

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.44	146.24	+0.36	+1.40
EUR	1.0864	1.0923	+0.0043	+0.0060
AUD	0.6465	0.6475	▼0.0006	▼0.0005
SGD	1.3527	1.3497	+0.0001	▼0.0029
CNY	7.2924	7.2870	+0.0063	+0.0085
INR	82.78	82.73	+0.03	+0.05
IDR	15244	15240	▼20	▼55
MYR	4.6457	4.6385	▼0.0075	▼0.0207
PHP	56.75	56.75	▼0.01	+0.01
THB	35.11	35.10	▼0.03	+0.03

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.114%	▼0.6 bp	▼7.8 bp
JPY (10YR)	0.652%	▼0.1 bp	▼2.2 bp
EUR* (10YR)	2.545%	+3.5 bp	+2.8 bp
AUD (5YR)	3.838%	▼3.5 bp	▼9.7 bp
SGD (5YR)	3.155%	▼3.6 bp	▼2.6 bp
CNY (5YR)	2.395%	▼2.5 bp	+2.8 bp
INR (5YR)	7.181%	▼0.3 bp	+0.5 bp
IDR (5YR)	6.277%	▼2.4 bp	▼4.0 bp
MYR (5YR)	3.586%	▼0.8 bp	▼4.8 bp
PHP (5YR)	6.044%	+0.2 bp	▼4.5 bp
THB (5YR)	2.525%	+0.7 bp	+0.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,890.24	+0.11%	+1.21%
N225 (JP)	32,333.46	+0.33%	+1.01%
STOXX 50 (EU)	4,315.31	▼0.26%	+1.14%
ASX (AU)	4,074.20	+0.17%	+2.03%
STI (SG)	3,220.22	▼0.09%	+1.45%
SHCOMP (CN)	3,137.14	+0.04%	+1.91%
SENSEX (IN)	65,087.25	+0.02%	▼0.53%
JSE (ID)	6,966.66	+0.13%	+0.65%
KLSE (MY)	1,451.94	▼0.17%	+0.82%
PSE (PH)	6,295.29	+1.13%	+1.87%
SET (TH)	1,576.67	+0.50%	+1.79%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	281.15	+0.49%	+2.24%
COPPER (LME)	8,445.55	+0.41%	+0.25%
IRON ORE (CN)	109.33	+0.09%	▲0.16%
GOLD	1,942.32	+0.25%	+1.40%
OIL (WTI)	81.63	+0.58%	+3.47%

Three Take-aways:

- 1) Perverse "risk on" from US data miss need to be checked; as soft spots don't guarantee soft landings.
- 2) Sticky inflation, covertly (Australia) or otherwise (Europe); but extrapolated FX gains are misguided.
- 3) India's buoyant Q2 GDP doesn't negate downside risks to growth amid inconvenient inflation upside.

Soft Spots, Not Landing

- That warning for markets seizing on US data miss to stage "risk on" rallies is that soft spots (despite inducing softer yields) are not necessarily guarantee of a softer landing.
- So, perhaps it is best to curb that enthusiasm; especially the unfounded aspects of it.
- Admittedly, downward revisions to Q2 US GDP (from an annualized 2.4% QoQ) to 2.1% does reveal headwinds to demand; and alongside softer ADP jobs print have prompted dovish calibrations at the margin. And this in turn has endorsed softer yields and buoyant equities.
- But here's the (or two) thing about carried away with ideas of Fed capitulation.
- First, the Fed does anticipate, arguably even desires, some slowdown and below-trend growth.
- So the bar for cold feet is higher. Second, details of GDP trim are not entirely gloomy.
- Apart from a slowdown in investments, the other key downward revision are not particularly worrying. Inventory flipping from building to a drawdown understates underlying resilience.
- Personal consumption was a tad more buoyant while the trim in core PCE (from 3.8% to 3.7%) does not move the needle on the Fed's assessment of inflation that is "too high".
- Upshot being, Fed hawks may not be materially set back; not as much as "pivot bets" suggest.
- In turn, hard landing risks from policy miscalculations are not significantly diminished.

