



Weekly Macro Views (WMV)

Global Markets Research & Strategy

04 August 2025

Weekly Macro Update

Key Global Data for this week:

| 4 Aug | 5 Aug | 6 Aug | 7 Aug | 8 Aug |
|--|--|---|--|---|
| <ul style="list-style-type: none"> • EC Sentix Investor Confidence • JN Monetary Base YoY • US Imports YoY • US Durable Goods Orders • US Factory Orders | <ul style="list-style-type: none"> • EC HCOB Eurozone Composite PMI • EC PPI YoY • ID GDP YoY • SK Foreign Reserves • SK CPI YoY • SI Retail Sales YoY | <ul style="list-style-type: none"> • EC GDP SA YoY • EC Retail Sales YoY • IN RBI Repurchase Rate • JN Labor Cash Earnings YoY • PH Unemployment Rate • TH CPI YoY • VN CPI YoY | <ul style="list-style-type: none"> • CH Trade Balance • PH Foreign Reserves • PH GDP YoY • UK Bank of England Bank Rate • US Wholesale Inventories MoM | <ul style="list-style-type: none"> • ID Foreign Exchange Reserves • JN BoP Current Account Balance • US Consumer Credit |

Summary of Macro Views:

| | | | |
|---------------|---|--------------------|---|
| Global | <ul style="list-style-type: none"> • FOMC and BoJ Review • Global: Modifying tariff rates • US: Stronger than expected growth • US: Weak labour data prompts BLS Chief's dismissal • EU: Inflation in Lagarde's "good place" | Asia | <ul style="list-style-type: none"> • MO: Economy reverted to growth in 2Q • ASEAN: Tariff update; improving manufacturing sentiments • ID: Improving exports growth • ID: Higher headline inflation in July |
| Asia | <ul style="list-style-type: none"> • SI: MAS July 2025 Macroeconomic Review • SI: 2Q25 Advance Labour Market Report • SI: Divergence in July PMI • SI: 3Q25 Business Expectations survey • CH: Structural Rebalance • CH: Anti-involution push • HK: Real GDP expanded by 3.1% in 2Q • HK: Broad-based decline in exports to major trading partners | Asset Class | <ul style="list-style-type: none"> • Commodities: Another bumper supply hike for September • ESG: Low-carbon hydrogen sector faces setbacks due to high production costs • FX & Rates: September FOMC is Live |

Global: Central Banks

Forecast – Key Rates

Reserve Bank of India (RBI)



Thursday, 7th August

Bank of England (BoE)



Thursday, 7th August

House Views

Repurchase Rate

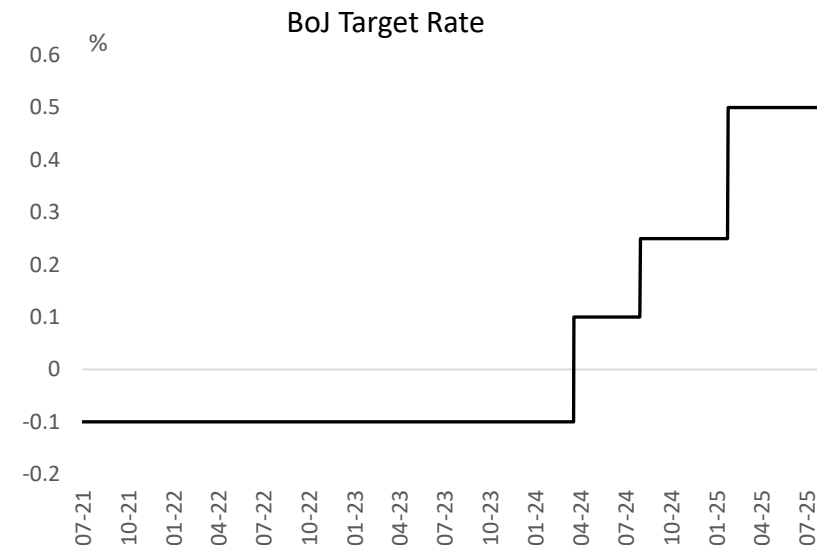
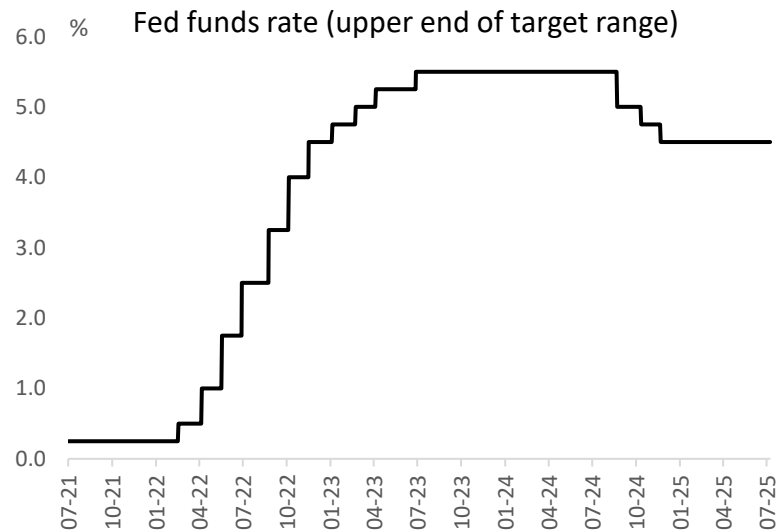
Likely **hold** at **5.50%**

Bank Rate

Likely **cut** by **25bp**
from **4.25%** to **4.00%**

FOMC and BoJ Review

- FOMC kept the target range of the Fed funds rate unchanged at 4.25-4.50% last Thursday. There was a dovish tilt at statement but not in Powell's comments. The decision was not unanimous, with two Committee members – Waller and Bowman – voting for a 25bp cut. At the post meeting press conference, Powell continued to push back on the timing of the next rate cut. Our base-case remains for a total of 75bps of cuts this year, premised on the assessment that the labour market has been cooling while rates are at restrictive levels.
- The Bank of Japan kept its Target Rate unchanged at 0.5% at the July meeting in line with expectations. BoJ revised upward inflation forecasts, more notable for fiscal 2025 due to food prices. With regards to the risk balance, the BoJ continues to see the risks to economic activity to the downside but now see risks to prices as “generally balanced” instead of “also skewed to the downside” in the April assessment. Our base-case remains for one 25bp hike in the BoJ Target Rate in Q425.



Global: Modifying tariff rates

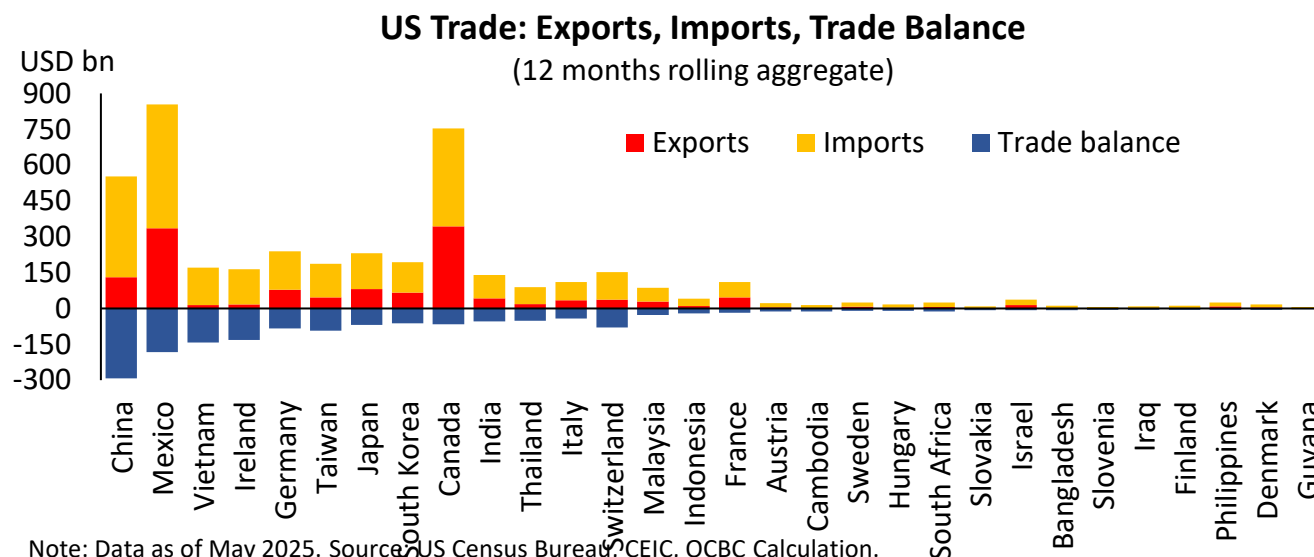
- US President Donald Trump signed executive orders imposing tariffs ranging from 10% to 41% on imports from 60 trading partners on 31 July 2025. Nations that have made bilateral deal, such as Japan, South Korea, the EU, Vietnam, and Indonesia, received rates between 15% and 20%. President Trump also granted Mexico a 90-day reprieve from current tariff rates.
- However, countries deemed to have made insufficient concessions during negotiations, such as Myanmar and Laos, faced higher rates of 40%. Similarly, rates for Switzerland rose to 39%, and Canada faced a higher tariff of 35%, up from 25%, “in response to Canada’s continued inaction and retaliation.” Meanwhile, the executive order excluded China, which faces a separate deadline of August 12 for a trade agreement.
- Regarding transshipment, the executive orders specified “an additional ad valorem rate of duty of 40 percent, in lieu of the additional ad valorem rate of duty applicable under section 2 of this order to goods of the country of origin.”

| Country | 2 April | 31 July |
|----------------|---------|---------|
| EU | 20 | 15 ↓ |
| Japan | 24 | 15 ↓ |
| South Korea | 25 | 15 ↓ |
| Taiwan | 32 | 20 ↓ |
| Vietnam | 46 | 20 ↓ |
| United Kingdom | 10 | 10 – |
| India | 26 | 25 ↓ |
| Brazil | 10 | 10* – |
| Switzerland | 31 | 39 ↑ |
| Thailand | 36 | 19 ↓ |

Note: 40% tariff applies on top of baselined 10%. Source, the White House, Financial Times.

