

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.26	147.59	▼0.75	+0.12
EUR	1.0656	1.0661	+0.0000	+0.0018
AUD	0.6412	0.6416	▼0.0032	▼0.0024
SGD	1.3674	1.3666	+0.0013	+0.0031
CNY	7.3038	7.3064	+0.0201	+0.0275
INR	83.13	83.09	+0.01	+0.05
IDR	15379	15375	▼9	+20
MYR	4.6900	4.6933	+0.0070	+0.0098
PHP	56.86	56.85	+0.03	+0.09
THB	36.13	36.15	+0.09	+0.36

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.494%	+8.7 bp	+20.8 bp
JPY (10YR)	0.743%	+1.6 bp	+2.7 bp
EUR* (10YR)	2.737%	+3.5 bp	+14.4 bp
AUD (5YR)	4.074%	+9.7 bp	+21.0 bp
SGD (5YR)	3.317%	+4.4 bp	+15.1 bp
CNY (5YR)	2.503%	▼1.6 bp	+4.9 bp
INR (5YR)	7.153%	+0.0 bp	+5.1 bp
IDR (5YR)	6.414%	+2.0 bp	+11.2 bp
MYR (5YR)	3.719%	+2.3 bp	+9.0 bp
PHP (5YR)	6.094%	+0.6 bp	▼2.8 bp
THB (5YR)	2.795%	+0.3 bp	+4.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,070.42	▼1.08%	▼2.40%
N225 (JP)	32,571.03	▼1.37%	▼1.80%
STOXX 50 (EU)	4,212.59	▼1.48%	▼1.57%
ASX (AU)	4,171.07	▼0.64%	▼0.12%
STI (SG)	3,202.81	▼1.21%	▼1.44%
SHCOMP (CN)	3,084.70	▼0.77%	▼1.34%
SENSEX (IN)	66,230.24	▼0.85%	▼1.91%
JSE (ID)	6,991.47	▼0.29%	+0.46%
KLSE (MY)	1,448.21	▼0.23%	▼0.09%
PSE (PH)	6,094.71	+0.89%	▼1.83%
SET (TH)	1,514.26	+0.42%	▼2.00%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	285.93	▲0.88%	▲1.50%
COPPER (LME)	8,129.75	▲1.83%	▲2.90%
IRON ORE (CN)	120.90	▲1.34%	▲0.89%
GOLD	1,920.02	▲0.53%	+0.48%
OIL (WTI)	89.63	▼0.72%	▼0.59%

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	147.65	EUR/USD	1.0661
USD/SGD	1.3668	USD/THB	36.12
JPY/SGD	0.9257	USD/MYR	4.686

**Forecast**

USD/JPY	147.00 - 149.00
EUR/USD	1.0560 - 1.0700
AUD/USD	0.6380 - 0.6500
USD/SGD	1.3620 - 1.3720
JPY/SGD	0.9141 - 0.9333
USD/CNH	7.2900 - 7.3400
USD/INR	83.00 - 83.45
USD/IDR	15360 - 15400
USD/MYR	4.680 - 4.705
USD/PHP	56.70 - 57.10
USD/THB	36.00 - 36.30

**Today's Direction**

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

**Three Take-aways:**

- 1) Unconvincing pauses by the SNB and BoE sent the CHF and GBP weaker.
- 2) US equities sold off, UST yield curve steepened with softer front end yields while longer end surged.
- 3) It is a molehill to limit JPY pressures, not a mountain on which BoJ policy plants a hawkish flag.

**Pauses, Starts and Ends**

- **Not all pauses are equal** especially relative to the Fed's. The SNB surprised with a pause while the BoE also paused in a tight call with BoE Governor Andrew Bailey casting the deciding vote.

- **Communicating pauses and convincing that it is not the end of tightening cycles** is a deft skill.

- Consequently, the CHF and GBP underperformed against the Greenback among G10 peers.

