

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 144.79 | 144.91 | ▼0.05 | +2.41 |
| EUR | 1.0952 | 1.0943 | ▼0.0006 | ▼0.0059 |
| AUD | 0.6495 | 0.6492 | ▼0.0004 | ▼0.0081 |
| SGD | 1.3536 | 1.3537 | +0.0015 | +0.0126 |
| CNY | 7.2548 | 7.2396 | +0.0000 | +0.0465 |
| INR | 82.97 | 82.84 | +0.00 | +0.09 |
| IDR | 15315 | 15215 | +0 | +30 |
| MYR | 4.6133 | 4.5880 | +0.0000 | +0.0280 |
| PHP | 56.87 | 56.33 | +0.00 | +0.29 |
| THB | 35.15 | 35.09 | +0.00 | +0.24 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|---------|---------|
| USD (10YR) | 4.174% | +2.2 bp | +8.5 bp |
| JPY (10YR) | 0.614% | +3.0 bp | ▼1.6 bp |
| EUR* (10YR) | 2.623% | +0.0 bp | +2.2 bp |
| AUD (5YR) | 3.939% | +7.7 bp | +2.0 bp |
| SGD (5YR) | 2.999% | +0.0 bp | +2.8 bp |
| CNY (5YR) | 2.422% | +0.0 bp | ▼0.3 bp |
| INR (5YR) | 7.182% | +0.0 bp | +0.2 bp |
| IDR (5YR) | 6.051% | +0.0 bp | ▼1.0 bp |
| MYR (5YR) | 3.594% | +0.0 bp | ▼0.6 bp |
| PHP (5YR) | 6.158% | +0.0 bp | ▼3.9 bp |
| THB (5YR) | 2.433% | +0.0 bp | +0.8 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 35,281.40 | +0.00% | ▼0.54% |
| N225 (JP) | 32,473.65 | +0.00% | +0.68% |
| STOXX 50 (EU) | 4,321.33 | +0.00% | ▼0.37% |
| ASX (AU) | 4,105.93 | +0.00% | ▼0.39% |
| STI (SG) | 3,294.28 | +0.00% | ▼0.47% |
| SHCOMP (CN) | 3,189.25 | +0.00% | ▼2.43% |
| SENSEX (IN) | 65,322.65 | +0.00% | ▼0.96% |
| JSE (ID) | 6,879.98 | +0.00% | ▼0.09% |
| KLSE (MY) | 1,457.16 | +0.00% | +0.79% |
| PSE (PH) | 6,405.91 | +0.00% | ▼1.57% |
| SET (TH) | 1,535.16 | +0.00% | +0.17% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB | 279.74 | +0.00% | +0.20% |
| COPPER (LME) | 8,255.60 | +0.00% | ▲2.14% |
| IRON ORE (CN) | 104.20 | ▲0.64% | +0.40% |
| GOLD | 1,912.04 | ▲0.09% | ▲1.27% |
| OIL (WTI) | 82.87 | ▼0.38% | +1.13% |

Three Take-aways:

- 1) USD strengthened on higher UST yields while US equities staged a mild recovery.
- 2) Varied backstops for EM-Asia FX look insufficient against threats from food, commodity and credit woes.
- 3) RBA Minutes likely to detail narrowing policy space as Governor Lowe espouses need for calibrations.

Recovery?

- US equities were able to climb back from initial losses as the Nasdaq led gains with a 1.1% rise while the S&P500 and Dow edged up 0.6% and 0.1% respectively. Nonetheless, at this juncture, this resembles **more of a recovery rather than outright risk on rallies.**

- With US retail sales looming, **2Y UST yields soared 7.2bp** while 10Y yields rose 3.9bp. As we had alluded to before, it **appears to us** that data need to provide reasons not to hike which implies a de-facto hawkish bias. As such, the **USD continued gaining** against G10 peers. Aside from higher nominal UST yields, lower inflation expectations (proxied by 10Y breakevens) implies higher real UST yields.

- Inevitably, USD/JPY was pulled higher to mid-145 while EUR sank towards 1.09 alongside AUD which is submerged below 65 cents. In EM-Asia, the USD/SGD climbed towards mid-1.35.

