

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.28	147.47	+0.01	+0.17
EUR	1.0734	1.0643	▼0.0087	▼0.0053
AUD	0.6431	0.6440	+0.0018	+0.0064
SGD	1.3610	1.3635	+0.0024	▼0.0023
CNY	7.2764	7.2789	+0.0025	▼0.0502
INR	82.98	83.04	+0.06	▼0.17
IDR	15357	15355	▼15	+30
MYR	4.6809	4.6835	+0.0025	+0.0065
PHP	56.76	56.76	+0.04	▼0.03
THB	35.78	35.79	+0.03	+0.18

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.286%	+3.8 bp	+4.2 bp
JPY (10YR)	0.716%	+0.3 bp	+5.9 bp
EUR* (10YR)	2.593%	▼5.8 bp	▼2.1 bp
AUD (5YR)	3.864%	▼2.8 bp	▼2.8 bp
SGD (5YR)	3.166%	▼0.9 bp	▼0.8 bp
CNY (5YR)	2.454%	▼0.6 bp	▼4.0 bp
INR (5YR)	7.102%	▼5.5 bp	▼7.6 bp
IDR (5YR)	6.302%	▼2.2 bp	+2.3 bp
MYR (5YR)	3.629%	▼0.6 bp	+1.5 bp
PHP (5YR)	6.122%	+0.1 bp	+0.0 bp
THB (5YR)	2.747%	▼5.4 bp	+6.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,907.11	+0.96%	+1.18%
N225 (JP)	33,168.10	+1.41%	+0.54%
STOXX 50 (EU)	4,279.75	+1.33%	+1.39%
ASX (AU)	4,175.91	+1.90%	+3.02%
STI (SG)	3,249.51	+0.95%	+0.71%
SHCOMP (CN)	3,126.55	+0.11%	+0.13%
SENSEX (IN)	67,519.00	+0.08%	+1.89%
JSE (ID)	6,959.33	+0.34%	+0.07%
KLSE (MY)	1,449.58	▼0.27%	▼0.72%
PSE (PH)	6,208.40	+0.96%	+0.41%
SET (TH)	1,545.14	+0.64%	▼0.34%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.29	+0.93%	+2.30%
COPPER (LME)	8,372.25	▲0.30%	+0.76%
IRON ORE (CN)	121.98	+0.70%	+4.19%
GOLD	1,910.79	+0.14%	▲0.46%
OIL (WTI)	90.16	+1.85%	+3.79%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.47	EUR/USD	1.0635
USD/SGD	1.3644	USD/THB	35.80
JPY/SGD	0.9252	USD/MYR	4.685

Forecast

USD/JPY	146.00 - 148.00
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6380 - 0.6480
USD/SGD	1.3570 - 1.3680
JPY/SGD	0.9169 - 0.9370
USD/CNH	7.2600 - 7.3200
USD/INR	82.81 - 83.35
USD/IDR	15340 - 15380
USD/MYR	4.670 - 4.688
USD/PHP	56.56 - 57.25
USD/THB	35.68 - 35.90

Today's Direction

	Bull	Bear
USD/SGD	4	0
USD/JPY	3	1

Three Take-aways:

- 1) Amid growth downgrades, ECB opting for a dovish hike erodes the EUR as EZ yields fall.
- 2) In contrast, UST yields rose as jobless claims and retail sales may set the Fed up for hawkish skips.
- 3) EM-Asia FX set to remain pressured as PBoC's RRR cut re-iterates rescue needs.