- The DXY's **deceiving softening** was really just accentuated by JPY gains being utterly wary of Japan's CPI print this morning and the BoJ decision following suit slightly later in the day. On the CPI print, headline inflation printed above expectations on food and energy inflation. It remains to be seen if this will "seep" through to inflation mindsets and mark an end to NIRP. (See below)

- The JPY gains was also seen to drive part of the AUD sell-off towards 64 cents. This was also reflected by fact that the commodity peers had not reacted much to Brent crude's slippage.

- Turning back to the US, **sell-off largely continued**. US equities fell across the board as Nasdaq led losses with a 1.8% plunge while the S&P500 and Dow fell 1.6% and 1.1% respectively.

- UST yield curve steepened. 2Y yields closed 3.2bp low despite the initial spike after the lower jobless claim data. With shorter end yields at these lofty heights, pondering peak yields is par for the course and so is **contemplating the start of the end** of yield curve inversion 10Y yields surged 8.7bp. As reminder, steepening yield curves (after inversion) do not absolve recession risks and employment indicators are lagging indicators. Across the Atlantic, EUR remains restrained around mid-1.06 as dire consumer confidence impedes. Elsewhere, the USD/SGD hovers above mid-1.36.

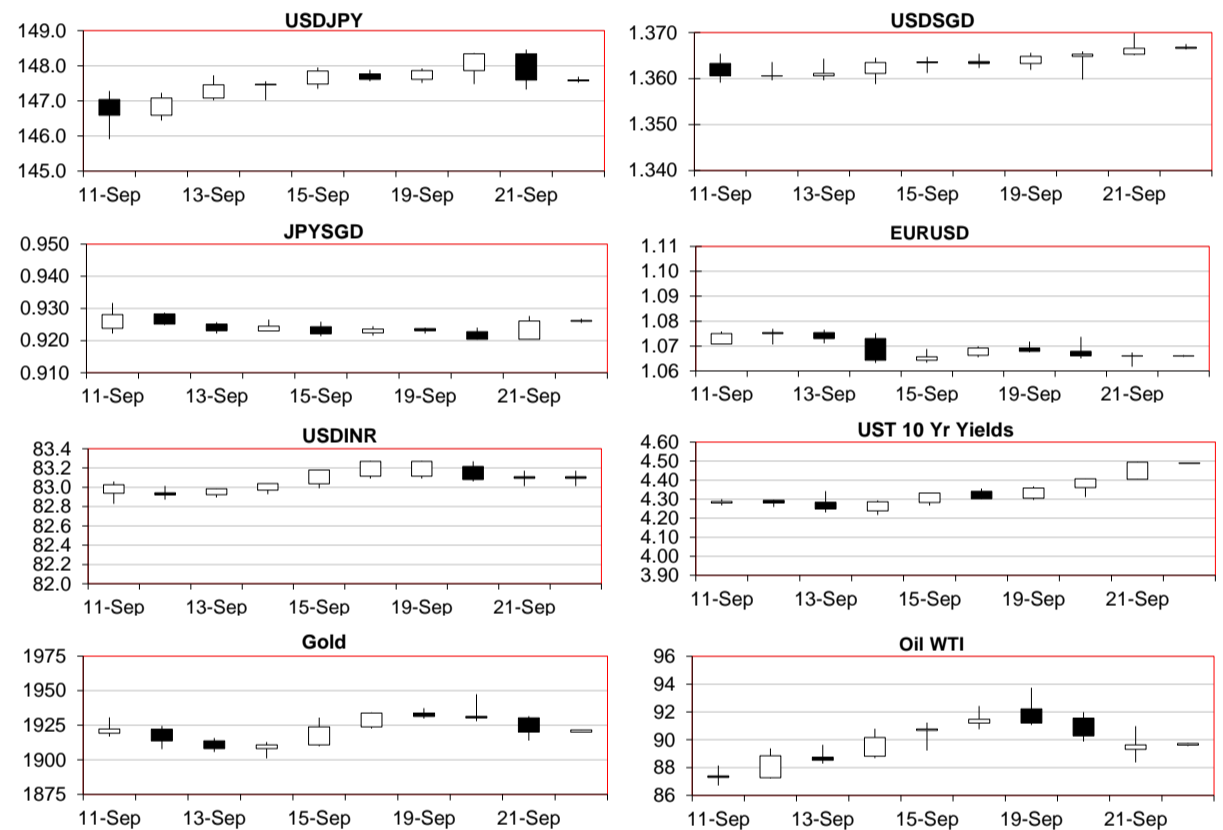
**BoJ: Of Mountains & Molehills**

- We have asserted that the (weak/pressured) JPY is "a BoJ problem with a Fed solution".

- Our position on that remains unchanged. But for clarity, this is **not a reference of ability** (or lackthereof) of the BoJ to impose hawkish shifts that lift the JPY. To be clear, BoJ has options.

**OVERNIGHT RESULTS**

(EZ) Consumer Confidence (Sep P): -17.8 (Mkt: -16.5; Aug: -16.0) | (US) Initial Jobless Claims: 201k (Mkt: 225k; Prev: 220k; Revised: 221k) | (US) Philadelphia Fed Business Outlook (Sep): -13.5 (Mkt: -1.0; Aug: 12.0) | (US) Leading Index (Aug): -0.4% (Mkt: -0.5%; Jul: -0.4%)

**Past Two Weeks Movement**


- Rather, it is a **sobering cost-benefit deduction**, that it would be **fiscally ruinous** and **entail too much economic pain** for the benefit of lifting the JPY against an exceptionally hawkish Fed.

