

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.65	147.86	+0.25	+0.78
EUR	1.0694	1.0679	▼0.0013	▼0.0075
AUD	0.6452	0.6454	+0.0017	+0.0028
SGD	1.3637	1.3648	+0.0015	+0.0042
CNY	7.2957	7.2973	+0.0016	+0.0050
INR	83.26	83.27	+0.01	+0.35
IDR	15384	15380	+10	+40
MYR	4.6964	4.6965	+0.0001	+0.0177
PHP	56.77	56.77	▼0.10	+0.11
THB	35.93	35.95	+0.22	+0.31

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.359%	+5.6 bp	+7.9 bp
JPY (10YR)	0.718%	+0.3 bp	+0.7 bp
EUR* (10YR)	2.738%	+3.0 bp	+9.5 bp
AUD (5YR)	3.923%	▼2.7 bp	+3.1 bp
SGD (5YR)	3.237%	+0.3 bp	+7.5 bp
CNY (5YR)	2.516%	+0.7 bp	+4.1 bp
INR (5YR)	7.163%	+0.0 bp	▼7.5 bp
IDR (5YR)	6.412%	+3.6 bp	+9.8 bp
MYR (5YR)	3.660%	+1.1 bp	+4.2 bp
PHP (5YR)	6.089%	+0.4 bp	▼1.5 bp
THB (5YR)	2.761%	▼0.3 bp	+4.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,517.73	▼0.31%	▼0.37%
N225 (JP)	33,242.59	▼0.87%	+1.42%
STOXX 50 (EU)	4,242.70	▼0.07%	+0.01%
ASX (AU)	4,155.46	+0.06%	+1.40%
STI (SG)	3,240.75	▼0.69%	+0.82%
SHCOMP (CN)	3,124.96	▼0.03%	▼0.39%
SENSEX (IN)	67,596.84	+0.00%	+0.56%
JSE (ID)	6,980.32	+0.64%	+0.67%
KLSE (MY)	1,457.66	▼0.02%	+0.29%
PSE (PH)	6,047.97	▼1.25%	▼2.92%
SET (TH)	1,522.96	▼0.30%	▼1.46%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.00	+0.22%	+0.92%
COPPER (LME)	8,233.50	▲0.80%	▲1.60%
IRON ORE (CN)	121.92	▲0.62%	+0.82%
GOLD	1,931.36	▲0.13%	+0.92%
OIL (WTI)	91.20	▼0.31%	+2.66%

Three Take-aways:

- 1) UST yields headed higher and established a more hawkish position heading into FOMC.
- 2) Jawboning from Japan MoF alongside Yellen's understanding raises intervention risks.
- 3) Hawkish rendition: Rate hold, hawkish talk and revised Dot Plot (2023 retained, with fewer cuts in 2024)

Plateau and Circles

- Ahead of FOMC tonight, UST yields continue to edge higher in a bear steepener with 2Y yields up 3.6bp while 10Y yields rose 5.6bp. To be clear, this is a reflection that rates will at the very least "plateau" at loft heights and as such, it will take a lot more circling before landing.
- US equities being wary of heights remain on the back foot.
- A mixed report on US housing underscores difficulty in determining the type of landing. With the sharp decline in housing starts likely being skewed by region specific issues, the increase in the relatively leading building permits imply that this may not be an outright sinking of housing activity.
- As for the USD, a mixed performance amid higher UST yields is not going around in circles.
- Commodity currencies such as the AUD, NOK and CAD posted mild gains as Brent crude prices durably sustaining above US\$94 ought to have allowed contemplation of a commodity backstop.
- On the other end, EUR was unable to hold above 1.07 and USD/JPY traded sideways in a volatile manner. On volatility, Yellen's understanding "potential need to smooth out JPY volatility" and Japan MoF's Kanda comment on "watching FX with urgency" has raised JPY intervention risks.

