

6 August 2025

## Global Markets Research

### Daily Market Highlights

## 6 Aug: Sell-off in US assets following weak ISM services

**US stocks and treasuries fell; DXY flat as weaker ISM services raised stagflation concerns**  
**ISM new orders and employment indices fell but prices rose; trade deficit narrowed**  
**Upbeat PMI services; tame EU PPI; continued spending growth in Australia & Singapore**

- US treasuries and equities lost ground after July's services ISM raised stagflation concerns. Overall, the index dropped close to its neutral level at 50.1, the employment sub-index echoed the weak NFP report while the price component remained elevated. Tariff news also did not bode well with investors sentiment. Trump said that he will raise tariffs on semiconductors and pharmaceuticals soon, threatened to raise tariffs on India but said that the US was getting close to striking a trade deal with China. Corporate earnings, meanwhile were mixed, with AMD and Super Micro posting disappointing results but Pfizer raised its profit guidance. All in, the three major US equity indices dropped between 0.1-0.7% d/d overnight.
- Elsewhere, the advance in Stoxx Eur 600 was subdued at +0.2% d/d, while Asian markets closed in greens led by CSI 300 (+0.8% d/d), but is set for cautious trading following futures and Wall Street overnight.
- In the bond space, focus was on the increase in the price component of the ISM, while a disappointing auction also showed tepid investor demand. Treasury yields ended the day mostly higher led by the short-end. The 2Y yield rose 5bps to 3.72%, while the 10Y increased 2bps to 4.21%. 10Y European bond yields closed the day mixed in between +/-2bps.
- In the forex space, the DXY traded within a narrow range of 98.59-99.07 before closing flattish at 98.78. Within the G10 space, GBP (+0.1% d/d to 1.3299), AUD (+0.1% d/d to 0.6473) and NOK led gains against the Dollar, while JPY (-0.4% d/d to 147.62) lagged. CHF closed just above its flatline as the Swiss government attempts to reach a trade deal with the US.
- On the regional front, the PHP, INR and KRW (-0.2 to -0.5% d/d) led most regional currencies lower against the greenback. SGD closed just below its flatline at 1.2878, but MYR outperformed at +0.2% d/d to 4.2283.
- In the commodity space, oil prices fell another session as a possible Russia air-truce eased supply disruption risks. The WTI fell 1.7% d/d to \$65.16/barrel and Brent by 1.6% d/d to \$67.64/barrel.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	44,111.74	-0.14
S&P 500	6,299.19	-0.49
NASDAQ	20,916.55	-0.65
Stoxx Eur 600	541.40	0.15
FTSE 100	9,142.73	0.16
Nikkei 225	40,549.54	0.64
CSI 300	4,103.45	0.80
Hang Seng	24,902.53	0.68
Straits Times	4,208.58	0.27
KLCI 30	1,538.64	0.76
<b>FX</b>		
Dollar Index	98.78	0.00
EUR/USD	1.1575	0.03
GBP/USD	1.3299	0.11
USD/JPY	147.62	0.36
AUD/USD	0.6473	0.09
USD/CNH	7.1890	0.07
USD/MYR	4.2283	-0.21
USD/SGD	1.2878	0.02
USD/KHR	4,007.50	-0.02
USD/THB	32.38	-0.22
<b>Commodities</b>		
WTI (\$/bbl)	65.16	-1.70
Brent (\$/bbl)	67.64	-1.63
Gold (\$/oz)	3,381.90	0.22
Copper (\$\$/MT)	9,638.50	-0.50
Aluminum(\$/MT)	2,562.50	0.37
CPO (RM/tonne)	4,171.50	-0.69

Source: Bloomberg, HLBB Global Markets Research

\* Closing as of 4 Aug for CPO

### **Upwards revisions to most services PMIs for the majors; China's services PMI surprised on the upside**

- The final services PMIs for the majors were mostly revised higher, while service providers were also broadly upbeat regarding the year ahead business outlook. The services PMIs for the US (+0.5ppts to 55.7 vs 52.9), UK (+0.6ppts to 51.8 vs 52.8) and Japan (+0.1ppts to 53.6 vs 51.7) were revised up for July but downwardly revised for the Eurozone (-0.2ppts to 51.0 vs 50.5).
- Meanwhile, fresh services PMI for China surprised on the upside at 52.6 in July (prior: 50.6 in June) underpinned by firmer demand, especially from fresh expansion in the external sector. July data also saw business sentiment improving to its highest level since March and renewed increase in employment sub-index.
- Hong Kong Composite PMI at 49.2 (June: 47.8) suggests that business conditions contracted for the sixth month with notable declines in new export orders. Business expectations for the year ahead remained downbeat on pessimism over weaker global as well as domestic economic environments.
- Singapore Composite PMI (52.7 vs 51.0) painted a positive picture for 3Q, with new orders and activity both accelerating, business confidence improving and consequently, firms raised their staffing levels for the first time this year.

