

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	144.61	144.96	+0.21	+3.20
EUR	1.0993	1.0949	▼0.0032	▼0.0057
AUD	0.6524	0.6496	▼0.0019	▼0.0074
SGD	1.3491	1.3522	+0.0028	+0.0127
CNY	7.2353	7.2396	+0.0208	+0.0667
INR	82.77	82.84	+0.12	▼0.00
IDR	15219	15215	+30	+45
MYR	4.5870	4.5880	+0.0175	+0.0340
PHP	56.33	56.33	+0.08	+0.58
THB	35.08	35.09	▼0.02	+0.30

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.152%	+4.7 bp	+11.8 bp
JPY (10YR)	0.584%	+0.0 bp	▼6.5 bp
EUR* (10YR)	2.623%	+9.5 bp	+6.1 bp
AUD (5YR)	3.862%	+5.8 bp	▼5.7 bp
SGD (5YR)	2.999%	+2.8 bp	+1.8 bp
CNY (5YR)	2.422%	▼1.0 bp	▼0.5 bp
INR (5YR)	7.182%	+4.6 bp	+0.8 bp
IDR (5YR)	6.051%	+0.4 bp	▼1.8 bp
MYR (5YR)	3.594%	+0.3 bp	▼2.5 bp
PHP (5YR)	6.158%	▼1.1 bp	▼16.3 bp
THB (5YR)	2.433%	+0.8 bp	+7.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,281.40	+0.30%	+0.62%
N225 (JP)	32,473.65	+0.00%	+0.87%
STOXX 50 (EU)	4,321.33	▼1.43%	▼0.27%
ASX (AU)	4,105.93	▼1.20%	▼0.57%
STI (SG)	3,294.28	▼0.86%	+0.06%
SHCOMP (CN)	3,189.25	▼2.01%	▼3.01%
SENSEX (IN)	65,322.65	▼0.56%	▼0.61%
JSE (ID)	6,879.98	▼0.19%	+0.40%
KLSE (MY)	1,457.16	▼0.12%	+0.83%
PSE (PH)	6,405.91	▼0.68%	▼0.70%
SET (TH)	1,535.16	+0.11%	+0.31%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	279.74	▲0.08%	+0.10%
COPPER (LME)	8,255.60	▲1.12%	▲3.14%
IRON ORE (CN)	104.87	+1.19%	+0.62%
GOLD	1,913.76	+0.07%	▲1.50%
OIL (WTI)	83.19	+0.45%	+0.45%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	144.85	EUR/USD	1.0944
USD/SGD	1.3533	USD/THB	35.12
JPY/SGD	0.9343	USD/MYR	4.600

Forecast

USD/JPY	143.60 - 145.50
EUR/USD	1.0920 - 1.1010
AUD/USD	0.6450 - 0.6580
USD/SGD	1.3470 - 1.3550
JPY/SGD	0.9258 - 0.9436
USD/CNH	7.2280 - 7.2690
USD/INR	82.45 - 83.00
USD/IDR	15180 - 15280
USD/MYR	4.570 - 4.620
USD/PHP	55.90 - 56.60
USD/THB	34.95 - 35.35

Today's Direction

	Bull	Bear
USD/SGD	4	0
USD/JPY	3	1

Three Take-aways:

- 1) US PPI print asserts to send UST yields higher as lower inflation expectations was unable to comfort.
- 2) Logical stimulus bets in China facing missing details and conflicting objectives risk disappointment.
- 3) MYR catch-up from political status quo may be a restrained effort as greater compromises look inevitable.

Producing Fears

- In another case of accentuated data-volatility, **producer price print** last Friday which edged above expectations appears to have exerted outsized influence on USTs.

- Specifically, **UST yields climbed** 5.3bp while 10Y UST yields rose 4.7bp amid this print supporting Fed hawks. Notably, the subsequent release by Uni. of Michigan showing **decline in inflation expectations** was unable to fully offset **these more immediate price pressure fears**.

- The survey also showed **poorer sentiments** for July alongside a mixed US equities performance last Friday (Nasdaq: -0.7%; S&P 500: -0.1%; Dow: +0.3%).

- In FX, USD gained against most G10 peers. While USD/JPY bounced off mid-144, testing 145 faces caution from intervention risks. EUR slipped to mid-1.09, AUD headed below 65 cents and USD/SGD buoyed above 1.35 as China and associated CNH headwinds accumulate.