EM Asia: Insufficiency

- Amid weakening CNH, the **political status quo** outcomes was **insufficient** to bolster the MYR as it underperformed (USD/MYR rose above 4.61). That said, IDR and PHP fared worse.

- Similarly, **resilient Q2 GDP growth in Indonesia has been insufficient** to backstop IDR as **Bank Indonesia declared their FX intervention yesterday** to curb excessive volatility. Afterall, growth was skewed towards private and government consumption driven as net exports turned a drag.

- While fading tailwinds from earlier commodities windfall for IDR ought to be well noted, corporate debt issues of builders are also being closing watched by the authorities who had been injecting capital.

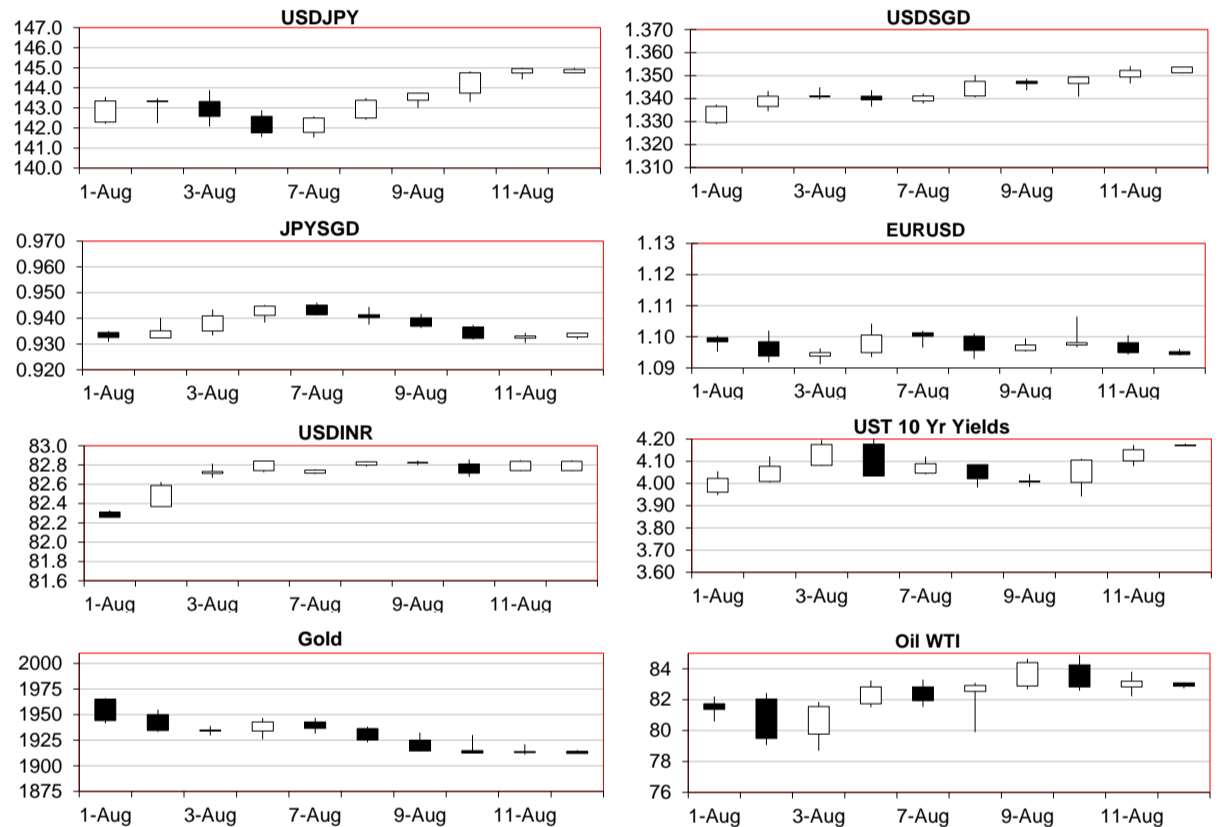
- **BI was not alone** in communicating FX intervention prospects as **BSP governor Remolona keeps his eyes on FX rates** and took comfort over ample FX reserves.

