1 September 2026

Global Markets Research
Daily Market Highlights

1 Sep: Renewed geopolitical jitters spurred gains in oil and UST yields

Fresh US-Iran strike reignited inflation concerns and reaffirmed Fed rate hike bets
Hawkish Warsh's comments had earlier ramped up pricing for a September hike
All eyes on US job data this week; MYR to be supported ahead of BNM policy meet

- US equities and bonds came under a bout of selloff overnight as renewed strikes between the US and Iran spurred gains in oil prices and renewed inflation concerns, further reaffirming Fed rate hike bets. US equities were down between 0.1-0.7% d/d while oil prices advanced 1.5-3.4% on the day, with Brent touching the $90/ barrel mark again for the first time in a week. Market pricing for a September Fed rate hike jumped from 38% to as much as 60% post Warsh's hawkish comment at Jackson Hole Symposium before slipping somewhat to 58% at point of writing, while rate hike pricing for the full year remained little changed at 38bps as of this morning (prior 27bps).
- Just a recap, the Fed Chair said more need to be done as inflation did not improve "meaningfully" back to the 2.0% target. While he continued to emphasize he is moving away from policy guidance, markets interpreted his comments as offering a clear rate hike bias. We continue to hold on to our view of a rate pause at this juncture given added signs of a softening consumer and labour market, while inflation has been rather steady even as the return to the 2% target has been slower than expected.
- The post-Jackson Hole rally in the UST yields stayed extended overnight led by the long end as renewed attack by the US on Iran for the first time in about a month reignited inflation concerns and further reinforced Fed rate hike bets. 10-year UST yields added 3bps to 4.75% while the ultra-long end rose 4bps to 5.24%. The front-end 2-year note yields ended little changed at 4.34%.
- The Dollar Index erased the partial gains printed last Friday, closing the day down 0.3% at 99.42 as at Monday's close. All G10s strengthened against the greenback, led by the CAD, Nordic and EUR crosses while AUD and NZD lagged. The EUR advanced 0.3% d/d to 1.1618, while the GBP and AUD gained less than 0.1% d/d to 1.3549 and 0.7167 against the USD respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	53,185.90	-0.70
S&P 500	7,686.14	-0.33
NASDAQ	26,370.89	-0.12
Stoxx Eur 600	651.10	-0.62
FTSE 100	10,824.26	0.29
Nikkei 225	66,311.93	-0.14
CSI 300	4,625.09	0.35
Hang Seng	25,566.99	-0.07
Straits Times	5,755.36	0.97
KLCI 30	1,725.88	-0.91
FX		
Dollar Index	99.42	-0.26
EUR/USD	1.1618	0.28
GBP/USD	1.3549	0.08
USD/JPY	159.74	-0.22
AUD/USD	0.7167	0.04
USD/CNH	6.7179	-0.19
USD/MYR	4.0247	-0.21
USD/SGD	1.2709	-0.25
USD/KHR	4,048.00	-0.01
USD/THB	33.16	0.14
Commodities		
WTI ($/bbl)	86.31	3.44
Brent ($/bbl)	90.67	1.45
Gold ($/oz)	4,462.40	-0.14
Copper ($/MT)	14,285.00	-0.15
Aluminum($/MT)	3,242.00	0.56
CPO (RM/MT)	4,628.00	0.83

Source: Bloomberg, HLBB Global Markets Research
** FTSE, KLCI, USDMYR, copper and aluminium levels as at 28 August closing*

- On the regional front, major Asian FX traded mixed against the USD. KRW (+0.5% d/d) and SGD (+0.3% d/d) outperformed while THB (-0.7% d/d) and TWD (-0.2% d/d) underperformed. The MYR market was closed for Merdeka Day holiday yesterday and we expect the MYR to be supported by positive vibes from the announcement of six measures that include the reinstatement of the 300 litres of monthly subsidized BUDI95 as well as the increase in the BUDI Diesel from 300 litres to 400 litres. Businesses with annual sales not exceeding RM3m (an increase from RM1m previously), will be exempted from the e-Invoice implementation. While we do not expect these measures to have any significant impact on growth and inflation outlook, this certainly augurs well with sentiments in the run-up to the Budget 2027 on 9-October. The MYR last closed at 4.0247 vs the USD last Friday.

