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## FED 2024 REPEAT -100bps OR MORE? Take profit in Nikkei rally

### Quick comments:

- ❖ Upcoming FOMC (16-17-Sep) not just about 25-50bps cut, as we think it is opening act of -100bps momentum or more. Furthermore, this meeting comes with Fed's Summary of Economic Projections. Reiterate our picks with AI-focus; **Nvidia (\$167.02)**, **Palantir (\$152.66)**, **Fortinet (\$78.78)**
- ❖ Last Friday's Nonfarm payroll of +22k (vs 74k expectations) resulting in a 4-year high 4.3% unemployment rate. This was similar to weak US employment data last year (Aug-24 actual 142k vs est of 161k), which led to the Fed cutting by 50bps.
- ❖ Out this Thursday, Aug CPI numbers (if stronger than consensus at +2.9% YoY), might lead to increased mkt volatility but will not be able to derail the Fed's impending rate cut scenario. Similarly, the US Supreme Court is likely to rule in Trump's favour on legality of US Tariffs imposition. Continue to accumulate **Gold (\$3,653)** and **Bitcoin (\$112,801)**.
- ❖ Japan's PM Ishiba's resignation triggering a rally on (un-sustainable) optimism that next PM could easily navigate Japan's economic growth. **Investors should be looking to take profit** in light of the rally (*see 6Σ column*).

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## 6Σ column

### What we think

- **BoJ Policy Divergence & Internal Discord** The Bank of Japan remains hawkish in rhetoric but dovish in action, maintaining rates at 0.5% since January despite inflationary pressures exceeding US levels. Internal divisions have intensified with the appointment of a more dovish governor, while US tariff uncertainty constrains policy flexibility.
- **Mixed Economic Signals Drive Tactical Positioning** Strong Q2 performance across Japan and Singapore reflects temporary tariff suspension benefits boosting exports, though underlying economic uncertainty persists. Political instability in Japan creates near-term headwinds for yen positioning despite favorable fundamentals.
- **Yen Outlook: Range-Bound with Upside Catalysts** The yen has underperformed regional peers in 2025, trading in a 140-145 range. Key catalysts include potential US Supreme Court tariff ruling (October?), Fed acceleration of rate cuts, and probable BoJ 25bp hike before year-end, with scenarios pointing toward 145 if policy divergence materializes.

### Trade / Investment ideas

Recommend investors capitalize on the current rally **to lock in gains across Japanese equity positions**, given stretched valuations and emerging headwinds.