

## Weekly Market Report For 19 – 23 May 2025


### Overview



- ❖ US shares pressured by bond yields and Trump's tariff.
- ❖ US House passes Trump tax and spending bill.
- ❖ Japan's 30-year and 40-year yield soared to records.
- ❖ Energy and food prices drove Japan's inflation higher.
- ❖ The PBOC lowered 1-year and 5-year LPR.
- ❖ The NESDC cut 2025 GDP growth projections to 1.3% - 2.3%.

### Market Brief



 Last week, the US stock markets faced pressure from bond yields and Trump's threat. All three major indexes fell around 2.5% as investors turns to risk-off mode amid economic and policy uncertainties.

- o US bond yields rose significantly, especially the 20-year yield, due to concerns about growing government debt burden, US credit rating has been downgraded by Moody's, and a lackluster 20-year bond auction.

- o The US House of Representatives has passed the tax and spending bill in a 215-214 vote. Some key points included:

- o raise the federal government's debt ceiling by USD4 trillion,
- o extend corporate and individual tax cuts,
- o expanded a deduction for state and local tax payments from USD30,000 to USD40,000,
- o new tax breaks on OT and tips,
- o strip low-income Medicare beneficiaries and cancel many green-energy incentives passed by Democratic former President Joe Biden, and
- o boost spending on the military and border enforcement.

 Trump revived global trade war

- o Trump announced a straight 50% tariff on the EU, starting from June 1. However, he reversed course on his threats after talking with the bloc's head, delaying new tariff implementation to at least July 9.

- o Trump has threatened a 25% tariff on any company selling foreign-made phones in the US that could arrive by the end of June. Apple share fell more than 3% as the company is pressured to move manufacturing to the US. However, it is difficult for Apple to relocate its iPhone manufacturing operations and costly endeavor.

 Japan

- o The 30-year and 40-year JGB yields rose to new records as investors waited for the BOJ's interim assessment of its QT (Quantitative Tightening) plan. The 10-year yield increased slightly.

- o The BOJ governor downplayed the need for immediate intervention, but the central bank would keep close monitoring on recent sharp rises in super-long yields.

- o Inflation rose 3.5% YoY in April, driven by energy and food prices. The Japanese government has been considering measures to ease the cost of living, while the BOJ is in no rush to raise rates.

- o Exports grew by 2% YoY in April, slowing from a 4% increase in March. Shipments to the US and China fell 1.8% and 0.6% respectively, while exports to Asia increased 6%. Imports fell by 2.2% due to lower imports of coal and crude oil.

- o Japan wants to advance US tariff talks after President Donald Trump has expressed support for the partnership between US Steel and Nippon Steel. Trump said that the partnership would create at least 70,000 jobs and add USD14 billion to the US economy.

 China

- o The PBOC cut 1-year Loan Prime Rate (LPR) from 3.1% to 3.0% and lowered 5-Year LPR from 3.6% to 3.5% after China state banks cut deposit rates by 0.25% to lower their funding costs.

- o This marks the first reduction in LPR since October 2024, and reflects Beijing's intention to bolster a sluggish economy.

 Thailand

- o GDP grew by 3.1% YoY in 1Q25, exceeding forecasts of 2.9%, but eased from a 3.3% expansion in 4Q24.

- o Growth in the first quarter was driven by a 13.8% increase in exports, especially electronics goods, as factories rushed to ship goods ahead of Trump's new tariffs.

- o The NESDC cut its 2025 economic growth forecast to 1.3% - 2.3% from a range of 2.3% - 3.3% seen earlier due to the impact of trade war, global economic slowdown, and high household debt.


- o The agency warned that businesses and consumers should be ready to cope with higher risks and be cautious with their spending.

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