

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.54	146.54	+0.10	+0.32
EUR	1.0810	1.0819	+0.0023	▼0.0077
AUD	0.6407	0.6429	+0.0025	+0.0015
SGD	1.3570	1.3560	▼0.0001	▼0.0015
CNY	7.2947	7.2889	+0.0017	+0.0057
INR	82.64	82.63	▼0.03	▼0.48
IDR	15291	15290	▼5	▼35
MYR	4.6535	4.6550	+0.0143	+0.0062
PHP	56.79	56.58	+0.00	+0.41
THB	35.27	35.27	+0.16	+0.09

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.202%	▼3.3 bp	▼13.6 bp
JPY (10YR)	0.664%	+0.3 bp	+1.5 bp
EUR* (10YR)	2.564%	+0.3 bp	▼13.9 bp
AUD (5YR)	3.911%	+0.4 bp	▼6.8 bp
SGD (5YR)	3.220%	▼0.1 bp	+4.6 bp
CNY (5YR)	2.411%	+2.6 bp	+6.0 bp
INR (5YR)	7.180%	▼1.9 bp	▼2.4 bp
IDR (5YR)	6.321%	▼3.2 bp	+1.6 bp
MYR (5YR)	3.601%	+0.0 bp	▼3.8 bp
PHP (5YR)	6.064%	+0.3 bp	▼3.4 bp
THB (5YR)	2.521%	▼0.7 bp	+0.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,559.98	+0.62%	+0.28%
N225 (JP)	32,169.99	+1.73%	+1.91%
STOXX 50 (EU)	4,293.69	+1.36%	+1.63%
ASX (AU)	3,998.05	+0.00%	+1.13%
STI (SG)	3,213.68	+0.75%	+1.89%
SHCOMP (CN)	3,098.64	+1.13%	+0.18%
SENSEX (IN)	64,996.60	+0.17%	▼0.34%
JSE (ID)	6,921.73	+0.38%	+0.81%
KLSE (MY)	1,444.06	▼0.02%	▼0.45%
PSE (PH)	6,160.61	+0.00%	▼2.06%
SET (TH)	1,562.97	+0.18%	+2.43%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	278.64	+0.16%	+1.42%
COPPER (LME)	8,319.25	+0.00%	+0.97%
IRON ORE (CN)	109.28	▲0.25%	+1.69%
GOLD	1,920.17	+0.27%	+1.33%
OIL (WTI)	80.10	+0.34%	▼0.77%

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	4.651

Forecast

USD/JPY	145.80 - 146.90
EUR/USD	1.0770 - 1.0880
AUD/USD	0.6360 - 0.6460
USD/SGD	1.3520 - 1.3610
JPY/SGD	0.9204 - 0.9335
USD/CNH	7.2760 - 7.3180
USD/INR	82.45 - 83.00
USD/IDR	15250 - 15330
USD/MYR	4.645 - 4.663
USD/PHP	56.50 - 56.88
USD/THB	35.05 - 35.40

Today's Direction

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

Three Take-aways:

- 1) Relief, not exuberance has buoyed markets; which in turn checks follow-through bullishness.
- 2) Soft spots may persist in Vietnam's activity amid flagging external demand and higher inflation.
- 3) Underlying property market woes denting confidence and credit impulse stifles growth rebound.

