

Global Markets Research

Daily Market Highlights

13 Aug: Tame US CPI reaffirmed Fed rate cut bets

USD weakened as tame inflationary pressures reaffirmed rate cut bets for the US

Dovish RBA rate cut; expect a couple more cuts by 2026; downgrades to growth outlook

GBP strengthened after payrolled employees fell at a more modest pace in the UK

- Wall Street rallied overnight after a tame inflation reading left investors more confident that the Fed will lower rates in September to support a softer labour market. The three major indices finished up 1.1-1.4% d/d, with small caps and banks, seen as beneficiaries of lower short-term borrowing rates, leading the rally. Expectations for lower rates also rose following the report, and traders are now pricing in a more than 90% chance of a rate cut at the September FOMC meeting.
- Elsewhere, Stoxx Eur 600 also gained 0.2% following the tamer CPI print, while sentiment in Asia was boosted by the US-China tariff truce extension. Notably, Nikkei 225 rallied 2.2% d/d, hitting a record high.
- Trading in the treasury market was choppy with yields on the longer-end rising a little even as short-term yields fell. The benchmark 2Y yield fell 4bps to 3.73%, while the 10Y yield closed just above its flatline at 4.29%. 10Y European bond yields rose in tune to 4-6bps after closing mixed between -4 to +1bps the day before.
- In the forex space, the Dollar weakened against all its G10 peers and the DXY traded down 0.4% d/d to 98.10. Within the G10 space, GBP appreciated 0.5% d/d to 1.3500 after reports of fewer than expected job losses in the UK. AUD fell after RBA delivered a dovish rate cut amid moderating inflationary pressures but later rebounded to end the day stronger by 0.3% d/d to 0.6530. Regional currencies closed mixed against the Dollar, with SGD outperformed most of its peers at +0.3% d/d to 1.2837 following a positive final 2Q GDP print and official upgrade to its GDP forecast for 2025 to 1.5-2.5% (prior: 0-2%). MYR, on the other hand, posted a modest 0.1% d/d gain to 4.2308.
- In the commodity space, crude oil prices retreated following the US-China's 90-day trade truce extension and US inflation prints. WTI closed the day 1.2% d/d lower at \$63.17/barrel and Brent by 0.8% d/d lower at \$66.12/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,458.61	1.10
S&P 500	6,445.76	1.13
NASDAQ	21,681.90	1.39
Stoxx Eur 600	547.89	0.21
FTSE 100	9,147.81	0.20
Nikkei 225	42,718.17	2.15
CSI 300	4,143.83	0.52
Hang Seng	24,969.68	0.25
Straits Times	4,220.72	-0.28
KLCI 30	1,567.90	0.30
FX		
Dollar Index	98.10	-0.43
EUR/USD	1.1675	0.52
GBP/USD	1.3500	0.51
USD/JPY	147.84	-0.21
AUD/USD	0.6530	0.26
USD/CNH	7.1849	-0.16
USD/MYR	4.2308	-0.06
USD/SGD	1.2837	-0.27
USD/KHR	4,006.25	-0.03
USD/THB	32.33	0.04
Commodities		
WTI (\$/bbl)	63.17	-1.24
Brent (\$/bbl)	66.12	-0.77
Gold (\$/oz)	3,348.90	-0.13
Copper (\$/MT)	9,840.50	1.12
Aluminum(\$/MT)	2,619.50	1.22
CPO (RM/tonne)	4,265.00	1.05

Source: Bloomberg, HL Bank

* Closing as of 11 Aug for CPO, 8 Aug for USD/THB

RBA delivered a dovish rate cut to 3.60%; expect a couple more cuts by end-2026

- As expected, the Reserve Bank of Australia (RBA) lowered its cash rate target by 25bps to 3.60%. The central bank's commentary was more dovish with highlights being: 1) Downgrades to its growth outlook for the four quarters ending December 2025 and 2026 to 1.7% (-0.4ppts) and 2.1% (-0.1ppts) respectively. 2) RBA expects trimmed mean inflation to ease from 2.6% in December 2025 and 2026, to 2.5% in December 2027. 3) RBA's cash rate assumption was downgraded, implying a 75bps cut by 4Q of 2026. During the press conference, Governor Michele Bullock added that a larger cut was not considered, and that the central bank's forecast for inflation is conditioned on "a couple more cuts."
- Data was mixed, with the NAB business confidence index rising by 2ppts to 7 July, but business conditions fell 2pts to 5. Overall, the survey points to an improvement in activity in 2Q and that worries globally have not materially impacted local hiring and investment plans.

