

## Global Markets Research

### Daily Market Highlights

## 31 Oct: Abating trade tension post Trump-Xi meeting

UST yields and DXY continued trading higher amid spillover from Powell's hawkishness

EUR closed weaker after the ECB maintained rates and its "good place" narrative

BOJ maintained rates; JPY weakened even after Ueda said that a rate hike is possible

- Post-earnings slump by mega cap tech stocks like Meta and Platform, combined with continued jitters post-hawkish tone by Fed Chair Jerome Powell weighed on Wall Street for the second day, and eclipsed optimism following the thawing trade tension after the face-to-face meeting between President Trump and Xi.
- In gist, **Trump said that the fentanyl-related tariffs will be lowered from 20% to 10%, bringing the effective tariff rate on China's goods to 47%. According to the statement from the Commerce Ministry in Beijing, the pause on some of its reciprocal tariffs on China will also be extended for an additional year. Beijing also agreed to pause its sweeping export controls on rare earths for a year, and will resume purchases of US soybeans.**
- The S&P 500 closed the day 1.0% d/d lower, while the Dow traded down 0.2% d/d. Nasdaq was under pressure and underperformed at -1.6% d/d.
- Elsewhere, Stoxx Eur 600 ended 0.1% d/d lower with most major bourses and sectors in the red. In Asia, CSI 300 and Hang Seng fell 0.8% d/d and 0.2% d/d, but Nikkei 225 closed just above its flatline.
- In the bond space, treasuries stayed underwater, still digesting Powell's hawkish note. The 2Y yield closed 1bps higher at 3.61%, while the 10Y rose 2bps to 4.10%. In Europe, the European Central Bank's (ECB) decision to hold did little to move markets. The benchmark 2- and 10Y European bond yields closed up between 1-4bps.
- In the forex space, DXY rallied another 0.3% d/d to 99.53, with JPY falling to its weakest since February at 154.13 (-0.9% d/d) even as Bank of Japan (BOJ) Governor Kazuo Ueda sent signal that a rate hike remains possible. EUR depreciated 0.3% d/d to 1.1565 after the ECB maintained rates and with ECB President Christine Lagarde offering no clues on future policy path.
- On the regional front, KRW (-0.7% d/d) and IDR (-0.6% d/d) led Asian currencies lower, while CNH, MYR and SGD depreciated between 0.2-0.3% d/d to 7.1107, 4.1962 and 1.3007.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	47,522.12	-0.23
S&P 500	6,822.34	-0.99
NASDAQ	23,581.14	-1.57
Stoxx Eur 600	574.83	-0.10
FTSE 100	9,760.06	0.04
Nikkei 225	51,325.61	0.04
CSI 300	4,709.91	-0.80
Hang Seng	26,282.69	-0.24
Straits Times	4,437.44	0.00
KLCI 30	1,614.20	0.17
<b>FX</b>		
Dollar Index	99.53	0.31
EUR/USD	1.1565	-0.31
GBP/USD	1.3151	-0.33
USD/JPY	154.13	0.92
AUD/USD	0.6555	-0.29
USD/CNH	7.1107	0.19
USD/MYR	4.1962	0.18
USD/SGD	1.3007	0.26
USD/KHR	4,019.00	-0.06
USD/THB	32.38	0.33
<b>Commodities</b>		
WTI (\$/bbl)	60.57	0.15
Brent (\$/bbl)	65.00	0.12
Gold (\$/oz)	4,015.90	0.81
Copper (\$/MT)	10,917.00	-2.38
Aluminum(\$/MT)	2,863.50	-0.81
CPO (RM/tonne)	4,236.00	-1.64

Source: Bloomberg, HL Bank

\* Closing as of 29 Oct for CPO

- Crude oil prices closed 0.1-0.2% d/d higher to \$60.57/barrel for the WTI and \$65.00/barrel for Brent with traders waiting for clarity on the latest US sanctions on top Russian producers, and ahead of the OPEC+ meeting to discuss its next output policy.

#### **ECB maintained policy rates, reiterated its “good place” narrative**

- As expected, the ECB maintained the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility at 2.00%, 2.15% and 2.40% respectively. The narrative from the bank was broadly similar to the previous meeting and there is nothing to change our status quo outlook moving forward, especially since: 1) Underlying inflation and long-term inflation expectations remain consistent with ECB’s 2% target. 2) ECB is pencilling a comfortable growth of slightly more than 1% from 2025-2027 with some of the downside risks abated.
- In fact, data released is supportive of the ECB’s “good place” stance. Advanced 3Q GDP came in stronger than expected at 0.2% q/q in 3Q as compared to 0.1% q/q in 2Q, unemployment rate remained low and steady at 6.3% in September, while the Economic Confidence index improved more than expected to 96.8 in October from 95.6 previously.

