

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.54	157.74	+0.34	+0.70
EUR	1.0699	1.0734	+0.0031	▼0.0031
AUD	0.6603	0.6613	▼0.0002	+0.0003
SGD	1.3534	1.3520	▼0.0012	▼0.0006
CNY	7.2560	7.2561	+0.0004	+0.0083
INR	83.57	83.56	+0.00	+0.05
IDR	16405	16400	+0	+120
MYR	4.7206	4.7207	+0.0000	▼0.0023
PHP	58.66	58.65	+0.00	▼0.14
THB	36.79	36.81	+0.05	▼0.00

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.281%	+6.0 bp	▼18.6 bp
JPY (10YR)	0.935%	▼0.9 bp	▼10.9 bp
EUR* (10YR)	2.414%	+5.4 bp	▼25.6 bp
AUD (5YR)	3.831%	▼2.1 bp	▼10.4 bp
SGD (5YR)	3.167%	+0.0 bp	▼9.3 bp
CNY (5YR)	2.060%	+0.3 bp	+0.6 bp
INR (5YR)	7.009%	+0.0 bp	▼2.4 bp
IDR (5YR)	7.099%	+0.0 bp	+16.7 bp
MYR (5YR)	3.655%	+0.0 bp	▼0.9 bp
PHP (5YR)	6.359%	+0.2 bp	▼3.7 bp
THB (5YR)	2.485%	▼0.5 bp	▼2.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,778.10	+0.49%	▼0.23%
N225 (JP)	38,102.44	▼1.83%	▼2.40%
STOXX 50 (EU)	4,880.42	+0.85%	▼2.71%
ASX (AU)	4,437.53	▼0.02%	▼1.10%
STI (SG)	3,297.55	+0.00%	▼0.74%
SHCOMP (CN)	3,015.89	▼0.55%	▼1.16%
SENSEX (IN)	76,992.77	+0.00%	+0.66%
JSE (ID)	6,734.83	+0.00%	▼2.70%
KLSE (MY)	1,607.32	+0.00%	▼0.44%
PSE (PH)	6,383.70	+0.00%	▼1.16%
SET (TH)	1,296.59	▼0.76%	▼1.67%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	293.07	▲0.33%	+0.58%
COPPER (LME)	9,536.80	▲0.82%	▲2.35%
IRON ORE (CN)	106.55	▲0.85%	▲0.48%
GOLD	2,319.14	▲0.60%	+0.36%
OIL (WTI)	80.33	+2.40%	+3.33%

Three Take-Aways:

1. UST yields rose alongside EZ yields and continued Fed re-iteration for delayed rate cuts.
2. EUR recovered as Le Pen sought to calm markets.
3. RBA set for moderate hawkish hold amid stubborn inflation and robust labour market.

