

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.38	140.90	▼0.58	+2.07
EUR	1.1072	1.1055	▼0.0009	▼0.0174
AUD	0.6767	0.6792	+0.0053	▼0.0019
SGD	1.3284	1.3275	▼0.0043	+0.0047
CNY	7.1422	7.1363	▼0.0511	▼0.0501
INR	81.82	81.87	+0.04	▼0.16
IDR	14998	14993	▼30	▼2
MYR	4.5616	4.5633	▼0.0032	+0.0235
PHP	54.54	54.57	▼0.19	+0.14
THB	34.55	34.51	+0.05	+0.29

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.885%	+1.2 bp	+9.9 bp
JPY (10YR)	0.466%	+0.3 bp	▼1.4 bp
EUR* (10YR)	2.397%	+0.4 bp	+4.2 bp
AUD (5YR)	3.910%	+4.3 bp	+6.5 bp
SGD (5YR)	3.012%	+2.8 bp	+2.0 bp
CNY (5YR)	2.472%	+6.3 bp	+6.9 bp
INR (5YR)	7.094%	+3.5 bp	+7.6 bp
IDR (5YR)	5.935%	+1.1 bp	+5.4 bp
MYR (5YR)	3.576%	▼0.5 bp	+2.3 bp
PHP (5YR)	6.137%	▼0.3 bp	+2.8 bp
THB (5YR)	2.359%	+0.0 bp	+3.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,438.07	+0.08%	+1.39%
N225 (JP)	32,682.51	▼0.06%	+0.58%
STOXX 50 (EU)	4,391.30	+0.19%	+0.49%
ASX (AU)	4,194.39	+0.16%	+3.14%
STI (SG)	3,286.16	+0.64%	+0.98%
SHCOMP (CN)	3,231.52	+2.13%	+1.05%
SENSEX (IN)	66,355.71	▼0.04%	▼0.66%
JSE (ID)	6,917.71	+0.27%	+1.28%
KLSE (MY)	1,436.79	+0.85%	+2.41%
PSE (PH)	6,661.11	+0.45%	+2.03%
SET (TH)	1,526.30	+0.16%	▼0.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	281.89	+0.63%	+3.69%
COPPER (LME)	8,641.25	+1.81%	+2.32%
IRON ORE (CN)	113.33	+0.47%	+0.08%
GOLD	1,964.96	+0.52%	▲0.70%
OIL (WTI)	79.63	+1.13%	+5.12%

**Three Take-aways:**

- 1) Buoyant US consumer sentiments contrast with doored business climate in Germany.
- 2) Bank Indonesia stood pat and opted to provide RRR cut incentives to support key areas of growth.
- 3) Rate hikes and tightening bias will stay alive at FOMC press conference tonight.

**Contrasting Climates**

- While **US consumer confidence surpassed** market expectations, **Germany's doored business climate** survey is telling of the **contrasting climates** across the Atlantic. Consequently, EUR underperformed as it lost traction to slip below mid-1.10 before a mild recovery to end marginally lower.

- Buoyed by improved sentiments, **US equities rose** across the board as the Nasdaq led gains.

- With the FOMC decision tonight likely to retain a hawkish bias, **UST yields stayed cautious** to edge up 1.5bp and 1.2bp for the 2Y and 10Y USTs respectively.

- Despite **Brent crude prices' continued rally to reach above US\$83/barrel**, FX performance was also markedly driven by sentiments and policy inclinations.

- Reflecting **caution**, USD/JPY slipped below 141 alongside longer term JGB yields edging higher.

- Attendant with CNH strength on policy **optimism**, AUD gained to approach 68 cents. That said, durability around 68 cents will hinge on this morning's CPI proving sticky to **backstop RBA hawks**.

- In EM-Asia, the SGD also rode on CNH strength as the USD/SGD sank below 1.33.

