

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.43	141.48	▼0.25	+2.77
EUR	1.1080	1.1064	▼0.0060	▼0.0172
AUD	0.6734	0.6739	+0.0010	▼0.0077
SGD	1.3315	1.3318	+0.0011	+0.0099
CNY	7.2030	7.1874	▼0.0002	+0.0139
INR	81.91	81.83	▼0.13	▼0.22
IDR	15027	15023	▼2	+18
MYR	4.5785	4.5665	+0.0038	+0.0292
PHP	54.63	54.75	+0.00	+0.37
THB	34.46	34.46	+0.01	▼0.16

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.873%	+3.8 bp	+6.6 bp
JPY (10YR)	0.463%	+1.3 bp	▼1.8 bp
EUR* (10YR)	2.393%	▼4.6 bp	▼5.5 bp
AUD (5YR)	3.867%	▼2.8 bp	▼0.6 bp
SGD (5YR)	2.984%	▼1.1 bp	▼6.8 bp
CNY (5YR)	2.409%	+1.2 bp	▼0.7 bp
INR (5YR)	7.059%	▼0.8 bp	+0.9 bp
IDR (5YR)	5.924%	+1.2 bp	+3.2 bp
MYR (5YR)	3.581%	+0.7 bp	+2.8 bp
PHP (5YR)	6.140%	+0.0 bp	+0.6 bp
THB (5YR)	2.359%	+0.0 bp	+3.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,411.24	+0.52%	+2.39%
N225 (JP)	32,700.94	+1.23%	+0.96%
STOXX 50 (EU)	4,383.03	▼0.19%	+0.60%
ASX (AU)	4,187.55	+0.12%	+3.70%
STI (SG)	3,265.14	▼0.40%	+0.33%
SHCOMP (CN)	3,164.16	▼0.11%	▼1.42%
SENSEX (IN)	66,384.78	▼0.45%	▼0.31%
JSE (ID)	6,899.40	+0.27%	+0.47%
KLSE (MY)	1,424.69	+0.79%	+1.32%
PSE (PH)	6,631.25	▼0.25%	+1.23%
SET (TH)	1,523.81	▼0.36%	▼0.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	280.13	+1.32%	+4.57%
COPPER (LME)	8,487.75	+0.77%	+0.23%
IRON ORE (CN)	112.80	▲0.27%	+0.27%
GOLD	1,954.73	▲0.37%	▲0.02%
OIL (WTI)	78.74	+2.17%	+6.19%

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

USD/JPY	141.53	EUR/USD	1.1063
USD/SGD	1.3319	USD/THB	34.56
JPY/SGD	0.9411	USD/MYR	4.572

**Forecast**

USD/JPY	140.30 - 142.70
EUR/USD	1.1000 - 1.1500
AUD/USD	0.6680 - 0.6800
USD/SGD	1.3260 - 1.3350
JPY/SGD	0.9292 - 0.9515
USD/CNH	7.1730 - 7.2240
USD/INR	81.60 - 82.30
USD/IDR	14980 - 15080
USD/MYR	4.555 - 4.586
USD/PHP	54.50 - 54.88
USD/THB	34.35 - 34.65

**Today's Direction**

	Bull	Bear
USD/SGD	6	1
USD/JPY	6	1

**Three Take-aways:**

- 1) EZ PMIs signal weakening activity levels which tighten ECB's policy space and sent the EUR lower.
- 2) Rising oil prices forges a bumpy dis-inflation path beyond initial easy statistical gains.
- 3) Bank Indonesia to hold policy rates with focus turning to IDR stability.

**Walk and Talk**

- Eurozone economy emanating weakening activity with both services and manufacturing PMIs falling short of expectations implies that the **ECB is walking on tightrope on their decisions and communications** beyond this week's widely expected 25bp hike.

