

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.14	148.34	+0.48	+0.88
EUR	1.0690	1.0661	▼0.0018	▼0.0069
AUD	0.6461	0.6448	▼0.0006	+0.0026
SGD	1.3651	1.3653	+0.0005	+0.0042
CNY	7.2993	7.2863	▼0.0110	+0.0146
INR	83.17	83.08	▼0.19	+0.10
IDR	15383	15384	+4	+14
MYR	4.6893	4.6863	▼0.0102	+0.0053
PHP	56.80	56.82	+0.05	+0.09
THB	36.15	36.06	+0.11	+0.30

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.407%	+4.8 bp	+15.9 bp
JPY (10YR)	0.727%	+0.9 bp	+1.4 bp
EUR* (10YR)	2.702%	▼3.6 bp	+5.1 bp
AUD (5YR)	3.977%	+5.4 bp	+8.5 bp
SGD (5YR)	3.273%	+3.6 bp	+9.8 bp
CNY (5YR)	2.519%	+0.3 bp	+5.9 bp
INR (5YR)	7.153%	▼1.0 bp	▼0.4 bp
IDR (5YR)	6.394%	▼1.8 bp	+7.0 bp
MYR (5YR)	3.696%	+3.6 bp	+6.1 bp
PHP (5YR)	6.088%	▼0.1 bp	▼3.3 bp
THB (5YR)	2.792%	+3.1 bp	▼0.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,440.88	▼0.22%	▼0.39%
N225 (JP)	33,023.78	▼0.66%	+0.97%
STOXX 50 (EU)	4,275.98	+0.78%	+1.24%
ASX (AU)	4,197.78	+1.02%	+2.44%
STI (SG)	3,242.00	+0.04%	+0.72%
SHCOMP (CN)	3,108.57	▼0.52%	▼0.46%
SENSEX (IN)	66,800.84	▼1.18%	▼0.99%
JSE (ID)	7,011.68	+0.45%	+1.10%
KLSE (MY)	1,451.56	▼0.42%	▼0.14%
PSE (PH)	6,041.04	▼0.11%	▼1.76%
SET (TH)	1,507.90	▼0.99%	▼1.79%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	288.48	▲0.53%	+0.30%
COPPER (LME)	8,281.50	+0.58%	▲1.38%
IRON ORE (CN)	122.54	+0.51%	+1.16%
GOLD	1,930.30	▲0.05%	+1.16%
OIL (WTI)	90.28	▼1.01%	+1.99%

Three Take-aways:

- 1) Fed displayed hawkish skip with 50bps upward Dot Plot revision in 2024 and 2025.
- 2) Real rates expected to remain high as projected PCE deflator falls more than implied policy rate cuts.
- 3) BI, BSP and CBC are set to stand pat in recognition of growth risks and heightened uncertainty.

Far & (Stead)Fast

- The Fed's hawkish skip was premised on having moved "very far and very fast" on rate hikes with a cumulative 525bp of tightening that are still working their way through given infamously long and variable lags of policy; and hence the need to be justifiable "careful" in assessing the need for further tightening. Nonetheless, looking past the rate hold, there was no mistaking that the Fed remains steadfast in its "higher for longer" aspect of (passive) hawkish bias.

- This was made abundantly clear in the 50bp upward revisions to (end-) 2024 and 2025 'Dot Plot' forecasts to 5.125% and 3.875% respectively, while one more rate hike for 2023 was still retained by 12 out of 19 members. To be sure, Fed Chair Powell was by no means unconditional on the need for, and intent to, tighten further; expressing an abundance of caution with his repeated reference to being "careful" on how to proceed.

- In particular, highlighting the sheer uncertainty around economic forecasting in the context of lagged effects of significant monetary tightening.

