

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.04	146.44	+0.61	+1.05
EUR	1.0771	1.0796	▼0.0014	▼0.0077
AUD	0.6417	0.6404	▼0.0013	▼0.0002
SGD	1.3566	1.3561	▼0.0005	▼0.0011
CNY	7.2884	7.2872	+0.0073	+0.0027
INR	82.69	82.66	+0.08	▼0.45
IDR	15300	15295	+50	+10
MYR	4.6481	4.6407	▼0.0053	▼0.0081
PHP	56.58	56.58	▼0.20	+0.41
THB	35.13	35.10	+0.12	▼0.27

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.235%	▼0.2 bp	▼1.9 bp
JPY (10YR)	0.661%	+0.5 bp	+2.6 bp
EUR* (10YR)	2.561%	+4.8 bp	▼6.1 bp
AUD (5YR)	3.907%	+4.5 bp	▼5.3 bp
SGD (5YR)	3.221%	+4.4 bp	+8.5 bp
CNY (5YR)	2.385%	+2.0 bp	+2.5 bp
INR (5YR)	7.199%	+2.1 bp	+0.0 bp
IDR (5YR)	6.353%	+4.2 bp	+13.6 bp
MYR (5YR)	3.601%	▼0.7 bp	▼3.2 bp
PHP (5YR)	6.061%	▼2.4 bp	▼3.6 bp
THB (5YR)	2.528%	+0.3 bp	+2.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,346.90	+0.73%	▼0.45%
N225 (JP)	31,624.28	▼2.05%	+0.55%
STOXX 50 (EU)	4,236.25	+0.10%	+0.55%
ASX (AU)	3,998.05	+0.01%	+0.91%
STI (SG)	3,189.88	+0.29%	+0.50%
SHCOMP (CN)	3,064.08	▼0.59%	▼2.17%
SENSEX (IN)	64,886.51	▼0.56%	▼0.10%
JSE (ID)	6,895.44	▼0.06%	+0.52%
KLSE (MY)	1,444.41	▼0.02%	▼0.12%
PSE (PH)	6,160.61	▼1.05%	▼2.06%
SET (TH)	1,560.20	+0.18%	+2.70%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	278.20	+0.86%	+0.99%
COPPER (LME)	8,319.25	▲0.09%	+1.28%
IRON ORE (CN)	109.55	+0.35%	+2.14%
GOLD	1,914.96	▲0.10%	+1.36%
OIL (WTI)	79.83	+0.99%	▼1.75%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	146.54	EUR/USD	1.0797
USD/SGD	1.3556	USD/THB	35.09
JPY/SGD	0.9251	USD/MYR	4.640

Forecast

USD/JPY	145.10 - 146.80
EUR/USD	1.0760 - 1.0850
AUD/USD	0.6350 - 0.6450
USD/SGD	1.3520 - 1.3610
JPY/SGD	0.9210 - 0.9380
USD/CNH	7.2730 - 7.3180
USD/INR	82.45 - 83.00
USD/IDR	15230 - 15310
USD/MYR	4.636 - 4.658
USD/PHP	56.40 - 56.95
USD/THB	34.85 - 35.20

Today's Direction

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

Three Take-aways:

- 1) Poorer sentiments and higher inflation expectations buoy UST yields and maintain USD traction.
- 2) Amid a default hawkish Fed bias, Jackson hole speech re-iterates focus on non-housing core services.
- 3) Unusual labour market and highly variable Phillips curve may induce caution on overtightening.

Risk Management

- With Fed Chair Jerome Powell's speech being critical but not of the ground-breaking sort (see our key takeaways below from Jackson hole below), US equities managed to claw back some early week losses with the Nasdaq gaining 0.9% and S&P500 and Dow rising 0.7%.
- Nonetheless, the **big picture retains semblance to Powell's allusion of risk management** as uncertainties from different lags of hikes and QT along with the lack of precision on neutral rates complicate "balance of risk of tightening too much against the risk of tightening too little".
- In fact, the data release from Uni of Michigan was rather in alignment as **consumer sentiments dropped and inflation expectation on both 1yr and longer term 5-10yr rose**.
- The **hawkish tendencies and recession risks** were also evident in USTs with the yield curve inversion deepening as 2Y yields headed higher by 5.5bp while 10Y yields edged 0.2bp lower.
- Concomitantly, USD maintained traction to gain against most G10 peers. USD/JPY closed towards mid-146. EUR remains pressured as durability above 1.08 continues to be suspect with souring business climate in Germany seep doubts over EZ's economic resilience.
- In EM-Asia, USD/SGD remains hovering around mid-1.35 while AUD runs the risk of sub-64 cents slippage if retail sales disappoint this morning.

