2 August 2024

Maybank

Global Markets Daily

Brace for NFP

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Market was volatile overnight as US data disappointed and contributed to a market adjustment for three Fed cuts in 2024. Fed funds futures implied probabilities are now at >100% for the remaining 3 meetings in the year, while OIS is >100% for the Sep and Nov meetings and 91% for Dec. USTs rallied (10Y: -8bps) with the 10Y closing below 4% for the first time since Feb. Equities sold off, while gold (-0.19%) and oil (-1.28%) retreated. As we had cautioned yesterday, we remained wary of USD being supported at stretched levels and the DXY indeed rebounded (+0.32%), mainly due to weakness in the EUR and GBP, with the JPY providing some moderation to the DXY. We think there could be more volatility with NFP tonight likely to be closely watched. The Fed has now expressed that they view risks for both sides of their dual mandate, and if NFP conveys labour market weakness (or strength), we could see some big swings, especially given how current expectations for Fed cuts are. Nevertheless, we maintain our conviction to sell USD on rally in the longer term.

BOE Cuts Rates in a Finely Balanced Decision

As we expected, the BOE cut rates yesterday by 25bps, with the MPC voting 5-4 In a very close decision, which was also similarly closely priced by markets. Governor Bailey offered that wages and goods inflation had both eased and although services inflation remained firmed, less volatile components of services inflation had cooled. Bailey and the BOE are taking the position that they will be cautious on further cuts, however we think that the cut shows that they have the confidence to cut further. We look for 50bps more of cuts in 2024 and suggest to watch services inflation and wages, which is likely the BOE's sole source of discomfort, closely for more hints to their leanings for future meetings. We look for GBP outperformance to moderate in the near-term, although we remain long-term bullish on the GBP.

Data/Event We Watch Today

We watch Jul US NFP tonight.

FX: Overnight Closing Levels % Change

Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.0791	-0.32	USD/SGD	1.3367	0.05
GBP/USD	1.2739	-0.91	EUR/SGD	1.4425	-0.26
AUD/USD	0.6501	-0.63	JPY/SGD	0.8952	0.52
NZD/USD	0.5949	-0.03	GBP/SGD	1.7031	-0.84
USD/JPY	149.36	-0.41	AUD/SGD	0.8691	-0.56
EUR/JPY	161.18	-0.73	NZD/SGD	0.7953	0.04
USD/CHF	0.873	-0.57	CHF/SGD	1.5312	0.64
USD/CAD	1.3874	0.48	CAD/SGD	0.9635	-0.42
USD/MYR	4.5693	-0.46	SGD/MYR	3.4141	-0.44
USD/THB	35.605	-0.13	SGD/IDR	12138.87	0.00
USD/IDR	16235	-0.15	SGD/PHP	43.6243	0.10
USD/PHP	58.345	-0.03	SGD/CNY	5.4174	0.26

Implied USD/SGD Estimates at, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.3364	1.3637	1.3910

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G10: Events & Market Closure

Date	Ctry	Event
31 Jul	JP	Policy Decision
31 Jul	US	Policy Decision
1 Aug	UK	Policy Decision
1 Aug	SW	Market Closure

AXJ: Events & Market Closure

Date	Ctry	Event
29 Jul	TH	Market Closure

G10 Currencies

- **DXY Index - *Supported*.** DXY found support and is higher at 104.350 levels this morning with the index propped up by weakness in EUR and GBP and moderated by strength in the JPY. NFP tonight should continue to drive further moves and as we mentioned there is ample opportunity for volatility. Back on the daily chart, a break of the 104-figure opens the way towards 103.60. USD could be better supported if the Fed elects to make smaller cuts, with market pricing in an off-chance for 50bps in Sep and Dec. There could also be some support for the USD as geopolitical tensions escalate, after Iran's Supreme Leader sanctioned a strike on Israel. Further on the horizon, US presidential elections continue to unfold, with latest poll data showing Harris surpassing Trump in key swing states. USD could also find some support in the lead up to the elections. To summarize, while there are broad risks for a weaker USD as Fed cuts become more certain, support for the greenback also looms on the horizon in the form of geopolitical risks and US political developments. We still maintain our conviction for a broadly lower USD in the longer term, but recognize that there could be bumps in the path. US data for the week ahead includes Jul NFP, Jun Factory Orders and Durable Goods Orders (Fri).

