Maybank

Macro | FX Research & Strategy

Global

# Global Markets Daily

# EUR Rises Despite ECB Cut

### Pricing a Soft Landing

USD starts the Asian session this morning weaker alongside lower UST yields. The DXY index also closed lower (-0.5%) yesterday as the EUR strengthened in spite of the ECB cut (see below). Gold hit a fresh high of $2560.13 and commodity prices are generally higher. Broadly speaking, it appears that the marketing is beginning to buy the narrative of a soft landing more for now. Against this backdrop, we saw a recalibration of Fed rate cut expectations once more tilting a tad dovish and in line with that the USD weaker. The 102.00 resistance on the DXY remains untested since 20 Aug, and if markets continue to vacillate around the narrative of a soft vs hard landing, we could stay within a range. Bear in mind that FOMC is next week (18 Sep) and that day coincides with expiry of VIX options as well as Trump's sentencing, a set up for potential volatility. We do see risks of a USD rebound amid further recalibration of Fed expectations, and reiterate that such rebounds are opportunities to sell the USD.

### EUR Rises Despite ECB Cut

As widely expected, the ECB cut its deposit rate by 25bps to 3.50% and narrowed the rate corridor by adjusting the main refinancing rate at 3.65% and the marginal lending facility rate to 3.90%. As suggested, the ECB did not depart from its approach of being data dependent and refrained from committing to a particular course. Eurozone economic projections were revised downwards slightly and inflation projections moved higher for 2024 and 2025. The ECB therefore was on a whole not as dovish as some were expecting and the EURUSD ended the day higher (+0.6%) as the EUR strengthened. Word on the street earlier was that the EUR could head towards parity on larger than anticipated ECB cuts, but this does not seem likely at this juncture. While growth in the ECB may not come in as strong as expected given that Germany is a laggard, the turning point could come soon and that would be better for the EUR.

### Data/Event We Watch Today

We watch Aug EC Industrial Production.

**FX: Overnight Closing Levels % Change**

| Majors | Prev Close | % Chg | Asian FX | Prev Close | % Chg |
|---|---|---|---|---|---|
| EUR/USD | 1.1074 | 0.56 | USD/SGD | 1.3013 | -0.21 |
| GBP/USD | 1.3124 | 0.62 | EUR/SGD | 1.4412 | 0.36 |
| AUD/USD | 0.6722 | 0.72 | JPY/SGD | 0.9176 | 0.17 |
| NZD/USD | 0.6182 | 0.73 | GBP/SGD | 1.7081 | 0.42 |
| USD/JPY | 141.82 | -0.38 | AUD/SGD | 0.8749 | 0.52 |
| EUR/JPY | 157.07 | 0.18 | NZD/SGD | 0.8047 | 0.54 |
| USD/CHF | 0.8512 | -0.13 | CHF/SGD | 1.5289 | -0.08 |
| USD/CAD | 1.358 | 0.04 | CAD/SGD | 0.9584 | -0.24 |
| USD/MYR | 4.335 | 0.12 | SGD/MYR | 3.3209 | -0.12 |
| USD/THB | 33.75 | 0.31 | SGD/IDR | 11827.17 | -0.03 |
| USD/IDR | 15430 | 0.19 | SGD/PHP | 43.0065 | 0.07 |
| USD/PHP | 56.185 | 0.38 | SGD/CNY | 5.4655 | 0.08 |

**Implied USD/SGD Estimates at, 9.00am**

| Upper Band Limit | Mid-Point | Lower Band Limit |
|---|---|---|
| 1.2984 | 1.3249 | 1.3514 |

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### G10: Events & Market Closure

| Date | Ctry | Event |
|---|---|---|
| 11 Sep | US | Presidential Debate (KL/SG Time) |
| 12 Sep | EC | ECB Policy Decision |

