Weekly Macro Views (WMV)

Global Markets Research & Strategy

18 August 2025

Weekly Macro Update

Key Global Data for this week:

18 Aug	19 Aug	20 Aug	21 Aug	22 Aug
• **EC** Trade Balance SA • **IN** Unemployment Rate • **JN** Tertiary Industry Index MoM • **SI** Non-oil Domestic Exports YoY • **SI** Electronic Exports YoY • **TH** GDP YoY	• **HK** Unemployment Rate SA • **MA** Trade Balance MYR • **PH** BoP Overall • **US** Building Permits • **US** Housing Starts	• **CH** 1-Year Loan Prime Rate • **CH** 5-Year Loan Prime Rate • **EC** CPI YoY • **ID** BI-Rate • **NZ** RBNZ Official Cash Rate • **UK** CPI YoY	• **EC** Consumer Confidence • **EC** HCOB Eurozone Composite PMI • **HK** CPI Composite YoY • **US** Initial Jobless Claims • **US** FOMC Meeting Minutes • **US** Continuing Claims	• **JN** Natl CPI YoY • **JN** Natl CPI Ex Fresh Food YoY • **MA** CPI YoY • **TH** Gross International Reserves • **UK** Retail Sales Inc Auto Fuel YoY

Summary of Macro Views:

Global	• **Global:** Alaska recap, Europe meets Trump in Washington • **US:** Inflation picks up • **US:** Tepid outlook weighs on manufacturing and sentiment
Asia	• **SI:** July NODX shrank 4.6% YoY as electronics exports eased • **SI:** MTI upgrades 2025 GDP growth forecast to 1.5-2.5% YoY • **HK:** Growth expected to slow in second half • **HK:** HIBORs continued to normalize upward

Asia	• **ID:** 2026 deficit underscores limited growth support • **MY:** Stable 2Q25 GDP growth • **TH:** BoT cuts with more to come
Asset Class	• **FX & Rates:** China flow data; Trump meets EU leaders next

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Global: Central Banks

Forecast – Key Rates

People's Bank of China (PBoC)	Reserve Bank of New Zealand (RBNZ)	Bank Indonesia (BI)
中国人民银行		
Wednesday, 20^{th} August	**Wednesday, 20^{th} August**	**Wednesday, 20^{th} August**

House Views

1-year Loan Prime Rate **Likely hold at 3.00%** *5-year Loan Prime Rate* **Likely hold at 3.50%**	*Official Cash Rate* **Likely *cut* by *25bps* from 3.25% to 3.00%**	*Policy Rate* **Likely hold at 5.25%**

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Global: Alaska recap, Europe meets Trump in Washington

Recap	Events
15 August: Alaska Summit No ceasefire attained.	• No additional sanctions, directly or indirectly on Russia's trading partners were imposed since the meeting. • President Trump ruled out Ukraine regaining control of Crimea, which was illegally annexed by Russia since 2014, and announced on his Truth Social platform "no going into NATO by Ukraine." • President Trump's envoy Steve Witkoff, noted that Russia had agreed to "Article-5 like security guarantees" to Ukraine, which refers to the NATO provision of collective defence.
Looking Ahead	**Events**
19 August: European Leaders and President Zelensky to Meet Trump	• Despite President Trump's comments putting the onus on President Zelensky to end the war, President Zelensky's red line to making territorial concessions may likely result in the continued stalling of peace agreements. This was reiterated by the European Council which stated that "(it) will be up to Ukraine to make decisions on its territory. International borders must not be changed by force." • A key factor to watch out for would be the Article-5 like security guarantees, proposed in Alaska, which may cause President Zelensky to reconsider his position.
22 August: Jackson Hole Symposium	• The Jackson Hole symposium, aptly titled "Labor markets in transition", will be the main market focus this week, with Fed chair Powell likely to navigate market hopes of a rate cut at the upcoming September FOMC meeting.

