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US economic summary (consensus)

% YoY	2023	2024	2025F*
Real GDP	2.9	2.8	1.5
Core PCE	4.2	2.8	2.9
CPI	4.1	3.0	2.9
Unemployment (%)	3.6	4.0	4.3

**Bloomberg consensus*

US FOMC Meeting

Fed in cautious mode, keeps rates unchanged

- **As expected, the Fed held rates steady at 4.25-4.50%, with two dissents in favour of a cut. This marks the most dissents in over three decades.**
- **The Fed continues to flag inflationary risks stemming from tariffs. While the labour market remains resilient, the Fed reiterated that any policy shift will remain data-dependent.**
- **We see some risks in the softening of the US labour market, particularly some indication of a moderation in private hirings and a downtrend in wage growth.**
- **While inflationary risks persist, the Fed will likely wait for clearer hard data before pivoting to easing. However, we believe signs of labour market softening could tip the scale. We continue to pencil in two rate cuts this year, likely in September and December.**
- **The perceived increasingly hawkish tone from the Fed may lend near-term support to the USD and put some pressure on the Ringgit.**
- **We see limited impact of the latest FOMC decision on the OPR outlook, as BNM remains focused on supporting domestic growth amid external trade headwinds.**

Fed kept policy rate steady

As expected, the Federal Reserve maintained the federal funds target range at 4.25–4.50%. This marks the fifth consecutive pause since the last 25-bp cut in December 2024. The hold decision came with a 9–2 vote, with Governors Michelle Bowman and Christopher Waller dissenting in favour of a cut. This marks the largest dissent among Fed board members in over three decades, reflecting the balancing act between containing inflation and cushioning against labour market softening.

Fed sees inflation as a key concern

The Fed's latest decision to hold was guided by its assessment that inflation "remains somewhat elevated relative to our 2% longer-run goal" and that the labour market is "broadly consistent with maximum employment." Chair Jerome Powell reiterated the Fed's cautious stance, warning that the increased tariffs are "pushing up prices in some categories of goods," adding uncertainty to the inflation trend. He emphasised that the Fed is walking a fine line on the timing of policy shifts. He stated that "If you move too soon, you may not get inflation fixed," but also noted, "If you move too late, you might do unnecessary damage to the labour market." His remarks underscores that any rate cut remains largely data-dependent.

Fed's projections underscore mounting downside risks

The Fed's baseline outlook remains clouded by uncertainty. In its June FOMC meeting (no projections are released in the latest July meeting), the Fed revised down its YoY real GDP growth forecast to +1.4% in 2025 (from +1.7%) and +1.6% in 2026 (from +1.8%). The unemployment rate projections were adjusted higher to 4.5% in both 2025 and 2026 (from 4.4% and 4.3% respectively). Meanwhile, the Fed lifted its inflation forecasts to +3.0% in 2025 (+2.7% previously) and +2.4% in 2026 (+2.2% previously), with core inflation similarly revised up to +3.1% and +2.4% respectively (from +2.8% and +2.2% respectively). The adjustments reflect heightened concern over how trade tariffs and geopolitical tensions may affect both inflation and growth outlook. The next Summary of Economic Projection from the Fed will be released in its September FOMC meeting.

Risks of a softening labour market remain

We view that the Fed's downgraded projections partly reflect the fluid US labour market conditions, which has shown a mixed picture. The unemployment rate has held steady at 4.1–4.2% in recent months, still below the pre-Covid five-year average of around 4.4% (2015–2019). While headline non-farm payrolls beat expectations in June, rising by 147k (consensus: 106k; May: 144k), the strength was largely driven by a jump in government hiring. State and local government jobs rose by 73k (May: 7k), boosted by seasonal hiring in the education sector following the end of the school year. In contrast, private-sector hiring slowed to just 74k (May:

137k), the weakest since October 2024 amid a broad-based moderation across sectors. Wage growth has also continued to ease. The Bureau of Labor Statistics' average hourly earnings for private-sector workers moderated to +3.7% YoY in June (May: +3.8%; end-2024: +4.0%), pointing to softness in the private sector.

Two rate cuts still on the cards

While inflationary risks persist, the Fed is likely to take a cautious approach, waiting for clearer hard data before pivoting to easing. However, we believe signs of labour market softening and its potential drag on consumer spending could tip the scale. We thereby continue to pencil in two rate cuts this year, likely in September and December, conditional on inflation staying broadly stable and labour market cooling further.

No changes to BNM OPR outlook

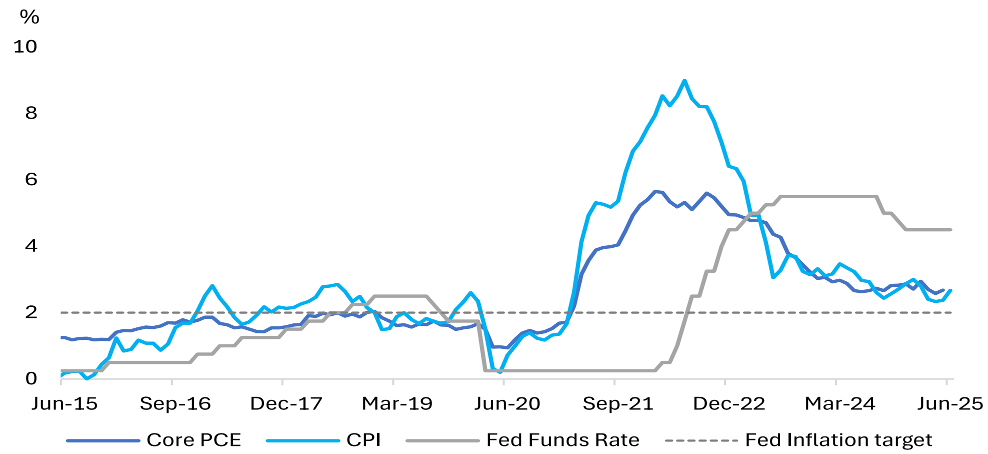
While the Fed's latest decision was largely within expectations, markets have trimmed their rate cut projection to just one in 2025 (from two cuts previously), likely due to a perceived increasingly hawkish tone from the Fed. This may lend near-term support to the USD and put some pressure on the Ringgit, which has appreciated about 5% year-to-date on broad dollar weakness. That said, we expect USDMYR to remain steady, underpinned by stable BNM policy. We see limited impact of the latest FOMC decision on the OPR outlook, as BNM remains focused on supporting domestic growth amid external trade headwinds.

