

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.92	147.72	+1.25	+1.84
EUR	1.0757	1.0722	▼0.0074	▼0.0158
AUD	0.6377	0.6379	▼0.0082	▼0.0102
SGD	1.3608	1.3613	+0.0064	+0.0117
CNY	7.2994	7.3033	+0.0287	+0.0226
INR	82.99	83.04	+0.29	+0.33
IDR	15270	15265	+25	+5
MYR	4.6624	4.6652	+0.0094	+0.0192
PHP	56.88	56.83	+0.19	+0.07
THB	35.45	35.46	+0.24	+0.33

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.260%	+8.1 bp	+14.0 bp
JPY (10YR)	0.658%	+1.4 bp	+0.5 bp
EUR* (10YR)	2.612%	+3.3 bp	+10.2 bp
AUD (5YR)	3.863%	+1.7 bp	▼1.0 bp
SGD (5YR)	3.123%	+1.2 bp	▼6.8 bp
CNY (5YR)	2.456%	▼0.5 bp	+3.6 bp
INR (5YR)	7.187%	+0.3 bp	+0.3 bp
IDR (5YR)	6.177%	+7.3 bp	▼12.4 bp
MYR (5YR)	3.600%	+0.4 bp	+0.6 bp
PHP (5YR)	6.126%	+7.9 bp	+8.4 bp
THB (5YR)	2.605%	+4.1 bp	+8.7 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,641.97	▼0.56%	▼0.60%
N225 (JP)	33,036.76	+0.30%	+2.51%
STOXX 50 (EU)	4,269.16	▼0.25%	▼1.32%
ASX (AU)	4,055.78	▼0.19%	▼0.28%
STI (SG)	3,226.83	▼0.37%	+0.12%
SHCOMP (CN)	3,154.37	▼0.71%	+0.59%
SENSEX (IN)	65,780.26	+0.23%	+1.08%
JSE (ID)	6,991.71	▼0.07%	+0.49%
KLSE (MY)	1,454.83	▼0.54%	+0.03%
PSE (PH)	6,225.00	+0.17%	+0.00%
SET (TH)	1,547.86	▼0.05%	▼1.34%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.92	+0.20%	+1.84%
COPPER (LME)	8,482.50	+0.54%	+0.85%
IRON ORE (CN)	117.54	+0.39%	+7.61%
GOLD	1,926.12	▲0.85%	▲0.59%
OIL (WTI)	86.69	+1.33%	+6.81%

Three Take-aways:

- 1) Idea of US exceptionalism underscoring hawkish Fed/high real rates boosts USD; drags risk assets.
- 2) CNH slide despite property stimulus reveal chronic confidence deficit; attendant capital outflow risks
- 3) BNM set to hold amid fledgling demand. Option to hike later only if precipitated by MYR wobbles.

US Exceptional-ISM?

- Specifically, it appears the **idea of US exceptionalism, underscored by US Services ISM outrun** in contrast to slowdown elsewhere has triggered risk retrenchment. **UST curve bear flattening** of (yields up 4-6bp), underscores a bullish Greenback; pressuring EUR to 1.07 test; with 148 USD/JPY arguably only averted by overt intervention warnings by the MoF; AUD languishing below 0.64.

- In particular as **another hike by the Fed is now not dismissed nonchalantly**, despite not being the **base case for Sep FOMC**. Consequent **likelihood of US' real rate advantage drags risk assets**.

- This **only exacerbates the remi's pre-existing home-grown pressures**; frustrating the PBoC.

Reminbi Travails

- The **travails of a stumbling CNH**, despite the weekend's surge in home sales in response to Beijing's demand-stoking property relaxation measures, **reveals the complexity and profusion of China's underlying economic stress points amid confidence deficit**.

- For one, as mentioned in our 'Week Ahead', **Beijing's property boost measures merely provide limited pain relief**; mostly for tier 1 and tier-2 cities with actual supply shortage.

- Whereas **sprawling and chronic over-supply in tier-3 cities enjoys no demand resuscitation**.

- Which means the **solvency crisis confronting the most beleaguered of property developers** with exceptionally large tier-3 exposures (e.g. Country Garden) **remain unresolved**.