- While **Bank Indonesia has kept policy rate unchanged**, the mood has shifted to one with focus on growth and IDR stability. Their decision to provide lower RRR for lending to priority sectors such as **commodity downstreaming underscores the need to enable strong growth multipliers from commodity demand** instead of just transactional monetary gains from raw commodities.

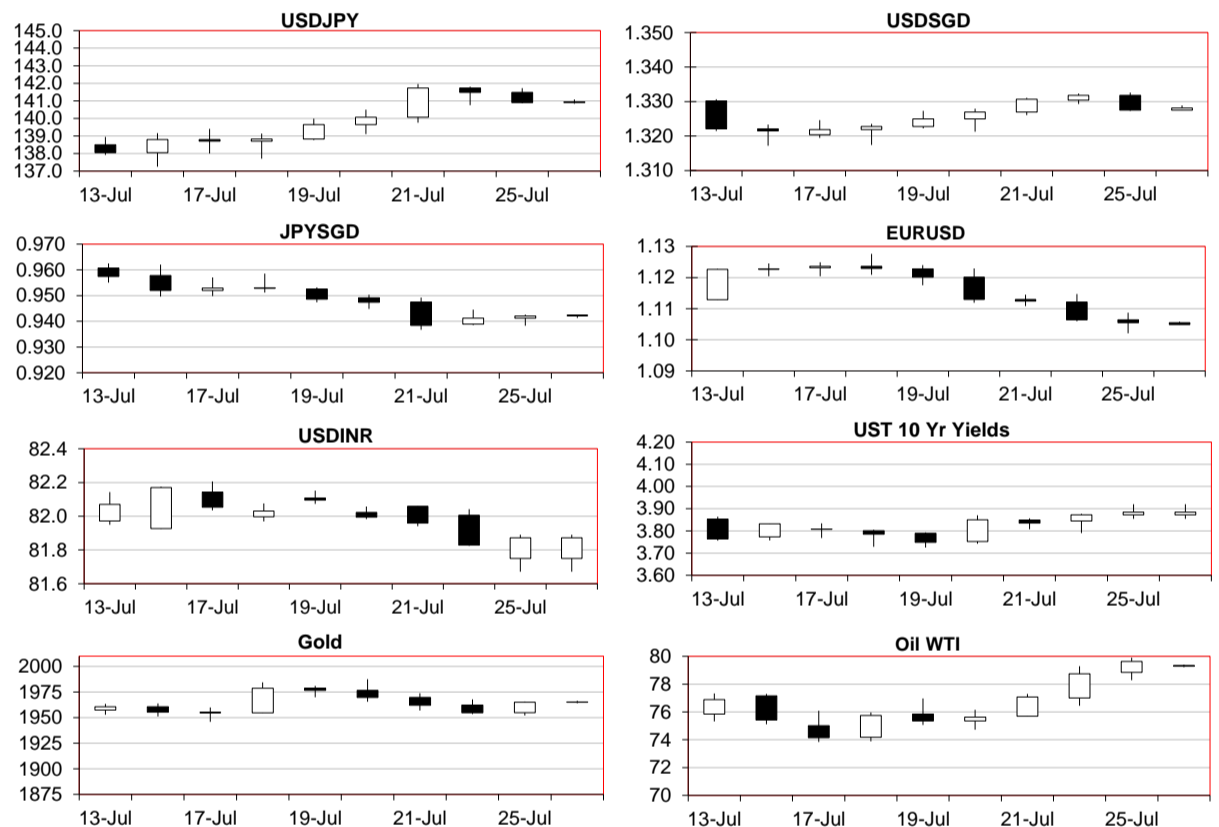
- Meanwhile, the THB may see renewed depreciation pressures with postponement of PM selection prolonging political uncertainty and cementing delays in Budget approvals.

