Mizuho Bank, Ltd. Asia & Oceania Treasury Department
Tel: 65-6805-4200

MIZUHO

DAILY MARKET REPORT

21-Jun-2024 **Friday**

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.29	157.03	+0.31	+1.42
EUR	1.0814	1.0737	▼0.0072	▼0.0153
AUD	0.6651	0.6636	▼0.0028	▼0.0030
SGD	1.3490	1.3511	+0.0039	+0.0053
CNY	7.2519	7.2525	+0.0120	+0.0075
INR	83.54	83.55	+0.00	+0.07
IDR	16274	16270	▼25	+10
MYR	4.7065	4.7090	▼0.0082	+0.0140
PHP	58.59	58.59	▼0.11	▼0.03
THB	36.65	36.66	▼0.03	+0.18

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.244%	▼7.2 bp	▼4.3 bp
JPY (10YR)	0.975%	▼1.1 bp	+1.1 bp
EUR* (10YR)	2.470%	▼6.0 bp	▼7.9 bp
AUD (5YR)	3.919%	▼6.8 bp	▼2.8 bp
SGD (5YR)	3.201%	▼3.2 bp	+2.1 bp
CNY (5YR)	2.057%	+0.0 bp	▼0.2 bp
INR (5YR)	7.011%	▼1.9 bp	▼2.8 bp
IDR (5YR)	6.923%	▼3.9 bp	+6.9 bp
MYR (5YR)	3.654%	+0.0 bp	▼0.2 bp
PHP (5YR)	6.373%	▼4.1 bp	+3.3 bp
THB (5YR)	2.492%	▼0.3 bp	▼1.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,647.10	▼0.17%	▼0.61%
N225 (JP)	38,720.47	▼0.40%	+0.04%
STOXX 50 (EU)	4,935.50	▼1.97%	▼2.64%
ASX (AU)	4,448.69	▼0.75%	▼1.62%
STI (SG)	3,324.53	+0.52%	▼0.19%
SHCOMP (CN)	3,028.92	▼0.28%	▼0.65%
SENSEX (IN)	76,810.90	+0.27%	+2.31%
JSE (ID)	6,831.56	▼0.27%	▼2.05%
KLSE (MY)	1,610.17	+0.08%	▼0.28%
PSE (PH)	6,390.83	▼0.30%	▼1.83%
SET (TH)	1,311.78	▼0.37%	▼1.25%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.63	+0.17%	+1.10%
COPPER (LME)	9,663.72	▲1.60%	▲3.71%
IRON ORE (CN)	106.98	+1.06%	▲1.54%
GOLD	2,304.21	▲0.89%	▲3.02%
OIL (WTI)	78.62	+0.15%	+4.06%

Three Take-Aways:
1. Softer producer prices and labour markets bolstered conviction for two Fed cuts, despite Dot Plot.
2. EUR softer on political woes, while worsening industrial production gave rise to growth risks.
3. BoJ policy tightening viewed with dovish lens risks derailing growth with limited support to JPY.

