

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.65	143.32	▼0.02	+3.08
EUR	1.0990	1.0938	▼0.0046	▼0.0148
AUD	0.6580	0.6538	▼0.0075	▼0.0220
SGD	1.3378	1.3410	+0.0044	+0.0156
CNY	7.1834	7.1916	+0.0139	+0.0485
INR	82.57	82.59	+0.33	+0.59
IDR	15175	15175	+60	+157
MYR	4.5467	4.5425	+0.0237	▼0.0062
PHP	55.18	55.20	+0.41	+0.57
THB	34.33	34.27	+0.05	+0.01

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.078%	+5.5 bp	+21.1 bp
JPY (10YR)	0.628%	+2.1 bp	+17.3 bp
EUR* (10YR)	2.535%	▼2.2 bp	+5.0 bp
AUD (5YR)	3.773%	+3.0 bp	▼8.5 bp
SGD (5YR)	2.942%	▼2.8 bp	▼7.7 bp
CNY (5YR)	2.446%	▼0.9 bp	+1.1 bp
INR (5YR)	7.130%	▼0.5 bp	+5.4 bp
IDR (5YR)	5.981%	+0.7 bp	+1.9 bp
MYR (5YR)	3.604%	▼0.1 bp	+0.8 bp
PHP (5YR)	6.204%	+0.0 bp	+6.7 bp
THB (5YR)	2.359%	+0.0 bp	+0.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,282.52	▼0.98%	▼0.67%
N225 (JP)	32,707.69	▼2.30%	+0.12%
STOXX 50 (EU)	4,336.50	▼1.61%	▼0.22%
ASX (AU)	4,124.04	▼1.35%	▼1.54%
STI (SG)	3,325.02	▼1.45%	+0.61%
SHCOMP (CN)	3,261.69	▼0.89%	+1.20%
SENSEX (IN)	65,782.78	▼1.02%	▼1.39%
JSE (ID)	6,854.51	▼0.46%	▼1.35%
KLSE (MY)	1,444.56	▼0.46%	▼0.33%
PSE (PH)	6,483.28	▼1.68%	▼2.93%
SET (TH)	1,550.28	▼0.37%	+1.69%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.50	▲1.55%	▲1.56%
COPPER (LME)	8,469.24	▲1.45%	▲1.26%
IRON ORE (CN)	105.86	▲2.01%	▲6.57%
GOLD	1,934.45	▲0.51%	▲1.91%
OIL (WTI)	79.49	▼2.31%	+0.90%

### Three Take-aways:

- 1) Strong ADP print alongside upsized debt issuance lend upside to UST yields.
- 2) Data sensitivity heightens market volatility to nuance "peak Fed" bets on the Greenback.
- 3) China's property sector requires more convincing economic thrust than a tease of measures.

### Let the pre-FOMC Volatility Begin

- The pre-FOMC (Sep) volatility we flagged appears to have begun asserting itself.  
 - Strong ADP numbers, insofar as it is taken to be a gauge of non-farm payrolls (NFP), ostensibly invoked a good deal of upside in UST yields and the USD. Whereas Fitch's downgrade appears to have been shrugged off (as we alluded to yesterday\*).  
 - To be sure, there are other prominently suspects in this episode of yield upswing, including the US Treasury's upsized net debt issuance plan (bumped up by third to ~\$1trln).  
 - Nonetheless, the reflex to jobs data validates with our view of **accentuated UST yield volatility with an upside bias** in the run-up to September FOMC.  
 - Specifically, with Fed Chair Powell expressly conditioning the "live" September FOMC on a "couple more" inflation and jobs print alongside activity data inevitably heightens the data sensitivity (in particular of US jobs and inflation) of markets.  
 - In other words, Fed Chair Powell, might have successfully have made the well-worn point about "data dependence" stick, but that could have inadvertently incurred heightened volatility as the unintended price associated with binary bets around US data.  
 - Meanwhile, a stronger USD not only derives from higher UST yields, but also in part the economic out-performance of the US; which in turn forces a more nuanced rendition of "peak Fed" bets; rather than indiscriminately selling the USD. Tellingly, the post-Fitch pick-up in EUR (above 1.10) has fizzled back even lower to test below mid-1.09, while Sterling is also similarly worse off at low 1.27 (from 1.28 test). AUD has surely seen better days as it struggles to regain traction at mid-0.65.