### AXJ: Events & Market Closure

| Date | Ctry | Event |
|---|---|---|
| NIL | NIL | NIL |


SEE PAGE 14 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

## G10 Currencies

- **DXY Index –*102-figure Still Caps*.** The DXY index continues to hover within 100.60-102.00 range as markets continue to calibrate the size of the rate cut by the Fed next week. PPI final demand picked up to 0.2%m/m from previous 0.0%. Ex food, energy, trade measure steadied at 0.3%. Year-on-year, PPI slowed to 1.7% from previous 2.1%. This was a rather subdued producer price index report and combine with the mild rise in the initial jobless claims, markets started to lift bets on a 50bps cut again. It is now seen with an implied probability of 30%. What could actually lift or bring the USD more discernibly lower is global growth. Should global growth start to show more signs of a severe downturn, that could bring the USD higher. Should growth start to bottom out and gain traction, USD could continue to extend lower. While activity in the US is slowing, employers are being more cautious on hiring, latest consumer sentiment seems to be holding up. Initial jobless claims have been steady which also underscores little evidence of mass layoffs. As such, a US soft-landing is still on track. The 100bps cut priced in over the next three meetings (Sep – Dec 2024) is, in our view, still at risk of being a tad aggressive given that the rest of the economic report suggests some resilience still. There is a chance that the well that the Fed may reveal a milder pace of easing at its next dot plot in Sep. Key support is seen around 100.60. Resistance remains at 102. Break out above that opens the way towards 102.90. It is more likely for two-way trades within the 100.60-102.00. Data-wise, Fri has Sep prelim. Univ. of Mich. Sentiment.

- **EURUSD – *Higher*.** EURUSD is higher at 1.1085 levels this morning. The EUR was stronger after ECB cut when the market realized that the ECB may not be as dovish as some had initially anticipated. In addition, expectations of Fed cuts have tilted further dovish and it appears that the soft-landing narrative is gaining more steam, which weakened the USD. We continue to caution that the risk of further USD rebounds on recalibration of Fed rate cuts is possible. At the same time, we view rebounds in the USD (lower EURUSD) as opportunities to sell the USD (buy EURUSD). A soft-landing is favourable for USD weakness and a hard-landing is favourable for USD strength. Our base case remains one for a soft-landing although we do recognize the risks of a hard-landing. We look once again to buy EURGBP on dips as we continue to believe perceived central bank divergences should narrow and see value in fading the latest rally in the GBP. ECB are likely adopting a cautious approach despite having cut in the face of an uptick in inflation previously. While we do expect a cut from the ECB on 13 Sep, we think they are extremely unlikely to depart from their data-dependent rhetoric and they will neither commit to nor provide guidance for a pre-determined rate cut path. Support is at 1.1060, followed by 1.1000, resistance at 1.1100 and 1.1150. Eurozone data this week includes Jul Industrial Production (Fri).

- **GBPUSD – *Higher*.** GBPUSD rebounds and trades higher at 1.3143 levels this morning. Expectations of Fed cuts have tilted further dovish and it appears that the soft-landing narrative is gaining more steam, which weakened the USD. Two-way risks exist, as the backdrop of a soft landing/Goldilocks scenario builds, conditions become more favourable for GBP strength (and USD weakness). We continue to caution that the risk of further rebounds on recalibration of Fed rate cuts is possible. At the same time, BOE is priced as the most hawkish DM central bank at this point and that is providing the GBP some lift. However, we continue to see potential for 50bps cuts from the BOE in 2024, which could keep the GBPUSD from rising much further. Services inflation, the main source of discomfort for the BOE, has come off in the latest print. We think that GBP outperformance could moderate in the near-term while remaining bullish on GBP in the longer-term. Positive outcomes from warmer EU-UK relations with Labour's victory could take time to play out. We look once again to buy EURGBP on dips as we continue to believe perceived central bank divergences should narrow and see value in fading the latest rally in the GBP. Back on the GBPUSD, resistances at 1.3200 and 1.3250. Supports are at 1.3100 and 1.3000.

- **USDCHF - *Two-way risks*.** USDCHF is lower at 0.8497 levels this morning. Expectations of Fed cuts have tilted further dovish and it appears that the soft-landing narrative is gaining more steam, which weakened the USD. A further indication that a soft-landing could be being priced is that the CHF is actually underperforming. We continue to look for two-way movements for the pair with both the Fed and SNB looking to cut rates. Of the traditional safe-havens, it does seem that gold and CHF retain most of the safe-haven properties, with the JPY being pressured by yield differentials. Safe-havens could be better supported on heightened volatility and uncertainty in the lead up to key events like the US elections. 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. Supports are at 0.8400 and 0.8333. Rebounds to meet resistance at 0.8500 and 0.8550 thereafter. Aug Unemployment Rate was stable at 2.4% (exp: 2.4%; prev: 2.4%) and 2.5% SA (exp: 2.5%; prev: 2.5%).

