



Weekly Macro Views (WMV)

Global Markets Research & Strategy

25 August 2025

Weekly Macro Update

Key Global Data for this week:

| 25 Aug | 26 Aug | 27 Aug | 28 Aug | 29 Aug |
|--|---|--|--|--|
| <ul style="list-style-type: none"> JN Leading Index CI SI CPI YoY US Chicago Fed Nat Activity Index US Dallas Fed Manf. Activity US New Home Sales | <ul style="list-style-type: none"> HK Trade Balance HKD SI Industrial Production YoY' US Philadelphia Fed Non-Manufacturing Activity US Durable Goods Orders US Conf. Board Consumer Confidence | <ul style="list-style-type: none"> AU CPI YoY CH Industrial Profits YoY SK Retail Sales YoY US MBA Mortgage Applications | <ul style="list-style-type: none"> IN Industrial Production YoY PH BSP Overnight Borrowing Rate SK BOK Base Rate US GDP Annualized QoQ US Core PCE Price Index QoQ | <ul style="list-style-type: none"> JN Tokyo CPI YoY JN Industrial Production YoY SK Industrial Production YoY US Wholesale Inventories MoM US U. of Mich. Sentiment US PCE Price Index YoY |

Summary of Macro Views:

| | | | |
|---------------|--|--------------------|--|
| Global | <ul style="list-style-type: none"> Global: All inclusive 15% tariff cap, a “strong deal”? US: Recovery in manufacturing sentiments; uptick in jobless claims EU: Inflation subdued; demand driven by backlog | Asia | <ul style="list-style-type: none"> ID: More rate cuts likely from BI MY: Frontloading impact to fade in 2H25 MY: Inflationary pressures remain subdued PH: BSP preview |
| Asia | <ul style="list-style-type: none"> SI: Lower inflation in July HK: Labour market weakened amid uneven growth | Asset Class | <ul style="list-style-type: none"> ESG: No consensus on global plastic treaty talks in Geneva ESG: First carbon credit agreement in ASEAN FX & Rates: Shifting balance of risks |

Global: Central Banks

Forecast – Key Rates

Bangko Sentral ng Philippines (BSP)



Thursday, 28th August

Bank of Korea (BoK)



Thursday, 28th August

House Views

Overnight Borrowing Rate

Likely **cut** by **25bps**
from **5.25%** to **5.00%**

Base Rate

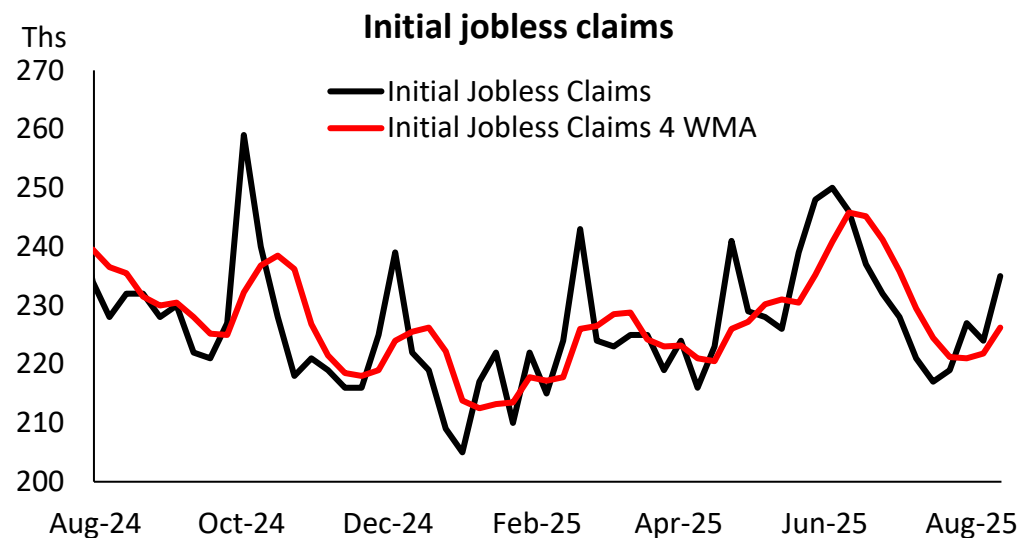
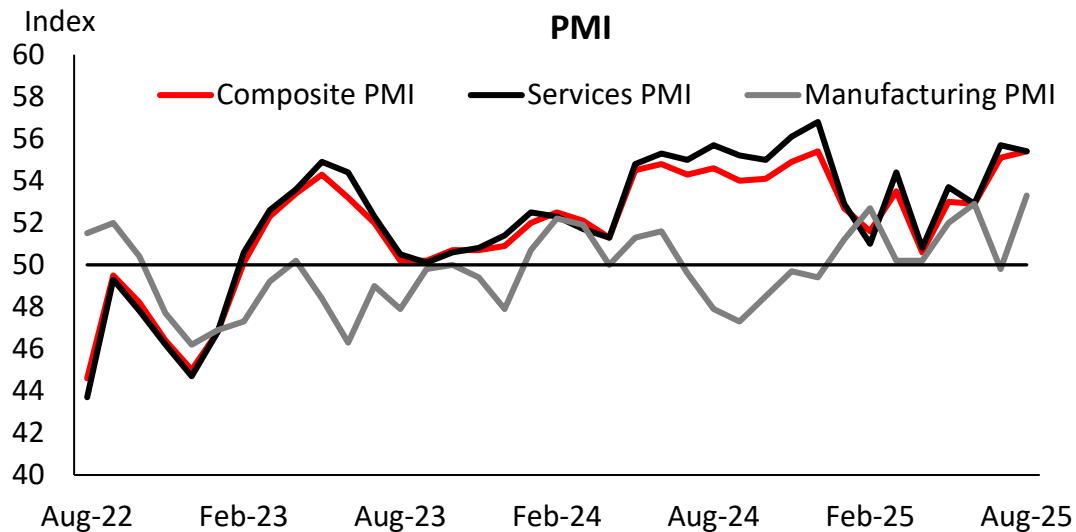
Likely **hold** at **2.50%**

