

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.75	147.85	+0.38	+0.02
EUR	1.0663	1.0657	+0.0014	▼0.0043
AUD	0.6460	0.6432	▼0.0008	+0.0056
SGD	1.3617	1.3636	+0.0001	▼0.0021
CNY	7.2672	7.2758	▼0.0031	▼0.0681
INR	83.04	83.18	+0.14	+0.24
IDR	15356	15353	▼2	+28
MYR	4.6843	4.6833	▼0.0002	+0.0061
PHP	56.82	56.81	+0.05	+0.17
THB	35.80	35.82	+0.02	+0.29

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.332%	+4.6 bp	+6.8 bp
JPY (10YR)	0.715%	▼0.1 bp	+6.0 bp
EUR* (10YR)	2.675%	+8.2 bp	+6.5 bp
AUD (5YR)	3.863%	▼0.1 bp	+3.8 bp
SGD (5YR)	3.200%	+3.4 bp	+5.0 bp
CNY (5YR)	2.491%	+3.7 bp	+0.1 bp
INR (5YR)	7.168%	+6.6 bp	▼3.8 bp
IDR (5YR)	6.342%	+4.0 bp	+5.8 bp
MYR (5YR)	3.635%	+0.6 bp	+3.2 bp
PHP (5YR)	6.122%	+0.0 bp	+0.4 bp
THB (5YR)	2.745%	▼0.2 bp	+6.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,618.24	▼0.83%	+0.12%
N225 (JP)	33,533.09	+1.10%	+2.84%
STOXX 50 (EU)	4,295.05	+0.36%	+1.37%
ASX (AU)	4,190.41	+0.35%	+2.89%
STI (SG)	3,280.69	+0.96%	+2.27%
SHCOMP (CN)	3,117.74	▼0.28%	+0.03%
SENSEX (IN)	67,838.63	+0.47%	+1.86%
JSE (ID)	6,982.79	+0.34%	+0.84%
KLSE (MY)	1,459.03	+0.65%	+0.28%
PSE (PH)	6,126.34	▼1.32%	▼1.55%
SET (TH)	1,542.03	▼0.20%	▼0.33%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.61	▲0.23%	+1.80%
COPPER (LME)	8,350.35	▲0.26%	+1.47%
IRON ORE (CN)	123.37	+1.14%	+5.96%
GOLD	1,923.91	+0.69%	+0.25%
OIL (WTI)	90.77	+0.68%	+3.73%

Three Take-aways:

- 1) ECB officials begin to push back on 'peak' rate/tightening scenario.
- 2) Lower inflation expectations and downbeat sentiments were unable to excite pivot bets.
- 3) Oil price surge is an intended supply squeeze which reduces inventories and not demand upswing.

Pushbacks

- Several **ECB officials are starting to push back on the narrative that the current policy rate is the 'peak' rate** or at the very least **re-iterate that the current monetary stance can be tightened further**. Specifically, faster pace of balance sheet reduction either through Asset Purchase Program or the Pandemic Emergency Purchase Program.

- After the sharp post ECB plunge, **EUR has been pushed up to just above mid-1.06**.

- That said, the **USD maintained its strength last Friday**. Lower inflation expectations from the Uni Of Michigan survey was unable to inspire USD bears and pivot bets even when **sentiments remain downbeat** which ought to excite those who yearn for "space" to cut.

- Reflecting that **the soft landing scenario may be far from firm, US equities fell sharply across the board** (Nasdaq: -1.6%; S&P 500: -1.2%; Dow:-0.8%) and **UST yields remain buoyed**.

- Admittedly, with industrial production and the rather volatile empire manufacturing exceeding expectations, **data points remain unable to call a specific direction for inflexion**.

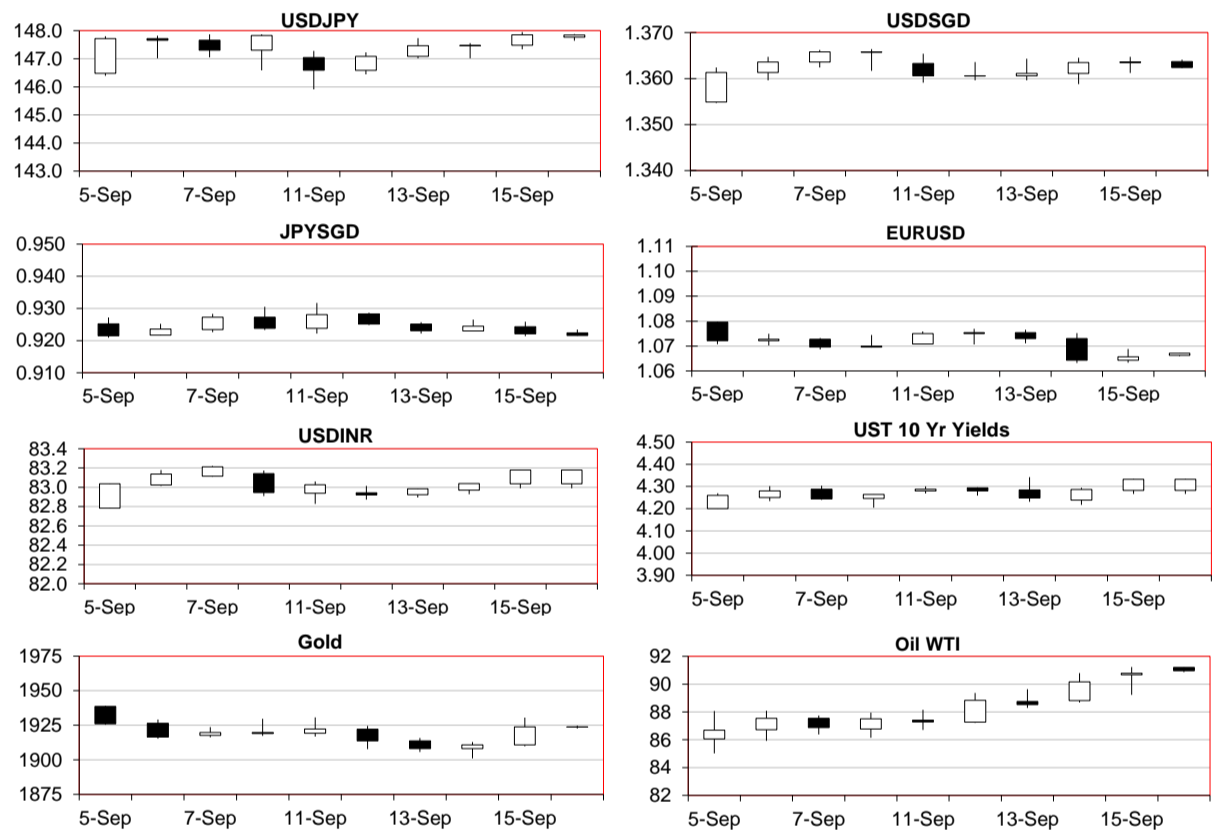
- On tough calls, **USD/JPY is back above mid-147** with a hawkish Fed being more likely than a BoJ tightening cycle. Nevertheless, implied upside risks to UST yields inflicting unrelenting pressures on JPY makes a more compelling case for the BoJ to indulge in further policy **calibrations**.

