

31 July 2025

Global Markets Research

Daily Market Highlights

31 Jul: Risk-off despite upwards surprises in economic data

FOMC, Bank of Canada & MAS maintained policy stance; BOJ likely to follow suit today
Dovish FOMC statement overshadowed by Powell's signal that a Sept cut is not a given
Trump slapped a 50% tariff on copper; 25% for India & 15% for South Korea

- A rather eventful day in the equity markets. The three major US equity indices held gains for most of the session and through FOMC's announcement, but took a tumble after Fed Chair Jerome Powell signalled that September rate cut is far from guaranteed. Stocks however rebounded following earnings beat by tech giants Microsoft and Meta. At the end, S&P 500 and Dow closed the day 0.1% and 0.4% d/d lower respectively, but Nasdaq turned green to close up at +0.2% d/d. The post-Fed losses were led by consumer-focused and real estate stocks, which are rates sensitive.
- Despite the more dovish FOMC statement, Powell's hawkish tone during the press conference saw traders paring rate cut bets. Futures indicated a less than even chance of a rate cut in the September meeting, down from > 60% the day before and market pricing for rate cuts for the whole of 2025 was dialled back by around 10bps to 35bps at the point of writing. Treasuries extended losses, and yields closed the day 4-7bps higher across the curve. The 2Y yield rose 7bps to 3.94%, while the 10Y increased 5bps to 4.37%.
- Elsewhere, Stoxx Eur 600 was largely steady and closed just below its flatline, while Asian markets closed mixed as the US-China deal hangs in balance. 10Y European bond yields closed mixed between -/+3bps.
- In the forex space, the DXY (+0.9% d/d to 99.82) closed at a 2-month high and all currencies within the G10 basket weakened against USD. EUR (-1.2% d/d to 1.1405) underperformed most of its peers despite reporting better than expected 2Q GDP, while CAD depreciated 0.4% d/d after the **Bank of Canada left its policy rate unchanged at 2.75% as expected, but kept the door open for more rate cuts**.
- Save for IDR, regional currencies also traded weaker against the greenback led by JPY (-0.7% d/d to 149.61) and INR (-0.7% d/d), JPY ahead of BOJ's monetary policy meeting and INR, after **Trump slapped a 25% tariff on India. Trump also announced that a 15% tariff deal has been struck with South Korea**. SGD

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,461.28	-0.38
S&P 500	6,362.90	-0.12
NASDAQ	21,129.67	0.15
Stoxx Eur 600	550.24	-0.02
FTSE 100	9,136.94	0.01
Nikkei 225	40,654.70	-0.05
CSI 300	4,151.24	-0.02
Hang Seng	25,176.93	-1.36
Straits Times	4,219.41	-0.24
KLCI 30	1,524.50	0.04
FX		
Dollar Index	99.82	0.94
EUR/USD	1.1405	-1.23
GBP/USD	1.3237	-0.85
USD/JPY	149.51	0.71
AUD/USD	0.6434	-1.17
USD/CNH	7.2113	0.42
USD/MYR	4.2397	0.13
USD/SGD	1.2966	0.68
USD/KHR	4,007.75	-0.01
USD/THB	32.48	0.18
Commodities		
WTI (\$/bbl)	70.00	1.14
Brent (\$/bbl)	73.24	1.01
Gold (\$/oz)	3,295.80	-0.85
Copper (\$\$/MT)	9,698.50	-1.02
Aluminum(\$/MT)	2,601.00	-0.17
CPO (RM/tonne)	4,179.50	-0.61

Source: Bloomberg, HLBB Global Markets Research

* Closing as of 29 July for CPO

strengthened to 1.2855 after MAS left its policy stance unchanged, but pared its gains and more to close the day 0.7% d/d weaker at 1.2966. MYR depreciated slightly by 0.1% d/d to 4.2397.

