

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.88	149.07	+0.19	+1.21
EUR	1.0586	1.0572	▼0.0021	▼0.0107
AUD	0.6403	0.6397	▼0.0027	▼0.0057
SGD	1.3683	1.3689	+0.0026	+0.0041
CNY	7.3121	7.3112	▼0.0008	+0.0139
INR	83.23	83.24	+0.09	▼0.03
IDR	15497	15490	+87	+110
MYR	4.6915	4.6895	+0.0030	▼0.0065
PHP	56.96	56.97	+0.19	+0.20
THB	36.35	36.39	+0.19	+0.35

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.536%	+0.2 bp	+17.7 bp
JPY (10YR)	0.741%	+0.5 bp	+2.3 bp
EUR* (10YR)	2.808%	+1.0 bp	+7.0 bp
AUD (5YR)	4.110%	+6.5 bp	+18.7 bp
SGD (5YR)	3.354%	+2.5 bp	+11.7 bp
CNY (5YR)	2.540%	▼0.3 bp	+2.4 bp
INR (5YR)	7.170%	▼1.5 bp	+0.7 bp
IDR (5YR)	6.494%	+8.5 bp	+8.2 bp
MYR (5YR)	3.724%	+1.9 bp	+6.4 bp
PHP (5YR)	6.118%	▼0.9 bp	+2.9 bp
THB (5YR)	2.881%	+3.6 bp	+12.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,618.88	▼1.14%	▼2.60%
N225 (JP)	32,315.05	▼1.11%	▼2.79%
STOXX 50 (EU)	4,129.18	▼0.92%	▼2.68%
ASX (AU)	4,136.92	▼0.05%	▼0.45%
STI (SG)	3,215.07	▼0.01%	▼0.79%
SHCOMP (CN)	3,102.27	▼0.43%	▼0.73%
SENSEX (IN)	65,945.47	▼0.12%	▼2.44%
JSE (ID)	6,923.80	▼1.07%	▼0.81%
KLSE (MY)	1,445.55	+0.15%	▼0.83%
PSE (PH)	6,263.94	+1.48%	+3.57%
SET (TH)	1,494.02	▼0.88%	▼1.90%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.72	▲0.08%	▲1.82%
COPPER (LME)	8,034.15	▲0.51%	▲2.42%
IRON ORE (CN)	120.41	▲0.21%	▲1.24%
GOLD	1,900.65	▲0.80%	▲1.59%
OIL (WTI)	90.39	+0.79%	▼0.89%

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

USD/JPY	149.05	EUR/USD	1.0569
USD/SGD	1.3695	USD/THB	36.42
JPY/SGD	0.9189	USD/MYR	4.694

**Forecast**

USD/JPY	148.40 - 149.60
EUR/USD	1.0530 - 1.0640
AUD/USD	0.6370 - 0.6460
USD/SGD	1.3640 - 1.3730
JPY/SGD	0.9118 - 0.9252
USD/CNH	7.3100 - 7.3400
USD/INR	83.05 - 83.50
USD/IDR	15450 - 15650
USD/MYR	4.688 - 4.725
USD/PHP	56.85 - 57.35
USD/THB	36.38 - 36.55

**Today's Direction**

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

**Three Take-aways:**

- 1) UST sell-off get a breather, but yields remaining elevated take a toll on equities/risk sentiments.
- 2) Especially as looming shutdown risks further spook markets. Ironically, USD retains haven allure.
- 3) Close call (hike or hold) for the BoT; but after seven successive hikes, a hawkish hold may be optimal.

**Undone?**

"Who do you need? | Who do you love | When you come undone" - Come Undone, Duran Duran

- Admittedly, bond bears took a breather, sparing USTs another round of sell-down(;thereby averting a further surge in yields). But the **elevation in yields is not undone**.

- Fact is, not only are concerns of a "higher for longer" Fed not assuaged, but the retrenchment of risk is compounded by the looming threat of US government shutdown come October 1st.

- To be sure, **markets have not** (as yet) **come undone** under the threat of these risks.