- Notably, the **AUD was unable to hold onto gains** from China's industrial production and retail sales outperforming consensus. This substantiates the case that an OPEC+ led price effect is hardly cheerful considering that efficacy of Beijing's efforts to boost growth remains to be seen.

- Elsewhere, the **USD/SGD is also flat as EM Asia FX is likely to defer to the Greenback this week**.

OVERNIGHT RESULTS

(JP) Tertiary Industry Index MoM (Jul): (Mkt: 0.3%; Jun: -0.4%) | (CH) Industrial Production YoY (Aug): 4.5% (Mkt: 3.9%; Jul: 3.7%) | (CH) Retail Sales YoY (Aug): 4.6% (Mkt: 3.0%; Jul: 2.5%) | (CH) Fixed Assets Ex Rural YTD YoY (Aug): 3.2% (Mkt: 3.3%; Jul: 3.4%) | (ID) Trade Balance (Aug): \$3120m (Mkt: \$1500m; Jul: \$1310m) | (PH) Overseas Cash Remittances YoY (Jul): 2.6% (Mkt: 2.5%; Jun: 2.1%) | (US) Empire Mfg (Sep): 1.9 (Mkt: -10.0; Aug: -19.0) | (US) Industrial Pdtm MoM (Aug): 0.4% (Mkt: 0.1%; Jul: 1.0%) | (US) Uni Of Michigan Sentiment/1Yr/5-10Yr Inflation expectations (Sep P): 67.7/3.1%/2.7% (Mkt: 69.0/3.5%/3.0%; Aug: 69.5; 3.5%/3.0%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	147.87	EUR/USD	1.0668
USD/SGD	1.3629	USD/THB	35.71
JPY/SGD	0.9217	USD/MYR	4.683

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	35.60 - 35.90

Today's Direction

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

Oil: The OPEC Squeeze

- The (Q3) **surge in global crude price is mostly intended OPEC+ supply squeeze, not an inevitable by-product of global demand upswing** which has stormed markets.

- Admittedly, one may justifiably argue that growing hopes of more forceful **China stimulus** (to stoke demand) accentuating the **post-pandemic air travel boom** are **stoking demand for crude**.

- But **ascribing Oil's enthused upswing to demand** resurgence is at best **convenient attribution, not a compelling argument** that actually stands. Especially when presented with evidence of **corresponding drop in various barometers of global demand conditions** (including PMIs; see Chart in Mizuho Chart Speak: The OPEC Squeeze); which clearly indicate that **Oil's bullish tendencies have been in spite of demand being underwhelming and uneven**.

- Instead, **systematic and sustained output cuts have stepped up**.

- Notably, Saudi has upped the ante with its "additional" 1MbPD cut. Apart from the **purposeful supply shortfall**, the **observed strategy is to whittle down inventories to amplify upside price sensitivities**. With **both supply output and inventories running below 2018-19 average**, and **persistent geo-political tensions**, near-term upside risks to crude oil may well persist.

- But equally, **OPEC+ is exhausting supply (cut) response, leaving less "dry powder"**, should demand buckle. In particular, if "soft landing" eludes. **Perversely, too much upside price-engineering may sow seeds of a much sharper price correction**; as elevated oil inflicts the **tyranny of tighter-than-necessary monetary policy even as it suffocates marginal demand**.

FX Daily Outlook

- EUR/USD: Mid-1.06 consolidation continue amid ECB officials pushing back on peak rates.

- USD/JPY: 148 remains wary of intervention risks and opportunistic BoJ pivot bets.

- USD/SGD: Hawkish Fed defaults buoyancy off 1.36 with further China easing allowing 1.37 test.

- AUD/USD: Cautious dictates rangebound trading on both side of mid-64 cents.

TODAY'S EVENTS

(SG) Non Oil Domestic Exports/Electronics Exports (Aug): (Mkt: -17.1%; Jul:-20.2%)

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