

Global Markets Research

Daily Market Highlights

12 June: ECB raised policy rates as expected

**Signs of broadening inflation pressure reaffirms our view of another hike in 2H
Higher than expected US PPI; an unexpected uptick in initial jobless claims
All eyes on Malaysia's IPI, UK's GDP and US' consumer sentiment today**

- US stocks halted its 2-day drop, while oil prices sank after President Trump called off strikes on Iran and said that the US will soon sign a deal with Iran. The WTI and Brent tumbled more than 2% d/d each to \$87.71/barrel and \$90.38/barrel after Trump's announcement, while in Wall Street, hopes for a US-Iran agreement buoyed sentiment and sent the 3 major indices up 1.8-2.5% d/d overnight. Gains were broad-based with 8 of the 11 sectors within the broad index closing in green and led by material and industrial stocks.
- In the bond space, the softer oil prices and easing inflation worries sent treasury yields tanking 7-10bps across the curve. The interest sensitive 2Y yield fell 8bps to 4.06%, while the 10Y dropped 9bps to 4.46%.
- In Europe, the Stoxx 600 (0.5% d/d) snapped its losing streak and banking stocks outperformed after the ECB delivered its first-rate hike in 3 years. In the bond space, the 2Y and 10Y sovereign bond yields fell 1-5bps. Asian bourses closed mixed, but are expected to advance today tracking futures and amid improved risk sentiment.
- In the forex space, the DXY (-0.1% d/d to 99.86) fell alongside the treasury yields, while risk-sensitive G10 currencies like AUD (0.7% d/d to 0.7049) outperformed. EUR closed the day 0.4% d/d stronger at 1.1578, reversing earlier losses following ECB's decision. GBP and JPY appreciated 0.4% d/d each to 1.3417 and 159.93, while regional currencies closed mixed against the Dollar. CNH, MYR and SGD appreciated 0.1-0.3% d/d to 6.7635, 4.0652 and 1.2839.

ECB raised policy rates by 25bps

- As expected, the European Central Bank (ECB) raised the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility by 25bps each 2.25%, 2.40% and 2.65%. Highlights from the statement and presser include: 1) Owing to higher energy prices, the central bank revised up its baseline projections for inflation in 2026 and 2027. The central bank now expects headline CPI at 3.0% in 2026 and 2.3% in 2027, while core CPI is expected at 2.5%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	50,848.75	1.86
S&P 500	7,394.30	1.75
NASDAQ	25,809.66	2.54
Stoxx Eur 600	621.53	0.54
FTSE 100	10,303.88	0.48
Nikkei 225	64,217.27	0.06
CSI 300	4,722.41	-0.55
Hang Seng	24,249.29	-0.65
Straits Times	4,988.10	0.59
KLCI 30	1,679.53	0.03
FX		
Dollar Index	99.86	-0.09
EUR/USD	1.1578	0.37
GBP/USD	1.3417	0.37
USD/JPY	159.93	-0.39
AUD/USD	0.7049	0.71
USD/CNH	6.7635	-0.28
USD/MYR	4.0652	-0.12
USD/SGD	1.2839	-0.28
USD/KHR	4,027.50	0.01
USD/THB	32.95	0.21
Commodities		
WTI (\$/bbl)	87.71	-2.58
Brent (\$/bbl)	90.38	-2.92
Gold (\$/oz)	4,090.30	-0.44
Copper (\$/MT)	13,482.50	-0.24
Aluminum(\$/MT)	3,502.00	1.04
CPO (RM/MT)	4,461.00	0.25

Source: Bloomberg, HL Bank

for both years. 2) Projected GDP growth was revised down to 0.8% in 2026 and 1.2% in 2027, reflecting the more pronounced impact of the war on commodity markets, real incomes and confidence. 3) In the presser, ECB President Christine Lagarde rejected the phrase “insurance” rate hike and mentioned that the broadening of inflationary pressures and indirect effects as the main reason for the hike.

- With this, our baseline remains for another rate hike in 2H of the year, but a relatively well-behaved inflation trajectory forecasted by the ECB should temper the need for more aggressive hikes beyond that.

Higher than expected US PPI on energy; uptick in jobless claims partially due to seasonal factor

- In the US, May’s PPI rose at its fastest in more than 3 years, suggesting that the upstream cost pressures are building up. At 6.5% y/y and 1.1% m/m (prior: 5.7% y/y and 1.1% m/m), prices were above forecasts, with energy prices contributing to the bulk of the increase. Consequently, the cost of goods accelerated to 2.8% m/m from 1.9% m/m, while higher transportation and warehousing costs kept the cost of services elevated at 0.3% m/m vs 0.7% m/m previously.
- On the labour front, initial jobless claims remained low despite an unexpected increase of 4k to 229k for the week ended June 6 (prior: +13k), while continued claims jumped 24k to 1795 for the week ended May 30 (prior: -14k). The uptick likely reflects seasonal factor and claims at this level continue to signal a stable and resilient labour market.

House View and Forecasts

FX	This Week	2Q-26	3Q-26	4Q-26	1Q-27
DX	97-101	100.63	99.80	97.96	96.48
EUR/USD	1.14-1.18	1.14	1.15	1.17	1.19
GBP/USD	1.32-1.36	1.31	1.32	1.34	1.35
USD/CHF	0.76-0.81	0.79	0.78	0.76	0.75
USD/JPY	157-161	159	155	152	152
AUD/USD	0.69-0.74	0.68	0.69	0.70	0.71
NZD/USD	0.57-0.61	0.57	0.58	0.58	0.59
USD/CNY	6.75-6.80	6.93	6.88	6.84	6.77
USD/MYR	4.00-4.08	3.98	3.96	3.93	3.90
USD/SGD	1.26-1.30	1.29	1.28	1.27	1.25
USD/THB	32.20-33.20	31.60	31.80	31.80	31.40

FX	Last close	2Q-26	3Q-26	4Q-26	1Q-27
SGD/MYR	3.1573	3.09	3.10	3.11	3.12
EUR/SGD	1.4860	1.47	1.47	1.48	1.50
GBP/SGD	1.7223	1.69	1.69	1.69	1.69
AUD/SGD	0.9049	0.88	0.88	0.88	0.89

Rates, %	Current	2Q26	3Q26	4Q26	1Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75
ECB	2.25	2.25	2.50	2.50	2.50

BOE	3.75	4.00	4.25	4.25	4.25
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.75	1.00	1.00	1.00	1.00
RBA	4.35	4.35	4.35	4.35	4.35
RBNZ	2.25	2.25	2.25	2.25	2.25
BNM	2.75	2.75	2.75	2.75	2.75

Source: HL Bank

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Date	Events	Prior
12-June	MA Industrial Production YoY (Apr)	3.10%
	MA Manufacturing Sales Value YoY (Apr)	5.30%
	UK Monthly GDP (MoM) (Apr)	0.30%
	US U. of Mich. Sentiment (Jun P)	44.8
	US U. of Mich. 1 Yr Inflation (Jun P)	4.80%
15-June	US U. of Mich. 5-10 Yr Inflation (Jun P)	3.90%
	EC Industrial Production SA MoM (Apr)	0.20%
	EC Trade Balance NSA (Apr)	7.8b
	US Empire Manufacturing (Jun)	19.6
	US Industrial Production MoM (May)	0.70%
	US NAHB Housing Market Index (Jun)	37

Source: Bloomberg

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