Still tame inflation for the US, although glimpses of tariff impact prevalent

- Headline inflation came in softer than expected at +2.7% y/y and +0.2% m/m in July (June: +2.7% y/y and 0.3% m/m), while core rose at a faster pace of 3.1% y/y and 0.3% m/m following June's +2.9% y/y and +0.2% m/m. A 0.2% monthly increase in shelter costs drove much of the increase in prices, while food prices were flat and energy fell 1.1%. Tariffs impact did appear in several categories like apparel and household furnishing, but has largely remained tame, suggesting that corporates are absorbing most of the tariff cost for now.
- Amid tame inflation, a softer labour market and our expectations of slower wage growth ahead (real average weekly earnings: +1.4% vs +0.8%), will give the Fed the backdrop to lower rates in the September FOMC meeting.
- The NFIB Small Business Optimism index rose more than expected by 1.7 points to 100.3 in July, as business owners reported more positive expectations on business conditions and expansion opportunities. While uncertainty remains elevated, business owners were also more hopeful of more clarity on the trade policies in 6-months' time.

Subdued economic outlook for the Eurozone following the disappointing US-EU trade deal

- Disappointment from the announced EU-US trade deal saw the ZEW survey expectations index taking a sharp downturn to 25.1 in August from 36.1 previously. This suggests that investors have a subdued economic outlook ahead with tariff at the current rate.

Payrolled employees continued to fall in the UK, albeit at more modest pace

- UK lost fewer jobs than expected after Reeves's tax hike, with payrolled employees falling 8k in July as compared to -26k previously. Unemployment rate held steady at 4.7% in June, while the private wage growth cooled again to +4.8% y/y from +4.9%. While the UK jobs market is undoubtedly cooling, the more modest fall in payroll data suggests that the worst may be over, facilitating the central bank to cut rates again but at a gradual pace as we expect.

Japan's PPI eased less than expected, no change in our view of a rate hike in 1Q of 2026

- Data this morning showed that producer prices (PPI) eased less than expected to 2.6% y/y in July as compared to 2.9% recorded in June. On a monthly basis, prices rebounded 0.2% m/m after falling 0.1% previously, largely driven by the uptick in prices of gas and fuel oil, and to a lesser extent, cost of utilities and selected food products.
- Despite the sluggish data, the central bank has said in its latest outlook that inflation is expected to increase gradually and as such, there is no change in our view that the central bank will resume its tightening cycle albeit cautiously in 2026.

House View and Forecasts

FX	This Week	3Q-25	4Q-25	1Q-26	2Q-26
DX	98.50-101.50	98.32	96.29	94.99	93.77
EUR/USD	1.12-1.16	1.16	1.19	1.20	1.22
GBP/USD	1.31-1.34	1.36	1.38	1.39	1.40
USD/CHF	0.78-0.82	0.81	0.80	0.79	0.78
USD/JPY	147-153	147	144	140	137
AUD/USD	0.62-0.66	0.63	0.65	0.67	0.68
NZD/USD	0.57-0.62	0.59	0.60	0.61	0.61
USD/CNY	7.15-7.23	7.20	7.16	7.12	7.10
USD/MYR	4.23-4.30	4.28	4.25	4.22	4.18
USD/SGD	1.28-1.31	1.29	1.26	1.24	1.22
USD/THB	31.61-33.23	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	3.25	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
13-Aug	AU Wage Price Index YoY (2Q)	3.40%
	AU Home Loans Value QoQ (2Q)	-1.60%
	US MBA Mortgage Applications	3.10%
14-Aug	AU Employment Change (Jul)	2.0k
	AU Unemployment Rate (Jul)	4.30%
	UK GDP QoQ (2Q P)	0.70%
	EC GDP SA QoQ (2Q S)	0.10%
	EC Employment QoQ (2Q P)	0.20%
	US PPI Final Demand YoY (Jul)	2.30%
	US Initial Jobless Claims	226k

Source: Bloomberg

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