

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	138.67	138.71	▼0.09	▼2.60
EUR	1.1245	1.1236	+0.0008	+0.0235
AUD	0.6816	0.6816	▼0.0022	+0.0141
SGD	1.3217	1.3219	+0.0004	▼0.0230
CNY	7.1719	7.1735	+0.0315	▼0.0525
INR	82.09	82.05	▼0.12	▼0.52
IDR	15013	15005	+47	▼190
MYR	4.5530	4.5373	+0.0106	▼0.1332
PHP	54.36	54.38	▼0.03	▼1.31
THB	34.67	34.62	▼0.01	▼0.53

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.807%	▼2.5 bp	▼18.7 bp
JPY (10YR)	0.481%	+0.0 bp	+1.9 bp
EUR* (10YR)	2.448%	▼3.3 bp	▼19.2 bp
AUD (5YR)	3.873%	▼0.1 bp	▼31.5 bp
SGD (5YR)	3.052%	+0.6 bp	▼19.0 bp
CNY (5YR)	2.416%	▼1.6 bp	▼0.2 bp
INR (5YR)	7.050%	▼2.1 bp	▼6.9 bp
IDR (5YR)	5.892%	+3.7 bp	▼13.1 bp
MYR (5YR)	3.553%	+1.8 bp	▼10.7 bp
PHP (5YR)	6.134%	▼3.5 bp	▼15.2 bp
THB (5YR)	2.320%	▼1.3 bp	+0.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,585.35	+0.22%	+1.89%
N225 (JP)	32,391.26	+0.00%	+0.63%
STOXX 50 (EU)	4,356.79	▼0.98%	+2.36%
ASX (AU)	4,038.23	▼0.45%	+1.83%
STI (SG)	3,254.43	+0.18%	+3.34%
SHCOMP (CN)	3,209.63	▼0.87%	+0.19%
SENSEX (IN)	66,589.93	+0.80%	+1.91%
JSE (ID)	6,867.14	▼0.04%	+2.02%
KLSE (MY)	1,406.10	▼0.42%	+1.67%
PSE (PH)	6,550.76	▼1.12%	+2.68%
SET (TH)	1,528.77	+0.71%	+2.13%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.90	▲1.07%	+1.33%
COPPER (LME)	8,468.00	▲2.24%	+1.33%
IRON ORE (CN)	112.50	▲1.13%	+5.50%
GOLD	1,955.04	▲0.01%	+1.54%
OIL (WTI)	74.15	▼1.68%	+1.59%

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	138.74	EUR/USD	1.1238
USD/SGD	1.3220	USD/THB	34.60
JPY/SGD	0.9529	USD/MYR	4.550

**Forecast**

USD/JPY	138.10 - 139.70
EUR/USD	1.1160 - 1.1260
AUD/USD	0.6720 - 0.6850
USD/SGD	1.3200 - 1.3300
JPY/SGD	0.9449 - 0.9631
USD/CNH	7.1600 - 7.2000
USD/INR	81.95 - 82.45
USD/IDR	14950 - 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	3	2
USD/JPY	3	2

**Three Take-aways:**

- 1) China's dismal Q2 GDP tempers US manufacturing optimism as UST yields soften.
- 2) RBA set to reveal their preference for more time in dealing with variable lags of policy and jobs market.
- 3) Indonesia's trade surplus due to import expenditure plunge offsetting lower export dampens optimism.

**Tugging**

- With the Empire manufacturing survey adding another data point to back the narrative of a **resilient US economy**, US equities remain buoyant to rise across the board.

- Nonetheless, **China Q2 GDP growth at 6.3% tugs at the pessimistic direction**. This is a **dismal performance** especially considering that base effects ought to flatter.

- Furthermore, the **lacklustre state of the Chinese consumer** signalled by retail sales underscores the challenges of China's attempt at a structural pivot to boost domestic consumption. Caution was not utterly abandoned as UST 2Y and 10Y yields edged lower by 2.3bp and 2.5bp respectively.

