25 July 2025

Global Markets Research
Daily Market Highlights

25 Jul: ECB maintained rates and wait-and-watch stance

EUR pared losses after ECB maintained policy rates; current level in "good place"

USTs continued to unwind recent gains; DXY rebounded on low jobless claims

PMIs showed activities grew and accelerated for most major economies in July

- The S&P 500 and Nasdaq closed at another record after Alphabet's latest quarterly results came in better than expected. The broad market index added 0.01% d/d, while Nasdaq closed up 0.2% d/d. The Dow was the outlier, falling 0.7% d/d, kept in check by the tumble in UnitedHealth and IBM shares, the latter weighed down by its tepid software sales numbers.
- In Europe, Stoxx Eur 600 closed 0.2% d/d higher after ECB maintained its policy rates and on upbeat earnings including BT Group and Deutsche Bank, while in Asia, major markets also closed in greens on trade deal optimism ahead of the 1-August deadline.
- Meanwhile, Treasuries continued to unwind its recent gains as tariff fears eased and on the US front, due to better-than-expected initial jobless claims data. Treasury yields closed 0-4bps higher across the curve led by the shorter-maturities, with the 2Y closing the day at 3.92% and the 10Y at 4.40%. There was also some bearish spillover from European sovereign bonds. 10Y bond yields closed the day higher between 2-9bps save for UK gilts.
- In the forex space, the DXY gained 0.2% d/d to 97.38, supported by the higher Treasury yields and better labour data. Meanwhile, EUR pared losses and closed the day 0.2% d/d weaker at 1.1749 against the Dollar. Traders pulled back wagers on future rate cuts following ECB President Christine Lagarde's wait-and-watch stance. The AUD depreciated 0.2% d/d to 0.6590, the JPY weakened 0.3% d/d to 147.01, while GBP (-0.5% d/d to 1.3510) underperformed its peers following the release of its PMI print.
- Regional currencies closed mixed against the greenback, with MYR strengthening 0.3% d/d to 4.2162, while SGD weakened 0.1% d/d to 1.2776.
- In the commodity space, the WTI (+1.2% d/d to $66.03/barrel) and Brent (+1.0% d/d to $69.18/barrel) climbed on trade deals optimism, eclipsing increased supply from Venezuela after Trump's administration decided to let Chevron resume pumping oil in the nation.

Key Market Metrics

This	Level	d/d (%)
Equities		
Dow Jones	44,693.91	-0.70
S&P 500	6,363.35	0.07
NASDAQ	21,057.96	0.18
Stoxx Eur 600	551.55	0.24
FTSE 100	9,138.37	0.85
Nikkei 225	41,826.34	1.59
CSI 300	4,149.04	0.71
Hang Seng	25,667.18	0.51
Straits Times	4,273.05	0.99
KLCI 30	1,540.32	0.69
FX		
Dollar Index	97.38	0.17
EUR/USD	1.1749	-0.19
GBP/USD	1.3510	-0.53
USD/JPY	147.01	0.34
AUD/USD	0.6590	-0.18
USD/CNH	7.1532	0.02
USD/MYR	4.2162	-0.27
USD/SGD	1.2776	0.06
USD/KHR	4,008.00	-0.05
USD/THB	32.26	0.31
Commodities		
WTI ($/bbl)	66.03	1.20
Brent ($/bbl)	69.18	0.98
Gold ($/oz)	3,373.50	-0.71
Copper ($$/MT)	9,877.00	-0.54
Aluminum($/MT)	2,647.00	-0.15
CPO (RM/tonne)	4,222.50	0.69

Source: Bloomberg, HLBB Global Markets Research
** Closing as of 23 July for CPO*

ECB maintained policy rates and adopts a wait-and-watch stance; current rates in a "good place"

- As expected, the ECB maintained the deposit facility, the main refinancing operations and the marginal lending facility rates unchanged at 2.00%, 2.15% and 2.40% respectively. With this, we are maintaining our view that the central bank will leave the policy rates unchanged for the rest of the year, while noting that easing risk remains should the economy deteriorate significantly due to the trade war.
- Key highlights include: 1) ECB's macroeconomic assessment was broadly unchanged since the last meeting, though the central bank said that the environment remains exceptionally uncertain, especially because of the trade disputes. Lagarde also flagged downside risks from the geopolitical tension and a deterioration in financial market sentiment during the press conference. 2) Lagarde downplayed the potential risk of inflation undershooting, by highlighting that ECB's staff projections have already predicted this in 2026, adding that they will not be moved by some minor deviation and will look at medium-term targets instead. 3) In regards to the stronger EUR where ECB's Luis de Guindos said that anything beyond 1.20 might be complicated, Lagarde stressed that the ECB does not target any exchange rate, but will take into account forex movements in ECB's inflation forecast. 4) ***Lagarde reiterated ECB's data-dependent and meeting-by-meeting stance, and added that the current policy rate is in a "good place."***

S&P PMIs suggest that major economies continue grow at the start of 3Q, at a faster pace for most