Global: All inclusive 15% tariff cap, a “strong deal”?

| | Statement by President von der Leyen on the deal on tariffs and trade with the US (27 July 2025) | Joint Statement on a US-EU framework on an agreement on reciprocal, fair and balanced trade (21 August 2025) |
|-------------------------|--|--|
| 15% Tariff rate | <ul style="list-style-type: none"> Initial trade deal struck, imposing 15% tariffs on most US bound exports, including automobiles. The 15% rate started on 1 August, down from Trump’s 30% threat. Goods exempted from additional levies were “all aircraft and component parts, certain chemicals, certain generics, semiconductor equipment, certain agricultural products, natural resources and critical raw materials.” | <ul style="list-style-type: none"> Joint Statement indicated that an all-inclusive, tariff rate of 15% for EU exports, including strategic sectors such as cars, pharmaceuticals, semiconductors and lumber. 15% is all inclusive and cannot be stacked on. Sectors which are already subject to Most Favoured Nation (MFN) tariffs of 15% or above, will not be subject to additional tariffs. For cars and car parts, the 15% US tariff ceiling will apply in tandem with the EU initiating the procedures for tariff reductions vis-à-vis US products. In addition, effective as of 1 September, a number of product groups will benefit from a special regime, with only MFN tariffs applying. These include unavailable natural resources (such as cork), all aircraft and aircraft parts, generic pharmaceuticals and their ingredients and chemical precursors. |
| Sectoral tariffs | <ul style="list-style-type: none"> 50% duty on steel and aluminum imports remained. However, EC President Von der Leyen noted that “tariffs (would) be cut, and a quota system (would) be put in place.” There was still uncertainty over the tariff rate of pharmaceutical products. While President Trump said the tariff deal did not include pharmaceuticals, senior US officials had later come out to say the 2 sides had agreed on a 15% tariff level for EU’s pharmaceutical exports, which aligned with Von der Leyen’s comments. | <ul style="list-style-type: none"> The EU and US intend to work on protecting their economies from overcapacity in the steel and aluminium sectors, and to work on secure supply chains between each other, including through a tariff rate quota solution for EU exports of steel and aluminium, and their derivative products Pharmaceuticals included under 15% tariff rate. |

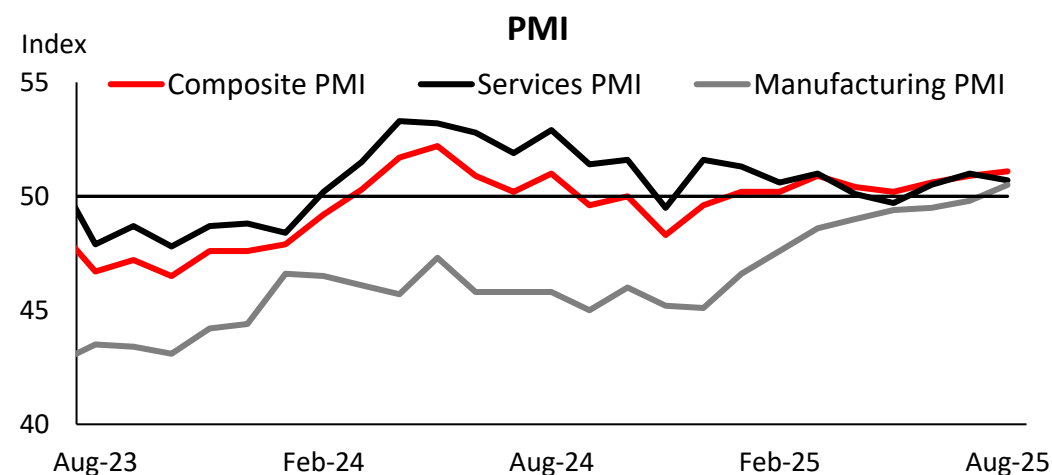
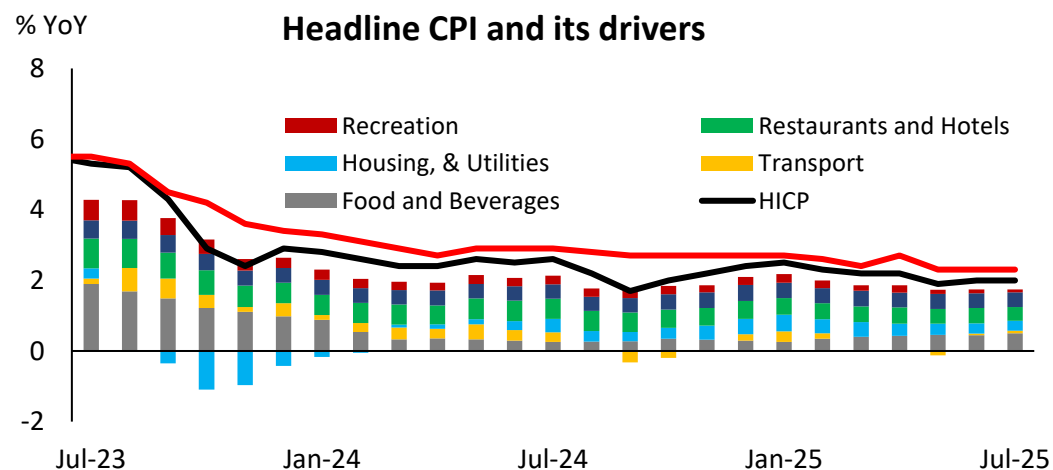
US: Recovery in manufacturing sentiments; uptick in jobless claims

