



Economic Calendar

Date	Country	Event	Period	Survey*	Prior
25 Aug	US	New Home Sales	Jul	628k	627k
	US	Dallas Fed Manf. Activity	Aug	--	0.9
	US	Chicago Fed Nat Activity Index	Jul	--	-0.1
	GE	IFO Business Climate/Expectations	Aug	88.5/--	88.6/90.7
26 Aug	US	Conf. Board Consumer Confidence	Aug	96.4	97.2
	US	Durable Goods Orders/Nonfed Ex Air	Jul P	-4.0%/0.3%	-9.4%/-0.8%
	US	Richmond Fed Manufact. Index	Aug	--	-20.0
28 Aug	US	Initial Jobless Claims		--	235k
	US	Kansas City Fed Manf. Activity	Aug	--	1.0
	US	GDP Annualized QoQ	2Q S	3.1%	3.0%
	US	Personal Consumption	2Q S	--	1.4%
	US	Pending Home Sales MoM	Jul	0.2%	-0.8%
	EZ	ECB Account of July Rate Decision			
29 Aug	US	MNI Chicago PMI	Aug	45.2	47.1
	US	PCE/Core Deflator YoY	Jul	2.6%/2.9%	2.6%/2.8%
	US	Personal Income/Spending	Jul	0.5%/0.5%	0.3%/0.3%
	US	Wholesale Inventories MoM	Jul P	--	0.1%
	JP	Industrial Production YoY	Jul P	-0.4%	4.4%
	JP	Jobless Rate/Job-To-Applicant Ratio	Jul	2.5%/1.2	2.5%/1.2
	JP	Retail Sales YoY	Jul	1.7%	1.9%

Week-in-brief: Rising Tensions and Easing Bias

- Tensions between the Fed and the Trump administration was taken up another notch this week with Fed Governor Lisa Cook being accused of mortgage fraud. Notably, should Cook be forced to resign, Trump appointees would hold a 4-3 majority of the Fed Board. Nonetheless, this is different from having a majority on the 12 Member FOMC which decides on monetary policy as there are other four other regional Fed Presidents on the committee aside from the seven governors.

- Tonight, Powell's speech at Jackson Hole will be on their economic outlook and framework review. Even as it sounds rather academic and technical, there is still potential to upset the Trump's administration's easing bias especially should it aim to use productivity growth and tight labour markets to back the case for patience on interest rates. The caveat here would be the low probability tail risks of the Fed moving away from their 2% average inflation targeting framework to wider range on account of pronounced volatility.

- Across the Atlantic, amid German economic woes, EUR was hardly comforted by the details of the US-EU trade deal amid their geopolitical proximity and uncertainty over the Russia-Ukraine situation.

- In the central banking circles, the RBNZ reduced their policy rate by 25bps but the bigger surprise came in the form of 2 members voting for a bigger 50bps cut.

- Bank Indonesia surprised with a 25bp cut as they look to provide more support to growth as Governor Wirjanto said that inflation expectations remain anchored. IDR underperformed this week which also reflects a precarious fiscal backdrop.

- For the upcoming week, tensions are far from abating. The Bank of Korea faces a tight call as recent uptick in industrial production and the 15% tariff deal reduces the urgency of easing while slow housing price momentum in Seoul alleviate earlier concerns about macroprudential instability from easing. We lean marginally towards a cut and expect dissent within the committee. To be clear, even in the event of a hold, we expect the communications by Governor Rhee to signal that the easing remains on the table and as such, markets appear to be insufficiently pricing in rate cuts at the front end.

- In the Philippines, the BSP is widely expected to ease by another 25bps as they look to provide more support to growth amid a loss in relative tariff differentials following the latest reciprocal tariff announcements. All in, amid these heightened tensions and easing bias, re-alignment is par for the course as reflected in the re-adjustment in tech valuations this week.

FOMC Minutes: Reconciling Concerns & Calculus

- Inflation Concerns Not Disputed: That the "majority" of FOMC members deemed risks to inflation as the greater concern at the July FOMC is a fact we do not dispute. But the focus is misleading.

- But Concerns & Calculus Not One and the Same: But the critical thing that is easy to overlook in the heat of the headlines is that concerns are one thing. But monetary policy calculus quite another.

