

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.42	146.47	+0.25	▼0.07
EUR	1.0797	1.0796	+0.0016	▼0.0023
AUD	0.6464	0.6461	+0.0005	+0.0032
SGD	1.3538	1.3549	+0.0022	▼0.0011
CNY	7.2715	7.2746	+0.0083	▼0.0143
INR	82.71	82.75	+0.03	+0.12
IDR	15244	15240	+0	▼50
MYR	4.6559	4.6558	+0.0096	+0.0008
PHP	56.63	56.64	+0.04	+0.06
THB	35.25	35.22	+0.22	▼0.04

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.179%	+0.0 bp	▼2.3 bp
JPY (10YR)	0.644%	+1.1 bp	▼2.0 bp
EUR* (10YR)	2.579%	+3.0 bp	+1.5 bp
AUD (5YR)	3.846%	+7.6 bp	▼6.5 bp
SGD (5YR)	3.111%	+0.5 bp	▼10.9 bp
CNY (5YR)	2.461%	+2.8 bp	+5.0 bp
INR (5YR)	7.184%	+2.0 bp	+0.4 bp
IDR (5YR)	6.104%	▼5.4 bp	▼21.7 bp
MYR (5YR)	3.596%	+0.9 bp	▼0.5 bp
PHP (5YR)	6.047%	+0.4 bp	▼1.7 bp
THB (5YR)	2.564%	+2.3 bp	+4.3 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,837.71	+0.00%	+0.80%
N225 (JP)	32,939.18	+0.70%	+2.39%
STOXX 50 (EU)	4,279.87	▼0.06%	▼0.32%
ASX (AU)	4,063.70	▼0.14%	+1.64%
STI (SG)	3,238.97	+0.18%	+0.79%
SHCOMP (CN)	3,177.06	+1.40%	+2.53%
SENSEX (IN)	65,628.14	+0.37%	+0.97%
JSE (ID)	6,996.75	+0.27%	+1.08%
KLSE (MY)	1,462.72	▼0.05%	+1.29%
PSE (PH)	6,214.68	+0.54%	+0.88%
SET (TH)	1,548.68	▼0.82%	▼0.91%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.36	+0.00%	+2.05%
COPPER (LME)	8,437.25	▲0.50%	+1.42%
IRON ORE (CN)	117.08	+0.70%	+7.14%
GOLD	1,942.69	+0.14%	+1.17%
OIL (WTI)	85.55	+0.00%	+6.80%

**Three Take-aways:**

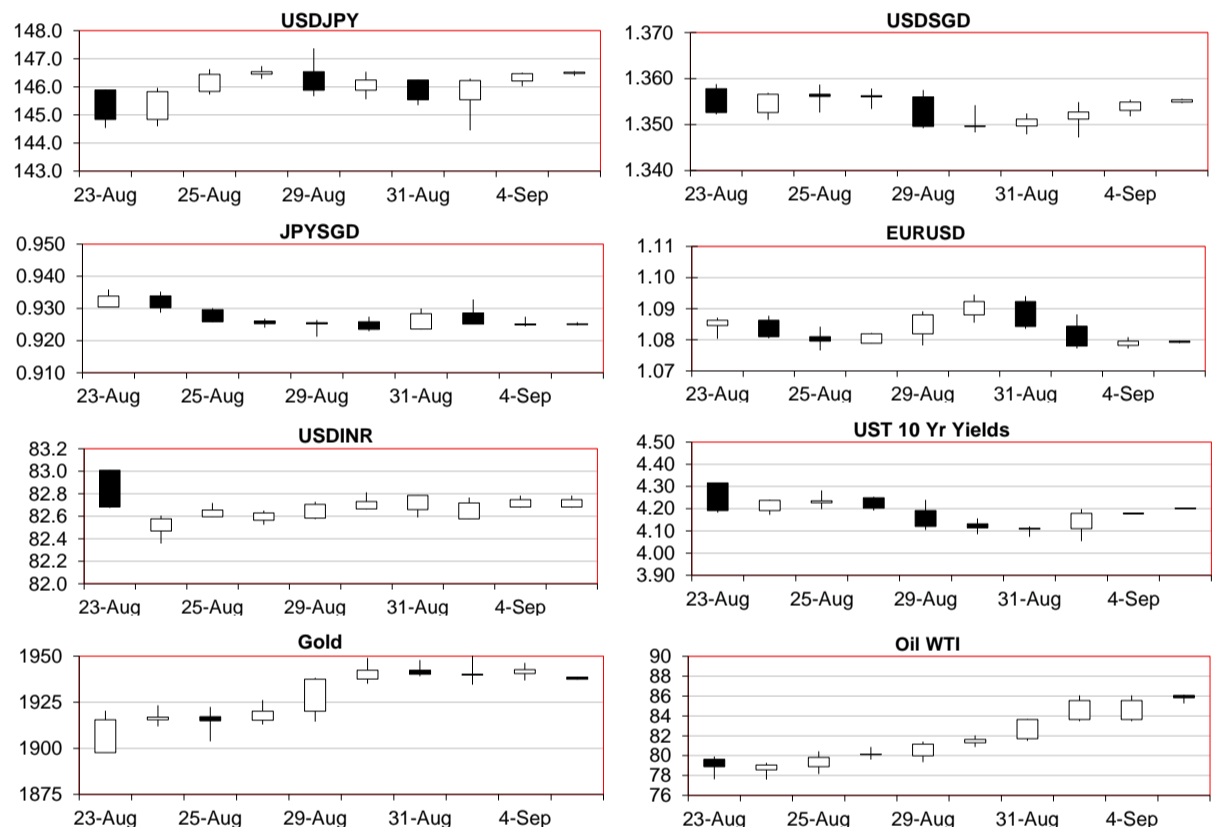
- 1) ECB's fixation on inflation and excess liquidity backstopped European yields.
- 2) EM-Asia's headline inflation trajectory looks to be bumped up by higher food and energy inflation.
- 3) The RBA will stand pat and also keep further careful calibration intact.

