

Sep 30, 2024

## Three Take-Aways

1) Lower than expected personal spending and income, softer core PCE incited fears of weaker US consumer and led UST yields rally.

2) China's emphatic loosening of property buying restrictions aimed at stemming property price declines.

3) Korea headline CPI to head below BoK's 2% target setting stage for October rate cut.

## MACRO THEME: Questioning Capabilities and Responses

- Last Friday, both personal spending and income printed lower than expected, putting in question the strength of US consumers. Furthermore, the sight of a softer than expected Core PCE momentum on MoM basis continue to nudge on bets for aggressive Fed easing ahead and backing the case for the Fed's earlier 50bps cut.

- On that note, sole dissenter at the previous meeting Fed Governor Bowman re-iterated confidence on the labour market and the current 4.2% unemployment rate is well-below her estimates of full employment.

- Meanwhile St Louis President Musalem sounded cautious on aggressive cuts, stating preference to lower rates gradually and he is in support of more than one 25bps for the rest of 2024.

- On the geo-political front, while Brent crude prices may have rose above US\$72/barrel to close last week, oil bulls charging on China stimulus may struggle to rally on conflict tensions as markets grow increasingly desensitised to the widening Middle East conflict provided that threat of supply disruption remains a remote one.

**Yields (2Y: -6.9bps; 10Y: -4.6bps; 30Y: -2.7bps)**

- USTs rallied as the yield curve bull steepened last Friday, affirmed that earlier bear flattening being a blip.

**Equities (Nasdaq: -0.4%; S&P: -0.1%; Dow: +0.3%)**

- US equities were mixed, even as the optimism on the China front stayed intact with the Nasdaq Golden dragon up 4% last Friday.

**FX (DXY: -0.2%)**

- Amid lower UST yields, JPY led gains last Friday as LDP election outcomes saw Sanae Takaichi who was against the BoJ rate hikes defeated by former Defence Minister Ishiba who supported gradual rate hikes.

- AUD rose above 69 cents on persistence of China optimism which is further backed by the RBA's insistence on rate hold.

- EUR was unable to latch onto a softer USD backdrop as inflation in France and Spain heading below 2% led to renew bets for October rate cut by the ECB. EUR hovers above mid-1.11.

- In EM-Asia, the USD/SGD headed lower to 1.28 and regional peers look to continue to latch onto the weaker USD backdrop to start the week. China CNY-proxies such as the AUD, NZD and IDR (commodity-boost) THB (tourism boost), MYR (investment boost) remain in pole position.

## China: Loosening the Reins

- Iron ore has started the week soaring and commodity FX such as the AUD have more cause for buoyancy. This was on the back of easier homebuying rules in major Chinese cities.

- Guangzhou removed all restrictions implying no limits on number of homes owned and removed the need to review homeownership eligibility. Shanghai and Shenzhen have also lower the downpayment ratios for first and second homes.

- These moves to streamline administrative hurdles serve to further facilitate the revival of property markets in these cities after efforts to lower financing costs and risks for existing owners.

- The latter was affirmed over the weekend as the PBoC will be allowing homeowner to renegotiate terms with their current lenders from 1 November rather than wait till the end of their loan packages. The choice of fixed mortgage will allow households to benefit from the latest loan prime rates.

## South Korea Inflation: Below Target

- Headline inflation for September in South Korea releasing this Wednesday is expected to head below the 2% mark recorded in August with sharp decline in petrol prices being a key driver.

- While we expect a seasonal bump up in food prices due to the Chuseok holiday, this will be significantly dampened by the increase in supply of popular items such as cabbage and apples and seafood by the government and extension of tariff through their "Measures for restoring people's livelihoods during the Chuseok holiday".

- In addition, toll fee waivers and discounted train tickets during the holidays alongside lower fuel prices imply lower transportation costs for September.

- Meanwhile, housing rent in the first half of September continue to rise at a faster pace on a MoM basis. In turn, we expect core inflation output to be higher than the headline inflation especially as the tight labour market and associated incomes flows ought to underpin services prices.

- On balance, headline inflation below the BoK's target will set the stage for BoK to ease by 25bps at their upcoming October meeting as officials contemplate the effectiveness of their latest measures to curb property prices. Consequently, KRW bulls may struggle to rally with the USD/KRW staying buoyant off 1300 since mid-August.

