

# Weekly Market View

## The Fed to the rescue?

→ The case for Fed rate cuts from September has strengthened after a significantly weak US jobs report. Higher US tariffs that started to go into effect this week are likely to hurt growth further.

→ However, Fed rate cuts, combined with tax incentives in the US budget and strong AI-driven corporate earnings growth, should enable an economic soft-landing, ultimately supporting US risk assets.

→ We prefer Asia ex-Japan equities and Emerging Market (EM) local bonds as Fed rate cuts weaken the USD, driving investor flows into EMs.

→ In Asia ex-Japan, we like equities in China and South Korea, where policymakers are focussed on boosting shareholder returns. Fed rate cuts and solid credit fundamentals are also positive for shorter duration US high yield bonds.

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Add US equities on dips: next technical support at 6,000, followed by 5,800

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Add shorter duration high yield bonds: benefit from rate cuts and sound credit fundamentals

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Rangebound EUR/GBP with bullish bias: BoE to cut rates more than ECB over next 12 months

## Charts of the week: Fed rate cuts and earnings upgrades

### Fed rate cuts and corporate earnings upgrades should ultimately support risk assets, despite near-term consolidation

Money market estimates of Fed rate cuts by end '25, end '26



Source: LSEG I/B/E/S, Bloomberg, Standard Chartered

Consensus earnings growth estimates for S&P500 index



## Editorial

### The Fed to the rescue?

**Investment Strategy:** The case for Fed rate cuts from September has strengthened after a significantly weak US jobs report. Higher US tariffs that started to go into effect this week are likely to hurt growth further. However, Fed rate cuts, combined with tax incentives in the next fiscal year's US budget and strong AI-driven corporate earnings growth, should enable an economic soft-landing, ultimately supporting US risk assets. We prefer Asia ex-Japan equities and EM local bonds, though, as Fed rate cuts weaken the USD, driving fund flows into EMs. In Asia ex-Japan, we like equities in China and South Korea, where policymakers are focussed on boosting shareholder returns. Fed rate cuts and solid credit fundamentals are also positive for shorter duration US high yield bonds.

**US job market cools.** The US job market has been slowing significantly, new data revealed last week. Weaker-than-expected net new payrolls for July (73,000) and a 258,000 downward revision to prior two months' payrolls means US monthly job creation has been averaging only 35,000 in the past three months vs. prior estimates of 150,000. The revised monthly rate of job creation is well below the rate (estimated around 100,000) required to keep the jobless rate stable.

**Higher tariffs still to take effect.** A sharp slowdown in supply of workers due to immigration curbs is partly responsible for the slowdown in jobs growth this year, but increasingly a slower pace of hiring is responsible, with most jobs created in healthcare. Higher US tariffs that took effect from 7 August are estimated to cut US growth by 0.5% in 2025 and 2026, as per the Yale Budget Lab. This is likely to impact domestic consumption and/or corporate margins, curtailing hiring further.

**Fed rate cuts back in play:** With the job market slowing decisively, the Fed is likely to resume rate cuts from September. Fed Chair Powell sounded relatively hawkish after last week's policy meeting where the Fed held rates for the fifth straight meeting, citing caution against expected tariff-driven inflation. However, since then, at least three Fed policymakers have

voiced increasing concerns about the deteriorating job market after the July jobs report. This adds to the two Fed policymakers who had unsuccessfully voted for a rate cut last month, the first such double-dissent in over three decades. Trump's nominee for a vacant Fed Governor post, economic adviser Stephen Miran, will add another dovish member to the Fed Board.

**Inflation data in focus.** July's inflation data on 12 August will be closely watched. The consensus estimates US core consumer inflation rose marginally in July to 0.3% m/m and 3.0% y/y, from 0.2% m/m and 2.9% y/y, respectively. The chance of a 50bps cut will rise if inflation data for July and August miss expectations and the job market slows further.

**US equities face near-term headwind.** US stocks, especially the technology and communications services sectors, face near-term headwinds from overly bullish investor positioning amid tariff-driven growth headwinds. However, Fed rate cuts should ultimately lift sentiment, while corporate earnings outlook has been revised higher, driven by AI-led growth. The budget for the fiscal year starting in October ("One Big Beautiful Bill") is another potential driver of earnings thanks to the tax incentives to manufacturers to invest in the US. Given these positive drivers, we would average into US equities on any pullback in the S&P500 index towards 6,000, followed by 5,800.

