

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.14	157.31	+0.49	+0.32
EUR	1.0823	1.0848	+0.0016	+0.0001
AUD	0.6632	0.6653	+0.0020	+0.0025
SGD	1.3524	1.3512	+0.0011	+0.0013
CNY	7.2420	7.2418	+0.0091	▼0.0018
INR	83.37	83.47	+0.15	+0.37
IDR	16254	16250	▼10	+257
MYR	4.7085	4.7065	+0.0020	▼0.0050
PHP	58.54	58.53	▼0.12	+0.33
THB	36.80	36.79	▼0.02	+0.10

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.499%	▼4.8 bp	+3.4 bp
JPY (10YR)	1.070%	+0.6 bp	+6.5 bp
EUR* (10YR)	2.664%	+1.2 bp	+8.1 bp
AUD (5YR)	4.098%	▼3.0 bp	+8.7 bp
SGD (5YR)	3.338%	▼2.0 bp	+6.9 bp
CNY (5YR)	2.081%	+0.1 bp	▼3.3 bp
INR (5YR)	7.050%	▼0.6 bp	+0.8 bp
IDR (5YR)	6.886%	▼4.2 bp	+4.8 bp
MYR (5YR)	3.695%	▼0.4 bp	▼0.6 bp
PHP (5YR)	6.434%	▼2.1 bp	+0.1 bp
THB (5YR)	2.506%	▼1.2 bp	▼2.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,686.32	+1.51%	▼0.98%
N225 (JP)	38,487.90	+1.14%	▼0.41%
STOXX 50 (EU)	4,983.67	+0.03%	▼1.03%
ASX (AU)	4,517.08	+0.50%	▼0.46%
STI (SG)	3,336.59	+0.40%	+0.60%
SHCOMP (CN)	3,086.81	▼0.16%	▼0.07%
SENSEX (IN)	73,961.31	+0.10%	▼1.92%
JSE (ID)	6,970.74	▼0.90%	▼3.48%
KLSE (MY)	1,596.68	▼0.47%	▼1.40%
PSE (PH)	6,433.10	+0.96%	▼2.82%
SET (TH)	1,345.66	▼0.43%	▼1.38%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.16	▲0.97%	▲1.40%
COPPER (LME)	9,913.38	▲0.94%	▲2.85%
IRON ORE (CN)	117.52	▲0.02%	▲0.72%
GOLD	2,327.33	▲0.67%	▲0.28%
OIL (WTI)	76.99	▼1.18%	▼0.94%

Three Take-Aways

- 1) Slowing momentum on US core PCE and real personal spending allowed UST yields to head lower.
- 2) EZ inflation print higher troubling for the ECB yet not a clear catalyst for EUR bulls.
- 3) A sweeping Modi victory ought to underpin India economic shine but not absolve political risks.

Cooling

- Last Friday, a moderate cooling of US core PCE deflator from 0.3% MoM in March to 0.2% MoM which was in line with consensus estimates sent UST yields lower (2Y: -5.2bp; 10Y: -4.7bp). Notably, a decline in real personal spending momentum from 0.7% MoM (revised lower from 0.8% MoM) in March to 0.2% MoM in April (below market expectations of 0.3% MoM) also played a role.

- Consequently, the Greenback softened against almost all G10 peers except for the JPY. The USD/JPY remains buoyed alongside reports of the significant costs (amounting to US\$62.2 bn) spent on FX intervention in June. While the costs are admittedly high, JPY bears should refrain from betting against MoF intervention especially given the recent slippage in UST yields.

- In contrast, the ECB had no relief from EZ inflation which exceeded expectations with core inflation rising to 2.9% YoY in May from 2.7% YoY in April. EUR had a mild climb to mid-1.08.

- The CPI print may not derail the initial rate cut but may set the stage of a hawkish cut this week. Services inflation remain troubling (May: 4.1%; Apr: 3.7%) even as some statistical volatility stemmed from low base effects caused by schemes such as affordable train tickets in Germany.