- **EURUSD – *Unfavourable technicals*.** EURUSD is lower at 1.0790 levels this morning with unfavourable technicals still at play and weak data weighing on the EUR. EUR could find support on an inflation re-acceleration and earlier strong GDP print. Eurozone Mfg PMI remained in contraction and unemployment edged up to 6.5% (exp: 6.4%; prev: 6.4%). While we remain cautious in the near-term we view dips as opportunities to buy. Earlier, ECB held rates steady, remaining data dependent and market is roughly pricing in what we see at 50bps of cuts remaining for the year. We continue to watch for a rebound of EURGBP on the belief that the ECB-BOE divergence should narrow, although there is a growing risk that there could be further optimism for the GBP. ECB are likely adopting a cautious approach despite having cut in the face of an uptick in inflation previously. We closely watch developments in French politics, namely who is chosen as the new PM although this is likely to happen on the conclusion of the Olympics as Macron had expressed a preference for. Nevertheless, broader events beyond EU politics should continue to be drive the pair for now, such as the Eurozone's recovery trajectory. PMI prints thus far had disappointed but some may allude it to the summer effect. We hold a cautiously optimistic view and look for deeper pullbacks to buy the pair. No further data releases for EUR this week.

- **GBPUSD – *Outperformance moderates after BOE Cuts*.** GBPUSD was last seen lower at 1.2720 levels after the BOE cut rates yesterday. The cut was as we anticipated with the MPC voting to reduce rates by 25bops In a very close (5-4) decision, which was also similarly closely priced by markets. Governor Bailey offered that wages and goods inflation had both eased and although services inflation remained firmed, less volatile components of services inflation had cooled. Bailey and the BOE are taking the position that they will be cautious on further cuts, however we think that the cut shows that they have the confidence to cut further. We look for 50bps more of cuts in 2024 and suggest to watch services inflation and wages, which is likely the BOE's sole source of discomfort, closely for more hints to their leanings for future meetings. We continue to suggest that GBP outperformance could moderate, although we are bullish on GBP in the longer-term. Talks of a re-negotiation of Brexit terms and warmer relations with the EU could provide GBPUSD support on dips. Starmer had dropped some hints on re-engaging the EU post-Brexit and positive outcomes could have significant upside for the pair. Meanwhile, we continue to look for 75bps of rate cuts for the BOE this year. Disinflation remained intact for the UK as opposed to in the Eurozone where inflation was resurgent. Moreover, recent UK wage gains had been edging lower, which at the margin should give BOE increased comfort to cut rates. UK inflation surprised to the downside and confirmed the disinflationary trend in the UK. Only point of contention remains that services inflation is high at 5.7% YoY. We continue to watch for a rebound of EURGBP on the belief that the ECB-BOE divergence should narrow, although there is a growing risk that there could be further optimism for the GBP. Back on the GBPUSD, resistances at 1.2750 and 1.2800. Supports are at 1.2700 and 1.2650. No further data releases ahead for the UK.

- **USDCHF – *Stretched to Downside?*** USDCHF was last seen lower at 0.8728 levels with CHF performing better on general risk aversion yesterday. USDCHF could be a tad stretched to the downside and CHF gains could slow. Of the traditional safe-havens, it does seem that only gold and CHF retain most of the safe-haven properties. Further rate cuts from SNB could pressure USDCHF higher and if a situation arises where it becomes the global funding currency of choice (like the JPY), then we could see more upside for USDCHF. Nevertheless, we do see USDCHF lower into quarters ahead alongside fading US economic exceptionalism and Fed rate cuts. Back on the chart, bias is to the downside but further decline could slow given that stochastics flag oversold conditions. Supports at 0.8700 and 0.8650. Rebounds to meet resistance at 0.8740 and 0.8800. This week has Jul CPI Inflation and Jul Mfg/Svcs PMI (Fri).