- US composite PMI rose sharply to its highest level in 2025 to 54.6 in July (June: 52.9). Growth was better than expected but worryingly uneven, relying on the services sector (55.2 vs 52.9) as manufacturing conditions (49.5 vs 52.9) deteriorated for the first time this year. Business confidence also deteriorated amid concerns over tariffs and cuts to federal spending, while inflation pressures intensified due to steeper costs due to tariffs and upward pressure from wages.
- Similarly, Eurozone composite PMI outperformed forecast at 51.0 (June: 50.6). Although modest, the pace has quickened for the second month and was the sharpest since August 2024, as he reading improved for both the manufacturing (49.8 vs 49.5) and services (51.2 vs 50.5) sectors. By country, Germany posted a marginal increase in output for the second month, while activity in France fell slightly due to the political environment. The rest of the euro area registered a solid expansion and was the best since February.
- UK composite PMI retreated more than expected from its 9-month high at 51.0 in July (June: 52.0). That said, the latest

reading was above the 50-mark for the third month, driven by the services economy (51.2 vs 52.8), while manufacturing (48.2 vs 47.8) remained contractionary. Of note, there were indications of an uptick in consumer spending, although most reported headwind to sales pipelines from fragile domestic economic conditions and elevated geopolitical uncertainty.

- Australia's composite PMI (53.6 vs 51.6) showed that business activity accelerated, underpinned by faster manufacturing (51.6 vs 50.6) and services (53.8 vs 51.8) activities. That said, business confidence waned to its 8-month low. Coupled with slowing manufacturing jobs and purchasing activity, these signal that manufacturers remain cautious going forward. Price pressures intensified, reiterating our view that the RBA will stay cautious in this easing cycle.
- Japan's composite PMI held steady at 51.5, signalling modest growth for business activities. That said, this masked diverging trends for sectors, stronger for services (53.5 vs 51.7) but a fresh contraction for the manufacturing (48.8 vs 50.1). Again, uncertainty over future trade policy dragged on year-ahead expectations and hiring intentions, in line with our view that a cautious BOJ will likely put on hold its tightening cycle until 2026.

Weak housing data; but resilient labour numbers for the US

- New home sales were 627k (+0.6% m/m) in June, short of the 650k expected but a rebound from +623k (-11.6% m/m) reported the prior month. Coming after yesterday's disappointing existing home sales figure, the weak data highlights the lack of affordability in the property market. With supply on the rise, this will also weigh on home prices, household wealth and residential construction going forward,
- Reflecting seasonal volatility and a still low figure, initial jobless claims unexpectedly fell 4k to 217k for the week ended July 19 (prior: -7k), while continuing claims increased 4k to 1955k the week prior (Jul 5: -3k).

Manufacturing orders remained fragile in the UK

- The CBI Trends Total Orders index was worse than expected at -30 in July as compared to -33 previously. Looking ahead, firms continue to anticipate declines in both domestic and overseas orders through to October. By sector, although declines were recorded across a wide range of sub-sectors, these were largely offset by stronger activity in the motor vehicles & transport equipment and food, drink & tobacco sectors.

Softer price prints from Japan

- Softer prices from Japan, but despite these downticks, overall inflation rate remains well above BOJ's target level, and as such, we expect the BOJ to continue to its tightening cycle, albeit a push back into 2026 pending more clarity on the trade front.

- Matching expectation, Japan's services PPI eased to 3.2% y/y in June from +3.4% y/y previously, while Tokyo's inflation rate decelerated more than expected to 2.9% y/y in July from +3.1% y/y in June, the latter as a drop in energy prices and waiver on water charges more than offset the recent hot food inflation.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DXY	97.50-100.25	98.32	96.29	94.99	93.77
EUR/USD	1.14-1.18	1.16	1.19	1.20	1.22
GBP/USD	1.32-1.36	1.36	1.38	1.39	1.40
USD/CHF	0.78-0.81	0.81	0.80	0.79	0.78
USD/JPY	146-151	147	144	140	137
AUD/USD	0.63-0.67	0.63	0.65	0.67	0.68
NZD/USD	0.59-0.62	0.59	0.60	0.61	0.61
USD/CNY	7.15-7.19	7.20	7.16	7.12	7.10
USD/MYR	4.22-4.29	4.28	4.25	4.22	4.18
USD/SGD	1.27-1.30	1.29	1.26	1.24	1.22
USD/THB	32.20-32.90	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	4.25	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
25-Jul	UK GfK Consumer Confidence (Jul)	-18
	JN Tokyo CPI YoY (Jul)	3.10%
	JN PPI Services YoY (Jun)	3.30%
	SI Industrial Production SA MoM (Jun)	-0.40%
	UK Retail Sales Inc Auto Fuel MoM (Jun)	-2.70%
	US Durable Goods Orders (Jun P)	16.40%
	US Cap Goods Orders Nondef Ex Air (Jun P)	1.70%
	US Kansas City Fed Services Activity (Jul)	3
28-Aug	HK Exports YoY (Jun)	15.50%
	UK CBI Total Dist. Reported Sales (Jul)	-39
	US Dallas Fed Manf. Activity (Jul)	-12.7

Source: Bloomberg

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