

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.18	142.29	+1.13	+0.81
EUR	1.1020	1.0997	▼0.0019	▼0.0067
AUD	0.6691	0.6717	+0.0067	▼0.0022
SGD	1.3307	1.3296	▼0.0020	▼0.0022
CNY	7.1471	7.1428	▼0.0057	▼0.0446
INR	82.26	82.25	▼0.00	+0.42
IDR	15080	15080	▼15	+57
MYR	4.4975	4.5070	▼0.0480	▼0.0595
PHP	54.88	54.90	+0.00	+0.15
THB	34.24	34.22	+0.13	▼0.24

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.959%	+0.8 bp	+8.6 bp
JPY (10YR)	0.612%	+4.4 bp	+14.9 bp
EUR* (10YR)	2.492%	+0.0 bp	+9.9 bp
AUD (5YR)	3.850%	▼2.2 bp	▼1.7 bp
SGD (5YR)	2.977%	▼2.8 bp	▼0.7 bp
CNY (5YR)	2.457%	+1.2 bp	+4.8 bp
INR (5YR)	7.154%	+0.9 bp	+9.5 bp
IDR (5YR)	5.991%	▼1.4 bp	+6.7 bp
MYR (5YR)	3.596%	+0.1 bp	+1.5 bp
PHP (5YR)	6.201%	+3.7 bp	+6.1 bp
THB (5YR)	2.359%	+0.0 bp	+0.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,559.53	+0.28%	+0.42%
N225 (JP)	33,172.22	+1.26%	+1.44%
STOXX 50 (EU)	4,471.31	+0.11%	+2.01%
ASX (AU)	4,198.02	+0.07%	+0.25%
STI (SG)	3,373.98	+0.08%	+3.33%
SHCOMP (CN)	3,291.04	+0.46%	+4.01%
SENSEX (IN)	66,527.67	+0.56%	+0.22%
JSE (ID)	6,931.36	+0.45%	+0.46%
KLSE (MY)	1,459.43	+0.63%	+2.44%
PSE (PH)	6,591.47	▼0.51%	▼0.60%
SET (TH)	1,556.06	+0.83%	+2.12%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	282.18	+0.60%	+0.73%
COPPER (LME)	8,800.00	+2.02%	+3.68%
IRON ORE (CN)	112.46	+0.01%	▲0.30%
GOLD	1,965.09	+0.29%	+0.53%
OIL (WTI)	81.80	+1.51%	+3.89%

Three Take-aways:

- 1) US Loans Survey signals tightening credit standards for the rest of the year.
- 2) Eurozone CPI remains sticky at the core while GDP performance is little relief for the EUR.
- 3) RBA may skip a hike today given weak retail sales and impending mortgage burden peak.

Tightening the Screws

- Admittedly, with just slight uptick for activity indicators leaning in to the recovery narrative, UST yields were subdued in their month-end movements with the 2Y and 10Y yields rising 0.2bp and 0.8bp respectively. In the same vein, US equities were also relatively subdued in making further gains with the Dow up 0.3% while the S&P500 and Nasdaq rose 0.2%.

- Notably, UST yields were backstopped by the release of the Senior Loan Officer Survey which showed tightening standards for commercial and industrial loans to firms of all sizes in Q2 and expect to further tighten standards on all loan categories in the second half of this year.

- In FX, AUD led gains among G10 as it rose above 67 cents alongside commodity peers such as the NOK and CAD as Brent Crude prices continued its rally. The JPY underperformed as the USD/JPY rose above 142 with the BoJ's unscheduled bond buying dampening the rise of 10Y JGB yields. Flexibility above 0.5% isn't just outright unrestrained ascendancy towards 1%.

- Meanwhile, the EUR also fell back towards 1.10 as the slight GDP outperformance contrasted with sticky core inflation. From the looks of it, the ECB is running thin on policy space.

- In EM-Asia, the USD/SGD slipped below 1.33. Alongside a deteriorating non-manufacturing PMI, Chinese authorities have released targeted measures to raise consumption. In Thailand, while the current account surplus is encouraging, Pheu Thai-led coalition while signalling possible stability present tail risks from plausible MFP's exclusion.