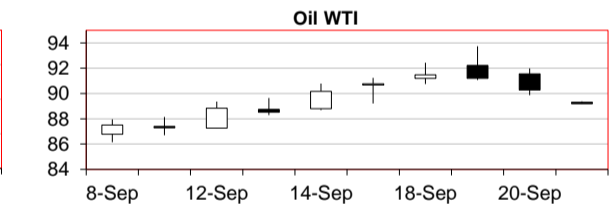
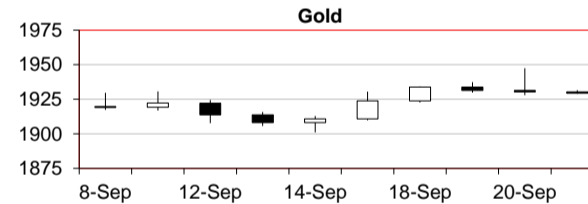
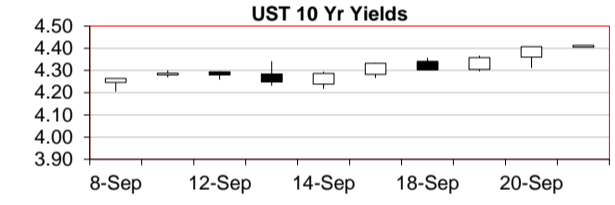
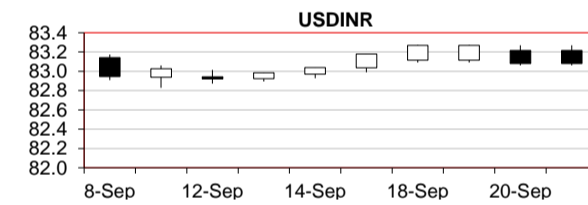
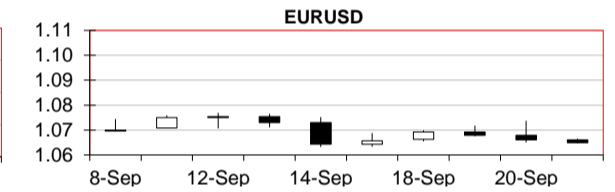
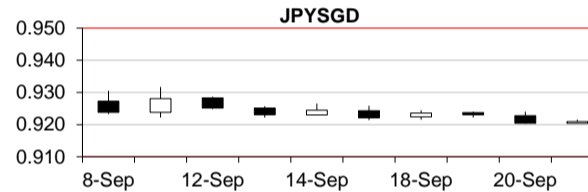
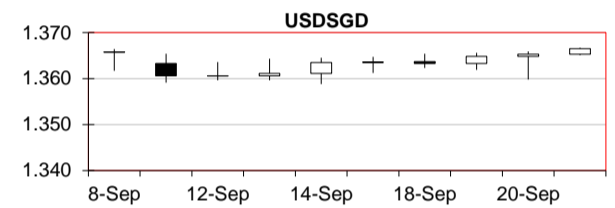
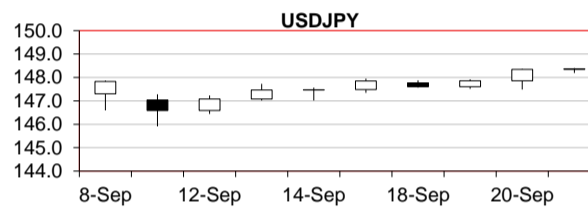
- But this conditionality and policy humility could not compensate for the distinct hawkish step-up that may be interpreted from the revised summary of economic projections (SEP); where higher GDP and lower unemployment sank (S&P500 off 0.9%), led by the rates sensitive Nasdaq dropping 1.5% while front-end yields were bumped up (2Y UST: +8-9bp, just off 5.2%).

- The significance of real rates measure of policy calibration was emphasised by Fed Chair Powell's express reference to thinking about policy restriction in real rate terms, which squares with tight(er) settings for 2024 being maintained despite implied 50bp of cuts as these only partly compensate for the over 100bp of reduction in core PCE (from 3.7% to 2.6%) expected.

- And so, it appears that the Fed has pulled off a hawkish skip without explicitly pulling any triggers. Some might argue, despite caveats about data dependence and non-binding projections.

OVERNIGHT RESULTS

(CH) 1Yr-/5-Yr Loan Prime Rate: 3.45%/4.20% (Mkt: 3.45%/4.20%; Prev: 3.45%/4.20%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.32	EUR/USD	1.0651
USD/SGD	1.3663	USD/THB	36.23
JPY/SGD	0.9212	USD/MYR	4.697

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	4.690 - 4.705
USD/PHP	56.56 - 57.25
USD/THB	36.00 - 36.30

Today's Direction

	Bull	Bear
USD/SGD	5	1
USD/JPY	5	1

- Interestingly, Fed Chair Powell also alluded to a "soft landing" being a desired, but not guaranteed, objective; despite SEP projections of lower unemployment and higher growth amid dis-inflation almost being the definition of a soft landing.

- In fact, Powell's cautious view that a "soft landing" is not even the base case may reflect the uncertainties of policy lag (especially) alongside the possible need for more tightening.

- Against this backdrop the case for higher front-end yields, with distinct upside bias to yield volatility may persist into Q3 and early Q4 (ahead of Nov FOMC);

- which is likely to at least deter USD bears, if not incite upside bias in the Greenback (EUR has slipped below 1.07, with USD/JPY squeezed above 148). Elsewhere, EM Asia's central banks may also struggle to find comfort from the Fed's skip given higher UST yields and a firm USD continue to bear down. Crucially, eroding real yield spreads against the US threaten currency and macro stability (via capital flows) for EM Asia too.

EM-Asia Central Banks: Standing Pat

- Today, while the BI, BSP and CBC are expected to keep policy rates unchanged, it is not a blatant ignorance of the threats from the persistence of their August headline inflation surge as they will likely retain a hawkish tone in their communications.

- It is the recognition of the uncertainty which dampens the temptation to 'front run' the Dot plot. Consequently, FX trade-offs are inevitable and will require other forms of mitigation.

FX Daily Outlook

- EUR/USD: Potential for cautious adventures towards 1.06 remains in the aftermath of FOMC.
- USD/JPY: While Fed buoys above mid-147, looming BoJ moves implies cautious JPY bears.
- USD/SGD: Regional spillovers Post FOMC will may setup for approaches towards 1.37.
- AUD/USD: 64 cents slippage is on the cards as UST yields surge and commodities stagnate.

TODAY'S EVENTS

(EZ) Consumer Confidence (Sep P): (Mkt: -16.5; Aug: -16.0)

(US) Initial Jobless Claims: (Mkt: 225k; Prev: 220k) | (US) Philadelphia Fed Business Outlook (Sep): (Mkt: -1.0; Aug: 12.0)

(US) Leading Index (Aug): (Mkt: -0.5%; Jul: -0.4%)

 Central Banks: [Bank Indonesia Monetary Policy Decision](#) | [BSP Monetary Policy Decision](#) | [CBC Monetary Policy Decision](#)

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