

Global Markets Research

Daily Market Highlights

25 Aug: Dovish tilt to Powell's speech at Jackson Hole

"Shifting balance of risks" pushed up rate cut bets in the September FOMC meeting

US stocks and bond rallied after Powell's speech; the Dollar a loser amongst US assets

Japan's CPI eased but stayed above 3%; Malaysia's CPI bounced back up from its 4Y low

- The dovish tilt in Powell's speech and highlight on job market worries essentially opened the door for the central bank to lower rates in the September FOMC meeting. This saw the market dialling up the probability of a September rate cut to around 81% chance and sparked broad-based gains in US equities and treasuries. The 3 major stock averages rallied between 1.5-1.9% d/d, while treasury yields tumbled in tune to 4-10bps, led by the policy sensitive 2Y at -10bps to 3.70%. 10Y UST yield fell at a narrower pace of 7bps to 4.25%.
- "In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us **to balance both sides of our dual mandate. Our policy rate is now 100 basis points closer to neutral** than it was a year ago, and the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance. Nonetheless, **with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance,**" said Fed Chair Jerome Powell at the Jackson Hole.
- The Dollar weakened against all its G10 peers after Powell's comments, and the DXY sank 0.9% d/d to 97.72. Risk-sensitive SEK, NOK and AUD (+1.1% d/d to 0.6490) led gains against the Dollar, while GBP, EUR and JPY appreciated at a narrower pace of 0.8-1.0% d/d to 1.1718, 1.3525 and 146.94. CAD appreciated a mere 0.6% d/d after Canada said that it will remove many of its retaliatory tariffs that comply with the existing USMCA trade deal.
- Regional currencies closed mixed against the Dollar, with SGD strengthening 0.6% d/d to 1.2814, while MYR closed 0.1% d/d weaker at 4.2267 following the release of its inflation print.
- In the commodity space, the WTI and Brent gained 0.1-0.2% d/d to close at \$63.66/barrel and \$67.73/barrel after Powell's speech, while uncertainty surrounding a potential peace deal between Russia and Ukraine continues to remain on traders' minds.

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 45,631.74 | 1.89 |
| S&P 500 | 6,466.91 | 1.52 |
| NASDAQ | 21,496.54 | 1.88 |
| Stoxx Eur 600 | 561.30 | 0.40 |
| FTSE 100 | 9,321.40 | 0.13 |
| Nikkei 225 | 42,633.29 | 0.05 |
| CSI 300 | 4,378.00 | 2.10 |
| Hang Seng | 25,339.14 | 0.93 |
| Straits Times | 4,253.02 | 0.52 |
| KLCI 30 | 1,597.47 | 0.29 |
| FX | | |
| Dollar Index | 97.72 | -0.92 |
| EUR/USD | 1.1718 | 0.97 |
| GBP/USD | 1.3525 | 0.84 |
| USD/JPY | 146.94 | -0.96 |
| AUD/USD | 0.6490 | 1.09 |
| USD/CNH | 7.1719 | -0.15 |
| USD/MYR | 4.2267 | 0.06 |
| USD/SGD | 1.2814 | -0.57 |
| USD/KHR | 4,008.00 | -0.04 |
| USD/THB | 32.65 | 0.08 |
| Commodities | | |
| WTI (\$/bbl) | 63.66 | 0.22 |
| Brent (\$/bbl) | 67.73 | 0.09 |
| Gold (\$/oz) | 3,374.40 | 1.12 |
| Copper (\$\$/MT) | 9,796.50 | 0.74 |
| Aluminum(\$/MT) | 2,624.50 | 1.53 |
| CPO (RM/tonne) | 4,406.50 | -0.68 |

Source: Bloomberg, HL Bank

* Closing as of 21 Aug for CPO

Improved consumer confidence for the UK, but headline remained range-bound

- GfK Consumer Confidence index increased 2 points to -17 in August, its highest in 2025 but with consumers still in wait-and-see mode, any surprises could result in a swing in sentiment. Driving the uptick was improved confidence in personal finances due to the recent BOE rate cuts, but consumers remained concerned over inflationary pressure, rising unemployment and more tax hikes for the Autumn budget this year.

Japan's inflation stayed above the 3% level

- July's inflation was broadly in line with consensus expectation, easing to 3.1% y/y from 3.3% y/y for both headline and core. Falling energy prices and high base effects from the rollback of energy subsidies largely contributed to the softer prices, but with core still above 3.0%, services inflation still steady and rice prices continuing soaring, this will likely support BOJ's policy of normalisation going forward.

Malaysia's CPI rebounded from a 4-year low; but remained very modest at 1.2% y/y

- Consumer Price Index (CPI) inched up for the first time in nine months, and by a modest 0.1ppt to 1.2% y/y in July as expected, after hitting a 4-year low of 1.1% y/y in June. The modest uptick was in line with our view that the electricity tariff adjustment, and the SST expansion will have minimal impact on overall CPI. Inflation for the housing, water, electricity, gas & other fuels component not only did not pick up, but grew at a slower pace of 1.3% y/y in July instead (Jun: +1.7% y/y), as the restructured average basic tariff rate was reduced by 0.5% to 45.4 sen/kWh under the Incentive Based Regulation (IRB) framework.
- The uptick in CPI confirmed our view that the downward trajectory in CPI has reached a bottom in June and has picked up in July. We maintain our view of very benign inflationary pressure in the system, evident in steady core CPI at 1.8% y/y for three months in a row. Despite concerns over potential upside risks from higher tariffs as well as SST expansion, and policy price adjustments on domestic prices in the second half of the year, we opine overall inflation will remain well-contained, more so now that RON95 subsidy rationalization has been delayed to a later date. We are projecting CPI to tick up in the 2H of the year starting July (YTD July: +1.4% y/y), but full year CPI will average below 2.0% for 2025 nonetheless (Refer to Research Alert "First uptick in CPI in nine months" dated 22 August).
- On a separate note, foreign reserves rose at a faster pace of \$0.7bn in 1H of the month to \$122.0bn as at 15 August (2H of July: +0.4bn to \$121.3bn). The reserves position is sufficient to

finance 4.8 months of imports of goods and services and is 0.9 times the total short-term external debt.

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: HL Bank

Up Next

| Date | Events | Prior |
|--------|---|--------|
| 25-Aug | SI CPI YoY (Jul) | 0.80% |
| | US Chicago Fed Nat Activity Index (Jul) | -0.1 |
| | US New Home Sales MoM (Jul) | 0.60% |
| | US Dallas Fed Manf. Activity (Aug) | 0.9 |
| 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 |

Source: Bloomberg

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