**USD faces downside risk.** After a brief rebound, the USD has come under renewed pressure as Fed rate cut expectations build. In the next few weeks, we see the USD rangebound, with a bearish bias, as US tariffs impacts global growth. However, President Trump's repeated attacks on the Fed and plans to nominate a dovish candidate for the Fed Chair are likely to undermine the USD further over a 12-month horizon.

**We like Emerging Market (EM) local currency bonds** as Fed rate cuts open the door to further EM central bank rate cuts amid slowing growth, while a weak USD supports EM inflows. Indian government bonds look attractive on a currency-hedged basis, given elevated inflation-adjusted yields and chance of further rate cuts as US tariffs impact near-term growth.

## The weekly macro balance sheet

**Our weekly net assessment:** On balance, we see the past week's data and policy as neutral for risk assets in the near-term

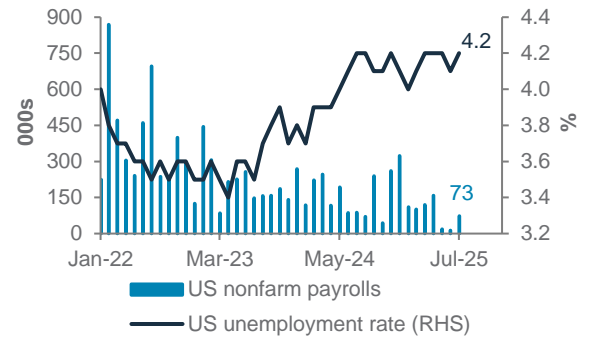
**(+) factors:** Fed rate cut expectations, US-China trade truce extension

**(-) factors:** Weak US data, escalating country- and sector-specific tariffs

	Positive for risk assets	Negative for risk assets
Macro data	<ul style="list-style-type: none"> <li>US trade deficit narrowed more than expected to USD 60.2bn in July as imports fell 3.7% m/m</li> <li>Euro area retail sales rose more than expected by 3.1% y/y</li> <li>China exports and imports grew more than expected by 7.2% y/y, and 4.1% y/y respectively</li> </ul>	<ul style="list-style-type: none"> <li>US nonfarm payrolls rose less than expected by 73,000; prior months' data cut significantly</li> <li>US ISM manufacturing and employment PMIs dropped unexpectedly, while new orders continued to contract</li> <li>US ISM services PMI fell unexpectedly to 50.1</li> <li>Euro area headline consumer inflation remained at 2%, above estimates; Sentix investor confidence dropped unexpectedly to -3.7</li> </ul>
	<b>Our assessment: Negative</b> – Weak US jobs, activity data	
Policy developments	<ul style="list-style-type: none"> <li>Three Fed policymakers argued for rate cuts amid slowing job market and little signs of tariff-led inflation</li> <li>President Trump nominated dovish adviser, Miran, for vacant Fed Governor post</li> </ul>	<ul style="list-style-type: none"> <li>India's central bank kept its policy rate unchanged as expected</li> <li>BoE cut policy rate to 4% in a 5-4 vote and revised its inflation estimate higher to peak at 4%</li> </ul>
	<b>Our assessment: Positive</b> – Rising Fed rate cut expectations	
Other developments	<ul style="list-style-type: none"> <li>Trump said the US was close to extending a trade truce with China</li> <li>Trump exempted semiconductor firms investing in the US from proposed sector tariff</li> </ul>	<ul style="list-style-type: none"> <li>Trump imposed an extra 25% tariff on Indian goods over its purchases of Russian oil, and threatened an additional 15% tariff on Japan</li> <li>Trump planned 100% tariffs on semiconductor imports, and up to 250% tariffs on pharmaceuticals</li> </ul>
	<b>Our assessment: Neutral</b> – Potential US-China trade truce vs. escalating country- and sector-specific tariffs	

**US net new jobs created in May to July were well below estimates, while the jobless rate rose to a cycle high of 4.25%**

US nonfarm payrolls and unemployment rate



Source: Bloomberg, Standard Chartered

**Euro area retail sales in June rose to the highest level since September 2024, but investor sentiment weakened in August**

