



CIO OFFICE MORNING MARKET WRAP

19 February 2025

The US markets opened yesterday after the long weekend and treasury yields jumped higher by 4 to 7 bps in line with European government bonds earlier in the day. UK's unemployment rate decreased to 4.4% and wage growth accelerated to 6% which is higher than estimated. Germany's ZEW survey expectations also came in higher than expected. US Empire Manufacturing data came in at +5 which beat estimates. Fed's San Francisco President Mary Daly said policy needs to remain restrictive until there's more progress on inflation, which she expects will continue declining over time. Treasury will auction \$16bn new issued 20-year bonds today. Twenty-year yields have declined 8bp since last month's auction and are sitting near their 3-month average. Yesterday, the RBA cut the cash target rate for the first time since 2022, marking the beginning of the policy easing cycle in Australia. However, the RBA will proceed cautiously with further rate cuts, given a tight labor market and still elevated services inflation.

S&P 500 closed at 6129 another record high yesterday. President Donald Trump said he would likely impose tariffs on automobile, semiconductor, and pharmaceutical imports of around 25%, with an announcement coming as soon as 2nd April. New levies on automobiles would have sweeping effects on the industry, with European carmakers and Asian companies likely to be among the most affected due to the share of their US sales that are imported.

Markets this morning

This morning the Asian stock markets trade mixed. Nikkei is trading down on the threat of tariffs. Japan's export growth accelerated to 7.2% year on year in January, driven by shipments to the US. Hong Kong Stock exchange is also in the red as buying exhaustion seen after the strong rally in the past one month. Chinese mainland shares however, are up +0.4%. US Treasuries trade around overnight levels with benchmark 10-year yields at 4.54%. Gold is trading slightly below \$2,930 and Brent Crude has increased to \$75.9 per barrel.

Upcoming key events/data

The data dossier is light today. We would see January FOMC meeting minutes today which may not provide any new direction to yields. We get the UK inflation data with Bloomberg estimating an uptick in both Core and Headline numbers.

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