

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	158.12	157.86	+0.12	+0.73
EUR	1.0724	1.0740	+0.0006	▼0.0001
AUD	0.6616	0.6656	+0.0043	+0.0050
SGD	1.3539	1.3509	▼0.0011	▼0.0021
CNY	7.2560	7.2539	▼0.0022	▼0.0005
INR	83.41	83.41	▼0.15	▼0.16
IDR	16405	16400	+0	+110
MYR	4.7128	4.7133	▼0.0074	▼0.0057
PHP	58.64	58.63	▼0.03	▼0.07
THB	36.79	36.83	+0.02	+0.09

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.223%	▼5.8 bp	▼18.1 bp
JPY (10YR)	0.942%	+0.7 bp	▼8.5 bp
EUR* (10YR)	2.396%	▼1.8 bp	▼22.6 bp
AUD (5YR)	3.883%	+5.1 bp	▼13.8 bp
SGD (5YR)	3.199%	+3.2 bp	▼4.7 bp
CNY (5YR)	2.054%	▼0.6 bp	+0.1 bp
INR (5YR)	7.010%	+0.1 bp	▼1.5 bp
IDR (5YR)	7.099%	+0.0 bp	+13.6 bp
MYR (5YR)	3.657%	+0.2 bp	▼0.4 bp
PHP (5YR)	6.371%	+1.2 bp	▼4.3 bp
THB (5YR)	2.493%	+0.8 bp	▼1.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,834.86	+0.15%	+0.23%
N225 (JP)	38,482.11	+1.00%	▼1.67%
STOXX 50 (EU)	4,915.47	+0.72%	▼1.00%
ASX (AU)	4,467.95	+0.69%	+0.54%
STI (SG)	3,301.78	+0.13%	▼0.22%
SHCOMP (CN)	3,030.25	+0.48%	+0.07%
SENSEX (IN)	77,301.14	+0.40%	+1.10%
JSE (ID)	6,734.83	+0.00%	▼1.76%
KLSE (MY)	1,606.13	▼0.07%	▼0.33%
PSE (PH)	6,368.80	▼0.23%	▼0.64%
SET (TH)	1,297.41	+0.06%	▼1.42%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.68	+0.89%	+1.00%
COPPER (LME)	9,532.27	▲0.05%	▲1.02%
IRON ORE (CN)	107.01	+0.43%	+1.55%
GOLD	2,329.46	+0.44%	+0.54%
OIL (WTI)	81.57	+1.54%	+4.71%

Three Take-Aways:

1. Weaker US retail sales point to household expenditure switching and moderating services demand.
2. Consequently, UST yields sank and USD turn softer against G10 peers.
3. Aside from exports recovery, KRW recovery face a dearth of positive catalysts and domestic woes.

The Right Direction?

- With **US retail sales printing softer than expected in May along with a downwardly revised April outturn**, UST yields fell across the board (2Y: -5.3bp; 10Y: -5.8bp).

- Specifically, headline retail sales only managed a weak rebound of 0.1% MoM after the 0.2% MoM contraction in April. Notably, **food services contracted 0.4% MoM hinting at weakness in the services sector. Admittedly**, the core control group (excludes vehicles, gas, food, services and building materials) which feeds into GDP computation rebounded 0.4% MoM from the prior -0.5% MoM. Furthermore, **expenditure switching** from price sensitive households into online shopping (+0.8% MoM) imply that the **real GDP effects may not fully reveal extent of stretched budgets.**

- In likely coincidental alignment, Fed Governor Adriana Kugler's prepared remarks said that she believes that **economic conditions are moving in the right direction and it will be appropriate to begin easing policy sometime this year.**

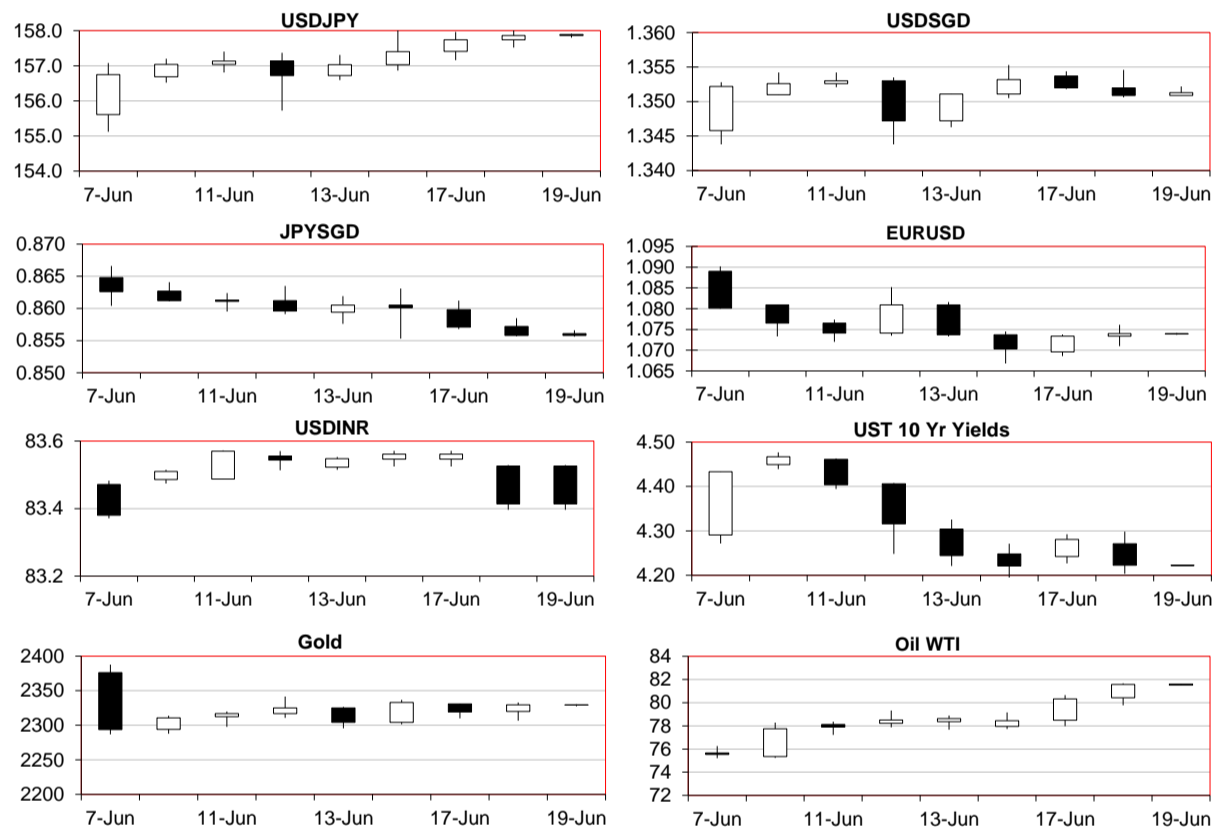
- Amid lower UST yields, **US equities maintained traction to edge higher** (S&P500: +0.3%; Dow: +0.2%) while USD ceded ground against most G10 peers.