- **USDJPY – *Two-Way Risks*.** The pair was last seen at 149.22 as traded just below the 150.00 mark. At this point, we stand at a crucial macro pivot point where we are transitioning from tight to looser monetary policy globally. Economic data have been showing signs of crack and a number of DM central banks have started their easing cycle or have signaled to do so. The question now lies regarding the pace to which they would ease. At this point, it would therefore be difficult to see JPY bears choosing to keep betting against the currency whilst those holding carry positions that have been unwinding heavily, may just hold back for a bit to see how data pans out. The currency may therefore trade side-ways temporarily. However, we are building up to a crucial US jobs data later and there are two way risks for USDJPY depending how that data pans out to be. If the higher initial jobless claims yesterday is any guide, there are concerns that jobs data may imply more labor market weakness. Whilst markets have been pricing Powell to hike by 25bps in Sep, they have not necessarily we think fully priced in more weakness in the labor data (although we note the futures look to be pricing it about three cuts by year end now). Back on the chart, support is at 150.00, 148.82 and 145.76. Resistance is at 156.00, 158.03 and 160.00. Remaining key data releases this week include Jul monetary base (Fri).

- **AUDUSD – *Further Declines To Slow*.** AUDUSD was last seen at 0.6508 level. Pair had been on a precipitous slide, weighed by a combination of disappointment on China's growth/stimulus front that dragged on base metal prices as well as steeper drops in the equity markets. Right now, the world seems to be entering a soft patch with manufacturing recovery somewhat stalling and these concerns over cyclical slowdowns validated by increasingly dovish central bankers comments. We could be in an environment where more central banks are increasingly concerned with growth rather than inflation. Rate cuts could be priced in more aggressively and this concerns on growth momentum could keep markets on the edge. Pro-cyclical AUD may need to see further downside before this sentiment could turn. A bottom may take some time to fall after such a sharp decline. In addition, we are approaching Aug which is seasonally bearish for the AUD. We suspect this seasonal effect has been brought forward by half a month. Back on the AUDUSD chart, we watch if it can hold below the support around 0.6530 before 0.6470. The 0.6470 coincides with the apex of the falling wedge that has formed. Rebounds to meet resistance at 0.6600 before 0.6670. There are no remaining key data releases this week.

- **NZDUSD – *Possible double bottom, although bias still bearish.*** NZDUSD was last at 0.5947. We continue to remain slightly bearish near-term as the 50-dma is turning to make a bearish cross over on 200-dma. Back on the NZDUSD chart, support is at 0.5920 followed by 0.5850. Rebounds to meet resistance at 0.6000. Bias is bearish for this pair. NZD, being a pro-cyclical currency could also be affected by souring sentiment, weaker growth outlook and we may need to get past this period of risk-off before NZD can find a floor. Although the Fed has tilted more dovish, geopolitical risks could still weigh on this pair. Move towards 0.5850 could form a double bottom. No further data for NZ this week.

- **USDCAD – *Higher.*** The pair was last seen at 1.3866. CAD's decline may start to slow. BoC had cut rates on 24 Jul as expected by 25bps to 4.50% with a pivot in the monetary stance towards getting "growth to pick up again". CAD will unlikely be under increasing pressure as markets are also pricing in Fed cuts so policy divergence between the Fed and BoC would be limited. We see a chance BoC could pause and assess the rate cut decisions as core inflation may remain sticky and wage growth was strong in spite of the rise in unemployment rate. We watch if it can hold above the key resistance on the daily chart around 1.3850. Pullback to meet support at 1.3760 before the next at 1.3690 (50- dma). We prefer to short USDCAD at this point. There are no remaining key data releases this week.

