

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.27	156.72	▼0.41	+0.61
EUR	1.0744	1.0809	+0.0068	▼0.0060
AUD	0.6617	0.6664	+0.0058	+0.0016
SGD	1.3523	1.3472	▼0.0058	▼0.0016
CNY	7.2538	7.2405	▼0.0139	▼0.0072
INR	83.56	83.54	▼0.03	+0.16
IDR	16303	16295	+5	+10
MYR	4.7183	4.7172	▼0.0018	+0.0194
PHP	58.61	58.70	+0.00	▼0.10
THB	36.68	36.69	▼0.06	+0.00

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.316%	▼8.8 bp	+4.0 bp
JPY (10YR)	0.986%	▼4.1 bp	▼3.1 bp
EUR* (10YR)	2.530%	▼9.2 bp	+1.8 bp
AUD (5YR)	3.987%	▼3.4 bp	+1.8 bp
SGD (5YR)	3.233%	▼1.3 bp	+0.3 bp
CNY (5YR)	2.057%	+0.4 bp	+0.2 bp
INR (5YR)	7.030%	+0.5 bp	▼4.2 bp
IDR (5YR)	6.962%	▼0.1 bp	+9.7 bp
MYR (5YR)	3.654%	▼0.7 bp	▼0.8 bp
PHP (5YR)	6.414%	+0.0 bp	+6.2 bp
THB (5YR)	2.494%	▼1.0 bp	▼1.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,712.21	▼0.09%	▼0.25%
N225 (JP)	38,876.71	▼0.66%	+1.00%
STOXX 50 (EU)	5,034.43	+1.40%	▼0.02%
ASX (AU)	4,482.40	+0.86%	▼0.45%
STI (SG)	3,307.44	▼0.05%	▼0.68%
SHCOMP (CN)	3,037.47	+0.31%	▼0.91%
SENSEX (IN)	76,606.57	+0.20%	+2.99%
JSE (ID)	6,850.10	▼0.08%	▼1.40%
KLSE (MY)	1,608.95	▼0.16%	+0.03%
PSE (PH)	6,410.07	+0.00%	▼0.49%
SET (TH)	1,316.69	+0.04%	▼1.62%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.14	+0.82%	+2.58%
COPPER (LME)	9,820.99	+1.98%	+0.15%
IRON ORE (CN)	105.86	+0.46%	▲0.87%
GOLD	2,324.98	+0.34%	▲1.29%
OIL (WTI)	78.50	+0.77%	+5.98%

Three Take-Aways:

1. Hawkish 'Dot Plot' shift to one cuts (from 3) watered down in details
2. Especially with cooling CPI that may translate into softer core PCE
3. China's opposite problem of inflation (read: demand) deficit.

One, Not Only

- The 'Dot Plot' stole the thunder, signalling just one cut this year (down from three pencilled in March). But markets have protested, putting money that says it will not be the only cut, suggesting two cuts more likely. Market pushback only partly explains why UST yields and the USD fell (whilst US equities surged) despite the hawkish shift in the 'Dot Plot'.

- Driving the push-back were less hawkish details of the 'Dot Plot' and (dis-)inflation.

- On the former, where it mattered, 'Dot Plot' mean was less hawkish. And this conveys important nuance in the context of clustered "dots" (15 out of 19 members FOMC members opting for 1 or 2 cuts). Especially with Fed Chair hinting that the pullback to one cut may not be high conviction. Simply put, the aggregate intent is less hawkish than middle-of-the-pack, binary pick between 1 or 2 cuts (which are pencilled into the 'Dot Plot').

- What's more, softer CPI headline that preceded the FOMC was arguably taken into account to a greater degree by the markets than FOMC members

Cool CPI... Trend, Not Point

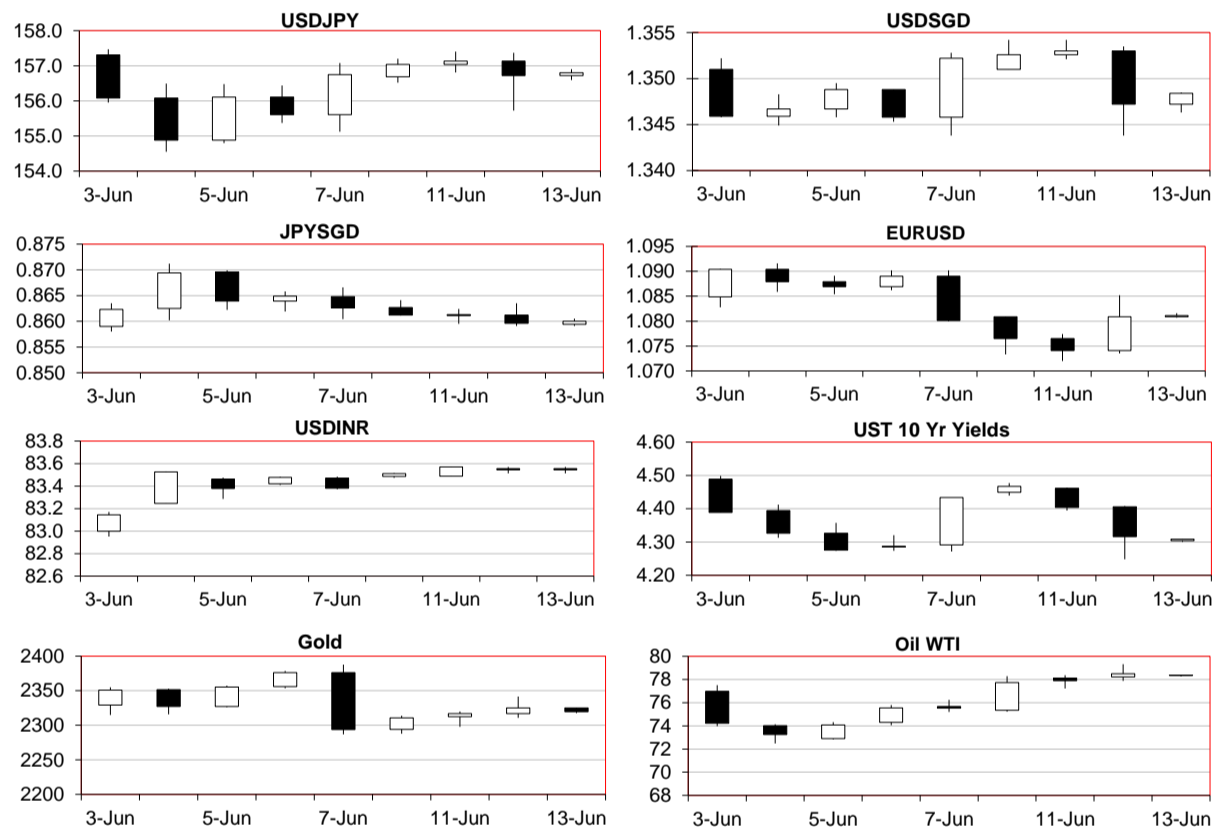
- Cooler US inflation across the headline and core encouragingly suggests that dis-inflation was only temporarily interrupted, not permanently inhibited. In fact, data-crunching suggests that the details of CPI dis-inflation are consistent with core PCE easing to 2.6%; coincidentally, was the Fed's projected year-end target at the March FOMC.

