18 August 2025

Global Markets Research
Daily Market Highlights

18 Aug: Broadly cooler economic data for the US & China

Firm US retail sales and elevated import costs weakened call for a 50bps rate cut in Sept

DXY slipped below 98; UST yields continued to rise; chips stocks tumbled on tariff threat

Malaysia registered sustained 4.4% GDP growth in 2Q; China's July data trailed estimates

- Last Friday, we saw traders further scaling down their Fed rate cut bets following the pop in price-related prints and solid retail sales data and also an extended run-up in treasury yields in tune to 2-5bps led by the longer-end. The 2Y yield closed the day 2bps higher at 3.75%, while the 10Y gained 3bps to 4.32%.
- US equity markets closed mixed, with momentum fading following the prints and weighed down by chip stocks following Trump's 300% tariff threat on semiconductors. The S&P 500 lost 0.3% d/d, while Nasdaq plunged 0.4% d/d. The Dow was the outlier and gained 0.1% d/d boosted by the rally in UnitedHealth Group stock.
- Elsewhere, Hang Seng tumbled 1.0% d/d after China's data missed estimates, while Nikkei 225 rallied 1.7% d/d after Japan's 2Q GDP growth topped street forecast. In Europe, Stoxx 600 inched down 0.1% d/d ahead of the Trump-Putin meeting, while 10Y yields jumped between 3-10bps.
- In the forex space, the DXY slipped 0.4% d/d to 97.85 as the slew of US data reaffirmed September rate cut bets although the elevated price prints dented expectations for outsized rate cut. The Dollar weakened against all its G10 peers and with DKK (0.5% d/d), EUR (+0.5% d/d to 1.1703) and JPY (+0.4% d/d to 147.19) outperforming all their peers. Regional currencies closed mixed but within a range of +/-0.4% d/d against the Dollar. SGD outperformed at +0.1% d/d to 1.2830, while MYR closed just marginally weaker at 4.2133.
- In the commodity space, crude oil prices drifted lower ahead of the Trump-Putin meeting. The WTI closed the day 1.8% d/d lower at $62.80/barrel, Brent slid 1.5% d/d to $65.85/barrel.

Firm US retail sales, elevated imported costs weakened call for a jumbo rate cut

- Further casting doubts on aggressive rate cut bets were firm retail sales spending in the US and elevated import costs, the latter seeing prices jumping more than expected by 0.4% m/m in July after June's -0.1% m/m. Led by prices for nonfuel industrial supplies & materials, consumer goods and capital

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,946.12	0.08
S&P 500	6,449.80	-0.29
NASDAQ	21,622.98	-0.40
Stoxx Eur 600	553.56	-0.06
FTSE 100	9,138.90	-0.42
Nikkei 225	43,378.31	1.71
CSI 300	4,202.35	0.70
Hang Seng	25,270.07	-0.98
Straits Times	4,230.53	-0.61
KLCI 30	1,576.34	-0.30
FX		
Dollar Index	97.85	-0.41
EUR/USD	1.1703	0.47
GBP/USD	1.3554	0.16
USD/JPY	147.19	-0.39
AUD/USD	0.6507	0.18
USD/CNH	7.1886	0.09
USD/MYR	4.2133	0.03
USD/SGD	1.2830	-0.13
USD/KHR	4,006.25	-0.05
USD/THB	32.43	0.18
Commodities		
WTI ($/bbl)	62.80	-1.81
Brent ($/bbl)	65.85	-1.48
Gold ($/oz)	3,336.00	0.02
Copper ($$/MT)	9,773.50	0.08
Aluminum($/MT)	2,607.00	-0.48
CPO (RM/tonne)	4,348.50	-0.45

Source: Bloomberg, HLBB Global Markets Research
* *Closing as of 14 Aug for CPO*

goods, data so far showed that US importers have been bearing the burden of tariffs, and at some point, could likely trickle into higher retail prices.

- Meanwhile, retail sales remained resilient, albeit below expectations (+0.5% m/m vs +0.9% mm). The details showed largely broad-based increases led by autos, while non-store spending were boosted by Amazon Prime Day sales and Walmart's and Target's deals events. All in, the report implies a resilient start in consumer spending in 2H, but with a cooling labour market and weaker consumer sentiment readings, the sustainability of spending remains a question going forward.
- Just of note, a separate report from the University of Michigan showed that the consumer sentiment index fell more than expected and for the first time in four months to 58.6 in August (Jul: 61.7) amid rising worries over inflation. Year-ahead inflation expectations rose from 4.5% to 4.9%, while the long-run expectations also jumped 0.5ppts to 3.9%.
- Industrial production declined 0.1% m/m in July (June: +0.4% m/m), weighed down by flat output among manufacturers pinched by cautious capex and shifting trade policy.