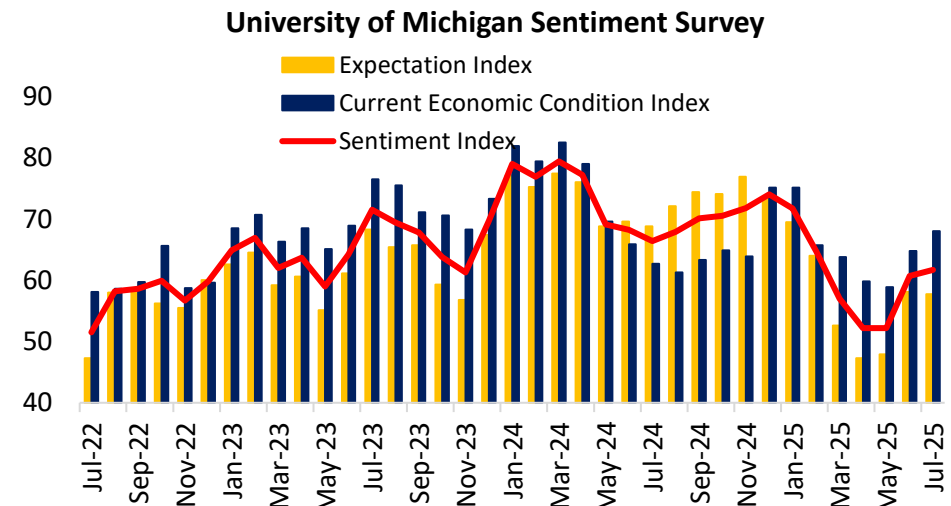
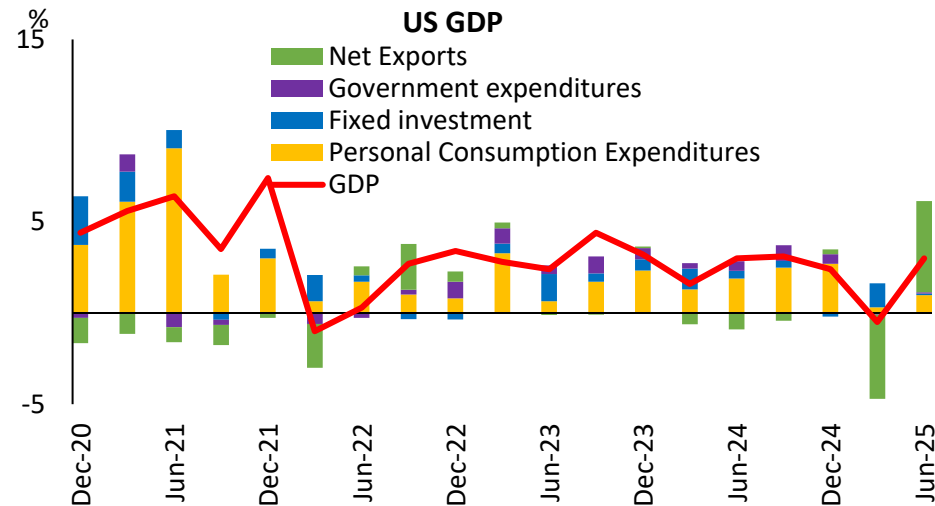


Source: The White House, Financial Times, US Census Bureau, CEIC, OCBC



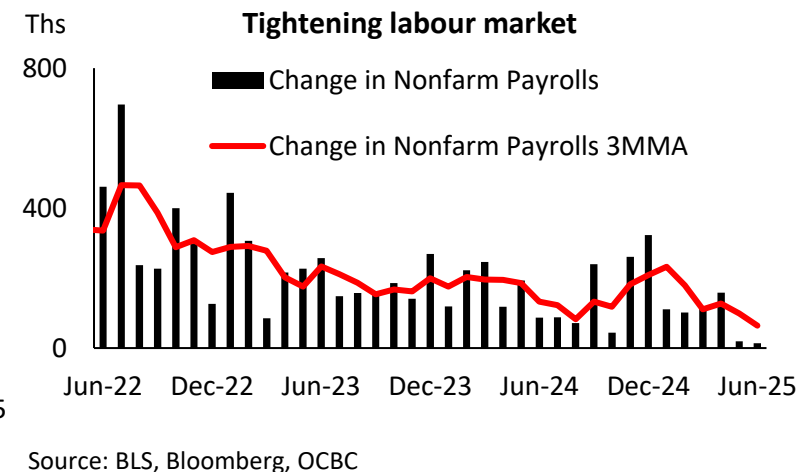
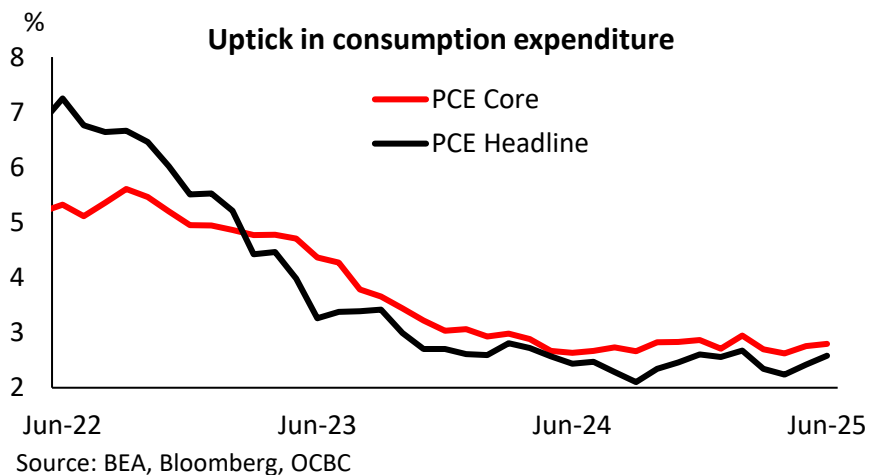
US: Stronger than expected growth

- The US economy in 2Q25 grew by 3.0%, up from -0.5% in 1Q25. The latest figures surpassed expectations (2.6%), with net exports component leading growth, adding 4.99pp (1Q25: -4.61pp) to GDP. Additionally, consumer spending rebounded to 3.00pp, from -0.50pp in 1Q25, driven by a surge in purchases for automobiles.
- Meanwhile, the largest drag on growth was contributed by investment to private inventories. This was caused by the reversal in net exports following front-loading in the start of the year which resulted in a pullback in inventories for 2Q.
- Consumer outlook on current economic conditions inched up slightly, with the University of Michigan Survey (preliminary) noting a slight decline in consumer sentiment to 61.7 in June from 60.7 (revised), below expectations. The survey noted that the improvement consumer sentiment was supported by stockholders, noting that there was a decline “among consumers who do not own stocks”. Despite the data, “consumers are hardly optimistic about the trajectory of the economy”, according to the survey. Currently, Fed Atlanta estimates GDP growth for 3Q25 at 2.1-2.3%, with President Trump’s tariffs posing strong downside risks to growth for the rest of the year.