- The S&P Global US Composite PMI rose to an eight-month high of 55.4 in August from 55.1 in July, above market consensus of 53.5. Manufacturing PMI returned to the expansion zone, rebounding to 53.3 from 49.8 in July. Services PMI dipped slightly to 55.4 from 55.7 the previous month. According to S&P Global, while many manufacturers reported improved sales and demand, the upturn in production and order inflows was partly owed to renewed inventory building. In turn, this fueled a surge in hiring in response to rising backlogs of work.
- Initial jobless claims rose by 11k to 235k for the week ending 16 August, from 224k in the week prior, exceeding consensus expectations of 225k. Similarly, continuing claims increased by 30k to 1.97mn for the week ending 9 August above expectations of 1.96mn. The surge in claims were largely driven by newly discharged veterans, reflecting seasonal factors rather than a faster pace of layoffs.



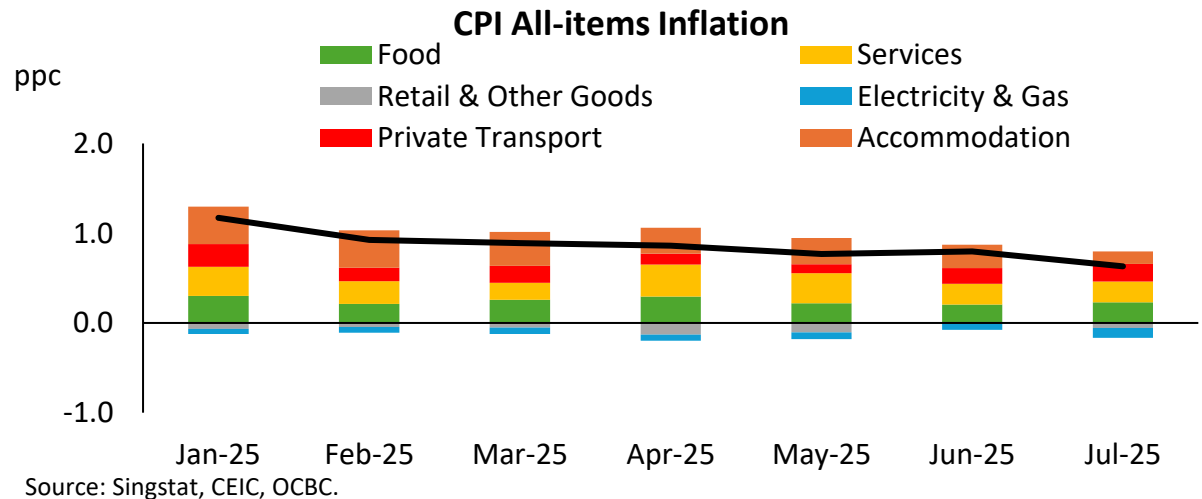
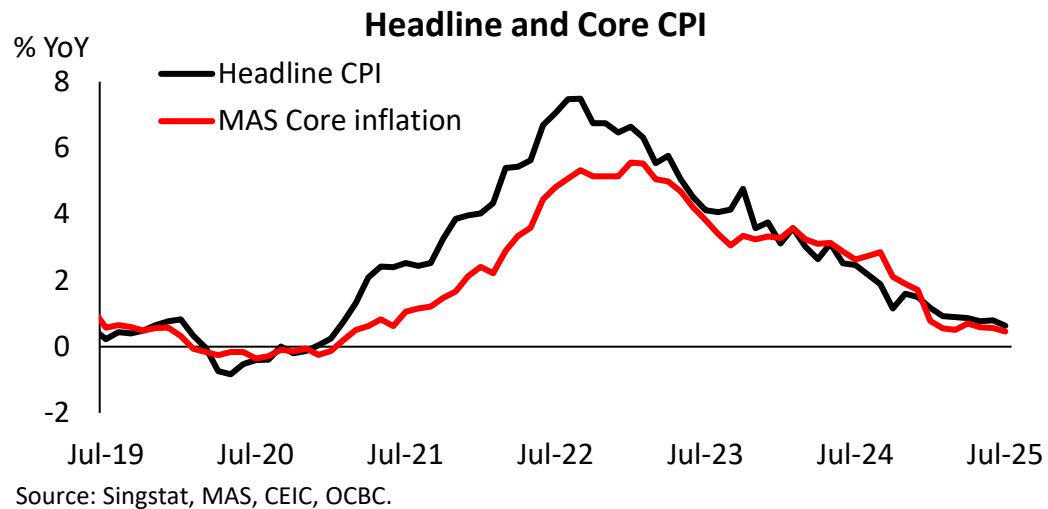
Euro Area: Inflation subdued; demand driven by backlog

- Headline inflation remained unchanged at 2.0% YoY in July, in line with the flash estimates and slightly above the initial market expectations of 1.9%. This marks the second consecutive month that inflation has aligned with the European Central Bank's official target. Meanwhile, negotiated wages grew 4% YoY in 2Q25, up from 2.5% in 1Q25, pointing towards a resilient labour force despite tighter monetary conditions.
- The Eurozone Composite PMI rose to 51.1 in August, from 50.9 in July, beating market expectations of a slowdown to 50.7. Growth was supported by a third straight month of expansion in the services sector (August: 50.7; July: 51) and an unexpected rebound in manufacturing PMI (August: 50.5; July: 49.8). According to S&P, new orders increased for the first time in 14 months, while new export orders continued to decline, dropping to a 5-month low. Additionally, employment sub-component rose for a sixth consecutive month, largely in response to backlogs of orders. Despite the EU-US trade deal, business confidence remained muted, with some firms expressing a pessimistic outlook for output, as incoming orders are still declining, according to the survey.



