

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.42	144.84	▼1.05	▼1.51
EUR	1.0820	1.0863	+0.0017	▼0.0016
AUD	0.6429	0.6480	+0.0057	+0.0056
SGD	1.3568	1.3526	▼0.0052	▼0.0072
CNY	7.2903	7.2785	▼0.0155	▼0.0200
INR	82.86	82.68	▼0.25	▼0.27
IDR	15304	15295	▼20	+12
MYR	4.6568	4.6592	+0.0112	+0.0299
PHP	56.73	56.74	+0.35	+0.23
THB	34.98	35.06	+0.11	▼0.31

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.192%	▼13.2 bp	▼5.9 bp
JPY (10YR)	0.674%	+0.8 bp	+4.4 bp
EUR* (10YR)	2.517%	▼12.8 bp	▼13.3 bp
AUD (5YR)	3.935%	▼5.4 bp	▼2.8 bp
SGD (5YR)	3.181%	▼1.8 bp	+9.6 bp
CNY (5YR)	2.367%	+0.4 bp	+0.1 bp
INR (5YR)	7.176%	▼2.0 bp	▼0.9 bp
IDR (5YR)	6.317%	▼2.6 bp	+17.5 bp
MYR (5YR)	3.634%	▼1.2 bp	▼2.3 bp
PHP (5YR)	6.089%	▼0.3 bp	▼1.9 bp
THB (5YR)	2.524%	+2.0 bp	+8.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,472.98	+0.54%	▼0.84%
N225 (JP)	32,010.26	+0.48%	+0.77%
STOXX 50 (EU)	4,266.67	+0.15%	▼0.41%
ASX (AU)	3,992.96	+0.74%	▼0.71%
STI (SG)	3,174.18	+0.45%	▼1.23%
SHCOMP (CN)	3,078.40	▼1.34%	▼2.28%
SENSEX (IN)	65,433.30	+0.33%	▼0.16%
JSE (ID)	6,921.41	+0.07%	+0.30%
KLSE (MY)	1,440.11	▼0.79%	▼1.60%
PSE (PH)	6,179.63	▼0.53%	▼3.60%
SET (TH)	1,549.01	+0.22%	+1.94%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.98	+0.36%	+0.56%
COPPER (LME)	8,424.25	+1.12%	+3.81%
IRON ORE (CN)	109.51	+0.81%	+5.43%
GOLD	1,915.48	+0.95%	+1.25%
OIL (WTI)	78.89	▼1.82%	▼0.62%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	144.68	EUR/USD	1.0866
USD/SGD	1.3522	USD/THB	34.94
JPY/SGD	0.9346	USD/MYR	4.650

Forecast

USD/JPY	144.00 - 145.50
EUR/USD	1.0800 - 1.0900
AUD/USD	0.6400 - 0.6500
USD/SGD	1.3500 - 1.3600
JPY/SGD	0.9278 - 0.9444
USD/CNH	7.2600 - 7.3200
USD/INR	82.60 - 83.00
USD/IDR	15250 - 15310
USD/MYR	4.640 - 4.670
USD/PHP	56.20 - 56.80
USD/THB	34.80 - 35.26

Today's Direction

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

Three Take-aways:

- 1) Dismal EZ PMIs with services slump framing peak ECB. Recession fears not evident in markets.
- 2) Nvidia inflames AI-driven rallies. But watch for pre-Jackson Hole caution.
- 3) Bank Indonesia to keep rates on hold as IDR focus implies more Twists for front end yields to rise.

(The Illusion of Being) Saved

"When the fight was over, nothing was solved, but nothing mattered. We all felt saved" - Fight Club

-This line from Fight Club resonates with the state of **exuberant markets**, that ostensibly **reflect the relief of, if not rejoice at, being "saved"**. *Trouble is, this sense of relief (of peak rates) is illusory.* At the risk oversimplifying, here's a distilled version of market moves.

