

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	156.20	157.37	+1.17	▼1.47
EUR	1.0930	1.0897	▼0.0042	+0.0029
AUD	0.6737	0.6706	▼0.0023	▼0.0053
SGD	1.3404	1.3440	+0.0035	+0.0012
CNY	7.2582	7.2621	+0.0000	+0.0042
INR	83.63	83.66	+0.07	+0.09
IDR	16157	16157	+57	▼38
MYR	4.6662	4.6695	+0.0053	▼0.0180
PHP	58.23	58.25	▼0.07	▼0.06
THB	35.93	35.97	+0.09	▼0.30

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.202%	+4.4 bp	▼0.8 bp
JPY (10YR)	1.042%	+0.1 bp	▼4.8 bp
EUR* (10YR)	2.432%	+1.1 bp	▼3.1 bp
AUD (5YR)	3.985%	+1.1 bp	▼12.8 bp
SGD (5YR)	3.004%	+3.0 bp	▼18.6 bp
CNY (5YR)	1.972%	+0.5 bp	▼2.3 bp
INR (5YR)	6.919%	▼0.9 bp	▼6.6 bp
IDR (5YR)	6.823%	▼0.1 bp	▼7.1 bp
MYR (5YR)	3.595%	▼0.2 bp	▼4.1 bp
PHP (5YR)	6.108%	+1.0 bp	▼1.7 bp
THB (5YR)	2.366%	▼0.1 bp	▼1.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	40,665.02	▼1.29%	+2.29%
N225 (JP)	40,126.35	▼2.36%	▼4.97%
STOXX 50 (EU)	4,870.12	▼0.44%	▼2.13%
ASX (AU)	4,501.39	+0.27%	▼0.16%
STI (SG)	3,471.16	▼0.53%	▼0.11%
SHCOMP (CN)	2,977.13	+0.48%	+0.23%
SENSEX (IN)	81,343.46	+0.78%	+1.81%
JSE (ID)	7,321.07	+1.34%	+0.28%
KLSE (MY)	1,633.81	+0.02%	+0.66%
PSE (PH)	6,705.01	+0.26%	+1.45%
SET (TH)	1,324.76	+0.38%	▼0.35%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	285.59	▲0.16%	▲1.66%
COPPER (LME)	9,254.90	▲2.47%	▲3.87%
IRON ORE (CN)	107.71	+0.21%	▲1.10%
GOLD	2,445.08	▲0.56%	+1.23%
OIL (WTI)	82.82	▼0.04%	+0.24%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	157.15	EUR/USD	1.0901
USD/SGD	1.3437	USD/THB	36.16
JPY/SGD	0.8551	USD/MYR	4.667

Forecast

USD/JPY	153.00 - 159.00
EUR/USD	1.0840 - 1.0950
AUD/USD	0.6620 - 0.6760
USD/SGD	1.3370 - 1.3470
JPY/SGD	0.8409 - 0.8804
USD/CNH	7.2300 - 7.2900
USD/INR	83.40 - 83.90
USD/IDR	16000 - 16250
USD/MYR	4.620 - 4.680
USD/PHP	57.80 - 58.40
USD/THB	35.50 - 36.20

Today's Direction

	Bull	Bear
USD/SGD	0	2
USD/JPY	1	1

Three Take-Aways:

1. Broader sell-off across equities, bonds and Gold hints "liquidation", with attendant USD bounce.
2. "Goldilocks Unwind" amid Fed's growing concern about jobs downturn and ECB's "downside risks".
3. Third Plenum a damp squib with no details on stimulus. To hold back CNY amid softer sentiments.

Goldilocks Unwind: Rotation to Liquidation?

- Admittedly, there are more question than answers in terms of the motivation behind the market sell-off. Nonetheless, "walk, look and quack" were all pointing to proper "risk off" market, with liquidation edging out "rotation". An apparent reflex (albeit moderate rather than panicked) to get out of risk, and more generally assets, points to liquidation-type motivations.