- But it is hard to ignore the case to hedge against a meltdown from worse case of US shutdown .

- Perversely, if there is enough critical mass and momentum behind this defensive unwind in risk assets, it may snowball into a self-reinforcing sell-off. A Prisoner's dilemma of sorts, if you must.

- The **irony** in all of this is that the **USD retains, if not reinforces, its haven allure**; not despite, but because of US government shutdown risks from the malfunction in a bi-partisan Congress.

- Notwithstanding legitimate USD boost (via yields) from a hawkish Fed, USD bulls defy debt/fiscal risks and downgrades risks (to Moody's 'AAA' ratings) that have amplified UST yield upside.

- Arguably because "the USD" is to the answer to Duran Duran's 1993 song, "Come Undone".

- EUR struggling just above mid-1.05 amid ECB's references to being "forced" into further hikes amid price shocks and AUD barely regaining traction from sub-0.64 speak to the **refuge and real yield advantage of USD when things come undone** amid high yields and uncertainty.

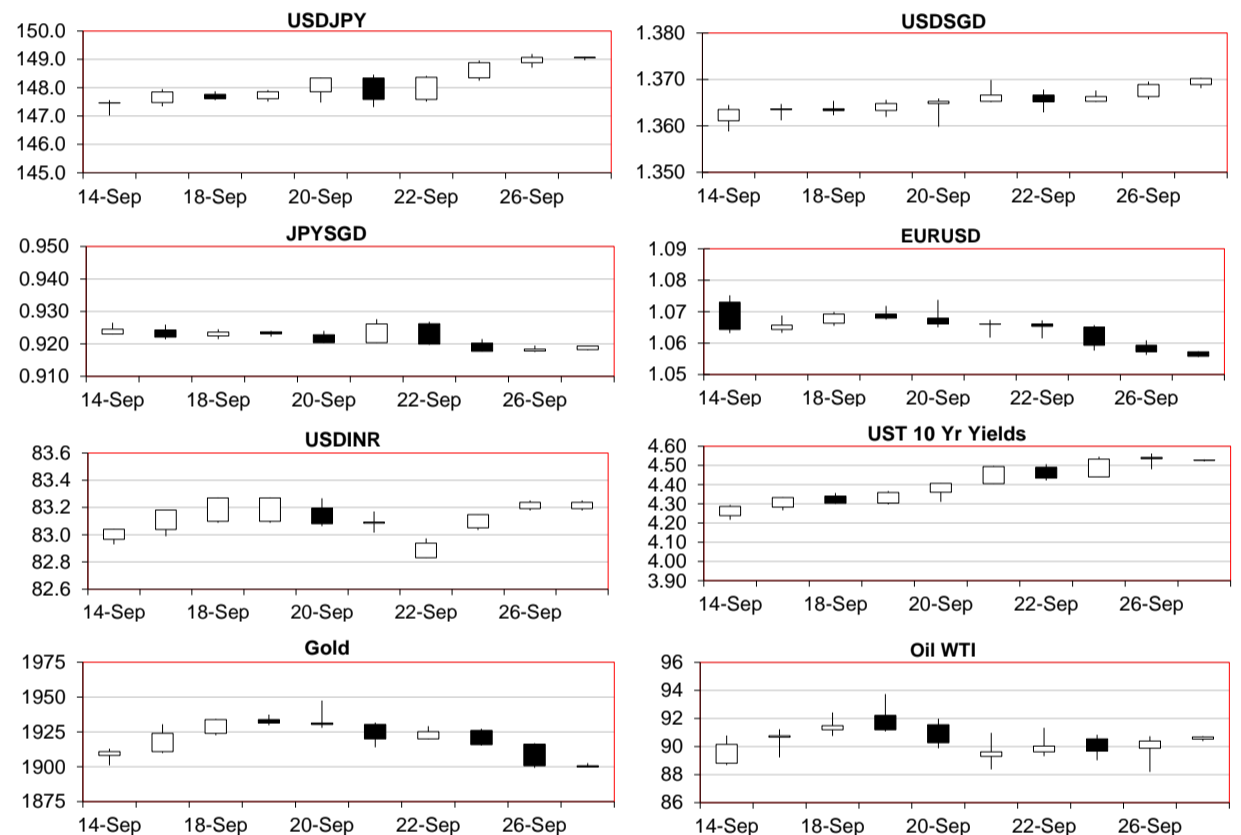
- Bump-up in Aussie inflation amid upside risks from fresh price shocks ahead, may not boost AUD despite upping the odds of another RBA hike; as real spreads (vs. USD) will still disadvantage AUD.