Table 1: FOMC Meeting Schedule & Outlook for 2025

No. of Meetings	Date	In-house Projection	Fed Funds Future**	Fed Decision
1st	28-29 Jan	Unchanged	Unchanged	Unchanged
2nd	18-19 Mar*	Unchanged	Unchanged	Unchanged
3rd	6-7 May	Unchanged	Unchanged	Unchanged
4th	17-18 Jun*	Unchanged	Unchanged	Unchanged
5th	29-30 Jul	Unchanged	Unchanged	Unchanged
6th	16-17 Sep*	25-bp cut	Unchanged	
7th	28-29 Oct	Unchanged	Unchanged	
8th	9-10 Dec*	25-bp cut	25-bp cut	

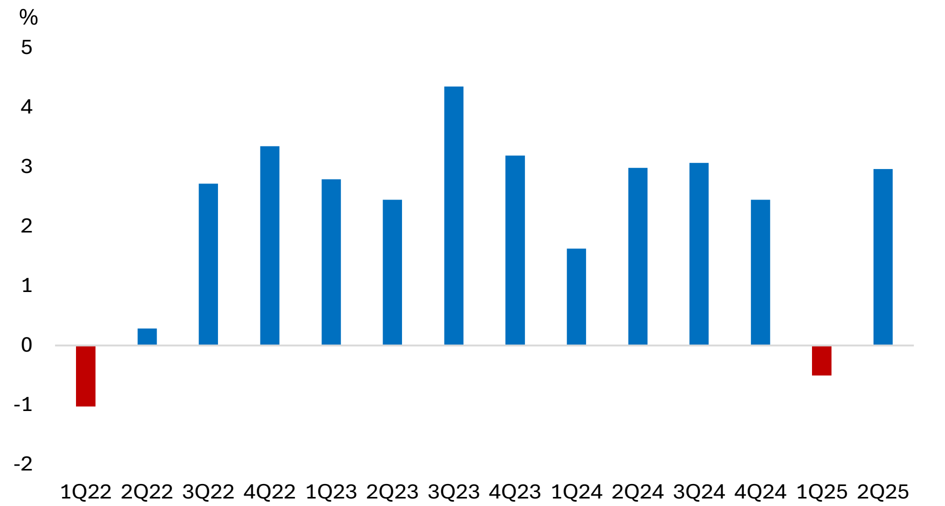
Source: Federal Reserve, Bloomberg, Apex Securities
**Meeting associated with a Summary of Economic Projections*
*** Bloomberg, World Interest Rate Probability (WIRP), based on Fed Funds Futures*

Figure 1: Sticky inflation remains above the Fed's 2% inflation target



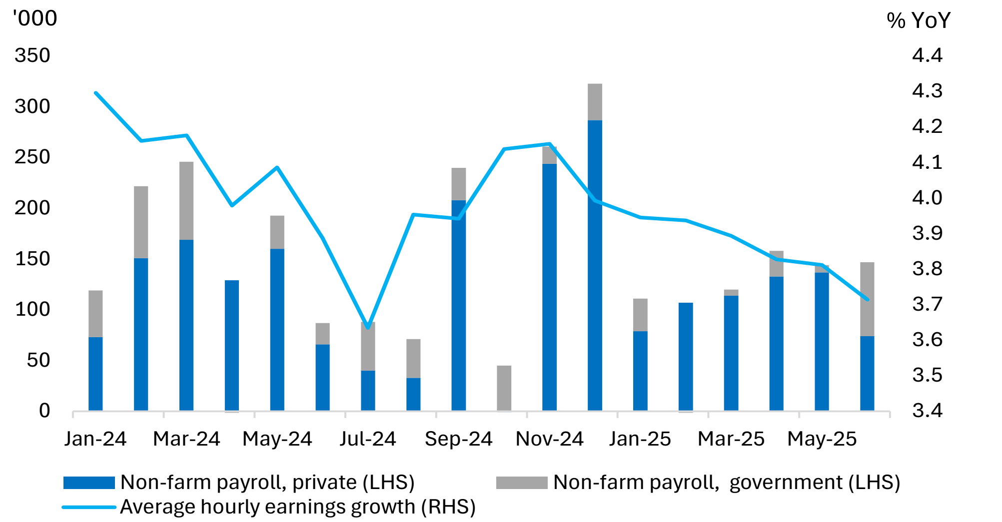
Source: Macrobond, Apex Securities

Figure 2: US annualised QoQ GDP rebounded by 3.0% in 2Q25 following a brief contraction in 1Q25



Source: Macrobond, Apex Securities

Figure 3: US non-farm payrolls showed private hiring declined sharply to 74k in June (May: 137k)



Source: Macrobond, Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Thursday, 31 Jul, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.