

28 March 2025

Global Markets Research
Daily Market Highlights

28 Mar: Tariff concerns continued to roil financial markets

UST yields closed mixed; DXY lower amid still solid US economic data

China's industrial profits fell slightly; Tokyo's inflation rate unexpectedly quickened

All eyes on US PCE prices today; consensus expecting core PCE to accelerate to 2.7%

- Trump's 25% tariffs on automotive imports shook automakers in the US and international rivals, sending US and European equity indices into back-to-back losses. The Dow, S&P 500 and Nasdaq dropped 0.3-0.5% d/d, while Stoxx Eur 600 closed 0.4% d/d lower. Asian stocks closed mixed, with Toyota shares weighing on Nikkei 225 (-0.6% d/d), but CSI 300 and Hang Seng closed up 0.3-0.4% d/d. As it is, tariffs news will continue to hang over the market with the April 2 date for tariffs looming. Investors will also stay cautious with US core-PCE prices up on deck today.
- In the bond space, Treasuries closed mixed with the long end underperforming. The 2Y yield closed the day 3bps lower at 3.99%, while the 10Y yield closed up 1bps to 4.36%. Save for the UK gilts, 10Y European bond yields fell modestly between 2-3bps (prior: -4 to +1bps).
- In the forex space, DXY narrowed losses to close the day 0.2% d/d lower at 104.34. The US Dollar weakened against all its G10 peers save for the CAD and JPY (-0.3% d/d to 151.05). NOK, SEK and GBP (+0.5% d/d to 1.2949) led gains against greenback, while EUR and AUD appreciated at a narrower pace of 0.4% d/d (to 1.0801) and +0.1% d/d (to 0.6305) respectively, the latter after Prime Minister Anthony Albanese called for an election on May 3. Regional currencies closed mixed against USD, with CNH strengthening 0.2% d/d to 7.2680 and SGD firmed up by 0.1% d/d to 1.3397, while MYR weakened 0.1% d/d to end at 4.4318.
- In commodity news, WTI and Brent closed up 0.3-0.4% d/d to \$69.92/barrel and \$74.03/barrel, continuing to draw support from the drawdown in US stockpile data recently, which more than eclipsed a wider trade war concern.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,299.70	-0.37
S&P 500	5,693.31	-0.33
NASDAQ	17,804.03	-0.53
Stoxx Eur 600	546.31	-0.44
FTSE 100	8,666.12	-0.27
Nikkei 225	37,799.97	-0.60
CSI 300	3,932.41	0.33
Hang Seng	23,578.80	0.41
Straits Times	3,981.57	0.00
KLCI 30	1,535.73	1.16
FX		
Dollar Index	104.34	-0.20
EUR/USD	1.0801	0.44
GBP/USD	1.2949	0.47
USD/JPY	151.05	0.32
AUD/USD	0.6305	0.10
USD/CNH	7.2680	-0.16
USD/MYR	4.4318	0.06
USD/SGD	1.3397	-0.08
Commodities		
WTI (\$/bbl)	69.92	0.39
Brent (\$/bbl)	74.03	0.33
Gold (\$/oz)	3,061.00	1.27
Copper (\$\$/MT)	9,846.50	-0.81
Aluminum(\$/MT)	2,562.50	-1.71
CPO (RM/tonne)	4,624.50	-0.30

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 26 Mar

US' final 4Q GDP revised slightly higher; goods trade deficit narrowed; increase for pending home sales; jobless claims remain low

- The final 4Q GDP was revised 0.1ppts up to 2.4% q/q in 4Q (prior: 3.0% q/q), primarily reflecting a downward revision to imports, while private consumption was also revised 0.2ppts lower to

+4.0% q/q (3Q: 3.7% q/q). Moving into 1Q, the Atlanta Fed's GDPNow model estimate for real GDP growth at -1.8%.

- Goods trade deficit narrowed less than expected to \$147.9bn in February from \$155.6bn previously on stronger exports (+4.1% m/m vs +1.6% m/m), though high import levels (-0.2% m/m vs +12.5% m/m) still suggest companies frontloading ahead of the tariffs. Moving forward, the trade deficit is likely to stay elevated in March ahead of more stockpiling by businesses. By product, the increase in exports were due to a surge in demand for autos, while the pullback in imports from a record high was due to industrial supplies.
- Pending home sales, a forward-looking indicator of home sales, rebounded more than expected by 2.0% m/m in February (prior: -4.6% m/m). Despite the modest monthly increase, contract signings remain well below normal historical levels. The accompanying statement also shows that NAR expects mortgage rates to average 6.4%, median home prices to grow at a moderate pace of 3%, existing and new home sales to increase by 6% and 10% respectively in 2025.
- Initial jobless claims unexpectedly fell 1k to 224k for the week ended March 22 (prior: +2k), while the volatile continuing claims dropped 25k to 1856k the week prior (Mar 8: +30k). As it is, claims have remained steady, and will unlikely to show a big surge in federal workers seeking unemployment benefits until after June 9 (workers will receive pay until then).
- Regional factory activity in the Kansas region was better than expected and fell modestly in March (Manufacturing Activity index: -2 vs -5). Nondurable manufacturing and employment declined during the month, while production was flat.

China's industrial profits fell slightly YTD

- Industrial profit fell 0.3% y/y for the first two months of the year. The decline in profits suggests that economic recovery remains fragile, and will continue to face headwinds by rising tariffs and deflationary risks. By sector, the dip was due to mining products, which more than offset stronger profits from the manufacturing sector, notably for autos, agriculture food processing and non-ferrous metal smelting.

Tokyo's inflation accelerates, keeping BOJ on rate hike cycle

- Tokyo's headline and core CPI was higher than expected, accelerating to +2.9% y/y and +2.4% y/y in March (Feb: +2.8% y/y and +2.2% y/y). The leading indicator for Japan's inflation, this will likely keep the central bank mulling over the timing of next rate hike, with consensus largely expecting BOJ to wait until 3Q of this year. Leading the surprise uptick were prices for both discretionary and non-discretionary goods, namely household

goods, medical care, clothing & footwear as well as transport & communication.

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	1.07-1.10	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
28-Mar	UK GDP QoQ (4Q F)	0.10%
	UK Retail Sales Ex Auto Fuel MoM (Feb)	2.10%
	EC ECB 1 Year CPI Expectations (Feb)	2.60%
	EC Economic Confidence (Mar)	96.3
	US Personal Income (Feb)	0.90%
	US Personal Spending (Feb)	-0.20%
	US Core PCE Price Index YoY (Feb)	2.60%
	US U. of Mich. Sentiment (Mar F)	57.9
	US Kansas City Fed Services Activity (Mar)	2
	31-Jan	UK Lloyds Business Barometer (Mar)
31-Jan	JN Industrial Production MoM (Feb P)	-1.10%
	JN Retail Sales MoM (Feb)	0.50%
	AU Melbourne Institute Inflation YoY (Mar)	2.20%
	AU Private Sector Credit MoM (Feb)	0.50%
	CH Manufacturing PMI (Mar)	50.2
	CH Non-manufacturing PMI (Mar)	50.4
	UK Mortgage Approvals (Feb)	66.2k
	HK Retail Sales Value YoY (Feb)	-3.20%
	US MNI Chicago PMI (Mar)	45.5
	US Dallas Fed Manf. Activity (Mar)	-8.3

Source: Bloomberg

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