

**MARKET SUMMARY**

| FX  | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ  |
|-----|-------------|-----------|----------|---------|
| JPY | 145.43      | 146.22    | +0.68    | ▼0.22   |
| EUR | 1.0855      | 1.0780    | ▼0.0063  | ▼0.0016 |
| AUD | 0.6477      | 0.6456    | ▼0.0028  | +0.0052 |
| SGD | 1.3504      | 1.3527    | +0.0015  | ▼0.0034 |
| CNY | 7.2605      | 7.2663    | +0.0075  | ▼0.0209 |
| INR | 82.70       | 82.72     | ▼0.07    | +0.06   |
| IDR | 15242       | 15240     | +10      | ▼55     |
| MYR | 4.6428      | 4.6462    | +0.0077  | +0.0055 |
| PHP | 56.54       | 56.60     | +0.00    | +0.02   |
| THB | 35.05       | 35.00     | ▼0.00    | ▼0.10   |

\*compared with previous day CLOSE(NY)

| Yields      | CLOSE  | Daily Δ | Wkly Δ   |
|-------------|--------|---------|----------|
| USD (10YR)  | 4.179% | +7.1 bp | ▼5.7 bp  |
| JPY (10YR)  | 0.633% | ▼1.8 bp | ▼2.8 bp  |
| EUR* (10YR) | 2.549% | +8.3 bp | ▼1.2 bp  |
| AUD (5YR)   | 3.770% | ▼1.7 bp | ▼13.7 bp |
| SGD (5YR)   | 3.106% | +0.0 bp | ▼11.5 bp |
| CNY (5YR)   | 2.433% | +3.5 bp | +4.8 bp  |
| INR (5YR)   | 7.164% | +0.7 bp | ▼3.5 bp  |
| IDR (5YR)   | 6.158% | ▼2.7 bp | ▼19.5 bp |
| MYR (5YR)   | 3.587% | +0.1 bp | ▼1.4 bp  |
| PHP (5YR)   | 6.043% | +0.0 bp | ▼1.8 bp  |
| THB (5YR)   | 2.541% | +1.4 bp | +1.3 bp  |

\* German bunds

| Equity Indices | CLOSE     | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US)      | 34,837.71 | +0.33%  | +1.43% |
| N225 (JP)      | 32,710.62 | +0.28%  | +3.44% |
| STOXX 50 (EU)  | 4,282.64  | ▼0.34%  | +1.10% |
| ASX (AU)       | 4,069.21  | +0.24%  | +1.78% |
| STI (SG)       | 3,233.30  | +0.00%  | +1.36% |
| SHCOMP (CN)    | 3,133.25  | +0.43%  | +2.26% |
| SENSEX (IN)    | 65,387.16 | +0.86%  | +0.77% |
| JSE (ID)       | 6,977.65  | +0.35%  | +1.19% |
| KLSE (MY)      | 1,463.43  | +0.79%  | +1.32% |
| PSE (PH)       | 6,181.06  | +0.09%  | +0.33% |
| SET (TH)       | 1,561.51  | ▼0.28%  | +0.08% |

| Commodity     | CLOSE    | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB           | 284.36   | +0.87%  | +2.21% |
| COPPER (LME)  | 8,479.25 | +0.89%  | +1.92% |
| IRON ORE (CN) | 116.27   | +6.28%  | +6.13% |
| GOLD          | 1,940.06 | ▲0.01%  | +1.31% |
| OIL (WTI)     | 85.55    | +2.30%  | +7.17% |

**Three Take-aways:**

- 1) Amid firm hiring, higher unemployment rate was on the back of increase in labour supply.
- 2) Higher yields and resilient growth buoyed the Greenback but surging oil prices increase complications.
- 3) China's measures will need to contend with non-interchangeability of credit and confidence.

**Hot or Cool?**

- Last Friday, UST 2Y yields dipped 10bp after the NFP print but rose to close 1.6bp higher following the ISM manufacturing report. Meanwhile, 10Y yields also suffered an initial decline but closed even higher at 7.1 bp alongside surging oil prices (testing US\$89/barrel).