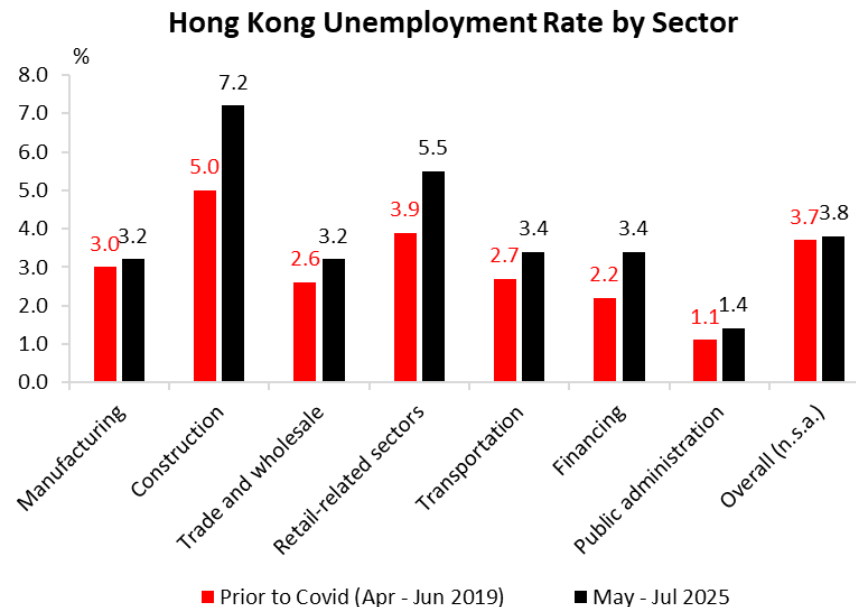
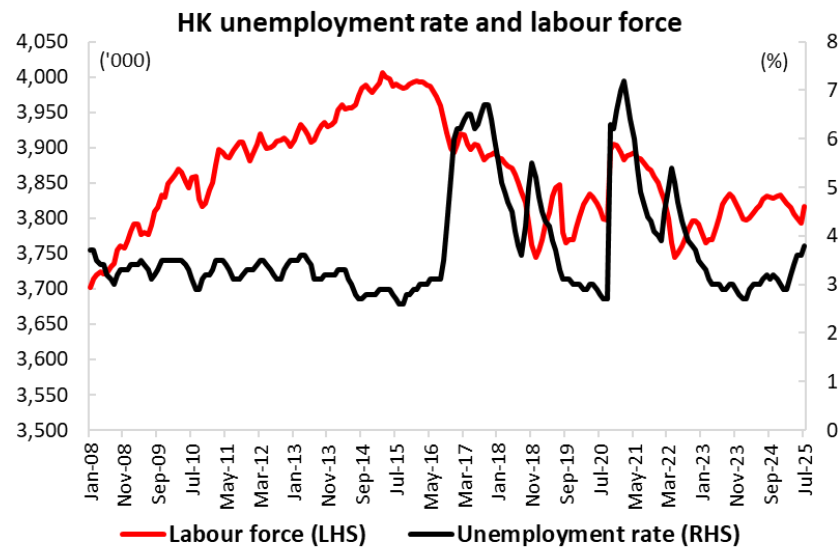
Singapore: Lower inflation in July

- Headline CPI eased to 0.6% YoY in July from 0.8% in June. This is in line with our expectations but lower than consensus forecasts (OCBC: 0.6%, Consensus: 0.8%). Similarly, MAS Core inflation edged down to 0.5% YoY from 0.6% in June. Lower inflation in the 'retail & other goods', 'accommodation', and 'electricity & gas' categories more than offset higher inflation in the 'food', and 'private transport' categories.
- There was no change to the official full-year 2025 headline and MAS Core inflation forecasts, which remains at 0.5-1.5% YoY. Nevertheless, MAS and MTI stated that “the inflation outlook in the quarters ahead is subject to both upside and downside risks. Geopolitical shocks could lift imported energy and shipping costs abruptly. Conversely, should global and domestic growth be more hesitant and weaker than anticipated, core inflation could stay low for longer.”
- Our forecasts are for headline CPI and MAS Core Inflation are to average 0.9% in 2025.



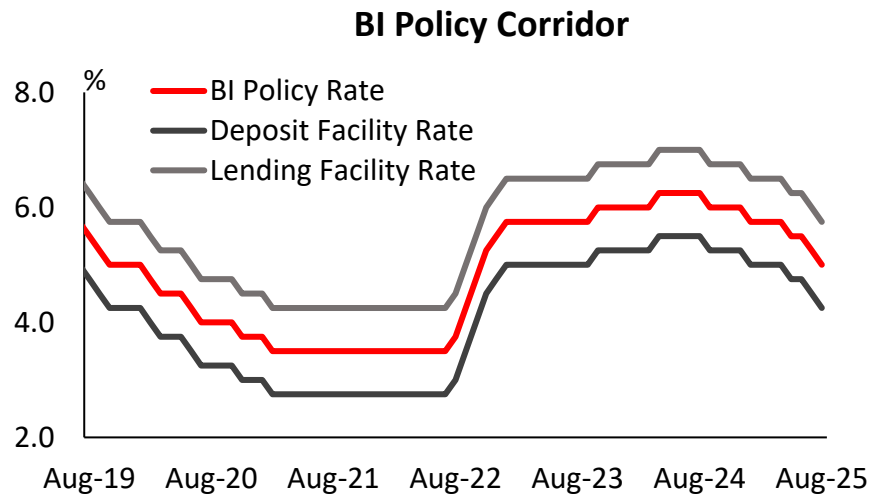
HK: Labour market weakened amid uneven growth

- The seasonally adjusted unemployment rate rose 0.2 percentage point to 3.7%, while underemployment rate held unchanged 1.4% respectively in the three-month ending July 2025. By sectors, the unemployment rate rose most notably in foundation and superstructure, food and beverage service activities, retail and real estate.
- Unemployed person rose further to the highest level since 4Q 2022 at 145k (+12% over the preceding three-month), meanwhile total labour force rebounded by 0.3% to 3,816.2k.
- Anecdotal evidence suggested that labour market will likely weaken further, amid uneven growth. Besides, the entry of fresh graduates and school leavers may further push up the unemployment rate.