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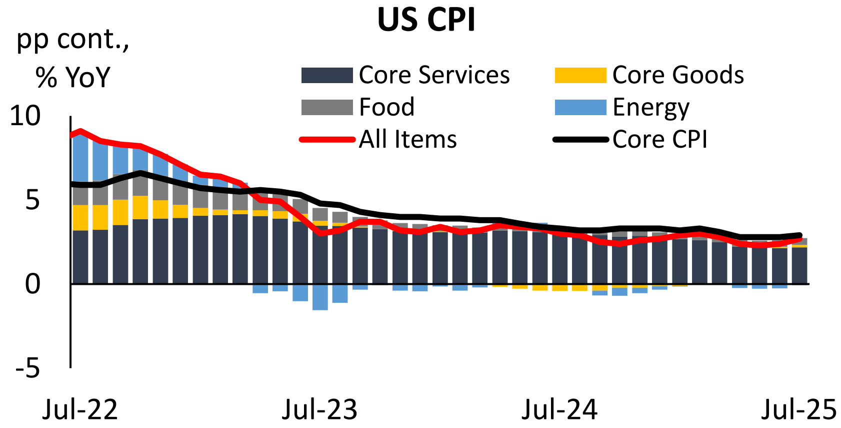
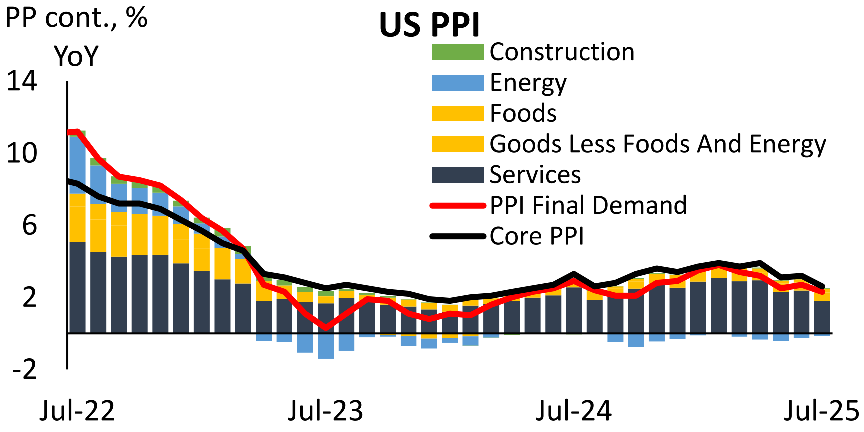
Source: AP, BBC, Bloomberg, OCBC

US: Inflation picks up

- US headline CPI rose by 2.7% YoY (0.2% MoM) in July from 2.7% (0.3% MoM) in June, lower than expectations (Consensus: 2.8%; 0.2% MoM). Similarly, core CPI which excludes food and energy, climbed 3.1% YoY, versus the 2.9% in June, while the 0.3% monthly gain was in line with forecasts. Despite broad price increases across goods and services, declines were noted in specific categories such as shelter, medical care, and education.
- Meanwhile, PPI for July came in hotter-than-expected, accelerating to 3.3% YoY (0.9% MoM) up from a revised 2.4% (0.0% MoM) in June. The increase was driven by a sharp rebound in services inflation (1.1% MoM in July versus -0.1% in June) and goods prices (0.7% versus 0.3%), largely reflecting higher food costs. The data suggests rising input costs may be starting to pressure businesses, potentially signalling early effects of tariff pass through on inflation. Compared to the more moderate July CPI print, the outsized PPI gain underscores the need for scrutiny of the Fed's preferred inflation gauge, the core PCE data, which is due later this month.



Source: Bloomberg, OCBC.

