

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.35	157.13	+0.09	+2.25
EUR	1.0764	1.0741	▼0.0024	▼0.0138
AUD	0.6604	0.6606	▼0.0004	▼0.0043
SGD	1.3528	1.3530	+0.0004	+0.0063
CNY	7.2542	7.2544	+0.0066	+0.0141
INR	83.54	83.57	+0.06	+0.04
IDR	16294	16290	+10	+70
MYR	4.7213	4.7190	▼0.0040	+0.0173
PHP	58.72	58.70	▼0.10	▼0.04
THB	36.77	36.74	▼0.07	+0.16

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.404%	▼6.3 bp	+7.8 bp
JPY (10YR)	1.027%	▼1.7 bp	▼0.3 bp
EUR* (10YR)	2.622%	▼4.8 bp	+8.8 bp
AUD (5YR)	4.021%	+8.5 bp	+0.7 bp
SGD (5YR)	3.246%	▼1.4 bp	+0.1 bp
CNY (5YR)	2.053%	▼0.1 bp	▼1.3 bp
INR (5YR)	7.025%	▼0.8 bp	▼7.5 bp
IDR (5YR)	6.963%	+3.1 bp	+12.3 bp
MYR (5YR)	3.661%	▼0.3 bp	▼1.3 bp
PHP (5YR)	6.414%	+1.8 bp	+4.4 bp
THB (5YR)	2.504%	▼0.9 bp	+0.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,747.42	▼0.31%	+0.09%
N225 (JP)	39,134.79	+0.25%	+0.77%
STOXX 50 (EU)	4,965.09	▼1.02%	+0.24%
ASX (AU)	4,444.07	▼0.96%	▼1.17%
STI (SG)	3,309.21	▼0.39%	▼0.89%
SHCOMP (CN)	3,028.05	▼0.76%	▼2.04%
SENSEX (IN)	76,456.59	▼0.04%	+6.07%
JSE (ID)	6,855.69	▼0.95%	▼3.43%
KLSE (MY)	1,611.49	▼0.18%	▼0.24%
PSE (PH)	6,410.07	▼0.75%	+0.37%
SET (TH)	1,316.10	▼0.19%	▼1.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	292.75	+0.47%	+2.26%
COPPER (LME)	9,630.40	▲1.39%	▲1.93%
IRON ORE (CN)	105.38	▲1.57%	▲1.97%
GOLD	2,317.01	+0.27%	▲0.43%
OIL (WTI)	77.90	+0.21%	+6.35%

Three Take-Aways

- 1) Hawkish shifts in the 'Dot Plot' will likely Dominate alongside the post-FOMC presser
- 2) Distributional details of "Dots" may have more hawkish sway than the median headline.
- 3) Bullish USD persistence post-FOMC underpinned by EUR woes amid French political upheaval

Connecting the Dot(s)

- At the June FOMC (later today), the Fed is almost universally expected to sit on its hands. In which case, the **'Dot Plot' is poised to steal the thunder**, with the *most distilled quantitative policy signal*. Admittedly, markets have **fully discounted fewer cuts for 2024** in the June 'Dot Plot' (vis-à-vis the March iteration for three cuts).

- **Connecting the dots** to rhetoric emphasizing data dependence and comfort to hold elevated rates "for longer" is a given. What's even more important is **connecting the details of the dots** to discern the cross-sectional and longitudinal hawkish shifts in the 'Dot Plot'.

Cross-Sectional: Mean (Not Median) What You Say

-One particular risk is that some parts of the markets, positioned for the 2024 'Dot Plot' median to shift from 3 to 2 cuts, are **insufficiently nuanced**.

- Specifically, somewhat under-accounting for a more distinct hawkish dispersion, with a **greater representation of more extreme "no cuts"** than in March. In other words, resulting in a **mean that is effectively just one cut despite the median suggesting two**.