**Restrained**

- With US markets on holiday, focus remains in Europe and assessing spillovers from China's property stimulus. Any lift looks restrained with Euro Stoxx unable to hold onto gains and closed lower.
- Sentiments were subdued amid a backdrop of ECB's Lagarde retaining full optionality with her punchy "actions speak louder than words" and Bundersbank's Nagel suggesting higher reserve requirements after the cessation of interest payments on minimum reserves from Sept 20.
- Consequently, European bonds sold off with 2Y yields on the German Bunds up 3.2bp and EUR's crawl up unable to lift sustainably beyond 1.08.
- Meanwhile, USD/JPY looks edgy and suppressed at mid-146. Similarly, AUD also continued sideways hovering just above mid-64 cents ahead of the RBA's decision today. (See below)

**EM-Asia: Sticky Oil and Rice**

- This morning's headline inflation (3.4% YoY) surging past expectations (2.9%) in Korea may be the prelude for this afternoon's August headline inflation prints in Thailand and the Philippines to be stickier and even higher than expected. Last year, Brent crude prices averaged around US\$90.5/barrel in September. After the recent surge, favourable base effects may be fading.
- This was somewhat reflected in Vietnam with transportation inflation in August which was at -0.3% YoY (July: -9.2%). Admittedly, Thailand's price caps will temper the surge in fuel costs.
- Furthermore, escalating rice prices (after India's embargo on non-basmati white rice) will reverberate within food inflation as substitution and rising input costs (food services, downstream rice products) take hold. This was seen in Vietnam as rice prices affected potatoes, vermicelli, rice noodles. Also, white rice prices in Korea surged 4.7% MoM with food inflation at 3.1% MoM.
- The likes of the Philippines with rice consisting 8.9% of the CPI basket will be badly hit and necessitated the implementation of price ceiling effective today.
- The upshot is that further headline dis-inflation may be hard to come by.

**OVERNIGHT RESULTS**
**\* Past Two Weeks Movement \***

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

USD/JPY	146.55	EUR/USD	1.0792
USD/SGD	1.3555	USD/THB	35.26
JPY/SGD	0.9250	USD/MYR	4.650

**Forecast**

USD/JPY	145.50 - 146.60
EUR/USD	1.0740 - 1.0990
AUD/USD	0.6400 - 0.6530
USD/SGD	1.3510 - 1.3600
JPY/SGD	0.9216 - 0.9347
USD/CNH	7.2400 - 7.3100
USD/INR	82.45 - 83.00
USD/IDR	15220 - 15330
USD/MYR	4.635 - 4.663
USD/PHP	56.40 - 56.88
USD/THB	35.00 - 35.30

**Today's Direction**

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

**RBA: Next Step, Calibration?**

- Admittedly, our base case for RBA's meeting today is for a rate hold. Nonetheless, the scenario painted by outgoing Governor Lowe for a calibration phase remains well intact.
- Fact is, while softer food inflation and lower cost of recreation and culture, point to continued dis-inflation, exaggerated base effects may overstate it.
- A 7.6% YoY drop in automotive fuel amid uncertain energy outlook and impending filter-through of higher utilities (defrayed by subsidies in July) speak to lingering risks.
- In particular, a wider pass-through of energy/utilities costs to the economy; over and above favourable base effects washing out. What's more, rent inflation continued to probe greater heights; and this entails some aspects of wage-price spiral risks not put to bed.
- Admittedly, July's full time employment decline signals caution for the RBA to wait further data before extrapolating trends amid tendency for occasional blips. But that is in the context of tensions with already elevated wage pressures in Q2 that may head even higher amid on-going federal pay adjustments; especially if these spillover to private sector negotiations.
- Finally, even as tensions between inflation and jobs reading confound, higher debt servicing cost threaten to dent household consumption. The upshot is that balance sheet risks overlaying on mixed, sometimes opposing, inflation-jobs signals raise the prospects of policy mistakes.
- And amid acute uncertainties flanked by global policy and China risks, careful, considered, calibration appears to be the best course for policy. Which chimes perfectly with incoming Governor Michele Bullock emphasis that decisions are on a month by month basis.

**FX Daily Outlook**

- EUR/USD: Worsening Services PMI may send the EUR crawling lower towards mid .
- USD/JPY: Oil prices buoy the pair. Watching intervention risks around mid-146..
- USD/SGD: China measures unable to lift; consolidation around mid-1.35 the base case.
- AUD/USD: RBA decision to backstop 64 cents as AUD continues sideways.

**TODAY'S EVENTS**

(KR) CPI YoY (Aug): 3.4% (Mkt: 2.8%; Jul: 2.3%) | (KR) GDP YoY (2Q): 0.9% (Mkt: 0.9%; Prelim: 0.9%)  
 (TH) CPI/Core YoY (Aug): (Mkt: 0.7%/0.8%; 0.4%/0.9%) | (PH) CPI YoY (Aug): (Mkt: 4.7%; Jul: 4.7%)  
 (US) Durable Goods Orders/Non Def Ex Air (Jul F): (Prelim: -5.2%/0.1%)  
 (EZ) Services PMI (Aug F): (Mkt: 48.3; Prelim: 48.3) | (EZ) PPI YoY (Jul): (Mkt: -7.6%; Jun: -3.4%)  
 (Central Banks) : RBA Monetary Policy Meeting

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