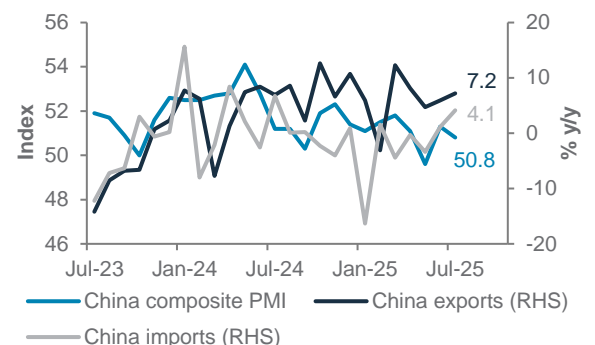
Euro area retail sales growth and Sentix investor confidence



Source: Bloomberg, Standard Chartered

**China exports and imports grew more than expected in July, although a soft PMI reflected weak business confidence**

S&P Global China composite PMI; China exports and imports growth



Source: Bloomberg, Standard Chartered

## Top client questions

**Q** What is the outlook for US equities in light of the weak US jobs data and potential sector-specific tariffs?

**Our view:** US equities are poised for consolidation in the near term. We see support for the S&P500 at 6,000; any pullback would be an opportunity to add exposure, particularly in the technology sector.

**Rationale:** We expect weakness in the US job market to lead to the **Fed cutting rates** by 25bps in September, followed by another 50bps of cuts by mid-2026. These rate cuts would support a soft landing for the US economy and ongoing earnings growth. The Q2 earnings season shows **robust corporate earnings**. Consensus 2025 earnings growth estimates moved up to 10% versus 8.5% at the start of the season, while growth in 2026 is expected to accelerate to 13.4% (nudged down from 14.0% at the start of the season). **Earnings growth supports our overweight call on global equities**; within that, US equities are a core holding.

However, our technical indicators point to **stretched positioning** for US equities in the near term, particularly the technology and communication services sectors. **Tariff uncertainty also remains**, with the Trump administration flagging its intention to announce tariffs on the pharmaceutical and semiconductor industries. In the former, tariffs would reportedly be small initially, rising up to 250% over time, while the latter could face 100% tariffs. The healthcare sector accounts for 8.8% of the S&P500 index, while semiconductor counts for 13.6%, a sizeable impact overall. However, there may be various exemptions and the initial impact could be limited, as Trump seeks a balance between incentivising strategic industries to bring manufacturing back to the US versus raising costs for companies and consumers.

These headwinds point to a **likely consolidation for US equities** in the near term. We see support for the S&P500 at 6,000 and 5,800. We would view a pullback as an opportunity to add exposure, particularly in the technology sector. Although semiconductor tariffs may create some uncertainty, we expect the **net impact from strong AI demand to drive the technology sector** to outperform over 6-12 months.

— **Fook Hien Yap**, Senior Investment Strategist

**We see near term headwinds for the S&P500 index, with support at 6,000 and 5,800. We remain positive on a 6-12-month horizon**

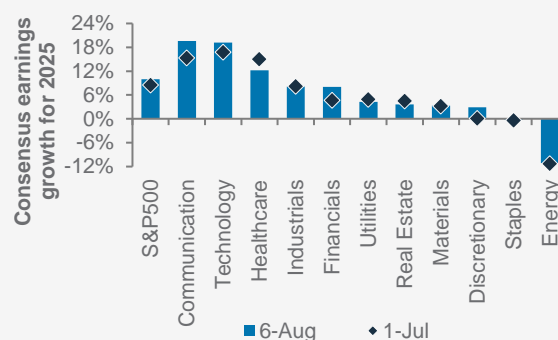
S&P500 index with support levels



Source: Bloomberg, Standard Chartered

**Consensus 2025 earnings growth estimates are moving higher for US equities, including for our preferred technology, communication and financial sectors**

Consensus 2025 earnings growth estimates for S&P500 sectors as of 6 August vs. 1 July\*



Source: LSEG I/B/E/S, Standard Chartered

\* 80% of companies in the S&P 500 have reported their Q2' 25 earnings.

## Top client questions (cont'd)

### Q Where are the opportunities in bonds as yields decline?

**Our view:** Add US TIPS; Switch from very long maturity bonds to more moderate maturities (we prefer 5-7 years); Add short duration US HY bonds.

**Rationale:** The bond market priced in a higher chance of a Fed rate cut in September following weaker-than-expected US July jobs data. In the *Market Watch* published on August 4, 2025, we identified two opportunities that we believe are still valid today: (i) a pullback in inflation expectations has created an opportunity to add US inflation-protected government bonds (TIPS) as an inflation hedge, and (ii) recent yield curve steepening (i.e. the widening gap between short- and long-term bond yields) has room to extend further in the short term as markets price higher odds of Fed cuts at shorter maturities, while inflation risks lift longer maturity yields. We remain **cautious on very long maturity bonds given higher vulnerability to inflation risk** compared to shorter maturity bonds.

