

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.80	145.57	+0.01	+2.19
EUR	1.0924	1.0905	▼0.0001	▼0.0051
AUD	0.6468	0.6455	▼0.0032	▼0.0089
SGD	1.3574	1.3583	+0.0026	+0.0108
CNY	7.2846	7.2884	+0.0311	+0.0698
INR	82.95	82.96	+0.00	+0.12
IDR	15346	15340	+25	+122
MYR	4.6353	4.6360	+0.0203	+0.0530
PHP	56.83	56.85	+0.03	+0.59
THB	35.37	35.39	+0.30	+0.44

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.211%	+2.0 bp	+18.9 bp
JPY (10YR)	0.632%	+2.0 bp	+2.2 bp
EUR* (10YR)	2.672%	+3.5 bp	+20.3 bp
AUD (5YR)	4.008%	+6.3 bp	+24.2 bp
SGD (5YR)	3.094%	+4.7 bp	+15.0 bp
CNY (5YR)	2.376%	▼3.0 bp	▼4.7 bp
INR (5YR)	7.185%	+0.0 bp	+5.2 bp
IDR (5YR)	6.115%	+2.3 bp	+5.7 bp
MYR (5YR)	3.651%	+0.4 bp	+5.3 bp
PHP (5YR)	6.127%	▼0.7 bp	▼6.2 bp
THB (5YR)	2.434%	+0.1 bp	+1.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,946.39	▼1.02%	▼1.04%
N225 (JP)	32,238.89	+0.56%	▼0.43%
STOXX 50 (EU)	4,288.57	▼0.96%	▼0.01%
ASX (AU)	4,039.10	▼1.41%	▼1.69%
STI (SG)	3,232.74	▼0.46%	▼2.45%
SHCOMP (CN)	3,176.18	▼0.07%	▼2.59%
SENSEX (IN)	65,401.92	+0.00%	▼0.68%
JSE (ID)	6,915.10	+0.07%	+0.67%
KLSE (MY)	1,460.28	+0.23%	+0.64%
PSE (PH)	6,335.91	+0.11%	▼2.12%
SET (TH)	1,520.73	▼0.94%	+0.15%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.30	▲1.36%	▲1.76%
COPPER (LME)	8,143.50	▲1.20%	▲1.92%
IRON ORE (CN)	103.85	+0.37%	+0.60%
GOLD	1,902.00	▲0.27%	▲1.21%
OIL (WTI)	80.99	▼1.84%	▼2.33%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	145.60	EUR/USD	1.0904
USD/SGD	1.3583	USD/THB	35.42
JPY/SGD	0.9329	USD/MYR	4.636

Forecast

USD/JPY	144.00 - 146.00
EUR/USD	1.0850 - 1.1000
AUD/USD	0.6400 - 0.6500
USD/SGD	1.3500 - 1.3600
JPY/SGD	0.9247 - 0.9444
USD/CNH	7.3000 - 7.3500
USD/INR	82.80 - 83.30
USD/IDR	15290 - 15380
USD/MYR	4.625 - 4.645
USD/PHP	56.50 - 57.10
USD/THB	35.29 - 35.55

Today's Direction

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

Three Take-aways:

- 1) Resilient US retail sales back Fed hawks but underlying details shy from outright hike support.
- 2) THB and VND woes tell of political worries and slumping credit conditions respectively.
- 3) FOMC minutes to depict pausing hawks rather than passing hawks.

Sales and Cuts

- While the **July US retail sales** print which **surpassed expectations** is **supportive** of Fed hawks, the underlying picture may not be outrightly supportive of more hikes.

- In part, some of the boost was derived from **sales during Amazon Prime day** and with the retail sales being goods focused (as intended) may not reveal as much on the strength of services activity which is **confounded by higher prices**.

- Similarly, UST performance was mixed as 2Y yields edged 1.5bps lower while 10Y yields rose 2.0bps.

