18 September 2025

Global Markets Research
Daily Market Highlights

18 Sept: FOMC delivered a less dovish than expected cut

The FOMC and Bank of Canada cut rates by 25bps each as expected
Dot plot signals another 50bps cut by the FOMC by end-2025; 25bps each in 2026 and 2027
Stable UK CPI reaffirmed a gradual easing path for the BOE; expect a rate pause today

- The Fed lowered its fed funds rate as expected. US stocks and bonds both initially rallied after the decision and dot plot, but later began giving up those gain even before Fed Chair Jerome Powell delivered his post-meeting press conference, where he notably said that the decision was a "risk management cut" and pushed back against more aggressive easing, citing no widespread support for that move.
- In the equity space, the Dow closed 0.6% d/d higher, but the S&P 500 and Nasdaq settled the day lower by 0.1% and 0.3% d/d. In the bond space, treasury yields ended the day 4-7bps higher as the FOMC rhetoric and economic projections (upgrade in growth through 2027 and downgrade in unemployment rate for 2026-27) were not as dovish as feared, hence paring bets of aggressive cuts ahead. The benchmark 2Y and 10Y yields closed the day at 3.55% and 4.09%.
- Elsewhere, markets closed mixed ahead of FOMC's decision. Stoxx Eur 600 closed just below its flatline, while 10Y European bond yields were slightly lower in tune to 1-3bps. In Asia, Nikkei 225 tumbled 0.3% d/d but Hang Seng rallied 1.8% d/d. Asian stocks are set for a muted trading day following futures and Wall Street overnight.
- In the forex space, the DXY clawed back its losses, bouncing to finish at 96.87 (+0.3% d/d) after slumping to as low as 96.22 during the day. SEK (-0.7% d/d), NOK (-0.5% d/d) and AUD (-0.5% d/d to 0.6653) led losses against the greenback, while GBP and CAD depreciated at a narrower pace of 0.2% d/d (to 1.3626) and 0.3% d/d, the latter after the Bank of Canada delivered a quarter point cut as expected.
- In contrast, most regional currencies strengthened versus the Dollar with MYR leading gains at 0.4% d/d to 4.1880. SGD was one of the outliers, depreciating 0.2% d/d to end the day at 1.2780. IDR appreciated 0.1% d/d even as the Bank Indonesia cut rates by 25bps in a surprised move and indicated that it could lower rates further despite the volatility in the exchange rate to support growth.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	46,018.32	0.57
S&P 500	6,600.35	-0.10
NASDAQ	22,261.33	-0.33
Stoxx Eur 600	550.63	-0.03
FTSE 100	9,208.37	0.14
Nikkei 225	44,790.38	-0.25
CSI 300	4,551.02	0.61
Hang Seng	26,908.39	1.78
Straits Times	4,323.78	-0.32
KLCI 30	1,611.70	0.72
FX		
Dollar Index	96.87	0.25
EUR/USD	1.1813	-0.46
GBP/USD	1.3626	-0.15
USD/JPY	146.99	0.35
AUD/USD	0.6653	-0.48
USD/CNH	7.1018	-0.04
USD/MYR	4.1880	-0.36
USD/SGD	1.2780	0.15
USD/KHR	4,009.20	-0.03
USD/THB	31.73	0.17
Commodities		
WTI ($/bbl)	64.05	-0.73
Brent ($/bbl)	67.95	-0.76
Gold ($/oz)	3,688.00	-0.20
Copper ($/MT)	9,996.00	-1.29
Aluminum($/MT)	2,683.00	-1.25
CPO (RM/tonne)	4,400.50	-0.24

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 12 Sept for CPO*

- In the commodity space, fresh US stockpiles and concerns over the US labour markets saw oil prices easing after 3 sessions of gains. The WTI and Brent closed the day 0.7-0.8% d/d lower at $64.05/barrel and $67.95/barrel respectively.

FOMC cuts rates by 25bp; signals another 50bps for 2025 and 25bps for 2026

- As widely expected, the Fed resumed cutting Fed funds rates with a 25bp move to 4.00-4.25%. There was only one dissent, by new (and temporary) Governor Stephen Miran, who voted for a 50bp cut.
- Key highlights from the statement and press conference include: 1) Fed Chair Powell described the move as a "risk management cut" in view of the shift in the balance of risks, notably increased downside risks to employment. In this regard, the FOMC removed the line "labour market conditions remain solid" in its statement, and replaced it with the line ***"job gains have slowed."***. 2) In terms of tariff impact on inflation, Powell said that they have begun to see goods prices showing through into higher inflation, and expect inflation to continue to build over the rest of 2025 and into 2026. That said, a reasonable base case is that the impact will be relatively short-lived. 3) ***In the updated dot plot, median participants anticipate another 50bps of cuts this year (25bps more than June projection) and 25bps cuts each in 2026 (25bps less than June projection) and 2027 (unchanged from June projection).*** Market is pencilling in a 50bps cut in 4Q and another 50bps cut in 2026 vs our revised house view of a further 50bps cut this year followed by 25bps cut in 2026. 4) Even as the policy statement flagged downside risks to employment, the median projection is for the unemployment rate was left unchanged (vs June projection) at 4.5% for this year, before easing to 4.4% in 2026 (prior: 4.5%) and 4.3% for 2027 (prior: 4.4%). 5) The median projection for core-PCE prices was left unchanged at 3.1% for 2025, but raised to 2.6% for 2026 (prior: 2.4%). 6) Official GDP forecasts were slightly upgraded to 1.6% for 2025 (prior: 1.4%), 1.8% for 2026 (prior: 1.6%) and 1.9% for 2027 (prior: 1.8%).
- On data releases, housing data was mixed. Spurred by lowest mortgage rates (30Y fixed rate: 6.39%) since last October, mortgage applications jumped at a faster pace of 29.7% w/w for the week ending September 12 (prior: 9.2% w/w). On the supply side, August's housing starts and building permits surprised on the downside. Starts fell 8.5% m/m to 1.3m (prior: 3.4% m/m), its lowest since May, while permits which point to future construction, decreased 3.7% m/m (prior: 2.2% m/m). While borrowing costs have dipped recently offering a tailwind