- **USDJPY - *Lower, Sideways*.** The pair was last seen lower at 141.33 as it pulled back overnight. In the near term, it looks like USDJPY would continue to trade sideways building up into the FOMC and BOJ decisions next week. Focus is more likely to be on the former given that the BOJ has already given substantial hints that they will continue ahead with tightening (albeit it may still be gradual). Market speculation on the other hand looks to keep persisting as to whether the Fed would cut by 25bps or a 50bps instead next week. Also, markets are playing a guessing game too on whether the Fed may be open to a faster pace of decrease even if they do only cut by 25bps next week. Higher initial jobless claims and some disappointing elements of the PPI reading yesterday looks to have kept alive hopes of a 50bps move next week. Back on the chart, support is at 140.25 and 135.00. Resistance is at 150.00 and 152.00. Remaining key data releases this week include Jul F IP (Fri) and Jul capacity utilization (Fri).

- **AUDUSD - *Bounce within 0.66-0.68*.** AUDUSD bounced off the 200-dma around 0.6620 and was last seen just below 21-dma, last printed 0.6720. Broader USD decline due to subdued PPI and slight rise in jobless claims lifted the pairing. AUD remains sentiment-driven, susceptible to two-way trades within 0.66-0.68 range, especially given the current growth assessment and fragility of sentiment. Momentum is neutral. This is a time of global growth assessment and should there be a lack of revival in consumer confidence/business confidence even after the signaling of rate cuts, we will start to take a more cautious view of the AUD. Our glass half full view of the world is based on our assumptions that the Fed is easing at a time where there is some resilience in the economy, consumer confidence is holding up and weekly jobless claims suggest little evidence of mass layoffs. We assume that global growth is more likely to soft land and bottom out as major central banks (ex BoJ) start to ease monetary policies. Support at 0.6620 before the next at 0.6550 and then at 0.6500. Rebound to extend towards 0.6720 before 0.6800.

- **NZDUSD - *Bearish Skew Remains*.** NZDUSD rose and was last seen around 0.6180, buoyed by the USD decline. Momentum is still skewed a tad bearish. We see two-way risks for this pair within the 0.61-0.6250 range. Area of support around 0.6080-0.6100 seems rather strong. Expect price action to remain above this region.

- **USDCAD - *Slid on Higher Oil Prices, Uptrend intact*.** The oil bounce overnight boosted CAD sentiment and USDCAD reversed lower, steadying around 1.3580 this morning. Regardless, bullish momentum is rising and so is the stochastics from oversold conditions. Rebound of the USDCAD remains in play. Further bullish extension beyond the 1.3560-resistance could open the way towards 1.3650. Balance of risk right now is still to the upside. Mfg PMI rose to 45.8 in Aug from previous 44.4 in Jul. This was an improvement and underpins our view that NZD could continue to remain a buy on dips as the Fed cuts and as RBNZ eases to support growth.

- **Gold (XAU/USD) -*Range bound*.** Gold broke out of the 2480-2530 range and was last seen around 2560. The move comes as UST yields dropped overnight. While geopolitical conflicts seem to become less concerning at this point, the potential for equities to come under pressure as the US election nears could also drive some demand for the gold. On the daily chart, stochastics are plateauing. MACD is neutral. Next resistance beyond the current one at 2560 is seen at 2630.

### Asia ex Japan Currencies

**SGDNEER trades around +1.93% from the implied mid-point of 1.3249 with the top estimated at 1.2984 and the floor at 1.3514.**

- **USDSGD - Two-way risks.** USDSGD was lower at 1.2994 levels this morning, Expectations of Fed cuts have tilted further dovish and it appears that the soft-landing narrative is gaining more steam, which weakened the USD. SGD remains resilient after MAS' hold, and the trade-weighted SGDNEER is at +1.93% above the mid-point this morning. 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. 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. Specifically, currencies in SGDNEER basket that are more sensitive to rate differentials could outperform the SGD and offset any strength in SGDNEER that comes from a weakening USD. Such a scenario would entail a weaker SGDNEER alongside essentially a lower USDSGD (stronger bilateral SGD). 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 1.3000 and 1.3050. Supports are 1.2950 and 1.2900. Aug FX Reserves rose to US$384.59b (prev: US$378.62b), an indication that MAS perhaps bought a healthy amount of USD in Aug amid USD weakness to moderate SGDNEER strength. MAS Survey of Professional Forecasters showed that growth is expected to improve and the economy can expand by 2.6% in 2024 (prev: 2.4%). Drivers of the improvement in growth would come from finance, construction and wholesale and retail trade. Economists slashed the growth outlook for key manufacturing sector to 0.6% (prev: 1.6%). Majority of respondents see MAS standing pat in Oct, with about half of respondents seeing an easing in Jan.