**FOMC: Stayin' Alive**

"Well, you can tell by the way I use my walk | I'm a woman's man, no time to talk" - **Bee Gees, Stayin' Alive**. What does 'Staying Alive' the 1970s hit by Bee Gees, immortalized by images of John Travolta's slick disco moves heating up the dance floor, have to do with the Fed?

**OVERNIGHT RESULTS**

(US) Conf. Board Consumer Confidence (Jul): 117.0 (Mkt: 112.0; Jun: 109.7) | (US) Richmond Fed Manufact. Index (Jul): -9.0 (Mkt: -10.0; Jun: -7.0) | (SG) IFO Business Climate/Expectations (Jul): 87.3/83.5 (Mkt: 88.0/83.5; Jun: 88.5/83.6)

**Past Two Weeks Movement**

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

USD/JPY	140.92	EUR/USD	1.1050
USD/SGD	1.3280	USD/THB	34.44
JPY/SGD	0.9424	USD/MYR	4.566

**Forecast**

USD/JPY	140.30 - 142.70
EUR/USD	1.1000 - 1.1100
AUD/USD	0.6710 - 0.6850
USD/SGD	1.3260 - 1.3350
JPY/SGD	0.9292 - 0.9515
USD/CNH	7.1200 - 7.1800
USD/INR	81.60 - 82.30
USD/IDR	14980 - 15080
USD/MYR	4.555 - 4.586
USD/PHP	54.40 - 54.88
USD/THB	34.35 - 34.80

**Today's Direction**

	Bull	Bear
USD/SGD	6	0
USD/JPY	5	1

- For a start, the opening lines are likely to be the inverse of the Fed's game-plan.

- Specifically, the Fed is set to "use (its) walk" for a well-telegraphed **25bp hike**. Commitment to calibrated moves ("less speed") means a 50bp hike is neither desirable nor required.

- Yet on the other hand, despite softer inflation, extending a pause in July (after June hold) will risk losing hawkish traction given how much future easing has baked in.

- Crucially, the Fed will **need to reiterate tightening bias it conveyed** most effectively via **June 'Dot Plot' guidance for another 50bp of hikes** (two 25bp moves), so as to lean against overdone market bets for a premature suspension of tightening bias.

- Recent comments from Fed speakers broadly confirm this commitment to the 'Dot Plot'.

- And so, contrary to "no time to talk", the **Fed will have to talk a convincing hawkish game**.

- At the very least **to convince markets that September FOMC will be a "live" meeting**; so as to anchor inflation expectations that remain a tad too elevated and sticky.

- **Rate hike prospects (and Fed hawks) need to be "stayin' alive, stayin' alive"!**

- Otherwise, markets may (prematurely) conclude that the Fed is done (in July), resulting in a premature loosening of financial conditions; with potentially sharp falls in UST yields and USD.

- And the Fed has been very clear about the undesirability of premature policy inflections **squandering policy tightening with high and volatile inflation reminiscent of the 1970s**.

- The upshot is that the Fed's assertions of "higher for longer" (rates) are due for assurances ... **that the rate hikes and tightening bias are "stayin' alive"**.

**FX Daily Outlook**

- EUR/USD: Mid-1.10 consolidation remains as economic woes appear unrelenting.
- USD/JPY: Buoyancy retained above mid-140 as Fed hawks hover.
- USD/SGD: CNH strength reassessment to restrain slippage below mid-1.32.
- AUD/USD: CPI print to enlarge volatility with 68 cents in sight if CPI upside prevails.

**TODAY'S EVENTS**

(JP) Coincident Index/Leading Index CI (May F): (May P: 113.8/109.5) |  
 (SG) Industrial Production YoY (Jun): (Mkt: -5.9%; May: -10.8%) |  
 (AU) CPI/Trimmed Mean YoY (2Q): (Mkt: 6.2%/6.2%; 1Q: 7.0%/6.6%) | (US) New Home Sales (Jun): (Mkt: 725k; May: 763k)  
**Central Banks: FOMC Decision**

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