- **Gold (XAU/USD) – *Slight correction from stretched levels*.** Gold was lower at 2442.74 levels with correcting slightly from stretched levels. Key resistance is at 2484 (recent high) and 2500. Supports are at 2430 before the next at 2400. Earlier correction should be viewed as healthy given that conditions were stretched to the upside. Moreover, gold was not spared from the carry trade unwind. We anticipate that the corrections may not be too deep given that we are in an environment of ongoing geopolitical conflicts, falling UST yields and various political events. Gold remains an asset for risk diversification at an environment of somewhat healthy risk appetite still where equities continue to rise but remain a tad vulnerable to geopolitical shifts and trade/foreign policy changes while bonds are sandwiched between rate cut expectations and higher-for-longer narrative. Of the safe-havens, gold may well be the least stretched to the upside, although as we enter unchartered territory of fresh highs, key technical levels could become less certain.

Asia ex Japan Currencies

SGDNEER trades around +1.93% from the implied mid-point of 1.3637 with the top estimated at 1.3364 and the floor at 1.3910.

- **USDSGD - *Slightly higher, but outperforming on a trade-weighted basis*.** USDSGD was higher this morning at 1.3370 levels as the USD was better supported on risk aversion. Last Fri, MAS held as expected and reiterated they see that price gains will slow “further to around 2% in 2025”. They lowered their inflation forecast this year to 2% - 3% from 2.5% - 3.5% whilst they expect economic growth to come out closer to the upper half of 1% - 3% this year. SGD remains resilient after MAS’ hold, and the trade-weighted SGDNEER is stronger at +1.93% above the mid-point this morning with USDSGD at 1.3370 levels. MAS policy continues to be supportive of SGD strength and we look for the resilience to continue. Although the SGD is still subject to broader drivers, we expect it to hold up better than other currencies in times of USD-strength. At the same time, it is unlikely to outperform in times of USD-weakness. Look for USDSGD to remain relatively steady ahead of major central bank decisions this week. Long-term view is still for USDSGD to go lower. MAS appears to be in no hurry to ease, especially not when growth and inflation outcomes are essentially in line with their expectations. MAS Chief Economist seems to have hinted at MAS not being able to ease as easily as an interest rate regime in his speech on monetary policy. We think that the SGDNEER outperformance could taper as Fed cuts come in, although we do not expect SGDNEER to tank. In the medium -term, we remain positive on the SGD given robust macro fundamentals and a monetary policy that has an appreciating currency as a default stance. Resistance at 1.3400 and 1.3450. Supports are 1.3350 and 1.3300.

- **SGDMYR - *Lower*.** Cross was lower at 3.4089 levels this morning. We now see potential for pair to trade two-way within 3.40 to 3.50. If the MYR continues to outperform, we should stay at the lower end of this range. SGD and MYR have been the two more resilient Asian currencies of late and we think this can continue. Supports at 3.40 and 3.38 levels. Resistances at 3.42 and 3.45 levels.

- **USDMYR - *Outperformer.*** Pair was last seen at 4.5528. The USDMYR slid substantially at open yesterday although it pared some of those losses later in the day. However, it has edged lower this morning again that means on net it stayed at around the levels seen at the same time yesterday morning. The pair is certainly an outperforming among many of its Asian peers. We do sense there is more positive idiosyncratic optimism towards the MYR amid the government reforms (diesel subsidy rationalization), better than expected growth and more foreign investor interest. Also, authorities leading coordinated conversions by GLCs/GLICs into local currency has given much support to the currency. BNM likely to keep rates on hold can also be giving MYR support at a time when we talk about easing elsewhere about the Fed and globally. External events especially those related to the US, China and Japan are likely to remain the key drivers going forward. Back on the chart, support is at 4.5500 and 4.5000. Resistance stands around 4.6000 and 4.6500. There are no remaining key data releases due this week.

