

Aug 19, 2024

Three Take-Aways

1) US consumer sentiments improving on US election related-changes rather than improving current conditions does not inspire markets.

2) Fed's Goolsbee struck a dovish tone with his warning on labour markets aiding the slippage in UST yields.

3) Thailand Q2 GDP growth to pick up though remain below trend amid robust services support and moderate manufacturing recovery.

MACRO THEME: Low Base, High Expectations?

- Last Friday, markets struck a cautious tone to end the week on dovish Fed speak and soft economic data.

- US consumer sentiments improving from 66.4 in July to 67.8 in August and exceeded expectations. Nonetheless, markets were uninspired as UST yields declined after the print. It is perhaps worth noting that the increase in sentiments was due to Kamala Harris replacing Biden as the Democratic nominee for president. The survey also revealed that more consumers believe that Harris is the better candidate for the economy compared to Donald Trump, while Trump was seen to surpass Biden previously. Consequently, these forward looking sentiments did not lift consumers' views of current economic conditions which continued to decline.

- Demand concerns also evident in commodities with Brent crude prices declining ~2% to below US\$80 /barrel.

- Furthermore, Chicago Fed President Goolsbee also sounded rather dovish saying that some leading indicators of recession is flashing warning signs and alluded to credit card delinquencies and growing small business defaults. He cautioned that when things go wrong in the job market, they don't tend to do so at a slow basis. It tends to go up like a rocket and come down like a feather.

Yields (2Y: -4.3bps; 10Y: -3.6bps; 30Y: -3.0bps)

- In turn, USTs rallied across the curve as yields declined.

Equities (Nasdaq: +0.2%; S&P500: +0.2%; Dow: +0.2%)

- US equities edged up cautiously, having made a strong recovery for most of the week.

FX (DXY: -0.5%)

- The Greenback also lost ground against all G10 peers. The NZD led gains as RBNZ officials signalled uncertainty over rate cut path on uncertainty over how fast inflation will ease.

- AUD was also buoyed above mid-66 cents as Governor Bullock pushed back on near term cuts. Nonetheless, she has signalled a high bar to hike further by saying that 4.35% cash rate is "our peak", AUD bulls will be cautious to test 67 cents.

- JPY rode on lower UST yields which saw USD/JPY head towards 148 amid looming parliament session for Governor Ueda on 23 August.

- In EM-Asia, THB and PHP led losses last Friday with the latter haunted by the BSP's easing while the former weakened amid the process of leadership change as Pheu Thai leader Paetongtarn Shinawatra was elected by parliament on Friday to be Thailand's 31st Prime Minister.

- Nonetheless, while the leadership certainty is welcomed, markets await clarity over policy direction especially on the digital wallet scheme which at this (late stage) juncture pits economic soundness against sunk cost fallacy instincts and political pressures.

China: Policy Risks

- We believe the economy faces a significant threat from self-fulfilling deflation expectations, and the government's top priority should be to break this downward spiral early with more assertive measures.

- As such, we continue to anticipate coordinated fiscal and monetary support in the second half of 2024, given the pro-growth stance in China since the July Politburo meeting and an expected easing cycle in the US starting in September. However, we recognize the risk that it may take longer for Chinese officials to come to such a consensus during detailed implementation.

Thailand Q2 GDP: Below Trend Growth

- We expect Thailand's Q2 GDP to pick up from Q1's 1.5% to reach about 2.4% YoY in Q2 in part due to low base effects. Nonetheless, sequential QoQ growth momentum is expected to be sustained.

- The contraction in industrial production has continued to moderate aided by uptick in production in sectors such as food products as well as electrical and machinery equipment and Computer, Electronic & Optical Products.

- That said, the decline in motor vehicle production remains notable amid weak export demand, competition from China's automobile industry as well as subdued local sales. Auto loan standards were tightened amid the BoT's efforts to encourage responsible lending which better assess borrowers' ability to repay loans taking into account all obligations. This is also reflected by softer private consumption index with continued contraction in spending on durables on a YoY basis.

- Nonetheless, we expect the services sector to hold up as growth of expenditure on services hovers above 6% YoY. While the tourist arrivals have mellowed in Q2 as the peak travel season fades, hotels have managed to retain elevated occupancy rates (69.9%) relative to pre-Covid levels (68.1%) and room rates have also continued to rise to signal pricing power.

