

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	140.67	140.24	▼0.66	+0.59
EUR	1.1070	1.1086	+0.0031	▼0.0115
AUD	0.6766	0.6758	▼0.0034	▼0.0014
SGD	1.3265	1.3254	▼0.0021	+0.0004
CNY	7.1474	7.1431	+0.0068	▼0.0801
INR	82.01	82.00	+0.12	▼0.10
IDR	15027	15018	+25	+23
MYR	4.5526	4.5487	▼0.0146	+0.0089
PHP	54.62	54.63	+0.06	+0.11
THB	34.27	34.26	▼0.25	+0.21

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.867%	▼1.8 bp	+11.9 bp
JPY (10YR)	0.455%	▼1.1 bp	▼1.1 bp
EUR* (10YR)	2.485%	+8.8 bp	+7.9 bp
AUD (5YR)	3.858%	▼5.2 bp	+10.9 bp
SGD (5YR)	3.019%	+0.7 bp	+5.4 bp
CNY (5YR)	2.435%	▼3.7 bp	+2.9 bp
INR (5YR)	7.076%	▼1.8 bp	+3.2 bp
IDR (5YR)	5.962%	+2.7 bp	+8.1 bp
MYR (5YR)	3.596%	+2.0 bp	+4.3 bp
PHP (5YR)	6.137%	+0.0 bp	+7.5 bp
THB (5YR)	2.359%	+0.0 bp	+4.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,520.12	+0.23%	+1.31%
N225 (JP)	32,668.34	▼0.04%	▼0.69%
STOXX 50 (EU)	4,346.15	▼1.03%	▼0.37%
ASX (AU)	4,188.48	▼0.14%	+0.89%
STI (SG)	3,304.96	+0.57%	+0.91%
SHCOMP (CN)	3,223.03	▼0.26%	+0.76%
SENSEX (IN)	66,707.20	+0.53%	▼0.58%
JSE (ID)	6,948.28	+0.44%	+1.73%
KLSE (MY)	1,449.29	+0.87%	+3.30%
PSE (PH)	6,679.13	+0.27%	+2.10%
SET (TH)	1,524.59	▼0.11%	▼0.78%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	280.87	▲0.36%	+2.85%
COPPER (LME)	8,577.25	▲0.74%	+2.09%
IRON ORE (CN)	113.31	▲0.02%	+0.60%
GOLD	1,972.07	+0.36%	▲0.23%
OIL (WTI)	78.78	▼1.07%	+4.55%

Three Take-aways:

- 1) Powell's conditionality of September hike sets the stage for volatile data reactions ahead.
- 2) Beyond ECB's 25bp hike tonight, coin toss odds of a September hike will be subject to food price shocks.
- 3) Optimism around China stimulus requires policy details while durability of CNH gains are re-assessed.

Patient & Resolute

- Looking for a simple punt post-FOMC is challenged by the fact that July FOMC cannot be summed up neatly (and simplistically) as a hawkish or dovish hike.

- Instead appears markets will have to slowly digest the FOMC message on "little patient" on deciding whether or not to hike against being "resolute" on "higher for longer".

- Which perhaps explains why the **details of post-FOMC price action has been a tad mixed**, if not restrained; with equities paring the initial surge, yields softer but not dramatically so and USD slipping back. To be sure, on the surface, pivot bets still working some sway, but more nuanced and less proximate as more rate cuts were priced in for next year "not imminent".

- As we had suggested in our preview, September FOMC was 'Stayin' Alive'.

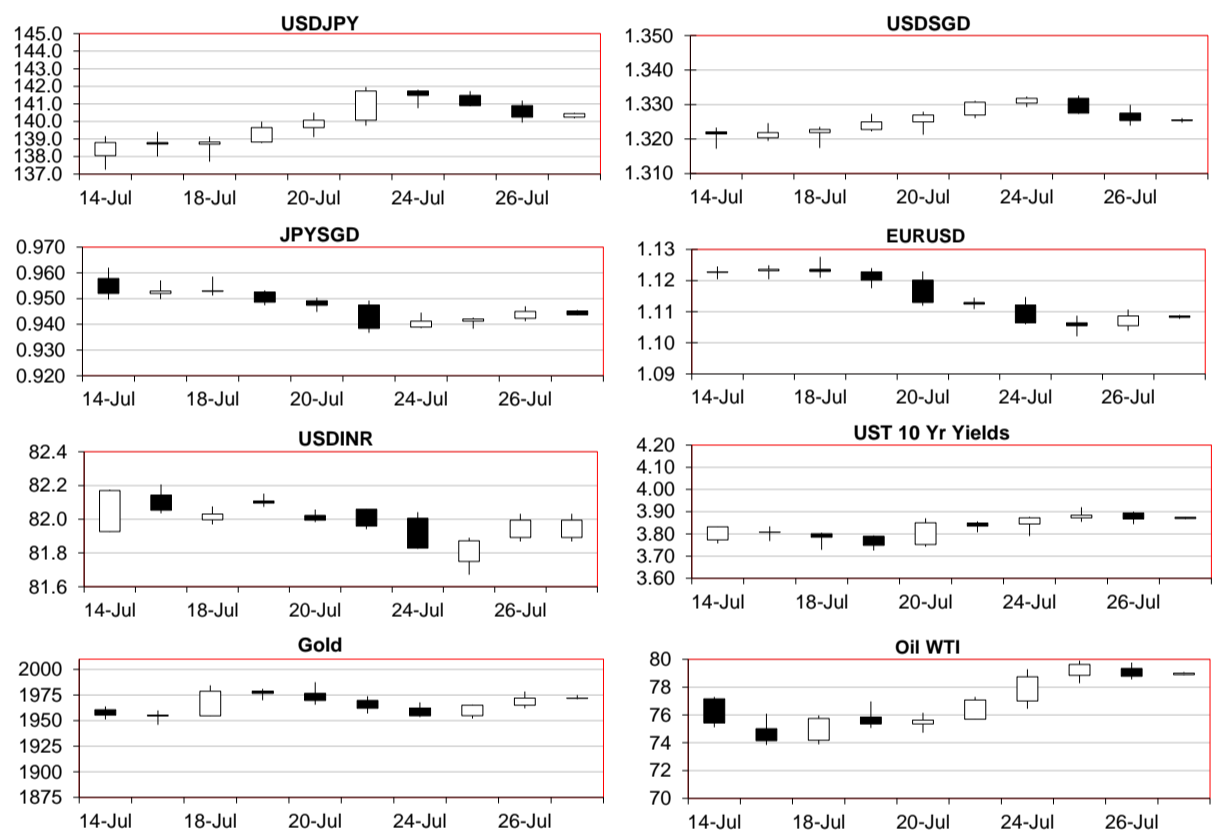
- But Jerome Powell spelt out data dependency; with his allusion to **two more jobs and CPI reports to watch alongside a slew of activity data**. And so he made the conditionality of a September hike explicit (and less abstract). This sets the stage for **potentially more volatile data reactions; and more so if the tensions in data**, be it in the details of the data or across different indicators, send conflicting signals on what the September move may be.