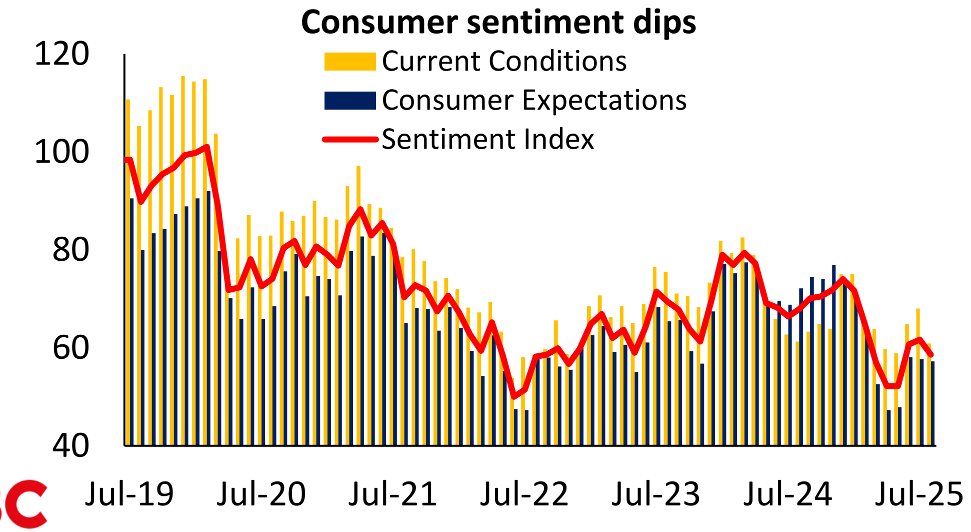


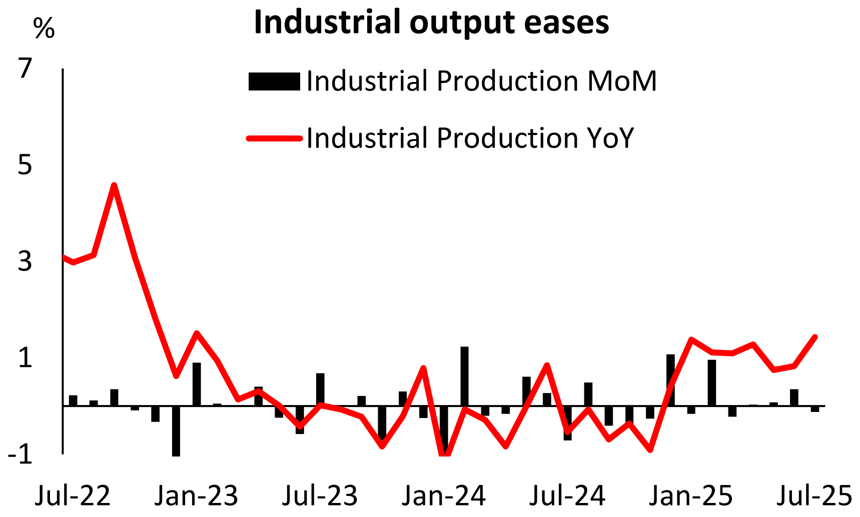
Source: Bloomberg, OCBC.

Source: Bureau of Labor Statistics, Bloomberg, OCBC

US: Tepid outlook weighs on manufacturing and sentiment

- Consumer sentiment dropped to 58.6 in August 2025, down from 61.7 in July and well below expectations of 62. Consumer sentiment fell for the first time in four months, mainly due to growing inflation concerns and sharply worse buying conditions for durable goods. The current conditions index deteriorated to 60.9 from 68 and the expectations gauge fell to 57.2 from 61.7. Meanwhile, year-ahead inflation expectations surged to 4.9% from 4.5% and the five-year expectations gauge edged up to 3.9% from 3.4%. Notably, the survey indicated a growing concern about US trade policy and its anticipated effects on consumer prices.
- Industrial production edged down 0.1% MoM in July 2025, missing forecasts of a flat reading and following an upwardly revised 0.4% rise in June. Manufacturing output, which accounts for three-quarters of total industrial production, was unchanged after increasing 0.3% in June. The index for mining declined 0.4%, and the index for utilities decreased 0.2%. Producers are likely to face stronger headwinds including weakening consumer sentiment and rising costs driven by tariffs.

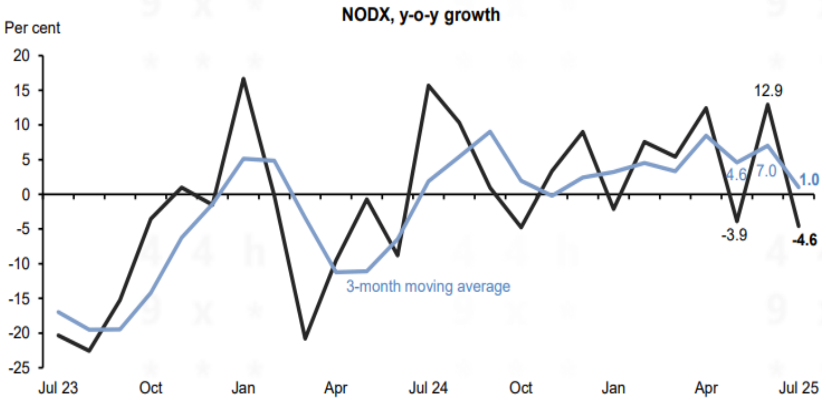


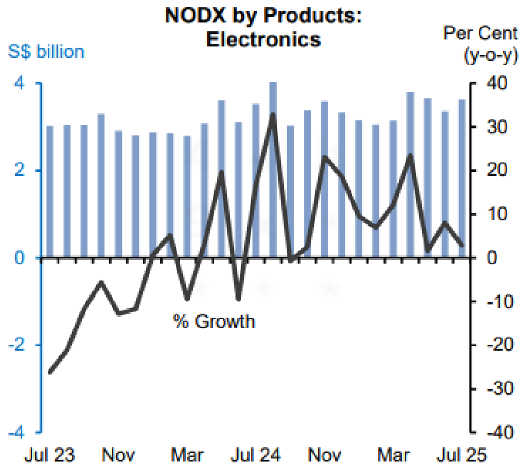


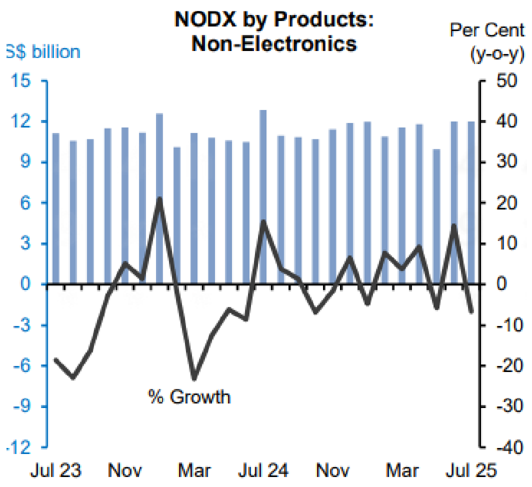
Source: Federal Reserve Board, University of Michigan, Bloomberg, OCBC