- In the commodity space, favourable economic data from the US and concerns that global supplies will tighten after President Trump threatened to penalize India for buying Russian crude saw oil prices extending another day of gain to close at \$70.00/barrel (+1.1% d/d) for the WTI and \$73.24/barrel (+1.0% d/d) for Brent. In contrast, ***copper prices sank after Trump signed an order imposing a 50% tariff on the commodity going into effect on Friday.***

IMF upped its global growth forecast to 3.0% for 2025 and 3.1% for 2026

- Highlights from the latest World Economic Outlook: 1) Global growth is projected at 3.0% (+0.2ppts) for 2025 and 3.1% (+0.1ppts) in 2026, an upward revision from the April's forecast. This reflects front-loading ahead of tariffs, lower effective tariff rates, better financial conditions, and fiscal expansion in some major jurisdictions. 2) Global inflation is expected to ease to 4.2% (-0.1ppts) in 2025 and 3.6% (no change) in 2026, but US inflation is predicted to stay above target. 3) Risks to outlook remains tilted on the downside, stemming from potentially higher tariffs, elevated uncertainty and persistent geopolitical tension. 4) Specifically for Malaysia, the IMF revised its GDP growth forecast for 2025 and 2026 by a whopping +0.4ppts to 4.5% and +0.2ppts to 4.0%.

FOMC delivered a dovish hold; better than expected advanced 2Q GDP growth and jobs hiring data

- In a 9-2 vote, the FOMC kept the fed funds rate unchanged at 4.25%-4.50%. The decision was met with opposition from Governors Michelle Bowman and Christopher Waller, both of whom have voted for the Fed to start easing, while Adriana Kugler was absent and did not vote.
- The statement was more dovish sounding, saying that ***growth moderated in the 1H*** of the year, rather than "expanding at a solid pace" in the previous statement. Reference on the ***"uncertainty over the economic outlook having diminished"*** was also removed from the latest statement. ***When asked about a September rate cut during the press conference, Powell said that FOMC hadn't yet made a decision about what they would do at that meeting, adding that there are two rounds of inflation and jobs data between now and then, the former still above target and the latter still solid.***
- On the data front, advanced 2Q GDP growth came in better than expected at 3.0% q/q, rebounding from -0.5% q/q in 1Q. The

details show that net trade (+5.0ppts vs -4.6ppts) was the main driver to growth as imports snapped back lower following the 1Q front-loading. Elsewhere, consumer spending accelerated to 1.4% q/q from 1Q's +0.5% q/q, offsetting the 15.6% q/q decline in investment (1Q: +23.8% q/q).

- According to ADP, private employers added 104k jobs in July, a bigger than expected rebound from -23k the previous month. The data was led by a resurgence in services, with the exception of education and health, which has posted a net loss of jobs so far this year. Echoing Fed's view, the latest data continues to indicate a healthy labour market as employers appear to have grown more optimistic that consumers will remain resilient.
- Mortgage applications declined 3.8% w/w for the week ended July 25 (prior: +0.8% w/w) while pending home sales fell worse than expected by -0.8% m/m in June (May: +1.8% w/w). Despite the contractions, the REALTORS Confidence Index shows early indications of homebuying and selling activity will increase going forward, supported by a still healthy labour market, easing home price appreciation and most likely, lower mortgage rates.

Both advanced 2Q GDP print and confidence index for the Eurozone beat expectations

- Positive data from the bloc. The Economic Confidence index improved better than expected to 95.8 in July from June's 94.2, while advanced 2Q GDP growth held up better than expected at +0.1% q/q after 1Q's +0.6% q/q. The latest print suggests that the bloc is adapting well to the trade uncertainty, but growth is likely to stay modest for the rest of the year as the US-EU trade deals and defense spending are expected to offer limited relief in our opinion. The headline results also masked contractions amongst its largest economies, Germany and Italy.