- Crucially, looking past the September FOMC outcome, the harder question to answer, and surely more complex to price, will be the question of "how high" and for "how long".

- "Some way to go" is an unmistakable, but unquantifiable, allusion to maintaining high rates for a longer period, albeit in real terms that provides scope to adjust nominal rates lower as inflation recedes durably. And so while markets and USD bears have been quick to price a "patient" (on assessing further hikes) Fed, they might have to struggle with a "resolute" Fed that holds rates for longer than is the expectation.

OVERNIGHT RESULTS

(JP) Coincident Index/Leading Index CI (May F): 114.3/109.2 (May P: 113.8/109.5) | (SG) Industrial Production YoY (Jun): -4.9% (Mkt: -6.0%; May: -10.8%) | (AU) CPI/Trimmed Mean YoY (2Q): 6.0%/5.9% (Mkt: 6.2%/6.0%; 1Q: 7.0%/6.6%) | (US) New Home Sales (Jun): 697k (Mkt: 725k; May: 763k)

Past Two Weeks Movement *

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	140.37	EUR/USD	1.1078
USD/SGD	1.3259	USD/THB	34.27
JPY/SGD	0.9446	USD/MYR	4.542

Forecast

USD/JPY	140.00 - 141.50
EUR/USD	1.1000 - 1.1120
AUD/USD	0.6710 - 0.6810
USD/SGD	1.3260 - 1.3350
JPY/SGD	0.9371 - 0.9536
USD/CNH	7.1200 - 7.1800
USD/INR	81.90 - 82.30
USD/IDR	14980 - 15080
USD/MYR	4.520 - 4.586
USD/PHP	54.40 - 54.88
USD/THB	34.00 - 34.80

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	3	5

- Moreover, ahead of the ECB, which could turn less hawkish amid clearer signs of credit tightening, it might be the case that USD bears may have proven to be a tad too impatient, and have some what less resolved. In particular as Fed staffers assessing US averting a recession casting a shadow across the Atlantic; where recession risks are arguably greater.

ECB: Sticky Core Inflation

- The **slight uptick in Eurozone core inflation's** final print to 5.5% for June which coincidentally matches headline inflation all but confirms the impending 25bps hike tonight.

- Beyond July, the odds of further hikes in September is about a coin toss and remains of an **increasingly volatile nature and dependent on subsequent inflation outturns**.

- On a marginal basis, EUR rallies which helps dampen imported inflation comes up against **fresh food prices from the grain deal collapse. The persistence of these shocks will impart further volatility onto the ECB's policy trajectory.**

Hopes and Actions

- At this juncture, markets remain fairly **upbeat and hopeful** about China's impending stimulus. That said, the FX boost has already come through and may fizzle soon without concrete details.

- Notably, USD/CNH had fallen to 7.13 from above 7.20 (before the Politburo meeting) and has since flipped back towards 7.15. The USD/SGD slipped to mid-1.32.

- Amid a soft CPI, AUD is now closer to mid-67 cents. Despite the post FOMC USD pullback, regional FX looks more to consolidate rather than make significant outright gains.

FX Daily Outlook

- EUR/USD: Rallies above 1.11 will be doubted as ECB looks to data dependency.
- USD/JPY: Bounces off 140 watched as higher energy prices and policy divergence kicks in.
- USD/SGD: Consolidation around mid-1.32 if stimulus does not come through.
- AUD/USD: Soft CPI print makes 68 cents a high bar in the absence of China stimulus details.

TODAY'S EVENTS

(CH) Industrial Profits YoY (Jun): (May: -12.6%) | (SG) Unemployment Rate (Jun): (Mkt: 1.9%; May: 1.8%) | (US) Initial Jobless Claims (Jul): (Mkt: 235k; Jun: 228k) | (US) GDP Annualized QoQ (2Q A): (Mkt: 1.8%; 1Q: 2.0%) | (US) Durable Goods Orders/Nondef Ex Air (Jun P): (Mkt: 0.4%/-0.2%; May: 1.8%/0.7%) | (US) Kansas City Fed Manf. Activity (Jul): (Jun: -12.0) |

Central Banks: **ECB Main Refinancing Rate**

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