Singapore: NODX shrank 4.6% YoY, electronics exports eased

- Singapore's July NODX shrank 4.6% YoY (-6.0% MoM sa), marking the worst YoY contraction since October 2024 (-4.7% YoY). This was close to our forecast of -4.5% YoY, (-5.5% MoM sa), but below Bloomberg consensus forecast of -1.0%. The June NODX was also revised slightly lower to 12.9% YoY (14.3% MoM sa).
- Electronics export growth eased from 8.0% YoY in June to 2.8% YoY in July, whilst non-electronics exports declined 6.6% YoY after a 14.4% YoY expansion in June. While electronics exports were led by PCs (80.4% YoY), ICs (8.0%) and bare PCBs (25.8%), the non-electronics was dragged down by pharmaceuticals (-18.9% due to a high base last year), petrochemicals (-23.4%) and food preparations (-26.3%). This suggests that even sustained positive electronics NODX growth may not be sufficient to offset the weakness in non-electronics exports if pharmaceuticals exports stay soft, especially amid the potential threat of US' tariffs on pharmaceutical imports. US president Trump has proposed to initially import a small tariff on pharmaceutical import but go to 150% and 250% in about 1-1.5 years.
- Our 2025 NODX growth forecast of 2% YoY assumes that 2H25 NODX will contract on-year. At this juncture, while the US baseline reciprocal tariff of 10% for Singapore looks unlikely to change, the looming storm is over possible tariffs for semiconductors and pharmaceuticals.



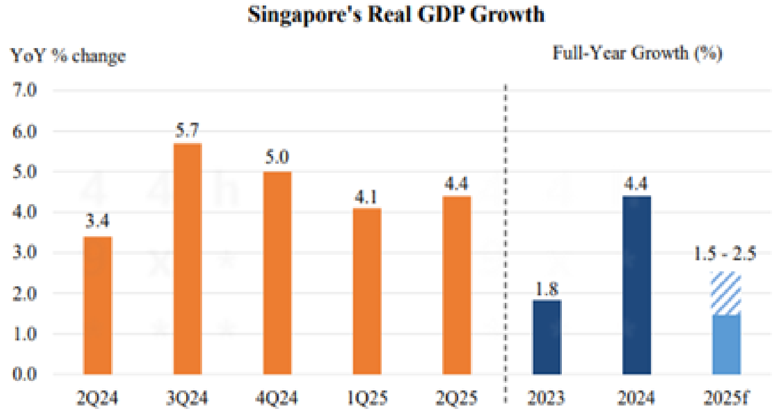


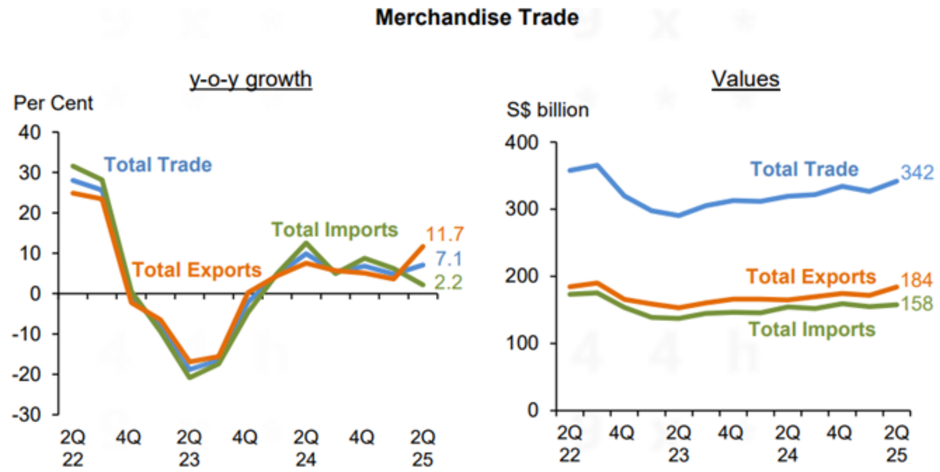


Source: EnterpriseSingapore, OCBC.

Singapore: MTI upgrades 2025 GDP growth forecast to 1.5-2.5% YoY

- Singapore’s 2Q25 GDP growth was revised to 4.4% YoY (1.4% QoQ sa), an improvement from the 4.1% YoY (-0.5% QoQ sa) in 1Q25. This was an upward revision from the flash 2Q25 estimate of 4.3% YoY (1.4% QoQ sa), bringing the 1H25 growth to 4.3% YoY (1H24: 3.3% YoY). The 2Q25 GDP growth performance was mainly attributed to wholesale trade (4.7% YoY), manufacturing (5.2% YoY), and transportation & storage sectors (5.1% YoY), boosted by frontloading ahead of tariffs, while finance & insurance (4.2% YoY) also benefited from the banking and auxiliary activities in tandem with cross-border payment transactions as well as the return in investor risk appetite and improved market sentiments post the 90-day implementation deferral of reciprocal tariff announcement on Liberation Day.
- MTI upgraded the full-year 2025 GDP growth forecast from 0-2% YoY to 1.5-2.5% YoY (versus our house forecast of 2.1% YoY). This already assumes that 2H25 growth momentum will moderate after the robust performance in 1H25. The rhetoric is still understandably cautious, indicating that while 2025 GDP growth for key economies is not tipped to be as weak as earlier anticipated. Nevertheless, 2H25 growth prospects of Singapore’s major trading partners should ease as the frontloading boost dissipates and US’ reciprocal tariffs take effect. More importantly, the unpredictability of US’ trade policies, including risks of sectoral tariffs on semiconductors and pharmaceuticals, persist and exert a downward tilt to the balance of risks for the global economy.