- US equities was mixed as Nasdaq stayed flat while S&P 500 and Dow were up 0.2 and 0.3% respectively. The mixed performance and volatility was not without grounds as markets attempted to get a grip on whether the economy is cooling. For one, labour demand remain resilient as non-farm payrolls showed that hiring in August increased from July and exceeded market expectations.

- To reconcile with the higher unemployment rate of 3.8%, it will fall on the spike in labour force participation rates as labour supply increased with more workers looking for jobs.

- Similarly, ISM Mfg exceeded expectations but remains in contractionary territory. Notably, ISM prices paid indicated that more respondents were pay higher prices for raw material tempering hopes of ebbing price pressures. Cleveland Fed's Mester struck a similar tone as she re-iterated inflation being too high. With yields and growth both being positives, the Greenback gained against all G10 peers. USD/JPY above 146 and EUR submerged below 1.08. USD/SGD pulled towards mid-1.35. AUD was unable to be lifted despite China measures and/or higher commodity prices.

**China: Why Liquidity may not Solve Solvency Crisis?**

- Despite the slew of property revival measures announced over the weekend, Beijing has not resolutely snuffed out the embers of financial contagion risks.

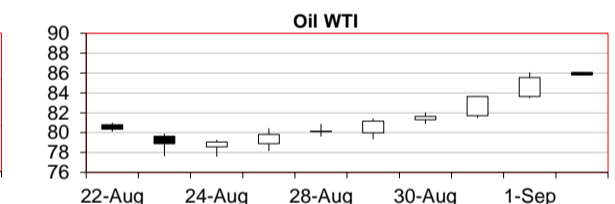
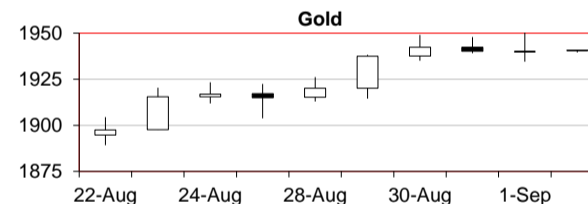
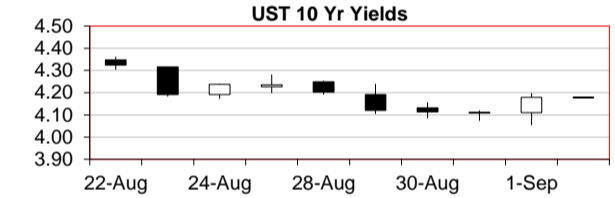
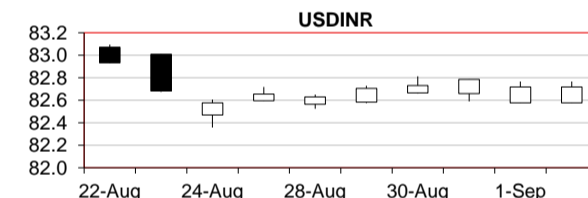
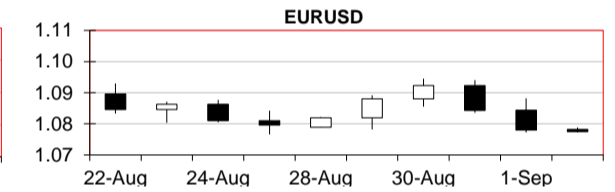
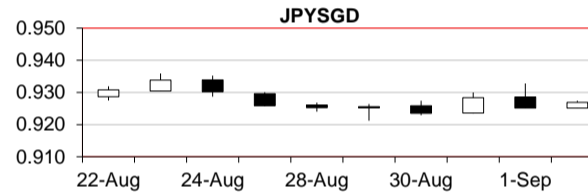
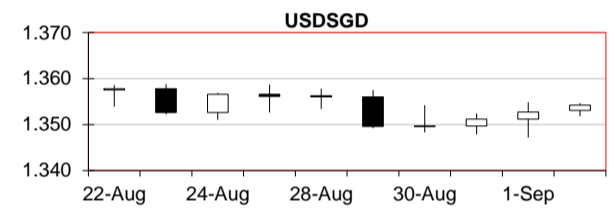
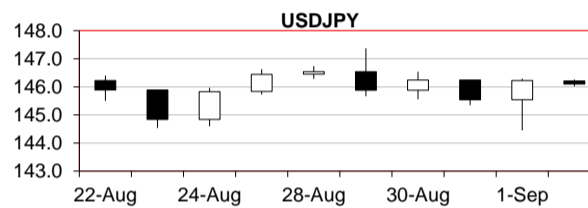
- Admittedly, kick-starting property demand will help to revive critical property sector cash-flows. And this is critical to prevent further a further adverse spiral of mounting risks associated with balance sheet and cash-flow shocks