- On balance, this growth print remains a weak one as it remains below their pre-pandemic trend of around 3% from 2013-19 and on-going much needed debt delveraging efforts imply that the underperforming growth situation may persist.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(SG) Non-oil Dom. Exports YoY (Jul)	15.7%	1.2%	-8.7%
(MY) GDP YoY (2Q F)	5.9%	5.8%	5.8%
(US) Housing Starts/Building Permits(Jul)	1238k/1396k	1333k/1425k	1353k/1446k
(US) Uni. Of Mich Sentiment (Aug P)	67.8	66.9	66.4
(US) U Of Mich 1Yr Inflation (Aug P)	2.9%	2.9%	2.9%
(US) U Of Mich 5-10 Yr Inflation (Aug P)	3.0%	2.9%	3.0%
Today			
(MY) Exports/Imports YoY (Jul)	11.3%/16.1%	1.7%/17.8%	
(PH) BoP Overall (Jul)			-\$155m
(TH) GDP YoY (Q2)		2.1%	1.5%
(US) Leading Index (Jul)		-0.3%	-0.2%
(JP) Core Machine Orders YoY (Jun)		1.1%	10.8%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	147.63	147.94	▼1.11%	147.00 - 150.00
EURUSD	1.1027	1.1024	+0.50%	1.0990 - 1.1080
GBPUSD	1.2944	1.2946	+0.69%	1.2850 - 1.3000
AUDUSD	0.6669	0.6672	+0.86%	0.6000 - 0.6700
DXY	102.5	--	▼0.50%	102.0 - 103.5
USDCNY	7.1592	--	▼0.22%	7.1300 - 7.1890
USDCNH	7.1631	7.1640	▼0.23%	7.1300 - 7.1990
USDHKD	7.7942	7.7947	▼0.04%	7.7820 - 7.8100
USDSGD	1.3159	1.3158	▼0.49%	1.3100 - 1.3200
USDKRW	1350	1351	+0.00%	1338 - 1365
USDTWD	32.28	--	▼0.01%	32.20 - 32.50
USDINR	83.95	--	+0.00%	83.80 - 84.00
USDIDR	15690	--	▼0.03%	15550 - 15900
USDMYR	4.432	4.413	▼0.12%	4.400 - 4.470
USDPHP	57.24	--	+0.56%	56.80 - 57.40
USDTHB	35.03	34.60	+0.14%	34.80 - 35.40
USDVND	25063	25063	+0.07%	24900 - 25150

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.052	3.884	-4.3	-3.0
JGB (JP)	0.349	0.869	3.2	3.8
Bunds (GE)	2.430	2.245	-2.5	-1.5
Gilts (UK)	3.665	3.925	3.0	0.3
AGB (AU)	3.692	3.929	6.5	5.4
SGS (SG)	2.754	2.812	3.0	3.1
CGB (CN)	1.655	2.184	-0.5	-1.0
KGB (KR)	2.986	3.050	-3.1	-4.3
SDL (IN)	6.870	6.785	0.2	3.2

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	162.8	163.08	▼0.61%
GBP/JPY	191.11	191.509	▼0.42%
JPY/SGD (100yen)	0.8914	0.8894	+0.62%
JPY/HKD (100yen)	5.28	5.269	+1.10%
CNH/JPY	20.631	20.664	▼0.66%
CNH/HKD	1.0889	1.0888	+0.22%
EUR/GBP	0.85186	0.85157	▼0.21%
AUD/NZD	1.1018	1.1015	▼0.26%
EUR/CNH	7.8992	7.8976	+0.27%
GBP/CNH	9.2722	9.2742	+0.46%