1) Dismal Euro-zone PMIs send ripples of **recession fears** initially. *But equally, reinforce notions of ECB hawks being put to rest.* In other words, recession risks are framed as a policy consequence. Specifically, with the implication that *"the (inflation) fight was (effectively) over"*.

2) Consequently, the **ECB hawkish dampener has set off a sharp pullback in European bond yields** (Bunds: -13bps), spilling over to the other side of the Atlantic (albeit with a flattening bias).

3) **Falling yields inflame bullish equities** (far more pronounced in the US than in the EZ) lifting Wall St (1.1/1.6% higher for S&P500/Nasdaq); although to be fair "AI mania" by way of Nvidia's blockbuster forecast exuberance, already had a hand in setting up US equities for "risk on".

4) USD's initial surge on grim EZ PMIs, as implied Fed-ECB divergence amid sharper EZ recession risks, have been subsequently more than reversed by the shrill "risk on" mood. While EUR only just clawed back to mid-1.08, AUD managed greater heights, breaking above mid-0.64 to sub-0.65.

- Here's the trouble with hunky dory markets on inferred policy relief.

- With the unexpected sharp contraction in PMI services now reflecting the gloom of deeply contractionary manufacturing, *"nothing was solved"*. **Policy relief is hollow** insofar *that inflation remains frustratingly problematic despite the downturn.* And our fears of earlier service sector resilience being a "red herring, not a silver lining" * are validated.

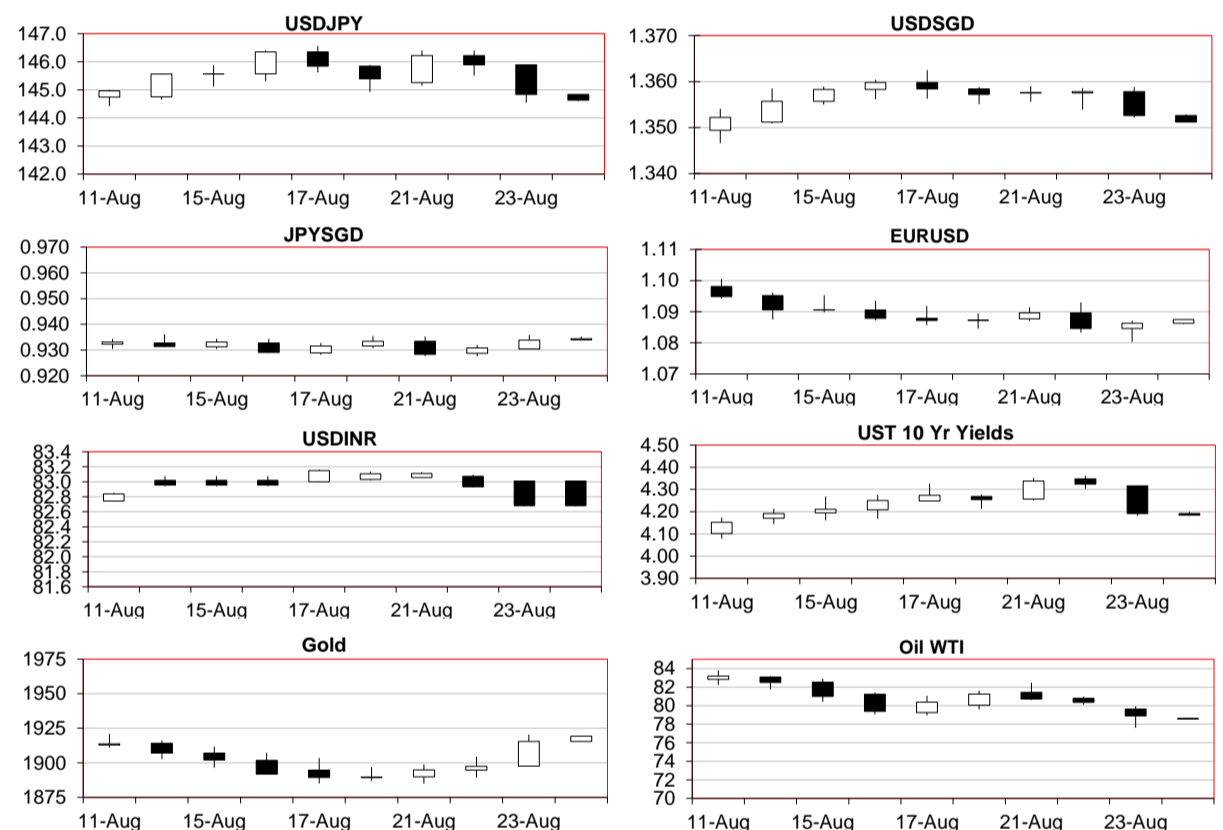
- Worse of all, **peak rates are erroneously being conflated with recession risks being arrested.**