### **ISM showed services sector unexpectedly softened in the US; trade deficit narrowed sharply in boost to 2Q GDP**

- The services ISM unexpectedly fell 0.7ppts to 50.1 in July, staying below its 12-month average reading of 52.3. This suggests slow growth for the sector, with seasonal and weather factors largely blamed for the downtick. Particularly worrying was the faster expansion in prices (69.9 vs 67.5), continued contraction in employment index (46.4 vs 47.2) and the 3.2ppts drop in new exports due to the tariff tension.
- Trade deficit narrowed sharply to \$60.2bn in June from \$71.7bn in May amid a sharp drop in consumer goods imports, while the trade deficit with China shrank to its lowest in more than 21 years to \$9.5bn. Total imports fell at a larger pace of 3.7% m/m (prior: -0.1% m/m) and will remain susceptible to the rejigged tariff rates announced on July 31, while exports contracted 0.5% m/m (prior: -4.1% m/m). As it is, the narrower trade deficit will contribute heavily to 2Q GDP calculation, reversing the drag in 1Q.

### **Eurozone's producer prices accelerated**

- Matching expectations, producer prices accelerated to +0.6% y/y in June from +0.3% y/y previously. Driving the pick-up in inflation were prices for durable and non-durable goods, which more

than offset the declines in prices for energy and intermediate goods.

### Australia's household spending continues to grow, albeit a softer pace

- Household spending unexpectedly decelerated to +0.5% m/m in June. This follows a 1.0% m/m rise in May and flat results in April. Goods spending drove overall consumption, notably on discretionary items like new vehicles and electronics, while spending on services fell after two months of growth. Moving forward, we expect spending to largely hold steady amid improvement in consumer confidence as well as in anticipation of easing price pressure.

### Japan's wages continue to grow in support of more BOJ hikes

- Although undershooting forecast, data this morning showed that labour cash earnings accelerated to 2.5% y/y in June from +2.1% y/y in May. This provides latest evidence of a robust wage growth momentum for Japan, keeping expectations of a moderate consumption outlook and a continuous BOJ tightening cycle intact.

### Singapore's retail sales grew for the fourth month

- Retail sales grew more than expected by 2.3% y/y in June, extending the 1.3% y/y growth in May as the majority of the industries recorded y/y growth in sales. Notably, sales of motor vehicles grew double-digit due to higher COE quota, while sales of discretionary items like computer & telecommunications equipment, optical goods & books and recreational goods grew more than 5% y/y each, all signals that consumers can still afford to spend, supported by cash vouchers from the government.

### House View and Forecasts

<b>FX</b>	<b>This Week</b>	<b>3Q-25</b>	<b>4Q-25</b>	<b>1Q-26</b>	<b>2Q-26</b>
DXY	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

<b>Rates, %</b>	<b>Current</b>	<b>3Q-25</b>	<b>4Q25</b>	<b>1Q26</b>	<b>2Q26</b>
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
6-Aug	VN Retail Sales YoY (Jul)	8.30%
	VN CPI YoY (Jul)	3.57%
	VN Exports YoY (Jul)	16.30%
	VN Industrial Production YoY (Jul)	10.80%
	EC Retail Sales MoM (Jun)	-0.70%
	US MBA Mortgage Applications	-3.8%
7-Aug	AU Exports MoM (Jun)	-2.70%
	MA Industrial Production YoY (Jun)	0.30%
	MA Manufacturing Sales Value YoY (Jun)	2.40%
	JN Leading Index CI (Jun P)	104.8
	MA Foreign Reserves	\$120.9b
	EC ECB Publishes Economic Bulletin	
	UK Bank of England Bank Rate	4.25%
	US Nonfarm Productivity (2Q P)	-1.50%
	US Unit Labor Costs (2Q P)	6.60%
	US Initial Jobless Claims	218k
	UK DMP 1 Year CPI Expectations (Jul)	3.30%
	US NY Fed 1-Yr Inflation Expectations (Jul)	3.02%
	CH Exports YoY (Jul)	5.80%
	CH Imports YoY (Jul)	1.10%

Source: Bloomberg

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