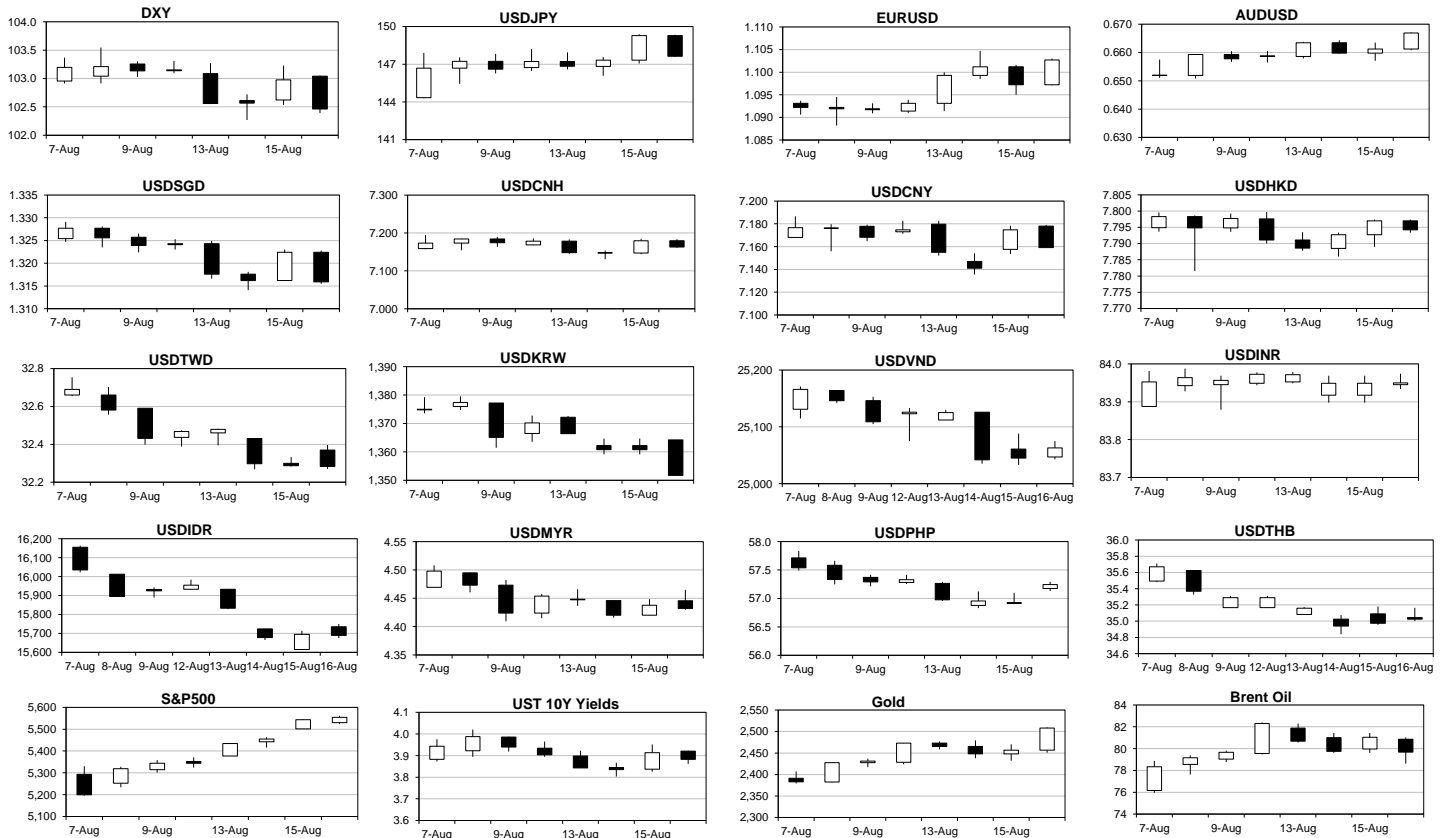
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5554.25	11.03	+0.20%
Nasdaq (US)	17631.72	37.22	+0.21%
DJIA (US)	40659.76	96.70	+0.24%
N225 (JP)	38062.67	1336.03	+3.64%
STOXX50 (EU)	4840.52	32.75	+0.68%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4544.97	-17.85	▼0.39%
STI (SG)	3352.89	37.16	+1.12%
SHCOMP (CN)	2879.43	2.07	+0.07%
SZCOMP (CN)	1548.933	-4.62	▼0.30%
HSI (HK)	17430.16	321.02	+1.88%
SENSEX (IN)	80436.84	1330.96	+1.68%
JSE (ID)	7432.09	22.59	+0.30%
KLSE (MY)	1623.9	10.96	+0.68%
PSE (PH)	6847.37	154.46	+2.31%
SET (TH)	1303	13.16	+1.02%
VNINDEX (VN)	1252.23	0.02	+2.34%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,006.25	-44.63	▼0.49%
IRON ORE (CN)	95.55	-5.94	▼7.6%
GOLD	2,508.01	51.22	+2.08%
SILVER	79.68	-1.36	▼1.68%
OIL (BRENT)	80	-1.36	▼1.68%
OIL (WTI)	76.65	-1.51	▼1.93%
NATURAL GAS	28.98	0.62	+2.20%

CHARTS



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