



**Economic Calendar**

Date	Country	Event	Period	Survey*	Prior
29 Jul	US	Dallas Fed Manf. Activity	Jul	-14.2	-15.1
30 Jul	US	JOLTS Job Openings	Jun	--	8140k
	US	Conf. Board Consumer Confidence	Jul	99.7	100.4
	EZ	Consumer Confidence	Jul F	--	-13.0
	EZ	<b>GDP SA YoY/SA QoQ</b>	<b>2Q A</b>	<b>0.5%/0.2%</b>	<b>0.4%/0.3%</b>
	JP	Jobless Rate/Job-To-Applicant Ratio	Jun	2.6%/1.2	2.6%/1.2
31 Jul	US	ADP Employment Change	Jul	168k	150k
	US	<b>MNI Chicago PMI</b>	<b>Jul</b>	<b>44.0</b>	<b>47.4</b>
	US	Pending Home Sales MoM	Jun	1.5%	-2.1%
	EZ	<b>CPI Estimate/Core YoY</b>	<b>Jul</b>	<b>2.4%/-</b>	<b>2.5%/2.9%</b>
	JP	Retail Sales YoY	Jun	3.2%	2.8%
	JP	Industrial Production YoY	Jun P	-6.6%	1.1%
	JP	<b>BOJ Target Rate (Lower/Upper Bound)</b>		<b>0.00%/0.10%</b>	<b>0.00%/0.10%</b>
	US	<b>FOMC Decision (Lower/Upper Bound)</b>		<b>5.25%/5.50%</b>	<b>5.25%/5.50%</b>
01 Aug	US	Initial Jobless Claims		--	235k
	US	ISM Manufacturing/Prices Paid	Jul	49.0/-	48.5/52.1
	EZ	Unemployment Rate	Jun	6.4%	6.4%
02 Aug	US	Change in Nonfarm Payrolls	Jul	175k	206k
	US	Durable Goods Orders/Nondef Ex Air	Jun F	--	-6.6%/1.0%
	US	Unemployment Rate	Jul	4.1%	4.1%
	US	Average Hourly Earnings MoM	Jul	0.3%	0.3%

**Week-in-brief: Carried Away?**

- US equities plummeted this week in a reminder of not being too carried away on AI induced momentum despite solid demand for semiconductors.
- Similarly, **US Q2 GDP outperformed to restrain bets on rate cuts at the FOMC meeting** next week. That said, one should not get too carried away on growth buoyancy given ex-New York Fed President Bill Dudley's caution on the self reinforcing momentum of rising unemployment.
- In FX, following from Trump antagonistic remarks conspiring with bets for the BoJ to tighten policy in some form (tapering bond purchase and/or hikes) amid a risk off mood, JPY outperformed G10 peers this week. Consequently, the NZD and AUD has been hard hit this week by the **appreciating JPY which set off carry trade unwinding**.
- In turn, while the JPY appreciation provides some breathing room for the BoJ, the build-up in tightening expectations remains a challenge for the BoJ who may remain concerned about the strength of household consumption and yet a dovish stance may renew JPY depreciation pressures.
- In EM-Asia, while Korea Q2 GDP indeed disappointed with a 0.2% QoQ contraction, **we are not getting carried away on bets for BoK cuts given the still weak KRW and continued climb of Seoul housing prices in July**. In Thailand, revelation of the digital wallet details such as registration from 1 August merely affirms the government's resolve to implement the transfer and the associated underlying worries of rising public debt to GDP ratio which now stands at 64.3% of GDP.
- In Vietnam, underneath the passing of General Secretary Trong is simmering political uncertainty. Looking ahead, for next week, while we expect industrial production and retail sales to remain buoyant in Vietnam, risks of rising NPL alongside need for continued bond and banking restructuring warrants caution rather than outright optimism.
- Meanwhile in Taiwan, **we expect Q2 growth to slow to 5.2% YoY from 6.5% in Q1**. That said, we still expect robust momentum led by semiconductor demand while activity in the financial, insurance and real estate sectors remain robust.
- Down Under, **Australia CPI for June is likely to head lower** from the 4.0% upside surprise in May. The **challenge though is the stark increase for the quarterly inflation print** from Q1's 3.6% is expected. Nonetheless, we think that the **RBA is unlikely to be carried away by this CPI print** towards a firm hike considering the climb in unemployment rate despite job gains.

