

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 147.45 | 147.30 | ▼0.36 | +1.76 |
| EUR | 1.0716 | 1.0696 | ▼0.0031 | ▼0.0147 |
| AUD | 0.6388 | 0.6376 | ▼0.0006 | ▼0.0108 |
| SGD | 1.3647 | 1.3658 | +0.0022 | +0.0146 |
| CNY | 7.3266 | 7.3291 | +0.0111 | +0.0703 |
| INR | 83.18 | 83.21 | +0.08 | +0.43 |
| IDR | 15328 | 15325 | +32 | +95 |
| MYR | 4.6765 | 4.6770 | +0.0013 | +0.0385 |
| PHP | 56.80 | 56.80 | ▼0.15 | +0.20 |
| THB | 35.60 | 35.61 | +0.09 | +0.61 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|---------|----------|
| USD (10YR) | 4.244% | ▼3.6 bp | +13.6 bp |
| JPY (10YR) | 0.657% | ▼0.3 bp | +0.6 bp |
| EUR* (10YR) | 2.614% | ▼3.9 bp | +14.8 bp |
| AUD (5YR) | 3.892% | +3.6 bp | +10.5 bp |
| SGD (5YR) | 3.174% | +2.2 bp | +6.8 bp |
| CNY (5YR) | 2.494% | ▼0.8 bp | +9.6 bp |
| INR (5YR) | 7.178% | ▼1.1 bp | +2.1 bp |
| IDR (5YR) | 6.279% | +4.7 bp | +9.4 bp |
| MYR (5YR) | 3.614% | +0.6 bp | +2.8 bp |
| PHP (5YR) | 6.122% | +0.1 bp | +7.9 bp |
| THB (5YR) | 2.686% | +1.0 bp | +15.9 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 34,500.73 | +0.17% | ▼0.64% |
| N225 (JP) | 32,991.08 | ▼0.75% | +1.14% |
| STOXX 50 (EU) | 4,221.02 | ▼0.41% | ▼1.77% |
| ASX (AU) | 4,053.60 | +0.12% | ▼0.15% |
| STI (SG) | 3,226.59 | +0.12% | ▼0.21% |
| SHCOMP (CN) | 3,122.35 | ▼1.13% | +0.08% |
| SENSEX (IN) | 66,265.56 | +0.58% | +2.21% |
| JSE (ID) | 6,954.81 | ▼0.59% | +0.02% |
| KLSE (MY) | 1,460.07 | ▼0.04% | +0.56% |
| PSE (PH) | 6,183.07 | ▼0.94% | +0.13% |
| SET (TH) | 1,550.36 | +0.10% | ▼0.99% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB | 283.77 | ▲0.34% | +0.66% |
| COPPER (LME) | 8,309.25 | ▲0.59% | ▲1.13% |
| IRON ORE (CN) | 117.07 | ▲1.50% | +7.01% |
| GOLD | 1,919.68 | +0.16% | ▲1.06% |
| OIL (WTI) | 86.87 | ▼0.77% | +3.87% |

Three Take-aways:

- 1) "Risk off" hallmarks despite lower UST yields suggest fears beyond pure (hawkish) Fed calculus.
- 2) But not an open invitation to lay "bear traps" given a conspiracy of China gloom and geo-politics.
- 3) As per mounting US-China tech tensions, with US scrutiny of Huawei and Beijing's iPhone curbs.

Fading "Fed Fret"