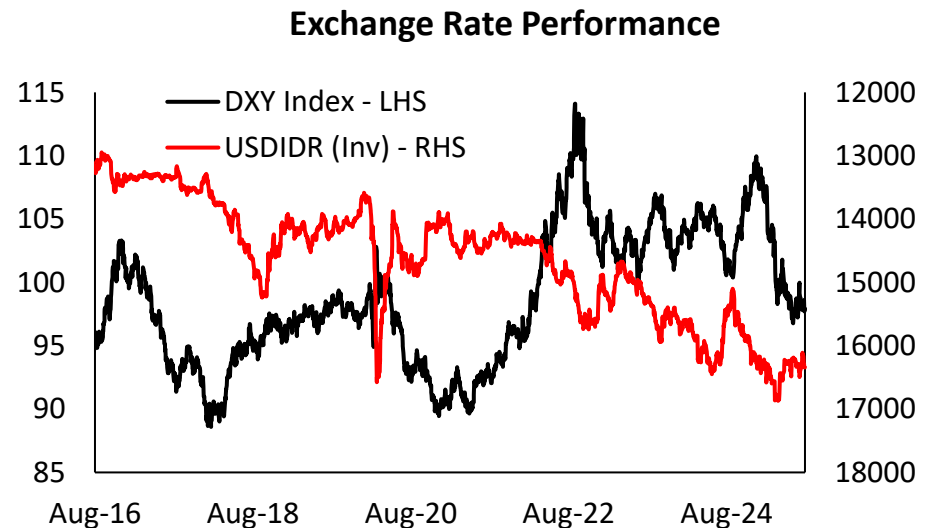


Indonesia: More rate cuts likely from BI

- BI cut its policy rate by 25bp, taking it to 5.00%; the direction of the move consistent with our long-held expectations.
- BI noted that economic growth could improve in 2H25. But we see the signs that the stronger second quarter GDP growth could sustain into 2H25 as still limited for now. Moreover, we estimate that Indonesia's effective tariff rate on exports to the US is the highest in the region and will weigh on growth in 2H25.
- We expect another 25bp in rate cuts from BI for the remainder of the year, bringing the policy rate to 4.75% by end 2025. The risk is for additional rate cuts should further downside risks to growth materialise. BI Governor Perry Warjiyo noted that the transmission of policy rate cuts has not been as 'swift' as previously.



Source: Bank Indonesia, CEIC, OCBC



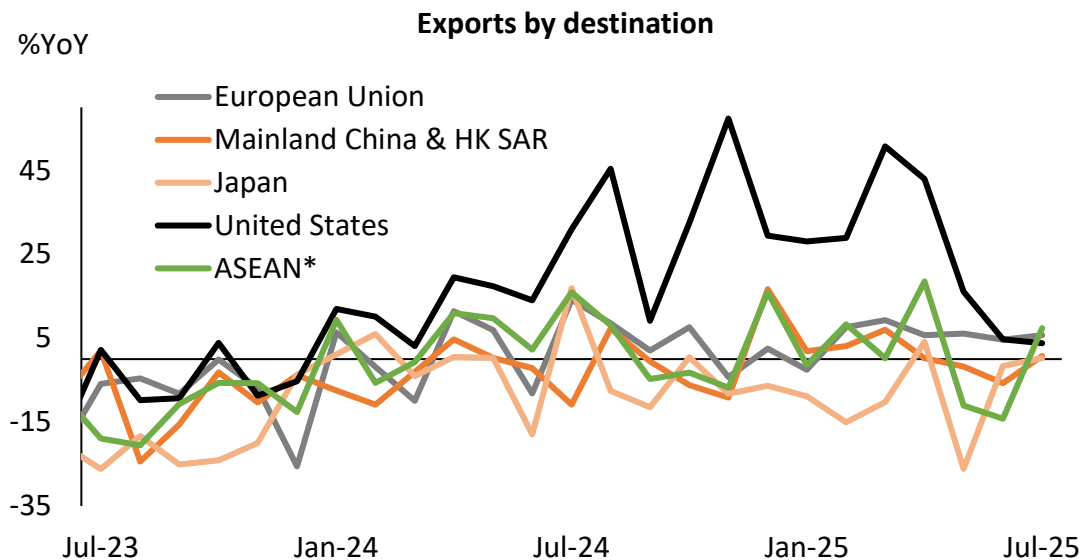
Source: Bloomberg, OCBC.



