

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.39	147.83	+0.53	+1.61
EUR	1.0709	1.0700	+0.0004	▼0.0080
AUD	0.6395	0.6376	+0.0000	▼0.0080
SGD	1.3638	1.3657	▼0.0001	+0.0130
CNY	7.3452	7.3439	+0.0148	+0.0776
INR	82.97	82.95	▼0.27	+0.23
IDR	15341	15325	+0	+85
MYR	4.6771	4.6772	+0.0002	+0.0310
PHP	56.64	56.64	▼0.15	+0.04
THB	35.52	35.52	▼0.09	+0.52

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.264%	+2.0 bp	+8.5 bp
JPY (10YR)	0.655%	▼0.2 bp	+2.2 bp
EUR* (10YR)	2.610%	▼0.4 bp	+6.1 bp
AUD (5YR)	3.825%	▼6.7 bp	+5.5 bp
SGD (5YR)	3.150%	▼2.4 bp	+4.4 bp
CNY (5YR)	2.490%	▼0.4 bp	+5.7 bp
INR (5YR)	7.206%	+2.8 bp	+4.2 bp
IDR (5YR)	6.284%	+0.5 bp	+12.6 bp
MYR (5YR)	3.603%	▼1.1 bp	+1.6 bp
PHP (5YR)	6.118%	▼0.4 bp	+7.5 bp
THB (5YR)	2.679%	▼0.7 bp	+13.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,576.59	+0.22%	▼0.75%
N225 (JP)	32,606.84	▼1.16%	▼0.32%
STOXX 50 (EU)	4,237.19	+0.38%	▼1.06%
ASX (AU)	4,072.74	+0.47%	+0.09%
STI (SG)	3,207.75	▼0.58%	▼0.79%
SHCOMP (CN)	3,116.72	▼0.18%	▼0.53%
SENSEX (IN)	66,598.91	+0.50%	+1.85%
JSE (ID)	6,924.78	▼0.43%	▼0.76%
KLSE (MY)	1,454.95	▼0.35%	▼0.58%
PSE (PH)	6,222.94	+0.64%	+0.68%
SET (TH)	1,547.17	▼0.21%	▼0.92%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.47	+0.25%	+0.04%
COPPER (LME)	8,229.00	▲0.97%	▲2.95%
IRON ORE (CN)	116.43	▲0.55%	+0.14%
GOLD	1,919.08	▲0.03%	▲1.08%
OIL (WTI)	87.51	+0.74%	+2.29%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.11	EUR/USD	1.0717
USD/SGD	1.3641	USD/THB	35.56
JPY/SGD	0.9273	USD/MYR	4.671

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	7.3200 - 7.3600
USD/INR	82.88 - 83.35
USD/IDR	15240 - 15350
USD/MYR	4.670 - 4.688
USD/PHP	56.56 - 57.25
USD/THB	35.30 - 35.75

Today's Direction

	Bull	Bear
USD/SGD	5	3
USD/JPY	5	3

Three Take-aways:

- 1) Hawkish bias backstops UST yields and USD while US equities rise cautiously.
- 2) JPY is subject to gyrations amid BoJ Governor Ueda's timeline on judging wage trends.
- 3) Thailand's cost reduction and digital wallet plan will be scrutinised for fiscal details and inflation impact.

Steps, Leaps and Landing

- Despite the soft landing talk, UST yields edged up last Friday to re-iterate the hawkish bias as 2Y yields rose 4.4bp while 10Y yields rose 2.0bp give the week's Fed speak which essentially can be depicting policy direction as a **step in the right direction but we have not landed yet**.
- Similarly, US equities had a cautious display closing marginally higher (0.1-0.2%) across the board.
- Meanwhile in FX, the USD was backstopped by higher yields and maintained traction.
- With the ECB decision looming this week, the EUR continued sideways hovering above 1.07.
- Despite Brent crude prices sustaining above \$90/barrel, AUD looks lethargic in this ability to firm above 64 cents amid the persistent CNH depreciation pressures.
- Meanwhile, BoJ Governor's Ueda comments on having sufficient information to judge the sustainability of wage trends by year end has somewhat taken a leap and landed a hawkish interpretation as an impending end to monetary easing. As such, USD/JPY plunged below 147.