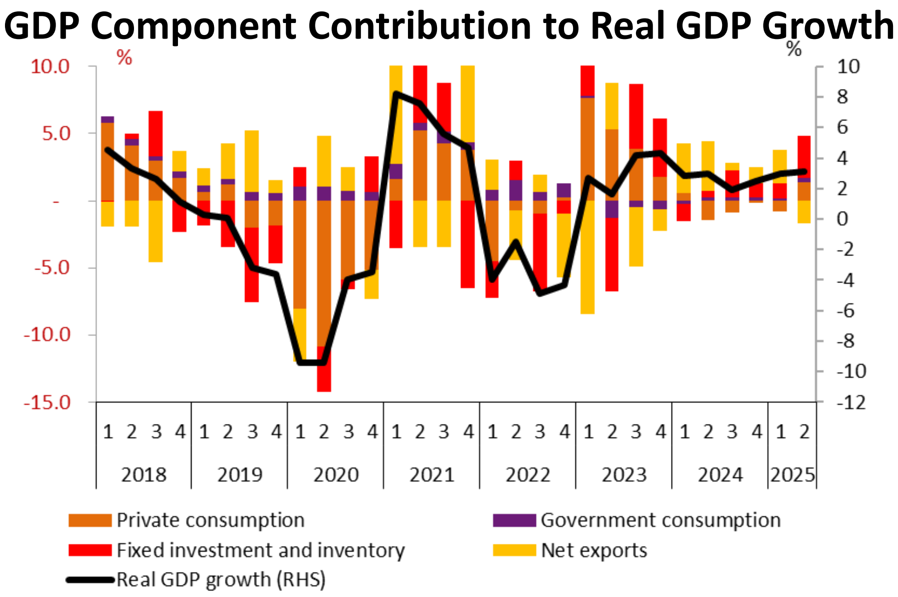




Source: MTI, EnterpriseSingapore, OCBC.

HK: Growth expected to slow in second half

- According to revised reading, Hong Kong's real GDP growth paced up to 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). Government kept its full-year growth unchanged at 2%-3%, taking into consideration uncertainties surrounding the pace of interest rate cut and tariff policies in the US.
- 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. 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. Export performance is expected to weaken in periods ahead, due to the high base a year ago, tariff-induced disruptions and the slowing global growth.

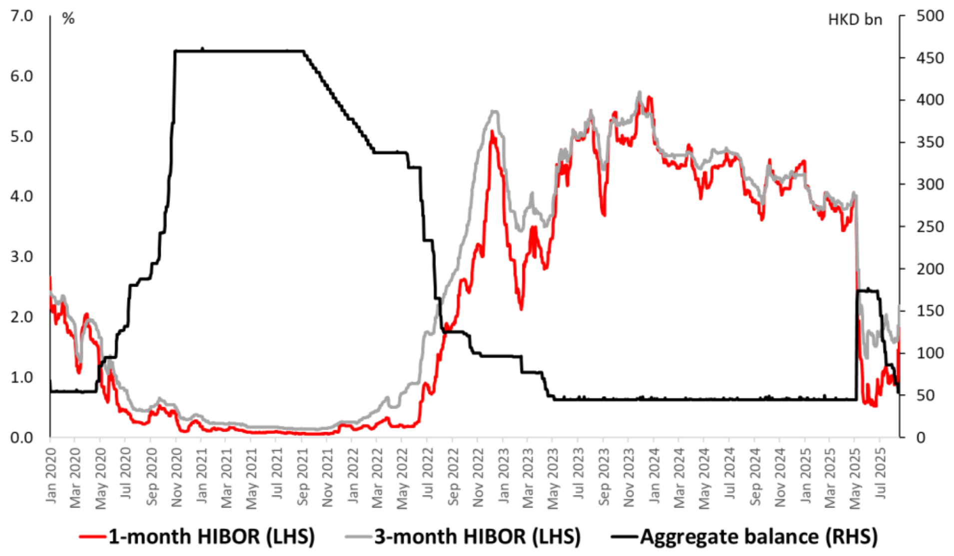


Source: Census and Statistics Department, OCBC

HK: HIBORs continued to normalize upward

- FX intervention at weak side Convertibility Undertaking since late June amounted to HKD120bn, reversing almost all of the HKD129.4bn of liquidity injected in May. Aggregate Balance (interbank HKD liquidity) will fall to HKD53.7bn, near the tipping point which may be generally seen as around HKD50bn level.
- HIBORs have turned more responsive to the recent liquidity drainage as Aggregate Balance fell to a low level, in line with our expectations. We expect 3M HIBOR to normalize back to 2.0-2.5% area over time. 1M and 3M HIBORs were up by over 100bps and 58bps respectively in the past three sessions, partly due to the strong southbound inflows.
- Investors have turned more cautious as reflected by spot USD/HKD not recovering back to near 7.8500 level as it did shortly after previous rounds of intervention, while t/n was trading at around -5pips this morning versus -9pips previously. This may mean the next liquidity drainage is further away, which underpins our expectation for HIBORs to rise but to below pre-May levels.

