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Global Markets Research

Daily Market Highlights

4 Aug: Flight to safety after Trump's tariff and weak NFP

Weak US NFP raised concerns over labour market health; weighed on sentiments

UST yields & DXY plunged; markets near-doubled rate cut bets to 63bps for 2025

Mixed manufacturing PMIs; Eurozone's inflation largely in line with ECB's target

- Weak job data and President's tariff revamped tariff plan sent US stocks sliding and Treasuries spiking into the weekend. The three major equity indices fell 1.2-2.2% d/d led by the tech heavy Nasdaq, while investors' rush to Treasuries saw yields plunging 8-28bps. The benchmark 2Y yield fell 28bps to 3.68%, while the 10Y yield dropped 16bps to 4.22% after the non-farm payroll (NFP) came in below expectations and there were hefty downward revisions to previous months' jobs, suggesting that the labour market may not be as resilient as anticipated earlier. Adding to the uncertainty was the firing of the top Bureau of Labour Statistics official, and the resignation of Fed Governor Kugler, that raised concerns that upcoming appointments will undermine the FOMC's independence and credibility.
- Even before the release of the data, European and Asian equities had slumped after Trump's administration rejigged some of the tariff rates. Stoxx Eur 500 plunged 1.9% d/d, while Nikkei 225 and Hang Seng slid 0.7% d/d and 1.1% d/d respectively. 10Y European bond yields dropped between 0-4bps.
- In the forex space, the DXY crashed 0.8% d/d to 99.14 after the US jobs data prompted rate cut bets. JPY (+2.2% d/d to 147.40) outperformed all its G10 peers, followed by DKK and EUR (+1.5% d/d to 1.1587). CHF strengthened 1.0% d/d even after Trump slapped a 39% tariff on Switzerland. Regional currencies closed mixed against greenback, with SGD (+0.6% d/d to 1.2898) and CNH (+0.2% d/d to 7.1938) outperforming, while MYR lagged (-0.3% d/d to 4.2790), back to its weakest in about six weeks.
- In the commodity space, crude oil prices plunged more than 2.0% d/d with the weak US data reviving demand fears and amid possible OPEC+ production boost. The WTI closed the day at \$67.33/barrel and Brent at \$69.67/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,588.58	-1.23
S&P 500	6,238.01	-1.60
NASDAQ	20,650.13	-2.24
Stoxx Eur 600	535.79	-1.89
FTSE 100	9,068.58	-0.70
Nikkei 225	40,799.60	-0.66
CSI 300	4,054.93	-0.51
Hang Seng	24,507.81	-1.07
Straits Times	4,153.83	-0.48
KLCI 30	1,533.35	1.33
FX		
Dollar Index	99.14	-0.83
EUR/USD	1.1587	1.51
GBP/USD	1.3279	0.55
USD/JPY	147.40	-2.22
AUD/USD	0.6474	0.76
USD/CNH	7.1938	-0.21
USD/MYR	4.2790	0.33
USD/SGD	1.2898	-0.64
USD/KHR	4,007.25	0.01
USD/THB	32.86	0.55
Commodities		
WTI (\$/bbl)	67.33	-2.79
Brent (\$/bbl)	69.67	-3.94
Gold (\$/oz)	3,347.70	1.65
Copper (\$/MT)	9,630.50	0.20
Aluminum(\$/MT)	2,566.00	0.04
CPO (RM/tonne)	4,207.00	0.66

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 31 July for CPO

Mixed PMIs and business confidence over the year ahead for the majors and regionals

- S&P PMIs showed that business optimism for the year ahead remains mixed for the majors and there were mixed revisions to

the final manufacturing data for July, higher for the US (+0.3ppts to 49.8 vs June: 52.9) and Japan (+up 0.1ppts to 48.9 vs 50.1), unchanged for the Eurozone (49.8 vs 49.5) but lower for the UK (-0.2ppts to 48.0 vs 47.7) and Australia (-0.3ppts to 51.3 vs 50.6).

