

Sep 26, 2024

Three Take-Aways

- Euphoria from PBoC stimulus faded as US equities slipped.**
- USTs yields rose and USD gained against all G10 peers as commodity FX led losses alongside decline in oil prices.**
- China's joint press conference had four influential changes which help stabilise expectations and bolster sentiment but may not translate into GDP acceleration.**

MACRO THEME: Fading Euphoria

- Clearly, after the sharp risk on episode from the PBoC's stimulus which led to a buy everything rally, some of the euphoria has faded as US equities slipped and USTs sold off. Afterall, the PBoC's measures are **aimed at stabilising their own economy and market expectations** which spillovers as less drag on global growth rather than inciting a rising tide that lifts all boats especially as even a near term real economy boost in China remains in doubt.

- Reflecting so, Brent crude prices dropped more than 2% to below US\$74/barrel (even lower than pre-PBoC stimulus) as Libya supply restoration overwhelm prospects of demand increase from China.

- At the margin, new home sales in the US outperforming expectations also aided those hanging on to a soft landing outcome.

- After market hours, Fed Governor Kugler said that she strongly supported a 50bps cut. It is notable that she framed the **monthly job gains as being near or below breakeven which is the pace to hold unemployment rate stable**. Going forward, the implication is that the 142k NFP in August is barely satisfactory to the Fed and its continued persistence is likely sufficient for continued easing.

Yields (2Y: +5.1bps; 10Y: +5.7bps; 30Y: +5.6bps)

- Climb in UST yields more than reverse the previous day decline.

Equities (Nasdaq: +0.0%; S&P: -0.2%; Dow: -0.7%)

- US equities slipped as the Dow led losses. Nasdaq barely held with semiconductors rise offsetting broad declines.

FX (DXY: +0.4%)

- Amid rising UST yields, USD gained against all G10 peers as commodity currencies led losses. AUD slipped back towards 68 cents, to be clear, Australia's CPI print plunging to 2.7% from 3.5% is no invite for policy easing given that it remains an artefact of electricity rebates as reflected by the milder drop in trimmed mean from 3.8% to 3.4%. EUR sank below mid-1.11. USD/JPY rose back above mid-144 and USD/SGD approach 1.29.

China: 4 Influential Changes from PBoC, NFRA and CSRC

- **Forward policy guidance:** PBoC Governor Pan provided **rare** guidance on LPR in October and potential for end of year RRR cut as well as pipeline measures of funding facility for enterprises to purchase land from developers. While this indicates significant efforts of policymakers to reassure markets through coordinated stimulus and policy transparency, the gradual marginal increase in support may be too little to move the needle given ongoing weakness in property and job markets.

DATA/EVENTS

Yesterday/Overnight	Actual	Exp.	Prior
(JP) PPI Services YoY (Aug)	2.7%	2.6%	2.7%
(US) New Home Sales (Aug)	716k	700k	736k
(AU) CPI YoY (Aug)	2.7%	2.7%	3.5%
(TH) Custom Exports/Imports YoY (Sep)	7.0%/8.9%	6.0%/6.5%	15.2%/13.1%
(TW) Industrial Production YoY (Aug)	13.4%	9.4%	12.3%
(CH) Medium Term Lending Rate	2.00%	2.30%	2.30%

Today

(AU) Jobs Vacancies QoQ (Aug)	--	-2.7%
(TH) Mfg Production Index YoY (Aug)	0.4%	1.8%
(SG) Industrial Production YoY (Aug)	8.6%	1.8%
(US) GDP Annualised QoQ (2Q T)	3.0%	3.0%
(US) GDP Price Index (2Q T)	2.5%	2.5%
(US) Durable Goods orders (Aug P)	-2.7%	9.8%
(US) Cap Goods orders Nondef Ex Air (Aug P)	0.1%	-0.1%
(US) Initial Jobless Claims	224k	219k

- **Guiding for a rise in prices:** Governor Pan pledge to guide for a moderate rise in prices. This marks the first time a policy maker who is currently in office acknowledging deflationary pressure in the economy. We believe Pan's latest pledge has open door for unconventional easing measures.

- **Recognised rally in onshore rates:** Governor Pan acknowledged that the PBoC's easing measures and a slow pickup in CGB supply versus demand contributed to onshore rates rally. We were previously concerned that their denial of lower CGB yields would confuse markets and undermine efforts to restore credit demand.

- **Stimulus shifted from banks:** The PBoC also promised to provide 100% relending to bank loans extended to public housing projects, as well as a swap facility of at least RMB500b to brokers, mutual funds and insurers that allows them to hold shares at a low cost. Before this, banks and sometimes local governments were primarily responsible for carrying the burden of stimulus measures and they faced constraints from banking profit squeeze and shrink revenue from land sales. We believe this shift of the stimulus burden from banks to the PBoC will help enforce the implementation of China's stimulus policy.