- **SGDMYR - *Steady*.** Cross was steady at 3.3232 levels this morning. We have observed that the MYR tends to fare better when USD is weak, whereas SGD is more resilient when USD is strong. Risks are two-way as we believe rebounds are likelier as pair gets more stretched. At the same time, the soft-landing narrative favours the MYR more than the SGD. Support at 3.3000 with the next support at 3.2800. Resistances at 3.3300 and 3.3500.

- **USDMYR - *Lower, Sideways*.** Pair was last seen at 4.3195 as it moved lower again amid a pullback in the broad dollar. The latter was due by a climb in the Euro (as Lagarde remains uncommitted to any further hike in Oct) and rising speculation of a 50bps cut by the FOMC again next week. The latter looks to be driven by higher than expected US jobless claims and disappointing elements in the PPI. As a whole, pair continue to trade sideways around levels seen in the last few sessions – 4.30 – 4.40. We expect it to continue to do so building into the FOMC next week. Back on the chart, resistances are at 4.4000 and 4.4439. Support is at 4.3000 and 4.2250. There are no remaining key data releases this week.

- **USDCNH - *Range*.** USDCNH edged lower, albeit still sticking to the 21-dma and was last seen around 7.1120. Tis pair continues to take the cue from the USD. The estimate at 7.1030, lower than the prev. at 7.1214. Support for the USDCNH remains around 7.1125 before 7.08. Move higher to meet next resistance at 7.1730. China holds NPC standing committee meeting on 10-13 Sep. Data-wise, Aug credit data could be due anytime this week. Aug activity and home data is due on Sat. In news from home, there has been talks about interest rate cuts on more than $5trillion of outstanding mortgages as early as this month according to sources cited by Bloomberg.

- **1M USDKRW NDF - *Lower*.** 1M USDKRW NDF was lower at 1330.35 levels this morning. Expectations of Fed cuts have tilted further dovish and it appears that the soft-landing narrative is gaining more steam, which weakened the USD. We have always maintained that the BOK is likely to only start discussing rate cuts after the Fed has cut given their concerns over currency volatility and weakness that could arise from cutting ahead of the Fed. We see resistances at 1340 and 1350. Supports are at 1330 and 1320. Longer term we watch trade data for a possible bottoming of the chip/general trade cycle and AI exuberance, which could buoy the KRW. We also think KRW and TWD could play catch up to their peers as the narrative for a soft landing continues to build and monetary policy becomes less restrictive. Further upside risks for the KRW also exist if KGBs are included in the FTSE Russell WGBI, with this month (Sep 2024) the earliest possible inclusion date. Aug FX Reserves rose to US$415.92b (prev: US$413.51b). Aug Unemployment Rate edged lower to 2.4% (exp: 2.6%; prev: 2.5%). Data releases this week included Aug Import/Export Price Index and Jul Money Supply (Fri).

- **USDINR 1M NDF - *Steady*.** USDINR 1M NDF was steady at 84.03 levels this morning. RBI preference for a stable currency remains crystal clear. RBI will likely keep rates on hold at least while Fed remains on hold as data releases continue to reaffirm that India experiences a satisfactory pace of growth. Their preference for currency stability suggests that they would not cut ahead of the Fed. India's budget for the new fiscal year targets narrowing the budget deficit to 4.9% of GDP, which should be INR supportive. We look to see if India could continue to be an economic bright spark relative to the rest of the region. Support at 83.65 (100 -dma) before the next at 83.55 (50 -dma). RBI has introduced trading and settlement of sovereign green bonds issued by India in the International Financial Services Centre (IFSC). Foreigners are eligible to invest and inflows from this initiative could benefit the INR. 30 Aug FX Reserves came in higher at US$684.0b (prev: US$681.7b) potentially hinting at a sizeable purchase of USD by RBI over a week. India data this week includes 6 Sep FX Reserves and Aug Imports/Exports/Trade Balance (Fri).