- As such, EUR was the worst G10 performer against the Greenback as it sank towards mid-1.10. - That said, it was **not a case of all out USD strength** despite **markedly higher UST yields** which saw 2Y yields surge 8.2bp while 10Y yields follow suit in a tempered fashion to rise 3.8bp.

- This pointed to rising commodity prices (Brent Crude: + 2.1%) **which raises the odds of renewed headline inflation pressures forging a bumpy walk for the dis-inflation path ahead.**

- Consequently, the likes of NZD, NOK, CAD led gains among G10 peers. AUD managed to stay buoyed above 67 cents. With BoJ's end of week decision looming, USD/JPY stay flat around mid-141.

- In EM-Asia FX, the USD/SGD is hovering above 1.33. Regional FX will look to China and the CNH for further details to support their Politburo statement that espoused counter cyclical measures, **adjust property related policies**, "accelerate the issuance and use of local government special bonds" and **resolve local debt risks.**

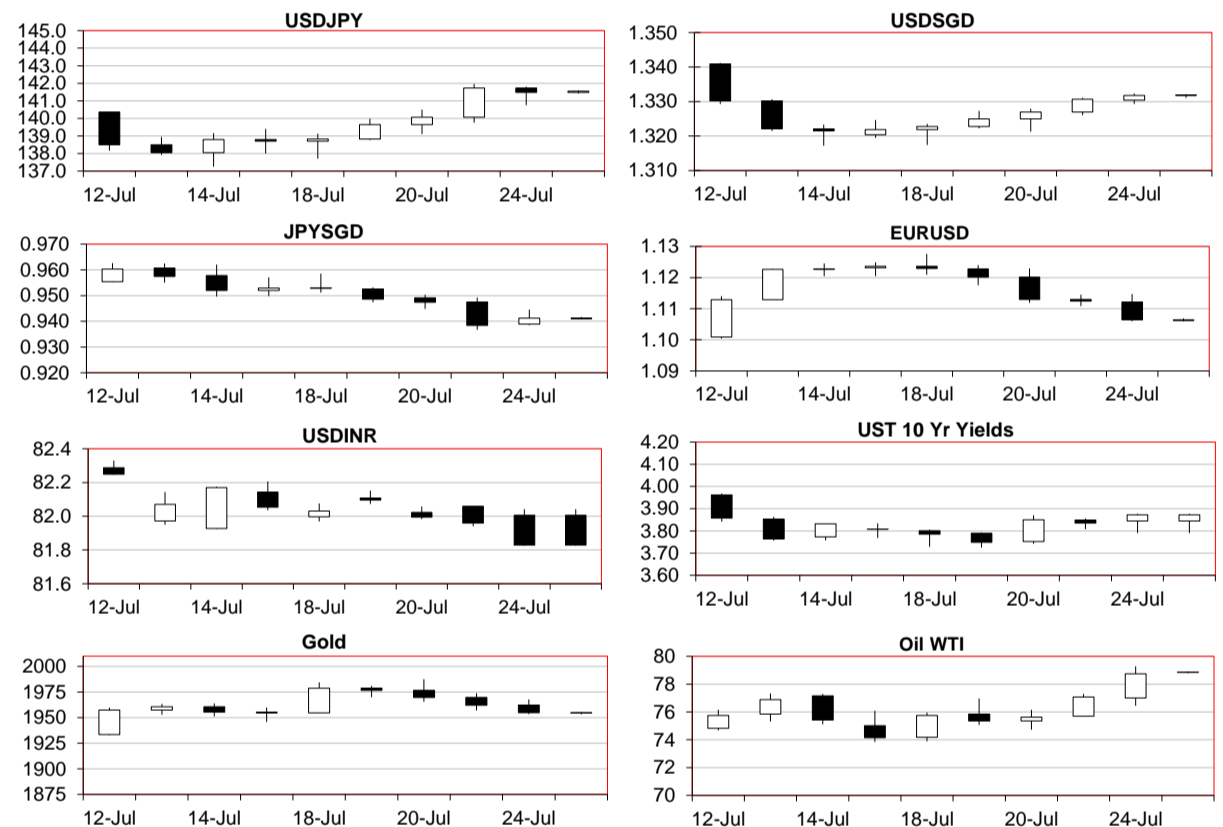
- While the statement might look stronger than April's, the lack of details combined with the fact that a significant portion of these measures are fixated on repairing underlying issues provides a gentle reminder that **these measures look to achieve the "around 5%" target** rather than invite exuberance.