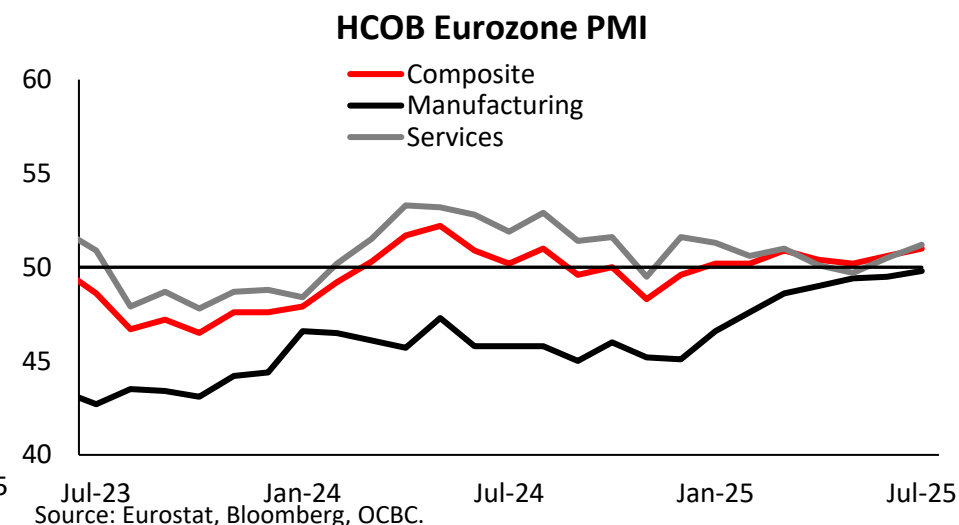
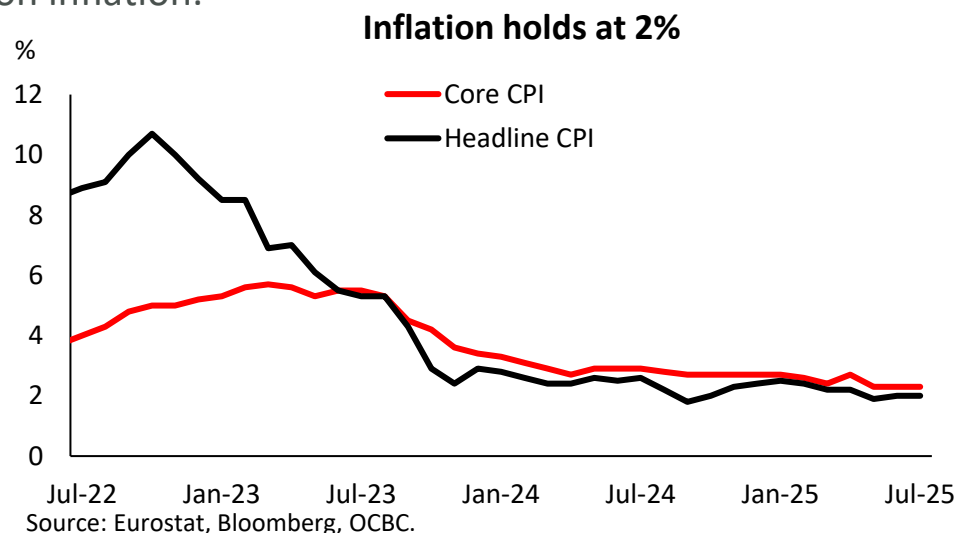
US: Weak labour data prompts BLS Chief's dismissal

- US headline Personal Consumption Expenditure (PCE) index rose to 2.6% YoY in June, up from 2.3% YoY in May. Core PCE increased marginally to 2.8% YoY, up from 2.7% YoY in the previous month. According to the Bureau of Economic Analysis (BEA), the increase in consumption expenditure was due to “increase in government social benefits (and) compensation”.
- July's nonfarm payroll print came in at just 73k, well below estimates (104k). Coupled with steep revisions to May and June, revising down by -258k for the two-month revision, this marked the worst three month reading (35k), since the pandemic. Meanwhile, the unemployment rate, 4.2% (June 4.1%) and average hourly earnings 0.3% MoM (3.9% YoY) were in line with expectations. The slew of labour data point towards cooling demand for labour, with the labour participation rate down at 62.2% the lowest since November 2022.
- Following the Bureau of Labour Statistics (BLS) report, President Trump fired the Chief of the BLS, Erika McEntarfer, claiming that weak job growth and key revisions to the data were “manipulated for political purposes”.



Euro Area: Inflation in Lagarde's “good place”

- Euro headline and core inflation remained unchanged at 2.0% YoY and 2.3% YoY respectively in July. Additionally, services inflation fell to 3.1% YoY, down from 3.3% YoY in June. The latest inflation figures support the ECB's rate decision, which held its deposit rate at 2.0%. Currently, inflation in Europe's three largest economies are below the ECB's broader 2% target, with France, Germany and Italy having inflation at 0.9%, 1.8%, 1.7% respectively, confirming that the eurozone is in ECB President Lagarde's “good place” for now.
- Meanwhile, the Composite Purchasing Managers' Index (PMI) rose to 51, up from 50.6 in June, beating consensus (50.7). The Manufacturing PMI print remained in the contraction zone at 49.8, albeit at its highest reading since June 2022. The services sector continued to rise on its strong momentum, with Services PMI increasing to 51.2, from 50.6 in June.
- The Eurozone's 2Q25 GDP came in at 1.4% YoY (0.1% MoM), above expectations (Consensus: 1.2% YoY). With the EU having reached a trade deal with the US, the imposed 15% levy on exports is expected to weigh on growth and may add more downward pressure on inflation.



Singapore: MAS July 2025 Macroeconomic Review

Financial Conditions

- Global financial conditions have eased since the April, with MSCI World and EM indices, up by 12% and 13% respectively. Risk sentiment has largely moderated, with the VIX Index down from peak of 52 this year to 18.9 as of 4 August. Global monetary policy has continued on an easing path, while the US Dollar has continued its depreciating trend.
- S\$NEER has appreciated within the policy band since April amid weakness from the greenback and ongoing monetary easing. Domestic financial conditions tightened to a mildly restrictive level in April but have since loosened. Lending to both consumers and businesses have grown while money supply, measured by M2, rose 7.3% YoY in May.
- Outlook: Singapore's financial conditions continue to remain exposed to geopolitical risks and trade-related policy uncertainties.

International Economy

- Stronger than expected global growth in 1H25, buoyed by tariff-induced front loading. Global GDP expanded by 0.8% QoQ in 1Q25. Growth in most Asia ex-Japan economies remained resilient while US growth contracted in 1Q25, "due to synchronized surge in imports from global front-loading.
- Tariff related developments continues to drive growth of tradable sectors in 2Q25, albeit softer underlying final demand in key economies such as US, Japan and the Eurozone. Likewise, domestic demand in ASEAN-5 economies softened, particularly in Thailand and Indonesia amid layoffs. As the boost from front-loading masked the slowdown in final demand, global growth is expected to slow down in 2H25.
- Global inflation edged lower, alongside subdued final demand. While the impact of import tariffs on inflation in the US has been modest thus far, upside risks to inflation remain high, as the 10% baseline tariff gets replaced by higher tariff rates beginning 7 August.
- Global inflation is forecasted to average at 2.0% in 2025, revised down from 2.3% projections in April.

Singapore: MAS July 2025 Macroeconomic Review

SG Economy

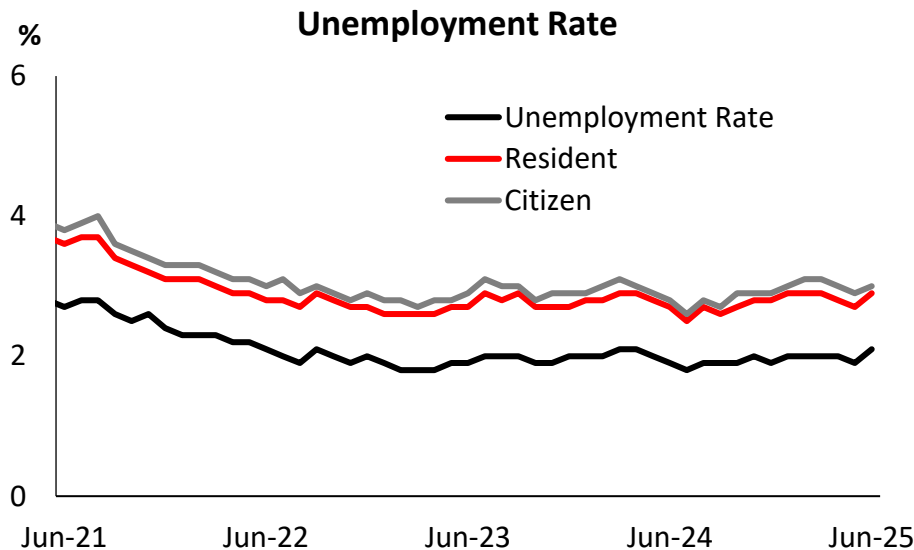
- Singapore's economy rode on tailwinds of front-loading, expanding 1.4% QoQ sa in 2Q25, up from 0.5% QoQ in 1Q25. Stronger-than-expected performance was primarily driven by a pickup in the trade-related cluster.
- The front-loading effect was more pronounced in re-exports than domestic manufacturing. Re-exports in 2Q were largely to the US and Taiwan, reflecting its role in facilitating trade at both downstream upstream stages of the production chain.
- Direct trade exposure to US tariffs has increased, with tariffs on our trading partners are expected to rise. Front-loading driven growth is likely to dissipate in 2H25, with trade-related sectors potentially experiencing a payback.
- Spillovers to Domestic-Oriented Sectors: The broader economic slowdown is expected to weigh on domestic consumption, especially in retail and F&B, which have already seen weak performance. However, healthy household balance sheets and government support measures could provide some counterbalance.
- **Economic growth is expected to be relatively subdued. MAS maintains its growth forecast and expects the economy to expand by 0.0–2.0% in 2025.** Firms, wary of long-term tariff and non-tariff barriers may hold back longer-term plans and make gradual adjustments, potentially leading to a prolonged, gradual decline in business expenditure and GDP growth, rather than a sharp crash and rebound.