**Short-duration US High Yield bonds** are an additional opportunity that benefits from **Fed rate cuts** and **still-solid credit fundamentals** in a soft-landing environment. Our 12-month target for the US 10-year bond yield remains 4-4.25%. Technical indicators suggest near-term support at 4.20% and resistance at 4.35%.

— **Cedric Lam**, Senior Investment Strategist

### Q What is the outlook for India and Korea equities?

**Our view:** Retain core holding on India and an overweight on Korea. Near-term pressures present an opportunity to increase exposure to Korea equities; accumulate India for long-term.

**Rationale:** The unexpected 25% US tariff on Indian goods and an extra 25% levy tied to Russian oil imports introduce near-term risks. Any potential restrictions on India's services exports could amplify pressures, given that services exports to the US are significantly larger than goods exports. That said, the impact is likely to be contained as **India's merchandise exports to the US represent only about 2% of Indian GDP**. Within India equities, we maintain our preference for **domestic cyclical**s, which stand to benefit from resilient fundamentals and sustained domestic inflows.

For Korea, proposed tax reforms weighed on market sentiment, though the draft remains fluid and subject to revision. While these are initially disruptive, the proposals **align with the ongoing capital market reform efforts**. The ruling Democratic Party has signalled a possible rollback of the capital gains tax proposal. Meanwhile, (i) the US-Korea trade deal cut the tariff rate to 15%, from an expected 25%, and (ii) **exemptions for tech giants from the proposed 100% semiconductor tariffs** are expected to support the market.

— **Jason Wong**, Equity Analyst

### US inflation expectations have eased lately amid slowing job market and activity data

US 5Y5Y inflation swap



Source: Bloomberg, Standard Chartered

### Korea and India are projected to have higher 2026 earnings growth within the Asia ex-Japan

Consensus 2026 earnings growth estimates for Asia ex-Japan markets



Source: FactSet, Standard Chartered



## Top client questions (cont'd)

**Q** What is the GBP/USD outlook after the latest BoE meeting?

**Our View:** We expect the BoE to cut rates more than the ECB over the next 12 months. Play a 0.8610-0.8880 range on EUR/GBP, with a bullish bias.

**Rationale:** The Bank of England cut rates by 25bps to 4%, the fifth cut in the last 12 months. The Monetary Policy Committee remained divided; some favoured deeper easing to support the slowing job market, while others focused on high inflation. Markets expect the BoE to deliver two more rate cuts over the next 12 months, leading us to hold a rangebound view (with a bearish bias) on GBP/USD.

Meanwhile, markets anticipate the ECB will hold rates steady at 2% as Euro area inflation remains aligned with its 2% target and growth remains resilient. President Lagarde signalled **the easing cycle is nearly done**, and the market is pricing in only **one more rate cut in the next 12 months to 1.75%**, which aligns with our own **ECB rate outlook**. The diverging monetary policies mean we expect EUR/GBP to remain rangebound with a bullish bias.

— Iris Yuen, Investment Strategist

**Q** Do you expect the gold rally to continue?

**Our View:** We expect gold to trade around USD 3,400/oz in the near term, with a rise to USD 3,500 over 12 months. Add on dips.

**Rationale:** With fading tariff fears, the next catalyst for gold hinges on signs of **US economic weakness**. Recent downward revisions to non-farm payrolls raises the chance of a Fed rate cut in September. If the August jobs report confirms the trend of labour market softening, we expect gold to push above its recent range toward our 6-12-month price target of USD 3,500/oz. Until then, we expect gold to remain rangebound around USD 3,400 and prefer to build positions opportunistically on weakness.

Recent data from the World Gold Council shows central bank net gold purchases fell to 166.5 tonnes in Q2, the lowest since Q2 2022. This puts 2025 on track to mark the first sub-1,000 tonne year since 2021. While **central banks** are strategic, long-term buyers, they are **partially price sensitive**. As such, the 29% YTD rally in gold prices has likely contributed to the slowdown in buying and allowed some banks to reach allocation targets.

Despite the current lull, we **remain constructive on central bank gold purchases** in the coming years and **expect purchases to pick up again should prices moderate**, especially with the steep depreciation in the USD this year further reinforcing the need to diversify reserves.