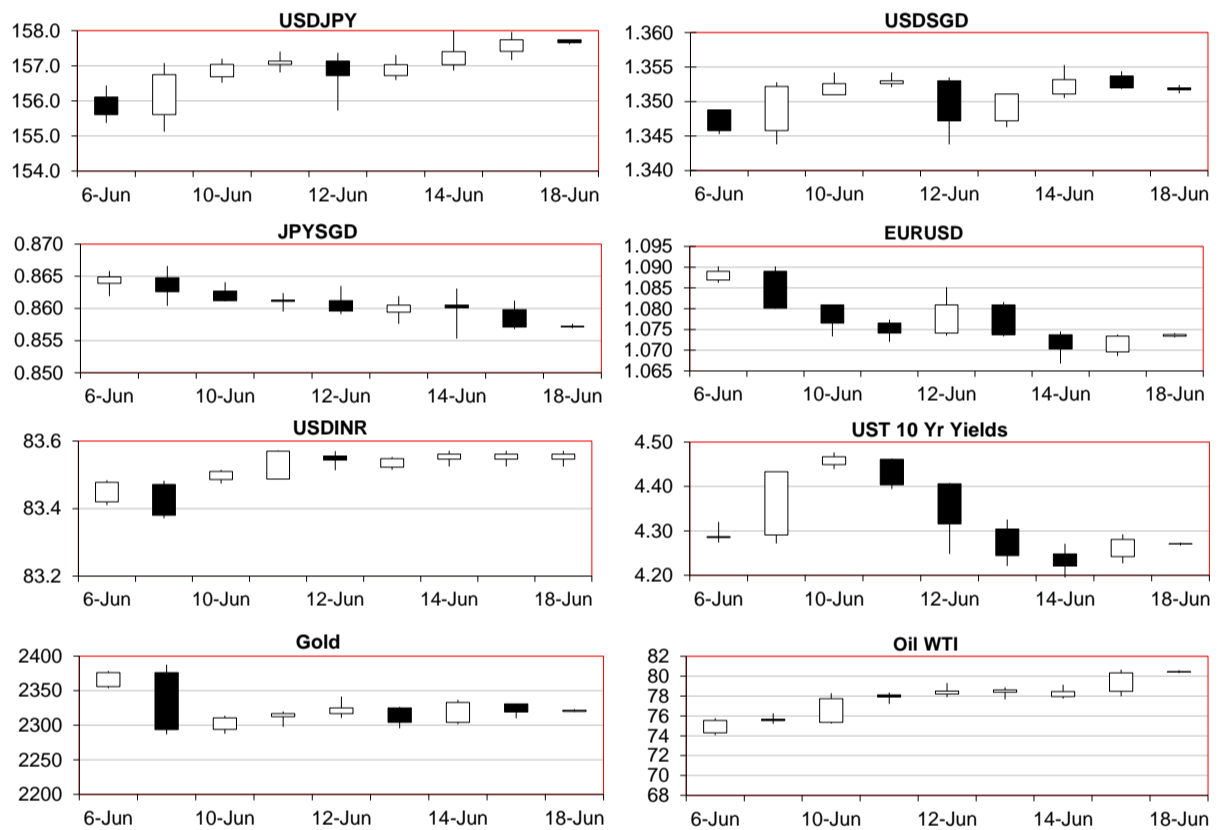
Functioning?

- UST yields kicked off the week increasing 6bp on both the 2Y and 10Y alongside rising yields in the EZ and mildly hawkish tones from Philadelphia Fed President Harker.
- The latter called for a cautious approach and signalled for one cut if all happens to be as forecasted. Nonetheless, the room was open for two cuts or zero cuts if data breaks either way".
- While USTs also look to be positioning for an expected affirmation of recovery in the US retail sales release tonight backing the case for delayed cuts, the risk mood though remain in tact as US equities rose across the board (Nasdaq: +1.0%; S&P 500: +0.8; Dow: +0.5%)
- As for the EZ, ECB President Lagarde reiterated that her imperative is bringing inflation to 2%. Notably, she also alluded to the ECB being attentive to good functioning of financial markets after the French led sell off last week.
- Crucially, the turmoil last week pointed to the need for political stability. Consequently, there were reassurances over the weekend from Ms Le Pen who said that she is not calling for institutional chaos and there will be cohabitation with Macron's presidency in the event her party forms the government. Concomitantly, the EUR was allowed to recover towards mid-1.07.
- While most G10 peers gained ground against USD, JPY slipped with USD/JPY still buoyed above 157 as the BoJ's dovish meeting last Friday lingers.
- Despite rising oil prices with Brent crude heading above US\$84/barrel, AUD was flat hovering just above 66 cents as AUD bulls may find little cause to rally beyond mid-66 cents even as the RBA looks set for a moderately hawkish hold. (See below)