- What's more, amid **rising rice and energy prices**, **FX interventions in itself** will be **necessary to curb volatility but insufficient** to reverse PHP course given the need to resolve food supply issues and mitigate El-Nino risks.

OVERNIGHT RESULTS

(IN) CPI/Wholesale Prices YoY% (Jul): 7.4%/-1.4% (Mkt: 6.5%/-2.7%; Jun: 4.8%/-4.1%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 145.44 | EUR/USD | 1.0908 |
| USD/SGD | 1.3557 | USD/THB | 35.24 |
| JPY/SGD | 0.9321 | USD/MYR | 4.616 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 144.00 - 146.00 |
| EUR/USD | 1.0850 - 1.1000 |
| AUD/USD | 0.6450 - 0.6550 |
| USD/SGD | 1.3500 - 1.3600 |
| JPY/SGD | 0.9247 - 0.9444 |
| USD/CNH | 7.2500 - 7.3000 |
| USD/INR | 82.80 - 83.30 |
| USD/IDR | 15280 - 15380 |
| USD/MYR | 4.590 - 4.635 |
| USD/PHP | 56.50 - 57.10 |
| USD/THB | 35.00 - 35.35 |

Today's Direction

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

- Meanwhile, India's inflation surging emphatically past the RBI's upper bound will **raise questions on the sufficiency of just maintaining policy rates** as policymakers ponder the **'transitory'** nature of the food price shocks caused by tomato prices amid possibilities of further shocks from grains.

RBA Minutes: Pipeline Growth and Inflation Concerns?

- The RBA's recent quarterly Statement On Monetary Policy displayed a sense of narrowing policy space which is also likely to be **reflected in the release of RBA minutes** today.

- First, **inflation forecast was upgraded** with estimates for June 2025 ticking up to 3.1% from 3.0% in May's publication despite actual Q2 inflation outturns clearly coming in below estimates.

- Second, **growth forecast trajectory was downgraded** over the forecast horizon from H2 2023 to H1 2025 and comes in spite of upward revision on population growth assumptions.

- Third, these forecast **was conditional on the RBA's peak cash rate being at 4.25%** which is marginally **higher than the current 4.10%** and much higher than May's assumption of 3.75%.

- The upcoming jobs report (Thurs) is unlikely to portray a substantial change in the tight labour market situation. Hiring intentions continue to remain resilient but supply constraints and skills mis-match may imply slower pace of job gains. That said, given retail sales weakness, **some shedding of temporary workers** may be on the cards.

- All in, amid two consecutive rate holds, RBA minutes while leaning towards growth concerns may find it tough to give up its hawkish inflation talk given **Governor Lowe's latest allusion to "Calibration Phase"** for monetary policy.

FX Daily Outlook

- EUR/USD: Case for attempted consolidation around both sides of 1.09 as ECB backstop pondered.

- USD/JPY: Japan GDP beat restraining around mid-145 may meet China disappointment.

- USD/SGD: China woes could enable shallow adventures towards 1.36.

- AUD/USD: RBA minutes amid calibration prospects see 0.645 bounce but insufficient for 0.655.

TODAY'S EVENTS

(JP) GDP Annualised SA QoQ (2Q P): 6.0% (Mkt: 2.9%; 1Q: 2.7%) | (CH) 1-Yr Medium Term Lending Facility Rate (15-Aug): (Mkt: 2.65%; Prev: 2.65%) | (CH) Industrial Production (Jul): (Mkt: 4.3%; Jun: 4.4%) | (CH) Retail Sales YoY (Jul): (Mkt: 4.0%; Jun: 3.1%) | (CH) Fixed Assets Ex Rural YTD YoY (Jul): (Mkt: 3.7%; Jun: 3.8%) | (GE) Zew Survey Expectations (Aug): (Mkt: -14.9; Jul: -14.7) | (US) Retail Sales Adv/ Ex Auto and Gas MoM (Jul): (Mkt: 0.4%/ 0.4%; Jun: 0.2%/0.3%) | (US) Empire Mfg (Aug): (Mkt: -0.7; Jul: 1.1) | (Central Banks): RBA Minutes of Aug Meeting

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