- **USDCNH - *Higher*.** USDCNH was last seen around 7.2470. PBoC fixed the USDCNY reference slightly lower at 7.1376 this morning vs. previous 7.1323. Trend-wise though, USDCNY has been fixed gradually higher even as the USD environment is arguably more benign. Beyond the carry-trade unwinding that has benefitted the CNY and CNH, we think this could continue. USDCNH and USDCNY may continue to trade sideways with an upside skew within the 7.20-7.30 range. Given that the sentiment on China is already rather bearish (2Q GDP surprised to the downside, retail sales weakened considerably, persistent declines in home prices), we do not rule out that there is room for some upside surprise to the PMI post a series of rate cut this week (7day reverse repo, LPRs, 1Y MLF) that could potentially boost the yuan sentiment. We note that Jun industrial profits out over the weekend actually was strong than prior month at 3.6% YoY (May. 0.7% YoY). Regardless, we continue to watch for major price action to remain within the 7.20-7.30. Opposing forces seem to be equally strong to keep this pair within the range. Jul PMI readings were all lower with the composite at 50.2 (Jun. 50.5), mfg PMI at 49.4 (Jun. 49.5) and non-mfg PMI at 50.2 (Jun. 50.5). Caixin PMI mfg is weaker at 49.8 (est. 51.5, Jun. 51.8).

- **1M USDKRW NDF – *Higher*.** 1M USDKRW NDF was higher at 1372.70 levels this morning as the USD found support on risk aversion. Some nascent signs of support starting to build for KRW. Jul CPI came in firmer at 2.6% YoY headline (exp: 2.5%; prev: 2.4%;) and core at 2.2% (exp: 2.1%; prev: 2.2%). Combined with earlier growth print, BOK should be in no hurry to ease to be growth supportive. BOK stood pat earlier, in line with our expectations. BOK has had a tendency to hold for an extended period before pivoting to a cut and this should provide KRW with some support. Jul PPI increased to 2.5% (prev: 2.3%) and this helped to guide USDKRW slightly lower. Apart from upside risks on inflation, there could also be concerns about KRW weakness if they were to cut ahead of the Fed. KRW remains vulnerable as one of the lower yielders in the region. USDKRW spot has seen about a week of extended trading hours and we could see some volatility as market acclimates to this change in market structure. Extending trading hours is one of the initiatives to improve investor access to Korea and is in line with the strong push the government is making to get onto global bond indices. We see resistances at 1380 and 1400. Supports are at 1360 and 1340. Longer term we watch trade data for a possible bottoming of the chip/general trade cycle and AI exuberance, which could buoy the KRW. Risks for the KRW include issues with debt mainly related to the property sector, although at this stage signs do not point to wider contagion that could weigh on the KRW in line with BOK assessment. Upside risks for the KRW also exist if KGBs are included in the FTSE Russell WGBI, although it seems like Sep 2024 is the earliest possible inclusion date. We look for a possible recovery with the KRW one of the more stretched currencies in Asia. No further releases for Korea this week.

- **1M USDIDR NDF – *Testing 50-dma*, *Cautious*.** Pair was last seen at 16284 as it hovered at levels similar to yesterday. The 1M NDF continues to keep testing the 50-dma. Whilst softer US data can help push the pair lower, downside moves can be limited by persisting concerns about the country's fiscal position as we transition to a new administration of President-elect Prabowo. The pair can move lower but we expect for it to rebound again amid a more risk-off sentiment into Aug given the lower liquidity. Jul inflation data out yesterday showed that headline inflation had soften to 2.13% YoY (est. 2.37% YoY, Jun. 2.51% YoY) though the core number continued to edge up 1.95% YoY (est. 1.90% YoY, Jun. 1.90% YoY). Despite inflation now being softer, BI we think is also cognizant of the IDR stability and will watch how the global easing cycle is panning out. Back on the chart, we continue to watch if it can decisively hold below the 50-dma support at 16298 with the next level after that at 16165 (100-dma). Resistance at 16400 and 16519 (year-high). There are no remaining key data releases this week.

- **1M USDPHP NDF – *Steady, Sideways Expected*.** The pair was last seen at 58.33 as it continued to hold at levels similar to yesterday. We continue to await the US jobs data out tonight and a soft reading can help guide the pair lower. However, we think the downside may still be limited amid the possibility of broad dollar being supported in Aug amid a more risk-off environment. Overall, it would like just trade side-ways. Meanwhile, Governor Remolona has said that the BSP is on track to slash rates by 25bps in Aug although we note that the Fed is already signaling a Sep cut. Back on the chart, resistance at 50-dma at 58.57 with the next after that at 59.00 and 59.56. Support is at 58.00 and 57.66. There are no remaining key data releases this week.