Inflation

- MAS Core Inflation averaged 0.6% YoY in 2Q25, unchanged from the previous quarter. This was due to hikes in administrative prices (water, health insurance) offsetting easing inflation in most other categories. Overall, inflation was low across a broad range of core goods and services. CPI-All Items inflation slowed to 0.8% YoY in 2Q25, driven by lower accommodation and private transport inflation.
- Core inflation is projected to edge up slightly from the later part of 2025, as the disinflationary impact of enhanced healthcare subsidies and the global oil price decline tapers.
- Inflation is then expected to rise gradually towards its historical average over 2026, as regional demand and supply balance out, and disinflationary impulses from falling oil prices and a declining USD recede.
- **MAS maintains its forecast for both Core and Headline inflation to average 0.5–1.5% in 2025, and still expects two-way inflation risks.**

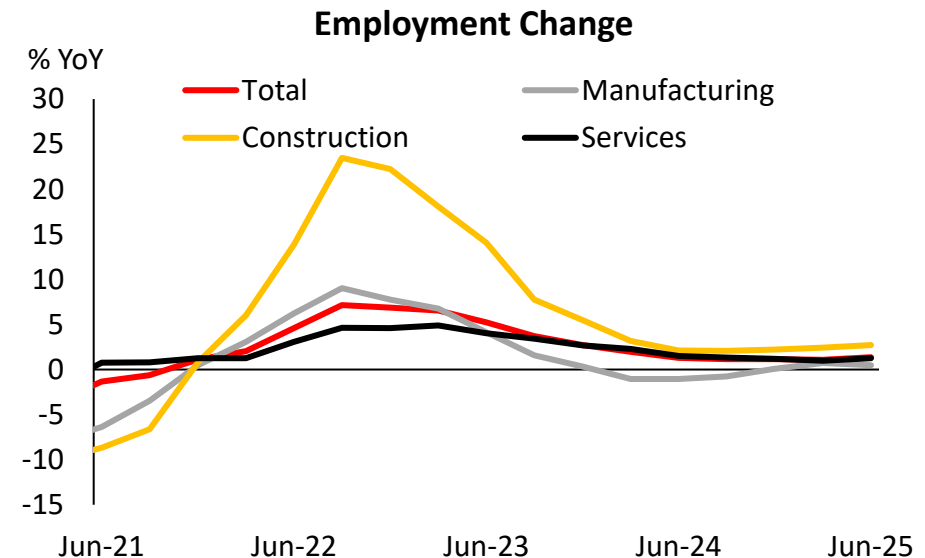
Singapore: 2Q25 Advance Labour Market Report

- Total employment grew by 8.4k in 2Q25 (1Q25: 2.3k), as both resident and non-resident employment rose at a faster pace. Resident employment increased in sectors such as Financial Services and Health & Social Services. Meanwhile, “growth in non-resident employment was driven entirely by Work Permit Holders, particularly in the Construction sector,” according to the Ministry of Manpower.
- Unemployment rates were broadly stable in June compared to March, with the overall unemployment rate edging higher to 2.1% in June (May: 1.9%), up from 2.0% in March. Resident and citizen unemployment rates remained stable at 2.9% and 3.0%, respectively, in June, versus 2.9% and 3.1% in March.
- The Ministry of Manpower’s business expectations polls indicate that “business sentiments remained relatively stable and cautious, with hiring and wage expectations for 3Q 2025 dipping slightly from the previous quarter.”



Source: MOM, CEIC, OCBC.

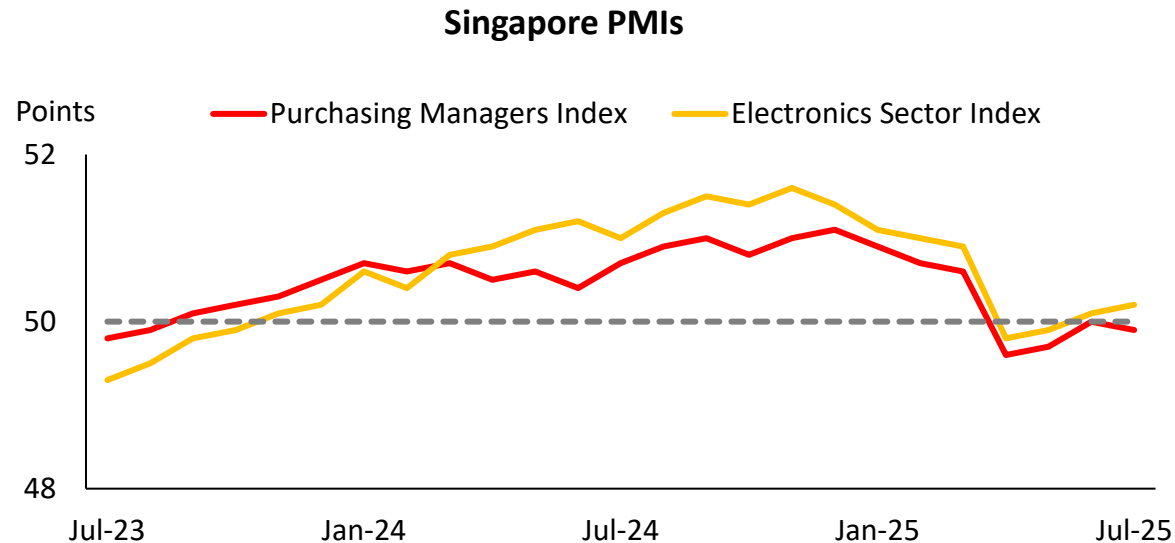
Source: MOM, CEIC, OCBC.



Source: MOM, CEIC, OCBC.

Singapore: Divergence in July PMI

- July manufacturing PMI slipped back into contraction territory to 49.9 versus 50.0, previously. Meanwhile July electronics PMI rose to 50.2 versus 50.1, previously. The divergence suggests that we might be at an inflection point where reciprocal tariffs are about to kick in, and there are concerns if the frontloading effects will start to subside with potential implications for external orders and global supply chain recalibration.
- For electronics, AI-related investment demand have been supportive even though end-consumer segment demand has been relatively subdued. If there should be potential imposition of sectoral tariffs on semiconductors and other electronics goods, this could weigh on the growth trajectory.
- Looking ahead, frontloading activities are expected to dissipate in the second half of this year. Consequently, this may lead to the slowing of manufacturing momentum in 2H25.



Source: SIPMM, Bloomberg, OCBC.

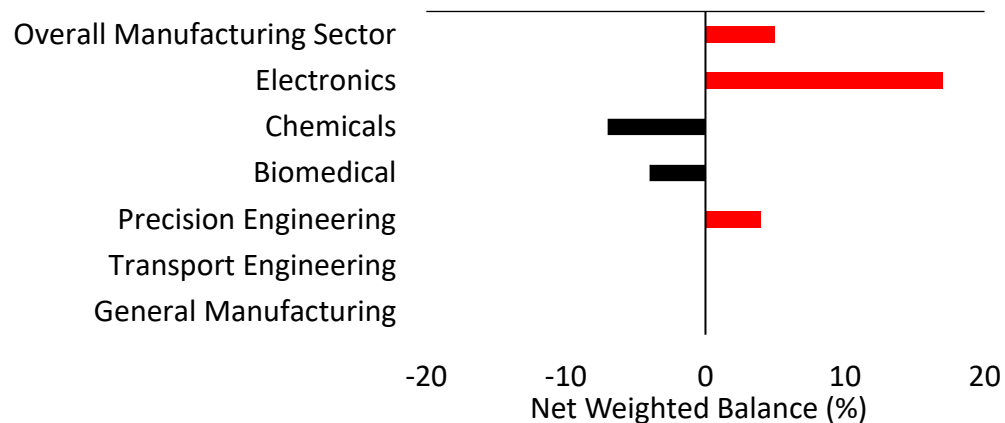


Source: SIPMM, Bloomberg, OCBC.

Singapore: 3Q25 Business Expectations survey

- Business sentiments in the manufacturing sector showed a rebound to a net weighted of 5% of manufacturing firms anticipate an improved business outlook for July-December 2025, compared to 2Q25. This was led by the electronics and precision engineering industries, whereas chemicals, biomedical, transport engineering and general manufacturing industries were flat to bearish. A net weighted 2% of manufacturers expect higher output in 3Q25, with all clusters bar chemicals and general manufacturing expecting an increase in production. 79% of firms expect employment levels to remain similar in 3Q25.
- Meanwhile, the overall services sector shifted to a positive outlook, with a net weighted 2% of firms expecting a more favourable business outlook from July-December 2025. All sectors bar the transportation & storage, financial & insurance, and professional services sectors are optimistic. A net 7% of services sector firms foresee higher revenue for the 3Q25, with a net 9% anticipating increased hiring demand.

**General Business Outlook for July - December 2025
(Manufacturing)**

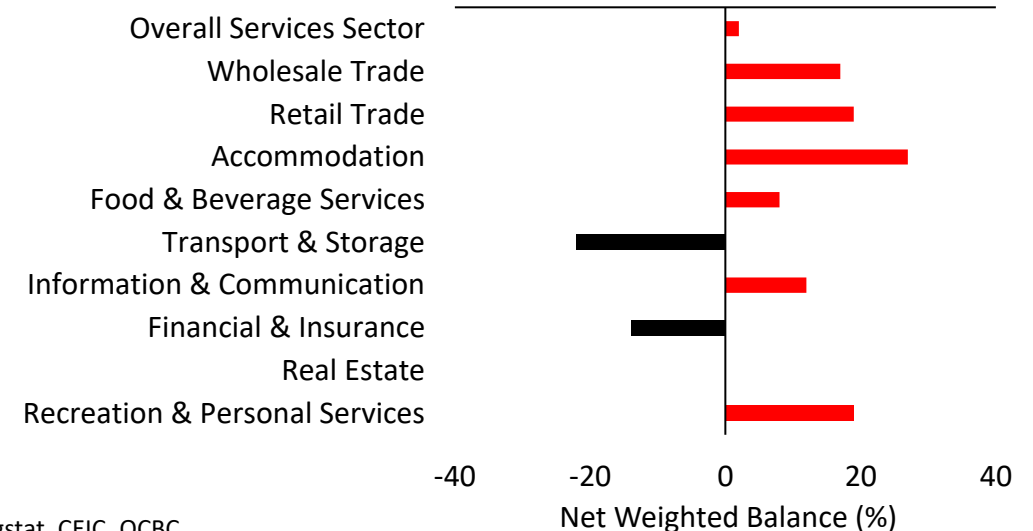


Source: EDB, CEIC, OCBC.



