

Sep 13, 2024

## Three Take-Aways

- 1) Bets on a 50bps cut jumped higher on reports that policymakers were debating 25bps or 50bps alongside higher jobless claims and muted PPI details.
- 2) ECB cut as expected, but Lagarde's comments and revised projections moderated rate cut expectations.
- 3) Thailand's big picture policy statement welcomes cash handouts but awaits details on energy reform plans.

## MACRO THEME: Less Than Clear

- While the easing bias is clear, the size (for Fed) and timing of cuts (for ECB) are less so. And that was evidenced in yesterday's session.

- **Bets on a 50bps cut by the Fed jumped** to 37% on reports that policymakers were considering whether to cut by 25bps or 50bps. The move reversed the decline in wagers post-CPI and bets are now even higher than pre-CPI release (at 33%). Meanwhile, **initial jobless claims** printed slightly above expectations, with the **previous print revised upwards**; while PPI came in within expectations, but July's print was revised lower. **Categories that feed into Fed's preferred inflation gauge were muted.**

- Across the Atlantic, ECB proceeded with the widely expected rate-cut, but cautious notes in Lagarde's speech tempered expectations on the pace of cuts. Lagarde called domestic inflation "not satisfactory", and cautioned that inflation was expected to pick up in latter part of the year, with wages still rising at elevated rate even as she observed that profits partially offset higher labour cost. Projections for EZ growth for the next three years were downgraded, outlook for underlying inflation was nudged higher for 2024 and 2025. The **single mandate of the ECB** also means that the latter takes on greater importance and accentuates the upcoming inflation print. Accordingly, markets pared back bets on more than one cut by end-of-year.

- In Asia, BoJ's Tamura remarked that he believed the central bank need to raise the short-term rate to at least around 1% in the second half of the bank's projection period through fiscal 2026, and noted that too much priority on market stability may impede policy. Bets on a Dec hike however, declined slightly.

- Elsewhere, short-term supply shocks extended Brent crude rally, which surged above US\$71/bbl (+1.9%). Storm Francine had forced the shut-in of about 670k bbl/day (equivalent to more than a third of the region's oil output) in the Gulf of Mexico.

## Yields (2Y: -0.2bps; 10Y: +2.1bps; 30Y: +2.3bps)

- UST yield curve steepened, while Bunds yields declined in a flattening move (2Y: +5.7bps; 10Y: +2.4bps; 30Y: +1.9bps).

## Equities (Nasdaq: +1.0%; S&P: +0.8%; Dow: +0.6%)

- Equities extended their rally, emboldened by impending cuts.

## DATA/EVENTS

Yesterday/Overnight	Actual	Exp.	Prior
(JP) PPI YoY (Aug)	2.5%	2.8%	3.0%
(IN) CPI YoY (Aug)	3.7%	3.5%	3.5%
(IN) Industrial Production (Jul)	4.8%	4.6%	4.2%
(TH) Consumer Confidence Eco. (Aug)	50.2	--	51.3
(US) PPI Final Demand YoY (Aug)	1.7%	1.7%	2.1%
(US) PPI Ex food and Energy YoY (Aug)	2.4%	2.4%	2.3%
(US) Initial Jobless Claims	230k	226k	228k
<b>ECB Deposit Facility Rate</b>	3.50%	3.50%	3.75%

## Today/Over the Weekend

(IN) Exports/Imports YoY (Aug)	-	-1.5%/7.5%
(US)UoM Sentiment/Expectations(Sep P)	68.4/71.3	67.9/72.1
(US) UoM 1Y/5-10Y Inflation (Sep P)	2.7%/3.0%	2.8%/3.0%
(EZ) Industrial Production SA MoM (Jul)	-0.5%	-0.1%
(JP) Industrial Production MoM (Jul F)	-	2.8%
(CH) Industrial Production YoY (Aug)	4.7%	5.1%
(CH) FAI/Property Investment YTD YoY (Aug)	3.5%/-10.0%	3.6%/-10.2%
(CH) Retail Sales YoY (Aug)	2.5%	2.7%

## FX (DXY: -0.3%)

- USD was broadly weaker against G10 currencies

- NOK, SEK, NZD and AUD led gains on spillovers from oil, with AUD moving above 67 cents. EUR moved higher above mid-1.05. .

- JPY was little lifted by BoJ talk, but moved lower below 142 during NY session, while USD/SGD mostly traded below mid-1.30 levels.

## China: Unspirited

- Chinese equity indexes were the only ones closing in the red in Asia yesterday, with China's CSI closing at the lowest level since 2019 underscoring the gloom in the world's second largest economy.