- Context of Restrictive Fed Fund Rates: For one, context matters. At 4.25-4.50%, the Fed Funds rate is unequivocally restrictive. Even with "concerns" about inflation being elevated above 2% for a prolonged period.

- So, Direction of Travel of For Lower Rates: Which is to say that the direction of travel for Fed Fund rates is lower, not higher. In fact, by Powell's own admission, the rate cut cycle is suspended only on account of tariff uncertainty.

- Inconvenient, Not Inflammatory, Inflation: Crucially, sticky inflation and pipeline tariff-induced price shock risks are likely to be inconvenient, not inflammatory given compelling evidence of softening jobs checking wage-price spiral risks and considerably constricted household cashflows damping demand-pull risks.

- Doves Interrupted, Not Hawks Instigated: The upshot is despite inflation concerns, the FOMC is really a case of doves interrupted, not hawks instigated. Room for rate cuts (at least 75-100bp into early-2026) is undisputed. And the timing of resumption is sooner rather than later.

- Catch-Down Doves, Lower Yields, Steeper Curve: Barring unforeseen adverse fiscal shocks, this ought to lower yields. But far more distinctly at the front-end, with further curve steepening par for the course (amid fiscal/inflation uncertainty inducing long-end volatility).

- Softer, But Not Flumping, USD: Expectations of corresponding and proportionate USD weakness is bound to be misguided as USD pullback appears to have front-run rate cuts. Hence, softening in the USD is likely to be more measured (DXY at 95-98).

- Cover for Rate Cuts in Asia: The cover of a sufficiently softer USD and inflation spreads broadly in favour of Asia (stickier and/or more elevated US inflation vis-à-vis Asia) will by and large provide scope for more rate cuts/easing for Asian central banks, whilst mitigating macro-currency-stability risks.

Debunking HKD De-Peg & Diminishing HIBOR Gaps

- HKD de-peg arguments have been blown out of the water as HKMA intervention draining liquidity to key thresholds has resensitized (and accordingly lifted) HKD alongside HIBOR.

- Specifically, aggregate balances falling to HK\$50-55bn has proven to be the "biting point" for HIBOR to be squeezed higher, consequently lifting HKD (from the weak-end of the peg.)

- The resultant narrowing in SOFR-HIBOR spreads squeezed out "carry trades", with consequent HKD appreciation reinforcing the dynamic of overcrowded "carry" being unwound.

- To be sure, the HKD peg was never really in serious threat given the HKMA has always had the means to back the peg.

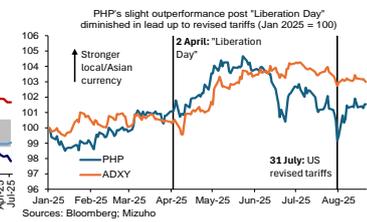
- Instead, exceptional excess liquidity imposed a lagged and consequently non-linear element to intervention and HIBOR/HKD response, further augmented by liquidity buffer/HKD support trade-offs. Crucially, lingering 125-130bp SOFR-HIBOR gap, despite significant narrowing of exceptional -260bp SOFR-HIBOR spread, suggest further SOFR-HIBOR convergence is the direction of travel to expect. Although upside risks in HIBOR may be dampened by flush liquidity (from capital inflows) alongside mounting Fed rate cuts expectations (that shift convergence to pipeline SOFR pressures).

*Please refer to this link for full report.

*Survey results from Bloomberg, as of 22 August 2025. The lists are not exhaustive and only meant to highlight key data/event s

Date	Country	Event	Period	Survey*	Prior
25-31 Aug	KR	Retail Sales YoY	Jul	--	7.3%
25 Aug	SG	CPI/Core YoY	Jul	0.8%/0.6%	0.8%/0.6%
26 Aug	SG	Industrial Production YoY	Jul	0.9%	8.0%
	AU	RBA Minutes of Aug. Policy Meeting			
	TW	Industrial Production YoY	Jul	--	18.7%
27 Aug	CH	Industrial Profits YoY	Jul	--	-4.3%
	AU	CPI/Trimmed Mean YoY	Jul	2.3%/--	1.9%/2.1%
28 Aug	IN	Industrial Production YoY	Jul	2.1%	1.5%
	KR	BOK Base Rate	Jul	2.50%	2.50%
	PH	Budget Balance PHP	Jul	--	-241.6b
	PH	BSP Overnight Borrowing Rate	Jul	5.00%	5.25%
29 Aug	IN	Fiscal Deficit YTD INR	Jul	--	2807b
	IN	GDP YoY	2Q	6.6%	7.4%
	KR	Industrial Production YoY	Jul	3.0%	1.6%
	TH	BoP Current Account Balance	Jul	--	\$2442m
	TH	Exports/Imports YoY	Jul	--	16.1%/13.8%
	PH	Exports/Imports YoY	Jul	10.9%/4.4%	26.1%/10.8%