Source: EDB, Singstat, CEIC, OCBC.

**General Business Outlook for July - December 2025
(Services)**



Source: Singstat, CEIC, OCBC.

China: Structural Rebalance

- As expected, China did not unveil any major new policy initiatives during the July Politburo meeting. Given the stronger-than-anticipated growth in the first half of 2025 and the frontloading of fiscal measures earlier in the year, the meeting placed greater emphasis on the implementation of existing policies rather than introducing additional stimulus.
- On monetary policy, in contrast to the April 25 Politburo meeting, which explicitly referenced “timely RRR and interest rate cuts,” the latest communiqué made no mention of further outright rate cuts. While this does not preclude future rate cuts, it suggests that the sense of urgency has eased since the height of trade-related uncertainty in April. Nevertheless, we believe there is still scope for further monetary accommodation in the second half of the year to support reflation efforts.
- Capital market reform remains a policy priority. The Politburo reiterated its commitment to “enhancing the appeal and inclusiveness of the domestic capital market and consolidating its recovery momentum,” underscoring the role of equity markets in boosting investor confidence and supporting broader economic stabilization.

China: Anti-involution push

- On anti-involution, the meeting reinforced the ongoing “anti-involution” push, calling for improvements in market competition order, regulation of disorderly competition, and enhanced capacity governance in key industries.

The recent anti-involution push from China

The Ministry of Industry and Information Technology (MIIT) announced in an online statement that it would “consolidate the results of a sweeping crackdown on ‘neijuan’ (involution) competition in the electric vehicle sector” and tighten oversight of key industries such as solar power.

The National Development and Reform Commission (NDRC) released draft guidelines aimed at strengthening oversight and coordination of government-backed investment funds. The objective is to prevent redundant spending and the crowding-out of private capital, while channeling support toward advanced manufacturing, strategic emerging industries, and innovation-driven sectors.

At a press conference, the NDRC said it is expediting work to regulate disorderly low-price competition among enterprises. On one front, efforts are under way to accelerate the revision of the Price Law. The draft amendment clarifies criteria for identifying unfair pricing practices—such as predatory pricing—and focuses on curbing behavior that seeks to undercut competitors or monopolize markets by selling below cost. The amendment also broadens the scope of predatory pricing regulation to include services.

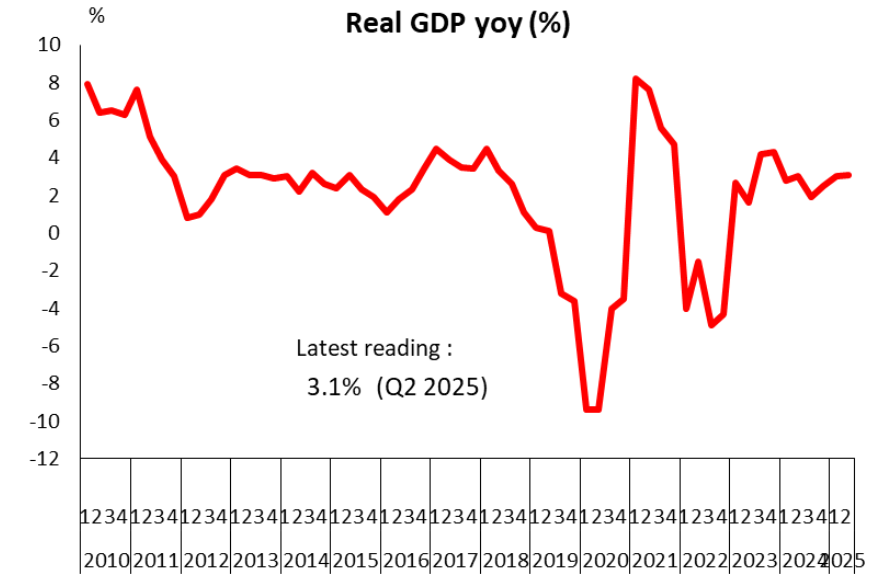
China’s top three on-demand delivery service operators—Alibaba Group Holding, Meituan, and JD.com—have pledged to engage in “rational” competition and avoid excessive subsidies.



Source: Wind, OCBC

HK: Real GDP expanded by 3.1% in 2Q

- According to preliminary data, Hong Kong's real GDP growth steadied at 3.1% YoY in the second quarter of 2025 (1Q25: 3.0% YoY), amid broad-based improvement from private consumption to export. On a seasonally adjusted basis, the economy grew by a slower pace of 0.4% QoQ (1Q25: 1.8% QoQ). **Our full-year GDP growth forecast for 2025 is revised up to 2.6% YoY, from the earlier estimate of 2.2% YoY, on the back of better-than-expected performance in 1H.**
- During 2Q25, private consumption expenditure reverted to growth at 1.9% YoY (1Q25: -1.2% YoY), after four straight quarters of contraction. Growth in goods and service exports paced up to 11.5% YoY and 7.5% YoY respectively (1Q25: 8.4% YoY and 6.3% YoY), thanks to still solid external demand and export front-loading flow. Meanwhile, gross domestic fixed capital formation and government consumption grew further by 2.9% YoY and 2.5% YoY (1Q25: 1.1% YoY and 0.9% YoY).
- While we believe that positive wealth effects stemming from recent asset market rallies may contribute further to the economic recovery in periods ahead, it is still too early for complacency. Global economic growth is set to slow further in the 2H, meanwhile the sentiment in asset market can quickly turnaround.



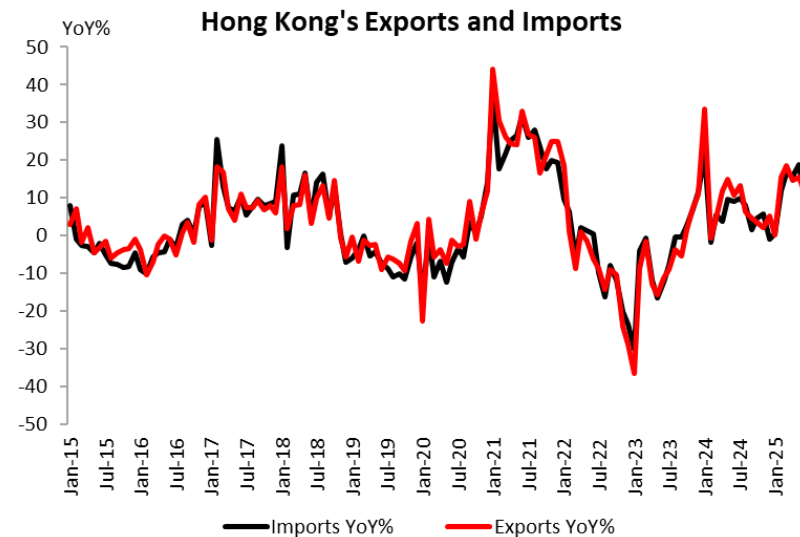
| YoY % change of GDP component | 2024 | 1Q 25 | 2Q 25 |
|----------------------------------|------|-------|-------|
| Private consumption | -0.7 | -1.2 | 1.9 |
| Government consumption | 0.9 | 0.9 | 2.5 |
| Domestic fixed capital formation | 1.9 | 1.1 | 2.9 |
| Exports of goods | 4.7 | 8.4 | 11.5 |
| Exports of services | 5.1 | 6.3 | 7.5 |
| Imports of goods | 2.4 | 7.2 | 12.7 |
| Imports of services | 11.6 | 4.7 | 7.0 |



Source: Census and Statistics Department, OCBC

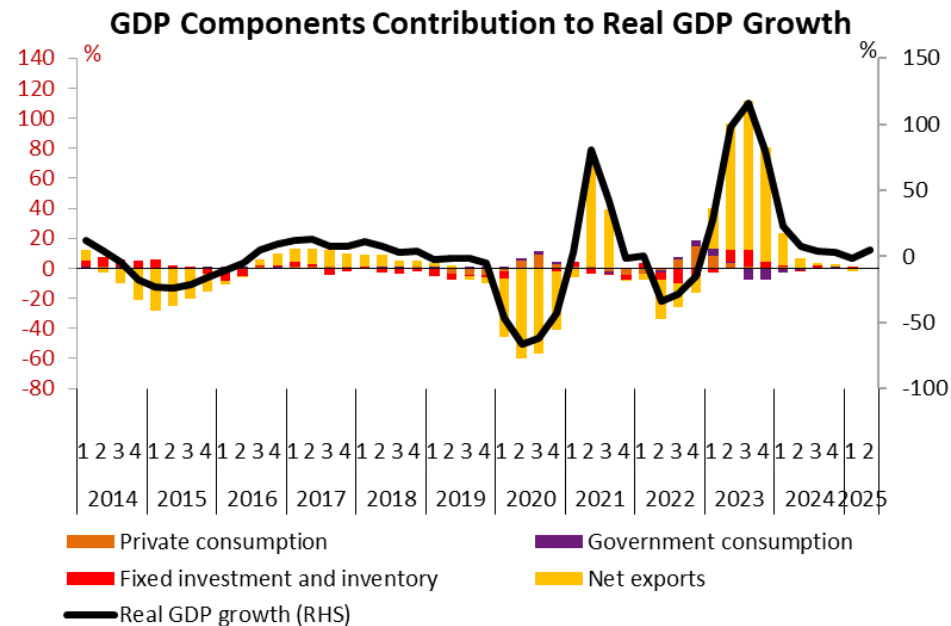
HK: Broad-based decline in exports to major trading partners

- Growth of merchandise exports and imports slowed to 11.9% YoY and 11.1% YoY respectively in June. In sequential terms, exports fell by a faster pace of 3.7% MoM, amid broad-based decline in exports to major trading partners. During the period, trade balance deficit widened to HKD58.9 billion, from that of HKD27.3 billion in May.
- Despite the weakening momentum, for the first half of 2025 as a whole, the value of total exports and imports still recorded solid growth at 12.5% YoY and 12.6% YoY respectively.
- Breaking down, exports to major trading partners continued to show mixed performance in June. Total merchandise exports to Asia as a whole grew by 17.2% YoY, while exports to Netherlands and US plummeted by 35.5% YoY and 12.1% YoY respectively.
- We expect Hong Kong's trade performance to weaken further in the second half, due to the high base a year ago and the slowing global growth.



