

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.03	149.63	+0.56	+1.29
EUR	1.0567	1.0503	▼0.0069	▼0.0158
AUD	0.6380	0.6353	▼0.0044	▼0.0095
SGD	1.3698	1.3726	+0.0037	+0.0073
CNY	7.3081	7.3118	+0.0006	+0.0255
INR	83.23	83.23	▼0.01	+0.15
IDR	15524	15520	+30	+136
MYR	4.7044	4.7087	+0.0179	+0.0224
PHP	56.93	56.94	▼0.03	+0.12
THB	36.56	36.53	+0.17	+0.47

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.608%	+7.2 bp	+20.1 bp
JPY (10YR)	0.741%	+0.0 bp	+1.4 bp
EUR* (10YR)	2.843%	+3.5 bp	+14.1 bp
AUD (5YR)	4.086%	▼2.4 bp	+10.9 bp
SGD (5YR)	3.345%	▼0.9 bp	+7.2 bp
CNY (5YR)	2.536%	▼0.4 bp	+1.7 bp
INR (5YR)	7.177%	+0.7 bp	+2.4 bp
IDR (5YR)	6.513%	+1.9 bp	+11.9 bp
MYR (5YR)	3.721%	▼0.3 bp	+2.5 bp
PHP (5YR)	6.112%	▼0.6 bp	+2.4 bp
THB (5YR)	2.869%	▼1.2 bp	+7.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,550.27	▼1.14%	▼2.59%
N225 (JP)	32,371.90	▼1.11%	▼1.97%
STOXX 50 (EU)	4,131.68	▼0.92%	▼3.37%
ASX (AU)	4,118.27	▼0.05%	▼1.89%
STI (SG)	3,200.03	▼0.01%	▼1.29%
SHCOMP (CN)	3,107.32	▼0.43%	▼0.04%
SENSEX (IN)	66,118.69	▼0.12%	▼1.02%
JSE (ID)	6,937.83	▼1.07%	▼1.05%
KLSE (MY)	1,440.11	+0.15%	▼0.79%
PSE (PH)	6,374.68	+1.48%	+5.52%
SET (TH)	1,497.15	▼0.88%	▼0.71%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	287.46	+0.96%	▲0.35%
COPPER (LME)	8,056.50	+0.28%	▲2.72%
IRON ORE (CN)	120.67	+0.22%	▲1.53%
GOLD	1,875.12	▲1.34%	▲2.86%
OIL (WTI)	93.68	+0.79%	▼0.89%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	149.50	EUR/USD	1.0506
USD/SGD	1.3730	USD/THB	36.68
JPY/SGD	0.9184	USD/MYR	4.708

Forecast

USD/JPY	149.00 - 149.80
EUR/USD	1.0460 - 1.0540
AUD/USD	0.6250 - 0.6400
USD/SGD	1.3690 - 1.3760
JPY/SGD	0.9139 - 0.9235
USD/CNH	7.3100 - 7.3400
USD/INR	83.17 - 83.50
USD/IDR	15450 - 15650
USD/MYR	4.688 - 4.725
USD/PHP	56.85 - 57.35
USD/THB	36.38 - 36.65

Today's Direction

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

Three Take-aways:

- 1) UST yields climbed on upside surprise to durable goods.
- 2) USD strength continued while higher oil prices supported CAD and NOK; AUD remained weak.
- 3) BoT achieves peak policy rate with final hike; THB underperforms on fiscal overhang.

Still in the Woods

- UST yields edged higher on both ends while equities were mostly mixed. **Markets appear to have latched on the upside surprise in durable goods to send yields higher.** However, a downward revision to earlier numbers (a repeated trend across various data prints) perhaps dampened optimism surrounding strong US growth.