More muted but unexpected cut in annual revision to benchmark payroll; mixed regional activity indices

- Preliminary benchmark payrolls revision for the 12 months to March 2026 came in much smaller at a 79k cut (2023-2025: -911k), but was against expectations for a 183k gain suggesting a softer than initially reported and expected labour market. The private sector payroll was cut by 178k (retail trade -154.6k and trade, transport & utilities -98k) but this was cushioned by the 99k upward revision in the government payrolls. We expect prospect of a soft labour market to keep the Fed on toes in its monetary policy path, hence our extended rate pause view for now despite the hawkish rhetoric from Fed Chair Warsh, including the most recent Jackson Hole Symposium.
- The final print of University of Mich. Sentiment eased less than initially estimated to 51.7 in August (Jul: 55.2), due mainly to a more upbeat expectation index (51.5 vs 50.6 prelim and July's 55.4). Of particular importance was the inflation expectations indices, which pointed to continued moderation in short term inflation expectations from 4.3% to 4.0% while long term price expectations remained stable at 3.3% for the 4th straight month, pointing to expectations of a well-anchored inflation outlook in the longer term despite the current energy-induced price risks.
- On regional activities, Kansas City Fed Services Activity index unexpectedly turned negative in August (-3 vs 14) as activities cooled after World Cup. MNI Chicago PMI also disappointed with a surprised pullback to 47.1 in August (Jul: 57.6). On the contrary, and more importantly, manufacturing activity in Texas, one of the US biggest manufacturing states, jumped more than expected to 11.6 in August (Jul: 1.3). This was driven by an increase in the production index (16.1 vs 10.1),

and new orders (22.0 vs 6.4), in addition to higher shipment and capacity utilization.

Australia's inflation expectations and private sector credit are both supportive of an RBA hike

- Following a hawkish RBA minutes and upside surprises in both CPI and trimmed mean CPI last week that ramped up pricing for an RBA hike starting from September, latest report on inflation expectations and private sector credit appeared to be moving along the same line.
- Melbourne Institute inflation picked up from 4.0% to 4.8% y/y in August although this marked a moderation from 1.0% to 0.5% m/m. Private sector credit also continued to expand at a healthy clip of 0.6% m/m and 8.4% y/y in July (Jun: +0.8% m/m and 8.6% y/y), with growth on owner-occupied housing remaining firm. We are maintaining our rate pause view for now pending more upcoming data in the run-up to the next RBA meeting on 29-September.

Broad-based positive surprises in Japanese data will help support growth in 3Q

- The latest bag of data out of Japan reflects less severe than expected impact from the Middle-east conflict, while the weaker JPY could have helped cushion the blow on exporters. Industrial production surprised on the upside, moderating less than expected to 4.1% y/y in July (Jun: 4.9% y/y), underpinned by continuous expansion in manufacturing output especially in AI-related sectors, and as concerns over energy supplies eased.
- On domestic consumption, retail sales picked up more than expected to increase 4.0% y/y in July (Jun: 0.6% y/y), driven by a turnaround in sales at departmental store and supermarket (1.4% vs -1.0% y/y), which added to signs of a positive consumption picture. On the housing front, housing starts also eased less than expected from 18.6% y/y to 8.2% y/y in July (annualized 0.774m units), all auguring well for 3Q GDP.

China official PMIs showed continued contraction that could call for stimulus measures

- Composite PMIs out of China showed a slight pick-up from 49.3 to 49.5 in August, as a bigger than expected pick-up in PMI manufacturing (from 49.2 to 49.8) was negated by stable PMI services (49.0), which went against expectations for a pick-up to 49.4. The upside surprises in PMI manufacturing was driven by output, new orders, new export orders as well as input and output prices, while on the services front, higher input and selling prices were offset by lower new orders.