Softer inflationary pressure gives RBA the greenlight to ease

- Headline inflation slowed more than expected to its lowest since March 2021 to 2.1% y/y in 2Q (1Q: 2.4% y/y), while trimmed mean was slightly more elevated at 2.7% y/y (1Q: 2.9% y/y). The main contributor to the slowing inflation was a large drop in automotive fuel prices, which more than offset price increases for new dwellings, rents, insurance as well as for food & non-alcoholic beverages. That said, with services inflation, a sign of domestic demand strength, at its 3-year low and core inflation largely in line with RBA's forecast of 2.6% y/y, this will give RBA greenlight to ease in its next monetary policy meeting on August 11-12.

Upward surprise in retail sales and IPI number ahead of BOJ's decision

- Ahead of BOJ's decision, Japanese data released this morning for June was better than expected at +1.7% m/m for IPI and +1.0% m/m for retail sales (prior: -0.1% m/m and -0.6% m/m). While the data could lift JPY in a knee jerk reaction, there is no change in our view that uncertainties regarding future as well as on the political front suggests that BOJ will carefully monitor the developments and risks, deferring its next rate hike only to 2026.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DX	95.50-98.50	98.32	96.29	94.99	93.77
EUR/USD	1.16-1.19	1.16	1.19	1.20	1.22
GBP/USD	1.33-1.37	1.36	1.38	1.39	1.40
USD/CHF	0.78-0.82	0.81	0.80	0.79	0.78
USD/JPY	144-149	147	144	140	137
AUD/USD	0.64-0.68	0.63	0.65	0.67	0.68
NZD/USD	0.58-0.62	0.59	0.60	0.61	0.61
USD/CNY	7.15-7.19	7.20	7.16	7.12	7.10
USD/MYR	4.19-4.25	4.28	4.25	4.22	4.18
USD/SGD	1.26-1.30	1.29	1.26	1.24	1.22
USD/THB	32.20-32.70	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
31-Jul	AU Building Approvals MoM (Jun)	3.20%
	CH Manufacturing PMI (Jul)	49.7
	AU Retail Sales MoM (Jun)	0.20%
	CH Non-manufacturing PMI (Jul)	50.5
	AU Private Sector Credit MoM (Jun)	0.50%
	JN Consumer Confidence Index (Jul)	34.5
	HK Retail Sales Value YoY (Jun)	2.40%
	HK GDP YoY (2Q A)	3.10%
	EC Unemployment Rate (Jun)	6.30%
	US Challenger Job Cuts YoY (Jul)	-1.60%
	US Personal Income (Jun)	-0.40%
	US Personal Spending (Jun)	-0.10%
	US Core PCE Price Index YoY (Jun)	2.70%
	US Employment Cost Index (2Q)	0.90%
	US Initial Jobless Claims	217k
	US MNI Chicago PMI (Jul)	40.4

1-Aug	JN BOJ Target Rate	0.50%
	AU S&P Global Australia PMI Mfg (Jul F)	51.6
	JN Jobless Rate (Jun)	2.50%
	JN S&P Global Japan PMI Mfg (Jul F)	48.8
	MA S&P Global Malaysia PMI Mfg (Jul)	49.3
	VN S&P Global Vietnam PMI Mfg (Jul)	48.9
	CH S&P Global China PMI Mfg (Jul)	50.4
	EC HCOB Eurozone Manufacturing PMI (Jul F)	49.8
	UK S&P Global UK Manufacturing PMI (Jul F)	48.2
	EC CPI Core YoY (Jul P)	2.30%
	US Change in Nonfarm Payrolls (Jul)	147k
	US Average Hourly Earnings MoM (Jul)	0.20%
	US Average Weekly Hours All Employees (Jul)	34.2
	US Unemployment Rate (Jul)	4.10%
	US Underemployment Rate (Jul)	7.70%
	SI Purchasing Managers Index (Jul)	50
	US S&P Global US Manufacturing PMI (Jul F)	49.5
	US ISM Manufacturing (Jul)	49
	US Construction Spending MoM (Jun)	-0.30%
	US U. of Mich. Sentiment (Jul F)	61.8

Source: Bloomberg

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