

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.71	147.61	▼0.24	+1.02
EUR	1.0662	1.0692	+0.0035	▼0.0058
AUD	0.6438	0.6437	+0.0005	+0.0006
SGD	1.3645	1.3633	▼0.0003	+0.0027
CNY	7.2915	7.2912	+0.0154	+0.0021
INR	83.22	83.27	+0.09	+0.24
IDR	15376	15370	+17	+45
MYR	4.6915	4.6900	+0.0067	+0.0170
PHP	56.85	56.87	+0.06	+0.18
THB	35.70	35.73	▼0.09	+0.23

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.303%	▼3.0 bp	+1.5 bp
JPY (10YR)	0.715%	+0.0 bp	+0.6 bp
EUR* (10YR)	2.708%	+3.3 bp	+7.0 bp
AUD (5YR)	3.950%	+8.7 bp	+6.8 bp
SGD (5YR)	3.234%	+3.4 bp	+7.5 bp
CNY (5YR)	2.509%	+1.8 bp	+2.5 bp
INR (5YR)	7.163%	▼0.5 bp	▼8.7 bp
IDR (5YR)	6.376%	+3.4 bp	+8.7 bp
MYR (5YR)	3.649%	+1.4 bp	+4.4 bp
PHP (5YR)	6.085%	▼3.7 bp	▼2.7 bp
THB (5YR)	2.764%	+1.9 bp	+5.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,624.30	+0.02%	▼0.11%
N225 (JP)	33,533.09	+0.00%	+3.28%
STOXX 50 (EU)	4,245.88	▼1.14%	▼0.20%
ASX (AU)	4,152.91	▼0.89%	+1.71%
STI (SG)	3,263.39	▼0.53%	+1.40%
SHCOMP (CN)	3,125.93	+0.26%	▼0.54%
SENSEX (IN)	67,596.84	▼0.36%	+0.70%
JSE (ID)	6,936.08	▼0.67%	▼0.39%
KLSE (MY)	1,457.99	▼0.07%	+0.20%
PSE (PH)	6,124.57	▼0.03%	▼1.75%
SET (TH)	1,527.57	▼0.94%	▼0.87%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.38	▲0.08%	+1.06%
COPPER (LME)	8,299.80	▲0.61%	▲0.90%
IRON ORE (CN)	122.68	▲0.56%	+2.65%
GOLD	1,933.84	+0.52%	+0.60%
OIL (WTI)	91.48	+0.78%	+4.80%

Three Take-aways:

- 1) US equities look reserved as shorter end UST 2Y yields remain buoyed above 5%.
- 2) Continued chatter about ECB's liquidity reduction though higher reserve requirement boost EUR.
- 3) Reverting to 'usual' CNH correlations, EM-Asia FX has had weaknesses partially revealed.

Reserved

- US equities are certainly being reserved as we approach the FOMC decision tomorrow with the Dow and Nasdaq closing flat while the S&P500 ended just 0.1% higher.
- Markets appear respectful of a Hawkish Fed while not being overly carried away on outsized moves/communications. For one, while Brent crude prices surging towards US\$95/barrel ought to imply a higher forecast of the inflation trajectory by the Fed (similar to the ECB), the flexibility of average inflation targeting and a much lower PCE deflator avails room to hold.
- While markets are pricing in a rate hold with only a 0.8% chance of a hike, we re-iterate that it is the forward looking communications which really matter.
- Front end yields remain buoyed as 2Y UST yields is still above 5% edging up 2.1bp. The yield curve saw a deeper inversion with 10Y UST yields down 3.0bps.
- Despite the higher front end UST yields, the Greenback softened against most G10 peers.
- Notably, more reports on pipeline ECB discussions on reducing liquidity via raising reserve requirements has boosted the EUR to approach 1.07.
- Peak rates may certainly not be peak tightening monetary conditions. Consequently, European yields rose higher than UST yields on both 2Y and 10Y while the Euro Stoxx sank deeper.
- USD/JPY slipped towards mid-147 as the jury is still out on BoJ calibrations. Elsewhere, both the AUD and USD/SGD is still flat. Nonetheless, EM-Asia FX has experienced significant weakness in H2 thus far.