- USD turned in a mixed performance against G10 peers. Haven peers such as CHF and JPY remain backstopped with the USD/JPY buoyed above mid-138. Similarly, the EUR sustained above 1.12.

- In EM-Asia, USD/SGD was also hovering above 1.32. Down Under, the AUD slipped lower towards 68 cents as lower Brent crude prices and disappointing China growth point to fading tailwinds.

**RBA: Dealing With Variable Lags**

- The focus on the RBA's minutes and the jobs report reflects **policy concerns on how best to time and optimize the RBA's late-cycle calibrations amid transmission policy lags**.

- On the latter, it is notable that there is room for interpretation on the RBA's assertion that the decision to hold rates steady provides the Board with **"more time to assess the state of the economy and economic outlook and associated risks"**.

- Admittedly, the need for more time (and data) aligns with the RBA's subsequent decision to reduce their frequency of meeting from the current 11 meetings a year to 8 starting 2024.

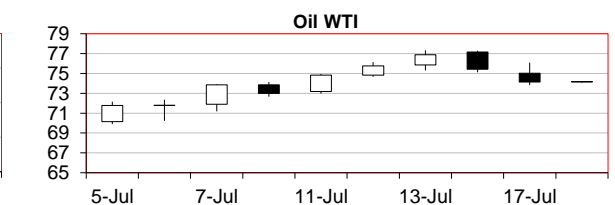
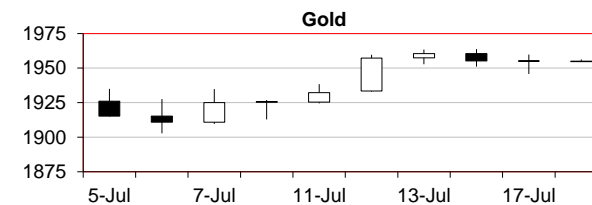
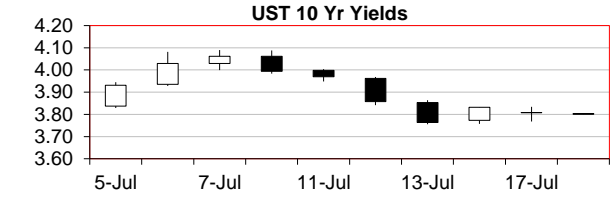
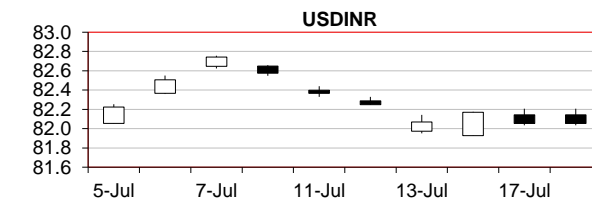
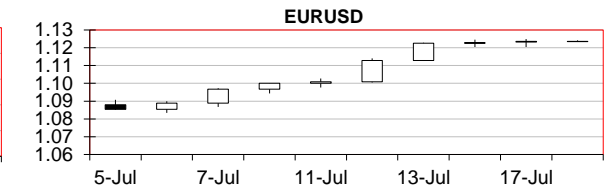
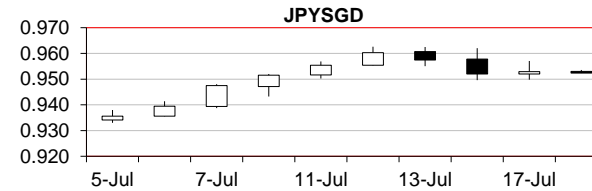
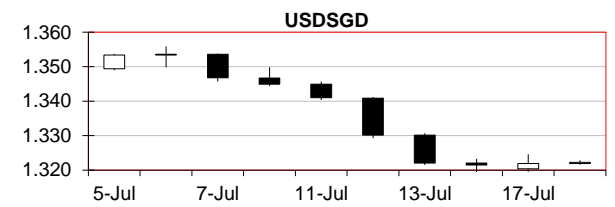
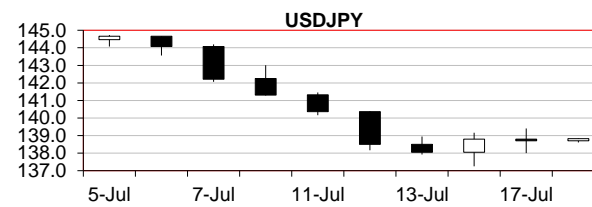
- The **challenge** though is that **not only does monetary policy operate with variable lags, but that while "transmission" is effected as continuous strains, the resulting shocks may be abrupt**.

