

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.33	141.73	+1.66	+2.93
EUR	1.1129	1.1124	▼0.0006	▼0.0104
AUD	0.6758	0.6729	▼0.0050	▼0.0109
SGD	1.3282	1.3307	+0.0037	+0.0092
CNY	7.1761	7.1876	+0.0080	+0.0456
INR	82.01	81.96	▼0.04	▼0.21
IDR	15027	15025	+37	+67
MYR	4.5587	4.5627	+0.0194	+0.0360
PHP	54.74	54.75	+0.22	+0.34
THB	34.41	34.45	+0.46	▼0.17

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.835%	▼1.5 bp	+0.3 bp
JPY (10YR)	0.450%	▼1.7 bp	▼3.1 bp
EUR* (10YR)	2.439%	▼1.8 bp	▼4.2 bp
AUD (5YR)	3.895%	+4.8 bp	+2.1 bp
SGD (5YR)	2.995%	+0.9 bp	▼5.1 bp
CNY (5YR)	2.397%	▼0.3 bp	▼3.5 bp
INR (5YR)	7.067%	+0.4 bp	▼0.4 bp
IDR (5YR)	5.912%	+1.9 bp	+5.7 bp
MYR (5YR)	3.574%	+2.2 bp	+3.9 bp
PHP (5YR)	6.140%	+7.5 bp	▼2.9 bp
THB (5YR)	2.359%	+1.6 bp	+2.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,227.69	+0.01%	+2.08%
N225 (JP)	32,304.25	▼0.57%	▼0.27%
STOXX 50 (EU)	4,391.41	+0.40%	▼0.20%
ASX (AU)	4,182.58	+0.11%	+3.11%
STI (SG)	3,278.30	+0.12%	+0.91%
SHCOMP (CN)	3,167.75	▼0.06%	▼2.16%
SENSEX (IN)	66,684.26	▼1.31%	+0.94%
JSE (ID)	6,880.80	+0.24%	+0.16%
KLSE (MY)	1,413.52	+0.49%	+0.10%
PSE (PH)	6,647.56	+0.52%	+0.34%
SET (TH)	1,529.25	+0.53%	+0.75%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.48	+0.65%	+2.10%
COPPER (LME)	8,422.50	▲0.45%	▲2.76%
IRON ORE (CN)	113.11	▲0.39%	▲0.60%
GOLD	1,961.94	▲0.39%	+0.34%
OIL (WTI)	77.07	+1.90%	+2.19%

Three Take-aways:

- 1) Ahead of Fed, ECB and BoJ, markets preferred the sidelines. But latent volatility remains.
- 2) Some bias for caution; as hopes of "big bang" China stimulus were disappointed in scale and form.
- 3) Chronic confidence deficit set a much higher bar stimulus; keeping economic and CNH risks intact.

Bated Breath or Just Baited?

- The preference for side-lines and consolidation ahead of the **big central bank week** (Fed, ECB & BoJ) may be inferred from extremely muted equity market moves, subdued shifts in UST yields and a fairly flat USD into the NY session (after early European bump-up).

- So, there appears to be a **sense of bated breath** as markets await pronouncements that may validate "peak Fed" bets; so as to **position for more "risk on"**.

- *But equally, those paying attention to the finer points appreciate that the Fed may keep September FOMC "live"*. In which case, there is reason to be **baited into a bull market that sours**.

- At least initially on disappointment that demands paring down overdone Fed pivot bets.

- **Speaking of disappointments**, it is hard not to allude to the **build-up of feverish hopes for "bazooka"-type stimulus for China** that fizzled into underwhelming references to urban redevelopment and consumption stimulants. Point being, it is **not for the lack of a response**, but the **glaring shortfall** to meet a much higher bar **for a resolution** to China's economic woes.

China: Mistaking Response for Resolution

- After disappointing Q2 GDP data that missed a mark that was subpar to begin with, particularly once exceptionally flattering base effects are backed out;

- the frenzy of calls for stimulus is an utterly unsurprising; understandable even.

- But there is a **need to discern between a hollow response and a holistic resolution**.

- And the bar is dauntingly high for China to achieve the latter.