**PBoC: An Atypical MLF Cut**

- The PBoC moved to lower the 1Y MLF rate by 20bp on Thursday after its decision to cut the 7D reverse repo rate on Monday. Regarding this rate cut, we have observed four atypical aspects:
  1. The PBoC injected liquidity via MLF twice this month, which had not seen since November 2020. Note that the PBoC usually conducts MLF operations once a month.
  2. The MLF rate cut came after the repo rate cut, sending the market a clear signal that the PBoC does not see the MLF rate as its key policy rate anymore.
  3. This lower MLF rate is expected to increase banks' demand to replenish liquidity via MLFs. Note that monthly liquidity injections via MLFs were negative or muted during March to June.
  4. No RMB depreciation was observed at all following the rate cut. In fact, both the CNY and CNY spots strengthened notably today, thanks to the sizable rebound in JPY and tax payments due in late July.

**FOMC - Snooze Button**

- July FOMC is the equivalent of hitting the snooze button. Fact is, the Fed is already on the cusp of cuts. But it'll hold for just one more meeting. Partly due to a few inconvenient data spots such as Q2 GDP and the implied PCE within. But that's more for optics. And in any case, looking over the shoulder too much risks missing threats approaching from the opposite direction (jobs slowdown) ahead. Whereas a hold is more because it is the path of least resistance in terms of rewiring expectations. Markets have fully baked in a September cut, but is less convinced about July.
- In addition, it will also provide the requisite runway to get from more data to gain confidence about disinflation to assurance that policy is adequately tight for disinflation to continue. In fact, this may be the meeting to also start tweaking the language to introduce the 'Icarus risk'. That is, rates that are too 'high for too long' jeopardising the desired soft landing. Spots of softer jobs data as a trend - be it quit rates or job vacancies - alongside cooling wage inflation and the rise in unemployment are likely to flag the need for the Fed to calibrate just how restrictive policy is.
- We don't expect many in the Fed to sympathise with Fed William Dudley's sudden dovish turn, on concerns about excessively high rates inadvertently and abruptly leading to a hard landing. But we do expect some consensus about avoiding the Icarus self-sabotage of excessive altitudes (with rates). This impending shift, being timed for September means that the language will not turn emphatically dovish just yet. And so, bullish UST response (drop in yields) could remain measured. And USD bears may also be on a fairly short leash for now.

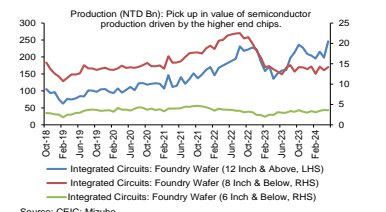
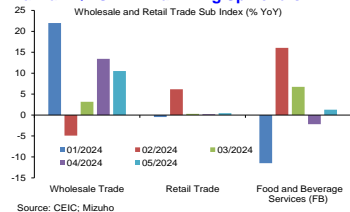
**BoJ: Easy Does It**

- Despite heated debate about record wage gains and inflation risks requiring the BoJ to tighten, the scale and urgency are exaggerated. Point being, the **BoJ has more to lose from haste and aggression than it has from being slow and cautious**. In our view, **July hike is far from a done deal**. And not just because of cooler inflation prints recently. Instead, it must be appreciated that the Japanese economy fundamentally cannot afford harsh and hasty tightening.
- Consumer and household confidence remains fragile and external demand tentative. What's more, with JPY pressures easing, the BoJ has room to wait and watch. And to calibrate sustainable tightening 15-40bp into year-end, depending on global demand conditions and 2-way JPY volatility.
- Ribban reduction (taper) will also be similarly a gradual approach that does not upset markets; keeping JGB yield volatility in check. Certainly avoiding spirals.

