

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.31	149.31	▼0.32	+1.72
EUR	1.0509	1.0566	+0.0063	▼0.0095
AUD	0.6368	0.6427	+0.0074	+0.0011
SGD	1.3716	1.3658	▼0.0068	▼0.0008
CNY	7.3038	7.2980	▼0.0138	▼0.0084
INR	83.18	83.19	▼0.04	+0.10
IDR	15524	15520	+0	+145
MYR	4.7073	4.7087	+0.0000	+0.0154
PHP	56.97	56.98	+0.04	+0.12
THB	36.78	36.76	+0.23	+0.61

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.575%	▼3.3 bp	+8.1 bp
JPY (10YR)	0.761%	+2.0 bp	+1.8 bp
EUR* (10YR)	2.930%	+8.7 bp	+19.3 bp
AUD (5YR)	4.156%	+7.0 bp	+8.2 bp
SGD (5YR)	3.387%	+4.2 bp	+7.0 bp
CNY (5YR)	2.525%	▼1.1 bp	+2.2 bp
INR (5YR)	7.249%	+7.2 bp	+9.6 bp
IDR (5YR)	6.513%	+0.0 bp	+9.9 bp
MYR (5YR)	3.721%	+0.0 bp	+0.2 bp
PHP (5YR)	6.231%	+11.9 bp	+13.7 bp
THB (5YR)	2.907%	+3.8 bp	+11.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,666.34	+0.35%	▼1.19%
N225 (JP)	31,872.52	▼1.54%	▼2.14%
STOXX 50 (EU)	4,161.56	+0.72%	▼1.21%
ASX (AU)	4,118.34	+0.00%	▼1.26%
STI (SG)	3,206.99	+0.22%	+0.13%
SHCOMP (CN)	3,110.48	+0.10%	+0.84%
SENSEX (IN)	65,508.32	▼0.92%	▼1.09%
JSE (ID)	6,937.83	+0.00%	▼0.77%
KLSE (MY)	1,440.11	+0.00%	▼0.56%
PSE (PH)	6,385.52	+0.17%	+4.77%
SET (TH)	1,482.14	▼1.00%	▼2.12%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	287.06	▲0.14%	+0.39%
COPPER (LME)	8,167.05	+1.37%	+0.46%
IRON ORE (CN)	120.77	+0.08%	▲0.11%
GOLD	1,864.87	▲0.55%	▲2.87%
OIL (WTI)	91.71	▼2.10%	+2.32%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	149.35	EUR/USD	1.0562
USD/SGD	1.3661	USD/THB	36.59
JPY/SGD	0.9147	USD/MYR	4.694

Forecast

USD/JPY	148.80 - 149.80
EUR/USD	1.0500 - 1.0600
AUD/USD	0.6350 - 0.6480
USD/SGD	1.3620 - 1.3720
JPY/SGD	0.9092 - 0.9220
USD/CNH	7.2850 - 7.3200
USD/INR	83.00 - 83.30
USD/IDR	15450 - 15600
USD/MYR	4.690 - 4.720
USD/PHP	56.85 - 57.35
USD/THB	36.40 - 36.80

Today's Direction

	Bull	Bear
USD/SGD	1	3
USD/JPY	1	3

Three Take-aways:

- 1) US equities and treasuries cling onto softer GDP and policy pivot hopes to make mild recovery.
- 2) US Government shutdown will impact economic data release and hamper sentiments.
- 3) Vietnam's likely uptick for Q3 GDP may be downbeat in underlying sectoral details as slowing credit bites.

Bad News is Good News?

- Given the battering of US equities and Treasuries thus far, their **rebound appears to be hanging on the usual rendition of Bad News is Good News. Q2 US GDP was revised downwards on much lower personal consumption** which re-ignited bets for Fed policy pivots especially alongside dovish Fed speak. - Amid the utterly low initial jobless claims print which ought to support a higher for longer Fed, Chicago Fed President Goolsbee sounded cautious as he alluded to structural shifts in post-pandemic labour-price dynamics to warn against over-tightening. Consequently, UST yield curve bull steepened with 2Y UST yields plunging 7.7bp and 10Y UST yield down 3.3bps. - The USD lost ground against all G10 peers. In Europe, yields surged amid a double whammy from Gilts selling off and higher headline inflation in Spain. EUR recover above mid-1.05. In Asia FX, USD/JPY remains buoyed above 149. USD/SGD dropped below mid-1.36 and AUD re-gained 64 cents. - With growth still subordinated to the inflation objective, tonight's PCE deflator print will challenge "Good News is Bad News". Nonetheless, it is better than No News should the US government shutdown.

