13 August 2025

Global Markets Research
Daily Market Highlights

13 Aug: Tame US CPI reaffirmed Fed rate cut bets

USD weakened as tame inflationary pressures reaffirmed rate cut bets for the US
Dovish RBA rate cut; expect a couple more cuts by 2026; downgrades to growth outlook
GBP strengthened after payrolled employees fell at a more modest pace in the UK

- Wall Street rallied overnight after a tame inflation reading left investors more confident that the Fed will lower rates in September to support a softer labour market. The three major indices finished up 1.1-1.4% d/d, with small caps and banks, seen as beneficiaries of lower short-term borrowing rates, leading the rally. Expectations for lower rates also rose following the report, and traders are now pricing in a more than 90% chance of a rate cut at the September FOMC meeting.
- Elsewhere, Stoxx Eur 600 also gained 0.2% following the tamer CPI print, while sentiment in Asia was boosted by the US-China tariff truce extension. Notably, Nikkei 225 rallied 2.2% d/d, hitting a record high.
- Trading in the treasury market was choppy with yields on the longer-end rising a little even as short-term yields fell. The benchmark 2Y yield fell 4bps to 3.73%, while the 10Y yield closed just above its flatline at 4.29%. 10Y European bond yields rose in tune to 4-6bps after closing mixed between -4 to +1bps the day before.
- In the forex space, the Dollar weakened against all its G10 peers and the DXY traded down 0.4% d/d to 98.10. Within the G10 space, GBP appreciated 0.5% d/d to 1.3500 after reports of fewer than expected job losses in the UK. AUD fell after RBA delivered a dovish rate cut amid moderating inflationary pressures but later rebounded to end the day stronger by 0.3% d/d to 0.6530. Regional currencies closed mixed against the Dollar, with SGD outperformed most of its peers at +0.3% d/d to 1.2837 following a positive final 2Q GDP print and official upgrade to its GDP forecast for 2025 to 1.5-2.5% (prior: 0-2%). MYR, on the other hand, posted a modest 0.1% d/d gain to 4.2308.
- In the commodity space, crude oil prices retreated following the US-China's 90-day trade truce extension and US inflation prints. WTI closed the day 1.2% d/d lower at $63.17/barrel and Brent by 0.8% d/d lower at $66.12/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,458.61	1.10
S&P 500	6,445.76	1.13
NASDAQ	21,681.90	1.39
Stoxx Eur 600	547.89	0.21
FTSE 100	9,147.81	0.20
Nikkei 225	42,718.17	2.15
CSI 300	4,143.83	0.52
Hang Seng	24,969.68	0.25
Straits Times	4,220.72	-0.28
KLCI 30	1,567.90	0.30
FX		
Dollar Index	98.10	-0.43
EUR/USD	1.1675	0.52
GBP/USD	1.3500	0.51
USD/JPY	147.84	-0.21
AUD/USD	0.6530	0.26
USD/CNH	7.1849	-0.16
USD/MYR	4.2308	-0.06
USD/SGD	1.2837	-0.27
USD/KHR	4,006.25	-0.03
USD/THB	32.33	0.04
Commodities		
WTI ($/bbl)	63.17	-1.24
Brent ($/bbl)	66.12	-0.77
Gold ($/oz)	3,348.90	-0.13
Copper ($$/MT)	9,840.50	1.12
Aluminum($/MT)	2,619.50	1.22
CPO (RM/tonne)	4,265.00	1.05

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 11 Aug for CPO, 8 Aug for USD/THB*

RBA delivered a dovish rate cut to 3.60%; expect a couple more cuts by end-2026

- As expected, the Reserve Bank of Australia (RBA) lowered its cash rate target by 25bps to 3.60%. The central bank's commentary was more dovish with highlights being: 1) Downgrades to its growth outlook for the four quarters ending December 2025 and 2026 to 1.7% (-0.4ppts) and 2.1% (-0.1ppts) respectively. 2) RBA expects trimmed mean inflation to ease from 2.6% in December 2025 and 2026, to 2.5% in December 2027. 3) RBA's cash rate assumption was downgraded, implying a 75bps cut by 4Q of 2026. During the press conference, Governor Michele Bullock added that a larger cut was not considered, and that the central bank's forecast for inflation is conditioned on "a couple more cuts."
- Data was mixed, with the NAB business confidence index rising by 2ppts to 7 July, but business conditions fell 2pts to 5. Overall, the survey points to an improvement in activity in 2Q and that worries globally have not materially impacted local hiring and investment plans.

Still tame inflation for the US, although glimpses of tariff impact prevalent

- Headline inflation came in softer than expected at +2.7% y/y and +0.2% m/m in July (June: +2.7% y/y and 0.3% m/m), while core rose at a faster pace of 3.1% y/y and 0.3% m/m following June's +2.9% y/y and +0.2% m/m. A 0.2% monthly increase in shelter costs drove much of the increase in prices, while food prices were flat and energy fell 1.1%. Tariffs impact did appear in several categories like apparel and household furnishing, but has largely remained tame, suggesting that corporates are absorbing most of the tariff cost for now.
- Amid tame inflation, a softer labour market and our expectations of slower wage growth ahead (real average weekly earnings: +1.4% vs +0.8%), will give the Fed the backdrop to lower rates in the September FOMC meeting.
- The NFIB Small Business Optimism index rose more than expected by 1.7 points to 100.3 in July, as business owners reported more positive expectations on business conditions and expansion opportunities. While uncertainty remains elevated, business owners were also more hopeful of more clarity on the trade policies in 6-months' time.

Subdued economic outlook for the Eurozone following the disappointing US-EU trade deal

- Disappointment from the announced EU–US trade deal saw the ZEW survey expectations index taking a sharp downturn to 25.1 in August from 36.1 previously. This suggests that investors have a subdued economic outlook ahead with tariff at the current rate.

Payrolled employees continued to fall in the UK, albeit at more modest pace

- UK lost fewer jobs than expected after Reeves's tax hike, with payrolled employees falling 8k in July as compared to -26k previously. Unemployment rate held steady at 4.7% in June, while the private wage growth cooled again to +4.8% y/y from +4.9%. While the UK jobs market is undoubtedly cooling, the more modest fall in payroll data suggests that the worst may be over, facilitating the central bank to cut rates again but at a gradual pace as we expect.

Japan's PPI eased less than expected, no change in our view of a rate hike in 1Q of 2026

- Data this morning showed that producer prices (PPI) eased less than expected to 2.6% y/y in July as compared to 2.9% recorded in June. On a monthly basis, prices rebounded 0.2% m/m after falling 0.1% previously, largely driven by the uptick in prices of gas and fuel oil, and to a lesser extent, cost of utilities and selected food products.
- Despite the sluggish data, the central bank has said in its latest outlook that inflation is expected to increase gradually and as such, there is no change in our view that the central bank will resume its tightening cycle albeit cautiously in 2026.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
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	31.61-33.23	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	3.25	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
13-Aug	AU Wage Price Index YoY (2Q)	3.40%
	AU Home Loans Value QoQ (2Q)	-1.60%
	US MBA Mortgage Applications	3.10%
14-Aug	AU Employment Change (Jul)	2.0k
	AU Unemployment Rate (Jul)	4.30%
	UK GDP QoQ (2Q P)	0.70%
	EC GDP SA QoQ (2Q S)	0.10%
	EC Employment QoQ (2Q P)	0.20%
	US PPI Final Demand YoY (Jul)	2.30%
	US Initial Jobless Claims	226k

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.