**Asia**

Date	Country	Event	Period	Survey*	Prior
29-31 Jul	KR	Retail Sales YoY	Jun	--	8.8%
29 Jul	VN	Industrial Production YoY	Jul	--	10.9%
	VN	Exports/Imports YoY	Jul	14.0%/19.5%	10.5%/13.1%
	VN	Retail Sales YoY	Jul	--	9.1%
	VN	<b>CPI YoY</b>	<b>Jul</b>	<b>4.3%</b>	<b>4.3%</b>
30 Jul	AU	Building Approvals MoM	Jun	-2.5%	5.5%
31 Jul	CH	Mfg/Non-Mfg PMI	Jul	49.3/50.2	49.5/50.5
	AU	<b>CPI YoY</b>	<b>Jun/2Q</b>	<b>3.7%/3.8%</b>	<b>4.0%/3.6%</b>
	AU	Retail Sales MoM	Jun	0.2%	0.6%
	KR	Industrial Production YoY	Jun	3.1%	3.5%
	TH	BoP Current Account Balance	Jun	\$575m	\$647m
	TH	Exports/Imports YoY	Jun	7.8%/-2.3%	7.8%/-2.3%
	TW	<b>GDP YoY</b>	<b>2Q A</b>	<b>4.8%</b>	<b>6.6%</b>
	SG	Unemployment rate SA	Jun	--	2.1%
01 Aug	CH	Caixin China PMI Mfg	Jul	51.4	51.8
	AU	Trade Balance	Jun	A\$5000m	A\$5773m
	ID	<b>CPI/Core YoY</b>	<b>Jul</b>	<b>2.4%/1.9%</b>	<b>2.5%/1.9%</b>
	KR	Exports/Imports YoY	Jul	19.6%/13.3%	5.1%/-7.5%
02 Aug	SG	Purchasing Managers/Elect. Sector Index	Jul	--	50.4/51.2
	KR	<b>CPI/Ex Food and Energy YoY</b>	<b>Jul</b>	<b>2.5%/2.1%</b>	<b>2.4%/2.2%</b>

**Taiwan Q2 GDP: Examining Spillovers**



- We expect **Q2 GDP growth to slow to 5.2% YoY from the 6.5% YoY outperformance in Q1**. On a sequential seasonally adjust basis, this is still similar to the 0.3% QoQ expansion posted in Q1. At this point, the semiconductor led boost on AI led demand will continue to be a key driver of Taiwan's Q2 GDP growth with industrial production up a staggering 14.5% YoY in Q2.
- The demand for higher end semiconductor remain evident, reflected by the surge in production of 12-inch foundry wafers required for use in semiconductor production needed for high end GPUs.
- The semiconductor boost is also seen in buoyant wholesale trade (+14.4% YoY on average over April and May) driven by machinery and equipment.
- Retail trade though turned weaker averaging 2% YoY over April and May, slowing from the 4% growth seen in Q1. Nonetheless, this does not appear to be marked consumer weakening given that new model launches were able to see strong car sales in May and Mother Day promotions were also able to push up clothing sales. Furthermore, food and beverage services also remain resilient (+2.4% despite on average over April and May) coming off a high base. While restaurant activity was rather flat, catering services continue to grow on strong demand from in-flight meals.
- Meanwhile, financial sector will continue to record healthy growth amid strong turnover in bond and equity exchanges and life insurance firms saw strong uptick in new businesses.
- Similarly, growth in consumer loans remains buoyant on rising demand for real estate financing which is also congruent with a recovery in housing prices in May and June after a brief dip in April, as measured by the Singyi Residential Property Price Index for Taipei Area.
- All in, while the industrial spillovers might be limited from the semiconductor upturn, the continued tightness of the labour market which saw multi-decades low unemployment rate and strong earnings may have aided household confidence and buoyed the services sector.

**Vietnam: Buoyed Growth, Inflation and Risks**

- Vietnam's industrial production will likely record another robust print for July following from June's 10.9% YoY growth as continued imports from Korea in the first 20 days of July point to a humming manufacturing base.
- Furthermore, the 30% bump-up in salaries and pension payouts from the start of July will also buoy retail sales. Admittedly, real effects are milder given reports of upward price adjustments. On that note, headline inflation is likely to remain elevated close to the SBV's 4.5% mark with upward revisions to petrol prices at the start of the month outweighing the subsequent declines and food prices impacted by onset of la Nina conditions.
- Meanwhile, core inflation is likely to remain supported by the boost in purchasing power and robust tourism recovery. Looking ahead, we already see signs of authorities employing measures such as proposals to lower tuition fees being submitted for the new school year which starts in September.
- While the robust growth and still contained inflation ought to paint a bright outlook, rising NPLs which was quoted to hit 5% of total lending at a recent SBV press conference alongside on-going needs for corporate bond restructuring and also restructuring of Saigon Commercial Bank presents a backdrop of heightened risks.

**Australia CPI: Unlikely to Dictate Either Way**

- Aided by high base effects, **Australia's headline CPI is most likely to head lower for June to around 3.6%** after the upside surprise of 4.0% in May as petrol and diesel prices soften.
- Undoubtedly, **underlying services inflation will be one key focus for the RBA** and a significant upside surprise could trigger them into tightening. Rent disinflation is set to remain bumpy amid statistical contract expiration leading to upward price renewals and immigration induced demand.
- While employment gains indeed continued to be strong, rising unemployment rates on higher labour force participation does not fulfil the RBA's condition of 'aggregate supply being more constrained than assumed' to consider hiking rates. All in, the **RBA is unlikely to be carried away on policy direction (cuts or hikes)** just on this upcoming CPI release.