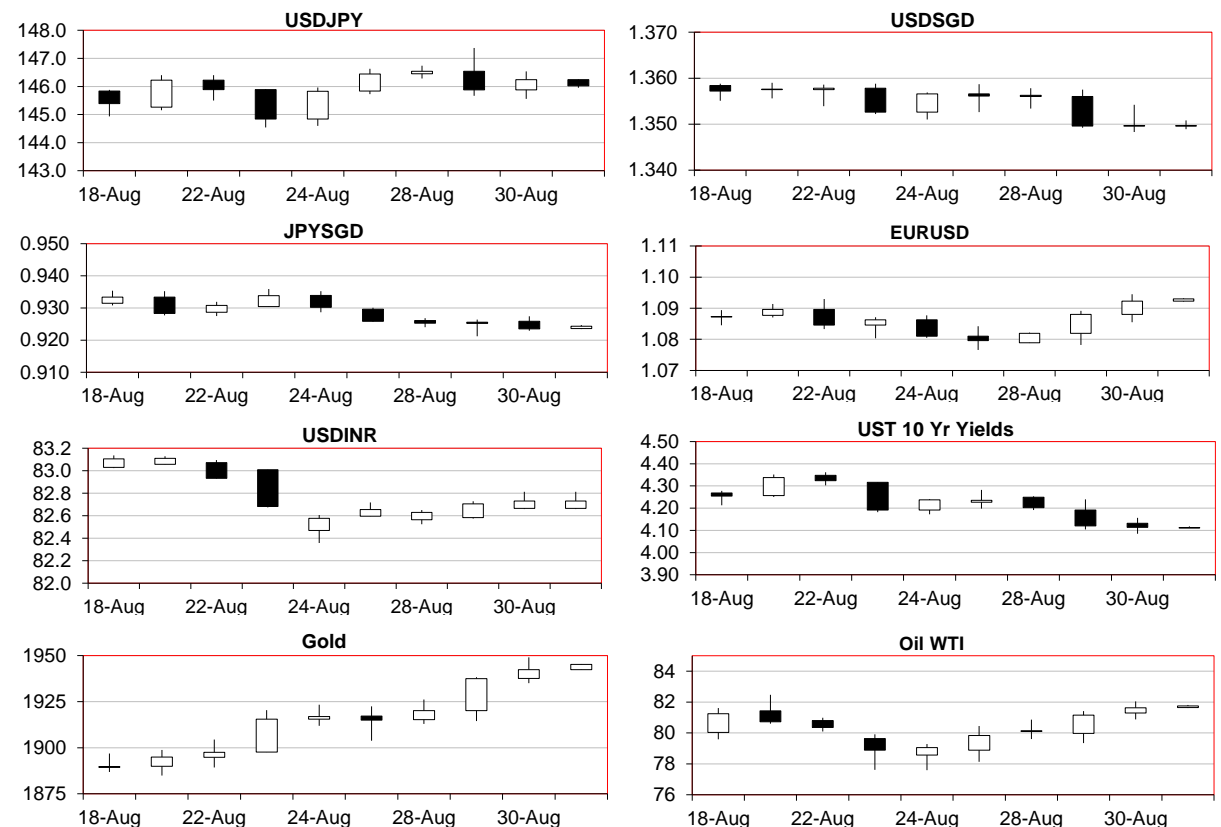
Inflation's Inconvenience & Illusions

- The expectation for Euro-area inflation data later is one of inconvenient stickiness. Earlier releases show that German CPI has struggled to ease and Spanish inflation has picked up.
- In Australia too well, the inconvenience of sticky inflation is not put to bed despite misleadingly large pullback in July CPI data. Apart from mixed details and overstated goods dis-inflation, distortions of energy rebates may understate the underlying stickiness.