Unpanicked, Not Unfettered

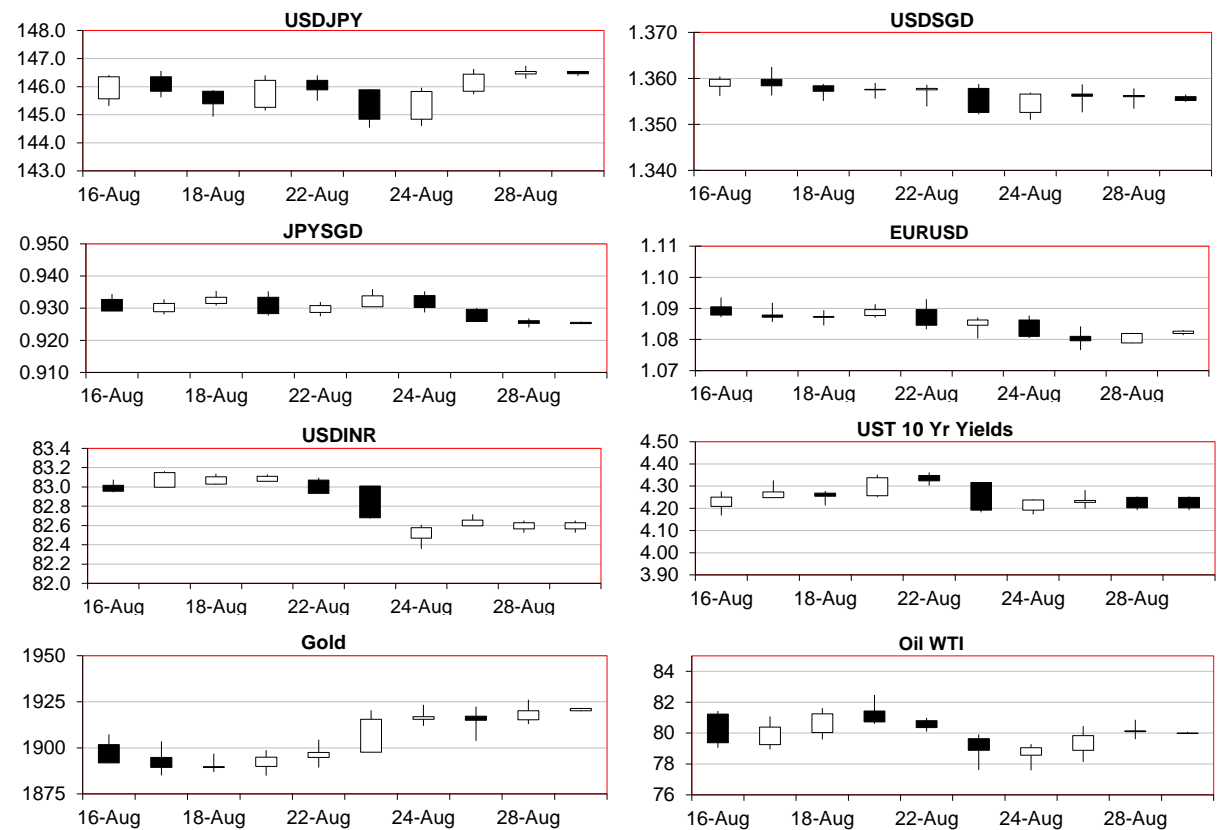
- The "morning after" from Jackson Hole has **not** been as much of a hawkish jolt as was feared.
- After all, there was **decidedly no allusions to upward shifts in the neutral rate** (the so-called r-star) higher, which might have been **consistent with more near-term hikes**, and crucially, **fewer cuts back to "neutral" further out**. In turn this has checked risks of sharper upside yield volatility.
- So no surprises that **UST yields are a touch softer** (across the curve).
- And in a nod to less violently restrictive rates further out, **equities are also a tad more buoyant**.
- But this is a state of **unpanicked markets. Not unfettered bulls**. That's to say that **while fears of far harsher monetary tightening has been allayed**, the **consequences of "higher for longer"** (which was a clear message) after emphatic rate hikes are **not absolved**.
- Accordingly, equity market gains are measured (0.6-0.8%); as is UST yield rollback (4-5bp across the curve). Tellingly, the moderation in last week's USD surge is also calibrated (-0.2%).
- What's more, even the Shanghai bourse, which gapped up 5.4% on the back of the weekend's stimulus onslaught, has pulled back to reflect a considered 1.2% lift.
- Again, this is a reflection of **relief, away from panic** about an unchecked economic tailspin, **not unfettered euphoria** about "lift off" being achieved; **from China's property markets woes, and wider crisis of confidence, being indisputably resolved**.
- And so, while markets may remain fairly buoyant, continuing the positive momentum overnight from Wall St, there is simply no basis for unbridled optimism. The bar remains high for policy-makers to demonstrate that high-cost miscalculation and complacency may be avoided.
- Meanwhile USD ought to be fairly buoyant as PBoC force is required to shore up CNH; with spillover backstop for rest of EM Asia FX; and AUD gains from retails sales dissipate.

