

FX, Fixed income, Econ, Facts & Fallacies

1 September 2025

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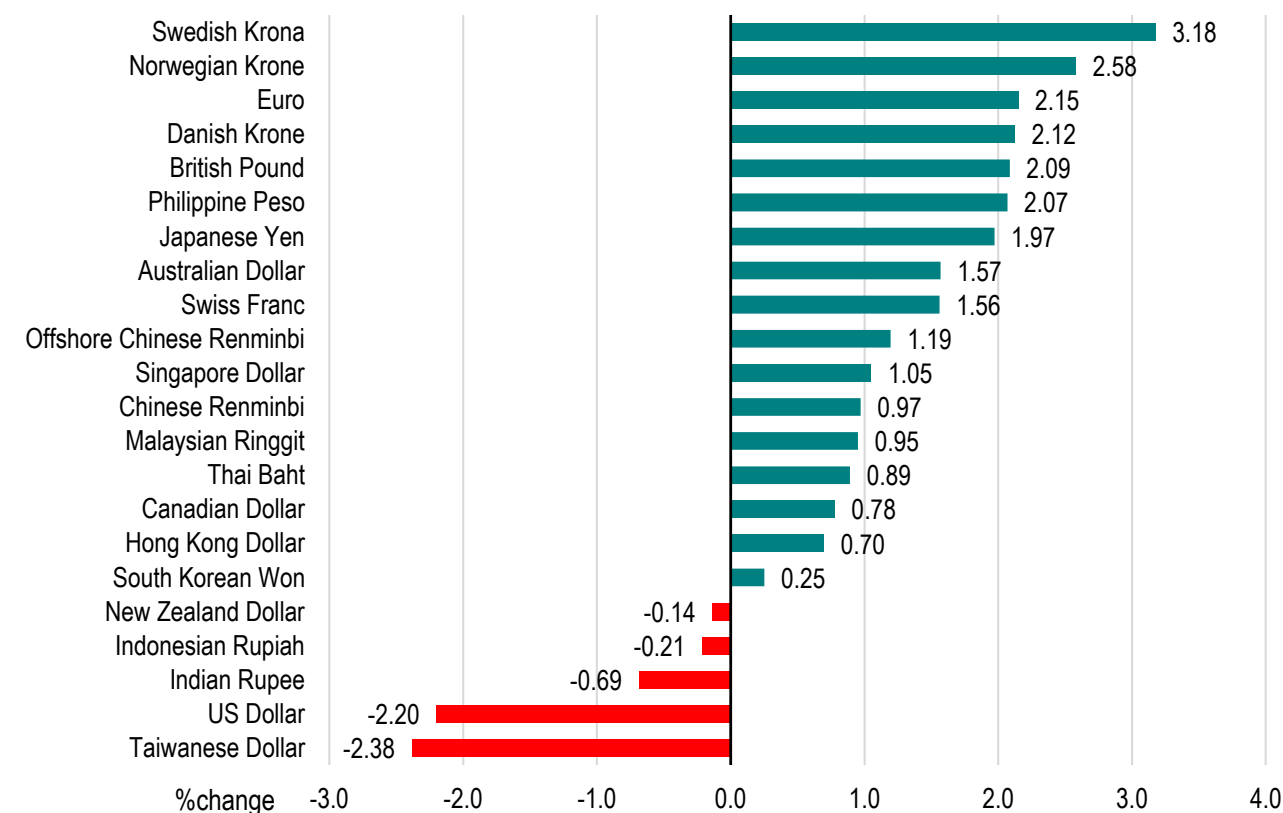
Capital markets recap, August 2025

- ▶ The US dollar ended weaker in August 2025 amid concerns over the US economy after early-month labour market data came in much worse than expected, despite receiving some support from Powell's signal of possible rate cuts. Meanwhile, the Thai baht strengthened for the sixth consecutive month in line with other Asian currencies, even though the MPC unanimously decided to cut interest rates.
- ▶ US Treasury yields declined across most maturities as expectations of Fed rate cuts this year increased. However, ultra-long-term US Treasury yields edged up slightly due to concerns over US public debt. Thai government bond yields, meanwhile, continued to fall across all

maturities amid expectations that the Bank of Thailand will cut rates further in the coming period.