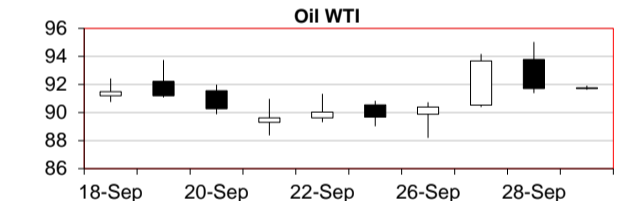
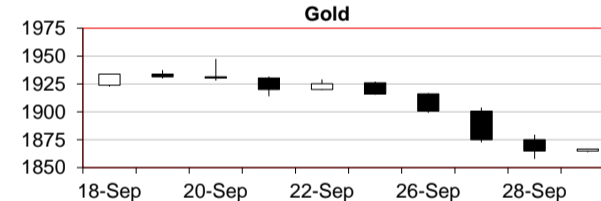
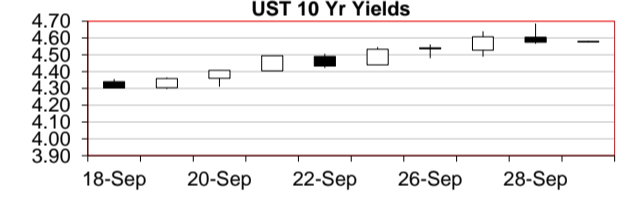
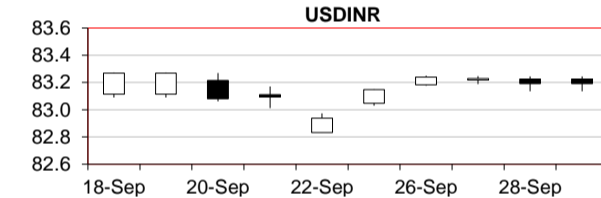
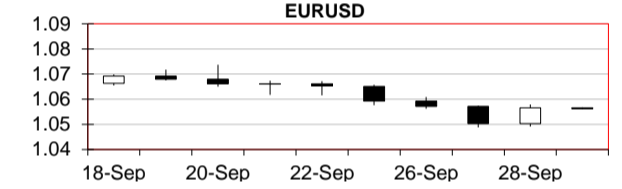
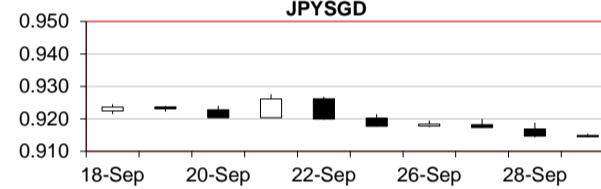
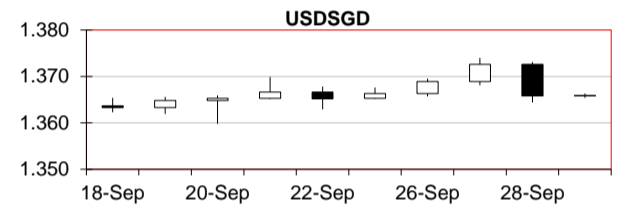
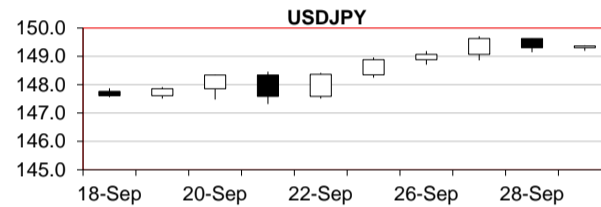
US Risk: Downtime and Downgrades

- Increasingly, given that the looming deadline (30 Sep), the **focus is inevitably turning to the length of the shutdown which typically ranged from 16-35 days and the consequently impact.** - There is still a slim chance to **delay a shutdown via a Continuing Resolution (CR)** in the event that the 12 different appropriations bills are not passed. Nonetheless, risks from a shutdown are imminent. - On top of some federal employees and contractors being unpaid, a broad swathe of activities from airport security checks to national park services will be impacted. Admittedly, the **direct aggregate macroeconomic impact is likely to be small* and temporary** given that a rebound will follow suit when federal funding resumes.