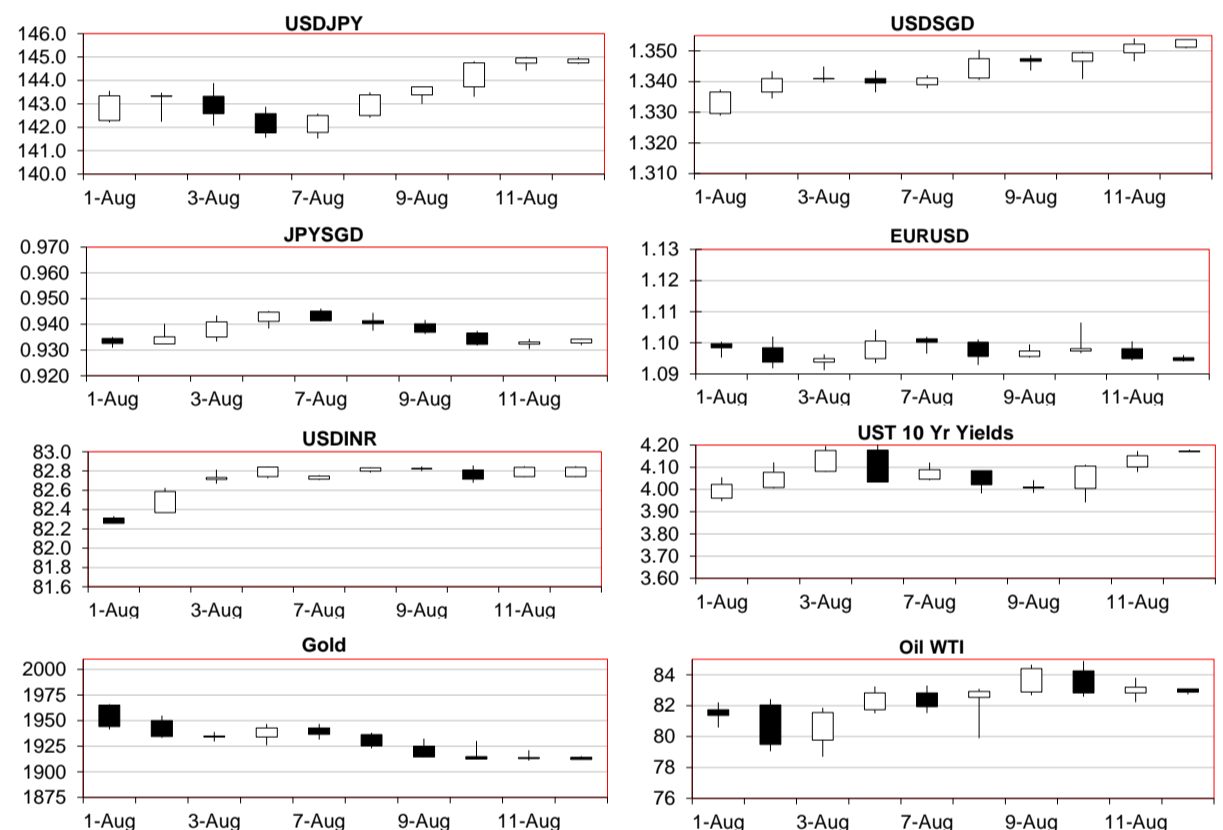
China's Headwinds, Headaches & Hopes?

- A sharp slowdown in China's credit growth compounds concerns of China's current economic slump that was already evident in its exceptional deflation at a time when the rest of world is struggling to properly tame deflation. And chances are, **industrial activity, retail sales and fixed asset/property investment data this week will likely underscore unabating economic headwinds that compound Beijing's policy headaches**.

- Question is, whether markets will still be in the mood to flip economic headwinds and policy headaches as stimulus hopes. Especially amid signs of trouble in the property sector, this time in the form of Country Garden swooning on the brink of a cascade of defaults, that threatens to undermine confidence and frustrate measures to revive animal spirits that are crucial to fire up growth multipliers.

OVERNIGHT RESULTS

(TH) Consumer Confidence Eco. (Jul): 50.3 (Mkt: Jun: 51.2) | (CH) Aggregate Financing /New CNY Loans (Jul): 528.2b/345.9b (Mkt: 1100.0b/780.0b; Jun: 4224.1b/3049.5b) | (US) PPI/PPI ex-Food & Energy YoY (Jul): 0.8%/ 2.4% (Mkt: 0.7%/2.3%; Jun: 0.1%/2.4%) | (US) U.o.M Sentiment (Aug P): 71.2 (Mkt: 71.2; Jul: 71.6) | U.o.M Inflation Expectations 1Y/5-10Y (Aug P): 3.3%/2.9% (3.5%/3.0%; Jul: 3.4%/3.0%)

Past Two Weeks Movement *


- The drip-feed of stimulus has thus far not sufficiently stirred confidence to the point of restoring consumption and investment momentum required for "escape velocity".

- And the emphasis on credit top-up for local governments to spear-head economic revival, while a step in the right direction to resolving local government debt overhang that has stifled fiscal push, may still fall short given the sheer depth of cash flow constraints.

- The upshot is, Beijing has not yet cleared the bar on requisite stimulus to restore durable 5+% underlying growth once base effects are stripped off. In which case it may be a **logical bet that Beijing will double down on stimulus**. But **short of details and stifled by conflicting socio-political objectives**, cheer from stimulus hopes risks morphing into disappointment.

Malaysia Political Risk Premium: Relief, Not Resolution

- The weekend's state elections that maintained the status quo of PM Anwar's ruling coalition and the Opposition retaining their seats has probably averted immediate challenges to his leadership, but perhaps falls short of **unfettered political bandwidth to push through reforms**.

- In fact, the Opposition's creeping gains reveal an urgency for PM Anwar to widen the appeals of his policies, which may invariably require **greater compromises and trade-offs**.

- And so, the policy mandate risks being compromised by political challenges amid economic drag. And questions of the coalition's stability and durability may not be fully put to rest. Inevitably, this may translate into only **measured relief from, and not resounding resolution of**, the political risk premium evident in the MYR. Relative catch up in MYR as such may be a restrained affair.

FX Daily Outlook

- EUR/USD: Pressures from UST yields appear unrelenting to impose restraints on recovery to 1.10.
- USD/JPY: Enlarged risks from MoF intervention as 145 levels are keenly watched.
- USD/SGD: Buoyancy retained on continued China developer worries imparting CNH weakness.
- AUD/USD: AUD may attempt to consolidate around both sides of 65 cents.

TODAY'S EVENTS

(IN) CPI/Wholesale Prices YoY% (Jul): (Mkt: 6.5%/-2.7%; Jun: 4.8%/-4.1%)

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