- And this explains why Fed-market mis-match has flipped to now betting on more (2) cuts than the 'Dot Plot' suggests. But fact is, despite the inflation dip, the Fed has now revised up core PCE in the June SEP** to 2.8% (the prevailing core PCE at the March FOMC) alongside the sharp knock back rate cut projection. The Fed's ostensible (over-)reaction, beg the question whether this fractional lift in inflation warrants such a sharp reduction in cuts.

OVERNIGHT RESULTS

(IN) CPI YoY (May): 4.75% (Mkt: 4.85%; Apr: 4.83%) | (IN) IP YoY (Apr): 5.0% (Mkt: 4.5%; Mar: 4.9% Revised: 5.4%) | (CH) CPI/PPI YoY (May): 0.3%/1.4% (Mkt: 0.4%/1.5%; Apr: 0.3%/2.5%) | (US) CPI/Core YoY (May): 3.3%/3.4% (Mkt: 3.4%/3.5%; Apr: 3.4%/3.6%)

Past Two Weeks' Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.81	EUR/USD	1.0813
USD/SGD	1.3480	USD/THB	36.64
JPY/SGD	0.8598	USD/MYR	4.710

Forecast

USD/JPY	156.00 - 158.00
EUR/USD	1.0750 - 1.0830
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3470 - 1.3550
JPY/SGD	0.8525 - 0.8686
USD/CNH	7.2500 - 7.2750
USD/INR	83.35 - 83.80
USD/IDR	16210 - 16400
USD/MYR	4.700 - 4.720
USD/PHP	58.40 - 58.80
USD/THB	36.40 - 36.80

Today's Direction

	Bull	Bear
USD/SGD	2	4
USD/JPY	3	3

- Especially given evidence of a softening job market.

- The Fed's justification is that it gauges dis-inflation as a sustained trend, not a point.

- Specifically, that May's encouraging CPI print does not negate doubts stirred by dis-inflation setback earlier; therefore, requiring more time to ascertain. Crucially, the Fed wants to derive sufficient comfort that the risks of inflation re-accelerating are put to bed.

- Consequently, the Fed is left with significantly narrower window to cut confidently.

China's Inflation Deficit

- Meanwhile, the PBoC's has the exact opposite problem to the Fed. Specifically, that the worrying inflation deficit is not fading; shorthand for chronically weak demand..

- This underscores the case for more stimulus, and sooner rather than later.

- The tyranny though is that persistent and acute CNH pressures cruelly sharpens the trade-off between policy stimulus and currency stability. More likely than not, this will require at some concession on how much monetary easing may be availed for demand restoration. The risk is that constrained monetary policy misses the mark on both growth and CNH backstop.

BoT: A Vote of Confidence

- As expected, the BoT stayed on hold, in defiance of the PM's jawboning for cuts. That was as much a vote of confidence in Thailand's economic recovery as it was a validation for BoT's independence and credibility.

- More so as the MPC board votes swing back to an almost unanimous 6-1 (from 5-2) vote to keep policy unchanged. THB backstop from this though is relief, not resolution of risks. And will benefit from a softer USD post-FOMC.

FX Daily Outlook

- EUR/USD: US CPI cooling to allow for attempts to consolidate around 1.08.

- USD/JPY: Inability to latch onto lower UST yields to aid buoyancy above 156.

- USD/SGD: Recovery back above 1.35 as CNH prospects remain dim.

- AUD/USD: Jobs report unlikely to catalyse rallies above 67 cents.

TODAY EVENTS

(JP) BSI Large Manufacturing QoQ (Q2): -1.0 (Q1: -6.7) |

(AU) Employment Change/Unemployment Rate (May): (Mkt: 30k/4.0%; Apr: 38.5k/4.1%)

(EZ) Industrial Production WDA YoY (Apr): (Mkt: -2.0%; Mar: -1.0%) | (US) Initial Jobless Claim: (Mkt: ; Prev: 229k) |

(US) PPI Final Demand/Ex Food and Energy MoM (May): (Mkt: 0.1%/0.3% Apr: 0.5%/0.5%)

CBC policy meeting

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