- **1M USDIDR NDF - *Steady, Sideways for Now*.** Pair was last seen at 15437 as it continued to trade at levels seen in the last few sessions even as the broad dollar edged lower. UST yields on the other hand was still trading around recent ranges. We expect the 1M NDF to keep trading sideways into the FOMC decision next week as markets continue to speculate on the size of the cut (25bps or 50bps) and the Fed's pace of easing. Back on the chart, resistance is at 15777 and 15892 (200-dma). Support at 15318 and 15000. There are no remaining key data releases this week.

- **1M USDPHP NDF - Steady, *Sideways for Now*.** The pair was last seen at 56.04 as it continued to trade sideways even as the broad dollar edged lower. UST yields on the other hand was still trading around recent ranges. We expect the 1M NDF to keep trading sideways into the FOMC decision next week as markets continue to speculate on the size of the cut (25bps or 50bps) and the Fed's pace of easing. Back on the chart, resistance is at 56.50 and 57.20. Support is at 56.00 and 55.27. There are not remaining key data releases this week.

- **USDTHB - *Outperformer, Two-Way Risks*.** Pair was last seen lower at 33.36 as it did a leg down and outperformed regional peers. Higher gold prices amid increased bets of a Fed 50bps cut (as US data showed weakness - higher initial jobless claims and disappointing elements of the PPI), looks to have given the THB support. The broad dollar was also weaker on Euro strength and this US data weakness. Domestically, Finance

Minister Pichai Chunhavajira told parliament yesterday that they would start rolling out the one-time cash assistance on the 25 Sep with 10,000 baht each to 14.2m people. We believe this may have been less of a factor on THB movement and the external developments in relation to the US and Europe were bigger drivers. We do note that the relative political stability could be boosting appetite for Thai stocks as inflows have been strong recently and this could also be giving support for the THB. Near term, we see two-way risks amid uncertainty on the size of the cut the FOMC would undertake next week (25bps or 50bps) and the pace of easing that Powell would hint at. Back on the chart, we watch if the pair can decisively break below the 33.50 level with the next after that at 32.57. Resistance at 34.50 and 35.00. Support is at 33.50 and 32.57. Meanwhile, Aug consumer confidence remain in expansion at 50.2, which still some strength in the economy. Remaining key data releases this week include 6 Sep gross international reserves and forward contracts (Fri).

- **USDVND – *Downtrend*.** USDVND was last seen around 24555 this morning. Downtrend remains intact. Resistance is seen around 24770 while support is seen at 24500. Focus remains on Typhoon Yagi which has resulted in floods and landslides. Apple suppliers and Samsung were reportedly spared from major damage. As of Tue, 149K hectares of rice fields were flooded, and 26,200hectares of other crops damaged.

## Malaysia Fixed Income

### Rates Indicators

| MGS | Previous Bus. Day | Yesterday's Close | Change (bps) |
|---|---|---|---|
| 3YR ML 5/27 | 3.33 | 3.32 | -1 |
| 5YR MI 8/29 | 3.49 | 3.48 | -1 |
| 7YR MS 4/31 | 3.69 | 3.68 | -1 |
| 10YR MS 7/34 | 3.73 | 3.73 | Unchanged |
| 15YR MS 4/39 | 3.87 | 3.87 | Unchanged |
| 20YR MX 5/44 | 4.04 | 4.02 | -2 |
| 30YR MZ 3/53 | 4.18 | 4.18 | Unchanged |
| IRS | | | |
| 6-months | 3.50 | 3.50 | - |
| 9-months | 3.47 | 3.47 | - |
| 1-year | 3.42 | 3.42 | - |
| 3-year | 3.32 | 3.32 | - |
| 5-year | 3.37 | 3.37 | - |
| 7-year | 3.47 | 3.47 | - |
| 10-year | 3.57 | 3.57 | - |

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

- The Ringgit government bond market shrugged off UST's overnight movements. Local govvy prices initially opened soft but saw strong bidding towards the end of the session as buyers stepped in. Flows showed healthy price action across the curve, with real money accounts notably heavy in the belly of the curve. MGS benchmark yields mostly shifted down by 1-2bps.