OVERNIGHT RESULTS

(AU) Retail Sales MoM (Aug): 0.2% (Mkt: 0.3% ; Jul: 0.5%) | (US) Kansas City Fed Manf. Activity (Sep): -8 (Mkt: -2; Aug: 0) | (US) Initial Jobless Claims (Sep-23): 204k (Mkt: 215k; Prev: 202k) | (US) GDP Annualised QoQ (2Q T): 2.1% (Mkt: 2.2%; Prev: 2.1%)

* Past Two Weeks Movement *



- That said, relative to the current threat, the 2019 shutdown was "partial" as a majority of services were still running. **Indirectly, uncertainty** over 'downtime' may also delay investment decisions. And more importantly, **economic data release** such as CPI prints and next week's non-farm payroll may be **suspended** by a shutdown which will **hamper clarity for Fed policy.**

- While a government shutdown is not the same as a debt default, **risk sentiments** are likely to be **down** especially after Moody's earlier warning on the possibility of a **US credit rating downgrade.**

Vietnam: Uptick but Still Downbeat

- While our expectations are for Vietnam to record a **modest uptick in Q3 GDP growth from Q2's dismal 4.4% print, risks** are skewed to the downside with a below 5% YoY print a clear possibility. Notably, the **high base effects** from a year ago already implies a restrained statistical outturn.

- Given the August industrial production saw decent broad based expansion across industries, **manufacturing output is project to post a moderate recovery** in Q3.

- On services, peak tourist season saw a **17.7% surge in average visitor arrivals (Aug-Jul)** relative to Q2 which buoys hospitality sector. Nonetheless, this is **unlikely to be an outright services outperformance** as financial and insurance sector may drag given subdued credit expansion.

- Meanwhile, **headline inflation is likely to remain elevated** on higher petrol prices and food inflation. The recent VND weakening may also exert imported inflation pressures. - Nonetheless, **base effects from higher education fees in September 2022** that have already been adjusted down over the course of 2023 will imply that the **actual print may be mellowed.**

*CBO estimated ~0.2% of GDP for the 35 day shutdown in 2019

FX Daily Outlook

- EUR/USD: Headline inflation upside may allow cautious testing of 1.06 but rallies elude.
- USD/JPY: Softer UST yields may allow sub-149 slips but higher oil prices buoy.
- USD/SGD: Gains checked by CNH, mid-1.36 consolidation the base case for now.
- AUD/USD: Energy price backstop may allow trading above 64 cents.

TODAY'S EVENTS

(JP) Retail Sales YoY (Aug): (Mkt: 6.6%; Jul: 7.0%) | (JP) Industrial Production (Aug P): (Mkt: -4.6%; Jul: -2.3%)
(VN) GDP YoY (3Q): (Mkt: 5.0%; 2Q: 4.4%) | (VN) CPI YoY (Sep): (Mkt: 3.2%; Aug: 3.0%) |
(TH) Current Account Balance (Aug): (Mkt: \$660m; Jul: s-\$445m)
(EZ) CPI/Core Yoy (Sep): (Mkt: 4.5%/4.8% Aug: 5.2%/5.3%)
(US) Uni of Mich. Sentiment/1-Yr/5-10Yr Inflation Expectations (Sep F): (Mkt: 67.7/--/--; Prev: 67.7/3.1%/2.7%)
(US) PCE Deflator/Core YoY (Aug): (Mkt: 3.5%/3.9%; 3.3%/4.2%) | (US) MNI Chicago PMI (Sep): (Mkt: 47.6; Aug: 48.7)

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