- What's more, it also **exposes JPY to acute upside volatility on a Fed pivot**, which can be just as **deleterious** for an economy only just emerging tentatively from deflation.

- Nevertheless, a **hawkish Fed** resulting in **upside risks to UST yields** inflicting unrelenting pressures on the JPY admittedly makes a more compelling **case for the BoJ to indulge in further policy calibrations** to tighten at the margin. This appears to be supported by Governor Ueda's reference to shedding NIRP (negative interest rate policy) settings.

- But the **critical distinction** that needs making is that a **likely one-off (10bp) shift to ZIRP from NIRP is not by a long shot an enduring tightening cycle**.

- Simply put, it is a **molehill to limit excessive JPY pressures, not a mountain on which BoJ policy plants a hawkish flag**. The policy risk balance simply cannot endure such a jarring shift.

- So **best not to make a mountain (hawkish inflection) out of a molehill (of NIRP exit to ZIRP)**.

- Consequently, instinctive JPY rebound could also be on a short leash, **non sustained bull run**.

- Afterall, **calibration out of NIRP, which is a mere 10bp worth of tightening** in quantum, ought to be less impactful than;

i) previous YCC band widening (which was effectively 25bp lift) as well as;

ii) recent "non-rigid" YCC rendition that dynamically endows 10-50bp of upside to yields.

- Upshot is, **overly-enthused JPY bulls chasing (BoJ) mountain may end up tripping on molehills**.

**FX Daily Outlook**

- EUR/USD: Consolidation around mid-1.06 unless BoJ provide a surprise pivot.
- USD/JPY: 2 way volatility on BoJ communications sets up wider range of 147-149.
- USD/SGD: BoJ hold will allow higher frequency of 1.37 tests.
- AUD/USD: Sideways around 64 cents par for the course as commodities contemplate tightening effects.

**TODAY'S EVENTS**

(JP) CPI/Ex Fresh Food and Energy YoY (Aug): 3.2%/4.3% (Mkt: 3.0%/4.3%; Jul: 3.3%/4.3%)  
 (MY) CPI YoY (Aug): (Mkt: 2.0%; Jul: 2.0%)  
 (EZ) Mfg/Svs PMI (Sep P): (Mkt: 44.0/47.6; Aug: 43.5/47.9)  
 Central Banks: **BoJ Monetary Policy Decision**

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