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Global Markets Research

Daily Market Highlights

2 Sept: In-line PCE data reinforced Fed rate cut bets

US markets closed for Labour Day holiday; European and Asian equities settled mixed
European bonds under pressure; USD weakened on lingering Fed rate cut bets post-PCE
PMI prints confirmed pick-ups in manufacturing activities in the EU, Japan and Australia

- US markets were closed for Labour Day holiday on Monday. In Europe, stocks generally ended the day on a positive note in the absence of negative newsflows. Stoxx Eur 50 advanced 0.2% while the FTSE 100 gained 0.1% on the day. Over in Asia, stocks closed the day mixed with Hang Seng (+2.15%) leading gainers while the Nikkei (-1.24%) topped the underperformer list. Attention was also on political risks in the region i.e. deadly protests in Indonesia and dismissal of Prime Minister in Thailand. The Jakarta Composite Index fell 1.2% while the Thai SET Index rose 0.6% on the day. Asian markets are poised for a soft opening today following the subdued market sentiments.
- In the global bond space, European bonds saw broad selloffs, pushing benchmark 10-year bond yields up 1-3bps. Focus will be on upcoming confidence vote in France on 8-Sept, following a recent standoff over unpopular budget measures, not withstanding a fractured government.
- Moving on to FX, the Dollar Index closed the day on a softer note, sliding 0.2% to 97.69 amid continued build-up in odds of a Fed rate cut as early as September. All G10s (except JPY and CAD) strengthened against the USD, with gains led by SEK (+0.7%), NOK (+0.6%) and GBP (+0.3% d/d to 1.3545). The EUR also advanced 0.2% d/d to 1.1711, as ECB President Lagarde said the central bank will continue to take necessary steps to contain inflation. ECB minutes also said the central banks will maintain a wait-and-see approach, and the bar for another rate cut is high. This is in line with our view that the ECB's policy easing cycle has come to an end. In the region, most pairs traded on a weaker note. The CNH weakened 0.2% to 7.1336, while the SGD saw more modest losses of 0.02% to 1.2842. The MYR last traded at 4.2253 last Friday (-0.2% d/d), and is expected to range trade at 4.19-4.25 this week. BNM OPR decision will be the key risk for the pair, and it is highly likely that BNM will leave the OPR unchanged.
- On the commodity front, Brent crude prices inched higher for the 4th straight day amid continued frictions between the US and India on India's crude imports from Russia, and as Ukraine struck more Russian oil infrastructure over the weekend. Upside to oil

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	45,544.88	-0.20
S&P 500	6,460.26	-0.64
NASDAQ	21,455.55	-1.15
Stoxx Eur 600	551.43	0.23
FTSE 100	9,196.34	0.10
Nikkei 225	42,188.79	-1.24
CSI 300	4,523.71	0.60
Hang Seng	25,617.42	2.15
Straits Times	4,276.07	0.15
KLCI 30	1,575.12	-0.75
FX		
Dollar Index	97.69	-0.17
EUR/USD	1.1711	0.21
GBP/USD	1.3545	0.30
USD/JPY	147.18	0.09
AUD/USD	0.6552	0.18
USD/CNH	7.1336	0.16
USD/MYR	4.2253	0.20
USD/SGD	1.2842	0.02
USD/KHR	4,011.00	0.02
USD/THB	32.31	-0.09
Commodities		
WTI (\$/bbl)	64.01	-0.48
Brent (\$/bbl)	68.16	0.06
Gold (\$/oz)	3,487.70	1.15
Copper (\$\$/MT)	9,875.00	-0.31
Aluminum(\$/MT)	2,619.50	0.02
CPO (RM/tonne)	4,370.00	-0.94

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 29 Aug for Dow, S&P500, Nasdaq, WTI, Gold, KLCI, USDMYR; 28 Aug for CPO

prices will be limited by softer demand outlook in our view, in addition to recent increases in OPEC oil production.

Final manufacturing PMIs confirmed a pick-up in activities in the EU, Japan and Australia; retreat in the UK

- The final August reading of Eurozone PMI manufacturing was revised upwards by 0.2ppt to 50.7 (Jul: 49.8), confirming that manufacturing activities have turned expansionary for the first time in record based on the revised series dated back to 2022, driven by a turnaround in new orders (50.8 vs 49.3%).
- Similarly in Australia, the final print has been revised a notch higher from 52.9 to 53.0 in August (Jul: 51.3), confirming improved manufacturing outlook down under.
- On the contrary, UK's and Japan's final PMI prints were tweaked lower. In the UK, PMI manufacturing print was lowered by 0.3ppt to 47.0 (Jul: 48.0), suggesting a bigger than initially expected pullback and the only major economy that registered a deterioration from July to August. New orders posted the biggest drag, pulling back sharply from 47.8 to 43.9 during the month. Meanwhile in Japan, PMI manufacturing index was revised lower from 49.9 to 49.7 in August, but still marked an improvement from July nonetheless (Jul: 48.9).

US PCE prints pointed to still elevated inflation; growth in income quickened but spending softened

- Core PCE prices edged a tad higher to +2.9% y/y in July (Jun: +2.8% y/y) while headline PCE held steady at +2.6% y/y, both as expected. The uptick in the core reading was spurred by quicker price gains in both services (+2.5% vs +2.4% y/y) and durable goods (+0.14% vs +0.12% y/y). Although the latest price prints came in in line, core PCE has been steadily inching up for a 3rd straight month as tariff impacts began to trickle in, keeping the Fed in a gradual easing path. Post-PCE, market pricing for a September rate cut was little changed at 22bps and 55bps for the whole of 2025.
- This was further supported by a resilient consumer sector. Personal income growth picked up to +0.4% m/m as expected (Jun: +0.3% m/m) while spending growth also grew at a faster pace of +0.5% m/m as expected (Jun: +0.4% m/m upwardly revised), pointing to still healthy income growth that will continue to underpin growth going forward. Adding to the positive vibes were the increase in real personal spending from +0.1% to +0.3% m/m and steady savings rate at 4.4%, a level unchanged for the 3rd straight month.