- While a slew of data releases is due on Saturday, significant improvement is unlikely and would do little to lift spirits.

- In other news, it was reported that China has strongly advised its carmakers to make sure advanced electric vehicle technology stays in the country. While technology safeguards are warranted, this is against the backdrop of high EV inventories and mounting restrictions against Chinese-produced EVs. Accordingly, the restriction risks lower profit margins which could have longer-run implications on R&D and capital investments.

## Thailand: Big Picture Needs Small Details

- While PM Paetongtarn policy statement has been criticised for a lack of details, a **formal affirmation of policy direction and areas of focus should still be welcomed**. Unlike smaller personal/corporate projects, clamouring for time bound goals misses the broader point that **large scale national projects** (especially on infrastructure) inadvertently **have variable timelines**.

- In term of big projects, the government's fiscal transfer plan is in the pipeline and in fact the scaled down **direct** fiscal cash transfer to low income household remain much more palatable relative to broad based digital wallet handouts with multiple restrictions. Cash transfers to these **liquidity-constrained household represent a likely instant consumption boost or at the very least lower debt levels as loans are repaid**. The **direct handout has also become critical as consumer confidence plummeted as natural disasters pile onto economic woes**.

- The entertainment complex plan which will contain **casinos remain on the cards**. (See Mizuho Daily: Thailand Uneasy Bets, 10 Sep).

- Admittedly, **details still matter** for their reported revamp of energy and electricity procurement and plans to create **strategic petroleum reserves** with fiscal implications given their **large spending on energy subsidies and the need to invest in storage facilities** on top of import costs. Accordingly, we await further details from the on-going parliament session today.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	141.82	141.49	▼0.38%	139.50 - 143.50
EURUSD	1.1074	1.1078	+0.56%	1.1000 - 1.1150
GBPUSD	1.3124	1.3132	+0.62%	1.3000 - 1.3200
AUDUSD	0.6722	0.6727	+0.72%	0.6660 - 0.6770
DXY	101.4	--	▼0.31%	100.6 - 102.0
USDCNY	7.1174	--	▼0.03%	7.0900 - 7.1500
USDCNH	7.1190	7.1160	▼0.14%	7.0900 - 7.1500
USDHKD	7.8031	7.8024	+0.06%	7.7910 - 7.8060
USDSGD	1.3013	1.3007	▼0.21%	1.2950 - 1.3080
USDKRW	1332	1341	+0.00%	1325 - 1350
USDTHW	32.14	--	+0.07%	31.90 - 32.30
USDINR	83.98	--	▼0.00%	83.90 - 84.10
USDIDR	15430	--	+0.19%	15250 - 15500
USDMYR	4.335	4.335	+0.12%	4.310 - 4.350
USDPHP	56.19	--	+0.38%	55.70 - 56.40
USDTHB	33.75	33.40	+0.31%	33.10 - 33.70
USDVND	24589	24589	▼0.00%	24500 - 24700

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.641	3.675	-0.2	2.1
JGB (JP)	0.386	0.860	0.7	1.2
Bunds (GE)	2.220	2.149	7.2	3.9
Gilts (UK)	3.814	3.780	2.7	2.0
AGB (AU)	3.614	3.852	0.6	0.3
SGS (SG)	2.346	2.495	4.0	1.0
CGB (CN)	1.348	2.093	-0.9	-1.3
KGB (KR)	2.988	3.064	2.3	-0.2
SDL (IN)	6.805	6.714	0.7	0.7

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	157.07	156.74	+0.18%
GBP/JPY	186.135	185.793	+0.25%
JPY/SGD (100yen)	0.9176	0.9193	+0.17%
JPY/HKD (100yen)	5.5017	5.515	+0.43%
CNH/JPY	19.954	19.876	▼0.11%
CNH/HKD	1.0964	1.0961	+0.09%
EUR/GBP	0.84378	0.84362	▼0.07%
AUD/NZD	1.0873	1.0874	▼0.03%
EUR/CNH	7.8848	7.8842	+0.44%
GBP/CNH	9.3436	9.3446	+0.48%