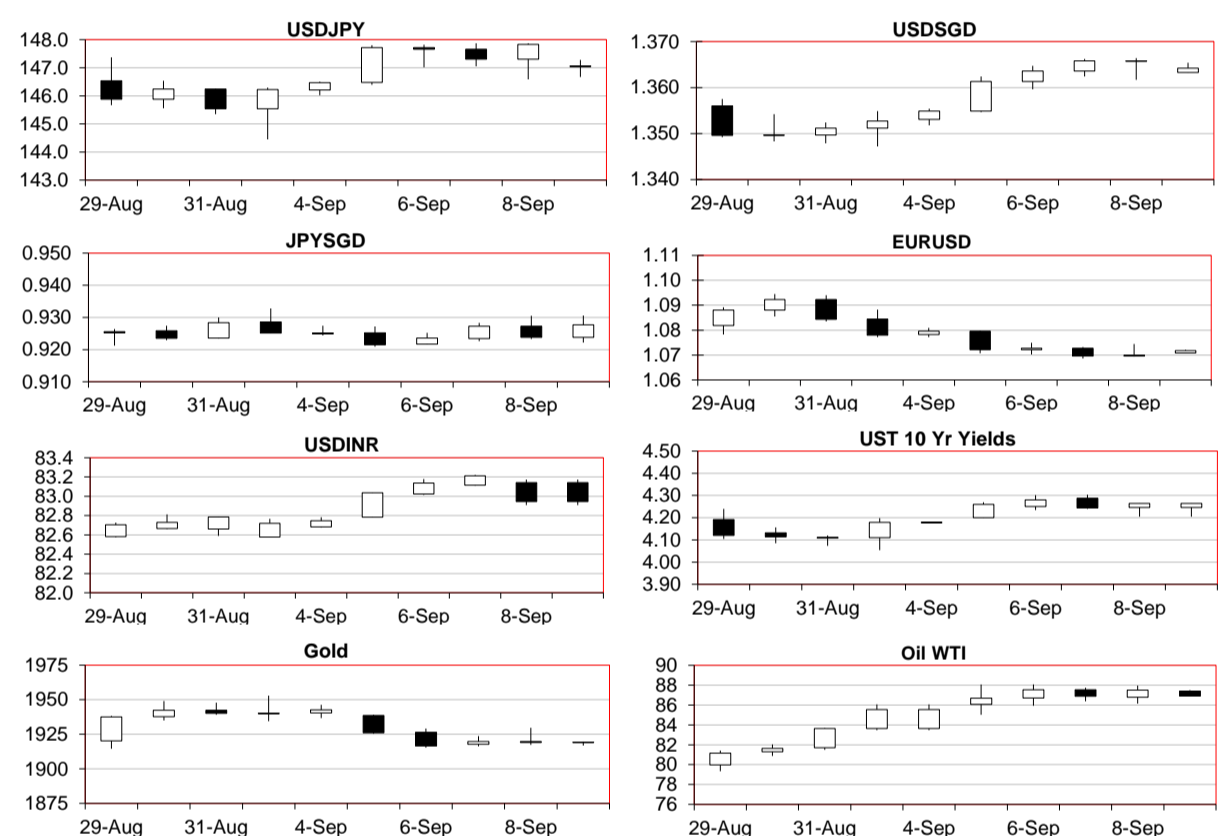
Thailand's Cost Reduction Motion ...

- On 11 Sep, Thai PM Sretta is primed to **motion** policy priorities in Parliament. Justifiably, **cost containment** will feature. **Trouble is, fiscal challenges are as real as the cost of living crisis**.
- In any case, reduction of transport and energy costs will be in the spotlight.
- To be sure, the proposed **train fare reduction** in Bangkok to 20 baht, at a fiscal cost of 5.4 billion THB (0.03% of GDP) **does not look like it will break the bank**. Especially given cost mitigation from targeted implementation via income differentiation and/or timings/specific train lines. The impact (both cost and benefits) will however span over the next few years (2- year timeline).
- But clearly, commitment to **reduce diesel and electricity prices** further **threaten to impose a far greater fiscal toll**; as subsidies absorbed at pain of large losses by the Oil Fuel Fund Office (OFFO) and Electricity Authority of Thailand (Egat) **simply to maintain current price subsidy**.
- **This is a risk that is accentuated by surging global energy prices.**

OVERNIGHT RESULTS

(CH) CPI/PPH/AY (Aug): 0.1%/+7.9% (Mkt: 0.4%/+3.0%; Jul: -0.3%/-4.4%) | (PH) Trade Balance (Jul): -\$4.2b (Mkt: -\$4.2b; Jun: -\$3.9b)

Past Two Weeks Movement



- Ultimately, the success of "**cost**" transfer from households to the state depends on the **ability to optimize**; i) **expenditure**; ii) **public debt costs** and; iii) **private sector growth multipliers**.

... & Consumption Moonshot

- But the **potentially most profound fiscal thrust** for the new government is aimed at firing up the top-line! Specifically, a **consumption moonshot** delivered via government's push for a **digital wallet**. What would otherwise come across as a fintech innovation is transformed into a **staggering consumption boost** by means of a jaw-droppingly **large cash transfer** at a cost of **560 billion baht (3.5% of GDP)**; slated for implementation in Q1 2024.
- The **sheer quantum of direct transfers** it involves and a **rather narrow window (within 6-months)** for spending this cash credited government suggest **potential for a large consumption boost**. Using fiscal multiplier estimates of **~1.4X**, suggested by a range of studies, **adjusted for more accentuated conservation of/propensity to increase personal savings**, in exceptionally high interest rate/cost-of-living context, we expect **nominal consumption boost of 4.0-4.5%-pts of GDP**. Depending on inflation outcomes, this translates into **real GDP lift of 1.7-2.4%-pt (in 2024)**.
- That said **unprecedented scale of direct fiscal transfers** can have unintended **adverse impact** on; i) **fiscal re-allocation**; ii) **cost from additional financing** and; iii) **potential "crowding out"**.
- Upshot being, **net real growth impact is likely to be milder**. On the bright side, the **BoT may then have a more "Goldilocks"-type of policy outcomes** that helps with household debt management.

FX Daily Outlook

- EUR/USD: ECB uncertainty to keep EUR sideways on both sides of 1.07.
- USD/JPY: Heightened volatility after Ueda comments, buoyancy retained above 146.
- USD/SGD: Consolidation above 1.36 as China policy stimulus unable to impart CNH strength.
- AUD/USD: Energy prices may allow backstop above mid-63 cents.

TODAY'S EVENTS

(MY) Industrial Production YoY (Jul): (Mkt: 0.3%; Jun: -2.2%) | (JP) Machine Tool Orders YoY (Aug P): (Jul: -19.75)

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