

26 August 2025

Global Markets Research

Daily Market Highlights

26 Aug: Markets consolidated from rate cut-fuelled rally

US stocks and treasuries came under pressure; USD rebounded above the 98s handle
Weaker US regional activities and new home sales point to softening growth outlook
All eyes on PCE prints on Friday for more clues on the Fed's next move

- US stocks started the week on a weak note as investors preferred to stay on the sideline ahead of Nvidia's earnings announcement scheduled for Wednesday, and further out, US core PCE inflation prints on Friday, which will be crucial in shedding more lights to the Fed's next move. Markets also consolidated and took profit after last Friday's rate cut-fuelled rally prompted by Fed Chair Powell's signal for a rate cut which could happen as early as September.
- The three benchmark US equity indices settled the day lower by 0.2-0.8%, with the Dow pulling back from its Friday's record high. Across the Atlantic, European equities traded mixed while in the region, Asian bourses registered broad gains tracking Friday's equity rally spurred by Fed rate cut expectations. CSI and Hang Seng stood out with a 2.1% and 1.9% d/d gain respectively, driven by liquidity and is raising overvaluation concerns. Futures showed Asian bourses are set for softer trading today tracking the overnight corrections in Wall Street.
- Sovereign bonds took a turn and came under broad selling pressure on Monday, as the rate cut euphoria started last Friday after Powell's dovish hint appeared to be shortlived. Bonds yields were seen inching back up by 1-9bps for 10-year European sovereign bonds while in the US, treasuries yields added back 1-3bps across the curve after falling 4-10bps on Friday. The 2-year UST yields rose 3bps to 3.72% while the 10-year bond yields added 2bps to 4.28%.
- On FX, the USD staged a strong rebound on profit-taking trade, pushing the Dollar Index up 0.7% d/d to 98.43, almost recouping all Friday's losses. The greenback strengthened against all G10s, the most vs the SEK (+1.0% to 9.5885), DKK (+0.9% to 6.4247) and EUR (+0.9% d/d to 1.1618). The sterling lost 0.5% on the day to 1.3455, the JPY weakened 0.6% d/d to 147.80 while the Aussie posted the smallest loss among all G10s, by 0.1% on the day to 0.6482 vs the USD.
- Regional currencies also traded largely firmer against the greenback on Fed rate cut hopes, with losses seen only in KRW (-0.5% d/d), SGD (-0.3% d/d) and INR (-0.1% d/d). CNH advanced

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 45,282.47 | -0.77 |
| S&P 500 | 6,439.32 | -0.43 |
| NASDAQ | 21,449.29 | -0.22 |
| Stoxx Eur 600 | 558.82 | -0.44 |
| FTSE 100 | 9,321.40 | 0.13 |
| Nikkei 225 | 42,545.27 | -0.61 |
| CSI 300 | 4,469.22 | 2.08 |
| Hang Seng | 25,829.91 | 1.94 |
| Straits Times | 4,256.49 | 0.08 |
| KLCI 30 | 1,602.45 | 0.31 |
| FX | | |
| Dollar Index | 98.43 | 0.73 |
| EUR/USD | 1.1618 | -0.85 |
| GBP/USD | 1.3455 | -0.52 |
| USD/JPY | 147.80 | 0.59 |
| AUD/USD | 0.6482 | -0.12 |
| USD/CNH | 7.1584 | -0.19 |
| USD/MYR | 4.2070 | -0.47 |
| USD/SGD | 1.2856 | 0.33 |
| USD/KHR | 4,009.00 | 0.02 |
| USD/THB | 32.46 | 0.16 |
| Commodities | | |
| WTI (\$/bbl) | 64.80 | 1.79 |
| Brent (\$/bbl) | 68.80 | 1.58 |
| Gold (\$/oz) | 3,373.80 | -0.02 |
| CPO (RM/tonne) | 4,420.00 | 0.31 |

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 22 Aug for CPO

0.2% to 7.1584 while the MYR strengthened 0.5% on the day to 4.2070, its strongest closing in eight days, in anticipation that Fed rate cuts will narrow the yield differentials between Malaysia and the US, hence positive for the MYR.

