

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.91	158.06	+0.23	▼2.77
EUR	1.0895	1.0894	▼0.0013	+0.0070
AUD	0.6778	0.6760	▼0.0024	+0.0023
SGD	1.3423	1.3438	+0.0029	▼0.0062
CNY	7.2636	7.2583	+0.0079	▼0.0098
INR	83.57	83.60	+0.07	+0.10
IDR	16170	16170	+32	▼85
MYR	4.6721	4.6735	+0.0020	▼0.0352
PHP	58.48	58.47	+0.09	▼0.06
THB	36.25	36.21	+0.02	▼0.26

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.229%	+4.7 bp	▼4.9 bp
JPY (10YR)	1.065%	+0.0 bp	▼3.0 bp
EUR* (10YR)	2.472%	▼2.4 bp	▼6.8 bp
AUD (5YR)	4.052%	▼0.6 bp	▼6.7 bp
SGD (5YR)	3.038%	▼5.8 bp	▼15.2 bp
CNY (5YR)	1.970%	▼2.0 bp	▼5.1 bp
INR (5YR)	6.960%	▼1.8 bp	▼3.1 bp
IDR (5YR)	6.869%	+1.9 bp	▼4.1 bp
MYR (5YR)	3.623%	+0.2 bp	▼2.5 bp
PHP (5YR)	6.061%	▼0.2 bp	▼11.9 bp
THB (5YR)	2.374%	+0.6 bp	▼4.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	40,211.72	+0.53%	+2.20%
N225 (JP)	41,190.68	+0.00%	+1.01%
STOXX 50 (EU)	4,983.11	▼1.19%	+0.27%
ASX (AU)	4,490.19	▼0.72%	+0.19%
STI (SG)	3,499.89	+0.06%	+2.80%
SHCOMP (CN)	2,974.01	+0.09%	+1.76%
SENSEX (IN)	80,664.86	+0.18%	+0.88%
JSE (ID)	7,278.86	▼0.66%	+0.38%
KLSE (MY)	1,629.82	+0.66%	+1.17%
PSE (PH)	6,689.37	+0.62%	+2.45%
SET (TH)	1,327.43	▼0.35%	+0.37%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	288.39	▲0.71%	▲0.87%
COPPER (LME)	9,652.55	▲0.76%	▲1.10%
IRON ORE (CN)	109.42	+0.34%	+0.16%
GOLD	2,422.27	+0.45%	+2.68%
OIL (WTI)	81.91	▼0.36%	▼0.51%

Three Take-Aways:

1. Buoyed US equities, backstopped USD and a steeper UST curve reveal "Trump trades".
2. Powell leans in on impending cuts, suggesting "add(ed) confidence" on dis-inflation..
3. China gloom underpin soft CNY, with PBoC restraint on rate cuts of limited help. Plenum watched.

Trump Trades (Ad)Vance

- The so-called Trump trades have advanced, albeit in a measured way, as Trump 2.0 prospects surged after the foiled assassination attempt. Picking Ohio Senator J.D. Vance as his (VP) running mate was also perceived as being accretive to Trump's bid for a second term. Presumably as a much younger running mate with Mid-West appeal is assumed to benefit from wider net cast for votes. US equities are marginal (0.3-0.5%) higher, USD is backstopped while UST yields are steeper (and mildly higher). To some extent, "Trump-flation" may be buoying yields. But as pointed out in yesterday's Macro Themes note, this will be further out. Whereas Fed rate cuts will precede into mid-2025 (at least), making room for bull steepening (led by front-end yield drop). For now, as USD is backstopped and China concerns persist, AXJ will be constrained, if not compromised.