MO: Economy reverted to growth in 2Q

- According to preliminary data, Macau's GDP grew by 5.1% in real terms in the second quarter, on the back of strong recovery in exports of service and steady domestic consumption.
- Total exports of services reverted to growth at 5.8% YoY (1Q25: -4.0% YoY) during the quarter, on the back of sharp increase in visitor arrivals. Meanwhile, growth of private consumption and government consumption held steady at 0.3% YoY and 1.1% YoY. In the first half, Macau's GDP expanded by 1.8% YoY, and our full-year growth forecast for Macau was at 2.6% YoY.
- Recovery of the gaming sector in Macau paced up in the past few months, alongside enhanced non-gaming offerings, including concerts and shopping festivals. Gross gaming revenue surged by 19.0% YoY to MOP21.06 billion in June and MOP22.13 billion in July.

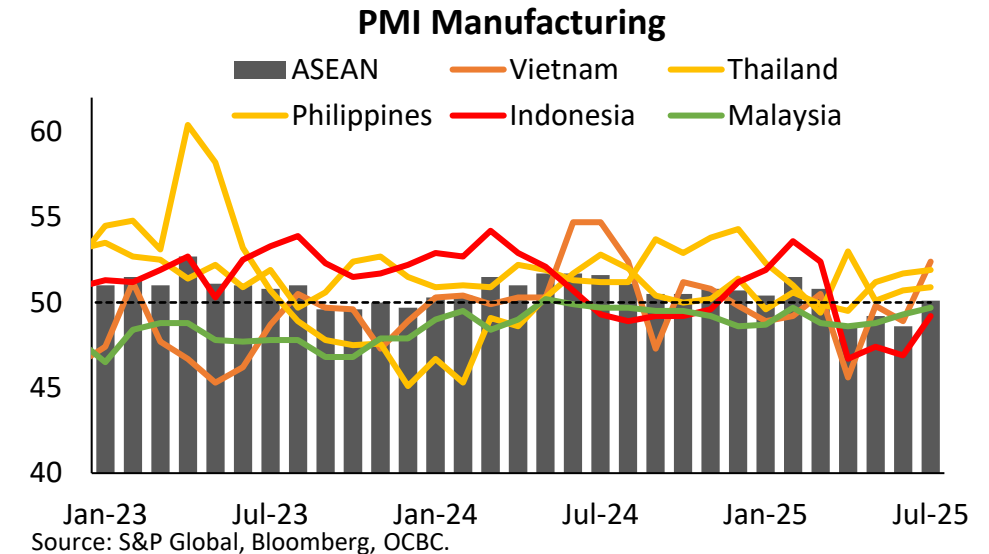


ASEAN: Tariff update; improving manufacturing sentiments

- The majority of ASEAN countries secured reduced US reciprocal tariffs ahead of the original August 1 deadline after months of intense negotiations and concessions. According to President Trump's executive order on 31 July, Singapore is set to receive the lowest rate of 10%, followed by Cambodia, Indonesia, Malaysia, the Philippines, and Thailand at 19%, while Brunei Darussalam faces a higher tariff of 25%. Meanwhile, Laos and Myanmar face an elevated tariff rate of 40% each.
- ASEAN's manufacturing PMIs rebounded in July (50.1 from 48.6 in June) following three months of contraction. Output grew solidly, and new orders contracted at a slower pace, indicating early signs of demand recovery. Nonetheless, the survey noted that the outlook for the year ahead dimmed further, with confidence falling to a five-year low. Firms are anticipating more modest production expansion.

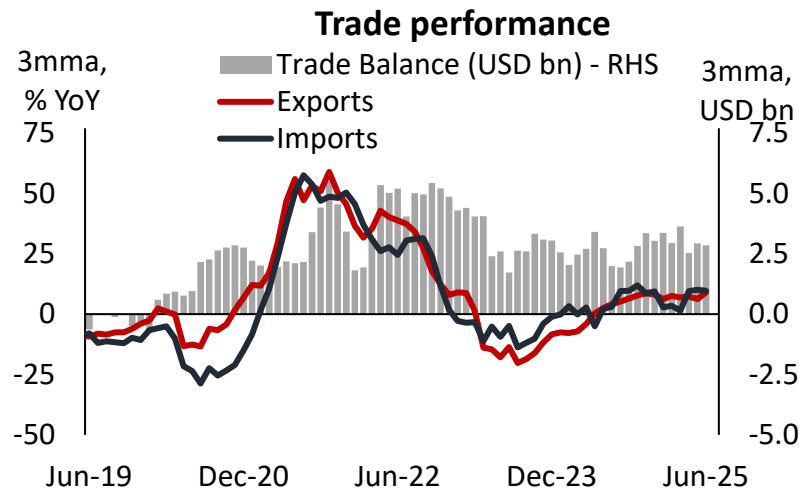
| Country | 2 April announcement (%) | Early July announcement (%) | Latest tariff (%) | 12mth rolling US trade balance (USD bn)* |
|-------------------|--------------------------|-----------------------------|-------------------|--|
| Brunei Darussalam | 24 | 25 ↑ | 25 — | 0.0 |
| Cambodia | 49 | 36 ↓ | 19 ↓ | -13.0 |
| Indonesia | 32 | 32 — | 19 ↓ | -20.6 |
| Laos | 48 | 40 ↓ | 40 — | - |
| Malaysia | 24 | 25 ↑ | 19 ↓ | -27.7 |
| Myanmar | 44 | 40 ↓ | 40 — | - |
| Philippines | 17 | 20 ↑ | 19 ↓ | -6.3 |
| Thailand | 36 | 36 — | 19 ↓ | -51.4 |
| Singapore | 10 | - | - | 0.6 |
| Vietnam | 46 | - | 20 ↓ | -142.2 |

Note: *Data as of May 2025. Source: The White House, US Census Bureau, OCBC.



Indonesia: Improving exports growth

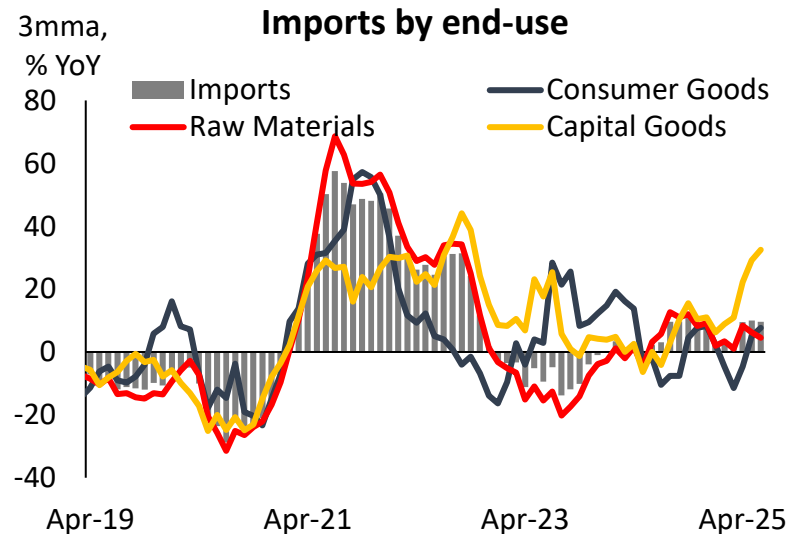
- Exports grew by 11.3% YoY in June from 9.7% in May, beating expectations (Consensus: 10.2%; OCBC: 10.0%). Similarly, imports growth improved to 4.3% in June from 4.1% in May, but was below expectations (Consensus: 6.3%, OCBC: 3.9%). Consequently, the trade balanced narrowed slightly to USD4.1bn from 4.3bn in May.
- Looking at imports by end use, higher capital goods (37.9% YoY in July from 24.9% in June) have more than offset the slowing consumer (1.2% from 5.3%) and raw materials (-2.7% from -1.2%) goods imports. Meanwhile, shipments to the US remains robust, rising 33.5% YoY in June from 25.1% in May.
- The June print brings 1H25 exports growth to 8.0% YoY, up from 7.3% in 2H24. Meanwhile, imports growth eased to 5.6% from 9.6% in 2H24.