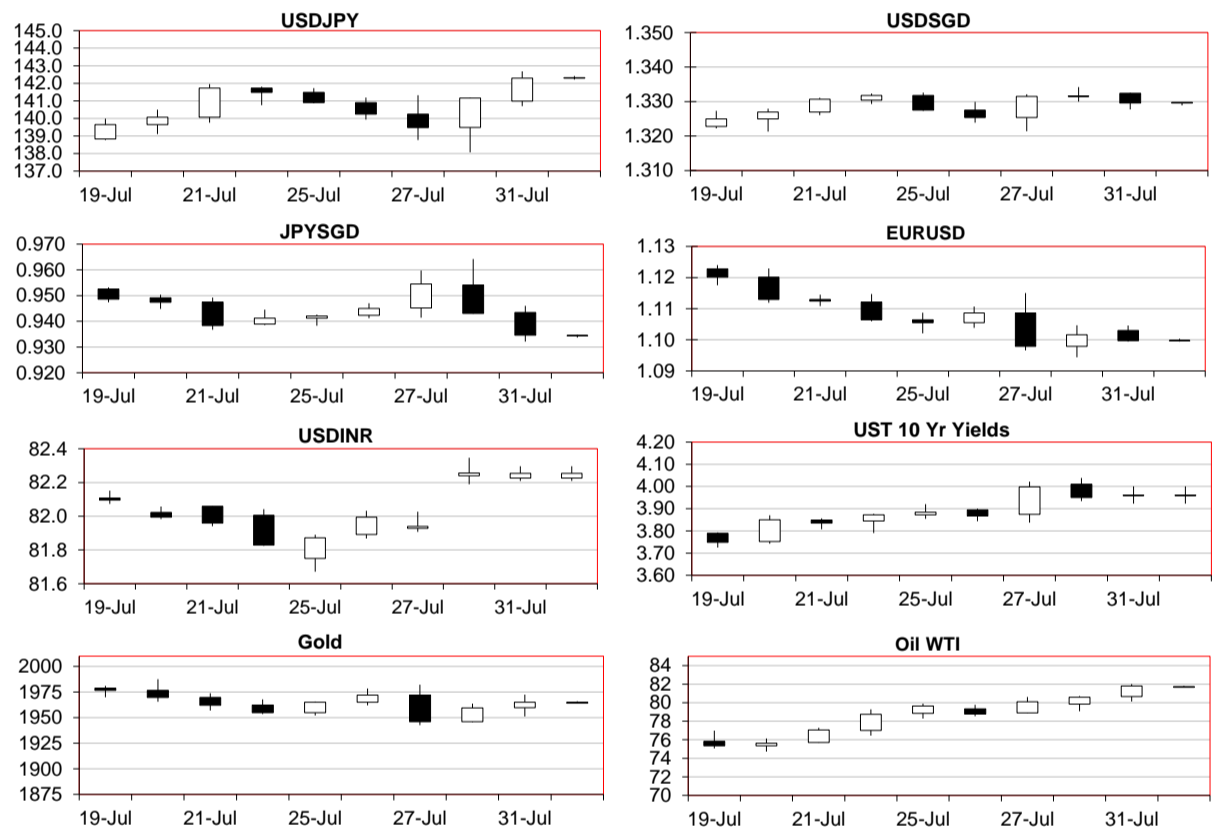
RBA: Skipping & Kicking

- As we have said before, policy concerns Down Under are now focussed on how best to time and optimise late-cycle calibrations amid policy transmission lags. As such, the RBA will likely skip a rate hike at today's meeting and kick the troubling inflation can down the road.