for homebuyers, bloated inventory and slow sales pace is expected to weigh on construction in the months ahead.

Little surprises from UK inflation prints reaffirmed gradual BOE easing path

- The bout of inflation reports out of the UK sprang little surprises. Headline CPI stabilized at 3.8% y/y in August as expected while core CPI moderated to 3.6% y/y (Jul: +3.8% y/y), also as expected. Housing, water, electricity & fuel (0.94%), food & non-alcoholic beverages (0.58%), as well as restaurants & hotels (0.53%) contributed to the bulk of the increase. Meanwhile, services CPI tapered off a tad more than expected to 4.7% y/y during the month (Jul: +5.0% y/y) while retail price index also eased slightly more than expected to 4.6% y/y in August (Jul: +4.8% y/y), adding to signs of softening price pressure in the system which would allow the BOE to maintain its gradual easing cycle.

Australia's leading index contracted again implying patchy outlook ahead

- Westpac leading index contracted 0.04% m/m in August (Jul: +0.13% m/m), continuing the zig-zagging pattern in recent months, a sign of very patchy and fragile conditions. The contraction in August was due to drags from the expectation index, commodity prices, dwelling approvals, unemployment index, as well as aggregate hours worked, suggesting a rather broad softening outlook across the economy.

Japan's exports fell for the 4th straight month amid tariff impact

- Exports contracted at a much smaller than expected pace of 0.1% y/y in August (Jul: -2.6% y/y), but yet marked its 4th straight month of contraction as a result of lower exports of cars and steel. Exports to the US dropped 13.8% y/y while exports to China slipped 0.5% y/y, but was fortunately cushioned by higher shipment to the EU and Asia, reflecting the impact from higher tariffs and trade diversion. Meanwhile, imports fell more than expected by 5.2% y/y (Jul: -7.4% y/y), amid more subdued domestic demand. Trade deficit widened albeit less than expected to ¥242.5bn during the month (Jul: -¥118.4bn) as exports fell 10.0% m/m vs the 8.6% m/m decline in imports.

Singapore's NODX surprised on the downside

- Non-oil domestic exports from Singapore surprised on the downside, unexpectedly contracted 11.3% y/y in August (Jul: -4.7% y/y revised). The decline was dragged by declines in the exports of both E&E (-6.5% vs +2.7% y/y) and non E&E products (-13.0% vs -6.7% y/y), mainly from chemicals (-7.7% y/y) and petrochemicals (-23.2% y/y) while pharmaceutical rebounded

(+15.7% vs -18.9% y/y). While the contraction in E&E exports was due in part to base effect, the broad-based declines indicated slower global demand nonetheless as tariff impact began to kick in and would no doubt exert a drag on overall growth in the second half of the year.

- By export destinations, exports to the US and China continued to see hefty double-digit declines, of 28.8% and 21.5% y/y respectively in August (Jul: -42.8% y/y for the US and -12.3% y/y for China). The decline in exports were rather broad-based, declining to most countries except Taiwan (+9.1% y/y) and EU (+28.9% y/y).

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DXY	96-99	98.32	96.29	94.99	93.77
EUR/USD	1.16-1.19	1.16	1.19	1.20	1.22
GBP/USD	1.34-1.37	1.36	1.38	1.39	1.40
USD/CHF	0.78-0.82	0.81	0.80	0.79	0.78
USD/JPY	144-150	147	144	140	137
AUD/USD	0.65-0.68	0.63	0.65	0.67	0.68
NZD/USD	0.57-0.61	0.59	0.60	0.61	0.61
USD/CNY	7.11-7.16	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	32.00-32.55	32.70	32.50	32.30	32.30

Rates, %	Current	3Q-25	4Q25	1Q26	2Q26
Fed	4.00-4.25	4.00-4.25	3.50-3.75	3.25.-3.50	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
18-Sept	AU Employment Change (Aug)	24.5k
	AU Unemployment Rate (Aug)	4.20%
	UK Bank of England Bank Rate	4.00%
	US Initial Jobless Claims	263k
	US Philadelphia Fed Business Outlook (Sep)	-0.3
	US Leading Index (Aug)	-0.10%
19-Sept	UK GfK Consumer Confidence (Sep)	-17
	JN Natl CPI Ex Fresh Food YoY (Aug)	3.10%
	MA Exports YoY (Aug)	6.80%
	UK Retail Sales Inc Auto Fuel MoM (Aug)	0.60%
	JN BOJ Target Rate	0.50%

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.