- Moving on to commodity, the rally in crude oil prices gained momentum on lingering supply disruption concerns amid US sanctions on Russian oil and Ukraine's attack on Russian oil infrastructure. WTI settled the day 1.5% higher at \$64.74/ barrel while the Brent was up 1.4% d/d to \$68.74/ barrel.

Broadly weaker regional activities and new home sales in the US

- Overnight data releases from the US disappointed by and large. New home sales unexpectedly fell 0.6% m/m to 652k in July, although this was partially negated by the sharp upwardly revised June numbers from +0.6% to +4.1% m/m. Further dampening the housing market outlook was the rise in inventories, which is a sign of soft demand and is expected to weigh on house prices going forward.
- In terms of regional activities, Dallas Fed manufacturing activity pulled back more than expected to print a -1.8 reading in August (Jul: +0.9). Company outlook and production have turned softer but the positives came from pick-ups seen in new orders and employment. Separately, a separate release showed Chicago Fed National Activity Index sustained a -0.19 print in Jul (Jun: -0.18), with production and income posing the biggest drag (-0.1), followed by employment (-0.06), and sales & orders (-0.02). Personal consumption and housing were flat (0.0), pointing to an overall sluggish outlook going into 3Q for the district.

Singapore's inflation rate unexpectedly eased; MAS maintained 2025's projections at 0.5-1.5%

- Headline and core inflation unexpectedly decelerated to +0.6% y/y and +0.5% y/y in July (Prior: +0.8% y/y and +0.6% y/y), the downtick for the headline was driven by prices of retail & other goods, as well as lower inflation in accommodation and electricity & gas inflation.
- In the accompanying statement, MAS maintained its official CPI forecast of 0.5-1.5% for 2025, flagging both upside and downside risks to their projections. That said, the base case is for imported inflation to remain moderate in the near term amid softer crude oil prices, contained food prices as well as on disinflationary drags from weaker global demand. On the domestic front, slower nominal wage growth and continuing increases in labour productivity should lead to moderation in unit labour costs, while enhanced government subsidies will continue to dampen services inflation.

House View and Forecasts

| FX | This Week | 3Q-25 | 4Q-25 | 1Q-26 | 2Q-26 |
|---------|--------------|-------|-------|-------|-------|
| DXY | 96.27-100.00 | 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 | 0.79-0.82 | 0.81 | 0.80 | 0.79 | 0.78 |
| USD/JPY | 145-151 | 147 | 144 | 140 | 137 |
| AUD/USD | 0.63-0.66 | 0.63 | 0.65 | 0.67 | 0.68 |
| NZD/USD | 0.58-0.61 | 0.59 | 0.60 | 0.61 | 0.61 |
| USD/CNY | 7.15-7.20 | 7.20 | 7.16 | 7.12 | 7.10 |
| USD/MYR | 4.19-4.26 | 4.28 | 4.25 | 4.22 | 4.18 |
| USD/SGD | 1.27-1.31 | 1.29 | 1.26 | 1.24 | 1.22 |
| USD/THB | 32.14-32.89 | 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 |
|--------|---|--------|
| 26-Aug | AU RBA Minutes of Aug. Policy Meeting | |
| | SI Industrial Production SA MoM (Jul) | 0.00% |
| | HK Exports YoY (Jul) | 11.90% |
| | US Durable Goods Orders (Jul P) | -9.40% |
| | US Cap Goods Orders Nondef Ex Air (Jul P) | -0.80% |
| | US FHFA House Price Index MoM (Jun) | -0.20% |
| | US S&P CoreLogic CS US HPI YoY NSA (Jun) | 2.25% |
| | US Conf. Board Consumer Confidence (Aug) | 97.2 |
| 27-Aug | AU Westpac Leading Index MoM (Jul) | -0.03% |
| | CH Industrial Profits YTD YoY (Jul) | -1.80% |
| | AU CPI Trimmed Mean YoY (Jul) | 2.10% |
| | US MBA Mortgage Applications | -1.4% |

Source: Bloomberg

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