China's Confidence Crisis

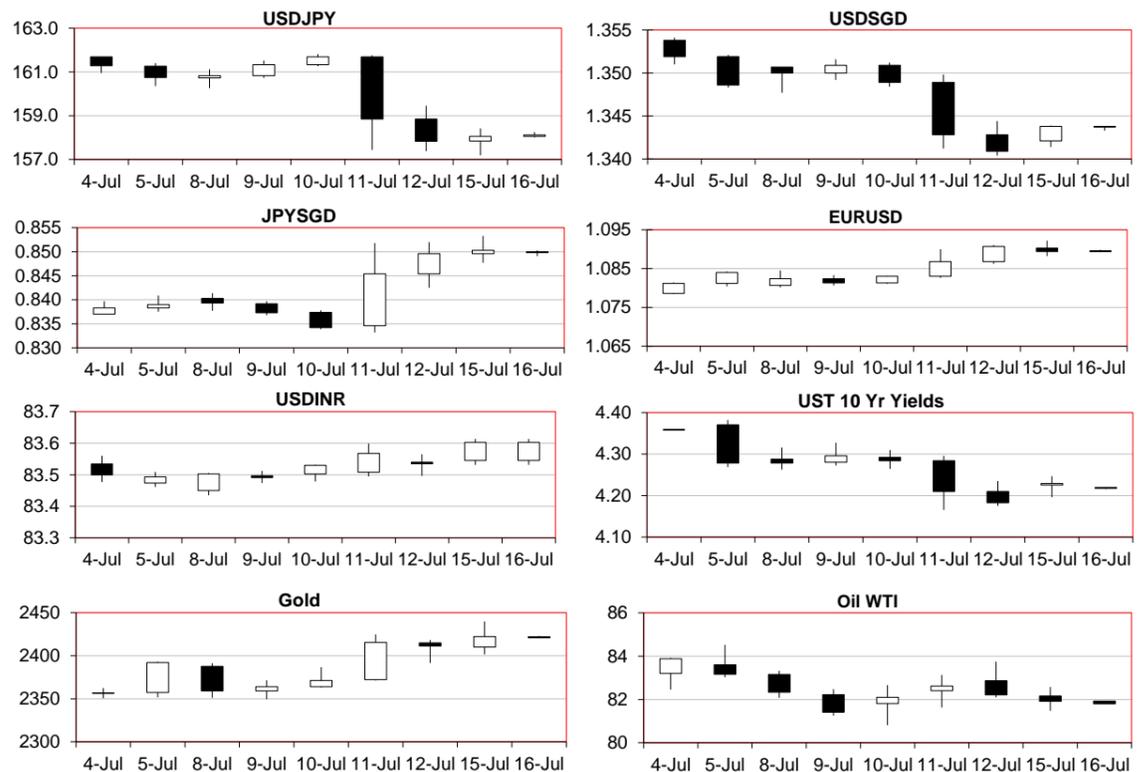
- The worry with China is not disappointing GDP print itself, but dire underlying growth prospects amid chronic confidence deficit. For the record, Q2 GDP at 4.7% YoY, was wide of the mark (vs. 5.1% expectations), tipping full-year 2024 to the softer side of the "around 5%"* target. Property gloom, for all the stops that were pulled, remain unrelenting. Private sector investments are languishing. And retail sales miss reveals struggling consumption. All of which are connected back to China's worrying entrenched confidence crisis. Which resonates with PBoC Governor Pan Gonsheng's assessment that credit demand, not supply, being the constraint. Trouble is, this confidence crisis may prove hard to snap, entrenching on a pernicious conspiracy of balance sheet shocks* and income (including expectations)** setback. Accordingly, we do not expect significant knee-jerk rate cuts or indiscriminate credit push.

* Mostly resulting from the property market gloom, with confidence deficit now perversely impairing recovery on easing measures