- Amid broad USD strength, commodity-sensitive currencies CAD and NOK bucked the trend on higher oil prices with Brent crude exceeding US\$86/bbl. However, **the oil narrative remains one driven by supply-side factors, instead of demand.** That AUD falling to mid-73 cents is testament to this. USD/JPY rose towards mid-1.9, EUR slipped to 1.05. Elsewhere, USD/SGD approached mid-1.37. Aside from elevated yields, USD strength may persist over the next few days on quarter-end tightness.

Why the BoT Hiked: Conditionality & Clarity

- **BoT's hike was a mild hawkish surprise**, but the eight consecutive hikes were arguably *premised on 2 "C"s*. Namely, **conditionality** and **clarity**. Specifically, gradual (in 25bp increments) policy normalization was premised on the **condition of sufficient growth recovery**.

- And the **uninterrupted series of graduated hikes** to inferred 2.50% neutral rate, **distinctly shifting to an unequivocal neutral stance** provides **policy clarity**.

- Both with respect to earlier tightening stance and now the pause supported **explicit allusion to policy currently being "appropriate for supporting long-term sustainable growth"**.

- Two other aspects of the MPC briefing complemented clarity on the of the tightening cycle.

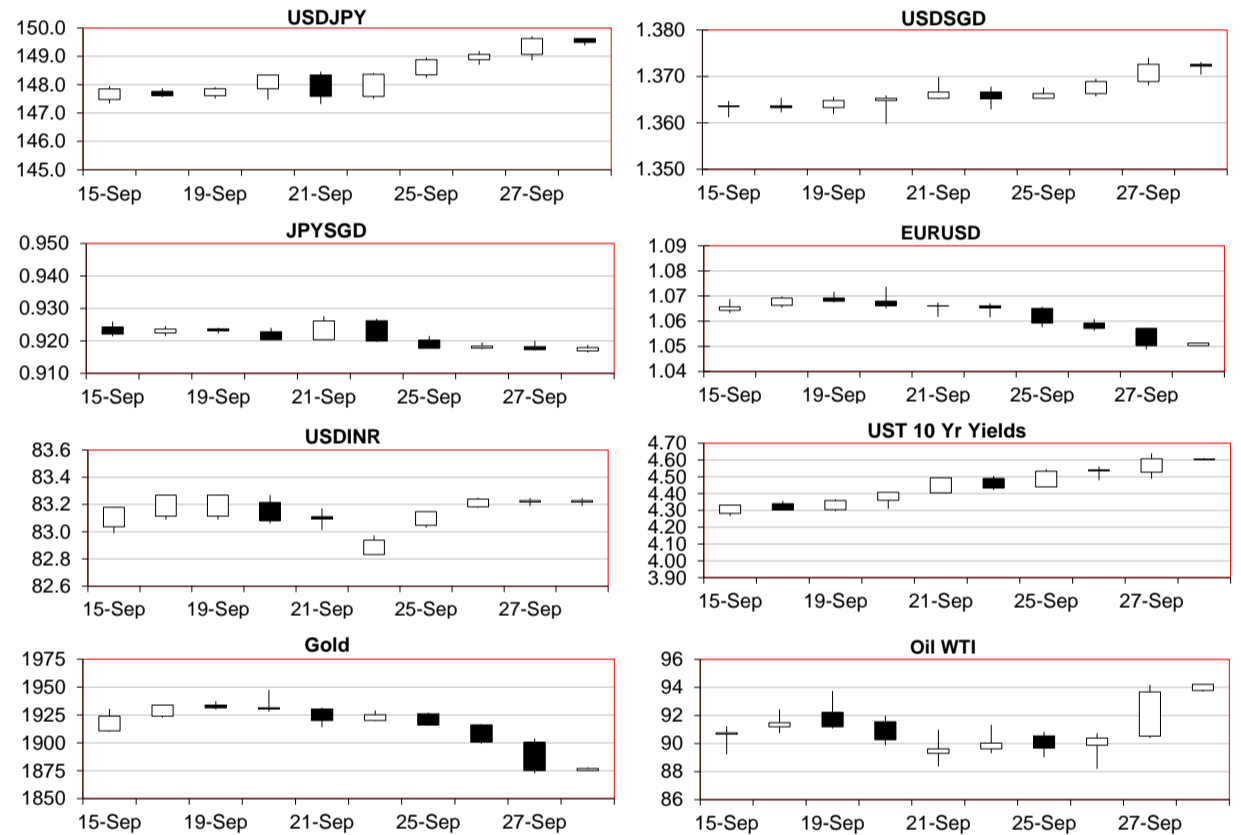
- First, inflation projections dialed down and combined 2023-24 growth also slightly diminished.

