

## Global Markets Research

### Daily Market Highlights

# 13 Oct: Trump threatened additional 100% tariff on China

**Risk-off: global equities, USD & oil prices tumbled; haven USTs, JPY & CHF benefitted**

**Finely balanced 2026 Budget for Malaysia: GDP growth @4.0-4.5%; fiscal @ -3.5% of GDP**

**Stable US consumer sentiment despite shutdown; Upside surprise for Malaysia's IPI**

- Wall Street settled lower last Friday after President Trump threatened higher tariffs on China, accusing the latter of becoming very "hostile" after it imposed new export controls on rare earth minerals and slapped more port fees on US ships. The Dow Jones closed down 1.9% d/d, while the S&P 500 and Nasdaq lost a whopping 2.7% d/d and 3.6% d/d. The CBOE Volatility index spiked to 22 from 16, while tech stocks, the most to lose from the trade tension led the sell-off. (Trump announced that he would impose an additional 100% tariff on China beginning November 1, bringing it to a total 130% after market closed).
- In the bond space, risk-off saw traders piling up on treasuries, sending yields plunging 9-11bps across the curve. The longer-tenures led the way and the benchmark 10Y yield closed the day at 4.03% (-11bps). The benchmark 2Y closed 9bps lower at 3.50%.
- Similarly, Stoxx Eur600 tumbled 1.3% d/d lower after Trump's threat, while 10Y European sovereign bond yields closed the session 3-7bps lower. Most Asian markets traded down, and will likely extend their downward trend today on US-China jitters although US futures have since rebounded this morning after Trump's softer stance on China.
- In the forex space, the Dollar fell 0.6% d/d to 98.98 after Trump's threat and boosted appetite for haven currencies CHF (0.8% d/d) and JPY (1.2% d/d to 151.19). AUD, on the other hand, was hammered by Trump's comment, and weakened 1.3% d/d to 0.6474.
- Asian currencies traded mixed against the Dollar, with SGD appreciating 0.2% d/d to 1.2969, while MYR narrowed its losses after the government projected a lower budget deficit for 2026, closing the session 0.1% d/d weaker at 4.2227.
- The flare-up in US-China trade tension saw crude oil prices plunging more than 3.0% d/d each to close the day at \$58.90/barrel for the WTI and \$62.73/barrel for Brent.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	45,479.60	-1.90
S&P 500	6,552.51	-2.71
NASDAQ	22,204.43	-3.56
Stoxx Eur 600	564.16	-1.25
FTSE 100	9,427.47	-0.86
Nikkei 225	48,088.80	-1.01
CSI 300	4,616.83	-1.97
Hang Seng	26,290.32	-1.73
Straits Times	4,427.06	-0.30
KLCI 30	1,622.25	-0.46
<b>FX</b>		
Dollar Index	98.98	-0.56
EUR/USD	1.1619	0.48
GBP/USD	1.3360	0.42
USD/JPY	151.19	-1.23
AUD/USD	0.6474	-1.25
USD/CNH	7.1453	0.10
USD/MYR	4.2227	0.14
USD/SGD	1.2969	-0.22
USD/KHR	4,019.85	0.06
USD/THB	32.72	0.41
<b>Commodities</b>		
WTI (\$/bbl)	58.90	-4.24
Brent (\$/bbl)	62.73	-3.82
Gold (\$/oz)	3,975.90	0.75
Copper (\$/MT)	10,518.00	-3.22
Aluminum(\$/MT)	2,748.00	-1.80
CPO (RM/tonne)	4,491.50	0.92

Source: Bloomberg, HL Bank

\* Closing as of 9 Oct for CPO

### **Malaysia's Budget 2026: Policy continuity guided by MADANI Economy Framework & 13MP; steady growth trajectory of 4.0-4.5% for 2026**