- FX: Which squares with a broad-based USD bounce. Especially given USD dominance was across an entire spectrum of risk currencies to haven assets such as Gold.

- Equities were softer across Europe (EuroStoxx: -0.4%) and Wall St. S&P500 stumbled 0.8% (Dow: -1.3%), with Nasdaq down 0.7%.

- UST yields were nudged higher, with some mild steepening to show for it (10Y: +4-5bp; 2Y: +3bp).

- Admittedly, the temptation to attribute a stronger USD and (mild) bear steepening to "Trump trades" is understandable. But that (mental) path of least resistance does not hold up to scrutiny. For one, risk has come off in equities, at odds with "Trump trades" based on his de-regulation, tax cuts and specific industry boost. What's more, Gold and Bitcoin have drooped, which defy USD debasement risks (from higher US debt and fiscal slippage) and bets on Bitcoin-friendly regulations by Trump. So, question is, if Trump 2.0 is not culpable, what is driving markets and calibrated liquidation? Our best guess is a mix of opportunism and caution as "Goldilocks unwind" is triggering risk off, with just shades of "Cash is King".

* For specificity, this reference to funds coming out of large-cap into smaller-cap to exploit a broadening of equity market bull run amid Fed rate cuts.

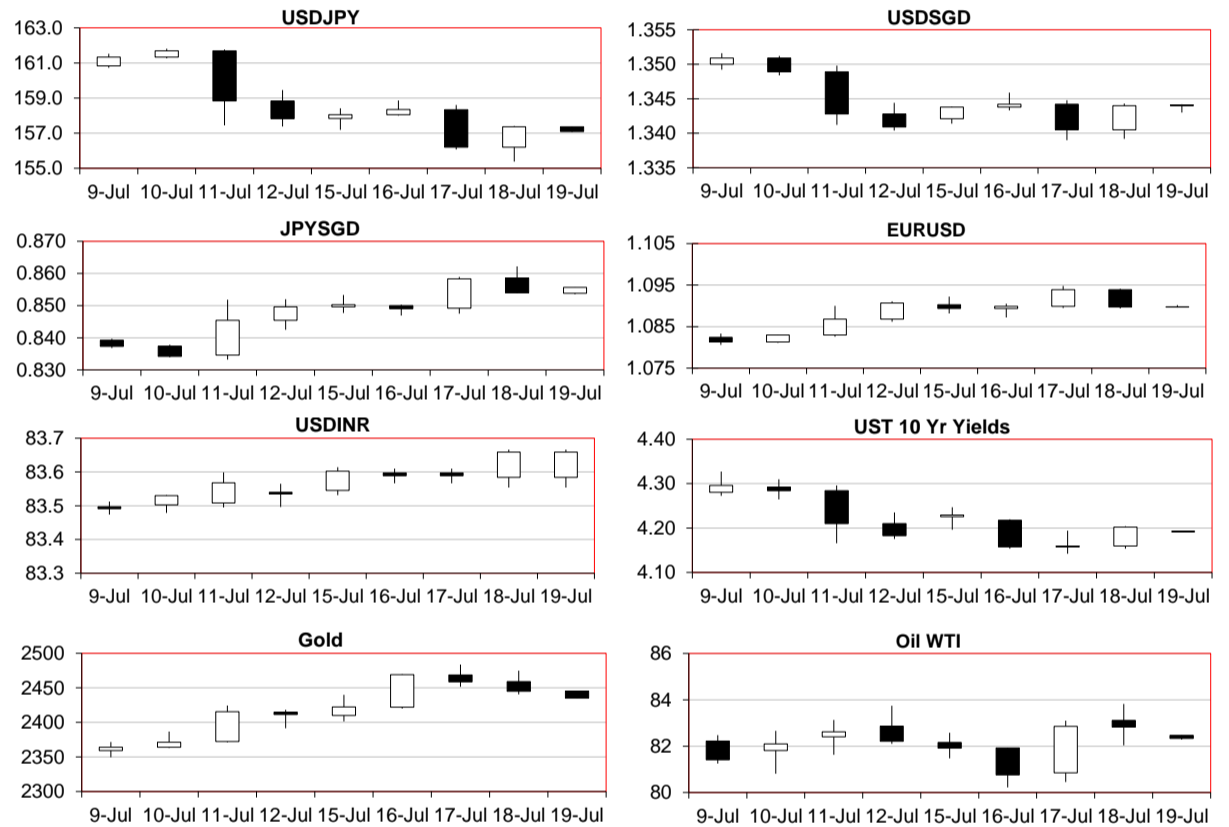
The Fed: Job Not done to Jobs Undone?