FX Markets

Figure 1: Monthly Changes in Major Currencies



Source: Bloomberg, KBank

In August 2025, the US dollar closed weaker due to concerns over the US economy after early-month labour market data came in much worse than expected. Both nonfarm payrolls were far below forecasts and the unemployment rate rose, while previous nonfarm payroll figures for the past two months were revised down by as much as 258,000 jobs — the steepest downward revision since the COVID-19 period. Together with lower-than-expected inflation, this heightened market concerns over the US labour market and led to expectations that the Fed could cut interest rates more than twice this year, compared with earlier estimates of only one cut.

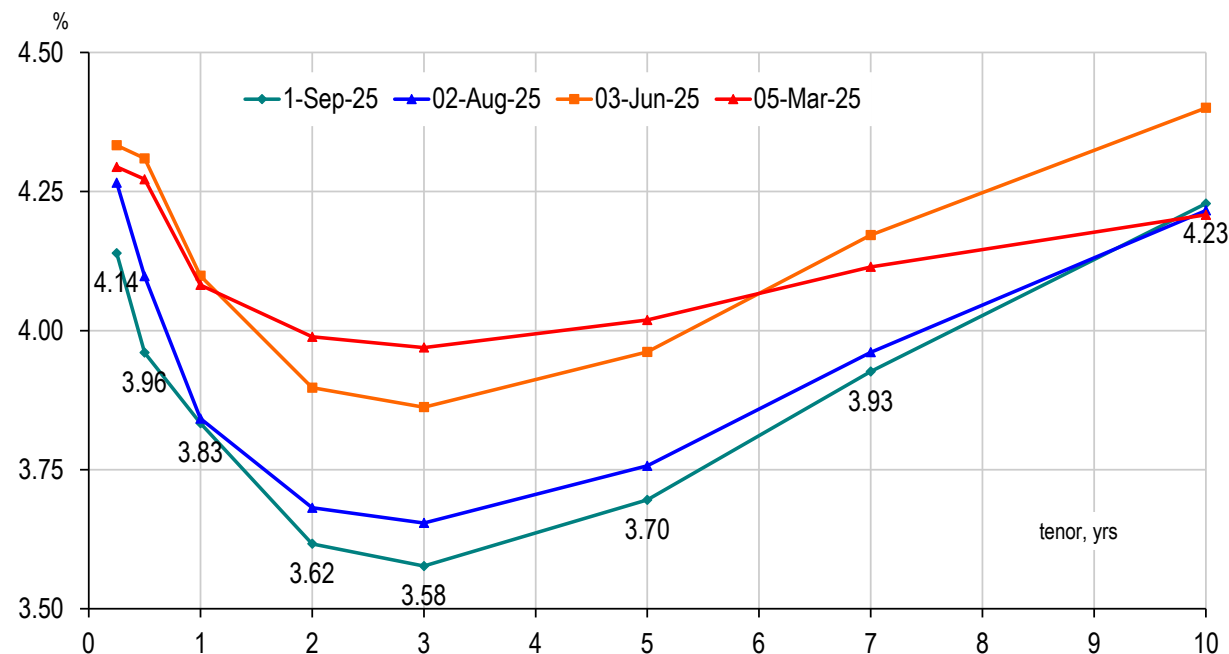
However, in the third week of the month, the US dollar received some support after Powell cautiously signalled the possibility of rate cuts in his remarks at the Jackson Hole meeting. The dollar also gained modestly after Trump announced that the latest import tariffs for most countries would be lower than those declared in April, while tariff revenues started to show more clearly. Nonetheless, tariff policy remains highly uncertain after the Court of Appeals ruled that Trump's tariff hikes exceeded presidential authority. That said, tariffs remain in effect pending review by the Supreme Court.