- MYR IRS curve remained largely unchanged despite an overnight surge in US rates following the US CPI print. Although expectations for a half-point rate cut by the Fed were reduced, MYR rates stayed supported. The 4y and 5y IRS were traded in the range of 3.34-3.35% and 3.36-3.37% respectively. 3M KLIBOR remained at 3.53%.

- It was a moderate session for PDS market. In the GG space, PASB 9/25 traded 3bps higher, though for just MYR10m. The AAA segment was fairly active, with most names trading at MTM levels, including TNB 8/38, TM Tech 10/28, and PLUS. In the AA1/AA+ space, Genting Capital 6/27 saw its spread tighten by 1bp on MYR20m traded. AA3/AA- Edra Energy long-tenor bonds saw sizeable volume exchanged at MTM, while UEM Sunrise traded 2bps lower for MYR20m. A2 MCIS Insurance 12/31 saw notable spread change with odd lot traded. In the primary market, Johor Plantations raised MYR1.3b through IMTNs with 7y, 10y and 15y tenors. Final yields were 4.00% for the 7y, 4.04% for the 10y, and 4.19% for the 15y, with spreads of 30-32bps over closing MGS.

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## Singapore Fixed Income

**Rates Indicators**

| SGS | Previous Bus. Day | Yesterday's Close | Change (bps) |
|---|---|---|---|
| **2YR** | 2.33 | 2.36 | +3 |
| **5YR** | 2.33 | 2.36 | +3 |
| **10YR** | 2.50 | 2.51 | +1 |
| **15YR** | 2.57 | 2.58 | +1 |
| **20YR** | 2.63 | 2.62 | -1 |
| **30YR** | 2.65 | 2.64 | -1 |

*Source: MAS (Bid Yields)*

- The modest UST rally reversed, flattening the yield curve after a higher-than-expected core US inflation. A 50bps Fed cut in September is now largely priced out. Similarly, the SGS yield curve flattened with front-end and belly yields rising by 1-3bps, while ultra-long yields dipped slightly. SGD SORA OIS rates increased by 3-7bps across the curve.

## Indonesia Fixed Income

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### Rates Indicators

| IDR Gov't Bonds | Previous Bus. Day | Latest Day's Close | Change |
|---|---|---|---|
| 1YR | 6.61 | 6.61 | (0.00) |
| 2YR | 6.53 | 6.56 | 0.03 |
| 5YR | 6.49 | 6.50 | 0.01 |
| 7YR | 6.63 | 6.64 | 0.01 |
| 10YR | 6.59 | 6.59 | 0.00 |
| 20YR | 6.79 | 6.80 | 0.01 |
| 30YR | 6.84 | 6.85 | 0.00 |

** Source: Bloomberg, Maybank Indonesia*

- Most Indonesian government bonds slightly corrected yesterday. In line with a correction on Indonesian bond market, Indonesian Rupiah also weakened against US$ yesterday. We concluded that the investors took profit taking measures after reading persistent pressures of the U.S. core CPI inflation by 3.2% YoY in Aug-24. The core inflation can be reflection of a living cost. We thought that the latest result of the U.S. core CPI inflation has given anxiousness for the market players on incoming aggressive policy rate cut by the Fed. The yield of U.S. 10Y government bond also slightly increased from 3.65% on 11 Sep-24 to be 3.67% on 12 Sep-24.

- Furthermore, we expect the Fed to begin gradually cutting its policy rate by 25 bps after seeing current environments of persistent pressures on the U.S. CPI core inflation and slow pace expansion of U.S. labour market. Current environment on the policy rate is on dovish mode after watching the latest 25 bps of policy rate cut decision by European Central Bank yesterday. However, we foresee Bank Indonesia to keep remaining on its focus to stabilize both monetary and macroeconomic stability by maintaining the level of BI Rate at 6.25% on its next monetary meeting. Bank Indonesia is expected to begin cut its policy rate since next month, after receiving a decision of policy rate cut by the Fed this month. According to those aforementioned conditions, we expect a limited rally on Indonesian bond market until end of this month.