- **USDTHB – *Steady, Sideways Expected*.** Pair was last seen at 35.59 as it continue to trade at around levels seen yesterday. Markets for now look to be awaiting how US jobs data would pan out tonight. Any softer data can help bring the pair a bit lower. As a whole though, we think it could trade more sideways within 35.30 – 36.00 near term. Meanwhile, we also continue to stay cognizant of the political situation as we await the constitutional court verdict on Move Forward dissolution next week on 7 Aug. The court would also hand out its verdict on Srettha's appointment of Pichit Chuenban on 14 Aug. Meanwhile, Thaksin's case on Royal insult would be heard on the 19 Aug. Back on the chart, support is at 35.50 and 35.00. Resistance is at 36.00 (200-dma) and 36.50 (around 50-dma and 100-dma). Meanwhile, economic data out yesterday showed that Jul business sentiment index was softer at 46.9 (Jun. 48.7), highlighting fragility in the economy. Remaining key data releases this week include 26 Jul gross international reserves/forward contracts (Fri).

- **USDVND – *Lower*.** USDVND was last seen around 25222. Support at 25000 and 24858 (200-dma). Equities clocked a net outflow of -$19.8mn on 25 Jul. This suggests that sentiments remain rather fragile. Regardless, smaller gold premium, high interbank interest rates likely eased demand for gold/ foreign currencies and reduce pressure on the VND. We The recent fall in the 2y UST yields amid greater bets on rate cut for the Fed have also boosted the VND. Resistance is the upper bound of the day at 25461 based on the fix at 24249. In news from home, the GM of North Vietnam and Residential at Frasers Property Vietnam told the press that data centres, industrial parks are reserved for high-tech production and parks to serve multinational tenants and to attract new funding waves (Vietnam Investment Review). Economic data out yesterday showed Jul IP was stronger at whilst CPI and retail sales are also higher. Trade balance was lower amid higher imports even though exports was stronger. There are no remaining key data releases this week.

Malaysia Fixed Income

Rates Indicators

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR ML 5/27	3.36	3.35	-1
5YR MO 8/29	3.53	3.51	-2
7YR MS 4/31	3.67	3.66	-1
10YR MT 11/33	3.72	3.71	-1
15YR MS 4/39	3.87	3.87	Unchanged
20YR MX 5/44	4.02	4.03	+1
30YR MZ 3/53	4.14	4.14	Unchanged
IRS			
6-months	3.52	3.53	+1
9-months	3.48	3.48	-
1-year	3.48	3.45	-3
3-year	3.43	3.41	-2
5-year	3.48	3.46	-2
7-year	3.56	3.54	-2
10-year	3.66	3.64	-2

Source: Maybank
**Indicative levels*
***Daily Trade Data: 1) Government bonds and 2) PDS/corporate bonds*

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- Ringgit government bonds surged on immediate buying at the open, with yields initially dropping by 2-4bps. However, profit-taking later in the day reduced these gains, resulting in a net decrease of just 1-2bps in yields. Liquidity levels remained high, and trading activities were concentrated in the mid-to long-tenor segments.

- The MYR IRS declined further by 2-4bps as UST yields dropped overnight, and outperformed local govvies which gave back some gains due to profit taking. The 2y IRS traded at 3.40%, while the 5y IRS traded at 3.445%, 3.45% and 3.46%. 3M KLIBOR remained steady at 3.57%.

- PDS activity increased. The GG sector dominated, with MYR200m of PTPTN 3/39 exchanged at a yield 2bps lower in a single transaction. Danainfra long-term bonds saw spreads tighten by 1-2bps. AAA-rated bonds saw spread tightening of 3-5bps, notably TNB Power Gen 6/42 and PLUS 1/38. The AA2-rated PONSB 5/31 spread tightened by 4bps. Single-A rated bonds traded lower in small amounts, including Tropicana, DRB Hicom and Alliance Bank. AA3/AA- rated bonds traded 1-3bps lower, specifically Malakoff Power 12/25, Jimah East Power 12/24 and Penang Port 12/26.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	2.94	2.90	-4
5YR	2.80	2.77	-3
10YR	2.88	2.85	-3
15YR	2.90	2.87	-3
20YR	2.90	2.88	-2
30YR	2.88	2.87	-1