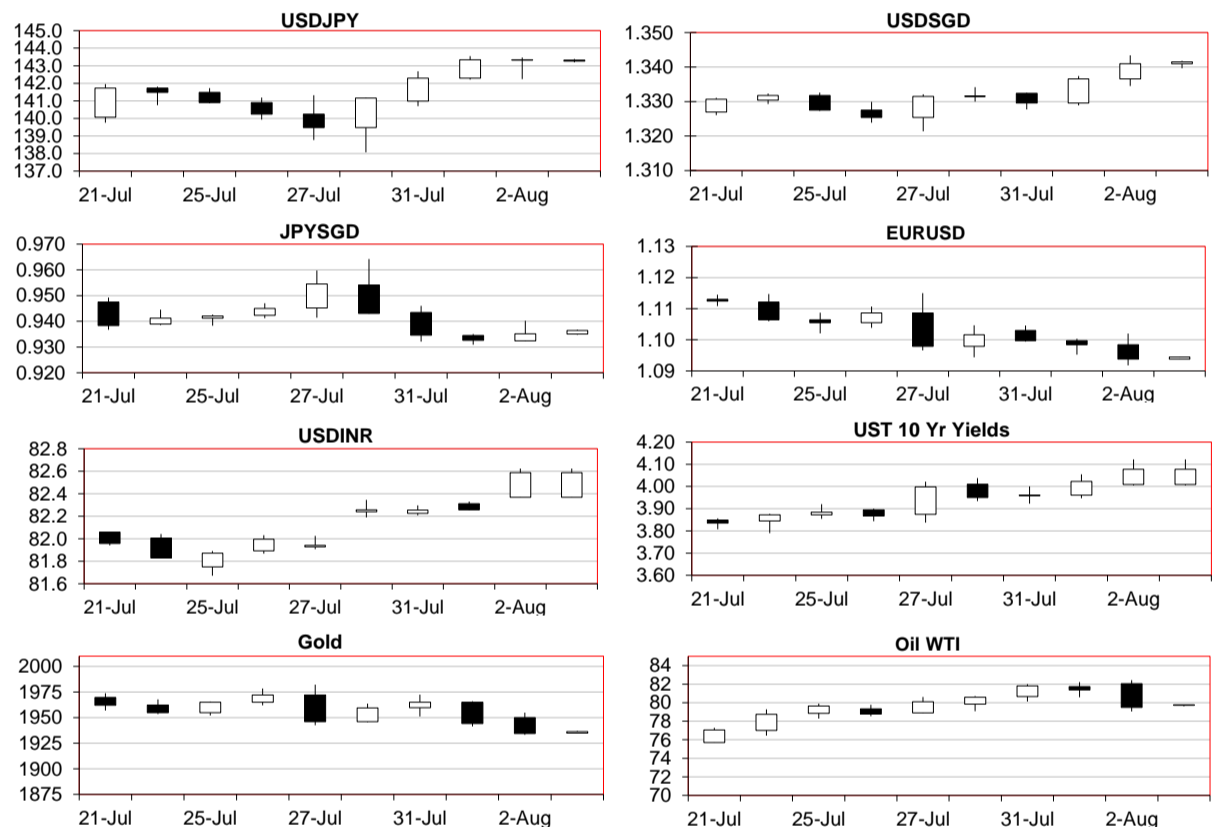
### But Make the China Tease Stop

- Although to be fair, AUD has multiple sources of grief. Even before pre-FOMC volatility favouring USD had intimidated AUD, it was buckling under a dovish read of the RBA.

### OVERNIGHT RESULTS

(SG) Purchasing Managers/Elect. Sector Index (Jul): 49.8/49.3 (Jun: 49.7/49.0) | (US) ADP Emp. Change (Jul): 324k (Mkt: 190k; Jun: 497k)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	143.34	EUR/USD	1.0944
USD/SGD	1.3415	USD/THB	34.48
JPY/SGD	0.9359	USD/MYR	4.561

### Forecast

USD/JPY	142.00 - 143.80
EUR/USD	1.0920 - 1.1020
AUD/USD	0.6520 - 0.6650
USD/SGD	1.3340 - 1.3440
JPY/SGD	0.9277 - 0.9465
USD/CNH	7.1400 - 7.2400
USD/INR	82.30 - 82.60
USD/IDR	15100 - 15200
USD/MYR	4.530 - 4.568
USD/PHP	54.90 - 55.30
USD/THB	34.10 - 34.55

### Today's Direction

	Bull	Bear
USD/SGD	3	1
USD/JPY	1	3

- But arguably, **unconvincing dribs and drabs of China stimulus** resonating as underwhelming via commodity channels could be a binding bugbear.  
 - And this could very well have spill-over more broadly into other EM Asia FX.  
 - Especially if CNH is not able to showcase enduring resilience in style.  
 - Admittedly, Beijing has been announcing measures aimed at unleashing more consumption, and the stirring on the ground suggest more concerted efforts to unburden local governments of the debt overhang that is arguably impeding public-to-private growth multiplier channels.  
 - But doubts remain. In particular, signs of property sector stress have not been materially alleviated. Especially as private sector developers are not given enough rope to get sales roaring; in particular, to the point of resuming new projects.  
 - In turn, the wider swath of property buyers in China don't appear to be convinced of a turnaround in the property market to desire attaining properties all over again.  
 - This may arguably re-channel capital to productive industries.  
 - But with ~70% of household wealth and 30% of economic activity is tied to the **property market, chills of cold turkey may prove too deleterious;**  
 - as adverse wealth, investment and cashflow impact conspire.  
 - In any case, **doubt is a luxury that Beijing cannot afford.**  
 - Upshot being, the **tease of measures need to give way to a convincing economic thrust.**

### FX Daily Outlook

- EUR/USD: Mid-1.09 consolidation as UST yields assert and energy prices trouble.
- USD/JPY: UST yields sustain buoyancy above 142 with Brent a troubling risk.
- USD/SGD: Without firmer suite of China stimulus, CNH weakness backstops mid-1.33.
- AUD/USD: Bottom searching at mid-65 cents as headwinds grow.

### TODAY'S EVENTS

(CH) Caixin China PMI Services (Jul): (Mkt: 52.4; Jun: 53.9) | (AU) Trade Balance (Jun): (Mkt: A\$10700m; May: A\$11791m) | (IN) PMI - Services (Jul): (Jun: 58.5) | (US) Initial Jobless Claims: (Mkt: 227k; Prior: 221k) | (US) Durable Goods/Nondef Ex Air Orders (Jun F): (Mkt: 4.7%/--; Jun P: 4.7%/0.2%) | (US) ISM Services Index (Jul): (Mkt: 53.0; Jun: 53.9) | (EZ) PMI - Services (Jul F): (Mkt: 51.1; Jun P: 51.1)

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