

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.16	147.06	▼0.77	+0.59
EUR	1.0726	1.0718	+0.0018	▼0.0078
AUD	0.6435	0.6399	+0.0023	▼0.0062
SGD	1.3599	1.3642	▼0.0015	+0.0093
CNY	7.2928	7.3439	+0.0000	+0.0693
INR	82.87	82.95	+0.00	+0.20
IDR	15347	15325	+0	+85
MYR	4.6735	4.6772	+0.0000	+0.0214
PHP	56.67	56.64	+0.00	+0.00
THB	35.46	35.52	+0.00	+0.30

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.264%	+0.0 bp	+8.5 bp
JPY (10YR)	0.655%	+0.0 bp	+1.1 bp
EUR* (10YR)	2.610%	+0.0 bp	+3.1 bp
AUD (5YR)	3.868%	+4.3 bp	+2.2 bp
SGD (5YR)	3.150%	+0.0 bp	+3.9 bp
CNY (5YR)	2.490%	+0.0 bp	+2.9 bp
INR (5YR)	7.206%	+0.0 bp	+2.2 bp
IDR (5YR)	6.284%	+0.0 bp	+18.0 bp
MYR (5YR)	3.603%	+0.0 bp	+0.7 bp
PHP (5YR)	6.118%	+0.0 bp	+7.1 bp
THB (5YR)	2.679%	+0.0 bp	+11.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,576.59	+0.00%	▼0.75%
N225 (JP)	32,606.84	+0.00%	▼1.01%
STOXX 50 (EU)	4,237.19	+0.00%	▼1.00%
ASX (AU)	4,072.74	+0.00%	+0.22%
STI (SG)	3,207.75	+0.00%	▼0.96%
SHCOMP (CN)	3,116.72	+0.00%	▼1.90%
SENSEX (IN)	66,598.91	+0.00%	+1.48%
JSE (ID)	6,924.78	+0.00%	▼1.03%
KLSE (MY)	1,454.95	+0.00%	▼0.53%
PSE (PH)	6,222.94	+0.00%	+0.13%
SET (TH)	1,547.17	+0.00%	▼0.10%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.47	+0.00%	+0.04%
COPPER (LME)	8,229.00	+0.00%	▲2.47%
IRON ORE (CN)	116.70	+0.23%	▲0.32%
GOLD	1,919.06	▲0.00%	▲1.22%
OIL (WTI)	86.91	▼0.69%	+1.59%

## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	146.68	EUR/USD	1.0748
USD/SGD	1.3606	USD/THB	35.52
JPY/SGD	0.9276	USD/MYR	4.672

### 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	7.2900	-	7.3600
USD/INR	82.88	-	83.35
USD/IDR	15300	-	15360
USD/MYR	4.670	-	4.688
USD/PHP	56.56	-	57.25
USD/THB	35.35	-	35.75

### Today's Direction

	Bull	:	Bear
USD/SGD	3	:	4
USD/JPY	3	:	4

### Three Take-aways:

- 1) Opening up policy options restrain JPY bears but not immediate signal for unimpeded JPY bulls.
- 2) Mounting US China tensions which will persist for longer imply further CNH risks.
- 3) India's CPI print set to worsen policy conundrum and inflate macro-stability and INR risks.

### Charged Up?

- US equities does not resemble 'risk on' given that a significant driver of gains on the Nasdaq and S&P 500 were driven by Tesla's 10.1% rise and this reflected in the Dow's milder 0.3% gain. Similarly, with US CPI releasing tomorrow, UST 2Y yields were flat and 10Y yields edged up 2.4bp.  
 - Nonetheless, **attention must fall onto JGB yields** (2Y: +3.7bp; 10Y: +5.3bp) which were charged up by BoJ Governor Ueda's comments which displayed optionality to end negative interest rates.  
 - Consequently, **JPY led gains among G10 peers** as the USD/JPY plunged to mid-146. Admittedly, BoJ's openness will justifiably restrain JPY bears, but at this juncture, **charging up bulls may require more evidence**. On that note, while EUR also enjoyed a ride up to mid-1.07, ECB's decision which markets have priced in 39% odds for a hike underscores the limited policy room and the considerations on reacting to energy price spikes. Elsewhere, AUD hovers above 0.64 and USD/SGD fell to 1.36.