Aggregate Balance and HIBORs



Source: Bloomberg, OCBC

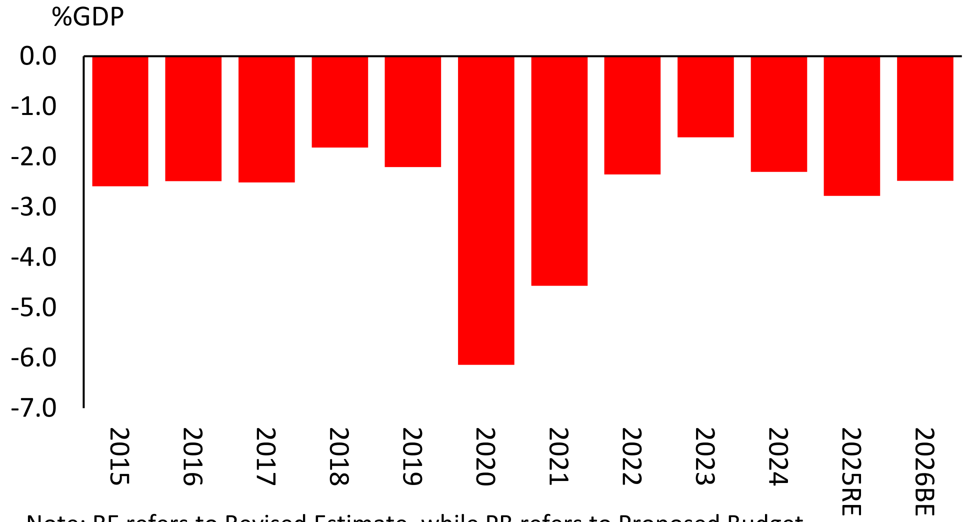
Indonesia: 2026 deficit underscores limited growth support

- President Prabowo Subianto set the 2026 budget deficit at IDR638.8trn, or 2.48% of GDP, from a revised 2.78% in 2025, staying below the 3% budget rule.
- Revenue is targeted at IDR3,147.7trn and spending at IDR3,786.5trn, including IDR335trn for the administration's flagship free meals programme, up from IDR171trn this year. The programme aims to reach 82.9mn students, children, and pregnant women in 2026.
- The budget is based on GDP growth of 5.4% in 2026, versus 5.2% this year, though this is notably above our forecast of 4.7% and 4.8% growth in 2025 and 2026, respectively.

	Outlook 2025	Budget draft 2026
GDP (%)	4.7 – 5.0	5.4
Inflation (%)	2.2 – 2.6	2.5
USDIDR	16,300 – 16,800	16,500
10yr IndoGB (%)	6.8-7.3	6.9

Source: MoF, CEIC, OCBC.