- Back-to-back contractions in both manufacturing and services activities reaffirmed weak growth prospects and are strengthening the case for fiscal stimulus need. We also will not be surprised if the PBoC decides to leverage on targeted monetary policy to support growth going forward. PMI manufacturing showed a contrasting picture where large and small enterprises reported an improvement in August but medium-sized enterprises softened.

Hong Kong retail sales showed weakening domestic demand

- Retail sales disappointed with a surprised deceleration to 4.5% y/y in July (Jun: 4.6% y/y). This marked a 5th straight month of pullback, from a 4-year high of 19.3% y/y in February, and to its slowest since August last year. A closer look at the details showed a slowdown in domestic demand (food, alcohol & beverages, fuels, clothing & footwear, consumer durable goods especially motor vehicles and furniture & fixtures), while more "touristy" sectors like supermarket, department stores, jewelry & watches continued to do well. This is expected to spell headwinds to the Hong Kong economy going forward as China is also confronted by slowdown risks.

House View and Forecasts

FX	This Week	3Q-26	4Q-26	1Q-27	2Q-27
DXY	98-101	102.28	100.86	99.42	98.07
EUR/USD	1.15-1.18	1.13	1.14	1.16	1.18
GBP/USD	1.34-1.38	1.29	1.30	1.32	1.33
USD/CHF	0.78-0.82	0.81	0.81	0.80	0.79
USD/JPY	157-161	162	159	155	153
AUD/USD	0.70-0.73	0.68	0.70	0.71	0.72
NZD/USD	0.57-0.61	0.56	0.56	0.57	0.57
USD/CNY	6.70-6.75	6.85	6.78	6.72	6.65
USD/MYR	4.01-4.07	4.15	4.11	4.07	4.03
USD/SGD	1.26-1.29	1.31	1.30	1.28	1.27
USD/THB	32.30--33.50	32.50	32.30	32.0	32.0

FX	Last close	3Q-26	4Q-26	1Q-27	2Q-27
EUR/MYR	4.69	4.68	4.71	4.73	4.75
GBP/MYR	5.47	5.37	5.36	5.36	5.36
AUD/MYR	2.90	2.83	2.86	2.87	2.89
CNY/MYR	0.60	0.61	0.61	0.61	0.61
SGD/MYR	3.17	3.18	3.17	3.17	3.17

Rates, %	Current	3Q26	4Q26	1Q27	2Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75
ECB	2.25	2.50	2.50	2.50	2.50
BOE	3.75	3.75	3.75	3.75	3.75
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	1.00	1.00	1.25	1.25	1.25
RBA	4.35	4.35	4.35	4.35	4.35

RBNZ	2.50	2.50	2.50	2.50	2.50
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	
1-Sep	AU S&P Global Australia PMI Mfg (Aug F)	52
	JN Capital Spending YoY (2Q)	0.00%
	JN S&P Global Japan PMI Mfg (Aug F)	55.1
	MA S&P Global Malaysia PMI Mfg (Aug)	50.7
	AU Building Approvals MoM (Jul)	7.20%
	CH RatingDog China PMI Mfg (Aug)	50.9
	JN Consumer Confidence Index (Aug)	34.9
	EC S&P Global Eurozone Manufacturing PMI (Aug F)	52.8
	UK Net Consumer Credit (Jul)	1.8b
	UK Mortgage Approvals (Jul)	58.2k
	UK S&P Global UK Manufacturing PMI (Aug F)	51.5
	EC CPI Core YoY (Aug P)	2.50%
	EC Unemployment Rate (Jul)	6.30%
	US S&P Global US Manufacturing PMI (Aug F)	53.2
	US ISM Manufacturing (Aug)	55.6
	US JOLTS Job Openings (Jul)	7359k
	US Construction Spending MoM (Jul)	-0.10%
	US Dallas Fed Services Activity (Aug)	6.6
2-Sep	AU GDP SA QoQ (2Q)	0.30%
	NZ RBNZ Official Cash Rate	2.50%
	US MBA Mortgage Applications (28-Aug)	-1.0%
	US ADP Employment Change (Aug)	44k
	SI Purchasing Managers Index (Aug)	51.4
	US Factory Orders (Jul)	-0.30%
	US Fed Releases Beige Book	

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.