**OVERNIGHT RESULTS**

(ID) CPI/Core YoY (Aug): 3.3%/8.2% (Mkt: 3.3%/2.3%) | (CH) Caixin Mfg PMI (Aug): 51.0 (Mkt: 49.0; Jul: 49.2)

(US) Non-farm payrolls (Aug): 187k (Mkt: 170k; Jul: 157k) | (US) Unemployment Rate (Aug): 3.8% (Mkt: 3.5%; Jul: 3.5%)

(US) ISM Manufacturing/Prices Paid (Aug): 47.9/44.0 (Mkt: 47.0/48.4; Jul: 46.4/42.6)

**\* Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

|         |        |         |        |
|---------|--------|---------|--------|
| USD/JPY | 146.06 | EUR/USD | 1.0776 |
| USD/SGD | 1.3540 | USD/THB | 35.11  |
| JPY/SGD | 0.9270 | USD/MYR | 4.641  |

**Forecast**

|         |                 |
|---------|-----------------|
| USD/JPY | 145.50 - 146.60 |
| EUR/USD | 1.0840 - 1.0990 |
| AUD/USD | 0.6440 - 0.6530 |
| USD/SGD | 1.3500 - 1.3600 |
| JPY/SGD | 0.9209 - 0.9347 |
| USD/CNH | 7.2400 - 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 | 34.90 - 35.20   |

**Today's Direction**

|         | Bull | : | Bear |
|---------|------|---|------|
| USD/SGD | 6    | : | 1    |
| USD/JPY | 4    | : | 3    |

- But the wider point is that reviving property demand partially and unevenly does very little to eliminate inextricable financial linkages across property, shadow banks, local governments, banks and households; with stress points still entailing threats of shocks.

- Beijing's efforts to pump-prime away spill-over property sector risks hitting wider financial markets may also be frustrated by a pernicious iteration of "liquidity trap".

- Fairly severe confidence deficit appears to be impeding the intended liquidity cushion as the "flow" of liquidity stimulus is impeded (and stimulus pools).

- At the heart of deficient "animal spirits" are adverse feedback loops from balance sheet and cash-flow vulnerabilities that threaten debilitating shocks to the financial system; with real economic spill-over. Especially given the inextricable linkages across sectors, incited by property risk spill-over that accentuates cross-default risks; amplifying threats of contagion.

- Above all, the property sector already facing a solvency crisis means that liquidity backstops may prove "too little, too late"; and not just for property sector distress.

- The non-interchangeability of credit and confidence (requiring confidence to spur productive credit growth) is reflected in distinction of net revenues required to avert a solvency crisis, versus less effective "after-the-fact" banking liquidity backstops.

- Dauntingly high bar for ensuring financial stability as a minimum may entail much steeper fiscal cost given painfully sharp capital-, macro- and CNH-stability trade-offs involved with monetary stimulus. [Click here to see Mizuho Brief - China Woes \(Part 2\): 'Liquidity Trap' ?](#)

**FX Daily Outlook**

- EUR/USD: Pressures unabating, consolidation below 1.08 the base case.

- USD/JPY: UST yield resurgence spells buoyance above mid 145.

- USD/SGD: Cautious dial back towards 1.35 on China measures.

- AUD/USD: With commodities and China measures backstopping, buoyed above 64 cents.

**TODAY'S EVENTS**

(Central Banks) : ECB's Elderson, Nagel and Lagarde speaks

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