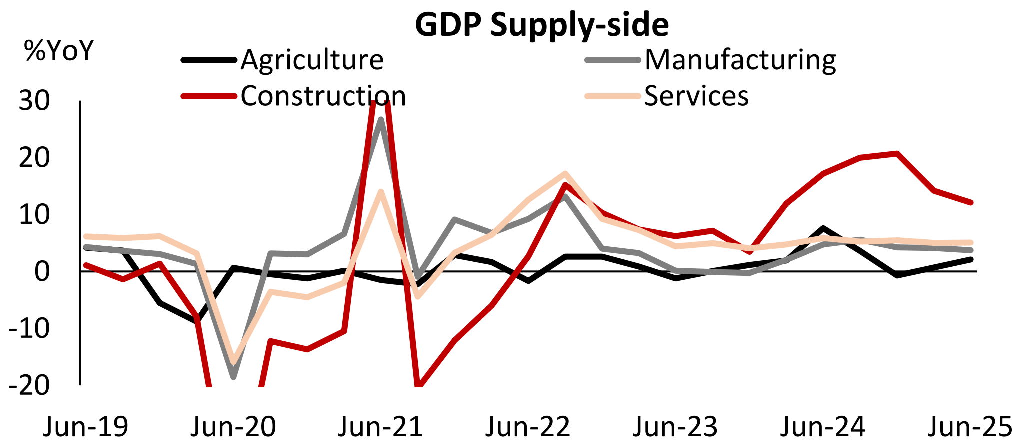
Fiscal balance



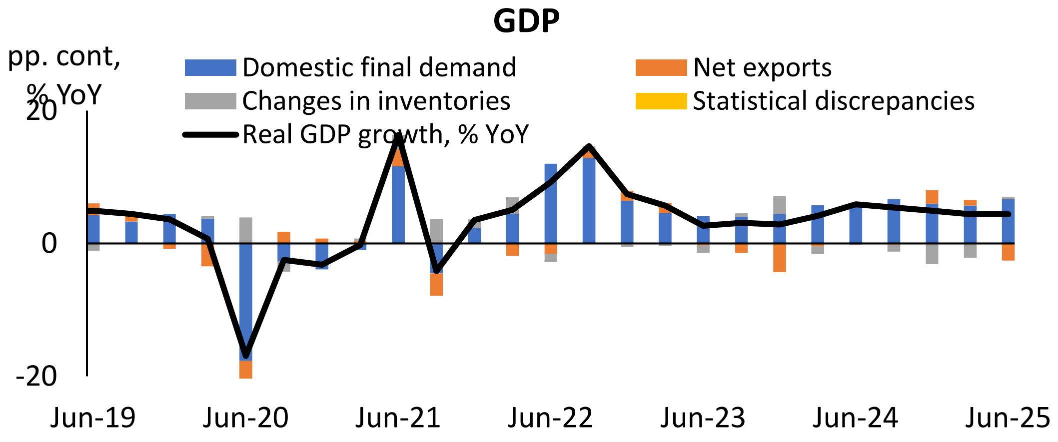
Note: RE refers to Revised Estimate, while PB refers to Proposed Budget.
Source: MoF, CEIC, OCBC.

Malaysia: Stable 2Q25 GDP growth

- The final 2Q25 GDP print was modestly weaker than expected at 4.4% YoY compared to an advance estimate of 4.5%, but similar to the pace of growth in 1Q25 GDP growth. Domestic final demand contributed a robust 6.6pp to headline GDP growth even as net exports shaved off 2.6pp, with changes in inventories adding 0.3pp. Private sector contribution, which has been resilient for the past year, continued it show of strength adding 5.4pp to headline GDP from 4.7pp in 1Q25 while public sector contribution was modestly higher at 1.3pp from 1.0pp.
- The supply side showed that the modest downside revisions from the advance estimate were due to the services (5.1% versus 5.3% for the advance estimate), manufacturing (3.7% versus 3.8%) and agriculture (2.0% versus 2.1%) sectors, which more than offset higher growth in the construction sector (12.1% versus 11%). Nonetheless, most of these sectors, which the exception of manufacturing and mining, registered higher growth in 2Q25 compared to 1Q25.



Source: CEIC; OCB

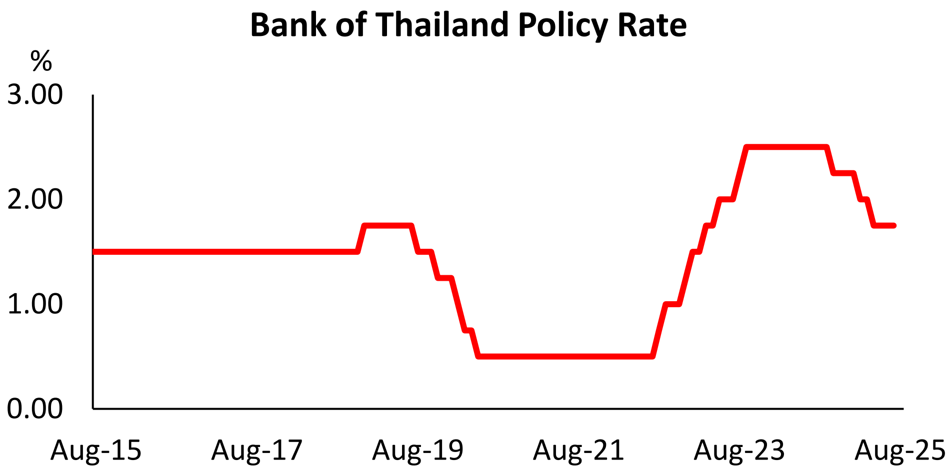


Source: CEIC; OCBC

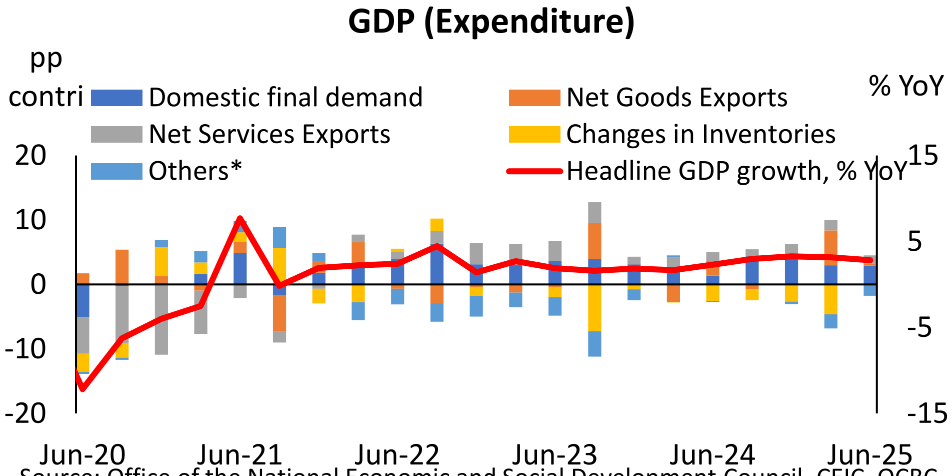
Source: DOSM, CEIC, OCBC.