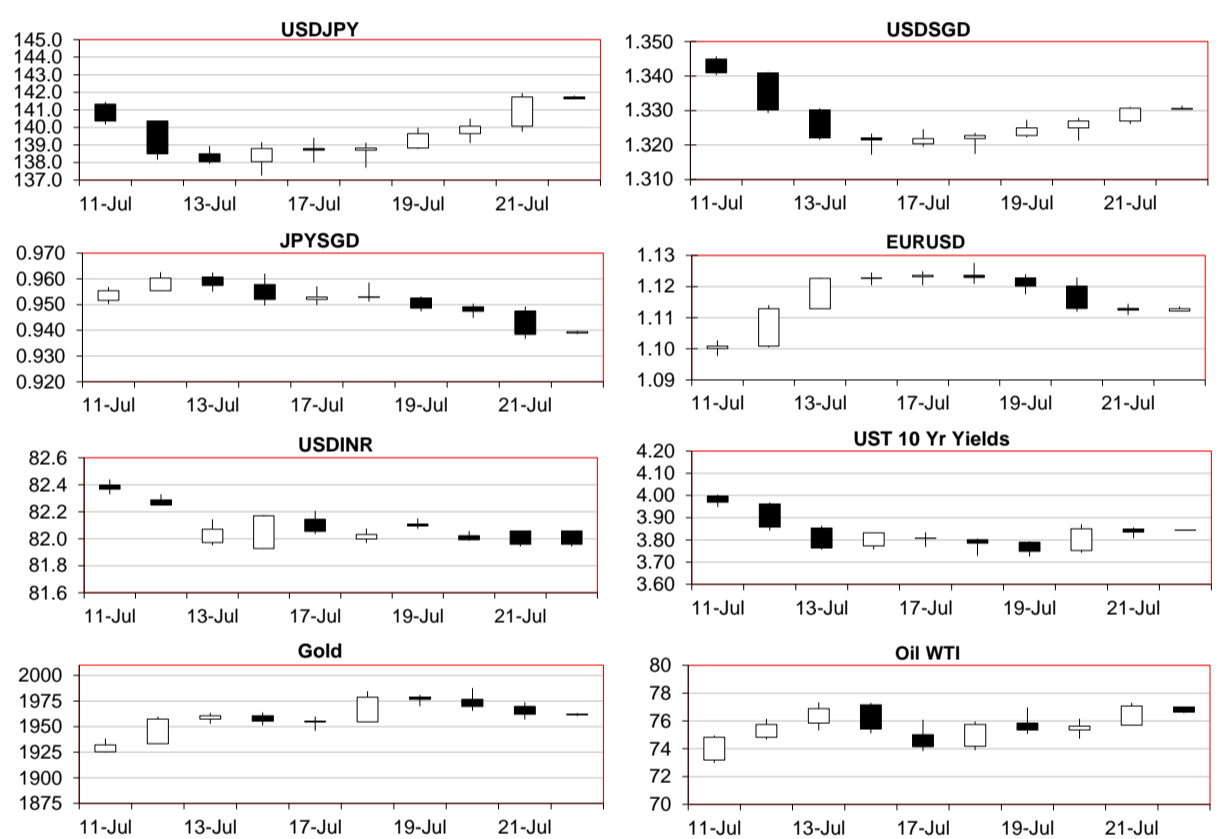
- **To be sure**, it would be a mistake to doubt Beijing's ability to crank up fiscal/monetary levers to achieve the "around 5%" growth target. In fact, it might even deliver marginally above.

- Nevertheless, that (achieving 2023 growth target) was never the source of concern.

- Instead **structural impediments bearing down on underlying growth momentum has always been our bugbear** (as we have on many occasions taken the pain to point out).

OVERNIGHT RESULTS

* Past Two Weeks Movement *


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	141.75	EUR/USD	1.1125
USD/SGD	1.3312	USD/THB	34.41
JPY/SGD	0.9392	USD/MYR	4.563

Forecast

USD/JPY	140.30 - 142.70
EUR/USD	1.1060 - 1.1220
AUD/USD	0.6680 - 0.6800
USD/SGD	1.3260 - 1.3350
JPY/SGD	0.9292 - 0.9515
USD/CNH	7.1730 - 7.2240
USD/INR	81.60 - 82.30
USD/IDR	14980 - 15080
USD/MYR	4.555 - 4.586
USD/PHP	54.50 - 54.88
USD/THB	34.30 - 34.60

Today's Direction

	Bull	Bear
USD/SGD	6	1
USD/JPY	6	1

- Whereas, any serious analysis reveals; i) **structural credit constraints**; ii) **crippling confidence deficit from a conspiracy of socio-economic, housing, political-policy uncertainty and**; iii) **geopolitical threats**; pose **unremitting structural challenges to China's economic revival**.

- In which case, **recent stimulus response aimed at** a range of levers, from **relaxations of credit, tech, property to boost for construction and consumption** are **all at risk of falling short**.

- In particular, failing to revive requisite confidence to unleash "animal spirits", which is what China is in dire need of. Meanwhile rising youth unemployment is hardly a source of comfort.

- Fact is, **low rent monetary easing or fiscal lift** from already indebted local governments are **mere response**. **Not a resolution for the profound confidence crisis that China is facing** in the wake of a (mostly self-inflicted) property sector implosion and earlier private sector crackdown not adequately redressed; all in the midst of unprecedented geo-political challenge.

- What this means is that the **bar for a resolution remains exceptionally high**. And that exposes Beijing to waves of hopes crashing into the unforgiving rocks of disappointment.

- **We have yet to revise our 2023 China GDP forecast of 5.2% down** (in the frenzy of recent waves of downgrades elsewhere). This is not a reflection of optimism, but the possibilities of arithmetic amid base effects. **Whereas we were never swayed by earlier exuberance that saw 6-7% China growth calls in the wake of Q1 GDP gains on re-opening either**.

- Moreover, **China's low inflation is not unqualified, policy latitude; as any attempt to exploit that (with monetary easing) poses dangers to an already compromised renminbi**.

FX Daily Outlook

- EUR/USD: Pre-FOMC and cognisance of "rich" EUR hampering traction to 1.12.

- USD/JPY: Backstop in yields ahead of FOMC and ECB squeezing above 141 for now.

- USD/SGD: JPY and CNH slippage to buoy sub-1.33 to high-1.33.

- AUD/USD: China stimulus shortfall may weigh on AUD for now; slippery around 0.68+.

TODAY'S EVENTS

(JP) PMI - Mfg/Services (Jul P): 49.4/53.9 (Jun: 49.8/54.0)

(SG) CPI/Core YoY (Jun): (Mkt: 4.4%/4.2%; May: 5.1%/4.7%) | (MY) CPI YoY (Jun): (Mkt: 2.5%/May: 2.8%)

(TW) Industrial Production YoY (Jun): (Mkt: -16.6%/May: -15.7%)

(EZ) PMI-Mfg/Services (Jul P): (Mkt: 51.6/43.5; Jun: 52.0/43.4)

(US) Chicago Fed Nat activity Index (Jun): (Mkt: -0.2 May: -0.2)

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.