- As warnings about possible ratings downgrades for banks sent financial stocks falling, declining US equities will have investor pondering if lower prices are indeed a good bargain.

- Amid risk aversion, USD retained traction. USD/JPY was flat around mid-145 while EUR also remained just above 1.09. AUD sank towards mid-64 cents alongside falling oil prices and weaker CNH; USD/SGD climbed toward 1.36. EM-Asia FX was inevitable weighed down by fresh assaults on the CNY as **rate cuts are mere signals not solutions**. [Click here to see Mizuho Flash China Woes: Signals not Solutions.](#)

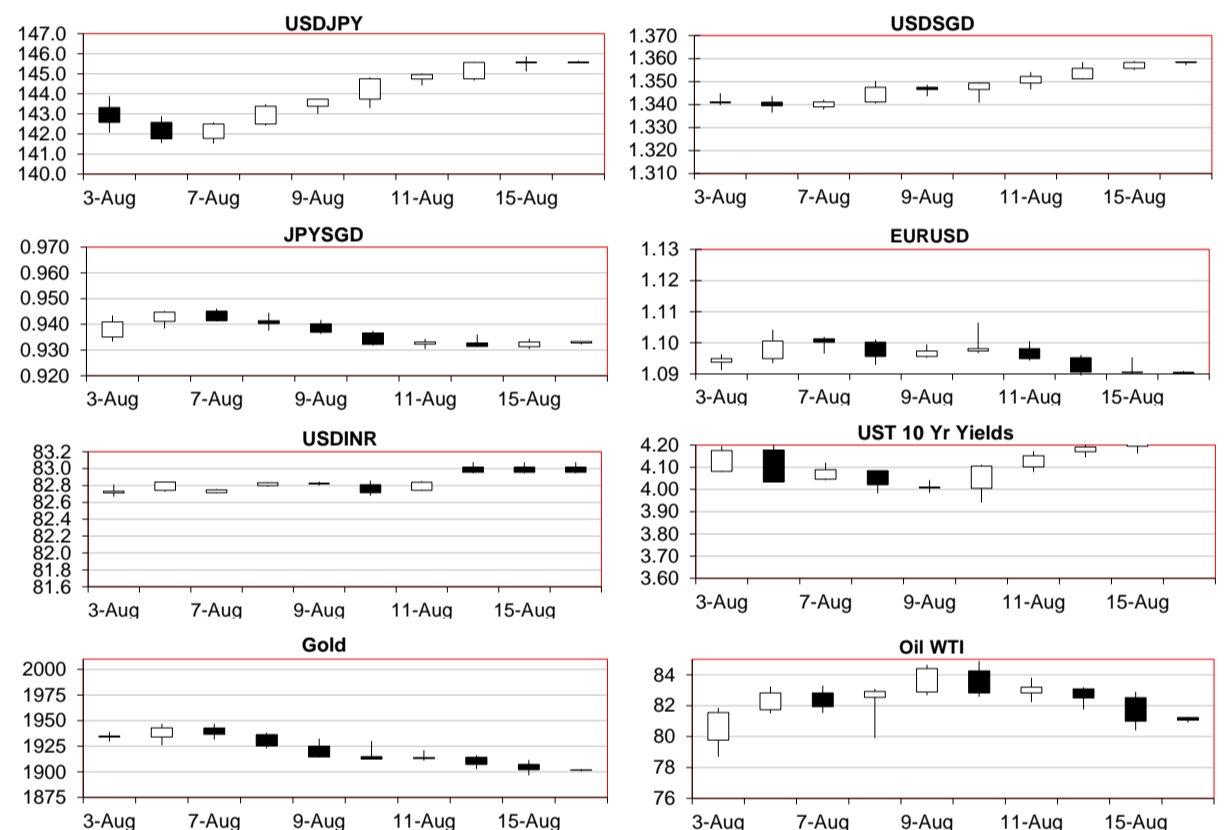
- Notably, the **THB's underperformance was a catchup depreciation** with regional peers after the holiday break on Monday. That said, **political uncertainty is far from clearing up**.