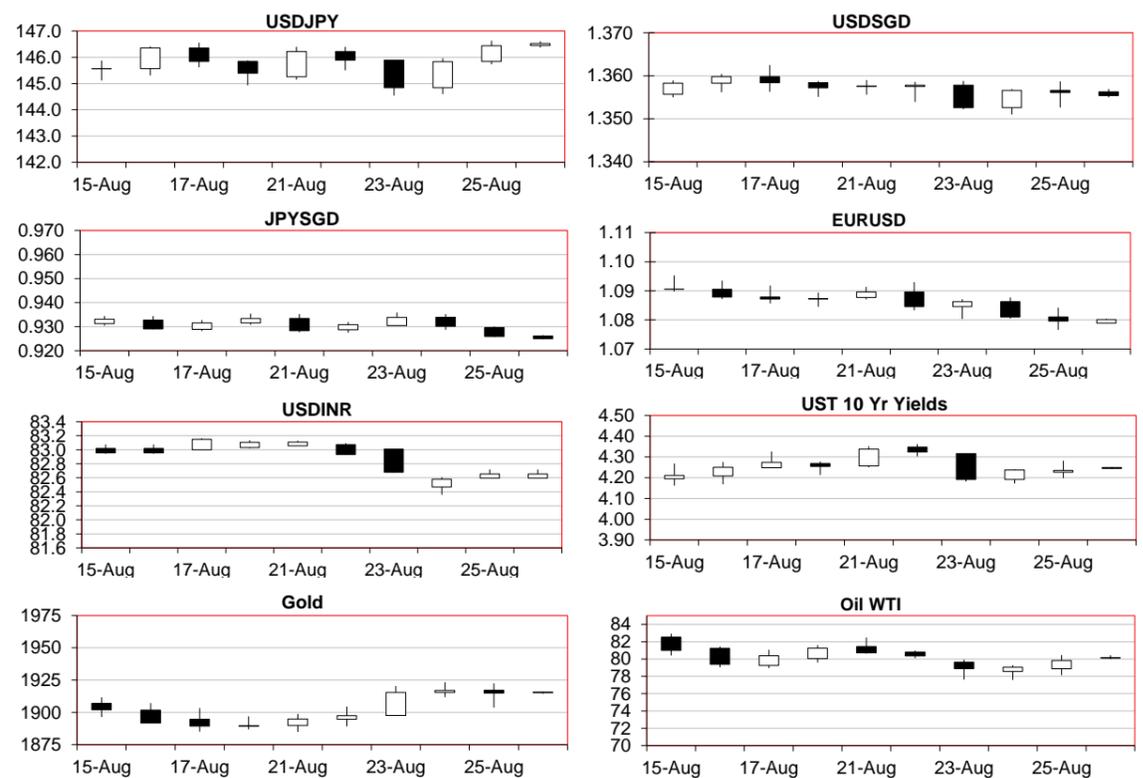
Five Take-Aways from Jackson Hole

- First things first. The Fed's **default bias is hawkish**. Crucially, a **dovish pivot is some way off**.
- Fact is, **while Powell admits to significant tightening**, and encouraging dis-inflation, the takeaway is that the **Fed is inclined to carefully calibrate, not definitively dismiss, further hikes**; if the data so require and crucially, if the evolving risk outlook allows for.

OVERNIGHT RESULTS

(TH) Customs Trade Balance (Jul): -\$1978m (Mkt: -\$1386m; Jun: \$58m) | (MY) CPI YoY (Jul): 2.0% (Mkt: 2.1%; Jun: 2.4%)
(SG) Industrial Production YoY (Jul): -0.9% (Mkt: -3.4%; Jun: -4.9%; Revised: -6.6%) | (GE) IFO Business Climate (Aug): 85.7 (Mkt: 86.8; Jul: 87.3) | (US) U. Of Mich. Sentiment/1Yr/5-10Yr Inflation Expectations (Aug F): 69.5/3.5%/3.0% (Prelim: 71.2/3.3%/2.9%)

* Past Two Weeks Movement *



- **Second**, that underlying inflation is **unacceptably too high**.

- In particular, not only is **headline dis-inflation overstatement** is justifiably dismissed (amid food and energy volatility) but **COVID distortions on core goods (deflation)** is discounted.

- Furthermore, dis-inflation in slow-moving housing services exaggerated by high base requires de-emphasizing (rather than exciting prospects for imminent cuts), to **focus on non-housing core services that remains far more sticky and elevated**.

- **Third**, that **rates will have to remain high for a prolonged period** to convincingly lower inflation expectations; *deferring timing of, and dampening the scope for, rate cuts further out*.

- Fourth, **implicitly admitting to greater uncertainties** (and potential for shifts) around neutral rates, **but decidedly refraining from premature conclusions** one way or another.

- Pointedly, the **2% inflation target was overtly retained** as the Fed's target;

- suggesting that the Fed in the near-term **won't waver on maintaining restrictive settings** until inflation's decline towards the 2% target is deemed to be sustained and convincing.

- Finally, Powell **alluded to the highly unusual circumstances** of a **strong labour market despite the transmission of such forceful tightening**.

- Subtle as it may be, the **highly variable Phillips Curve relationship** appears to be appreciated, even as below-trend growth and some job market slack is desired.

- Overall, this may, to some degree, induce the Fed to exercise **more caution about over-tightening on low unemployment**.

FX Daily Outlook

- EUR/USD: Tendencies to stay below 1.08 more often than not as EZ woes grow.
- USD/JPY: Buoyancy above 145 undoubted as BoJ Ueda re-affirms easing.
- USD/SGD: Sideways trading to persist as CNH strength will be reassessed.
- AUD/USD: Retail sales outturn may be the bugbear for AUD bulls, watch for sub-64 cents.

TODAY'S EVENTS

(AU) Retail Sales MoM (Jul): (Mkt:0.2%; Jun:-0.8%;) | (JP) Coincident/Leading Index CI (Jun F): (Prelim: 115.2/108.9)
(US) Dallas Fed Mfg Activity (Aug): (Mkt:-19.0; Jul: -20)

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