— Tay Qi Xiu, Portfolio Strategist

### Looking for gradual upside in EUR/GBP

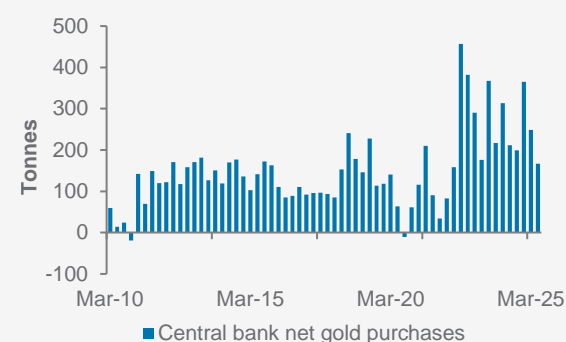
EUR/GBP and technical levels



Source: Bloomberg, Standard Chartered

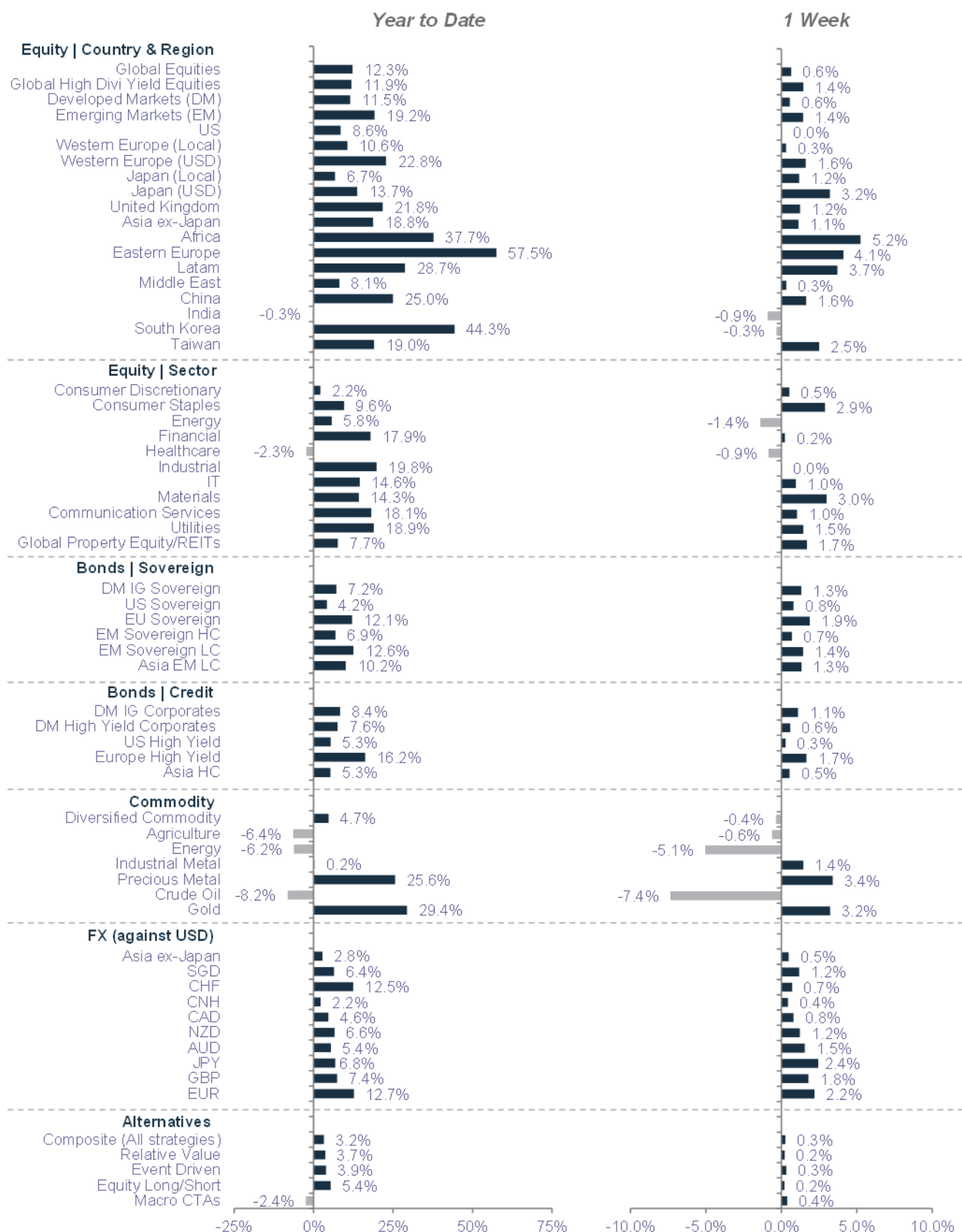
### Global central bank net gold purchases have slowed amid a record rally in gold prices

