Global Markets Research

Daily Market Highlights

12 Sept: US CPI solidifies Fed rate cut next week

EUR strengthened after the ECB maintained rates and stance on an end to easing cycle
Steady services-driven core CPI in the US; minimal tariff impact on US inflation for now
Malaysia: Faster growth in export-oriented IPI; steady gain in domestic-oriented output

- A relatively contained inflation and more signs of a cooling job market all but cemented a Fed rate cut next week, and sent all the 3 major US equity indices closing at records again. The Dow rallied 1.4% d/d above 46k for the first time, while the S&P 500 and Nasdaq gained 0.9% d/d and 0.8% d/d. Fed rate cut hopes also boosted European equities (Stoxx Eur 600: +0.6% d/d), but major Asian markets traded mixed.
- Treasuries closed mostly in the green after the US CPI print, briefly pushing the 10Y yield below 4.00% in intraday trade. The 10Y yield closed the day 3bps lower at 4.02%, while the 2Y yield closed the day just below its flatline at 3.54%. 10Y European bond yields closed the day mixed between +/-4bps.
- In the forex space, the DXY slumped 0.3% d/d to 97.53 after the tame US CPI data solidified rate cut bets next week, while EUR strengthened 0.3% d/d to 1.1734 after the ECB held rates steady as expected. JPY reversed losses but lagged its peers, appreciating 0.2% d/d to 147.21. Asia currencies traded mixed against the greenback. MYR closed just above its flatline at 4.2200 following the upward surprise in its IPI, while SGD appreciated at a faster pace of 0.1% d/d to 1.2815.
- Crude oil prices tumbled as fears over softening US demand and broad oversupply weighed on prices, the latter after the International Energy Agency expects an even larger surplus next year. The WTI fell 2.0% d/d to $62.37/barrel, and Brent, by 1.7% d/d to $66.37/barrel.

ECB maintained policy rates; signalled status quo ahead

- As expected, the European Central Bank kept the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility unchanged at 2.00%, 2.15% and 2.40% respectively.
- Key highlights from the statement and press conference include: 1) ***ECB President Lagarde said that the central bank is in a "good place," risks to economic growth have become more balanced and that trade uncertainty has diminished, reinforcing our conviction that the easing cycle is over.*** 2) Lagarde reiterated the data-dependent and meeting-by-

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	46,108.00	1.36
S&P 500	6,587.47	0.85
NASDAQ	22,043.07	0.72
Stoxx Eur 600	555.33	0.55
FTSE 100	9,297.58	0.78
Nikkei 225	44,372.50	1.22
CSI 300	4,548.04	2.31
Hang Seng	26,086.32	-0.43
Straits Times	4,355.82	0.22
KLCI 30	1,582.85	-0.50
FX		
Dollar Index	97.53	-0.25
EUR/USD	1.1734	0.33
GBP/USD	1.3574	0.33
USD/JPY	147.21	-0.17
AUD/USD	0.6659	0.70
USD/CNH	7.1129	-0.09
USD/MYR	4.2200	-0.01
USD/SGD	1.2815	-0.08
USD/KHR	4,004.62	-0.12
USD/THB	31.85	0.20
Commodities		
WTI ($/bbl)	62.37	-2.04
Brent ($/bbl)	66.37	-1.66
Gold ($/oz)	3,645.00	-0.22
Copper ($/MT)	10,051.50	0.38
Aluminum($/MT)	2,673.50	1.85
CPO (RM/tonne)	4,364.50	-1.01

Source: Bloomberg, HL Bank
** Closing as of 10 Sept for CPO*

meeting approach to determining the appropriate policy stance. While the bar for further rate cuts is high, it is achievable in our opinion given that inflation is expected to undershoot ECB's target rate in 2026 and 2027 owing to the stronger EUR and declining labour cost pressures (ECB forecast: 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027). ECB also expects core inflation of 2.4% in 2025, 1.9% in 2026 and 1.8% in 2027. 3) The economy is projected to grow by 1.2% in 2025, upwardly revised from 0.9%. The growth projection for 2026 is now slightly lower at 1.0%, while the projection for 2027 is unchanged at 1.3%.

Little evidence of tariff impacts on US inflation for now

- There were little surprises on the US inflation front, with the headline CPI accelerating to 2.9% y/y in August from 2.7% y/y previously while core held steady at 3.1% y/y. Tariff impacts were not particularly evident in the report, although our expectations are that it could keep prices elevated over the near term. That said, we opine that the weakening of the labour markets will be the Fed's priority for now. Latest release showed initial jobless claims unexpectedly by 27k to 263k for the week ended Sept 6, its highest in 4 years, while the 4-week moving average claims climbed 9.75k to 240.5k, all adding to signs of a materially softer labour market, and possibly signalling more layoffs ahead.
- On a monthly basis, the headline came in at 0.4% m/m, above street forecasts' 0.3% m/m and prior month's 0.2% m/m while core matched expectations and held steady at 0.3% m/m. Looking at the details, discretionary services like airlines fares & hotels and shelter were the key drivers for price gains, while prices for core-goods were mixed and contained across the sub-components, suggesting that tariff cost is largely being absorbed by corporate profit margins for now.

Malaysia's IPI growth surprised on the upside for a 2nd straight month in July

- Growth in Malaysia's Industrial Production Index (IPI) unexpectedly picked up to 4.2% y/y in July (Jun: +2.9% y/y revised), spurred by quicker growth in the manufacturing (+4.4% vs +3.6% y/y) and mining (+4.3% vs 0.0% y/y) sectors. Frontloading activities continued to spur gains in the manufacturing sector, which gained traction for the 2nd straight month. Export-oriented sectors grew at a faster pace of 4.1% y/y in July (Jun: +2.9% y/y), led by E&E (+8.5% vs +6.4% y/y). In a separate release, manufacturing sales also expanded at a faster pace of 3.5% y/y in July (Jun: +3.3% y/y), also driven by a pick-up in growth in the export-oriented sectors (+2.7% vs +2.4% y/y) led by E&E (+6.9% vs +4.5% y/y). (Refer to Research Alert "Surprised pick-up in July industrial production" dated 11 September for more details).

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DXY	96.25-99.25	98.32	96.29	94.99	93.77
EUR/USD	1.15-1.19	1.16	1.19	1.20	1.22
GBP/USD	1.33-1.37	1.36	1.38	1.39	1.40
USD/CHF	0.79-0.82	0.81	0.80	0.79	0.78
USD/JPY	144-149	147	144	140	137
AUD/USD	0.64-0.67	0.63	0.65	0.67	0.68
NZD/USD	0.57-0.61	0.59	0.60	0.61	0.61
USD/CNY	7.11-7.16	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	32.06-32.74	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: HL Bank

Up Next

Date	Events	Prior
12-Sep	UK Monthly GDP (MoM) (Jul)	0.40%
	US U. of Mich. Sentiment (Sep P)	58.2
15-Sep	CH New Home Prices MoM (Aug)	-0.31%
	CH Used Home Prices MoM (Aug)	-0.55%
	CH Retail Sales YTD YoY (Aug)	4.80%
	CH Industrial Production YTD YoY (Aug)	6.30%
	CH Fixed Assets Ex Rural YTD YoY (Aug)	1.60%
	CH Surveyed Jobless Rate (Aug)	5.20%
	EC Trade Balance NSA (Jul)	7.0b
	US Empire Manufacturing (Sep)	11.9

Source: Bloomberg

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