- Despite the Pheu Thai led coalition proposing their candidate Mr Srettha Thavisin, the **reported possibilities of PRRP leader who is also current caretaker deputy PM Prawit also being a likely PM candidate** and winning party **MFP not backing Mr Srettha** add to the uncertainty. The on-going political uncertainty may even translate to **precarious balancing act in policy measures** in future.

- Meanwhile, **VND** was subject to **both growing China and domestic concerns** as USD/VND climbed towards -23963.

OVERNIGHT RESULTS

(CH) 1-Yr Medium Term Lending Facility Rate (15-Aug): 2.50% (Mkt: 2.65%; Prev: 2.65%) | (CH) Industrial Production (Jul): 3.7% (Mkt: 4.3%; Jun: 4.4%) | (CH) Retail Sales YoY (Jul): 2.5% (Mkt: 4.0%; Jun: 3.1%) | (CH) Fixed Assets Ex Rural YTD YoY (Jul): 3.4% (Mkt: 3.7%; Jun: 3.8%) | (GE) Zew Survey Expectations (Aug): -12.3 (Mkt: -14.9; Jul: -14.7) | (US) Retail Sales Adv/ Ex Auto and Gas MoM (Jul): 0.7%/1.0% (Mkt: 0.4%/0.4%; Jun: 0.2%/0.3%) | (US) Empire Mfg (Aug): -19.0 (Mkt: -0.7; Jul: 1.1)

Past Two Weeks Movement


- Afterall, China woes is also a reminder of the **slumping credit growth** in Vietnam's hard hit real estate sector. In turn, with **growth target being a significantly high bar**, **the anticipation of further SBV cuts** to support growth has exposed VND vulnerabilities.

- What's more, the SBV's request (issued 15 Aug) to financial institutions to begin lowering lending interest rates by 1.5%-2% pts for **new and existing loans** underscore the impeded credit access.

FOMC Minutes - Pausing, Not Passing, Hawks

- This will not be the Minute(s) that marks the passing of hawks, but rather the Minute(s) that **hawks need to pause and assess as to how much farther rates will need to go**.

- Admittedly, the Minutes will no doubt allude to **significant progress on dis-inflation** and how the trend has continued to be encouraging. Nonetheless, this will be **qualified by inflation and wage pressures** remaining still too high for comfort amid a tight (albeit arguably less hot) job market.

- Specifically, **allusion to the "inner most core"** of inflation remaining a tad too sticky as well as more stubborn in resisting decline compared to headline CPI will accentuate volatility around August CPI print, including detail rather than dramatically raising pivot bets.

- In any case, not unlike the overall impact of July FOMC rhetoric (especially the press conference) will be to **heighten yield volatility** rather than invoke unchallenged UST rallies (and attendant slump in yields) from pivot bets.

- Especially as context of greater confidence of a soft-landing alongside sticky components of price pressures emboldens the stance that hawks may not be done yet.

FX Daily Outlook

- EUR/USD: Traction to sustain above 1.09 to be test but slips below mid-1.08 to be cautious.

- USD/JPY: Intervention risks check pace of rallies toward 146 while buoyancy off 145 is base case.

- USD/SGD: Laboured crawl towards 1.36 as CNH woes reach highs.

- AUD/USD: Weakness to persist and restrain recovery above 65 cents.

TODAY'S EVENTS

(EZ) GDP SA YoY (2Q P): (Mkt: 0.6%; Prev: 0.6%) | (EZ) Industrial Production WDA YoY (Jun): (Mkt: -4.0%; May: -2.2%)

(US) Housing Starts/Building Permits (Jul): (Mkt: 1450k/1468k; Jun: 1434k/1441k)

(US) Industrial Production MoM (Jul): (Mkt: 0.3%; Jun: -0.5%)

(Central Banks): **FOMC Minutes**

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