- **Long and variable lags mean that the risks are ahead, not behind us.**

OVERNIGHT RESULTS

(SG) CPI/Core YoY (Jul): 4.1%/3.8% (Mkt: 4.2%/3.8%; Jun: 4.5%/4.2%) | (TW) IP YoY (Jul): -15.2% (Mkt: -14.2%; Jun: -16.6%)

(EZ) PMI - Mfg/Services (Aug P): 43.7/47.0 (Mkt: 42.7/50.5; Jul: 42.7/50.9) | (US) New Home Sales (Jul): 714k (Mkt: 704k; Jun: 697k)

Past Two Weeks Movement


- That *"nothing (of these risks) mattered"* enough for markets to exercise restraint with regards to "risk on" actually amplifies risks of sharper correction in the future.

- Ironically, that *"we all felt saved"* by illusory relief from peak policy or AI saving the day, may spell for deeper pain. Danger is often heightened amid a false sense of security. On the aside, the plane crash that killed Prigozhin perhaps also resonates with the illusion of being saved.

Bank Indonesia: Firm Hold, Shaky IDR

- Given comfortable headline inflation prints, it is a **rather clear case for BI to keep policy rates on hold this afternoon amid more pressing IDR depreciation concerns.** These concerns necessitated FX interventions (14 Aug) as well as Governor Warjiyo emphasis (21 Aug) on using Operation Twist to allow front end yields to rise.

- Meanwhile, revised regulations on exports proceeds repatriation was effective from 1 August. Since then, the **usage of BI's Term Deposits for FX export proceeds has skewed towards the 3 month tenor.** As these deposits have not surged visibly, we **retain our view** that the currency buffer over 3 months acts as a **liquidity backstop** for IDR rather than provide outright boost.

- While Q2 growth was more resilient than expected, it should not be mistaken as positive IDR catalyst. Strong private consumption translates to **higher import expenditures which worsens the net exports amid fading commodity price tailwinds** as reflected by Q2 current account turning a **deficit** of -0.5% of GDP (Q1: +0.9%). As such, the potency of hawkish cues by BI emphasising the array of policy tools to backstop IDR is reduced by the cyclical headwinds.

FX Daily Outlook

- EUR/USD: Buoyancy from lower UST yields may fade and struggle beyond 1.09.
- USD/JPY: Mid-144 consolidation ponder amid lower UST yields and rising caution.
- USD/SGD: Shallow Sub-1.35 slippage par for the course as CNH fixing to assist but not dictate.
- AUD/USD: Trapped below 65 cents barring another bout of extensive UST yield slippage.

TODAY'S EVENTS

(US) Initial Jobless Claims: (Mkt: 240k Prev wk: 239k) | (US) Kansas City Mfg Activity (Aug) (Mkt: -10; Jul: -11)

(US) Chicago Fed Nat Activity index (Jul) : (Mkt: -0.2; -0.3) |

(US) Durable Goods/ Non-def Ex-Air orders (Jul P): (Mkt: -4.0%/0.1%; Jun: 4.6%/0.1%) |

Central Banks: [BoK Monetary Policy Decision](#) | [Bank Indonesia Monetary Policy Decision](#) | [Jackson Hole Conference](#)

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