## DATA/EVENTS

Yesterday/Overnight	Actual	Exp.	Prior
(CH) Industrial Profits YoY (Aug)	-17.8%	--	4.1%
(JP) Coincident Index (Jul F)	117.2	--	117.10
(EZ) Consumer confidence (Sep F)	-12.9	--	-12.9
(US) Personal Income/Spending (Aug)	0.2%/0.2%	0.4%/0.3%	0.3%/0.5%
(US) PCE Price/Core MoM (Aug)	0.1%/0.1%	0.1%/0.2%	0.2%/0.2%
(US) Uni of Mich. Sentiment (Sep F)	70.1	69.4	69.0

## Today

(KR) Industrial Production YoY (Aug)	3.8%	2.0%	5.5%
(CH) Caixin PMI Mfg/Services (sep)		50.5/51.6	50.4/51.6
(CH) Mfg/Non Mfg PMI (Sep)		49.5/50.5	49.1/50.3
(TH) Current Account Balance (Aug)		\$1013m	\$270m
(JP) Industrial Production MoM (Aug P)	-3.3%	-0.5%	3.1%
(JP) Retail Sales YoY (Aug)		2.6%	2.6%
(US) Dallas Fed Mfg Activity (Sep)		-10.60	-9.7
(US) MNI Chicago PMI (Sep)		46.8	46.1

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	142.21	142.82	▼1.80%	142.00 - 146.00
EURUSD	1.1162	1.1169	▼0.13%	1.1000 - 1.1200
GBPUSD	1.3374	1.3383	▼0.31%	1.3250 - 1.3450
AUDUSD	0.6903	0.6919	+0.10%	0.6770 - 0.6920
DXY	100.4	--	▼0.18%	99.9 - 101.4
USDCNY	7.0111	--	+0.00%	6.9600 - 7.0800
USDCNH	6.9816	6.9773	+0.12%	6.9700 - 7.0900
USDHKD	7.7723	7.7734	▼0.09%	7.7700 - 7.7950
USDSGD	1.2810	1.2805	▼0.17%	1.2800 - 1.3000
USDKRW	1310	1310	+0.00%	1310 - 1345
USDTWD	31.68	--	▼0.57%	31.60 - 32.20
USDINR	83.70	--	+0.07%	83.20 - 83.70
USDIDR	15125	--	▼0.27%	15050 - 15300
USDMYR	4.126	4.122	▼0.49%	4.120 - 4.200
USDPHP	56.10	--	+0.24%	55.40 - 56.30
USDTHB	32.40	32.37	▼0.47%	32.30 - 33.00
USDVND	24606	24608	▼0.06%	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	3.752	-7.0	-4.5
JGB (JP)	0.357	0.845	1.9	2.3
Bunds (GE)	2.074	2.132	-5.1	-4.9
Gilts (UK)	3.937	3.977	-2.3	-3.2
AGB (AU)	3.632	3.958	2.6	1.7
SGS (SG)	2.411	2.619	2.6	1.9
CGB (CN)	1.407	2.167	2.2	8.9
KGB (KR)	3.028	2.918	-2.7	-7.0
SDL (IN)	6.761	6.653	-0.1	1.9

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	158.79	159.51	▼1.90%
GBP/JPY	190.193	191.122	▼2.10%
JPY/SGD (100yen)	0.9008	0.8966	+1.66%
JPY/HKD (100yen)	5.4662	5.4437	+1.76%
CNH/JPY	20.263	20.35	▼1.76%
CNH/HKD	1.1089	1.1086	▼0.05%
EUR/GBP	0.83467	0.8346	+0.18%
AUD/NZD	1.0885	1.0896	▼0.11%
EUR/CNH	7.7959	7.7951	+0.02%
GBP/CNH	9.3407	9.3373	▼0.14%