- We are positive over Belanjawan 2026 which demonstrated policy continuity and the government's commitment on the three key pillars of the MADANI Economy Framework - raising the ceiling of national competitiveness and growth, raising the floor of living standards of the rakyat, and driving reforms through strengthening good governance. We noticed some well-crafted follow-through measures from earlier initiatives under various master plans/roadmaps, placing Malaysia on the right track to achieving its long-term vision, as well as the more immediate 13MP targets of sustainable and inclusive growth. Despite prevailing short term uncertainties posed by the shift in global monetary and trade policies, the Malaysian government is mapping out a steady growth path for the country via implementation of various pro-growth strategies, whilst staying mindful of its fiscal responsibility.
- MOF expects the Malaysian economy to expand at a relatively steady pace of 4.0-4.5% (midpoint 4.1%) in 2026, sustaining its growth trajectory of between 4.0-4.8% (midpoint 4.5%) in 2025. We believe these projections are achievable and largely in line with our projection of 4.0-4.5% for both years. Inflation is expected to remain manageable between 1.3-2.0% in 2026 (2025e: 1.0-2.0%), a shade lower than our projection of 2.1% for the year (2025e: 1.4%). The government expects fiscal deficit to narrow to RM74.6bn or 3.5% of GDP in 2026 (2025e: - \$76.7bn or -3.8% of GDP) while over a longer period, the government remains committed to rein in its fiscal shortfall, with the budget shortfall expected to narrow further to 3.2% of GDP under the Medium-Term Fiscal Framework (MTFF) 2026-2028, based on an average GDP growth of 4.9% and oil price assumption of \$70/ barrel (2026: \$60-65/ barrel). Please refer to Research Alert "2026 Budget: Finely balanced between growth and fiscal discipline" dated 11<sup>th</sup> October for more details.

### **Malaysia's IPI growth surprised on the upside in August; wholesale & retail trade moderated but remained decent**

- IPI growth surprised on the upside for the 3rd month in a row, unexpectedly picked up to 4.9% y/y in August (Jul: +4.2% y/y), its fastest growth pace in 13 months. The strong headline number was mainly due to a surge in mining output (+16.8% y/y vs +4.3% y/y) as a result of hefty pick-ups in both crude oil (+11.4% y/y) and natural gas (+20.6% y/y). Electricity saw steady increase of 1.6% y/y while manufacturing grew at a slower pace of 2.8% y/y during the month (Jul: +4.4% y/y).
- A separate release showed the wholesale & retail sector remained relatively resilient, with overall growth moderating

just a notch from 5.0% y/y in July to 4.9% y/y in August. Wholesale trade grew 5.1% y/y in August underpinned by food, beverages & tobacco, and household goods, while retail trade expanded 5.0% y/y, supported by sales in non-specialized stores, and other goods in specialized stores. Please refer to Research Alert “Upbeat IPI and resilient wholesale & retail trade for August” dated 10 October for more details.

### Broadly steady US consumer sentiment; improved current conditions index offset by softer future outlook

- The University of Michigan Consumer Sentiment index broadly moved sideways and was better than expected in October (-0.1ppts to 55.0), with improvement in current conditions (61.0 vs 60.4) offset by the retreat in expectations index (51.2 vs 51.7). Still elevated inflation expectations (1Y: 4.6% vs 4.7%, 5-10Y: 3.7% for Sept-Oct) and weakening job prospects remained at the forefront of consumers’ concerns while there was little evidence that the ongoing federal government shutdown has dented sentiment.

### House View and Forecasts

FX	This Week	4Q-25	1Q-26	2Q-26	3Q-26
DXY	99-101	96.45	95.57	94.24	92.99
EUR/USD	1.14-1.17	1.19	1.20	1.22	1.24
GBP/USD	1.31-1.35	1.36	1.37	1.38	1.39
USD/CHF	0.78-0.82	0.78	0.78	0.77	0.76
USD/JPY	150-155	146	145	142	140
AUD/USD	0.64-0.67	0.67	0.67	0.68	0.68
NZD/USD	0.56-0.60	0.59	0.60	0.60	0.60
USD/CNY	7.10-7.15	7.08	7.06	6.99	6.94
USD/MYR	4.19-4.25	4.20	4.15	4.10	4.10
USD/SGD	1.28-1.32	1.28	1.26	1.24	1.23
USD/THB	31.55-33.10	32.25	32.30	32.20	32.00

