

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 138.24 | 138.80 | +0.75 | ▼3.41 |
| EUR | 1.1220 | 1.1228 | +0.0002 | +0.0261 |
| AUD | 0.6874 | 0.6838 | ▼0.0051 | +0.0148 |
| SGD | 1.3197 | 1.3215 | ▼0.0006 | ▼0.0253 |
| CNY | 7.1367 | 7.1420 | ▼0.0073 | ▼0.0834 |
| INR | 82.11 | 82.17 | +0.10 | ▼0.57 |
| IDR | 14959 | 14958 | ▼10 | ▼177 |
| MYR | 4.5283 | 4.5267 | ▼0.0555 | ▼0.1398 |
| PHP | 54.43 | 54.41 | ▼0.12 | ▼1.22 |
| THB | 34.60 | 34.63 | +0.06 | ▼0.57 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|---------|----------|
| USD (10YR) | 3.832% | +6.9 bp | ▼22.9 bp |
| JPY (10YR) | 0.481% | +0.6 bp | +5.3 bp |
| EUR* (10YR) | 2.481% | +3.1 bp | ▼15.6 bp |
| AUD (5YR) | 3.874% | ▼5.9 bp | ▼31.4 bp |
| SGD (5YR) | 3.046% | ▼2.5 bp | ▼16.5 bp |
| CNY (5YR) | 2.432% | +0.3 bp | +1.5 bp |
| INR (5YR) | 7.071% | +1.3 bp | ▼6.1 bp |
| IDR (5YR) | 5.855% | ▼0.9 bp | ▼11.1 bp |
| MYR (5YR) | 3.535% | ▼2.7 bp | ▼13.9 bp |
| PHP (5YR) | 6.169% | +8.2 bp | ▼30.4 bp |
| THB (5YR) | 2.333% | +1.9 bp | +1.9 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 34,509.03 | +0.33% | +2.29% |
| N225 (JP) | 32,391.26 | ▼0.09% | +0.01% |
| STOXX 50 (EU) | 4,400.11 | +0.19% | +3.86% |
| ASX (AU) | 4,056.48 | ▼0.12% | +2.51% |
| STI (SG) | 3,248.63 | +0.31% | +3.48% |
| SHCOMP (CN) | 3,237.70 | +0.04% | +1.29% |
| SENSEX (IN) | 66,060.90 | +0.77% | +1.20% |
| JSE (ID) | 6,869.57 | +0.87% | +2.28% |
| KLSE (MY) | 1,412.09 | +1.14% | +2.50% |
| PSE (PH) | 6,624.79 | +0.70% | +3.85% |
| SET (TH) | 1,517.92 | +1.60% | +1.84% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB | 270.79 | +0.02% | +2.39% |
| COPPER (LME) | 8,661.75 | ▲0.29% | +3.60% |
| IRON ORE (CN) | 113.79 | +2.50% | +3.89% |
| GOLD | 1,955.21 | ▲0.27% | +1.57% |
| OIL (WTI) | 75.42 | ▼1.91% | +2.11% |

TODAY'S COMMENTS & FORECAST

Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 138.69 | EUR/USD | 1.1227 |
| USD/SGD | 1.3215 | USD/THB | 34.64 |
| JPY/SGD | 0.9528 | USD/MYR | 4.530 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 137.60 - 139.70 |
| EUR/USD | 1.1160 - 1.1260 |
| AUD/USD | 0.6720 - 0.6890 |
| USD/SGD | 1.3290 - 1.3380 |
| JPY/SGD | 0.9513 - 0.9724 |
| USD/CNH | 7.1400 - 7.1800 |
| USD/INR | 81.95 - 82.55 |
| USD/IDR | 14900 - 15100 |
| USD/MYR | 4.500 - 4.600 |
| USD/PHP | 54.20 - 54.80 |
| USD/THB | 34.55 - 34.90 |

Today's Direction

| | Bull | Bear |
|---------|------|------|
| USD/SGD | 4 | 1 |
| USD/JPY | 3 | 2 |

Three Take-aways:

- 1) Uni of Michigan survey showed sharp improvement in sentiments along with higher inflation expectations.
- 2) Slipping oil prices on Libyan production resumption and EM-Asia FX may not get respite from China.
- 3) China Q2 GDP is about base effect than providing clarity on economic outlook.