Source: MAS (Bid Yields)

- DM bonds rallied overnight on the back of Powell's dovish comments and further exacerbated by heightened geopolitical tensions following Iran's retaliation against Israel. 10y UST yield fell by 11bps, and market expectations of Fed rate cuts in 2024 increased to about 92bps, with the first one in September. Tracking the global bond movement, SGS yields fell 1-4bps led by the front end, bull-steepening the curve.

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Latest Day's Close	Change
1YR	6.61	6.61	0.00
2YR	6.60	6.62	0.02
5YR	6.73	6.70	(0.03)
7YR	6.91	6.88	(0.03)
10YR	6.90	6.88	(0.02)
20YR	7.07	7.02	(0.05)
30YR	7.04	7.02	(0.02)

** Source: Bloomberg, Maybank Indonesia*

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- Most Indonesian government bonds strengthened yesterday. A rally on Indonesian bond market is in line with global rally on the bond market after receiving clear signal that the Fed is ready to begin cutting its policy rate imminently. The global yields of bonds are moving downtrend. The yield of U.S. 10Y of government bonds dropped to below 4% yesterday. We believe Indonesia to be a well destination from the global investors that seeking attractive investment yields with solid fundamental background. On the local side, we continued seeing a monthly deflation and slowing increase of Indonesian consumers prices index during Jul-24. We expect a slowing of Indonesian annual inflation to give more considerations for Bank Indonesia to begin its policy rate cut policy. The local bond market is expected to continue its rally trends today.

- Indonesian consumer prices index kept slowing in Jul-24 amidst strong imported inflation's pressures due to the global trends of high on both of Brent oil prices and USDIDR. Thanks to abundant supply of domestic raw foods and the government's fiscal decision to maintain the fuel subsidized prices and other energy cost on the same level, the national consumer inflation slowed from 2.51% YoY in Jun-24 to 2.13% YoY in Jul-24. On the monthly basis, Indonesia recorded three consecutive months of monthly deflation in Jul-24. The country booked monthly deflation by 0.18% MoM in Jul-24 due to massive monthly discount prices of the raw foods commodities during persisting of the great harvest season, such as red onions, red chilies, tomatoes, free-range chicken meat, garlic, fresh fish, free-range chicken eggs, white cabbage, green mustard greens, long beans, cucumbers, oranges, and green beans.

- On the other side, we witnessed somewhat high monthly inflation contribution by rice and cayenne pepper in Jul-24. It can be reflection of consumers' increasing consumption on the staple foods. The increase in rice prices also occurred because Indonesia was entering the end of harvest period for rice commodity and there had been no distribution of rice aid on Jul-24. On the producers' side, we saw both slowing annual inflation and a monthly deflation. Indonesian wholesale prices index inflation slowed from 3.36% YoY in Jun-24 to 2.99% YoY in Jul-24. On monthly basis, the wholesale prices index deflated by 0.20% MoM in Jul-24, mainly due to a drop on the agriculture commodities prices.

- The Indonesian economy, which currently relies more on domestic economic activity, rather than externally due to the slow growth of the global economy, needs a driver from both the fiscal and monetary sides so that the Indonesian economy can grow even higher at this time. Indonesia's low inflation condition with decreasing pressure is increasingly opening up a bigger gap for Bank Indonesia to lower monetary interest rates, the BI Rate, even lower. A significantly lower BI Rate can drive down the cost of the community to expand, especially through the assistance of financial institutions, especially banks. We see that the room for lowering the BI Rate is quite large, up to 50 bps this year. Although currently, we see that the room for lowering the BI Rate is still constrained by the threat of imported inflation when the US$ trend and global oil prices are still high.