- In turn, financial **contagion risks are at best assuaged, and not resolutely arrested**.

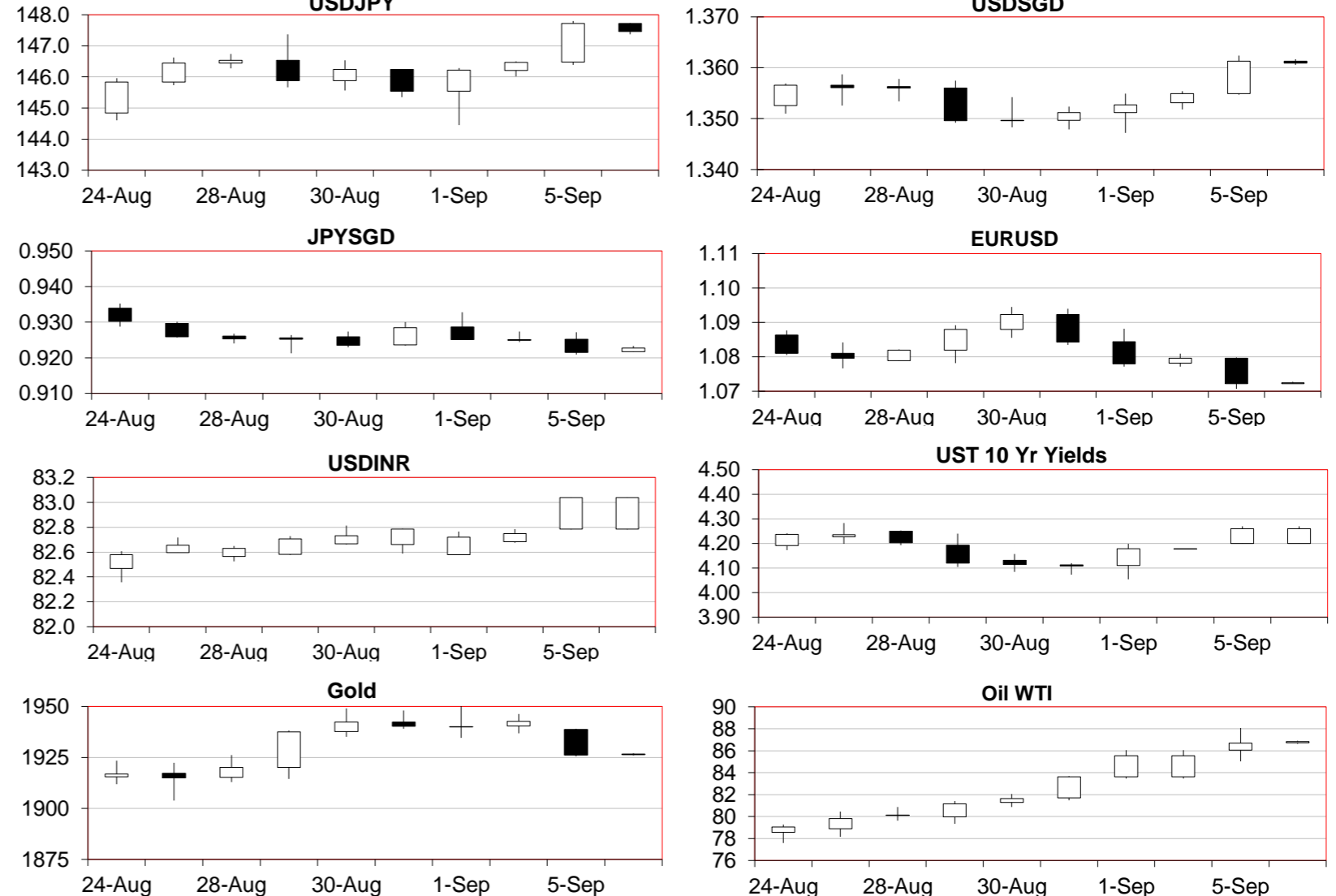
- This only **underpins the chronic confidence deficit** that has hobbled the Chinese since 'Common Prosperity', which is simply not waved away by selective/opportunistic property purchases.