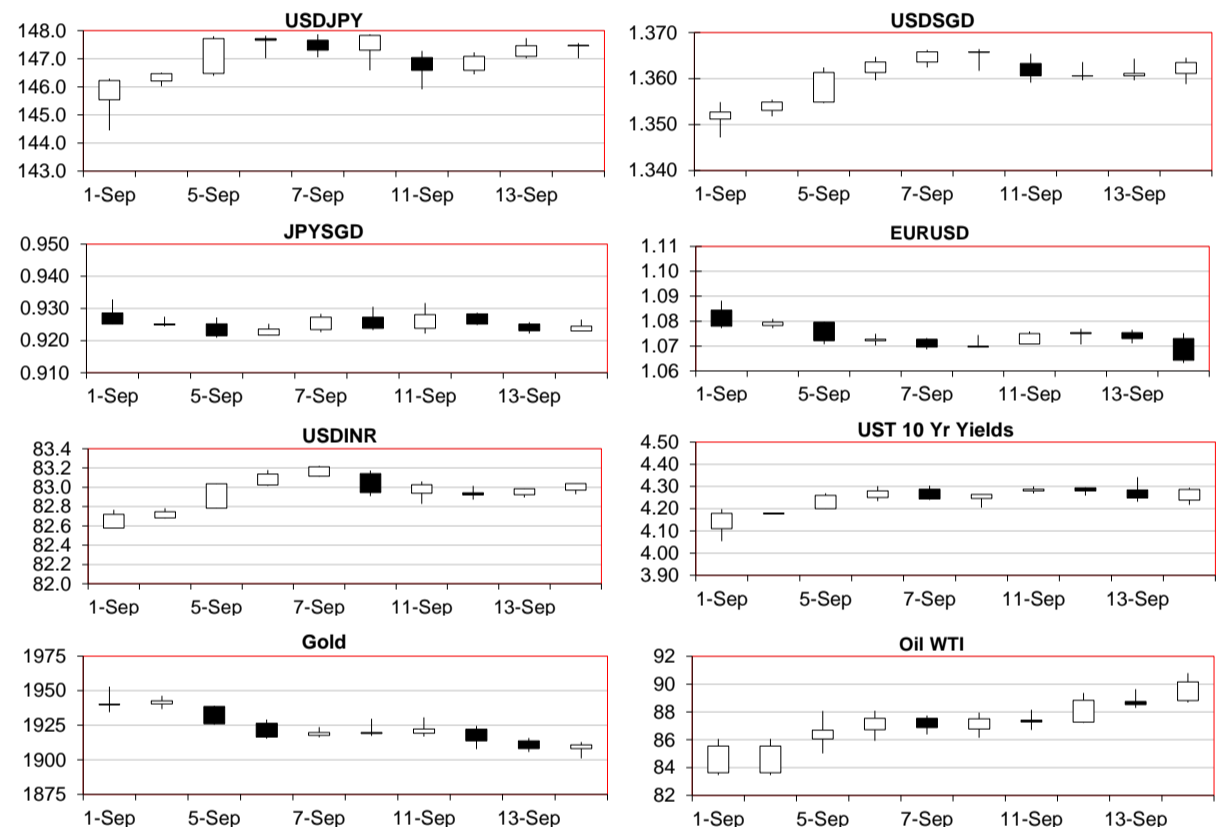
Of Dovish Hikes and Hawkish Skips

- It appears that markets have characterized the ECB's 25bp hike yesterday to a **dovish hike**; with a distinct emphasis on dovish rather than hike, that has sent EUR and European yields tumbling.
- What's notable, is that the reaction to this dovish hike has set back EUR and EZ yields back more than a hawkish skip did previously.
- Ostensibly, this has everything to do with the notion of peak ECB rates as markets seized on fresh remarks in the statement that **"key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to our target."**
- Despite Lagarde's best efforts to push back on ideas of definitive peak rate, markets pressed on with the ECB iteration of "pivot trades", sending EUR spinning down a big figure to test below mid-1.06; while (10Y) Bund and Italian yields fell over 5bp and 10bp respectively.
- And this might have to do with the pressures of prolonged stagflation-lite outcomes alluded to in the forecast revisions as well. Most distinctly in the 0.5%-pt cut (to 1.0%) growth forecast for 2024 juxtaposed against the 0.2%-pt revision higher to 3.2% for corresponding inflation.
- In market terms, the implications of **high enough rates** alongside "too high for too long" inflation is justifiably deemed to be a factor that **erodes the EUR amid growth setbacks**.
- And more so if the Fed pulls off a **distinctly hawkish skip next week**, with emphasis on "hawkish" that is backed by the exceptionalism of US resilience in growth accompanied by relatively better buffer to external cost shocks. This is a point we have referred to in our recent report (USD: Keeping it Real) and continue to flag.