## Foreign Exchange: Daily Levels

| | EUR/USD | USD/JPY | AUD/USD | GBP/USD | USD/CNH | NZD/USD | EUR/JPY | AUD/JPY |
|---|---|---|---|---|---|---|---|---|
| R2 | 1.1121 | 143.51 | 0.6769 | 1.3189 | 7.1389 | 0.6222 | 158.0100 | 96.1940 |
| R1 | 1.1097 | 142.66 | 0.6746 | 1.3157 | 7.1289 | 0.6202 | 157.5400 | 95.7700 |
| **Current** | 1.1081 | 141.24 | 0.6724 | 1.3141 | 7.1134 | 0.6180 | 156.5200 | 94.9650 |
| S1 | 1.1028 | 141.35 | 0.6678 | 1.3062 | 7.1131 | 0.6145 | 156.5700 | 94.8260 |
| S2 | 1.0983 | 140.89 | 0.6633 | 1.2999 | 7.1073 | 0.6108 | 156.0700 | 94.3060 |

| | USD/SGD | USD/MYR | USD/IDR | USD/PHP | USD/THB | EUR/SGD | CNY/MYR | SGD/MYR |
|---|---|---|---|---|---|---|---|---|
| R2 | 1.3076 | 4.3500 | 15465 | 56.2937 | 34.0533 | 1.4452 | 0.6097 | 3.3334 |
| R1 | 1.3045 | 4.3425 | 15448 | 56.2393 | 33.9017 | 1.4432 | 0.6092 | 3.3272 |
| **Current** | 1.3000 | 4.3240 | 15400 | 56.0600 | 33.3560 | 1.4406 | 0.6081 | 3.3266 |
| S1 | 1.2997 | 4.3290 | 15409 | 56.0483 | 33.5107 | 1.4374 | 0.6082 | 3.3168 |
| S2 | 1.2980 | 4.3230 | 15387 | 55.9117 | 33.2713 | 1.4336 | 0.6076 | 3.3126 |

**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 | 3.6967 | Oct-24 | Neutral |
| **BNM** O/N Policy Rate | 3.00 | 6/11/2024 | Neutral |
| **BI** 7-Day Reverse Repo Rate | 6.25 | 18/9/2024 | Neutral |
| **BOT** 1-Day Repo | 2.50 | 16/10/2024 | Neutral |
| **BSP** O/N Reverse Repo | 6.25 | 17/10/2024 | Easing |
| **CBC** Discount Rate | 2.00 | 19/9/2024 | Neutral |
| **HKMA** Base Rate | 5.75 | - | Easing |
| **PBOC** 1Y Loan Prime Rate | 3.35 | - | Easing |
| **RBI** Repo Rate | 6.50 | 9/10/2024 | Neutral |
| **BOK** Base Rate | 3.50 | 11/10/2024 | Neutral |
| **Fed** Funds Target Rate | 5.50 | 19/9/2024 | Easing |
| **ECB** Deposit Facility Rate | 3.50 | 17/10/2024 | Easing |
| **BOE** Official Bank Rate | 5.00 | 19/9/2024 | Easing |
| **RBA** Cash Rate Target | 4.35 | 24/9/2024 | Neutral |
| **RBNZ** Official Cash Rate | 5.25 | 9/10/2024 | Easing |
| **BOJ** Rate (Lower bound) | 0.00 | 20/9/2024 | Tightening |
| **BoC** O/N Rate | 4.25 | 23/10/2024 | Easing |

## Equity Indices and Key Commodities

| | Value | % Change |
|---|---|---|
| Dow | 41,096.77 | 0.58 |
| Nasdaq | 17,569.68 | 1.00 |
| Nikkei 225 | 36,833.27 | 3.41 |
| FTSE | 8,240.97 | 0.57 |
| Australia ASX 200 | 8,075.73 | 1.10 |
| Singapore Straits Times | 3,556.53 | 0.72 |
| Kuala Lumpur Composite | 1,638.31 | -0.09 |
| Jakarta Composite | 7,798.15 | 0.48 |
| Philippines Composite | 7,024.67 | 1.15 |
| Taiwan TAIEX | 21,653.25 | 2.96 |
| Korea KOSPI | 2,572.09 | 2.34 |
| Shanghai Comp Index | 2,717.12 | -0.17 |
| Hong Kong Hang Seng | 17,240.39 | 0.77 |
| India Sensex | 82,962.71 | 1.77 |
| Nymex Crude Oil WTI | 68.97 | 2.47 |
| Comex Gold | 2,580.60 | 1.50 |
| Reuters CRB Index | 272.99 | 1.35 |
| MBB KL | 10.64 | -0.37 |

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