  

Rates, %	Current	4Q25	1Q26	2Q26	3Q26
Fed	4.00-4.25	3.50-3.75	3.25-3.50	3.00-3.25	3.00-3.25
ECB	2.00	2.00	2.00	2.00	2.00
BOE	4.00	3.75	3.50	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.50	0.50	0.75	0.75	0.75
RBA	3.60	3.35	3.10	3.10	3.10
RBNZ	2.50	2.25	2.25	2.25	2.25
BNM	2.75	2.75	2.75	2.75	2.75

Source: HL Bank

### Up Next

Date	Events	Prior
13-Oct	CH Exports YoY (Sep)	4.40%
14-Oct	SI GDP YoY (3Q A)	4.40%
	SI MAS Oct Monetary Policy Statement	
	AU NAB Business Confidence (Sep)	4
	AU RBA Minutes of Sept. Policy Meeting	
	UK Average Weekly Earnings 3M/YoY (Aug)	4.70%

UK ILO Unemployment Rate 3Mths (Aug)	4.70%
UK Payrolled Employees Monthly Change (Sep)	-8k
EC ZEW Survey Expectations (Oct)	26.1
US NFIB Small Business Optimism (Sep)	100.8

Source: Bloomberg

#### **General Disclaimer by the Bank**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained in this report does not constitute the provision of investment advice and is not to be regarded as an offer to sell or a solicitation of an offer to buy with respect to the purchase or sale of any of the financial instruments mentioned in this report and/or to participate in any trading strategy. This report will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by HL Bank to be reliable and in good faith, but no warranties or guarantees, representations are made by HL Bank with regard to the accuracy, completeness, correctness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HL Bank or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected in this report may change without notice and the opinions do not necessarily correspond to the opinions of HL Bank. HL Bank does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient in the event that any matter stated in this report, or any opinion, projection, forecast, valuation or estimate in this report, changes or subsequently becomes inaccurate. The information contained in this report may be incomplete, condensed and it may not contain all material information concerning the company or currency referred to in this report.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter nor will any liability be accepted for any loss whatsoever that may arise from any use and/or reliance on this report. HL Bank may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities or currencies mentioned in this report. The past performance of financial instruments is not indicative of future results. The value of and the income that is produced by the financial instruments mentioned in this report may fluctuate so that an investor may get back less than originally invested. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described in this report would yield favorable investment results. Recipients should seek the advice of their independent financial advisor before taking any investment decision based on any recommendations that may be contained in this report. Any recommendation that may be contained in this report does not consider the specific investment objectives, financial situation, suitability and the particular needs of a particular customer. This report is for the information of the addressee only and is not to be taken in substitution for the exercise of judgment by the addressee who should obtain separate independent legal or financial advice.

Past performance does not always indicate future performance or future results. The value of any investment or income from any investment may go up as well as down. All investments involve an element of risk including the potential to lose the entire amount that is invested.

HL Bank may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HL Bank endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HL Bank does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced, copied, duplicated or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HL Bank. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient agrees to be bound by all limitations contained in this report.

This report is being distributed in Singapore by HL Bank (Company registration number S56FC1182L) to Accredited Investors, Expert Investors or Institutional Investors, as defined in the Securities and Futures Act (Chapter 289 of Singapore). HL Bank is an Exempt Financial Adviser, as defined in the Financial Advisers Act (Chapter 110 of Singapore), and regulated by the Monetary Authority of Singapore. HL Bank is a branch of Hong Leong Bank Berhad, a limited liability company incorporated in Malaysia. HL Bank holds a full bank license in Singapore. Hong Leong Bank Berhad is also a member of the Hong Leong Group Malaysia.