- Instead, **underlying capital outflow pressures are likely to persist** as visceral post-"Common Prosperity" wealth preservation instincts persist. Arguably, **CNH is a far less flattering barometer of Beijing's success in reviving enduring confidence**; and not just activity reflex.

OVERNIGHT RESULTS

(AU) GDP YoY (2Q): 2.1% (Mkt: 1.8%; Q1: 2.4%) | (TW) CPI/Core YoY (Aug): 2.5%/2.6% (Mkt: 2.1%/--%; Jul:1.9%/2.7%) | (Ez) GDP SA YoY (2Q F): (Mkt: 0.6%; Prelim: 0.6%) | (US) ISM Services (Aug): 54.5 (Mkt: 52.5; Jul: 52.7)

Pass Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.46	EUR/USD	1.0725
USD/SGD	1.3609	USD/THB	35.45
JPY/SGD	0.9229	USD/MYR	4.661

Forecast

USD/JPY	146.00 - 148.00
EUR/USD	1.0680 - 1.0800
AUD/USD	0.6350 - 0.6450
USD/SGD	1.3570 - 1.3680
JPY/SGD	0.9169 - 0.9370
USD/CNH	7.2950 - 7.3400
USD/INR	82.88 - 83.35
USD/IDR	15240 - 15340
USD/MYR	4.655 - 4.688
USD/PHP	56.60 - 57.25
USD/THB	35.40 - 35.75

Today's Direction

	Bull	Bear
USD/SGD	6	1
USD/JPY	4	3

BNM: Desired Hold, Undesirable Ringgit Risks

- As suggested by the July MPC statement, **BNM has scope, but no imminent desire to hike**.

- This may be inferred from direct allusion to **current overnight policy rate (OPR) level being deemed slightly accommodative**. But to be clear, **this slight accommodation is not merely intended, but perhaps warranted** given growth uncertainties.

- For one, Q2 GDP growth at 2.9% underwhelmed, and worryingly, revealed demand headwinds.

- Despite a fairly shallow net exports drag, a 1.2% dent from inventory drawdown speaks to **cautious firms opting to trim inventory rather than ramp up production**.

- **On the flip side, if demand picks up unexpectedly revving up "catch-up" production**.

- But given that is not the base case, **BNM must justifiably retain sufficient accommodation**;

- so as not to prematurely snuff out nascent demand recover.

- In particular, **household consumption, business spending and infrastructure projects**;

- which may have more acute given higher debt burden and large capital outlay involved.

- What's more, with a tame 2% headline CPI and 2.8% core inflation (that is a tad, but not alarmingly higher), there is no urgency to hike further. Not at this juncture.

- Crucially, the **Taylor Rule policy calculus appears to have shifted a tad to protecting growth**.

- Nonetheless, **undesirably sharp MYR admittedly still imposes some degree of a policy dilemma**.

- Especially with the resumption of emphatic USD pick-up amid widening real rate spreads.

- Which means **hawkish options must remain on the table even amid heightened uncertainties**.

FX Daily Outlook

- EUR/USD: Sub-1.07 tests not to be dismissed after US ISM acceleration; at least softer consolidation

- USD/JPY: Buoyed by UST yields; but watch for intervention risks on 148 attempt.

- USD/SGD: Mid-1.36 consolidation with upside bias towards 1.37 amid strong USD and soft CNH.

- AUD/USD: 0.63 descend as China underwhelms and real US yields pressure.

TODAY'S EVENTS

(AU) Trade Balance (Jul): (Mkt: A\$10bn; Jun: A\$11.3bn) | (JP) Leading Index/Coincident Index (Jul P): (Mkt: 107.8/114.2; Jun: 108.9/115.1) | (CH) Trade Balance (Aug): (\$73.9b; \$80.6b) | (CH) Export/Imports YoY (Aug): (Mkt: -9.0%/-9.0%; -14.5%/-12.4%) | (Ez) GDP SA YoY (2Q F): (Mkt: 0.6%; Prelim: 0.6%) | (US) Initial Jobless Claims: (Mkt: 234k; Prev: 228k)

Central Banks: **BNM Monetary Policy Decision | RBA's Lowe Speech**

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