Sentiments

- **Consumer sentiments** from Uni. Of Michigan survey **surged** and far exceeded market expectations. Concomitantly with the buoyant mood, **both the year ahead and 5-10 year inflation expectations** also surpassed consensus estimates.
- Consequently, **UST yields rose** sharply with a bear flattener (2Y: +13.5bp; 10Y: +6.9bp) despite Fed's Goolsbee framing last week's inflation outturns as promising. The magnitude is actually not outlandish considering the **prior decline of more than 30bp since the start last week**.
- US equities were also held back with the Dow inching up 0.3% while the S&P500 and Nasdaq dropped 0.1% and 0.2% respectively. Amid Libyan oil fields resuming production, **Brent crude prices continued to decline** towards US\$79/barrel. The **spillover onto FX** was evident as NOK and CAD led losses among G10 peers amid USD recovery on higher UST yields.
- AUD also sank back towards 68 cents and may struggle to regain traction if China data disappoints today. EUR managed to stay flat as ECB's account of meeting showed a discussion for an upsized 50bp at their previous meeting. The USD/JPY rode higher UST yields to ascend above mid-138.
- In EM-Asia, USD/SGD is back up above 1.32. This morning's dismal NODX for Singapore provides a grim reminder of manufacturing contraction despite headline GDP skirting a technical recession.
- EM-Asia FX's keen wait for China's growth numbers may not accrue significant gains given that the release details may be more "technical" than fundamental.

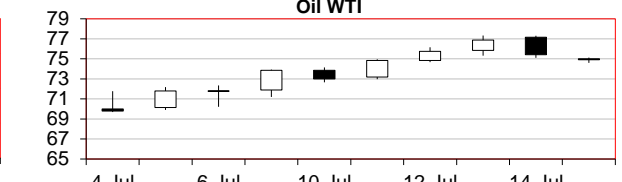
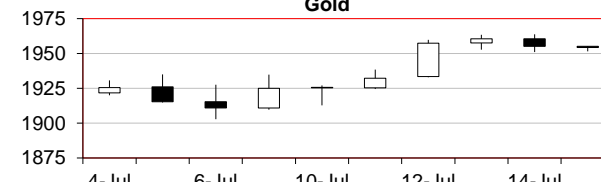
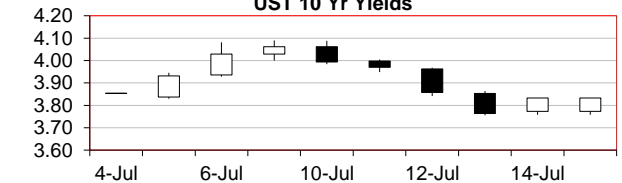
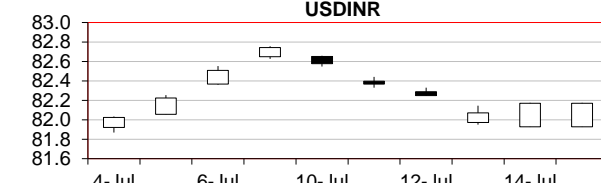
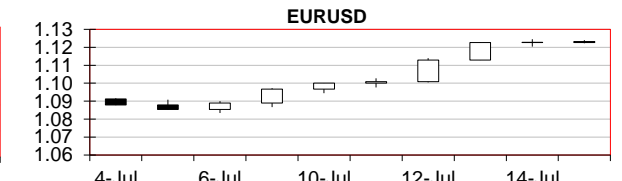
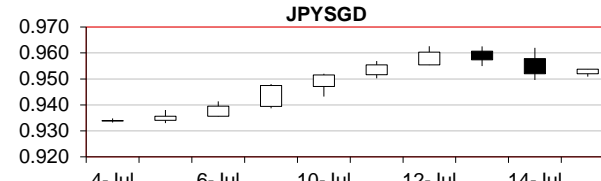
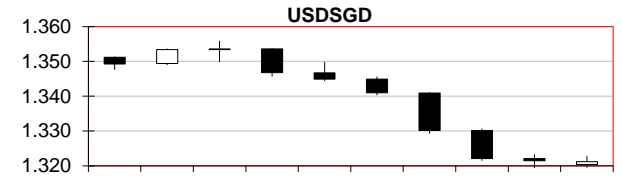
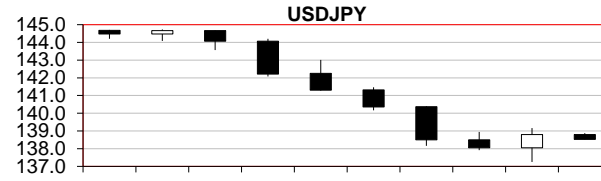
China Q2 GDP: All About that Base ('Bout the Base), No Treble