**BoT: Not Doing, But Not Done Either**

- After seven successive hikes this year to lift rates to 2.25%, the **BoT is likely not doing any more at this meeting**; especially given that inflation remains well contained (3- and 6-month core CPI averaging 1.0% and 1.3% YoY respectively). **Yet, the BoT may not be done either.**

**OVERNIGHT RESULTS**

(SG) Ind Pdtm (Aug): -12.1% (Mkt: -3.3%; Jul: -1.1%) | (US) New Home Sales (Aug): 675K (Mkt: 699k; Jul: 714k) | (US) Conf. Board Consumer Confidence (Sep): 103.0 (Mkt: 105.5; Aug: 106.4) | (US) Richmond Fed Mfg Index (Sep): 5 (Mkt: 7; Aug: 7)

**Past Two Weeks Movement**


- Fact is, with **risks of inflation resurgence**, amid **pockets global food/energy price shocks** colliding with **tourism revival**, **juxtaposed against a hawkish Fed**, it is premature to conclusively call an end to the hiking cycle; be it ensure price- or macro-stability objectives.

- To be sure, there are **fiscal/supply-side offsets to inflation risks** into Q4; by way of **cuts in diesel prices and electricity tariffs** and **pipeline negotiations between the government and manufacturers to lower prices of food** items ranging from eggs to pork.

- Nonetheless, these should be rightly recognized as **price pressures transferred to the fiscal account** (either the government or SOEs); and so **substituting inflation risks for fiscal risks**.

- On that note, the ambitious, **digital wallet plan that entails large, direct fiscal transfers to consumers** (with short expiry digital cash), threatens to lift inflation in 2024.

- Which further underlines the point that the BoT cannot discard tightening bias on a whim despite enviably low sub-1% core inflation (for August). So, **BoT hawks are not quite done**.

- But equally, there is **no need for the BoT to jump the gun** and pre-empt projected inflation from the cash transfer subsumed in the government's digital wallet push either. Consumer spending may not explode as short-expiry cash transfers may prompt income savings.

- Although, the related **fiscal worries** (associated with enlarged borrowings) for populist cash transfers/subsidies **may require compensatory monetary tightening; at least to backstop THB**.

- **Not doing** anything on account of low, anchored inflation is first pass policy calculus. **But fiscal slippage and associated THB pressures**, which may be ultimately destabilizing, **suggest the BoT's job is clearly not done yet**, as it navigates the delicate balance between stability and costs.

**FX Daily Outlook**

- EUR/USD: Struggling to regain traction from sub-1.06; likely suppressed for now.
- USD/JPY: 149 tempts intervention; ought to stave off 150 alongside "risk off" support for JPY.
- USD/SGD: 1.37 beckons as USD strength and CNH doubts conspire in a high UST yield environment.
- AUD/USD: Boost from any CPI out-run likely to be shallow and short.

**TODAY'S EVENTS**

(AU) CPI YoY(Aug): (Mkt: 5.2%; Jul: 4.9%) | (JP) Coincident Index/Leading Index Cl (Jul F): (Mkt: --; Jun: 114.5/107.6) | (CH) Industrial Profits YoY (Aug): (Mkt: --; Jul: -6.7%) | (US) Durable Goods Orders/Nondef Ex Air(Aug P): (Mkt: -1.1%/-; Jul: 5.2%/0.1%) | Central Banks: **BoT Monetary Policy Decision**



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