Vietnam: Unrelenting Woes

- Vietnam's upcoming slew of economic data is **unlikely to shake off the current gloom**.

OVERNIGHT RESULTS

(A) Past Two Weeks Movement: (Jun: -0.8%) | (US) Dallas Fed Mfg Activity (Aug): -17.2 (Mkt:-19.0; Jul: -20)



- For one, aside from **flattering price effects**, headline **retail sales growth** enjoying a **decent underlying boost from tourism recovery** may **mask softer domestic consumption**.
- Moreover, **industrial production may remain sluggish** as external demand for discretionary items such as footwear and apparel stays weak. Consequently, **net exports may remain soft or even falter**; as elevated imported energy expenditures cut into bottom-line.
- Moreover, **higher gasoline prices and rice prices** after India's export ban, are likely to **bump headline inflation higher from July's 2.1%**. An increase in frequency of electricity tariffs adjustments from 6 to 3 months is telling of the **cost pressures facing state utility EVN**.
- In the face of these challenges, PM Pham Minh Chinh's **decision to keep growth target unchanged at 6.5% necessitates 9% growth in H2**. This appears **overly ambitious**.
- Admittedly, **moral suasion efforts to improve credit access** via lower lending rates **could help at the margin in terms of lifting credit demand**. But, only if confidence is strong. Whereas soft economic conditions may inherently limit the efficacy of "credit pull" to boost the economy.
- What's more, **credit supply may be curtailed** as the prospects of **rising NPLs dent willingness to lend**; on the part of financial institutions may in fact be reasonably lacking.
- Perhaps most worryingly, **uncertainty shrouds the horizon for adequate property market recovery to restore balance sheet and cash flows health**; which currently undermine confidence and demand amid persistent substantial corporate bond restructuring.
- Arguably, the **critical policy imperative ought to be resolving underlying instability; cutting transmission of shocks** between real estate to banking and private balance sheets.

FX Daily Outlook

- EUR/USD: Some relief on imminent pressures on sub-1.08; but traction may be limited.
- USD/JPY: Slightly softer UST yields to avert high-146 to 147 attempts; but still backstopped at 146.
- USD/SGD: Further consolidation around mid-1.35 may test low-1.35 if CNH is lifted.
- AUD/USD: Post-retail sales traction near mid-0.64 backstopped by softer UST yields.

TODAY'S EVENTS

(JP) Job To Application Ratio (Jul): 1.29 (Mkt: 1.30; Jun: 1.30) | (JP) Jobless Rate (Jul): 2.7% (Mkt: 2.5%; Jun: 2.5%)
 (VN) CPI YoY (Aug): (Mkt: 2.5%; Jul: 2.1%) | (VN) Ind Pdn YoY (Aug): (Jul: 3.7%)
 (VN) Exports/Imports YoY (Aug): (Mkt: -9.5%/-9.9%; Jul: -3.5%/-9.9%) | (VN) Retail Sales YoY (Aug): (Jul: 7.1%)
 (US) Conference Board Consumer Confidence (Aug): (Mkt: 116.2; Jul: 117.0)
 (US) JOLTS Job Openings (Jul): (Mkt: 9450k; Jun: 9582k) | (Central banks): RBA Bullock Speech

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