OVERNIGHT RESULTS

(AU) CPI YoY (Jul): 4.9% (Mkt: 5.2%; Jun: 5.4%) | (AU) Building Approvals MoM (Jul): -8.1% (Mkt: -0.5%; Jun: -7.9%)

(US) ADP Employment Chg (Aug): 177K (Mkt: 195k; Jul: 371K) | (US) GDP QoQ saar (2Q S): 2.1% (Mkt: 2.4%; Prev: 2.4%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	146.10	EUR/USD	1.0929
USD/SGD	1.3497	USD/THB	35.03
JPY/SGD	0.9239	USD/MYR	4.639

Forecast

USD/JPY	145.50 - 146.60
EUR/USD	1.0840 - 1.0990
AUD/USD	0.6440 - 0.6530
USD/SGD	1.3460 - 1.3550
JPY/SGD	0.9181 - 0.9313
USD/CNH	7.2800 - 7.3100
USD/INR	82.45 - 83.00
USD/IDR	15220 - 15330
USD/MYR	4.630 - 4.663
USD/PHP	56.40 - 56.88
USD/THB	34.95 - 35.20

Today's Direction

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

- Trouble is, the reflex for FX gains from such extrapolations of rate hikes corresponding to sticky inflation are illusory. For one, rate hike assumptions (for the ECB and RBA) from sticky inflation under-account for acute policy trade-offs. Crucially, overlooking erosion in real rates, that ought to dampen, not fire-up, AUD and EUR.

India GDP: Between Bumpy & Buoyant

- Counter-intuitive to signs of gathering global demand headwinds, India's headline Q2 GDP, is set to show an exhilarating acceleration in growth from ~6% (in Q1) to well over 7% in Q2.
- To be fair, this does correlate with buoyant industrial output activity.
- But the pertinent risk to take note of is one of fading pick-up in activity momentum.
- Especially amid headwinds from higher rates, a resurgence in inflation and weak global manufacturing being compounded by fresh buckles in European services demand.
- And in turn, this may be set to weigh on demand for capital goods/durables.
- With elevated energy prices and resurgent food inflation, the risk is that underlying growth momentum is at best bumpy, not buoyant; even if some degree of exceptionalism is accepted.
- Meanwhile, the RBI's dilemma grows as inflation is set to once again breach the 6% upper bound of target; even as soft spots emerge.
- Rupee risks get tilted to the downside as real rates turn less supportive of rupee, whilst potential for (offsetting) economic out-performance is deferred.
- More so as global central banks maintain "higher for longer" policy inclinations.

FX Daily Outlook

- EUR/USD: Rallies past 1.09 on of US soft spots and higher EZ CPI is a precarious bet at 1.10.
- USD/JPY: Caught wrong-footed on softer UST yields suggests sub-146 may be more likely than 147.
- USD/SGD: Softer USD sets the stage for sub-1.35 although slip below mid-1.34 requires CNH boost.
- AUD/USD: Relative policy shifts not compelling to get past 0.65 to 0.66; China cues watched.

TODAY'S EVENTS

(KR) Ind Pdtm MoM (Jul): -2.0% (Mkt: -1.5%; Jun: -1.0%, rev: -1.5%) | (JP) Ind Pdtm MoM (Jul): -2.0% (Mkt: -1.4%; Jun: 2.4%) | (JP) Retail Sales MoM (Jul): 2.1% (Mkt: 0.8%; Jun: -0.6%) | (CH) PMI-Mfg/Non-Mfg (Aug): (Mkt: 49.2/51.2; Jul: 49.3/51.5) | (TH) C/A (Jul): (Mkt: \$125m; Jun: \$1449mn) | (IN) GDP/GVA YoY (Q2): (Mkt: 7.8%/7.7%; Q1: 6.1%/6.5%) | (EZ) CPI/Core YoY (Aug): (Mkt: 5.1%/5.3% Jul: 5.3%/5.5%) | (EZ) Unemployment rate (Jul): (Mkt: 6.4%; Jun: 6.4%) | (US) PCE/Core Deflator YoY (Jul): (Mkt: 3.3%/4.2%; Jun: 3.0%/4.1%) | (Central Banks) : BoJ's Nakamura speaks | ECB's Account of July MPC | ECB's Schnabel speaks | Fed's Bostic & Collins speak

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