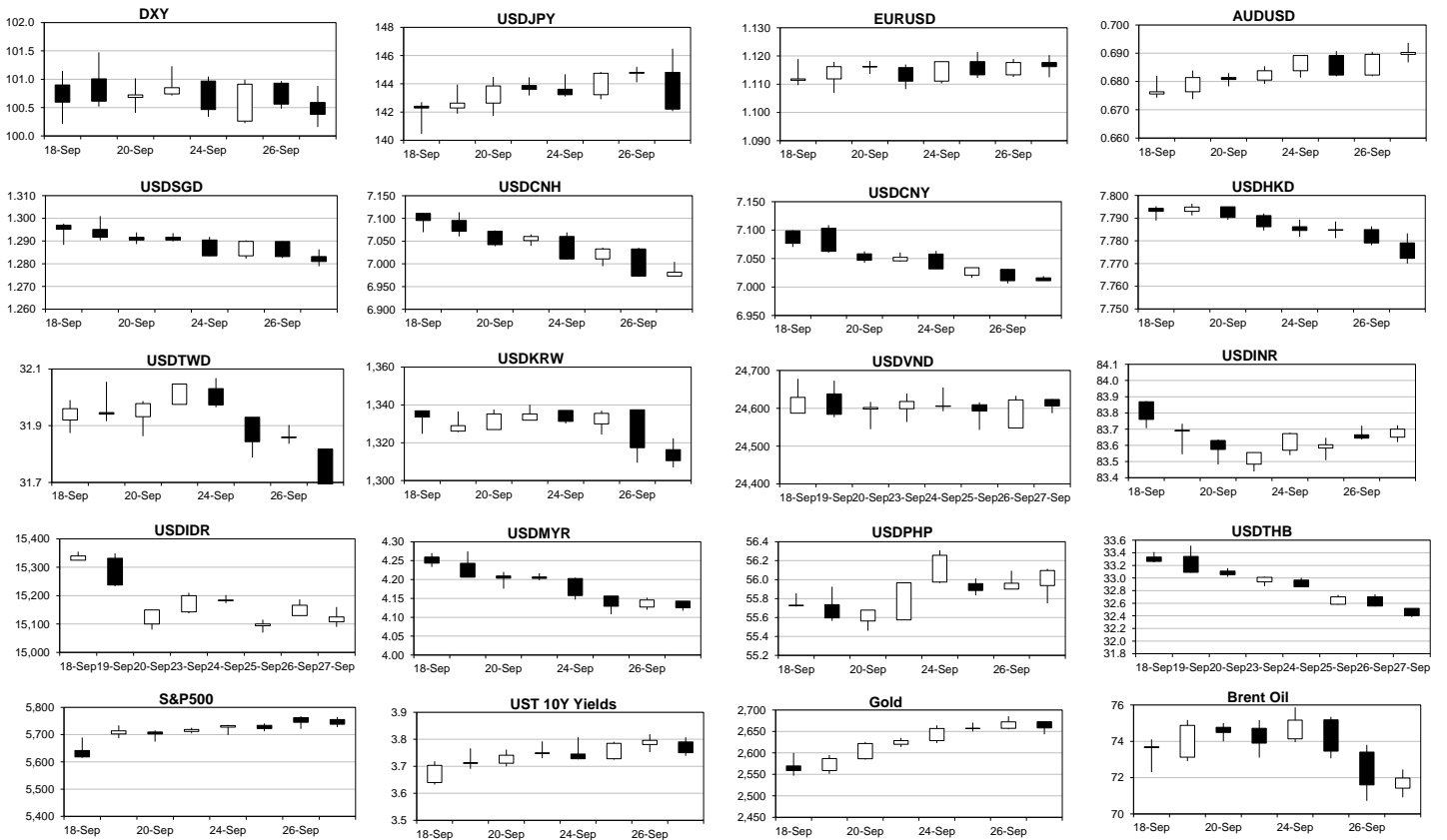
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5738.17	-7.20	▼0.13%
Nasdaq (US)	18119.59	-70.70	▼0.39%
DJIA (US)	42313	137.89	+0.33%
N225 (JP)	39829.56	903.93	+2.32%
STOXX50 (EU)	5067.45	34.86	+0.69%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4555.44	23.89	+0.53%
STI (SG)	3573.36	-8.87	▼0.25%
SHCOMP (CN)	3087.529	86.58	+2.88%
SZCOMP (CN)	1737.565	99.20	+6.05%
HSI (HK)	20632.3	707.72	+3.55%
SENSEX (IN)	85571.85	-264.27	▼0.31%
JSE (ID)	7696.916	-47.60	▼0.61%
KLSE (MY)	1660.09	-11.23	▼0.67%
PSE (PH)	7428.3	-30.44	▼0.41%
SET (TH)	1450.15	-4.88	▼0.34%
VNINDEX (VN)	1290.92	0.00	▼0.04%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,846.53	-98.31	▼0.99%
IRON ORE (CN)	93.50	1.53	+0.29%
GOLD	2,658.24	-14.14	▼0.53%
SILVER	31.57	0.15	+5.41%
OIL (BRENT)	71.98	0.38	+0.53%
OIL (WTI)	68.18	0.51	+0.75%
NATURAL GAS	2.90	-0.45	▼1.41%

## CHARTS



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