- In our view, while these changes may not immediately translate into an acceleration in GDP growth, they are expected to help stabilize market expectations, bolster weak economic sentiment, and prevent the economy from slipping further into a spiral of self-fulfilling deflationary expectations.

THB: Fundamentals and Fortuitous Tailwinds - Snapshot (Part 1)

- The recent strength in the THB has rather inevitably brought about questions on whether the rally thus far is sustainable and/or justified especially as economic growth appears to be rather weak.

- First, yesterday's customs **goods** data saw a **trade surplus of US\$265m for August improving from the \$1373m deficit** in July as **exports revenue grew and import expenditure contracted** on a MoM basis. Underlying details indicate that agricultural exports such as rice and fruits were key drivers alongside manufacturing goods such as computers and integrated circuits. On the imports front, lower global crude oil prices saw much less spending on refined oil imports on top of lower imports of electrical machinery and equipment.

- Second, with visitor arrivals remaining resilient in August (-4.5% MoM; +20% YoY), **tourism revenue is unlikely to see a sizeable decline for August**. While aggregate arrivals may have decline due to a decrease in visitors from Europe, Americas, Australia and Malaysia and Laos, the decrease in revenue is likely very uneven with Europe and America arrivals clocking up the highest spending per person per trip while Malaysia and Laos were the among the least in 2019. Meanwhile, some offset will stem from increase in arrivals from Japan, Singapore, India and Hong Kong alongside rising room rates.

- Consequently, the **services** balance ought to aid **overall current account to print another surplus for August** on 30 Sep. Remarkably, this marks a durable return to a current account surplus for nearly the entirety of 2024 except for April. As such, THB joins the SGD and MYR in surplus position departing from twin deficits peers of IDR and PHP.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	144.75	144.70	+1.06%	142.00 - 145.00
EURUSD	1.1133	1.1131	▼0.42%	1.1000 - 1.1200
GBPUSD	1.3324	1.3316	▼0.66%	1.3250 - 1.3450
AUDUSD	0.6823	0.6821	▼1.00%	0.6770 - 0.6900
DXY	100.9	--	+0.44%	100.0 - 101.4
USDCNY	7.0338	--	+0.03%	6.9800 - 7.0800
USDCNH	7.0328	7.0345	+0.31%	6.9800 - 7.0900
USDHKD	7.7849	7.7861	+0.00%	7.7800 - 7.7950
USDSGD	1.2899	1.2898	+0.50%	1.2800 - 1.3000
USDKRW	1333	1337	+0.00%	1320 - 1345
USDTWD	31.84	--	▼0.40%	31.70 - 32.20
USDINR	83.60	--	▼0.08%	83.20 - 83.70
USDIDR	15100	--	▼0.56%	15050 - 15300
USDMYR	4.129	4.127	▼0.69%	4.120 - 4.200
USDPHP	55.89	--	▼0.66%	55.50 - 56.30
USDTHB	32.70	32.79	▼0.49%	32.50 - 33.20
USDVND	24593	24593	▼0.05%	24500 - 24750

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.560	3.786	2.0	5.6
JGB (JP)	0.341	0.805	-0.2	-0.4
Bunds (GE)	2.115	2.173	2.1	2.7
Gilts (UK)	3.958	3.989	4.2	4.9
AGB (AU)	3.576	3.908	2.4	1.9
SGS (SG)	2.360	2.554	-1.3	-2.4
CGB (CN)	1.383	2.032	-3.4	-2.5
KGB (KR)	3.020	2.823	5.6	2.0
SDL (IN)	6.735	6.681	-0.2	-0.2

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	161.16	161.05	+0.65%
GBP/JPY	192.865	192.669	+0.39%
JPY/SGD (100yen)	0.891	0.8914	▼0.56%
JPY/HKD (100yen)	5.378	5.381	▼1.05%
CNH/JPY	20.573	20.572	+0.88%
CNH/HKD	1.1068	1.107	▼0.01%
EUR/GBP	0.83553	0.83591	+0.24%
AUD/NZD	1.0896	1.0901	+0.23%
EUR/CNH	7.8296	7.8298	▼0.12%
GBP/CNH	9.3701	9.3668	▼0.36%