#### **BOJ maintained policy rate with 2 dissenters; upward revision to 2025’s GDP growth forecast, 2026’s core-CPI**

- As anticipated, the BOJ in a 7-2 majority vote, maintained the uncollateralized overnight rate at 0.50%. Board members Naoki Tamura and Hajime Takata had proposed hiking rates, given the upside risks to prices or because the price stability target has been more or less achieved.
- In its outlook, the central bank raised its GDP growth projection for fiscal 2025 by 0.1ppts to 0.7% while maintaining its 2026 and 2027 forecasts at 0.7% and 1.0% respectively. Headline CPI forecasts were left unchanged at 2.7%, 1.8% and 2.0%, while core was maintained at 2.8% for 2025, revised 0.1ppts higher to 2.0% for 2026 and maintained at 2.0% for 2027. The report also added that risk to economic activity is skewed to the downside for fiscal 2026, and balanced for prices.
- During the press conference, BOJ Governor Ueda said that the BOJ would want to see more data on domestic-wage setting behaviour before adjusting rates, regardless of the political situation, reinforcing our expectation that the central bank is on track with its tightening cycle in 1Q of 2026.
- In fact, data released this morning is supportive of BOJ’s restrictive policy going forward. In a prelude to higher inflationary pressures for Japan, Tokyo’s core-inflation accelerated to 2.8% y/y in October (prior: 2.5% y/y). Japan’s low and unemployment rate of 2.6% in September that will support

retail sales (0.3% m/m vs -0.9% m/m), while industrial production remained resilient at 2.2% m/m (prior: -1.5% m/m).

### House View and Forecasts

FX	This Week	4Q-25	1Q-26	2Q-26	3Q-26
DXY	97-101	96.45	95.57	94.24	92.99
EUR/USD	1.15-1.18	1.19	1.20	1.22	1.24
GBP/USD	1.30-1.35	1.36	1.37	1.38	1.39
USD/CHF	0.78-0.82	0.78	0.78	0.77	0.76
USD/JPY	149-155	146	145	142	140
AUD/USD	0.64-0.67	0.67	0.67	0.68	0.68
NZD/USD	0.56-0.59	0.59	0.60	0.60	0.60
USD/CNY	7.08-7.15	7.08	7.06	6.99	6.94
USD/MYR	4.18-4.25	4.20	4.15	4.10	4.10
USD/SGD	1.28-1.31	1.28	1.26	1.24	1.23
USD/THB	31.87-33.10	32.25	32.30	32.20	32.00

FX	Last close	4Q-25	1Q-26	2Q-26	3Q-26
SGD/MYR	3.2306	3.28	3.29	3.30	3.33
EUR/SGD	1.5043	1.53	1.52	1.52	1.52
GBP/SGD	1.7103	1.74	1.72	1.71	1.71
AUD/SGD	0.8525	0.85	0.85	0.84	0.84

Rates, %	Current	4Q25	1Q26	2Q26	3Q26
Fed	3.75-4.00	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
31-Oct	AU Private Sector Credit MoM (Sep)	0.60%
	CH Manufacturing PMI (Oct)	49.8
	CH Non-manufacturing PMI (Oct)	50
	HK Retail Sales Value YoY (Sep)	3.80%
	HK GDP YoY (3Q A)	3.10%
	EC CPI Core YoY (Oct P)	2.40%
	US Personal Income (Sep) **	0.40%
	US Personal Spending (Sep) **	0.60%
	US Core PCE Price Index YoY (Sep) **	2.90%
	US Employment Cost Index (3Q) **	0.90%
3-Nov	US MNI Chicago PMI (Oct)	40.6
	AU S&P Global Australia PMI Mfg (Oct F)	49.7
	AU Melbourne Institute Inflation YoY (Oct)	3.00%
	MA S&P Global Malaysia PMI Mfg (Oct)	49.8
	VN S&P Global Vietnam PMI Mfg (Oct)	50.4
	AU Building Approvals MoM (Sep)	-6.00%
	AU Household Spending MoM (Sep)	0.10%
	CH RatingDog China PMI Mfg (Oct)	51.2
	EC HCOB Eurozone Manufacturing PMI (Oct F)	50
	UK S&P Global UK Manufacturing PMI (Oct F)	49.6
	SI Purchasing Managers Index (Oct)	50.1

US S&P Global US Manufacturing PMI (Oct F)	52.2
US ISM Manufacturing (Oct)	49.1
US Construction Spending MoM (Sep)**	-0.10%

Source: Bloomberg

\*\* Releases likely delayed by the US government shutdown

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