The Thai baht strengthened for the sixth consecutive month in line with other Asian currencies, despite capital outflows from both the Thai stock and bond markets in August. The MPC unanimously (6-0) cut the policy rate by -25bps to 1.50%, in line with market expectations, as it assessed that Trump's tariffs could worsen Thailand's structural problems and competitiveness. Meanwhile, Thailand's headline inflation in July contracted more than markets expected, marking the fourth consecutive month of decline.

Bond Markets

US Treasury yields fell across most maturities as expectations for Fed rate cuts this year increased, amid clear signs of an economic slowdown, particularly in the labour market. However, ultra-long-term US Treasury yields edged up slightly due to lingering concerns over US public debt, even though both S&P and Fitch recently affirmed the US sovereign credit rating at AA+.

Figure 2: US Bond Markets

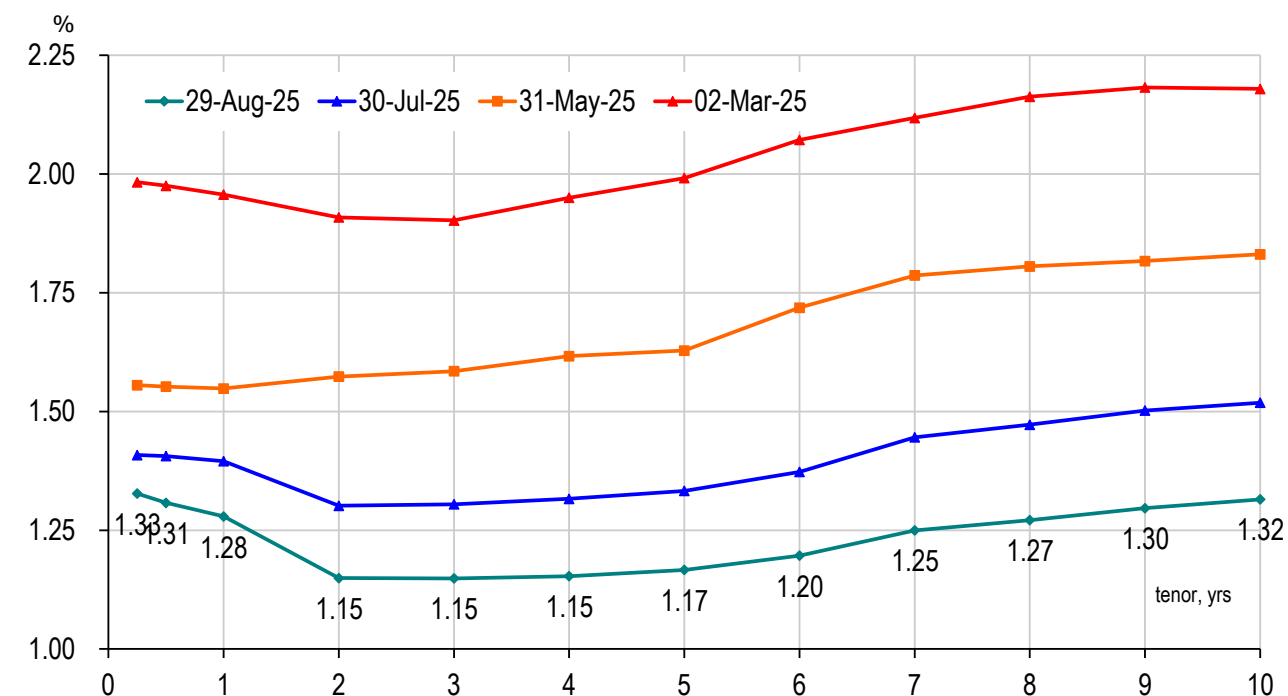


Source: Bloomberg, KBank

Thai government bond yields continued to decline across all maturities on expectations that the Bank of Thailand will deliver further rate cuts in the period ahead, after unanimously cutting rates for the third time this year. The central bank noted that monetary policy should remain accommodative to support an economy that is likely to slow in the second half, while reiterating that policy space is limited and must be used with

caution. It also assessed that the current situation is not as severe as during COVID-19, when the policy rate was lowered to a record low of 0.5%.

Figure 3: Thai bond yields



Source: Bloomberg, KBank

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