Thailand: BoT cuts with more to come

- The Bank of Thailand's Monetary Policy Committee unanimously cut its policy rate by 25bp to 1.50%, broadly in line with expectations. Despite stronger-than-expected 2Q25 growth, partly driven by higher exports, the BoT forecasts slower economic momentum in the latter half of 2025, with annual growth projections of 2.3% for 2025 and 1.7% for 2026. We expect weaker growth of 1.8% in 2025.
- With inflation remaining subdued, the BoT signaled a shift toward maintaining accommodative monetary policy to support the economy, indicating potential for further easing. Indeed, it noted that credit growth remains negative, "due to increased credit risks, particularly in SMEs and low-income household, alongside heightened debt repayments and reduced credit demand by large businesses amid heightened economic uncertainty."
- To that end, we continue to see room for the BoT to cut its policy rate by another 25bp for the remainder of the year, bringing the policy rate to 1.25% by year-end.



Source: Bank of Thailand, CEIC, OCBC.



Source: Office of the National Economic and Social Development Council, CEIC, OCBC.

Source: BoT, CEIC, OCBC.

FX & Rates

FX and Rates: China flow data; Trump meets EU leaders next

- **USD rates.** Powell's speech at Jackson Hole on Friday is in focus, including as to whether if he would tweak his wait-and-see stance or at least stop pushing back on rate cuts expectations. This week, there are auctions of USD8bn of 30Y TIPS and USD16bn of 20Y bond. Net bill settlement is at USD89bn as US Treasury continues to replenish cash position. TGA balance was last at USD549bn on 14 August, USD301bn away from the target of USD850bn. Most of the increase in TGA balance has thus far been matched with drop in reverse repos (all tenors), leaving bank reserves relatively stable. TIC data recorded inflows into USTs at USD80.2bn during June. Major investors including UK and Japan added to their holdings during the month. Although valuation might have been a factor, inflows into USTs and outflows from some Asian LCY bonds in the recent two months suggest that asset re-allocation is not a one-way train.

- **EURUSD. *Recent Range to Hold.*** Trump-Putin Summit in Alaska saw no deal despite "nearly three hours" of talk between the 2 leaders. At the end of the joint press conference, Putin spoke in English to invite Trump to Moscow. On a Truth Social post, Trump indicated that Zelenskiy "can end the war with Russia almost immediately, if he wants to, or he can continue to fight". Geopolitics focus shifts to Trump's meeting with Ukraine and Europe later. Trump will next meet Ukraine President and European leaders separately later today at 115am and 3am (SGT). It is possible that more details of what was discussed between Trump and Putin in Alaska will be revealed later.

- **USDJPY. *Sell Rallies.*** USDJPY continued to trade in recent range after the 2-way moves seen last week owing to US data and comments from Treasury Secretary Scott Bessent. Focus this week on Japan CPI (Fri) but expect external events to drive USDJPY more. Fed Chair Powell's speech at Jackson Hole (Fri) will be closely scrutinised as implications on UST yields is likely to drive USDJPY's direction. Meanwhile, we still favour selling USDJPY on rallies. A resumption of Fed-BoJ policy divergence should underpin the direction of travel for USDJPY to the downside. Wage growth, broadening services inflation and upbeat economic activities in Japan should continue to support BoJ policy normalisation.

- **CNY rates.** We maintain a mild steepening bias on the CGB curve across 2s30s and 5s30s segments. Although the next rate cut no longer appears imminent, PBoC has stayed supportive of liquidity. Onshore CNY bonds (excluding NCDs) saw heavy outflows of CNY136bn in July; in addition, NCDs saw outflows of CNY167bn. Both were the biggest since at least 2014. The NCD outflows were not entirely surprising, as we had noted the much narrower pick-up (asset swap into AAA 12M NCD fell to within SOFR+20bps during mid to late July). Foreign investments in other bonds might have been similarly affected at the front end, while foreign investors reduced positions at 7-10Y (from the relatively high share of 40% of foreign holdings in June). In July, CGB outflow amounted to CNY77bn which was the biggest since September 2025, and PFB outflow amounted to CNY51bn which was the biggest since May 2022. Nevertheless, in the broader measurement of cross-border flows, there were net inflows into onshore in July. Net FX settlement and sales by banks on behalf of clients was a positive USD27bn in July while forward contract registered another positive USD20bn. Inflows were supported by trade in goods account which more than offset outflows from trade in services and securities investment. Willingness to convert foreign current receipt into the CNY improved to 63.3%.

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