Mixed housing data in the UK

- Nationwide house prices surprised on the downside, unexpectedly fell 0.1% m/m and tapered off to +2.1% y/y in

August (Jul: +0.5% m/m and +2.4% y/y), hovering near its smallest gain in about a year. The increase in tax-free threshold for stamp duty, lower affordability, as well as uncertainty surrounding growth outlook in the UK economy are clouding the UK housing market. However, mortgage approvals rose for the 3rd straight month and by more than expected to 65.4k in July, up from 64.6k a month ago. Buyers are making a comeback after the tax hike, hence providing a lift to mortgage approvals.

Australia's building approvals fell more than expected; inflation gauge retreated sharply

- Building approvals fell more than expected by 8.2% m/m in July, a payback after the sharp gain in June (+12.2% m/m upwardly revised), and should not ring the alarm. The decline was dragged by a fall in private dwelling units (-9.5% vs +11.6% m/m) while the public sector continued to see hefty double-digit growth (+53.3% vs +57.4% m/m). A release by a property consultancy showed Australian home prices rose for a 7th straight month by 0.7% m/m in August, its strongest pace since May-24, driven by lower borrowing costs and supply constraints in major cities, implying the Australian housing markets are still holding up well.
- Melbourne Institute Inflation gauge made a sharp pullback and fell 0.3% m/m in August (Jul: +0.9% m/m), its first decline in three months, while on an annual basis, the reading tapered off slightly from +2.9% to +2.8% y/y. This suggests while the recent CPI and trimmed mean CPI both reported bigger increases, the uptrend may not persist, and would keep RBA on a gradual easing path. We maintain our view for one more 25bps RBA rate cut in 4Q of 2025.

Japan's capex lost steam q/q but still picked up from a year ago.

- Capital spending staged a surprised pick-up to +7.6% y/y in 2Q (1Q: +6.4% y/y), marking its best growth in three quarters, although capex lost traction on a quarter-on-quarter basis after having picked up in the last four quarters (+0.2% vs +2.0% q/q), as companies became more cautious over the outlook of the Japanese economy amid US trade policy uncertainties. The weaker capex print today suggests weaker investment, that could lead to a downward revision in 2Q GDP (advanced estimate: +0.3% q/q).

Hong Kong retail sales improved albeit less than expected in July

- Retail sales reported a faster increase of 1.8% y/y in July (Jun: +0.7% y/y), but this was short of expectation for a pick-up to +2.5% y/y. Sales were mainly driven up by tourism-related spending on jewelry, watches & clocks (+9.4% vs +6.9% y/y), other consumer goods namely books and Chinese drugs & herbs (+8.4% vs +5.5%

y/y). Staple items like food, alcohol & tobacco (-3.1% vs -1.5% y/y), consumer durables (-9.4% vs -9.1% y/y), saw bigger declines, while sales at department store slowed (+2.6% vs +5.5% y/y), implying lackluster domestic demand.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DXY	96.25-99.25	98.32	96.29	94.99	93.77
EUR/USD	1.15-1.19	1.16	1.19	1.20	1.22
GBP/USD	1.33-1.37	1.36	1.38	1.39	1.40
USD/CHF	0.79-0.82	0.81	0.80	0.79	0.78
USD/JPY	144-149	147	144	140	137
AUD/USD	0.64-0.67	0.63	0.65	0.67	0.68
NZD/USD	0.57-0.61	0.59	0.60	0.61	0.61
USD/CNY	7.11-7.15	7.20	7.16	7.12	7.10
USD/MYR	4.19-4.25	4.28	4.25	4.22	4.18
USD/SGD	1.26-1.30	1.29	1.26	1.24	1.22
USD/THB	32.06-32.74	32.70	32.50	32.30	32.30

Rates, %	Current	3Q-25	4Q25	1Q26	2Q26
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.50.-3.75	3.25.-3.50
ECB	2.00	2.00	2.00	2.00	2.00
BOE	4.00	4.00	3.75	3.50	3.50
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	3.60	3.60	3.35	3.10	3.10
RBNZ	3.00	3.00	2.75	2.75	2.75
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
2-Sep	MA S&P Global Malaysia PMI Mfg (Aug)	49.7
	EC CPI Core YoY (Aug P)	2.30%
	SI Purchasing Managers Index (Aug)	49.9
	US S&P Global US Manufacturing PMI (Aug F)	53.3
	US ISM Manufacturing (Aug)	48
	US Construction Spending MoM (Jul)	-0.40%
3-Sep	AU S&P Global Australia PMI Services (Aug F)	55.1
	HK S&P Global Hong Kong PMI (Aug)	49.2
	JN S&P Global Japan PMI Composite (Aug F)	51.9
	SI S&P Global Singapore PMI (Aug)	52.7
	JN S&P Global Japan PMI Services (Aug F)	52.7
	VN S&P Global Vietnam PMI Mfg (Aug)	52.4
	AU GDP SA QoQ (2Q)	0.20%
	EC HCOB Eurozone Services PMI (Aug F)	50.7
	UK S&P Global UK Services PMI (Aug F)	53.6
	EC PPI YoY (Jul)	0.60%
	US MBA Mortgage Applications	229k
	US JOLTS Job Openings (Jul)	7437k
	US Factory Orders (Jul)	-4.80%
	US Fed Releases Beige Book	

Source: Bloomberg

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