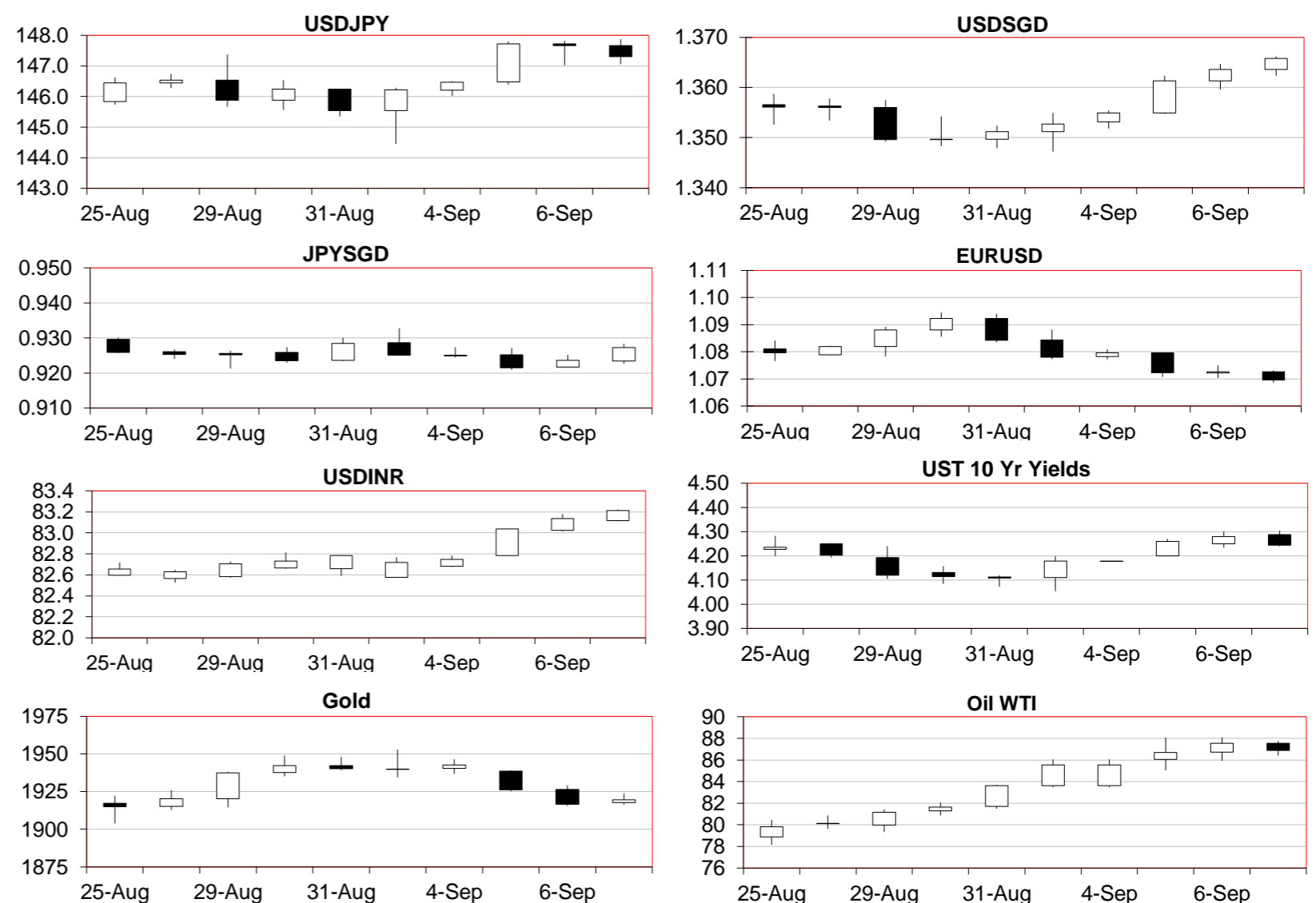
- Shaky markets smell like good "old-fashioned", "risk off", and *not just hawkish Fed anxiety*.
- The proof? Well, equities were lower *despite softer yields* (with steepening bias); whereas "Fed fretting" ought to feature equity slump *because of higher yields* (amid bear flattening).
- What's more, a strong USD despite pullback in yields correspond to *haven demand*; consistent with (both softer yields and) and relative out-performance in JPY (+0.3%) and Gold (+0.2%).
- Admittedly, the initial knee-jerk from an *unexpected dip in US weekly jobless claims*, suggesting hotter than expected job market at face value, was higher front-end led yields.
- But markets sensibly stepped back from over-attribution of every data point to a mechanical Fed response. Especially as Fed speakers suggested a more measured shift to *patient data-dependence*; as revealed by Fed William's "policy in a good place" preface to data-dependence.
- Underpinning the point about not jumping to tighten at every turn was Fed Goolsbee's view that policy calculus will soon shift from "how high" to "how long ... to keep rates at this position."
- Of course nothing is unequivocal. And Fed Bostic's warning there is "still work to do" means that further tightening is *not decisively ruled out, but rather, has a higher threshold*.
- All said, couched Fed hawks are likely off the hook for this round of risk retrenchment.
- More so with the views converging on allowing tightening already in place to do its work.