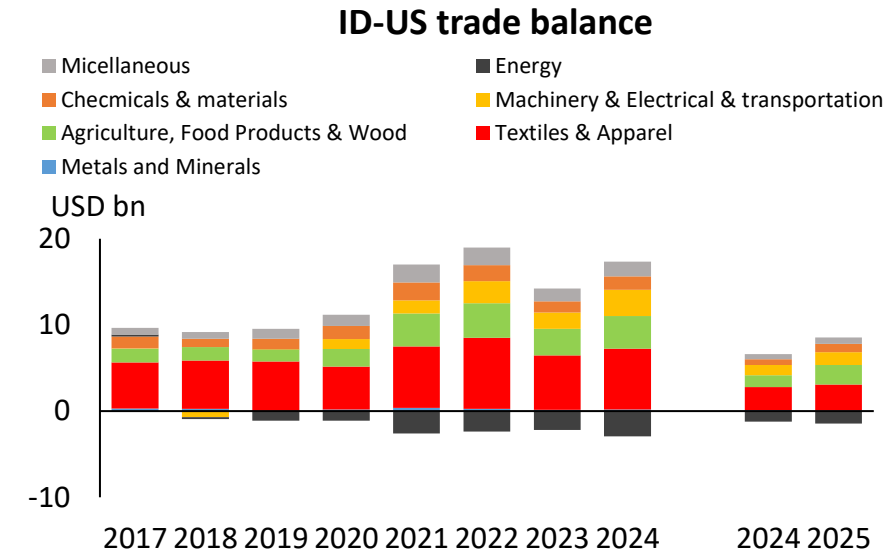
Source: Statistics Indonesia (BPS), CEIC, OCBC.



Source: BPS, CEIC, OCBC.



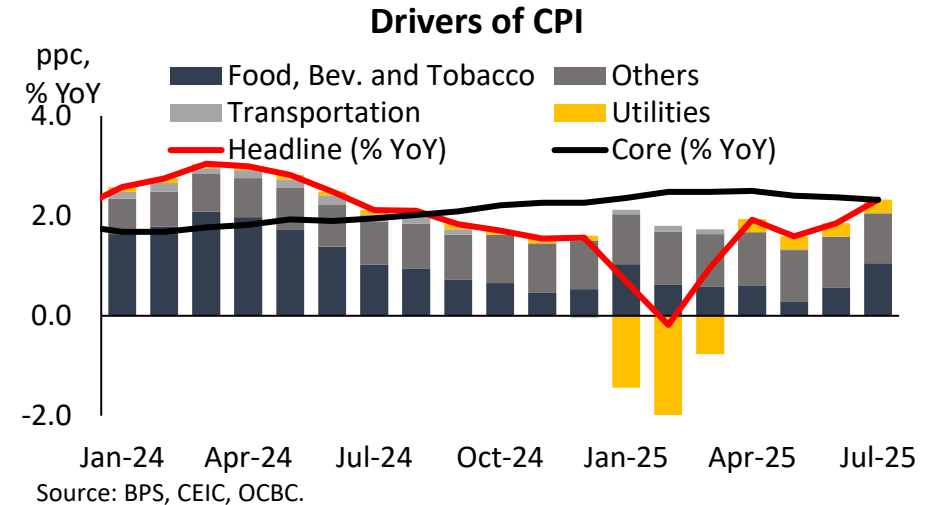
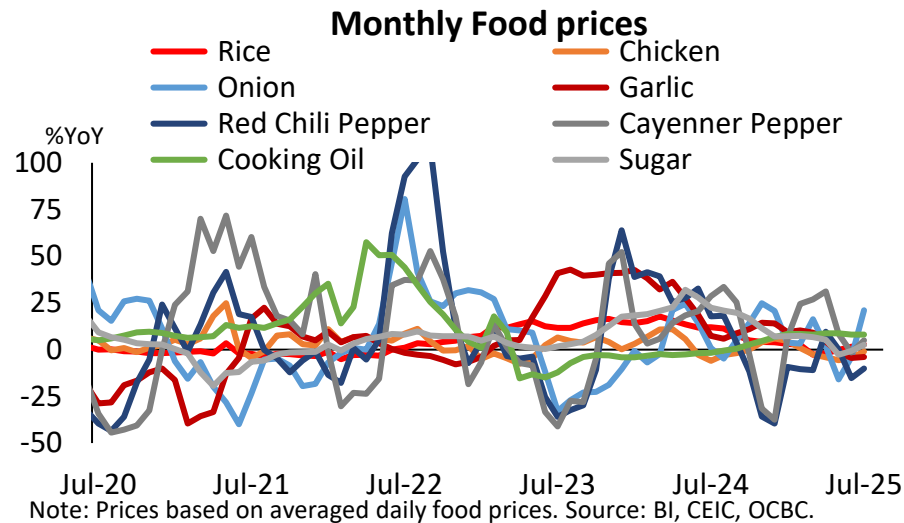
Source: Statistics Indonesia (BPS), CEIC, OCBC.



Note: Data as of May 2025. Source: BPS, CEIC, OCBC Calculation. YTD YTD

Indonesia: Higher headline inflation in July

- Headline CPI rose by more than expected to 2.4% YoY in July from 1.9% in June, and was higher than the consensus of 2.3%. Meanwhile, core inflation eased marginally to 2.3% from 2.4%. Higher Food, Beverage & Tobacco (3.8% from 2.0%), Housing, Water, Electricity & Other Fuel (1.7% from 1.6%), Health (1.9% from 1.8%), and Education (2.0% from 1.8%) more than offset weaker Household Equipment & Routine Maintenance (0.5% from 0.6%), Recreation, Sports, & Culture (1.0% from 1.2%), Food & Beverage Provision (1.9% from 2.0%), and Personal Care & Other Services (9.0% from 9.3%) CPIs.
- The July print brings the Jan–Jul 2025 headline CPI to an average of 1.4%. We maintain our forecast for headline print to average 2.0% in 2025, implying higher price pressures in the months ahead.



Commodities

Commodities: Another bumper supply hike for September

- At its 3 August meeting, eight OPEC+ member countries announced a production increase of 547kbpd for September. This will be the six consecutive production adjustment since April 2025.
- To date, this would bring the total announced production hikes to ~2.46mbpd (2.4% of 2024 world oil demand). This meant that the group has completed the phasing out its 2.2mbpds voluntary adjustment (made in November 2023) ahead of their original schedule. The total announced production hikes also includes the gradual phasing in of UAE's 300kbpd production increase.
- Increasing OPEC+ production is expected to exert downward pressure on oil prices. We maintain our forecasts for WTI and Brent crude oil prices, averaging USD64/bbl and USD68/bbl in 2025, respectively, reflecting our expectations for a healthy global oil inventories in 2H25.

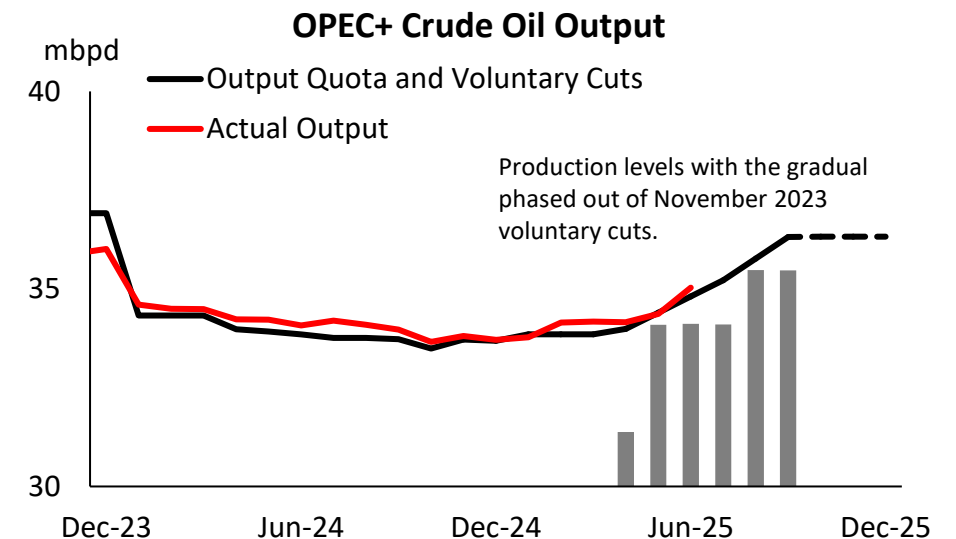
| OPEC+ Member Countries | May Actual | May Required Production | June Actual | June Required Production | July Required Production | August Required Production | September Required Production |
|------------------------|------------|-------------------------|-------------|--------------------------|--------------------------|----------------------------|-------------------------------|
| Algeria | 0.92 | 0.92 | 0.92 | 0.93 | 0.94 | 0.95 | 0.96 |
| Iraq | 4.05 | 4.05 | 4.03 | 4.09 | 4.12 | 4.17 | 4.22 |
| Kuwait | 2.44 | 2.44 | 2.46 | 2.47 | 2.49 | 2.52 | 2.55 |
| Saudi Arabia | 9.20 | 9.20 | 9.54 | 9.37 | 9.53 | 9.76 | 9.98 |
| UAE | 3.02 | 3.02 | 3.09 | 3.09 | 3.17 | 3.27 | 3.38 |
| Kazakhstan | 1.49 | 1.49 | 1.83 | 1.50 | 1.51 | 1.53 | 1.55 |
| Oman | 0.77 | 0.77 | 0.77 | 0.78 | 0.78 | 0.79 | 0.80 |
| Russia | 9.08 | 9.08 | 9.00 | 9.16 | 9.24 | 9.34 | 9.45 |

Note: Units are in mbpd

Source: Platts OPEC+ survey by S&P Global Commodity Insights, OPEC, OCBC.



