jan: +1.2% y/y and +0.8% y/y). The downtick for headline reflected a moderation in private transport inflation due to smaller increases in car and petrol prices, in addition to the deceleration in core, the latter as price pressures eased across most categories.
- As it is, the current inflation level remains below MAS official projection (Core: 1.0-2.0% and Headline: 1.5-2.5% in 2025) and is expected to stay mild going forward. On the domestic front, unit labour costs are projected to rise gradually, while enhanced government subsidies for essential services will continue to dampen services inflation. Imported inflation is expected to remain moderate in line with moderating global food commodity and oil prices, on disinflationary drags due to weaker global demand, and a modest gradual trade-weighted S\$ exchange rate policy band which will continue to temper imported inflation.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DX	102-106	109.10	108.58	106.93	105.27
EUR/USD	1.07-1.10	1.03	1.03	1.05	1.06
GBP/USD	1.28-1.31	1.24	1.24	1.25	1.27
USD/CHF	0.87-0.91	0.91	0.91	0.90	0.88
USD/JPY	146-151	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.56-0.59	0.56	0.56	0.57	0.58

USD/CNY	7.21-7.27	7.37	7.30	7.23	7.15
USD/MYR	4.40-4.45	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	0.25	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
25-Mar	HK Exports YoY (Feb)	0.10%
	UK CBI Retailing Reported Sales (Mar)	-23
	US Philadelphia Fed Non-Manufacturing Activity (Mar)	-13.1
	US FHFA House Price Index MoM (Jan)	0.40%
	US S&P CoreLogic CS US HPI YoY NSA (Jan)	3.92%
	US New Home Sales MoM (Feb)	-10.50%
	US Conf. Board Consumer Confidence (Mar)	98.3
	US Richmond Fed Manufact. Index (Mar)	6
	US Richmond Fed Business Conditions (Mar)	1
26-Mar	JN PPI Services YoY (Feb)	3.10%
	AU CPI Trimmed Mean YoY (Feb)	2.80%
	SI Industrial Production SA MoM (Feb)	4.50%
	UK CPI Core YoY (Feb)	3.70%
	UK House Price Index YoY (Jan)	4.60%
	US MBA Mortgage Applications (45737)	-6.20%
	US Durable Goods Orders (Feb P)	3.20%
	US Cap Goods Orders Nondef Ex Air (Feb P)	0.80%

Source: Bloomberg

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