Not Decisive "Bear Trap"

- But the warning is that this is *not an open invitation for punters lying in wait to set lay a "bear trap" by way of "Fed inflection" trades* (lower yields, softer USD and buoyant equities).
- For one, the stubborn absence of durable China optimism (and CNH pressure relief) despite less bad than expected trade data and property boost measures suggest a long China shadow.

OVERNIGHT RESULTS

(AU) Trade Bal (Jul): A\$8.04b (Mkt: A\$10bn; Jun: A\$11.3bn) | (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 QoQ (2Q F): 0.1% (Prelim: 0.3%) | (US) Initial Jobless Claims: 216K (Mkt: 234k; Prev: 228k)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 147.35 | EUR/USD | 1.0697 |
| USD/SGD | 1.3656 | USD/THB | 35.64 |
| JPY/SGD | 0.9268 | USD/MYR | 4.680 |

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 |

- To be sure, the external demand story for China is *not without a silver lining* as the global manufacturing slump (amid post-pandemic goods demand pullback) may be finding a bottom.
- But the key point is that there is *no guarantee that China has turned the corner on rescuing domestic demand* (including key investment) from the grips of adverse confidence deficit.
- And it would be a grave mistake to dismiss China's gloom given the scale of supply-chain, investment and financial ripples from world's biggest factory floor and second largest economy.
- Geo-political complexities driving energy and food prices higher only exacerbate to the demand-side stress over and above accentuating susceptibility to policy-induced recession.
- What's more, fresh setbacks to hopes of US-China tensions being assuaged further heighten uncertainties. In turn *stifling demand while raising costs*. Not quite the ingredients for bear-slaying and bull runs. *Especially not in a nervous tech sector*.

You Had Me at Hello

- A fear that has been fuelled by iPhone and Huawei headlines. Beyond tit-for-tat commercial sanctions, raised tensions between, and scrutiny by, both sides reflect the *depth of geo-economic and geo-political tensions* that is likely to not only persist; but get more profound.
- Beijing cracking down on iPhone usage in government agencies sent Apple shares tumbling (>6% over two sessions) and raises geo-political tensions. Meanwhile, US is probing into Huawei's 7nm microchips, precisely the advanced chip technology acquisition that US sanctions were aimed at.
- Common ground gets harder to find. And in the near-term CNH traction will be challenged.

FX Daily Outlook

- EUR/USD: Sub-1.07 tests continues to be a risk as EZ looks gloomier amid heightened risks.
- USD/JPY: Softer yields, risk off sentiments and intervention risks may stymie 148 tests.
- USD/SGD: CNH struggles could define support for mid-1.36 with 1.37 test options.
- AUD/USD: Softer UST yields spare test below mid-0.63; but traction challenged amid China risks.

TODAY'S EVENTS

(KR) Goods/Current Account (Jul): \$4.28b/\$3.58b (Jun: \$3.98b/\$5.87b)
 (JP) Goods/Current Account (Jul): ¥68.2b/¥2771.7b (Mkt: ¥165.4b/ ¥2245.9b; Jun: ¥328.7b/¥1508.8b)
 (JP) GDP saar QoQ (2Q F): 4.8% (Mkt: 5.6%; Prelim: 6.0%) | (JP) Consumption/Biz Spending QoQ (2Q F): -0.6%/-1.0% (Prelim: -0.5%/0.0%)
 (JP) Labour/Real Cash Earnings (Jul): 1.3%/-2.5% (Mkt: 2.4%/-1.4%; Jun: 2.3%/-1.6%)
 (JP) Eco Watchers Survey Current/Outlook (Aug): (Mkt: 54.4/53.4; Jul: 54.4/54.1) | (PH) Trade Bal (Jul): (Mkt: -\$4.1b; Jun: -\$3.9b)
 Central Banks: Bol Outright Bond Purchases

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.