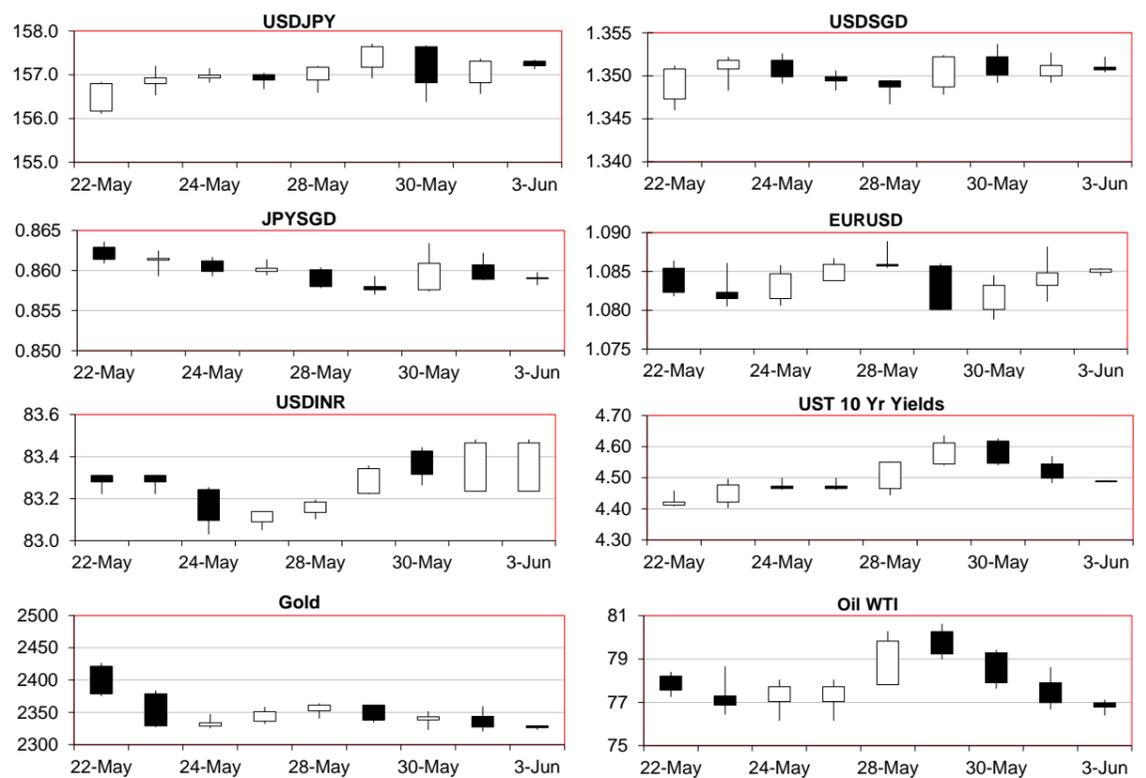
- AUD headed up slightly to mid-66 cents as China's PMI underperforming remains concerning on top of worries of slowing domestic growth. Furthermore, the latest OPEC+ decision to gradually phase out some production cuts drove Brent crude to below US\$81/barrel, adds further restraint to the likes of the AUD. In EM-Asia, USD/SGD headed lower to 1.35.

Modi 3.0: Sweet Spot is Undisputed, Not Unilateral

- Amidst excitement about Modi 3.0, with exit polls suggesting a landslide victory for BJP (and its NDA alliance), the sweet spot for India may more nuanced; where Modi's mandate is undisputed but BJP is shy of unilateral super-majority.

OVERNIGHT RESULTS

(TH) Current Account Balance (Apr): -\$40m (Mkt: \$450m; Mar: \$1082m) | (CH) Mfg/Non-Mfg PMI (May): 49.5/51.1 (Mkt: 50.5/51.5; Apr: 50.4/51.2) | (IN) GDP YoY (Q1): 7.8% (Mkt: 7.0%; 8.4%) | (US) MNI Chicago PMI (May): 35.4 (Mkt: 41.1; Apr: 37.9) | (US) PCE Deflator/Core YoY (Apr): 2.7%/2.8% (Mkt: 2.7%/2.8%; Mar: 2.7%/2.8%) | (EZ) CPI/Core YoY (May): 2.6%/2.9% (Mkt: 2.5%/2.8%; Apr: 2.4%/2.7%)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	157.17	EUR/USD	1.0853
USD/SGD	1.3507	USD/THB	36.80
JPY/SGD	0.8594	USD/MYR	4.706

Forecast

USD/JPY	156.50 - 158.00
EUR/USD	1.0740 - 1.0880
AUD/USD	0.6580 - 0.6680
USD/SGD	1.3470 - 1.3550
JPY/SGD	0.8525 - 0.8658
USD/CNH	7.2300 - 7.2700
USD/INR	83.10 - 83.50
USD/IDR	16100 - 16300
USD/MYR	4.690 - 4.720
USD/PHP	58.20 - 58.80
USD/THB	36.50 - 37.00

Today's Direction

	Bull	Bear
USD/SGD	1	4
USD/JPY	5	0

- For the record, exit polls for India's elections suggest that PM Modi has secured a third term with an even broader sweep of (330/367*) seats than in 2019 (303/353). This has resulted in excitement about has Indian markets primed for a "Modi Magic" rally; high on economic exuberance as much as national pride.

- Presumably, the economic optimism is justifiably premised on policy continuity led by infrastructure push and further boost to made-in-India reforms, with enhanced political capital helping coalesce support for thornier land and labour reforms.

- With 273 seats required for a simple majority of the (543 seat) Lower House, the sweeping, enlarged mandate is expected to provide a more unfettered passage for PM Modi's economic reform agenda, in turn underpinning India's allure as the fastest-growing (7-8%) economy that investors cannot afford to miss out on. The caveat though is that while an undisputed and compelling mandate is likely to be a boon for the economy, unilateral law-making powers from a super-majority of 408 or more seats may be a double-edged sword that the BJP could fall on.

- Specifically, if this critical political might is used to bulldoze constitutional changes (which require a 2/3 "super majority") to further the Hindu nationalist agenda such that it distracts from (even if does not displace), economic priorities.

- Point being, even with its stellar growth, India cannot paper over social fractures; especially given worries of K-shaped economic outcomes entrenching to exacerbate sharp inequalities. Simply put, BJP mandate, not monopoly may still be optimal.

FX Daily Outlook

- EUR/USD: EZ inflation print on the upside allow above 1.08 consolidation.

- USD/JPY: Testing of 158 to remain cautious, look for lagged slippage toward mid-156.

- USD/SGD: Continued trading on both sides of 1.35 as EM-Asia peers appear pressured.

- AUD/USD: RBA's tightening policy space to restrain climb towards 67 cents.

TODAY EVENTS

(US) ISM Manufacturing/Prices Paid (May): (Mkt: 49.7/-; Apr: 49.2/60.9) |

(CH) Caixin China PMI Mfg (May): (Mkt: 51.6; Apr: 51.4) | (ID) CPI/Core YoY (May): (Mkt: 3.0%/1.8%; Apr: 3.0%/1.8%)

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