

21 August 2025

Global Markets Research

Daily Market Highlights

21 Aug: Divided Fed worried over inflation & labor market

PBoC maintained lending rates; RBNZ lowered rates and signalled more easing ahead

Risk-off appetite spurred demand for safer UST; DXY pared losses after FOMC minutes

All eyes on August's PMIs today; Australia's kickstarted with broad-based improvement

- The S&P 500 and Nasdaq fell another day, weighed down by an extended sell-off in tech stocks for the second day. Investors also weighed mixed retail earnings results and the latest FOMC meeting minutes. The minutes offered no surprises and confirmed some differences in views with regards to inflation and the latest downward revisions in nonfarm payroll prints. The broad market index slipped 0.2% d/d, while the tech-heavy Nasdaq lost 0.7% d/d. The Dow was the outlier and closed just above its flatline.
- Elsewhere, equity markets closed mixed. Stoxx Eur 600 rose 0.2% d/d, while CSI 300 and Hang Seng in Asia gained 1.1% d/d and 0.2% d/d. Nikkei 225 plunged 1.5% d/d after Japan reported its steepest drop in export growth in over four years.
- Treasuries benefited from the risk-off appetite, leaving yields lower 0-2bps across the curve. The 2Y yield closed flattish at 3.75%, while the 10Y fell 2bps to 4.29%. Save for the Swedish bonds, 10Y European yields fell 0-7bps.
- In the forex space, the DXY pared the day's losses after the FOMC minutes flagged inflation risk concerns. DXY closed 0.1% d/d lower at 98.22 and the Dollar traded mixed against its G10 peers. NZD weakened 1.2% d/d and underperformed all its peers after the **Reserve Bank of New Zealand lowered its cash rate by a quarter point to 3.00% as expected, and signalled more easing ahead, in line with our house view for another 25bps cut in 4Q**. GBP weakened 0.3% d/d to 1.3457 despite the hotter than expected inflation prints for the UK, but JPY (+0.2% d/d to 147.33) strengthened despite its soft exports data.
- Regional currencies mostly weakened against USD, led by KRW and TWD. MYR and SGD depreciated between 0-0.1% d/d to 4.2265 and 1.2852, but CNH appreciated 0.1% d/d to 7.1820.
- Oil prices rallied 1.4-1.6% after the American Petroleum Institute reported a drop in US crude inventories and as investors await more news on the Russia-Ukraine ceasefire talk. The WTI and Brent closed the day at \$63.21/barrel and \$66.84/barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,938.31	0.04
S&P 500	6,395.78	-0.24
NASDAQ	21,172.86	-0.67
Stoxx Eur 600	559.09	0.23
FTSE 100	9,288.14	1.08
Nikkei 225	42,888.55	-1.51
CSI 300	4,271.40	1.14
Hang Seng	25,165.94	0.17
Straits Times	4,219.54	0.08
KLCI 30	1,588.21	-0.13
FX		
Dollar Index	98.22	-0.05
EUR/USD	1.1652	0.04
GBP/USD	1.3457	-0.25
USD/JPY	147.33	-0.23
AUD/USD	0.6434	-0.31
USD/CNH	7.1820	-0.07
USD/MYR	4.2265	0.06
USD/SGD	1.2852	0.02
USD/KHR	4,009.75	0.06
USD/THB	32.55	0.12
Commodities		
WTI (\$/bbl)	63.21	1.38
Brent (\$/bbl)	66.84	1.60
Gold (\$/oz)	3,343.40	0.91
Copper (\$\$/MT)	9,720.50	0.29
Aluminum(\$/MT)	2,576.50	0.51
CPO (RM/tonne)	4,475.00	0.43

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 19 Aug for CPO

FOMC meeting minutes flagged division amongst members in terms magnitude & persistence on inflation due to the higher tariffs

- No surprises from the minutes to the latest FOMC meeting, but key highlights include: 1) Concerns over how large and persistent US tariffs on prices took center stage during the discussion. FOMC members weighed how importers, retailers and consumers will split the costs of the higher duties, while several participants flagged risks of longer-term inflation expectations becoming unanchored because of the higher tariffs. 2) FOMC members noted that it would take time to have more clarity on the impact of higher tariffs on inflation. In this regard, some participants emphasized that a great deal could be learned in coming months from incoming data before making the next move, but some said that it would not be feasible nor appropriate. 3) While officials were worried over the prospect of weaker employment (jobs data has since been revised lower) and that the current stance remains moderately or modestly restrictive, ***the majority of participants judged the upside risk to inflation is the greater of the dual mandate risk.***
- Higher mortgage rates (30Y: 6.68%) drove total applications down 1.4% w/w for the week ended August 15 (prior: +10.9% w/w). The downtick came primarily from the refinanced applications, while purchases were little changed and at its strongest pace in four weeks.

PBoC maintained lending rates as expected

- As expected, the People's Bank of China (PBoC) kept its 1Y and 5Y lending rates unchanged at 3.00% and 3.50% respectively. The steady LPR rates highlighted the central bank's preference for targeted structural policies to support specific sectors of the economy, rather than broad-based monetary easing.

Hotter than expected UK inflation prints

- July's inflation was higher than expected in the UK with headline, core and services accelerating to +3.8% y/y, +3.8% y/y and +5.0% y/y respectively (June: +3.6% y/y, +3.7% y/y and +4.7% y/y). The largest upward contribution came from transport, particularly air fares due to the timing of the school holidays, but this was partially offset by a large downward contribution from housing and household services, particularly owner occupiers' housing costs.
- Despite the uptick, the latest data remains in line with BOE's forecast of just over 3.8% for 3Q, and as such, there is no change in our base case for another rate cut in the 4Q of 2025. On a separate note, the House Price Index grew at a faster pace of 3.7% y/y in June from +2.7% y/y previously.

Broad-based improvement in PMIs for Australia

- August's Composite PMI (54.9 vs 53.8) suggests that business activity accelerated, and was broad-based with improvements from both the manufacturing (52.9 vs 51.3) and service sectors (55.1 vs 54.1). While domestic factors, including the easing of interest rates, supported the better conditions, the renewed rise in export business suggested that external conditions have also started to pick up.

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	3.00	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
21-Aug	JN S&P Global Japan PMI Mfg (Aug P)	48.9
	JN S&P Global Japan PMI Services (Aug P)	53.6
	AU Consumer Inflation Expectation (Aug)	4.70%
	EC HCOB Eurozone Manufacturing PMI (Aug P)	49.8
	EC HCOB Eurozone Services PMI (Aug P)	51
	HK CPI Composite YoY (Jul)	1.40%
	UK S&P Global UK Manufacturing PMI (Aug P)	48
	UK S&P Global UK Services PMI (Aug P)	51.8
	EC Construction Output MoM (Jun)	-1.70%
	UK CBI Trends Total Orders (Aug)	-30
	US Initial Jobless Claims	224k
	US Philadelphia Fed Business Outlook (Aug)	15.9
	US S&P Global US Manufacturing PMI (Aug P)	49.8
	US S&P Global US Services PMI (Aug P)	55.7
	US Leading Index (Jul)	-0.30%
	EC Consumer Confidence (Aug P)	-14.7
	US Existing Home Sales MoM (Jul)	-2.70%
	UK GfK Consumer Confidence (Aug)	-19
	JN Natl CPI Ex Fresh Food YoY (Jul)	3.30%
22-Aug		

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MA CPI YoY (Jul)	1.10%
UK Retail Sales Inc Auto Fuel MoM (Jul)	0.90%
MA Foreign Reserves	\$121.3b
EC Negotiated Wages (2Q)	2.50%

Source: Bloomberg

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