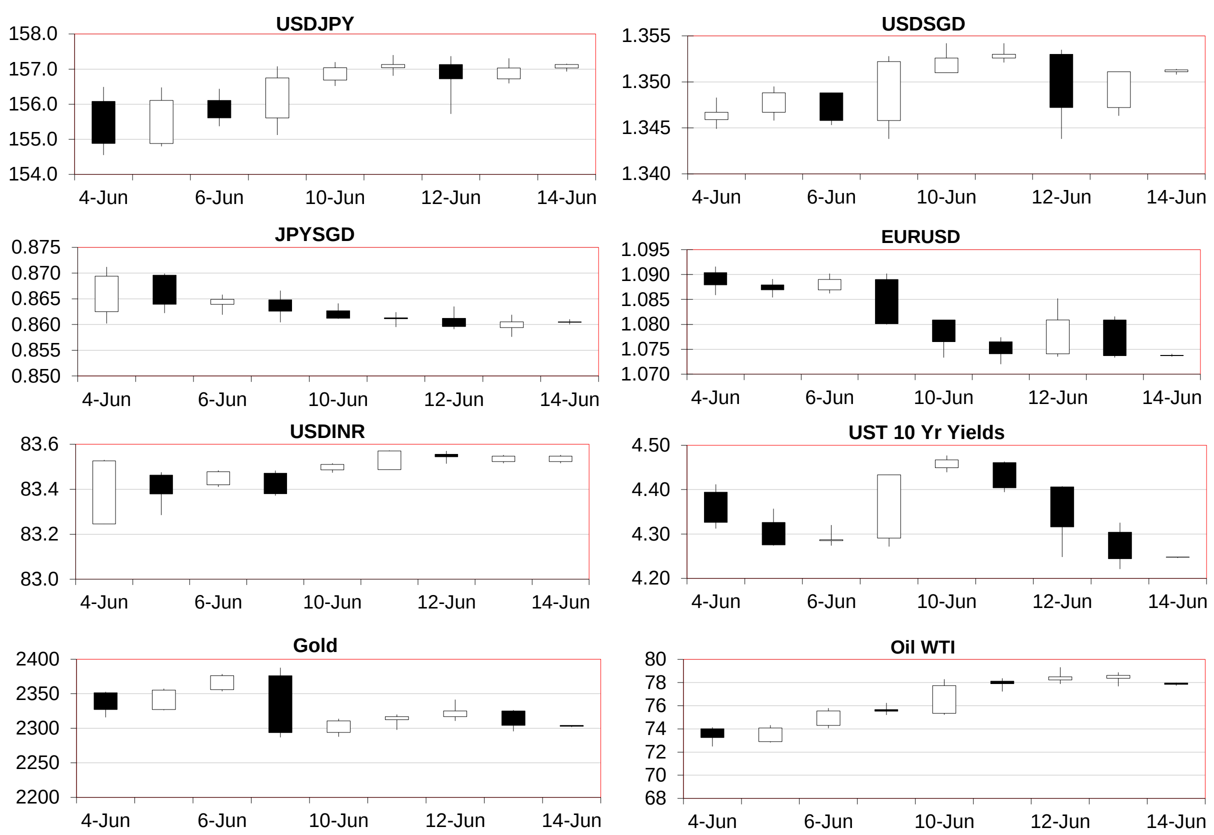
Confidence & Conviction

- **Softer producer prices and labour markets gave markets more confidence that the pullback to one cut in the Dot Plot was not one with high conviction**, especially with 15 out of 19 members opting for 1 or 2 cuts. PPI print at 2.2% was softer than expected, while initial jobless claims came in higher than expected. UST yields continued its decline (2Y: -5.5bps; 10Y; -7.2bps). Meanwhile, equities mostly rose with S&P notching another record.
- **USD** gained against most G10 currencies as front-end UST yields declined less relative to some peers while confidence in US exceptionalism likely remained strong. **CHF** bucked the trend amid continued dialling back of SNB rate cut expectations as the three-week blackout period has had markets second guessing SNB's next course of action.
- **EUR** was softer on political woes, while deterioration in industrial production gave rise to growth woes even as ECB speakers remained non-committal on the next rate cut. Long-end EZ bonds were however a mixed bag as MSCI denied inclusion of EU bonds into key sovereign benchmarks, while concerns that Marine Le Pen's far-right National Rally party could usher in looser fiscal policies in the upcoming elections drove the 10Y spreads of French bonds against Bunds to the widest since 2017.
- **AUD** moved lower below 66 cents even as job gains were robust, as the conundrum faced by RBA remains. While continued labour market tightness could mean sticky services inflation, higher prices eroding on spending power poses risks on weaker consumption derailing growth trajectory.
- **USD/JPY** oscillated around 157 levels ahead of BoJ meeting today while **USD/SGD** moved above 1.35 handle. Elsewhere, CBC kept key rate unchanged, but raised reserve requirement ratio and tightened house buying rules such as lower mortgage cap to stabilise property prices.