**Bank Indonesia: IDR Stability in Focus**

- **With inflation now within Bank Indonesia's target range**, Bank Indonesia will be expected to stand pat today as their focus turns to **ensuring IDR stability and backstopping growth.**

**OVERNIGHT RESULTS**

(SG) CPI/Core YoY (Jun): 4.5%/4.2% (Mkt: 4.4%/4.2%; May: 5.1%/4.7%) | (MY) CPI YoY (Jun): 2.4% (Mkt: 2.4%/May: 2.8%) | (TW) Industrial Production YoY (Jun): -16.6% (Mkt: -16.5%; May: -15.7%) | (EZ) PMI-Mfg/Services (Jul P): 42.7/51.1 (Mkt: 43.5/51.6; Jun: 43.4/52.0) | (US) Chicago Fed Nat activity Index (Jun): (Mkt: -0.32; May: -0.15; Revised: -0.28)

**\* Past Two Weeks Movement \***


- Since the previous meeting, the **IDR has underperformed regional peers** amid a backdrop of broadly weaker USD. June's stellar trade balance of US\$3.5bn barely assisted the IDR.

- As pointed out before, the trade balance was a result of a **sharp plunge in import expenditure which offsets lower export revenue.**

- Given **continued foreign inflows** into capital and equity markets, IDR performance underscores **fading commodity tail winds.** Softening commodity prices from the likes of coal and nickel add to worries of possible persistence of export weakness as terms of trade declines.

- Furthermore, China's **frontloaded stockpile of coal** alongside its **weak economic growth** portend slowing energy demand ahead.

- IDR concerns are clearly on top of mind as revised regulations mandate exporters from mining, plantation, forestry and fishery sectors to repatriate 30% of their FX proceeds onshore for at least 3 months. These sectors contribute nearly 20% of GDP and approximately 32% of export revenue.

- While the scheme may not provide an outright explicit boost, the **hard currency buffer acts as a liquidity backstop for the IDR.** Specifically, the regulation allows for FX conversion of these deposits to bolster IDR stability in volatile episodes. That said, the initial boost is likely to be temporal and tempered as incentives to build FX buffers beyond 30% may not be compelling.

- On balance, BI is likely to espouse continued growth stability imparted by net exports as a premise to **hold rates especially in light of widening real rate differentials.**

- To be clear, rate cuts which will comprise IDR stability are certainly off the table.

**FX Daily Outlook**

- EUR/USD: Spluttering PMIs hinger EUR rallies as mid-1.10 consolidation now par for the course.

- USD/JPY: Watch for UST yields reasserting for rallies towards 142.

- USD/SGD: CNH gains on China policy moves may allow shallow sub-1.33 slippage.

- AUD/USD: CNH may allow 67 cents backstop but not incite 68 cents rally.

**TODAY'S EVENTS**

(KR) GDP YoY/SA QoQ (2Q A): 0.9%/0.6% (Mkt: 0.8%/0.5%; 1Q: 0.9%/0.3%) |

(US) Conf. Board Consumer Confidence (Jul): (Mkt: 112.0; Jun: 109.7) |

(US) Richmond Fed Manufact. Index (Jul): (Mkt: -10.0; Jun: -7.0) |

(GE) IFO Business Climate/Expectations (Jul): (Mkt: 88.0/83.5; Jun: 88.5/83.6)

Central Banks: Bank Indonesia Monetary Policy Decision

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