China's July economic data broadly disappointed amid tariff and weather disruptions

- July's economic data trailed estimates and broadly slowed as the impact from Trump's tariff starts to sting and partially due to extreme weather disruptions. Industrial output slowed sharply and by more than expected to +5.7% y/y from +6.8% y/y previously on manufacturing. Echoing recent slump in prices and credit growth, fixed asset investment slowed to 1.6% YTD, while retail sales also weakened more than expected to +3.7% y/y in July from +4.8% y/y in July.
- Other indicators were equally soft, with jobless rate ticking up 0.2ppts to 5.2%, while new and used home prices continued to fall 0.31% y/y and 0.55% y/y (prior: -0.27% and -0.61% y/y) in line with weak property demand (YTD property investment: -12.0%). All in, the loss of momentum calls for more fiscal boost.

Final Hong Kong's 2Q GDP growth left unchanged at 3.1% y/y

- Hong Kong economy continued to expand solidly in 2Q and the final GDP growth was left unchanged at +3.1% y/y (2Q: +3.0% y/y). Just a recap, the advanced estimates had surpassed its initial consensus forecast. In the accompanying statement, the Government maintained its growth projections of 2-3% for 2025, in line with consensus forecasts' 2.2% y/y but is slightly higher than IMF's 1.5%. The government also maintained its forecasts for underlying and headline CPI at 1.5% and 1.8% respectively, as inflation is expected to remain modest and has been broadly in line with the government's expectations *(For* *more details, please refer to Research Alert "Final Hong Kong's 2Q GDP growth left unchanged at 3.1% y/y" dated 18 August).*

Faster expansion in Malaysia's domestic demand neutralized the drag from negative net exports

- The final reading showed the Malaysian economy expanded at a steady pace of +4.4% y/y in 2Q25 (1Q: +4.4% y/y), a slight downgrade from the advanced estimate of +4.5% y/y. This came in largely in line with expectations (+4.5% market consensus and +4.3% ours). Growth was entirely driven by domestic demand as a result of better growth across both the private and public sectors, and spanning from consumption to investment. This more than offset the contraction in net exports, hit by tariff uncertainties and lumpy capital goods imports.
- We also saw favourable growth momentum with growth picking up commendably from +0.7% q/q in 1Q to +2.1% q/q in 2Q, its best q/q growth pace in a year. In addition, monthly GDP registered a marked improvement from +3.3% y/y in May to +5.5% y/y in June, believed to be due to a second round of frontloading ahead of the expiry of the 90-day trade truce in end-July *(For more details, please refer to Research Alert "Sustained growth for the Malaysian economy in 2Q25" dated 15 August).*

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DXY	96.75-99.75	98.32	96.29	94.99	93.77
EUR/USD	1.15-1.18	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	145-150	147	144	140	137
AUD/USD	0.63-0.67	0.63	0.65	0.67	0.68
NZD/USD	0.58-0.61	0.59	0.60	0.61	0.61
USD/CNY	7.16-7.20	7.20	7.16	7.12	7.10
USD/MYR	4.18-4.24	4.28	4.25	4.22	4.18
USD/SGD	1.27-1.30	1.29	1.26	1.24	1.22
USD/THB	31.82-32.92	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

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Date	Events	Prior
18-Aug	SI Non-oil Domestic Exports YoY (Jul)	13.00%

	EC Trade Balance SA (Jun)	16.2b
	US New York Fed Services Business Activity (Aug)	-9.3
	US NAHB Housing Market Index (Aug)	33
19-Aug	AU Westpac Consumer Conf Index (Aug)	93.1
	MA Exports YoY (Jul)	-3.50%
	MA Imports YoY (Jul)	1.20%
	MA Trade Balance MYR (Jul)	8.59b
	HK Unemployment Rate SA (Jul)	3.50%
	US Housing Starts MoM (Jul)	4.60%
	US Building Permits MoM (Jul P)	-0.10%

Source: Bloomberg

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