OVERNIGHT RESULTS

(JP) BSI Large Manufacturing QoQ (Q2): -1.0 (Q1: -6.7) |(AU) Employment Change/Unemployment Rate (May): 40k/4.0% (Mkt: 30k/4.0%; Apr: 37.4k/4.1%) | (EZ) Industrial Production WDA YoY (Apr): -3.0% (Mkt: -2.0%; Mar: -1.2%) **| (US) Initial Jobless Claim: 242k (Mkt: 225k; Prev: 229k) | (US) PPI Final Demand/Ex Food and Energy MoM (May): 0.1%/0.0% (Mkt: 0.1%/0.3% Apr: 0.5%/0.5%)**

*** Past Two Weeks Movement ***



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	157.13	EUR/USD	1.0738
USD/SGD	1.3511	USD/THB	36.76
JPY/SGD	0.8601	USD/MYR	4.710

Forecast

USD/JPY	155.50	-	159.00
EUR/USD	1.0680	-	1.0820
AUD/USD	0.6580	-	0.6680
USD/SGD	1.3440	-	1.3560
JPY/SGD	0.8453	-	0.8720
USD/CNH	7.2550	-	7.2800
USD/INR	83.40	-	83.80
USD/IDR	16220	-	16350
USD/MYR	4.695	-	4.720
USD/PHP	58.20	-	58.80
USD/THB	36.20	-	36.80

Today's Direction

	Bull		Bear
USD/SGD	1	:	4
USD/JPY	3	:	2

BoJ: The Dovish Hike Risk

- The risk that any BoJ tightening could be disrespected as a dovish hike reinforces our pre-existing fundamental view that the be the BoJ has cause to extend the patient pause in any case. Even if the BoJ wants to convey that the direction of travel is for tightening, the key guiding principle is gradualism. Specifically, **to be absolutely sure that policy accommodation is not removed in such a haste that it ultimately turns out to be deleterious.**
- Fact is, underlying economic confidence is at best fragile if not fraught. And it is certainly underwhelming for household and uneven across small and large businesses. Worst of all, if a **hike is once again dismissed as a dovish hike, it would unnecessarily pose economic headwinds whilst depriving any residual JPY/financial market stability**. The policy equivalent of throwing good money after bad. So the risk of being unfairly framed as a dovish hike is an additional reason not to pull the trigger just yet; although it has ample economic justifications for extending the patient pause. Especially given that sharp JPY depreciation are likely to have had a significant role in boosting profits (of exporters) and the trickle down wage gains suggests that neither of the income tailwind is sustainable. Worse, could be reversed sharply.And so, over-steering policy aggressively on the vagaries of the JPY and would risk a costly policy folly that also erodes future credibility. Crucially, relying on monetary policy to rein in JPY losses not only sets a dangerous precedent in undermining policy independence/control, but may exacerbate economic and attendant macro stability risks.

FX Daily Outlook

- EUR/USD: French political woes and higher rate cut bets retain traction below 1.08.
- USD/JPY: Any BoJ policy tightening unlikely to see gains below 155.
- USD/SGD: Softer CNH and EUR could see buoyancy above 1.35 levels.
- AUD/USD: Strong jobs report could backstop 66 cents.

TODAY EVENTS

(IN) WHolesale Prices YoY (May): (Mkt: 2.8%; Apr: 1.3%) | (US) U. of Mich. Sentiment/Expectations (Jun P): (Mkt: 73.0/-; May: 69.1/68.8) | (US) U. of Mich. 1Y/5-10Y Inflation (Jun P): (May: 3.3%/3.0%) | (JP) Tertiary Industry Index MoM (Apr): (Mkt: 0.4%; Mar: -2.4%)
Central Bank Policy Decisions: Bank of Japan Target Rate

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