- The bottom-line is that **China's Q2 GDP upturn is all about the (low) base (effects)**; whereas there continues to be a **troubling lack of clarity (no treble)**.
- For the record, the **headline acceleration in China's Q2 GDP is primed to look stellar**.

OVERNIGHT RESULTS

(JP) Industrial Production (May F): -2.2% (May P: -1.6%) | (IN) Trade Balance (Jun): \$20.13b (Mkt: -\$20.22b; May: -\$22.12b) | (US) U. of Mich. Sentiment (Jul P): 72.6 (Mkt: 65.5; Jun: 64.4) | (US) U. of Mich. 1/5-10 Yr Inflation (Jul P): 3.4%/3.1% (Mkt: 3.1%/3.0%; Jun: 3.3%/3.0%)

* Past Two Weeks Movement *



- Markets are expecting **a print that is over 7%YoY, surging from 4.5% YoY in Q1**.
- This is however **due to an exceptionally flattering base** of just 0.4% YoY GDP growth in Q2 2022 (Q1 2022: 4.8%); **essentially giving Q2 GDP 4.3-4.4%-pt of additional boost vis-a-vis Q1**.
- So, to be clear, and **in sharp contrast to headline YoY GDP, growth momentum has de-accelerated**. Once normalized for base effects, **Q2 GDP in fact suggests a marked slowdown to ~3.0-3.5%**; consistent with softer QoQ growth expectations (of 0.8%).
- In which case, there are three things about China's economy and economic assessment that are pertinent. **First**, once base effect distortions are backed out, **China's economy remains dismal**.
- **Especially with industrial activity and investments particularly downbeat**, if not outright fragile. By extension, that also means that any comfort about China being on course to attain the **"around 5%" growth target should be tempered for the base effect boost that is evident**.
- **Second**, with **underlying growth momentum in bad shape** (as cyclical manufacturing soft spots collide with structural/geo-political headwinds), there is a **growing hopes for "big bang" stimulus to fire up China's growth**. And so, **China's economic prospects are acutely tied to stimulus**.
- **Finally**, **structural, geopolitical and socio-political aspects of a nagging confidence deficit hobbling the economy** (amid a crippling property slump) **requires unusually powerful stimulus**.
- And even then, **tensions between political and economic objectives alongside associated CNH stability risks render a durable and sizable economic boost exceptionally challenging**.
- Upshot: **Q2 GDP may be too much noise from the base and no clarity associated with treble**.

FX Daily Outlook

- EUR/USD: 1.12 consolidation is a considered case given UST yield recovering.
- USD/JPY: Buoyancy may return for 138 as UST-JGB differences assert.
- USD/SGD: Substantial SGD strength may relent to bounce off 1.32.
- AUD/USD: Commodity and China weakness implies that sustainability above 69 cents is doubted.

TODAY'S EVENTS

(SG) Non-oil Domestic/Elect. Exports YoY (Jun): -15.5%/-15.9% (Mkt: -15.6%/--; May: -14.7%/-27.2%) | (CH) Retail Sales YoY (Jun): (Mkt: 3.1%; May: 12.7%) | (CH) GDP YoY/SA QoQ (2Q): (Mkt: 7.0%/0.6%; 1Q: 4.5%/2.2%) | (CH) Fixed Assets Ex Rural YTD YoY (Jun): (Mkt: 3.5%; May: 4.0%) | (CH) Industrial Production YoY (Jun): (Mkt: 2.5%; May: 3.5%) | | (ID) Trade Balance (Jun): (Mkt: \$1481m; May: \$440m) | (US) Empire Manufacturing (Jul): (Mkt: -1.8; Jun: 6.6) | (US) Central Bank: PBoC 1-Yr Medium-Term Lending Facility Rate

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