BSP: Back-to-Back Cuts



- We expect BSP to ease another 25bps at the upcoming meeting (28 Aug).
- Following the release of July inflation print (at 0.9%), Governor Remolona commented that a rate cut in August was more likely. The dovish inclination is understandable. After all, inflation has been below BSP's 2-4% target range since March 2025, and the low inflation rates mean real rates remain at elevated levels with BSP only cutting a cumulative of 50bps YTD.

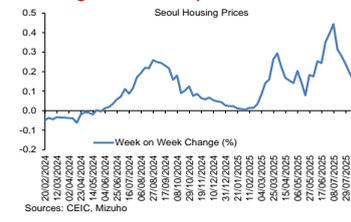
- There is also not a strong case for BSP to defer the next cut to their next meeting in October.

- For one, PHP ought to be supported even if BSP eases amid a broadly softer USD backdrop heading to September FOMC. While volatile PHP's moves around end-July as Trump's revised tariffs saw Philippines lose most of its relative tariff differentials advantage prompting BSP's comments that FX reserves were more than adequate, PHP has recovered most of its losses since that episode. Furthermore, BSP has often noted that it was concerned over excessive PHP weakness insofar as it feeds through to price increases. With inflation below the target range, such concerns ought to be dialled down.

- Next, Philippines growth still require more support. Philippines Q2 GDP growth came in at 5.5% YoY, on an acceleration in services activity although manufacturing activity moderated. While domestic spending was stable, it is unlikely to provide sufficient support for growth in H2'25, and Philippines may still miss the growth target of 5.5-6.5% that was recently revised lower in June.

- On FX, we do not expect to see any material pressure on the PHP given that BSP's dovish inclinations have been rather explicit, and could retain traction below 58 levels (Note: There may be sharp volatility following Powell's speech at Jackson Hole this Friday).

BoK: Tight Calls - Of Openness and Deference



- While our expectations are for the BoK to cut their policy rate by 25bp at their upcoming meeting, this will be an increasingly tight and low conviction call.

- Specifically, we expect to see at least two dissenters at this meeting regardless of the decision. To be clear, dovish leanings are our base case given the 4 out of 6 members at their previous meeting in July were said to be open to a rate cut in the next three months.

- That said, this period straddling both the August and October meeting would imply that deferring a cut to October remains on the table.

- Since the previous meeting, Korea managed to secure a trade deal which put reciprocal tariff rates at 15%, similar to that attained by the EU and Japan.

- A reported lack of implementation for the reduction of auto tariffs is said to be worrying automakers. Given that autos take up a third of Korea's exports to the US, the lingering concern is understandable.

- Domestically, the BoK had explicitly flagged concerns over property prices in Seoul as a key restraint to easing rates in view of macroprudential concerns.

- Since then, housing prices and debt growth momentum has moderated, and this sets the stage for the BoK to reduce their policy rate further. However, after two months of contraction, a recovery in industrial production in June led by a surge in semiconductor output alongside a still robust labour market with unemployment may be alleviating some growth fears.

- All in, we expect the BoK to take the step of a further cut but display much more restraint in signaling further cuts given elevated uncertainty over the impact from tariffs and trade.

- Should they hold off on a cut at this August meeting, they will likely frame it as needing more time to assess both the growth and inflation outlook with the latter still hovering in a sticky manner around the 2% mark. In any case, they will not be signaling the end of the easing cycle and KRW is unlikely to take comfort in this meeting.