OVERNIGHT RESULTS

(IN) Wholesale Prices YoY (May): 2.6% (Mkt: 2.7%; Apr: 1.3%) | (US) U. of Mich. Sentiment/Expectations (Jun P):65.6/67.6 (Mkt: 72.0/72.0; May: 69.1/68.8) | (US) U. of Mich. 1Y/5-10Y Inflation (Jun P):3.3%/3.1% (May: 3.3%/3.0%) | (JP) Tertiary Industry Index MoM (Apr):1.9% (Mkt: 0.4%; Mar: -2.4%) | (US) Empire Manufacturing (Jun) :-6.0 (Mkt: -13.0; May: -15.6) | (JP) Core Machine Orders MoM (Apr):-2.9% (Mkt: -3.0%; Mar: 2.9%) | (CH) Industrial Production YoY (May):5.6% (Mkt: 6.2%; Apr: 6.7%) | (CH) FAI/Property Investment YTD YoY (May):4.1/-10.1% (Mkt: 4.2%/-10.0%; Apr: 4.2%/-9.8%) | (CH) Retail Sales YoY (May): 3.7% (Mkt: 3.0%; Apr: 2.3%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	157.69	EUR/USD	1.0740
USD/SGD	1.3514	USD/THB	36.81
JPY/SGD	0.8570	USD/MYR	4.720

Forecast

USD/JPY	156.50 - 158.00
EUR/USD	1.0680 - 1.0780
AUD/USD	0.6580 - 0.6670
USD/SGD	1.3440 - 1.3560
JPY/SGD	0.8506 - 0.8665
USD/CNH	7.2550 - 7.2800
USD/INR	83.40 - 83.70
USD/IDR	16220 - 16450
USD/MYR	4.695 - 4.720
USD/PHP	58.45 - 58.80
USD/THB	36.60 - 36.90

Today's Direction

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

- In EM-Asia FX, USD/SGD has slipped towards 1.35. EM-Asia FX may find little room for gains amid the mixed China activity data and continued weakness in the property market.

RBA: Tight Corners

- The RBA is increasingly facing the threat of narrowing policy space as inflation remains stubbornly elevated while growth continues to show signs of moderation. As such, they will keep rates unchanged at their meeting on 18 June while signaling their resolve in taming inflation.
- Food inflation edged higher as prices for meat, seafood, fruit and vegetable prices rose. Meanwhile housing inflation is still elevated at 4.9% YoY as rising rentals reflecting low vacancies was partially offset by administrative electricity relief.
- In turn, inflationary prices drove nominal household consumption higher to outpace disposable income growth leading to a decline in household savings ratio. Notably, income components continued to tussle as higher interest received was offset by rising interest servicing burdens.
- Nonetheless, robust job gains with employment rising nearly 40k in May imply that labour incomes will continue to be a key backstop for the economy. Unemployment rate also edged lower to 4.0% despite higher participation rates highlighting continued labour market tightness.
- In turn, the RBA will keep a hawkish hold as they espoused patience on a slow and bumpy dis-inflation process. Admittedly, with the bar for another hike being a high one, AUD bulls will have little to run on aside from latching onto the broader USD trend.

FX Daily Outlook

- EUR/USD: Recovery above mid-1.07 may begin to slow amid political uncertainty and China woes.
- USD/JPY: BoJ dovish vibes to see continue buoyancy above 156.
- USD/SGD: Slippage below 1.35 on possibility of "core" US retail sales .
- AUD/USD: RBA meeting unlikely to see durability above mid-66 cents.

TODAY EVENTS

(SG) Non-oil Domestic/Electronic Exports YoY (May): (Mkt: -1.0%/-; Apr: -9.3%/3.3%) | (US) Retail Sales Adv/Ex Auto, Gas MoM (May): (Mkt: 0.3%/0.3%; Apr: 0.0%/-0.1%) | (US) Industrial Production MoM (May): (Mkt: 0.4%; Apr: 0.0%) | (EZ) CPI/Core YoY (May F): (Mkt: 2.6%/2.9%; prelim: 2.6%/2.9%) | (GE) ZEW Survey Expectations/Current (Jun): (Mkt: 52.0/-; May: 47.1/-72.3)
Central Bank Policy Decisions: RBA Cash Rate Target