## Forex Rate

	Close*	Chg <sup>^</sup>	% Chg <sup>^</sup>	Week Forecast	
USD/JPY	153.9	-3.310	-2.11%	151.00	~ 157.00
EUR/USD	1.0849	-0.0034	-0.31%	1.078	~ 1.097
USD/SGD	1.3432	-0.001	-0.09%	1.3340	~ 1.3510
USD/THB	36.085	-0.165	-0.46%	35.50	~ 36.50
USD/MYR	4.6553	-0.0274	-0.59%	4.630	~ 4.670
USD/IDR	16290	100	0.62%	16,100	~ 16,400
JPY/SGD	0.8726	0.018	2.05%	0.883	~ 0.861
AUD/USD	0.6558	-0.013	-2.00%	0.645	~ 0.670
USD/INR	83.72	0.087	0.10%	83.4	~ 83.9
USD/PHP	58.353	0.003	0.01%	58.0	~ 58.5

<sup>^</sup>Weekly change.

### FX: Widening JPY-CNY Wedge

- JPY-CNY wedge continued widening even as both currencies strengthened against the greenback, amid hints on a meaningful tapering of bond purchases at BoJ meeting next week and continued unwinding of the JPY carry positions; while confidence deficit arguably weighed on the CNY despite more stimulus and policy easing.
- Adding to the fold was a "risk-off" tone on incremental growth risks globally, which supported haven currencies JPY and CHF.
- Meanwhile, AUD and NZD led losses on unwinding of carry trades.
- CAD was softer on Bank of Canada's rate cut, with the central bank hinting of more scope for policy easing.

### EM-Asia: Firmer CNH supports

- The firmer CNH on supportive stimulus and seasonal effects nonetheless, spillovered to EM Asia currencies, with MYR and SGD stronger against the USD.
- Malaysia's Q2 growth outrun gave further support to the MYR, while MAS decision was a non-event on unchanged policy settings.
- THB was afforded marginal gains on the JPY surge, as fiscal woes cast an overhang amid the release of details of the digital wallet plans.
- INR was marginally weaker against the USD even as India's budget revised lower the fiscal deficit for the FY, but still meant a slight fiscal slippage after accounting for the RBI dividend windfall.

## Bond Yield (%)

	26-Jul	2-yr	Chg (bp) <sup>^</sup>	10-yr	Chg (bp) <sup>^</sup>	Curve
USD	4.427	-8.4	4.252	1.3	Steepening	
GER	2.633	-13.8	2.447	-1.7	Steepening	
JPY	0.384	5.6	1.052	2.5	Flattening	
SGD	2.988	-14.6	2.986	-5.7	Steepening	
AUD	4.094	-1.9	4.305	0.1	Steepening	
GBP	3.923	-3.7	4.154	3.2	Steepening	