OVERNIGHT RESULTS

(CH) Manufact./Non-manufact. PMI (Jul): 49.3/51.5 (Mkt: 48.9/53.0; Jun: 49.0/53.2) | (TH) BoP Current Account Balance (Jun): \$1449m (Mkt: \$1425m; May: -\$2766m) | (US) MNI Chicago PMI (Jul): 42.8 (Mkt: 43.5; Jun: 41.5) | (US) Dallas Fed Manf. Activity (Jul): -20.0 (Mkt: -22.5; Jun: -23.3) | (EZ) CPI /CoreYoY (Jul): 5.3%/5.5% (Mkt: 5.3%/5.4%; Jun: 5.5%/5.5%) | (EZ) GDP SA YoY/QoQ (2Q A): 0.6%/0.3% (Mkt: 0.5%/0.1%; 1Q: 1.1%/0.0%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	142.33	EUR/USD	1.0998
USD/SGD	1.3298	USD/THB	34.25
JPY/SGD	0.9343	USD/MYR	4.507

Forecast

USD/JPY	140.00 - 143.00
EUR/USD	1.0900 - 1.1060
AUD/USD	0.6600 - 0.6750
USD/SGD	1.3280 - 1.3350
JPY/SGD	0.9287 - 0.9536
USD/CNH	7.1400 - 7.1800
USD/INR	82.10 - 82.40
USD/IDR	15050 - 15120
USD/MYR	4.500 - 4.520
USD/PHP	54.70 - 55.00
USD/THB	34.10 - 34.50

Today's Direction

	Bull	Bear
USD/SGD	4	3
USD/JPY	5	2

- Specifically, headline inflation heading lower to 6.0% in Q2 from 7.0% in Q1 backs up the case for RBA doves to prolong their rate hold at the upcoming meeting on 1 August.

- That said, the transition of goods dis-inflation to higher services inflation remains well intact.

- Furthermore, the continued rise in services inflation is a broad based one.

- Even on the goods front, the RBA's latest minutes flagged upside risk to food prices via El Nino as well as the absence of lower global food prices transmitting to their domestic prices.

- On a higher frequency basis, June's monthly inflation print at 5.4% down marginally from May's 5.5% underscores our point on sticky prices.

- Looking ahead, the fortuitous effects of lower fuel prices on a year ago basis which has been dragging headline inflation lower will likely wash out in late Q4.

- As such, the road ahead for monetary policy to stay tight or get tighter is a long one.

- At this juncture, we remain of the view that the trajectory of inflation back towards the RBA's target remains a bumpy one given immigration inflows, resilient services activity and strong wage growth. The labour market tightness is still evident with increased hiring driven by more full time roles. Despite the fact that employment ought to boost household purchasing power, the RBA will desire more time for these effects to be transmitted and assessed with significant amount of fixed rate loans being repriced in the months ahead.

- Given that this hold is unlikely to be the peak for the RBA's cash rate, Governor Lowe may be required to display a hawkish flex at his penultimate press conference.

FX Daily Outlook

- EUR/USD: Sideways below mid-1.09 and mid-1.10 as GDP performance fails to inspire.

- USD/JPY: BoJ signalling imparts buoyancy above 140 but outright rallies may stall at 143.

- USD/SGD: China imparted strength may fade as extent of problems revealed.

- AUD/USD: RBA skip will fade rallies for the pair to see 66 cents.

TODAY'S EVENTS

(JP) Job-To-Applicant Ratio/Jobless Rate (Jun): 1.3/2.5% (Mkt: 1.3/2.6%; May: 1.3/2.6%) | (KR) Trade Balance (Jul): \$1630m (Mkt: \$2700m; Jun: \$1126m) | (CH) Caixin China PMI Mfg (Jul): (Mkt: 50.2; Jun: 50.5) | (AU) Building Approvals MoM (Jun): (Mkt: -8.0%; May: 20.6%) | (ID) CPI/Core YoY (Jul): (Mkt: 3.1%/2.5%; Jun: 3.5%/2.6%) | (US) JOLTS Job Openings (Jun): (Mkt: 9600k; May: 9824k) | (US) ISM Manufacturing/Prices Paid (Jul): (Mkt: 46.9/43.0; Jun: 46.0/41.8) | (EZ) PMI - Mfg (Jul F): (Mkt: 42.7; Jul P: 42.7) | (EZ) Unemployment Rate (Jun): (Mkt: 6.5%; 6.5%)

Central Banks: RBA Cash Rate Target

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