Global central bank quarterly net gold purchases (tonnes) as of Q2 2025



Source: World Gold Council, Standard Chartered

## Market performance summary\*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

\*Performance in USD terms unless otherwise stated, 2025 YTD performance from 31 December 2024 to 7 August 2025; 1-week period: 31 July 2025 to 7 August 2025

## Our 12-month asset class views at a glance

Asset class		
<b>Equities</b>	▲	<b>Preferred Sectors</b>
US	◆	US Financials ▲
Europe ex-UK	◆	US Technology ▲
UK	▼	US Communication ▲
Asia ex-Japan	▲	Europe Technology ▲
Japan	◆	Europe Communication ▲
Other EM	◆	Europe Industrials ▲
		Europe Financials ▲
<b>Bonds (Credit)</b>	◆	China Technology ▲
Asia USD	◆	China Communication ▲
Corp DM HY	◆	China Discretionary ▲
Govt EM USD	◆	
Corp DM IG	▼	<b>Alternatives</b> ◆
<b>Bonds (Govt)</b>	◆	<b>Gold</b> ◆
Govt EM Local	▲	
Govt DM IG	◆	

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

## The S&P500 has next interim resistance at 6,444

Technical indicators for key markets as of 7 August close

Index	Spot	1st support	1st resis- tance	12m forward P/E (x)	12m forward dividend yield (%)
S&P 500	6,340	6,219	6,444	22.1	1.3
STOXX 50	5,332	5,168	5,484	15.1	3.3
FTSE 100	9,101	8,872	9,260	13.0	3.6
TOPIX	2,988	2,862	3,054	15.6	2.6
Shanghai Comp	3,640	3,528	3,698	13.2	3.0
Hang Seng	25,082	24,023	25,938	10.9	3.3
Nifty 50	24,596	24,111	25,315	20.1	1.6
MSCI Asia ex-Japan	824	802	840	13.8	2.5
MSCI EM	1,260	1,233	1,280	12.9	2.8
Crude oil (WTI)	63.9	61.5	68.4	na	na
Gold	3,396	3,297	3,468	na	na
UST 10Y Yield	4.25	4.12	4.43	na	na

Source: Bloomberg, Standard Chartered

Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

## Economic and market calendar

	Market Event		Period	Expected	Prior
MON					
	AUD	RBA Cash Rate Target	12-Aug	3.6%	3.9%
TUE	EUR	ZEW Survey Expectations	Aug	–	36.1
	USD	NFIB Small Business Optimism	Jul	99.0	98.6
	USD	CPI y/y	Jul	2.8%	2.7%
	USD	CPI Ex Food & Energy y/y	Jul	3.0%	2.9%
WED					
THU	GBP	GDP y/y	2Q P	–	1.3%
	USD	PPI Final Demand y/y	Jul	–	2.3%
	USD	PPI Ex Food & Energy y/y	Jul	–	2.6%
FRI/SAT	JPY	GDP Annualized SA q/q	2Q P	0.2%	-0.2%
	CNH	Retail Sales y/y	Jul	4.6%	4.8%
	USD	Retail Sales Control Group	Jul	0.5%	0.5%
	USD	Industrial Production m/m	Jul	0.0%	0.3%
	USD	U. of Mich. Sentiment	Aug P	62.3	61.7

Source: Bloomberg, Standard Chartered

Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated

P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

## Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 7 August close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	●	↑	1.48
Global Equities	●	↓	1.27
Gold	●	↑	1.70
<b>Equity</b>			
MSCI US	●	↓	1.26
MSCI Europe	●	→	1.43
MSCI AC AXJ	●	↓	1.30
<b>Fixed Income</b>			
DM Corp Bond	●	→	1.36
DM High Yield	●	↓	1.26
EM USD	●	↓	1.27
EM Local	●	↑	1.36
Asia USD	●	↓	1.35
<b>Currencies</b>			
EUR/USD	●	↑	1.41

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

Legend: ● High | ● Low to mid | ○ Critically low





# InvesTips

## from the CIO's desk

Fortnightly series on WEDNESDAYS

Presented by

*Steve Brice*

Global Chief Investment Officer  
Standard Chartered Bank

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