- The Fed, while probably not solely to blame, may inadvertently be a key factor for this 'Goldilocks Unwind'. Specifically, with regards to a Fed that is turning increasingly worried about jobs deterioration. Enough for it to factor more prominently calculus.

OVERNIGHT RESULTS

(JP) Trade Balance (Jun): 224.0b (Mkt: -¥185.7b; May: -¥1220.1b) | (AU) Unemployment Rate/Emp. Change (Jun): 4.1%/50.2k (Mkt: 4.1%/20.0k; May: 4.0%/39.7k) | (MY) Exports/Imports YoY (Jun): 1.7%/17.8% (Mkt: 3.3%/15.5%; May: 7.1%/13.4%) | (US) Initial Jobless Claims: 243k (Mkt: 229k; prev: 223k) | (US) Philadelphia Fed Business outlook (Jul): 13.9 (Mkt: 2.9; Jun: 1.3) | (US) Leading Index (Jun): -0.2% (Mkt: -0.3%; May: -0.5%)

Past Two Weeks Movement



- This provides nuance of why markets went from broadening bull markets ("Great Rotation") to being wary of bull traps ("risk off" amid bear steepening). Point being, the Fed lurching from "job not done" on inflation to jobs/the job market becoming undone reveals risks of non-linearity. That's to say, an abrupt downturn in jobs/demand, wrong-footing the Fed; thereby hijacking "Goldilocks" soft-landing assumptions. And in this scenario, belated (and even rushed) Fed rate cuts may at least initially trigger "risk off", not a broadening bull rotation.

ECB: "Wide Open" ... to Growth Downside?

- The ECB had something for everybody - both hawks and doves. But it's fair to conclude some complicity with regards to "Anti-Goldilocks" impulses. Especially given that in aggregate the mix of macro threats appear to be culminating (rather than cancelling off) into accentuated stagflation-type risks at the margin. So, the Sep ECB decision being "wide open" on data-dependence may tragically be just wide open to downside risks amid backward bias.

China: Plenum, Not Panacea

- As we had expected China's Third Plenum was no far more entrenched China woes. In fact, it was a damp squib. Apart from very broad-brush platitudes devoid of stimulus, economic policy references of quality over quantity may also imply willingness to stomach slower overall growth.

- The Politburo is where doubts amid a dearth of details could be addressed. But misgivings rather than benefit of the doubt may be preferred. China headwinds and attendant CNY drag weigh on AXJ. And elucidates why AUD is wobbling despite a strong jobs report that underpins RBA rate advantage (over Fed).

FX Daily Outlook

- EUR/USD: Hesitancy on further ECB cuts should backstop declines at 1.08.
- USD/JPY: Upside risks on stable inflation which could rein back expectation of BoJ's tightening.
- USD/SGD: Softer CNH and EUR should retain buoyancy above 1.34 handle.
- AUD/USD: Resilient labour markets should moderate declines below 67 cents.

TODAY EVENTS

(JP) Natl CPI/Ex Fresh Food, Energy YoY (Jun): 2.8%/2.2% (Mkt: 2.9%/2.2%; May: 2.8%/2.1%)
(MY) GDP YoY (2Q A): (Mkt: 4.7%; 1: 4.2%)
(PH) BoP Overall (Jun): (May: \$1997m)
(EZ) ECB Current Account SA (May): (Apr: 38.6b)

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