- **NOK led gains on Brent crude's rise to above US\$85/barrel.** While Asian refinery restarts boost demand, rising stockpiles caution against unbridled ascendency. **AUD rose** to just above mid-66 cents. To be clear, the RBA was little cause for the rally as **Governor Bullock push back against interpretations of hikes** within the statement during her presser even though hikes were admittedly discussed while cuts were not. EUR gains were muted, unable to maintain above mid-1.07 with spillover from a weak GBP on lower grocery inflation signalling a soft UK CPI print today.

- In Asia, JPY was unable to capitalise on lower UST yields as uncertainty over QE reduction outweighed possibilities of a July hike. Elsewhere, USD/SGD remain above 1.35.

OVERNIGHT RESULTS

(SG) Non-oil Domestic/Elect. Exports YoY (May): -0.1%/21.9% (Mkt: -1.0%/ -; Apr: -9.3%/3.3%) | (US) Retail Sales Adv/Ex Auto, Gas MoM (May) 0.1%/0.1% (Mkt: 0.3%/0.4%; Apr: 0.0%/ -0.1% Revised: -0.2%/ -0.3%) | (US) Industrial Pdn MoM (May): 0.9% (Mkt: 0.4%; Apr: 0.0%) | (EZ) CPI/Core YoY (May F): 2.6%/2.9% (Mkt: 2.6%/2.9%; Prelim: 2.6%/2.9%) | (GE) ZEW Expt./Current (Jun): 47.5/-73.8 (Mkt: 50.0/-65.0; May: 47.1/-72.3)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	157.84	EUR/USD	1.0740
USD/SGD	1.3512	USD/THB	36.67
JPY/SGD	0.8561	USD/MYR	4.711

Forecast

USD/JPY	156.50 - 158.00
EUR/USD	1.0680 - 1.0780
AUD/USD	0.6600 - 0.6700
USD/SGD	1.3470 - 1.3560
JPY/SGD	0.8525 - 0.8665
USD/CNH	7.2550 - 7.2800
USD/INR	83.30 - 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	3	2
USD/JPY	4	1

Korea: Extended Challenges

- The **KRW's 6.7% YTD depreciation** against the Greenback is an underperformance among regional peers with only THB and JPY faring worst. This perhaps runs counter intuitive to its strong export recovery and accumulated current account surpluses (US\$16bn from Jan-Apr 2024).

- Admittedly, while policy rate differentials remain a key driver exerting depreciation pressures, **domestic woes and a lack of positive catalysts are key challenges to a more durable recovery.**

- On the **financial sector front**, from the start of July, **the KRW is set to extend its onshore trading hours** to 2am from the current 330pm alongside participation from foreign institutions.

- The initial economic benefits likely pertain to **logistical preparation from equipment and labour needs in Korea** which even then may be limited given the global presence of major banks.

- Given that the FX market reforms had a broader aim of assisting in Korea's inclusion as a developed country into the MSCI which would improve foreign market inflow, their latest **extension a ban of short selling of stocks into March 2025** has extinguished hope being included in the annual review to be released tomorrow. That said, separately, Korea remains hopeful to join the FTSE's World Government Bond Index in its September review.

- Domestically, persistent healthcare sector strikes worsen **structural woes of persistently declining birth rates** which are the world's lowest, also point to **lower neutral rates.** While the BoK may want to remain in a cautious mode amid inflation uncertainties, the **relative room available for normalisation is one which is hard to shake off.**

FX Daily Outlook

- EUR/USD: UK inflation spillovers to restrain testing 1.08.

- USD/JPY: BoJ reluctance on QE reduction to assist buoyancy above 156.

- USD/SGD: Weak US retail sales imply continue hovering on both sides of 1.35.

- AUD/USD: RBA's high bar for hike imply cautious testing of 67 cents on condition of oil rallies.

TODAY EVENTS

(JP) Trade Balance (May): (Mkt: -¥1280.5 Apr: -¥465.6b)

(ID) Exports/Imports YoY (May): (Mkt: -0.1%/ -0.9%; Apr: 1.7%/4.6%)

(EZ) Current Account (Apr): (Mar: \$35.8b)

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