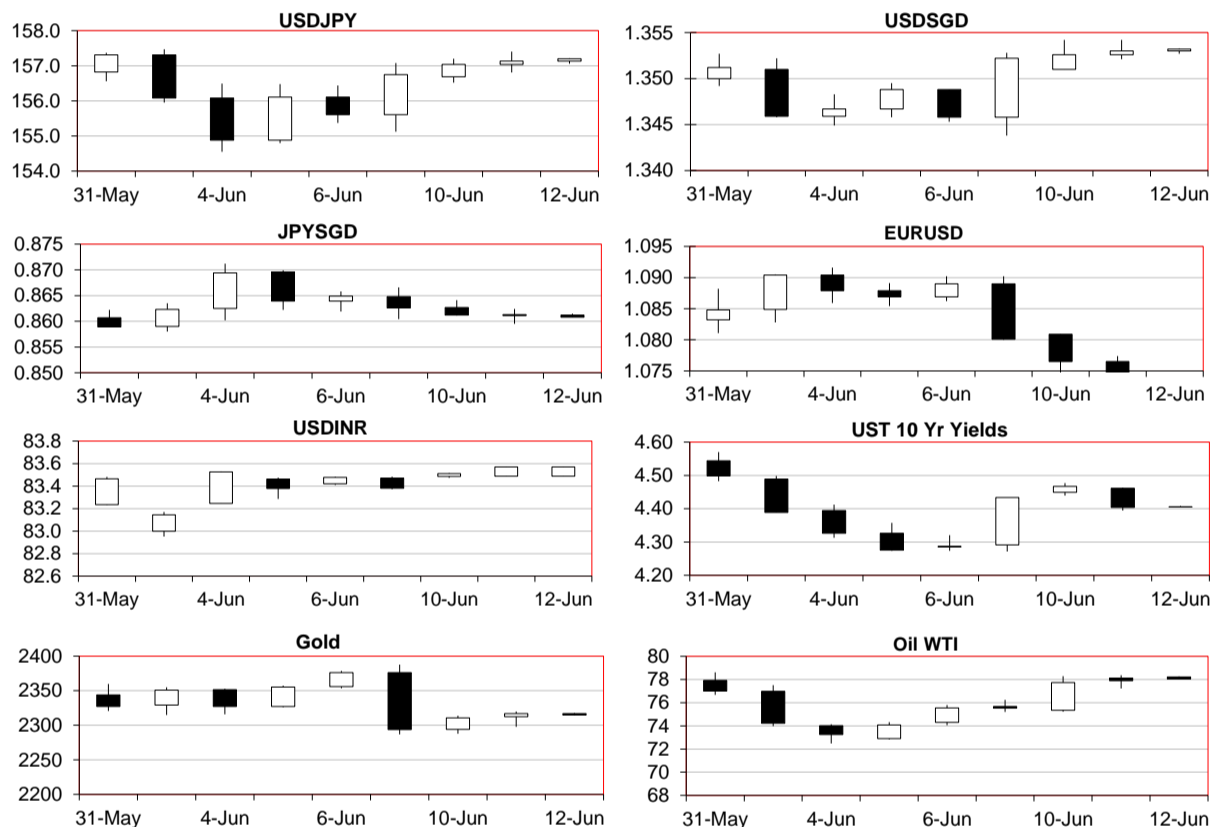
-Therefore, hawkish implications of the mean could be appreciably greater than suggested by the 'Dot Plot' median, which is often the reported headline. In which case, **resultant upside tendency in UST yields and the USD could be slightly greater** than is currently priced. That said, there is a case to take some of these hawkish 'Dot Plot' details off the table before the press conference.

Longitudinal: Beyond 2024

- But to properly price hawkish shifts out the curve, the **distribution of deferred cuts beyond 2024 is key**. Deferred cuts from 2024 are merely rolled over into 2025 (proportionately increasing 2025 cuts) may be the least hawkish shift. Whereas the most hawkish iteration would be one that further reduces cumulative cuts into 2025, lifting end-2026 rates and extending the path to longer-term 2.50%.

OVERNIGHT RESULTS

(JP) Machine Tool Orders YoY (May P): (Apr: -8.9%) | (PH) Exports/Imports YoY (Apr): (Mkt: 13.0%/-2.5%; Mar: -7.3%/-20.0%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	157.09	EUR/USD	1.0740
USD/SGD	1.3530	USD/THB	36.73
JPY/SGD	0.8613	USD/MYR	4.719

Forecast

USD/JPY	156.00 - 158.00
EUR/USD	1.0700 - 1.0780
AUD/USD	0.6550 - 0.6640
USD/SGD	1.3490 - 1.3550
JPY/SGD	0.8538 - 0.8686
USD/CNH	7.2500 - 7.2750
USD/INR	83.35 - 83.80
USD/IDR	16210 - 16400
USD/MYR	4.710 - 4.722
USD/PHP	58.50 - 58.90
USD/THB	36.50 - 36.90

Today's Direction

	Bull	Bear
USD/SGD	1	2
USD/JPY	1	2

But Not Losing the Plot

- Equally important as connecting the dots is **to not lose the plot on the evolving conditions/thresholds for rate cuts to begin**.

- In other words, **"not yet"** is not quite as useful as **"what it would take"**. And rate cut triggers are likely to be probed to a greater degree during the press conference.

- Overall, the **Fed is prone to err on the side of hawkish restraint** given the "baggage" of being wrong on "transitory." Nonetheless, two-way (both more and less hawkish accents) to the hawkish 'Dot Plot' shift will be "live: at the press conference.

Bullish USD Bias Accentuated by French EUR Woes

- USD is likely to retain a bullish tone as a "sell the fact" USD post-FOMC are deterred by;
 - hawkish 'Dot Plot' shifts, **especially in the details, as well as;**
 - EUR woes on French political upheaval

Chronologically a non-linear bullish FOMC USD may be subject to;

- 1) the USD is poised for bullish bias on hawkish details of the FOMC 'Dot Plot';
- 2) but best to be light on positioning into the press conference given inadvertent dovish allusions
- 3) buy USD on dips post-presser on "higher for longer" conclusions as well as EUR woes on French politics.

FX Daily Outlook

- EUR/USD: French and wider EZ stability fears to establish new sideways range around mid-1.07.
- USD/JPY: Intervention threats restrain climb above 158 but unable to see 156 slippage.
- USD/SGD: Base case for holding onto higher UST yields to prolong buoyancy above 1.35.
- AUD/USD: AGB-UST gap to restrain recovery above mid-66 cents.

TODAY EVENTS

(JP) PPI YoY (May): (Mkt: 2.0%; Apr: 0.9%) | (KR) Unemployment Rate SA (May): (Mkt: 2.8%; Apr: 2.8%)
 (IN) CPI YoY (May): (Mkt: 4.8%; Apr: 4.8%) | (IN) Industrial Production YoY (Apr): (Mkt: 4.5%; Mar: 4.9%)
 (CH) CPI/PPI YoY (May): (Mkt: 0.4%/-1.5%; Apr: 0.3%/-2.5%)
 (US) CPI/Core YoY (May): (Mkt: 3.4%/3.5%; Apr: 3.4%/3.6%)
 BoT Policy Meeting | FOMC policy decision

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