Forex Rate

	Close*	Chg [^]	% Chg [^]	Week Forecast	
USD/JPY	148.6	1.630	1.11%	146.00	~ 150.00
EUR/USD	1.1594	-0.0089	-0.76%	1.154	~ 1.178
USD/SGD	1.2893	0.007	0.53%	1.2800	~ 1.2980
USD/THB	32.647	0.235	0.73%	32.10	~ 33.00
USD/MYR	4.2292	0.0097	0.23%	4.190	~ 4.260
USD/IDR	16345	185	1.14%	16,200	~ 16,500
JPY/SGD	0.8677	-0.005	-0.54%	0.853	~ 0.889
AUD/USD	0.6424	-0.009	-1.38%	0.636	~ 0.650
USD/INR	87.47	-0.095	-0.11%	86.7	~ 88.2
USD/PHP	56.945	-0.138	-0.24%	56.6	~ 57.5

[^]Weekly change.

FX: USD Rebound

- The USD staged a rebound as Fed rate cuts pared back amid mixed US data. Mixed FedSpeak also suggested that a September cut is far from clear-cut.
- NZD led losses on RBNZ's rate cut and signalled further cuts ahead should inflation ease, while AUD underperformed on NZD's spillovers.
- AUD's underperformance was also despite generally better-supported commodities currencies NOK, CAD and SEK amid Brent Oil's >3% climb this week on lower US crude inventories and stalled Ukraine-Russia peace talks.
- Riksbank's hold also provided further support for the Krona.

EM-Asia FX: Mostly Weaker

- In contrast, EM Asia FX traded mixed against the USD, but was mostly weaker against the greenback.
- TWD led losses amid equity outflows as the tech-selloff in US spillovered.
- IDR underperformed on Bank Indonesia's surprise cut and signals that it was still monitoring scope for further rate cuts.
- THB also underperformed as growth concerns were affirmed in Thailand's GDP print, with domestic consumption moderating and services sector struggling amid contracting arrival umbers.
- INR led gains, amid bond inflows which were supported by tailwinds of India's ratings upgrade the previous week.
- HKD was better supported as the previous week's liquidity drain seeing aggregate balanes falling to HK\$50-55bn hit the "biting point" (see HKD-HIBOR write-up above).

Bond Yield (%)

	22-Aug	2-yr	Chg (bp) [^]	10-yr	Chg (bp) [^]	Curve
USD	3.789	3.8	4.334	1.8	Flattening	
GER	1.966	-0.2	2.752	-3.4	Flattening	
JPY	0.856	4.1	1.608	4.9	Steepening	
SGD	1.515	1.0	1.881	1.9	Steepening	
AUD	3.349	5.7	4.310	0.1	Flattening	
GBP	3.974	5.3	4.740	4.6	Flattening	

Stock Market

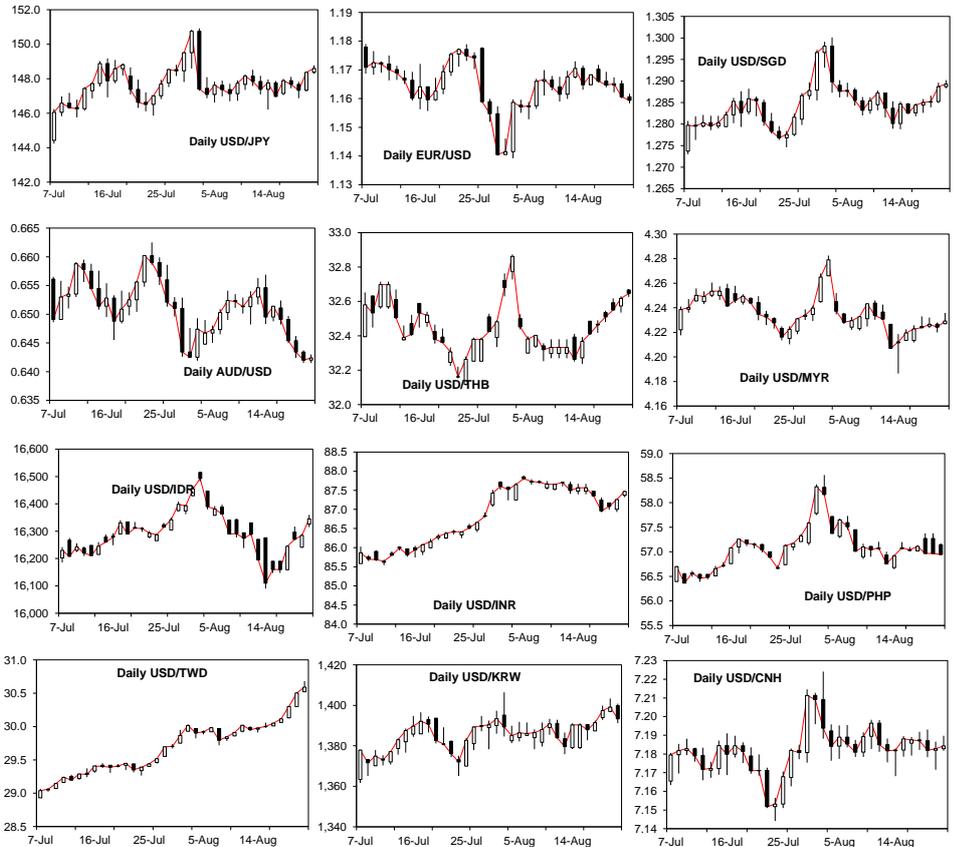
	Close	% Chg
S&P 500 (US)	6,468.54	1.24
Nikkei (JP)	43,378.31	3.73
EuroStoxx (EU)	5,456.07	2.03
FTSE STI (SG)	4,218.73	-0.50
JKSE (ID)	7,927.51	5.23
PSEI (PH)	6,315.93	-0.37
KLCI (MY)	1,576.20	1.23
SET (TH)	1,256.81	-0.18
SENSEX (IN)	80,597.66	0.93
ASX (AU)	8,938.57	1.49