OVERNIGHT RESULTS

(CH) Industrial Production YoY (Jun): 5.3% (Mkt: 5.0%; May: 5.6%) | (CH) GDP YoY/SA QoQ (2Q): 4.7%/0.7% (Mkt: 5.1%/0.9%; 1Q: 5.3%/1.6%) | (CH) FAI/Property Investment YTD YoY (Jun): 3.9%/-10.1% (Mkt: 3.9%/-10.3%; May: 4.0%/-10.1%) | (CH) Retail Sales YoY (Jun): 2.0% (Mkt: 3.4%; May: 3.7%) | (ID) Exports/Imports YoY (Jun): 1.2%/7.6% (Mkt: 4.8%/7.2%; May: 2.9%/-8.8%) | (IN) Exports/Imports YoY (Jun): 2.6%/5.0% (May: 9.1%/7.7%) | (IN) Wholesale Prices YoY (Jun): 3.4% (Mkt: 3.6%; May: 2.6%) (PH) Overseas Cash Remittances YoY (May): 3.6% (Mkt: 2.9%; Apr: 3.1%) | (US) Empire Manufacturing (Jul): -6.6 (Mkt: -7.6; Jun: -6.0) | (EZ) Industrial Production WDA YoY (May): -2.9% (Mkt: -3.6%; Apr: -3.1%)

Past Two Weeks Movement*



** Widely reported pay cuts/delays in private and public sectors exacerbated by gloomy job market prospects and high youth unemployment dampening career prospects and income expectations.

... Not Assuaged by Industrial Brightspot

- To be sure, the details were not all bad. Industrial activity was a bright spot, outpacing expectations (of 5.0% YoY with 5.3% YoY); up 6.0% on the year for H1. So, the half-full take may be that China will be lifted to "escape velocity" led by exports-driven industrial sector rebound. But the idea of industrial offset-turned-rescue is overly-optimistic given a daunting conspiracy of geo-economic, policy, and structural headwinds.

- **Geo-economic Headwinds:** Most glaringly, mounting geo-political tensions and trade antagonism taking aim at China's "overcapacity" warn of exports-industrial disruption. This risk of dampened exports-pull industrial may be accentuated by heightened uncertainty that accompanies Trump 2.0 but will not be absolved by Biden 2.0.

- **Policy Risks:** What's more, lagged tightening effects of global monetary policy on aggregate demand threaten to dampen China's exports-led manufacturing lift. Especially as sharp policy trade-offs between CNY/financial stability and stimulus constrain scope for credit-driven growth boost.

- **Structural Risks:** Most worryingly, a culmination of less advantageous demographic shifts, adverse wealth effects, confidence setback and persistent geo-political threats fundamentally hobble growth potential. Point being, the "uneven" economy is not merely a problem of asynchronous industrial-consumption cycles. So, counter-cyclical policies alone will not suffice; even if the trade-offs are manageable/palatable.

FX Daily Outlook

- EUR/USD: French woes dialling back rate cut expectations temper declines below mid-1.08.
- USD/JPY: Two-sided risks remain after sharp strength last Friday.
- USD/SGD: Continue to see consolidation below mid-1.34 levels.
- AUD/USD: Dips below mid-67 cents would be tempered by comparatively hawkish RBA.

TODAY EVENTS

(US) Retail Sales Advance/Ex Auto and Gas MoM (Jun): (Mkt: -0.3%/0.2%; May: 0.1%/1.1%) | (EZ) Trade Balance SA (May): (Mkt: 18.1b; Apr: 19.4b) | (JP) Tertiary Industry Index MoM (May): (Mkt: 0.1%; Apr: 1.9%) | (GE) ZEW Survey Expectations/Current (Jul): (Mkt: 41.0/-74.8; Jun: 47.5/-73.8)

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	158.15	EUR/USD	1.0898
USD/SGD	1.3435	USD/THB	36.14
JPY/SGD	0.8495	USD/MYR	4.672

Forecast

USD/JPY	155.00 - 160.00
EUR/USD	1.0820 - 1.0940
AUD/USD	0.6730 - 0.6830
USD/SGD	1.3380 - 1.3480
JPY/SGD	0.8363 - 0.8697
USD/CNH	7.2500 - 7.2900
USD/INR	83.40 - 83.90
USD/IDR	16000 - 16300
USD/MYR	4.630 - 4.700
USD/PHP	58.00 - 58.80
USD/THB	35.90 - 36.40

Today's Direction

	Bull	Bear
USD/SGD	3	1
USD/JPY	2	2

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