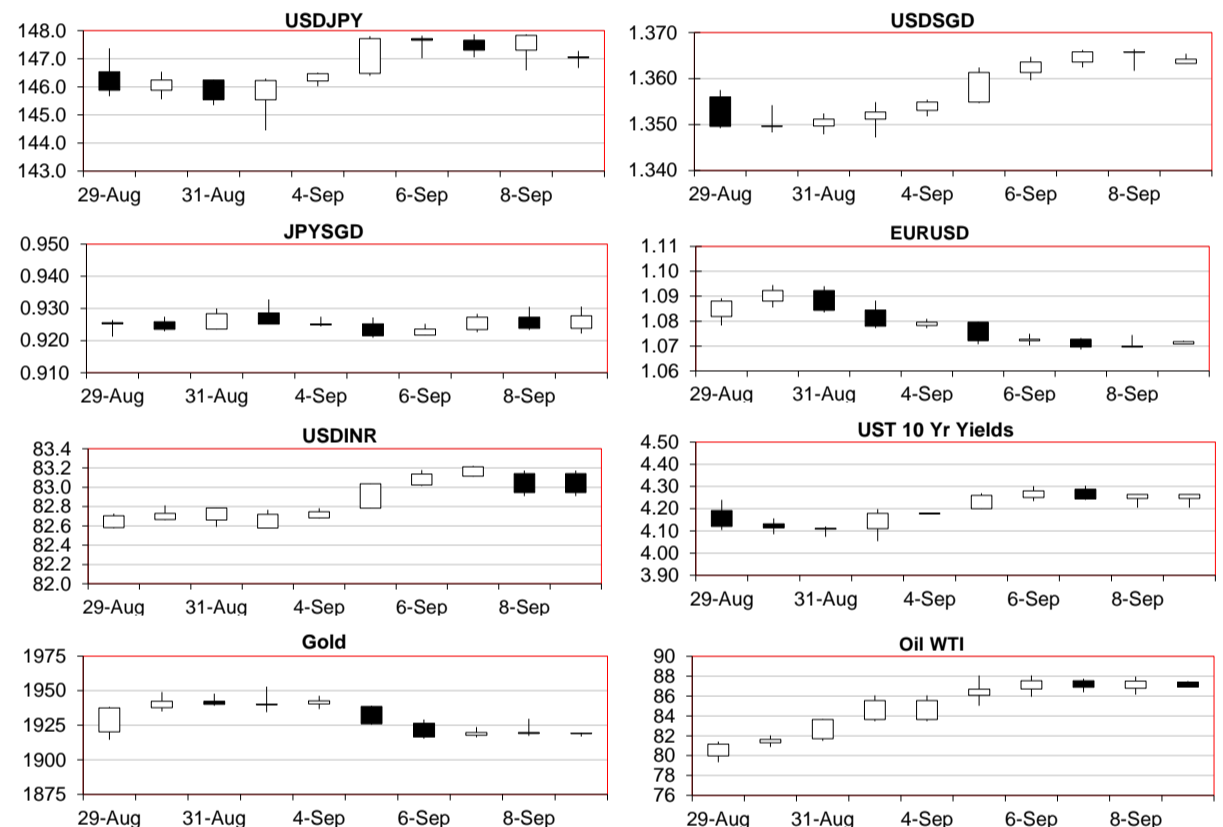
### US-China Risks Unearthed & CNH Buried?

- **Fresh setbacks to hopes of US-China tensions being assuaged** are invoked by the mutually damaging focus on iPhone (by Beijing) and Huawei by Washington.  
 - Inevitably, this heightens uncertainties. And not just for the overall mood of diplomatic US-China relations, but crucially, for the wider commercial and security/strategic eco-system.  
 - **Beyond tit-for-tat commercial sanctions which is set to escalate**, 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, which may potentially widen to state-owned as well as state-backed Chinese entities, sent Apple shares tumbling. More worryingly, beyond evolving company-specific tremors, the **real, albeit less easily quantifiable, chill arises from mounting geo-political tensions that are unearthed**.  
 - Meanwhile, Washington is probing into Huawei's acquisition of 7nm microchips, precisely the advanced chip technology access for Beijing that US sanctions were trying to stymie.

### OVERNIGHT RESULTS

(MY) Industrial Production YoY (Jul): 0.7% (Mkt: 0.3%; Jun: -2.2%) | (JP) Machine Tool Orders YoY (Aug P): -17.6% (Jul: -19.7%)

### \* Past Two Weeks Movement \*



- Inevitably then, this **casts scrutiny, and in all likelihood trains further sanctions on SMIC** specifically in the near-term; but beyond which a wider range of potential suppliers of technology to Beijing are subject to US reach.

- The upshot is that **common ground for conflict resolution** becomes **harder to find** as US-China relations assume a more antagonistic approach to strategic/tech, leadership and access.

- Consequently, the **potential for more extreme negative outcomes are increasing; for all involved!** The resulting economic dent is not only mutual, but pervasive; hitting all trade partners. But **currency pain may be asymmetric, and aimed far more at CNH** than the USD.

- Near 16-year lows and coming within striking distance (-0.5%) of testing 7.40 last week, the **Renminbi can neither conceal nor deflect fresh geo-political perils unearthed**; which **threaten to bury CNY bulls-in-waiting** as they cling on to hopes of a stimulus rescue.

### India: Inflating Risks

- The **sharp surge in India's inflation** from ~4% to above the 6% policy ceiling is **more than just an inconvenience**. Taken alongside red hot 7.8% Q2 GDP growth, **it poses a policy conundrum**.

- **Not only are hopes of RBI priming for easing blown out of the water**; but perhaps whispers of **more rate hikes grow**. Especially if a stubbornly hawkish Fed "keeps at it" in the midst of upwardly inclined global crude prices. **Admittedly, insofar that inflation outburst is mostly driven by food, the RBI is not compelled to urgently tighten further**.

- But with **macro risks** invariably **inflated**, led by downside rupee volatility, RBI's policy calculus turns more complicated. Dismissing food inflation to sit on its hands becomes a costly option.

### FX Daily Outlook

- EUR/USD: ECB decision remains a mild backstop at 1.07, not cause for 1.08 rallies.

- USD/JPY: Buoyancy above 146 to be retained on US CPI as BoJ openness is far from pivot.

- USD/SGD: Anticipation of US CPI implies shallow sub-1.36 adventures.

- AUD/USD: Attempted consolidation above 64 cents as durability of JPY, CNH lift assessed.

### TODAY'S EVENTS

(IN) CPI YoY (Aug): (Mkt: 7.1%; Jul: 7.4%) | (IN) Industrial Production (Jul): (Mkt: 5.3%; Jun: 3.7%)  
 (GE) Zew Survery Expectations (Sep): (Mkt: -15.0/-76.0; Aug: -12.3/-71.3)

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