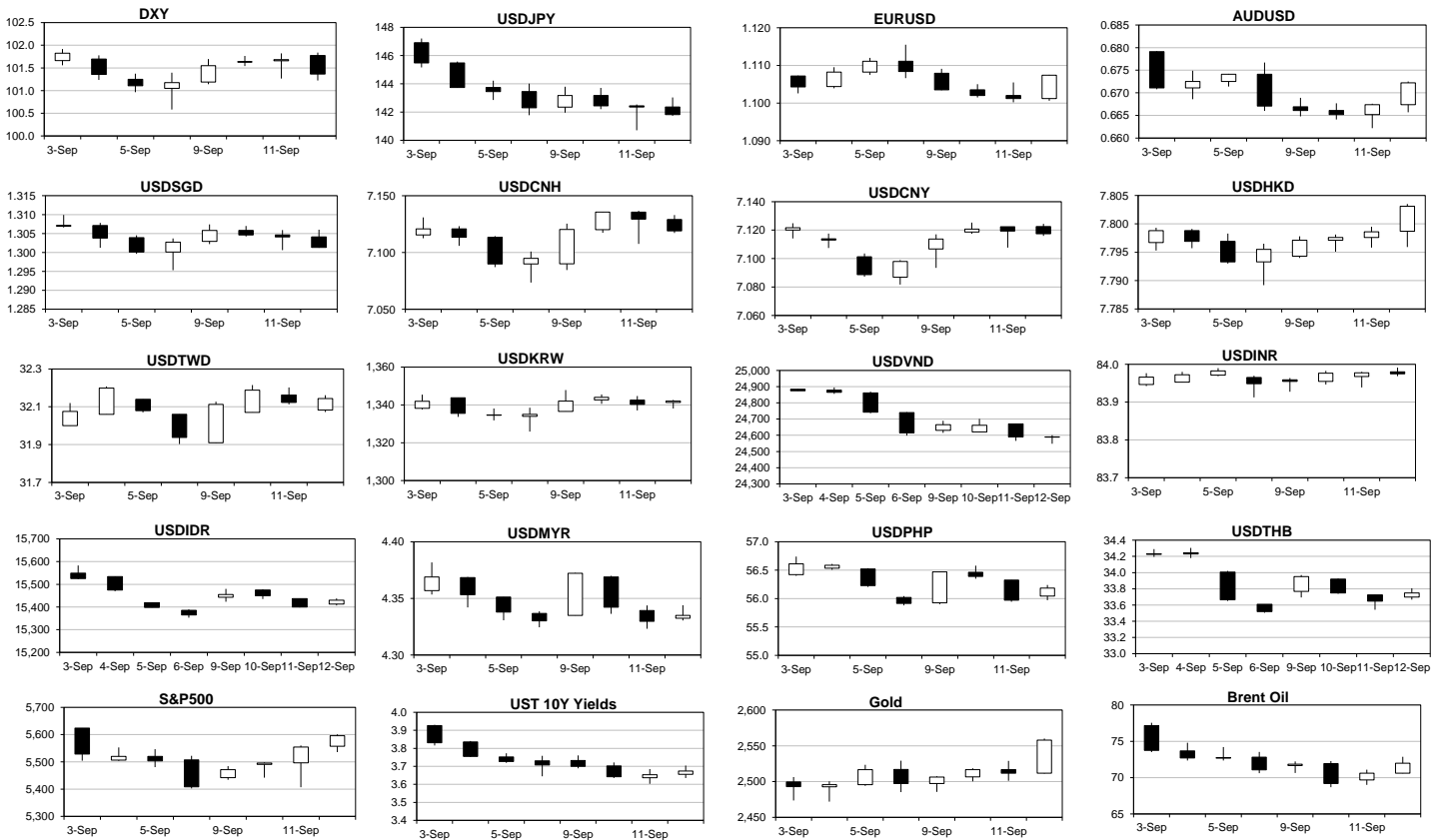
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5595.76	41.63	+0.75%
Nasdaq (US)	17569.68	174.15	+1.00%
DJIA (US)	41096.77	235.06	+0.58%
N225 (JP)	36833.27	1213.50	+3.41%
STOXX50 (EU)	4814.08	50.50	+1.06%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4501.27	27.02	+0.60%
STI (SG)	3556.53	25.36	+0.72%
SHCOMP (CN)	2717.123	-4.67	▼0.17%
SZCOMP (CN)	1492.326	-7.20	▼0.48%
HSI (HK)	17240.39	131.68	+0.77%
SENSEX (IN)	82962.71	1439.55	+1.77%
JSE (ID)	7798.154	37.20	+0.48%
KLSE (MY)	1638.31	-1.49	▼0.09%
PSE (PH)	7024.67	79.79	+1.15%
SET (TH)	1421.58	6.17	+0.44%
VNINDEX (VN)	1256.35	0.00	+0.25%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,095.69	130.91	+1.46%
IRON ORE (CN)	93.72	2.46	+1.34%
GOLD	2,557.90	46.14	+1.84%
SILVER	29.88	0.09	+3.83%
OIL (BRENT)	71.97	1.36	+1.93%
OIL (WTI)	68.97	1.66	+2.47%
NATURAL GAS	2.36	1.20	+4.19%

## CHARTS



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