OVERNIGHT RESULTS

(AU) Employment Change/Unemployment Rate (Aug): 64.9k/3.7% (Mkt: 25.0k/3.7%; Jul: -14.6k/3.7%)
 (JP) Industrial Production YoY (Jul F): (Prelim: -2.5%) | (US) Initial Jobless Claims (9 Sep): 220k (Mkt: 225k; Prev: 216k; rev: 217k)
 (US) Retail Sales Adv/Ex Auto and Gas MoM (Aug): (Mkt: 0.1%/-0.1%; 0.7%/1.0%) |
 (US) PPI Final Demand MoM (Aug): 0.7% (Mkt: 0.4%; Prev: 0.3%; Rev: 0.4%)

* Past Two Weeks Movement *



Compare and Contrast

- At this juncture, the DXY has ascended above 105 with EUR being the worst G10 performer.
- In **contrasting fashion**, **UST yields rose** (2Y: +4.2; 10Y: +3.8bp) as **jobless claims remained low** and retail sales surprised on the upside. Admittedly, the latter was largely driven by gasoline prices. On that note, higher than expected PPI print was also driven by gas prices. Despite higher UST yields, USD/JPY stayed flat as bets about BoJ pivot remains.
- In EM-Asia, **USD/SGD was pulled higher closer to mid-1.36** while AUD continued sideways.
- Down Under, while **employment change surprised on the upside**, it is not really a clear state of **resilience**. On top of the fact that most of 64.9k hiring was driven by part time gains of 62.1k, the **unemployment rate staying at 3.7%** (instead of dipping) was due to more workers joining the labour force. While one could read it as improving supply-demand imbalances, the **need to join find jobs given elevated inflation and higher mortgage debt servicing warrants thought**.
- Looking ahead, and in **even greater contrast**, given last night's **RRR cut by the PBoC by 25bp**, there will be increased liquidity to aid financing needs of local government bond issuances.
- That said, these efforts ought to be viewed as a **much needed rescue rather than cause for rally**. While Chinese equities may enjoy marginal relief, the **CNH may be expected to face depreciation pressures given the renewed prospects of easing**. Nonetheless, the PBoC will be cognisant and lean against these headwinds.
- All in, EM-Asia FX faces spillover both EUR and CNH woes on top of their own idiosyncrasies.

FX Daily Outlook

- EUR/USD: Post ECB pressures implies mid-1.06 consolidation at best.
- USD/JPY: Enlarged volatility around 147-148 as BoJ speculation remains.
- USD/SGD: CNH, EUR woes to see mid-1.36 tested especially as UST yields assert.
- AUD/USD: 65 cents is too higher a bar given the PBoC's RRR cuts.

TODAY'S EVENTS

(JP) Tertiary Industry Index MoM (Jul): (Mkt: 0.3%; Jun: -0.4%) | (CH) Industrial Production YoY (Aug): (Mkt: 3.9%; Jul: 3.7%) |
 (CH) Retail Sales YoY (Aug): (Mkt: 3.0%; Jul: 2.5%) | (CH) Fixed Assets Ex Rural YTD YoY (Aug): (Mkt: 3.3%; Jul: 3.4%) |
 (ID) Trade Balance (Aug): (Mkt: \$1500m; Jul: \$1310m) | (PH) Overseas Cash Remittances YoY (Jul): (Mkt: 2.5%; Jun: 2.1%)
 (US) Empire Mfg (Sep): (Mkt: -10.0; Aug: -19.0) | (US) Industrial Production MoM (Aug): (Mkt: 0.1%; Jul: 1.0%)
 (US) Uni Of Michigan Sentiment/1Yr/5-10Yr Inflation expectations (Sep P): (Mkt: 69.0/3.5%/3.0%; Aug: 69.5/3.5%/3.0%)
 Central Banks: [ECB Lagarde Speaks](#)

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