- Second, an allusion to **tightening of financial conditions were observed**, suggesting some pipeline demand dampening impact from earlier characterisation of "resilient" conditions.

OVERNIGHT RESULTS

(AU) CPI YoY(Aug): 5.2% (Mkt: 5.2%; Jul: 4.9%) | (JP) Coincident Index/Leading Index CI (Jul F): 114.2/108.2 (Mkt: --; Jun: 114.5/107.6)
(CH) Industrial Profits YoY (Aug): 17.2% (Mkt: --; Jul: -6.7%) | (US) Durable Goods / Ex Air(Aug P): 0.2%/0.9% (Mkt: -0.5%/0.1%; Jul: 5.2%/0.1%)

* Past Two Weeks Movement *



Why THB Remains Hobbled

- Yet, **despite the BoT's surprise hike** by BoT, the **THB derived no durable benefit**.
- Fractional knee-jerk gains fizzled quickly leaving little trace of the hike's rate advantage.
- Arguably, **inability to retain traction** may be attributed to perceptions of a "dovish hike".
- But that does not explain why the THB remains far and away the worst-performer in Asia this week (post-FOMC), down 1.4% compared to less than half the drop in regional peers.
- What does offer clues however, appears to be the **offending fiscal overhang**.
- From the Cabinet's recent approval of **new borrowing worth THB194bn** for existing projects (with no details of the amount for new projects) that threatens to be a harbinger of a widening fiscal deficit and increased debt burden years out; especially if populist spending persists.
- And **concerns of a path of sustained fiscal slippage** are exacerbated by considerations of **political expedience and one-upmanship**. Justifiably or otherwise, **sizeable (3.5% of GDP) cash handouts subsumed in the digital wallet push** may, amid wider welfare spending, be viewed as intensifying competition for political capital at the expense of fiscal risks.
- Already, the **pandemic debt bulge**, surging from 30.6% ('10-'19 average) to 61.3% has exposed **debt servicing liabilities**, thereby upping the ante on debt containment.
- Consequently, **THB sensitivities to new issuances are more more acute**; suggesting **lingering vulnerabilities from further fiscal headwinds** as more details on debt issuances emerge.
- To be clear, with **tourism recovery underway**, and likely gathering momentum, and the **manufacturing sector's potential to catch up later in 2024**, we are **constructive on THB further out**. But **near-term fiscal overhang on the Baht cannot be ignored**.

FX Daily Outlook

- EUR/USD: Depressed sentiments likely to suppress EUR below mid-1.05.
- USD/JPY: Weakness on higher UST yields, to continue buoying above 149.
- USD/SGD: Mid-1.36 amid USD strength and China's property concerns looming at large.
- AUD/USD: Some short-lived respite from oil but weakness in economy would still damp sentiment.

TODAY'S EVENTS

(AU) Retail Sales MoM (Aug): (Mkt: 0.3% ; Jul: 0.5%)
(EZ) Consumer Confidence (Sep F): (Mkt: --; -17.8)
(US) Kansas City Fed Manf. Activity (Sep): (Mkt: -2; Aug: 0) | Initial Jobless Claims (Sep-23): (Mkt: 215k; 201k) | GDP Annualised QoQ (2Q T): (Mkt: 2.4%; 1Q: 2.1%)

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