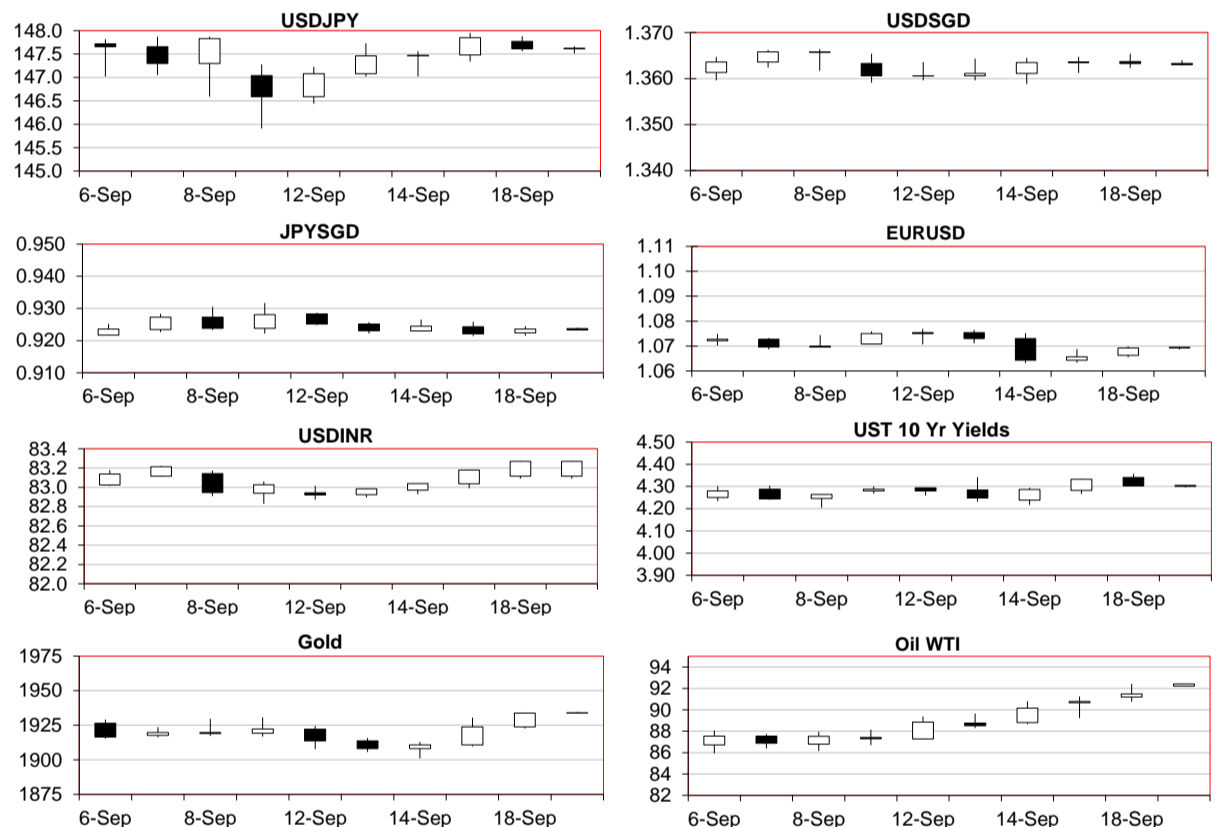
EM-Asia FX: Correlation Reversions?

- We had flagged the temporal and not durable natural of EM-Asia FX's resilience relative to the CNH in Mizuho Chart Speak: EM Asia FX: Remembering Renminbi Correlations (3 July).
- Put simply, the sway of CNH sell-off on EM-Asia FX has been far more muted than historical correlations at that juncture.

OVERNIGHT RESULTS

(SG) Non Oil Domestic Exports/Electronics Exports (Aug):-20.1%/-21.1% (Mkt: -17.1%/--; Jul:-20.2%/26.1%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.61	EUR/USD	1.0692
USD/SGD	1.3635	USD/THB	35.67
JPY/SGD	0.9237	USD/MYR	4.678

Forecast

USD/JPY	146.50 - 148.00
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6380 - 0.6480
USD/SGD	1.3570 - 1.3680
JPY/SGD	0.9169 - 0.9338
USD/CNH	7.2600 - 7.3200
USD/INR	83.10 - 83.35
USD/IDR	15355 - 15390
USD/MYR	4.675 - 4.688
USD/PHP	56.56 - 57.25
USD/THB	35.60 - 35.90

Today's Direction

	Bull	Bear
USD/SGD	5	2
USD/JPY	5	2

- Since then, some reversion appears to have taken place as Asia FX have underperformed the CNH. Specifically, the likes of AUD, VND, PHP and IDR saw significant catch down (depreciating 3-3.5%). The AUD being one of the worst performers is certainly a case in point for the correlation reversion given the substantial trade linkages.

- Nonetheless, it is notable that the reversion has been offsetting the energy price tailwinds (>25% increase in Brent crude prices) which has benefitted the likes of CAD and NOK.

- Not forgetting one of the China+1 strategy beneficiaries, the VND with even more inextricable economic relations also saw significant stresses depreciating 3.3%.

- Admittedly, their desire to support growth which saw the SBV cut rates widened rate differentials and staked VND stability. Meanwhile, low FX reserves and a wide trading band implies that the bar for intervention is high and afterall utilising reserves is of high stakes.

- On the other end, the MYR and THB which had a much more subdued catch down is no less worrying given that they already had a low starting point.

- On the latter, the political uncertainty during the general elections seem to have given way to economic policy worries.

- Ironically, the resolute and rather swift front of implementing minimum wages (from 1 Jan 2024), lowering power tariffs (effective this month) and setting up unprecedented cash transfers for Q1 2024 appears to have triggered fiscal worries.

- All in, EM-Asia FX sit in a state of (partially) revealed weakness heading into FOMC.

FX Daily Outlook

- EUR/USD: Durability of rallies above 1.07 remains in doubt as liquidity reduction may not be easy.
- USD/JPY: Edgy policy prospects keep the pair range bound around 147-148
- USD/SGD: Consolidation at risk of pre-emptive Dot Plot bets to rally above mid-1.36.
- AUD/USD: RBA minutes remains unlikely to invite test of 65 cents.

TODAY'S EVENTS

(MY) Trade Balance MYR (Aug): (Mkt: 16.99b; Jul: 17.09b) | (PH) BoP Overall (Aug): (Jul:-%53m)

(US) Housing Permits/Housing Starts (Aug): (Mkt: 1440k/1437k Jul: 1443k/1452k)

(EZ) CPI/Core YoY (Aug F): (Mkt: 5.3%/5.3%; Prelim: 5.3%/5.35)

Central Banks: RBA Minutes of Sept Policy Meeting

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