- Indonesian imported inflation is a benchmark for adjusting costs for the community to consume commodities that are mostly produced abroad. The strong US$ trend could fade after there is certainty from the Fed regarding the schedule for lowering its monetary interest rates. Meanwhile, on the other hand, the movement of oil prices amidst the slow global economic growth is still difficult to consistently below US$79/barrel, especially when OPEC continues to limit additional global oil supplies or there is a threat of disrupted oil supplies due to the heated tensions in the Middle East and in Ukraine whose conflicts have not yet fully ended.

- Meanwhile, on the fiscal side, we see that the government's steps are right to maintain people's purchasing power by implementing various policies, such as providing food assistance and also stabilizing strategic commodity prices, especially national energy and food prices. Assuming the fiscal deficit ratio to GDP is still below 3% and with the possibility of reaching 2.7% this year, we see that the government will still be able to maintain national inflation pressures to remain low this year. With well-maintained inflation pressures, consumption activities can continue to make a strong contribution to the Indonesian economy to continue to grow above 5% this year.

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.0858	151.97	0.6588	1.2912	7.2881	0.5999	163.6533	99.3423
R1	1.0825	150.66	0.6544	1.2826	7.2697	0.5974	162.4167	98.2167
Current	1.0790	149.68	0.6499	1.2718	7.2506	0.5943	161.5000	97.2630
S1	1.0768	148.28	0.6473	1.2690	7.2215	0.5931	160.4167	96.4887
S2	1.0744	147.21	0.6446	1.2640	7.1917	0.5913	159.6533	95.8863

	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3405	4.6148	16292	58.4277	35.7670	1.4498	0.6334	3.4506
R1	1.3386	4.5920	16263	58.3863	35.6860	1.4461	0.6320	3.4323
Current	1.3373	4.5600	16242	58.3380	35.5750	1.4430	0.6293	3.4101
S1	1.3346	4.5460	16208	58.2943	35.4730	1.4401	0.6293	3.4004
S2	1.3325	4.5228	16182	58.2437	35.3410	1.4378	0.6279	3.3868

**Values calculated based on pivots, a formula that projects support/resistance for the day.*

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	3.9000	Oct-24	Neutral
BNM O/N Policy Rate	3.00	5/9/2024	Neutral
BI 7-Day Reverse Repo Rate	6.25	21/8/2024	Neutral
BOT 1-Day Repo	2.50	21/8/2024	Neutral
BSP O/N Reverse Repo	6.50	15/8/2024	Neutral
CBC Discount Rate	2.00	19/9/2024	Neutral
HKMA Base Rate	5.75	-	Neutral
PBOC 1Y Loan Prime Rate	3.35	-	Easing
RBI Repo Rate	6.50	8/8/2024	Neutral
BOK Base Rate	3.50	22/8/2024	Neutral
Fed Funds Target Rate	5.50	19/9/2024	Neutral
ECB Deposit Facility Rate	3.75	12/9/2024	Neutral
BOE Official Bank Rate	5.00	19/9/2024	Neutral
RBA Cash Rate Target	4.35	6/8/2024	Neutral
RBNZ Official Cash Rate	5.50	14/8/2024	Neutral
BOJ Rate (Lower bound)	0.00	20/9/2024	Tightening
BoC O/N Rate	4.50	4/9/2024	Neutral

Equity Indices and Key Commodities

	Value	% Change
Dow	40,347.97	-1.21
Nasdaq	17,194.14	-2.30
Nikkei 225	38,126.33	-2.49
FTSE	8,283.36	-1.01
Australia ASX 200	8,114.67	0.28
Singapore Straits Times	3,419.84	-1.04
Kuala Lumpur Composite	1,624.25	-0.08
Jakarta Composite	7,325.99	0.97
Philippines Composite	6,693.83	1.13
Taiwan TAIEX	22,642.10	1.99
Korea KOSPI	2,777.68	0.25
Shanghai Comp Index	2,932.39	-0.22
Hong Kong Hang Seng	17,304.96	-0.23
India Sensex	81,867.55	0.15
Nymex Crude Oil WTI	76.31	-2.05
Comex Gold	2,480.80	0.32
Reuters CRB Index	273.59	-1.63
MBB KL	10.26	0.39

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