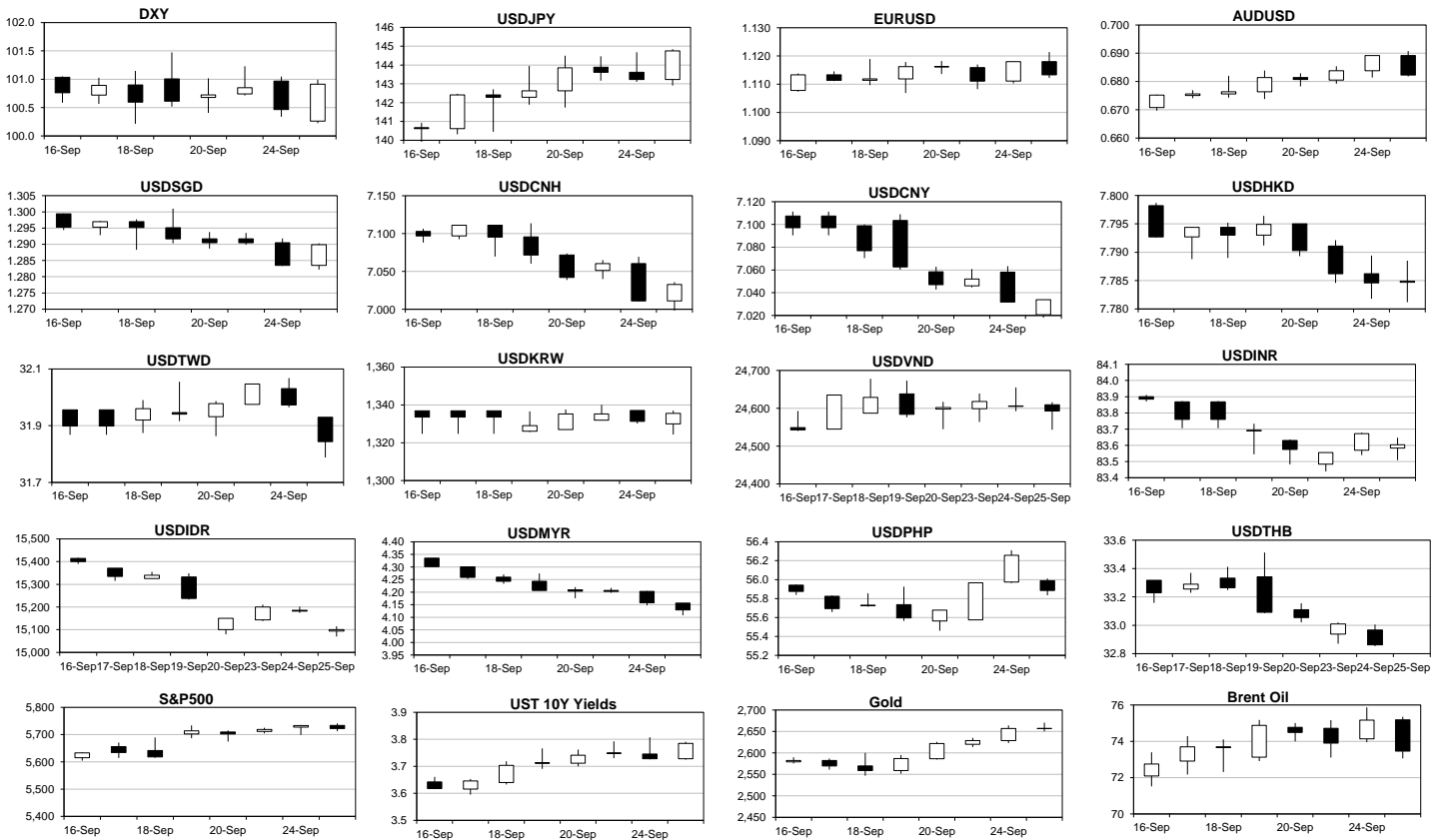
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5722.26	-10.67	▼0.19%
Nasdaq (US)	18082.21	7.69	+0.04%
DJIA (US)	41914.75	-293.47	▼0.70%
N225 (JP)	37870.26	-70.33	▼0.19%
STOXX50 (EU)	4916.89	-23.83	▼0.48%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4516.21	-7.16	▼0.16%
STI (SG)	3583.27	-39.47	▼1.09%
SHCOMP (CN)	2896.306	33.18	+1.16%
SZCOMP (CN)	1575.276	19.30	+1.24%
HSI (HK)	19129.1	128.54	+0.68%
SENSEX (IN)	85169.87	255.83	+0.30%
JSE (ID)	7740.902	-37.59	▼0.48%
KLSE (MY)	1673.38	3.01	+0.18%
PSE (PH)	7362.62	-69.59	▼0.94%
SET (TH)	1461.58	-0.52	▼0.04%
VNINDEX (VN)	1287.48	0.01	+0.82%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,677.64	12.33	+0.13%
IRON ORE (CN)	92.90	1.37	+0.32%
GOLD	2,656.89	-0.21	▼0.01%
SILVER	31.81	0.09	+3.37%
OIL (BRENT)	73.46	-1.71	▼2.27%
OIL (WTI)	69.69	-1.87	▼2.61%
NATURAL GAS	2.64	-0.29	▼0.89%

CHARTS



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