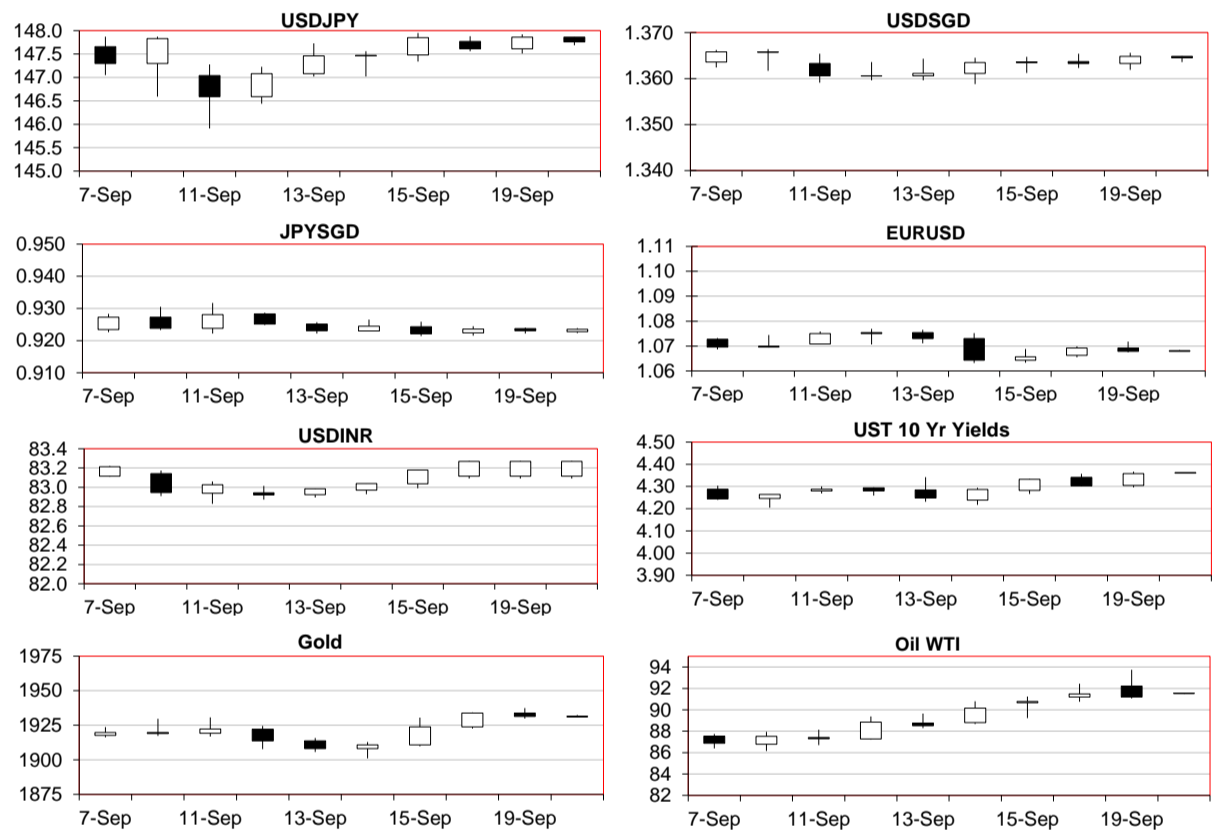
FOMC: How Hawkish a Hold

- That's the question we are confronted with when the Fed convenes for the Sep FOMC.
- Specifically, how it position a "skip" in its on-going tightening cycle that expressly; i) leaves keep hawkish options on the table, and crucially; ii) conveys the propensity to prolong a state of elevated rates instead of promptly tipping into cuts from the "peak".
- The ECB's recent Sep meeting, where markets aggressively traded the "dovish" aspect of a hike is a case in point for proactively leaning against pent-up pivot trades in the wings.

OVERNIGHT RESULT

(MY) Trade Balance MYR (Aug): 17.3b (Mkt: 17.7b; Jul: 17.4b) | (PH) BoP Overall (Aug):-\$57m (Jul:-\$53m)
 (US) Housing Starts/Housing Permits (Aug): 1283k/1543k (Mkt: 1439k/1440k Jul: 1447k/1443k)
 (EZ) CPI/Core YoY (Aug F): 5.2%/5.3% (Mkt: 5.3%/5.3%; Prelim: 5.3%/5.3%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.76	EUR/USD	1.0681
USD/SGD	1.3644	USD/THB	36.02
JPY/SGD	0.9234	USD/MYR	4.692

Forecast

USD/JPY	146.50 - 148.50
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6380 - 0.6500
USD/SGD	1.3600 - 1.3720
JPY/SGD	0.9158 - 0.9365
USD/CNH	7.2800 - 7.3200
USD/INR	83.20 - 83.45
USD/IDR	15360 - 15400
USD/MYR	4.685 - 4.700
USD/PHP	56.56 - 57.25
USD/THB	35.80 - 36.20

Today's Direction

	Bull	Bear
USD/SGD	2	5
USD/JPY	4	3

- Although a partial consolation is that warm-to-hot US data prints across inflation, ISM services and retail sales may still underpin the USD (perhaps even UST yields) given the narrative of US exceptionalism; whereby dire European activity accentuate relative US resilience.
- In any case, there are three aspects of the FOMC actions and posturing that matter.
- First, is the actual rate decision on whether or not to hike. Here, a "skip" is our base case.
- Apart from the breathing space the Fed has after 525bp of hikes, our suspicion is that the actual hawkish signals from rate hikes (on their own) are blunted (the ECB being a case on point).
- Second, is the rhetoric - both published (in the statement) and delivered at the press conference. Having already struck the balance between two-way risks, the bar is higher to unequivocally impress upon markets a strong hawkish bias.
- Finally, and possibly holding the greatest potential for impact, is the "Dot Plot".
- In particular, an upward revision to 2023 and/or 2024 terminal rates will deliver an unchallenged hawkish jolt.
- The question is, whether this will be an overkill even for the more strident hawks.
- Our sense is that a rate hold, combined with allusions of "more (hawkish) work to be done" and a "Dot Plot" retaining the option for one more hike in 2023, but with fewer cuts in 2024 (than the 100bp reduction in the June iteration) may deliver the nuanced retention of a hawkish bias.
- And that might be sufficient to keep UST yields underpinned and USD backstopped (if not buoyed) in the context of US exceptionalism (by contrast with Europe).

FX Daily Outlook

- EUR/USD: Watch for slippage to test 1.06 on Dot Plot revisions.
- USD/JPY: Hawkish Fed can allow durability above 148, excessive surge curbed by intervention.
- USD/SGD: Mid-1.36 consolidation the base case while being ripe for further rallies on Fed and PBoC.
- AUD/USD: RBA minutes showed room for hikes but rallies above 65 cents restrained by Fed and CNH

TODAY'S EVENTS

(KR) PPI YoY (Aug): 1.0% (Jul:-0.2%) | (JP) Trade Balance (Aug)(Mkt: -¥678.5n; 66.3b)
 (CH) 1Yr-/5-Yr Loan Prime Rate: (Mkt: 3.45%/4.20%; Prev: 3.45%/4.20%)
 Central Banks: FOMC Decision

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