Source: OPEC, Bloomberg, Reuters, S&P Global Commodity Insights, OCBC.



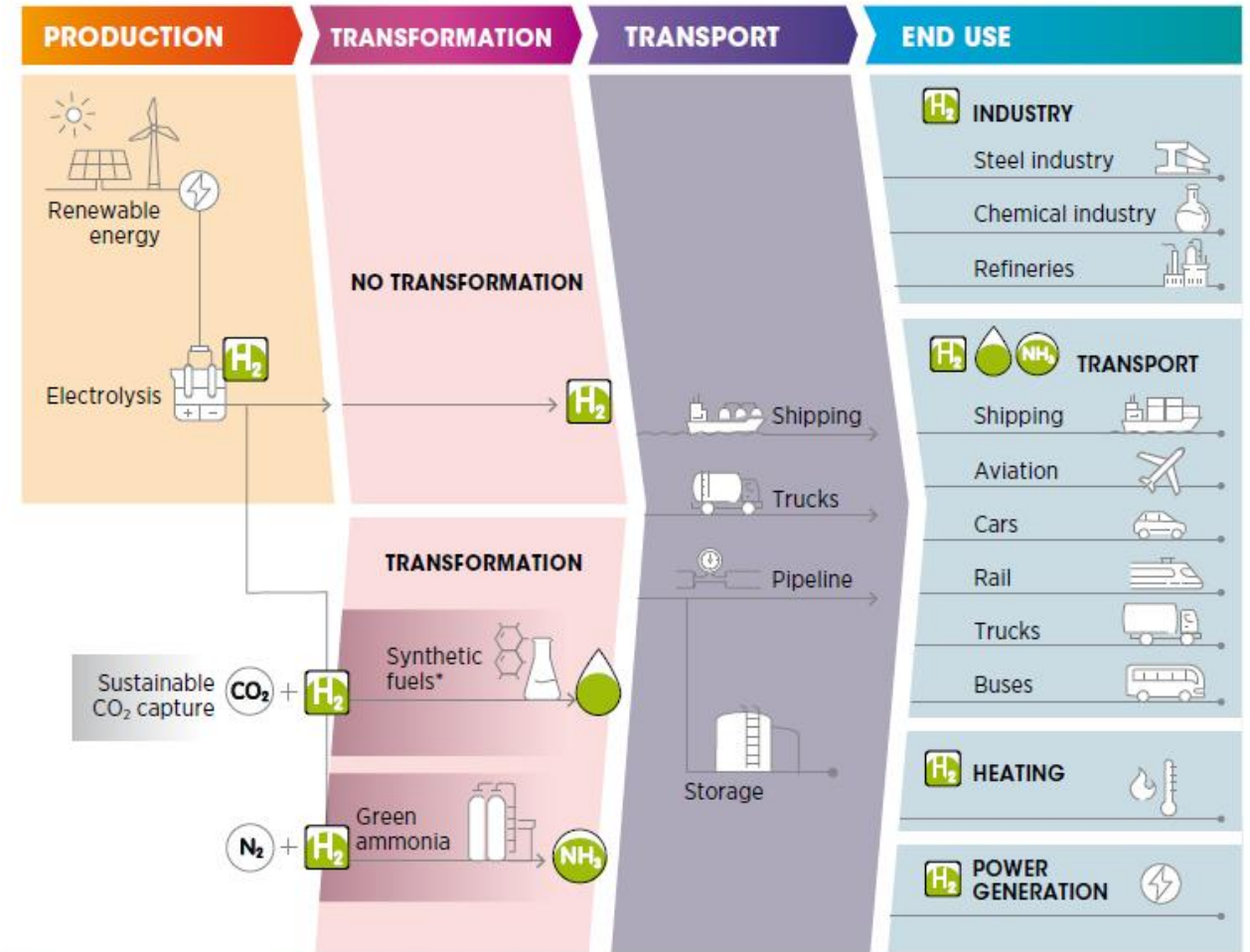
Source: Platts OPEC+ survey by S&P Global Commodity Insights, OPEC, OCBC.

ESG

ESG: Low-carbon hydrogen sector faces setbacks due to high production costs

- Several green hydrogen projects in the US, Europe, Australia and Asia have scaled back as production costs remain high amidst weak demand.
- For many industries, switching to green hydrogen would mean a substantial increase in energy expenses as production remains at least 3 times more expensive than natural gas as a fuel for power generation.
- Many governments support the development of supply chains for low-carbon hydrogen to decarbonize sectors including transport and oil refining, and have included green hydrogen in their national decarbonisation strategies. For example, Singapore plans to use low-carbon hydrogen to support its transition towards net zero by 2050, depending on technological developments and the development of other energy sources.

Green hydrogen production, conversion and end uses:



Source: IRENA.

* The term synthetic fuels refers here to a range of hydrogen-based fuels produced through chemical processes with a carbon source (CO and CO₂ captured from emission streams, biogenic sources or directly from the air). They include methanol, jet fuels, methane and other hydrocarbons. The main advantage of these fuels is that they can be used to replace their fossil fuel-based counterparts and in many cases be used as direct replacements – that is, as drop-in fuels. Synthetic fuels produce carbon emissions when combusted, but if their production process consumes the same amount of CO₂, in principle it allows them to have net-zero carbon emissions.

ESG: Low-carbon hydrogen sector faces setbacks due to high production costs

- However, prices remain high because of the high cost of electrolyzers needed for large-scale production and infrastructural bottlenecks. Due to its low density, hydrogen faces storage challenges as it requires high pressure tanks and poses risks for transportation through old gas pipelines in case of hydrogen leaks. Infrastructure upgrades for a safe and robust hydrogen storage and transportation network would be required for leveraging low-carbon hydrogen as a decarbonisation tool.
- The overall global pipeline of green hydrogen projects have contracted with cancelled or postponed projects, indicating a widespread retreat from formerly ambitious green hydrogen targets worldwide:
 - **BP** exited a major US\$36bn green hydrogen facility in Western Australia
 - **Shell** cancelled a low-carbon hydrogen plant on Norway's west coast due to lack of demand, days after **Equinor** cancelled a similar project planned for Norway
 - **Neste** withdrew from renewable hydrogen investment at its Finland plant, citing market conditions
 - **Kawasaki Heavy Industries** walked away from a coal-to-hydrogen project in Latrobe, citing time and cost pressures

FX & Rates



FX and Rates: September FOMC is Live

- **USD rates.** UST yields plunged on the payroll report, in a steepening manner as market added back to rate cut expectations. July payroll came in weak at 73K, while the figures for the previous two months were revised downward substantially, to 14K for June and 19K for May; these leave three-month average at 35K and six-month average at 81K, well below those for most of the months in the 2013-2019 period to which we like to make comparison when the Fed funds rates were at or below 2.5% then. Under the separate household survey, unemployment rate edged back up to 4.2% which itself was the highest since October 2021; underemployment rate was higher at 7.9% versus 7.7% prior. July ISM manufacturing printed weak at 48 points, with employment particularly weak at 43.4 point while prices paid and new orders also printed a tad lower than expected. Now the risk appears at least in balance, if not skewed to the downside risk in the labour market. 2Y UST yield at 3.69% appears mostly in line with current market pricing of rate cuts – although this is slightly more dovish than our base-case, the valuation does not look overly stretched. We expect consolidation for 2Y UST yield. On the other hand, the fall in the 10Y UST yield was driven by both lower breakeven and real yield; we see a small downside room to both components on a multi-month horizon.
- ***DXY. In Consolidation Following the Sharp Drop.*** US NFP headline print of 73k missed expectations (104k) while downward revisions for the last 2 months (-258k) caught markets by surprise. Nevertheless, this alongside the slump in ISM employment (43.4) point to softening labour market. Markets were just positioning for a potential return of US exceptionalism trade, but the soft labour market print suggests that the return of US exceptionalism trade may well be a back burner. Fed fund futures are now suggesting that a Sept rate cut should not be ruled out. Focus this week on ISM services data (Tue); initial jobless claims (Thu) and Fedspeaks.
- **GBP rates.** We expect the Bank of England to cut its Bank Rate by 25bps this week, notwithstanding the pick-up in June inflation as the Bank is likely to put more focus on the cooling labour market. Bailey recently opined pay rises are possibly less than they would have been if the NICs change hadn't happened – this has been our view as we earlier wrote “the increase in employer NICs may lead firms to contain pay increase to partly offset the impact on their costs.” We expect the central bank to stick with a gradual and careful approach, in view of upside risk to inflation and inflation expectations, before signs showing that the labour market weakens at a more rapid pace. After this week's expected rate cut, we have one more 25bp cut for Q4-2025 in our forecast profile. GBP OIS fully price in this week's expected cut, and price a total of 54bps of cuts for the rest of the year (including this week's), which looks fair to us. We continue to see the 10Y Gilt being supported at current bond/swap spread level.
- **USDJPY. Sell Rally Intact.** USDJPY turned sharply lower as US payrolls underwhelmed while Finance Minister also commented on FX moves after the pair rose above 150-levels. Specifically, he said “the government is deeply concerned about trends in the currency market, including speculative movements” and that “it's important for exchange rates to remain stable, reflecting economic fundamentals”. We continue to look for BoJ to hike rate at some point later this year. Political uncertainty (referring to PM Ishiba's political career/ LDP leadership), credit rating concerns (dependent on fiscal health) and carry allure may still be somewhat supportive of USDJPY but “sell USD” trade momentum can negate.

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