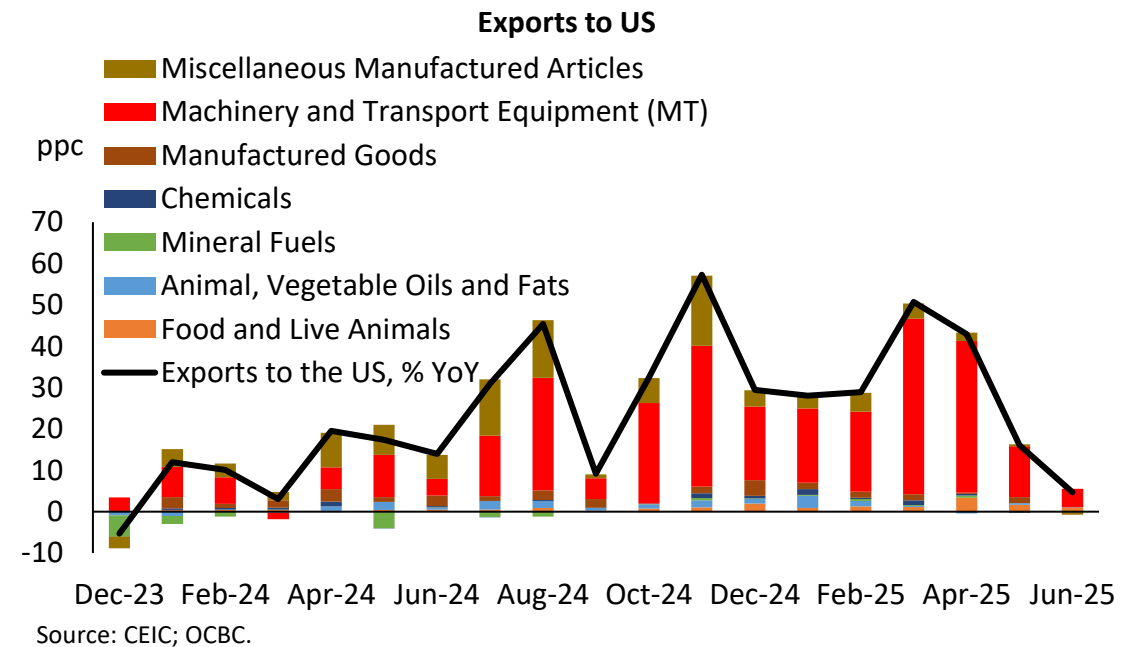
Source: Bank Indonesia, Bloomberg, CEIC, OCBC.

Malaysia: Frontloading impact to fade in 2H25

- We have long argued that the Malaysian economy entered this bout of external turmoil on strong footing. All engines of growth fired with oomph in 2024 and 1H25, with investment spending and exports leading the charge.
- However, we expect growth to slow in 2H25. The impact of frontloading started to fade in May. Export growth to the US slowed in June and July, despite headline export growth being better than expected at 22.2% YoY in July from -16.9% in June. The drivers of exports to the US include machinery and transport equipment, which mainly includes electronics.



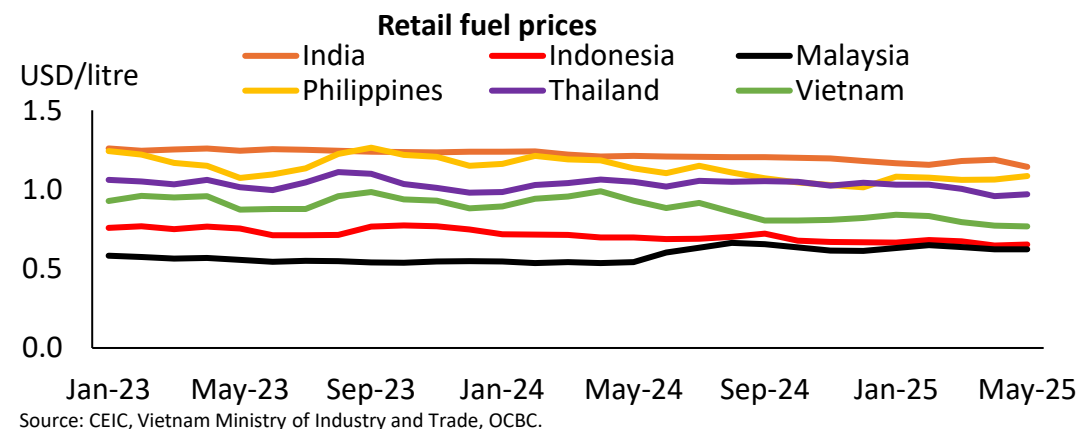
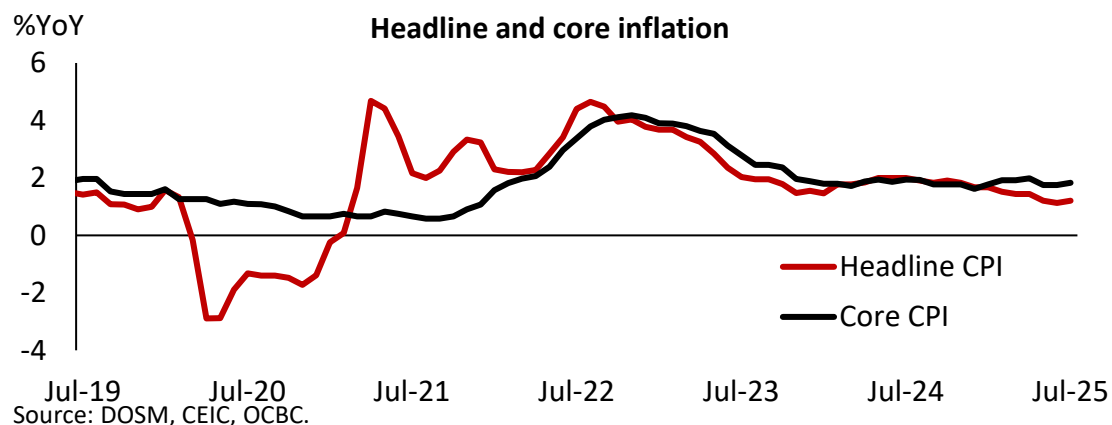
*ASEAN includes Brunei, Indonesia, Philippines, Myanmar, Singapore, Thailand & Vietnam.
Source CEIC; OCBC Bank



Source: DOSM, CEIC, OCBC.