**OVERNIGHT RESULTS**

(CH) Retail Sales YoY (Jun): 3.1% (Mkt: 3.3%; May: 12.7%) | (CH) GDP YoY/SA QoQ (2Q): 6.3% / 0.8% (Mkt: 7.1%/0.8%; 1Q: 4.5%/2.2%)

(CH) Fixed Assets Ex Rural YTD YoY (Jun): 3.8% (Mkt: 3.5%; May: 4.0%) | (CH) Industrial Production YoY (Jun): 4.4% (Mkt: 2.5%; May: 3.5%) |

(ID) Trade Balance (Jun): \$3460m (Mkt: \$1481m; May: \$440m) | (US) Empire Manufacturing (Jul): 1.1 (Mkt: -1.8; Jun: 6.6)

**Past Two Weeks Movement**


- The RBA's conundrum is that an **ostensibly strong job market** (low unemployment and rising labour force participation) may be **overstating resilience of households**; that are, in reality, grappling with a double whammy of stretched household finances and cost-of-living stress.

- Against this, the **variable lags in policy transmission up the odds of a policy mistake**.

**Indonesia: Trade Buffers?**

- Without a doubt, an **improving trade balance** from US\$440 million in May to US\$3.45 billion in June ought to be a positive for the Indonesian economy and the IDR.

- Nonetheless, **underlying fears remain** given that the larger surplus was a result of due to a sharp plunge in import expenditure (-18.4% YoY) offsetting lower export revenues (-21.2% YoY).

- Fading effects of commodity prices were evident as export revenue was driven by **key categories such as mineral fuels (coal) and nickel**.

- While lower import expenditure boosted overall trade balance, declining imports of machinery and mechanical appliances and electrical machinery and equipment which contributed nearly third of the sequential decline signals **cautious investment spending** amid a clouded outlook.

- In addition, Indonesia authorities have issued new regulations to mandate **repatriation of at least 30% of foreign currency denominated earnings for at least 3 months**.

- The regulation affects mining, plantation, forestry and fisheries sectors with at least US\$250k and will be **effective from 1 Aug**. Understandably, given the IDR's diminishing real returns vis-a-vis the USD, IDR capital outflow risks are prevalent and should be pre-emptively mitigated.

**FX Daily Outlook**

- EUR/USD: Geo-political woes may keep 1.13 at bay as grain and food issues are pondered.

- USD/JPY: Further slippage looks restrained at 138 as BoJ pivot is not a near term outcome.

- USD/SGD: CNH weakness to passthrough to keep pair buoyant off 1.32.

- AUD/USD: RBA minutes may have little to give, pressured below 69 cents.

**TODAY'S EVENTS**

(JP) Tertiary Industry Index MoM (May): (Apr: 1.2%) |

(US) Retail Sales/Ex Auto & Gas MoM (Jun): (Mkt: 0.5%/0.4%; May: 0.3%/0.4%) |

(US) Industrial Production MoM (Jun): (Mkt: 0.0%; May: -0.2%) |

Central Bank: RBA Minutes of July Policy Meeting

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