USTs: Flattening Potential?

- In the lead up to Jackson hole tonight, UST yields have continued to creep up as Fed officials and FOMC minutes continue to signal caution on easing alongside a better than expected PMI manufacturing reading from the S&P survey.
- Unfortunately, at this juncture, tonight's speech by Powell may set the tone for the entirety of next week.
- The base case remains for Fed Chair Powell to lean slightly hawkish but provide room for easing within his revelation for a new framework by the Fed.
- We expect 2Y yields to trade around 3.60-3.80% and 10Y yields to trade around 4.10-4.45%.

FX Brief:

- 1) JPY: Higher UST yields dented the JPY even as Japan's core inflation appears to be increasingly sticky. Buoyancy above the 146 mark likely retained for the week ahead but rallies to 150 may not be durable.
- 2) EUR: Amid German economic woes, worries over Ukraine-Russia situation may also be denting the EUR's prospects even though details of a US-EU trade deal ought to have been supportive. EUR bulls may aim to be opportunistic at mid-1.15 levels.
- 3) AUD: The sight of dismal china data and adverse spillovers from the NZD weakness has seen the AUD dive below mid-64 cents.
- 4) CNH: PBoC fixing has kept the CNH steady even amid a resurgent USD.
- 5) INR: Tailwinds from S&P's ratings upgrade could continue. But dips below 87 levels unlikely as US trade antagonism remains an overhang.
- 6) SGD: Should remain rangebound at 1.28-1.29 level on broadly stable CNH and middle-of-the-pack performance by EUR. Should remain rangebound at 1.280-1.295 levels.
- 7) IDR: BI's surprise cut should lend to sustained buoyancy above 16,200 levels, especially as fiscal and growth concerns remain unassuaged
- 8) THB: As expected, USD/THB was buoyed as gold prices slipped. Political uncertainty on Paetongtam's case may see early weakness next week but a firm ruling (even if not in favour of the PM) may aid THB recovery as certainty is often a supportive catalyst.
- 9) MYR: Rebound in UST yields on adjusting Fed rate cut bets could mean underperformance. Directionality may be dictated by US data in the week ahead (especially on PCE deflator print).
- 10) PHP: An expected cut next week likely to impart some softness vis-a-vis regional peers.
- 11) KRW: Weakened amid the semiconductor woes and risk off sentiments. A tight call for the BoK in the upcoming week imply broader deference to the USD backdrop. Consolidation above 1400 may turn out to be a base case should Powell stage a rebuttal against Trump at Jackson hole.
- 12) TWD: Amid the risk-off backdrop, the TWD underperformed on foreign outflows from equities. Buoyancy above 30 levels ought to be sustained barring unexpected dovish turns from Jackson hole.



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