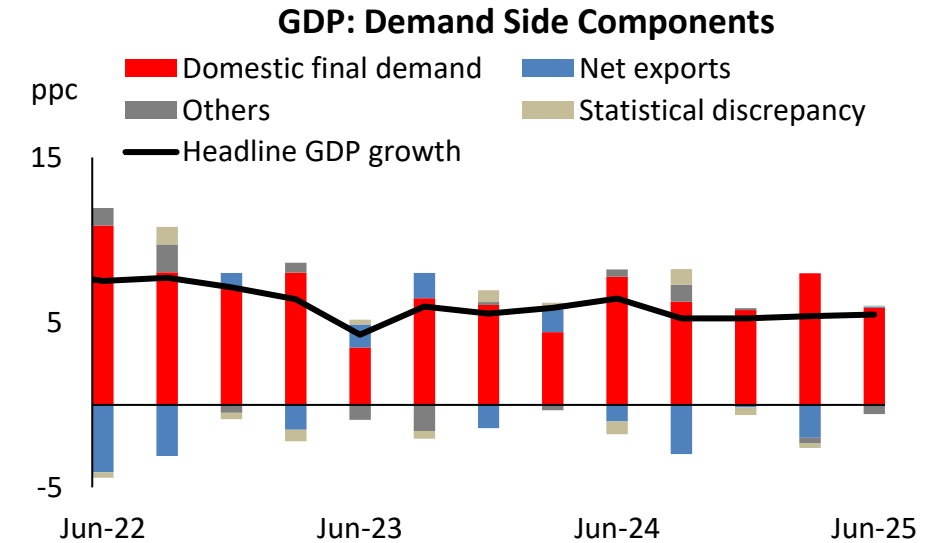
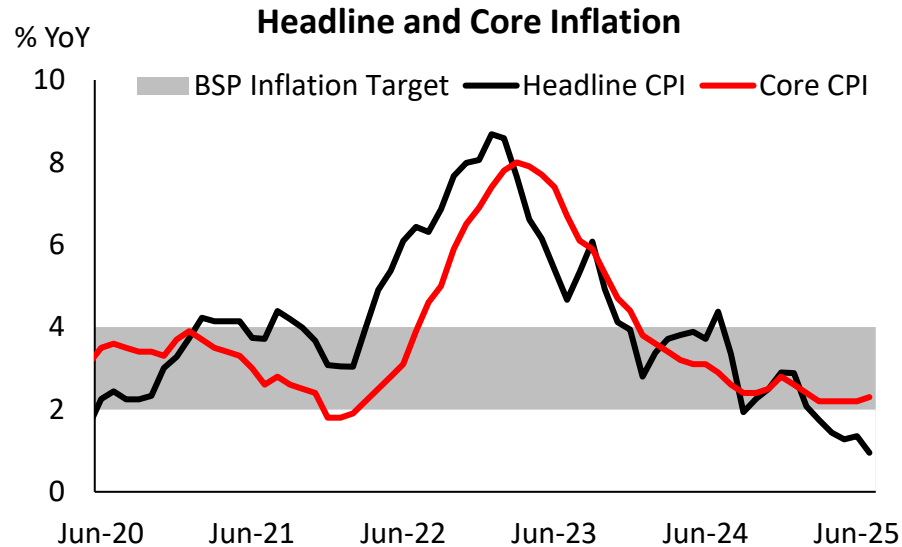
Malaysia: Inflationary pressures remain subdued

- Headline inflation to 1.2% YoY in July from 1.1% in June, while core inflation remained unchanged at 1.8% YoY. The drivers were higher restaurants and hotel CPI (3.1% from 2.8% in June), insurance and financial services inflation (5.5% from 1.5% in June).
- Specifically, the Department of Statistics Malaysia noted that the significant rise in the inflation rate for the insurance and financial services group was driven by the increase in the premium charges for hospital benefit insurance (14.7 per cent; June 2025: 0.4 per cent) and premium including service charges for motorcycles and scooters insurance (1.8 per cent; June 2025: 1.3 per cent).
- The outlook for headline CPI remains relatively subdued for the remainder of the year. We expect 2025 CPI forecast to average 1.5% YoY, implying modestly higher inflation for the rest of the year. The rationalization mechanism for RON95 subsidies is expected to be announced in September and will provide some clarity on the impact on retail fuel prices.



Philippines: BSP preview

- We expect the Bangko Sentral ng Pilipinas (BSP) to cut its policy rate by 25bps to 5.00% at its 28 August meeting, in line with consensus expectations.
- We hold this view for the following reasons. First, inflationary pressures have remained well-contained, easing to 1.7% YoY in January-July 2025, down from 3.2% in 2024. This would give the BSP “more degrees of freedom” to pursue a more accommodative monetary policy stance. Second, there is potential downside risk to economic growth due to the impact of US tariffs on global trade and growth. GDP growth was broadly stable at 5.5% YoY in 2Q25, slightly up from 5.4% in 1Q25. The official GDP growth target for 2025 is 5.5-6.5%.
- Looking ahead, our forecast is for the BSP to cut its policy rate to 5.00%, although the risk remains that BSP could deliver deeper cuts.



Source: Bangko Sentral ng Pilipinas, Philippine Statistics Authority, CEIC, OCBC.

Source: Bangko Sentral ng Pilipinas, Philippines Statistics Authority, CEIC, OCBC.