- In Asia, China's manufacturing PMI unexpectedly turned contractionary for the second time in three months (49.5 vs 50.4). Central to the drop was a slowdown in new export orders, but manufacturers were more optimistic m/m over output in the year ahead.
- Malaysia's manufacturing PMI rose from 49.3 to 49.7, its softest contraction in 5 months and a sign of a stabilizing sector. Confidence in the year ahead outlook rose to its highest since February, as firms were more optimistic on a broad-based demand and economic recovery, notably from the domestic sector.
- Vietnam's manufacturing PMI (52.4 vs 48.9) signals that the sector is getting back on its feet following the US tariff disruption in recent months. Although tariffs continued to weigh on new export orders, firms were able to secure enough business elsewhere that total new orders returned to growth. Of note, manufacturers reported difficulties in sourcing raw materials following Trump's "Liberation Day."
- Singapore's official PMI showed that the electronics sector (50.2 vs 50.1) expanded in July but the broader manufacturing industry contracted (49.9 vs 50.0), as manufacturers' concern over the uncertain global trade policy and tariffs saw many companies holding back their investment and hiring plans.

Weaker than expected US jobs data reignited rate cut bets

- Non-farm payroll was weaker than expected at +73k in July (June: +14k downwardly revised from +147k) and there was a huge 258k downward revision to the past two months of data. The details showed that manufacturing, government and business services employment fell 11k, 10k and 14k respectively, while private education and healthcare services continued to provide support to jobs data at +79k. Unemployment rate rose 0.1ppts to 4.2%, while wage growth was in line with expectations at +0.3% m/m (prior: +0.2% m/m).
- On top of the disappointing job gains in July, the huge downward revisions to May-June data augmented concerns over the health of the labour market post Trump's "Liberation Day" and DOGE actions, and reignited prospects of a rate cut in the September FOMC meeting. While another NFP report is due before the next FOMC meeting, markets upped their bets of a September rate cut to 92% at the point of writing. This is in line with our long-held view of a quarter point cut in the September FOMC meeting.

- According to the ISM, manufacturing activity (48.0 vs 49.0) contracted at a faster rate than expected pace and for the fifth month, with declines in the supplier deliveries and employment (43.4 vs 45.0) indices the biggest factor in the 1.0ppts loss to the index. Demand indicators improved, with the new orders index (47.1 vs 46.4) contracting at a slower rate, while prices paid (64.8 vs 69.7) eased.
- Mirroring recent weakness in housing indicators, construction spending unexpectedly fell for the fourth mom by 0.4% m/m in June (May: -0.4% m/m).

Eurozone's inflation remained in line with ECB's target

- Matching expectations, core inflation held steady for the third month at 2.3% y/y in July. Headline was also stable at 2.0% y/y, as goods inflation ticked up while services eased. With wage growth moderating and energy prices broadly lower, inflation is likely to remain in line with ECB's target for the foreseeable future.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DX	98.50-101.50	98.32	96.29	94.99	93.77
EUR/USD	1.12-1.16	1.16	1.19	1.20	1.22
GBP/USD	1.31-1.34	1.36	1.38	1.39	1.40
USD/CHF	0.78-0.82	0.81	0.80	0.79	0.78
USD/JPY	147-153	147	144	140	137
AUD/USD	0.62-0.66	0.63	0.65	0.67	0.68
NZD/USD	0.57-0.62	0.59	0.60	0.61	0.61
USD/CNY	7.15-7.23	7.20	7.16	7.12	7.10
USD/MYR	4.23-4.30	4.28	4.25	4.22	4.18
USD/SGD	1.28-1.31	1.29	1.26	1.24	1.22
USD/THB	32.20-32.70	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	4.25	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	3.85	3.60	3.35	3.10	3.10
RBNZ	3.25	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
4-Aug	AU Melbourne Institute Inflation YoY (Jul)	2.40%
	EC Sentix Investor Confidence (Aug)	4.5
	US Factory Orders (Jun)	8.20%
5-Aug	AU S&P Global Australia PMI Services (Jul F)	53.8
	HK S&P Global Hong Kong PMI (Jul)	47.8
	SI S&P Global Singapore PMI (Jul)	51

JN S&P Global Japan PMI Services (Jul F)	53.5
AU Household Spending MoM (Jun)	0.90%
CH S&P Global China PMI Services (Jul)	50.6
SI Retail Sales SA MoM (Jun)	1.00%
EC HCOB Eurozone Services PMI (Jul F)	51.2
UK S&P Global UK Services PMI (Jul F)	51.2
EC PPI YoY (Jun)	0.30%
US Trade Balance (Jun)	-\$71.5b
US S&P Global US Services PMI (Jul F)	55.2
US ISM Services Index (Jul)	50.8

Source: Bloomberg

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