## Stock Market

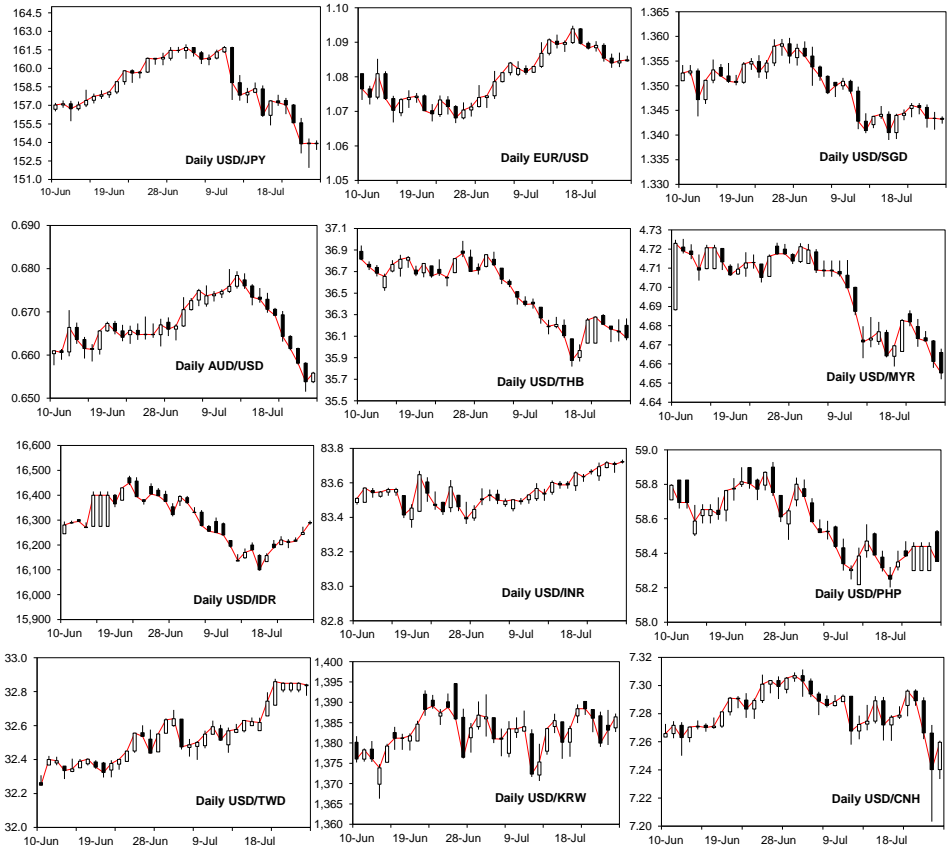
	Close	% Chg
S&P 500 (US)	5,399.22	-1.92
Nikkei (JP)	37,667.41	-5.98
EuroStoxx (EU)	4,834.34	0.15
FTSE STI (SG)	3,432.16	-0.45
JKSE (ID)	7,280.85	-0.19
PSEI (PH)	6,726.01	-0.97
KLCI (MY)	1,615.58	-1.28
SET (TH)	1,301.01	-1.22
SENSEX (IN)	81,172.29	0.70
ASX (AU)	7,921.27	-0.63

### USTs: Changing Tones and Shapes?

- This week, we saw UST yield curve steepening resume as expected.
- Specifically, despite an outperforming US GDP growth, 2Y UST yields still headed lower this week thus far. In contrast, on the longer end, 10Y UST yields crawl higher to underscore the underlying dynamic around fiscal concerns.
- For the upcoming week, tweaks to the FOMC statement to hint at the possibility of easing should aid mild dips to front end yields.
- 2Y UST yields are likely to trade around 4.25-4.5%
- In turn, China policy measures, US fiscal concerns and upcoming online OPEC-meeting on Aug 1 may backstop 10Y UST yields, barring sharp increases in planned crude production beyond what was previously declared.
- Specifically, 10Y UST yields is projected to trade around 4.15-4.4%.

## FX Brief:

- 1) JPY: Conspiring with the FOMC meeting, uncertainty on BoJ meeting alongside heightened expectations on tightening set up enlarged volatility especially as traders become increasingly wary of traders.
- 2) EUR: Growth worries will restrain EUR bulls to restrain rallies towards 1.10 even as the Fed looks to signal easing at the upcoming FOMC.
- 3) AUD: CPI slippage risk amid Fed hold imply restrain below 67 cents with risks of dipping below 65 cents should CPI print for June surprise on the downside.
- 4) CNH: Gained on seasonal tax and dividend payments despite PBoC easing. Macro-policy to disbursements of funds from special long end bonds to local government to aid consumption and investments may also have played a marginal role.
- 5) INR: "Risk-off" mood could temper inflows; but broad commitment to fiscal consolidation should temper weakness towards 84 handle.
- 6) SGD: Firmer CNH on stimulus plans could sustain durability below 1.35 handle; dovish FOMC could see dips below 1.34 handle.
- 7) IDR: Climbing back towards 16,300 levels underscore jitters surrounding fiscal situation in Indonesia. Retest of 16,300 probable, but FOMC could provide some temporary relief.
- 8) THB: Appreciation on being sympathetic to JPY gains alongside CNH uptick this week. Underlying fiscal concerns have certainly not abated.
- 9) MYR: Q2 growth outrun underscoring a stable and prolonged hold by BNM, alongside news of high-profile investments in the country, should support momentum towards 4.60 levels.
- 10) PHP: Continued rhetoric by BSP officials on August cut should temper any gains towards 58 handle.
- 11) KRW: Catching some tailwinds of JPY gains this week to gain on the USD despite continued equity outflow amid tech sell down. GDP underperformance insufficient to trigger easing at the next meeting.
- 12) TWD: Tech sell-off saw TWD weaken and the risk off mood to aid further buoyancy for the TWD into FOMC next week. Caution on approach 33 as CBC looks likely to weigh in on excessive volatility.



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