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ESG



ESG: No consensus on global plastic treaty talks in Geneva

- Global plastic treaty talks took place in Geneva from 5 to 15 August, which aimed to finalise a legally binding global treaty to end plastic pollution, addressing the full lifecycle of plastics from design to disposal.
- While the US has withdrawn from most international negotiations and commitments related to sustainability such as the Paris Agreement, it is still involved in plastic treaty talks to protect US interests and businesses, including protecting natural resources from plastic pollution. The US aimed to finalise a text for a global agreement on plastic pollution that all countries and consumers will support, according to a statement by the US State Department.
- However, there are significant divisions as the US and other oil and gas nations are opposed to implementing global plastic production caps, but the EU and small island states advocate for limits, as well as stronger management of plastic products and hazardous chemicals. At the start of the UN plastic treaty talks, the US circulated letters to several countries to urge them to reject the goal of a global pact that includes limits on plastic production and plastic chemical additives.
- Another divisive issue was on financing to support developing countries in implementing the treaty. Delegates eventually failed to reach a deal after the 10-day talks and the path forward for negotiations is uncertain. Some countries like Britain said that negotiations should resume but others described a broken process.

ESG: First carbon credit agreement in ASEAN

- Thailand is the first Southeast Asian country to finalise a carbon trading agreement with Singapore, making it the eighth Implementation Agreement that Singapore has signed thus far and a significant milestone for ASEAN's regional carbon market collaboration.
- The seven other countries that Singapore has signed Implementation Agreements with are Papua New Guinea, Ghana, Bhutan, Peru, Chile, Rwanda and Paraguay. This establishes a framework for the generation and transfer of carbon credits from carbon mitigation projects aligned with Article 6 of the Paris Agreement.
- The Implementation Agreement between Singapore and Thailand can advance both countries' climate ambitions by directing financing towards unlocking additional mitigation potential in Thailand, which can scale high-quality carbon credit projects in the region. More efforts are needed to ensure robust governance and transparent monitoring mechanisms to deliver high-quality and eligible carbon credits.



Source: The Straits Times, OCBC

Collaboration in carbon credits

Singapore is collaborating with more than 20 countries on the bilateral trade of carbon credits. This will pave the way for companies in the Republic to be able to offset part of their carbon tax by buying carbon credits from projects in those countries. **The Straits Times** highlights the countries involved and the status of each partnership.



■ Memorandum of understanding

This is the first stage of working towards a bilateral carbon credit agreement. During this stage, countries exchange knowledge on best practices and carbon market mechanisms.

■ Substantive conclusion of negotiations

Both countries have ironed out the nuts and bolts of the bilateral agreement, and are close to signing a pact.

■ Implementation agreement

Singapore and the other country have formally signed a carbon credit trading pact, based on principles laid out in the Paris Agreement on climate change. Carbon credit projects authorised under the agreement can promote sustainable development and benefit local residents.

*Carbon credit buyer

Sources: NATIONAL CLIMATE CHANGE SECRETARIAT,
SINGAPORE'S CARBON MARKETS COOPERATION WEBSITE
STRAITS TIMES GRAPHICS

FX & Rates



FX and Rates: Shifting balance of risks

- **USD rates.** Powell opined “with policy in restrictive territory, the baseline outlook and shifting balance of risks may warrant adjusting our policy stance”. Granted, he didn’t commit to a rate cut or to the timeline of such, and the FOMC remain divided. But after months of pushing back on the idea of resuming rate cuts, Powell’s openness to rate cuts and acknowledgement of the downside risk to the labour market were enough to sustain market expectation for a September cut. Fed funds futures last priced an 86% chance of a 25bp cut at the September FOMC meeting, versus 72% priced before Friday. Powell commented that “downside risks to employment are rising...if those risks materialise, they can do so quickly in the form of sharply higher layoffs and rising unemployment.” Monetary policy decision remains highly data dependent. Before September FOMC, there is one more round (August) of inflation and labour market statistics and this week brings July PCE/Core PCE deflator. The policy stance appears to be one that if the two risks (inflation versus employment) is roughly in balance, then rate cut can resume. 2Y UST yield at 3.7% is in line with Fed funds rate pricings plus a yield premium which is within range. There are also auctions of 2Y FRN, and 2Y, 5Y, 7Y nominal bonds this week.
- **DXY. USD Bears Need Momentum from Data.** USD fell post Powell’s speech at Jackson Hole last Fri but the sell-off in USD has yet to make fresh lows. Price action reflected a sigh of relief that a Fed pivot is finally underway but at the same time, momentum was somewhat restraint as Powell stopped short of being committal – on timing and trajectory of Fed cuts. Nevertheless, a 25bp cut is 86% chance priced in. For USD to come off more significantly may require the blessing of softer US data print this week - durable goods report, conf board consumer confidence on Tue, GDP on Thu and core PCE on Fri. There are also a few Fedspeaks including Williams and Waller on Tue and Fri, respectively. More importantly, there is another set of labour market data next week before FOMC on 17 Sep. We will be keeping a lookout on whether data or Fedspeaks changes the narrative from 25bp cut expectation to discussion of 50bp cut at Sep FOMC or whether the trajectory of cut this year increases. Softer US data or dovish tilt rhetoric in Fedspeaks should continue to weigh on USD.
- **CNY rates.** PBoC granted CNY600bn of MLF on Monday, more than rolling over the CNY300bn of MLF that matures on Tuesday, marking the sixth month of net injections via MLF. OMO reverse repo maturity is heavy this week at more than CNY2trn, resulting from previous injections. PBoC net injected CNY21.9bn via daily OMOs on Monday. PBoC has stayed supportive of liquidity in line with our expectations; notwithstanding, short-end repo IRS are likely to be floored at 1.5% level for now, before another outright interest rate cut which doesn’t seem imminent. On cash side, liquidity injections have helped stabilise bond sentiment; that said, we maintain a mild steepening bias on the CGB curve on supply and potential recovery in the risk sentiment. In offshore, RMB30bn of 3M and RMB15bn of 1Y offshore PBoC bills were auctioned on Monday. Separately, MoF is to offer a total of RMB12.5bn of offshore CGB, comprising the 2027 bond, 2028 bond, 2030 bond and 2040 bond, on 27 August. Expect little impact on CNH liquidity; CNH CCS may stay anchored cross the curve for now.

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