

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	158.24	158.93	+0.84	+1.90
EUR	1.0726	1.0702	▼0.0042	▼0.0035
AUD	0.6671	0.6656	▼0.0017	+0.0020
SGD	1.3519	1.3544	+0.0037	+0.0033
CNY	7.2603	7.2604	+0.0033	+0.0079
INR	83.54	83.65	+0.19	+0.10
IDR	16420	16430	+65	+160
MYR	4.7099	4.7095	+0.0030	+0.0005
PHP	58.76	58.78	+0.01	+0.19
THB	36.73	36.78	+0.10	+0.12

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.259%	+3.7 bp	+1.5 bp
JPY (10YR)	0.957%	+2.6 bp	▼1.8 bp
EUR* (10YR)	2.431%	+2.7 bp	▼3.9 bp
AUD (5YR)	3.943%	+1.8 bp	+2.4 bp
SGD (5YR)	3.181%	+2.5 bp	▼2.0 bp
CNY (5YR)	2.022%	▼0.4 bp	▼3.5 bp
INR (5YR)	7.000%	▼0.2 bp	▼1.1 bp
IDR (5YR)	7.036%	+1.3 bp	+11.3 bp
MYR (5YR)	3.643%	▼1.0 bp	▼1.1 bp
PHP (5YR)	6.398%	+1.9 bp	+2.5 bp
THB (5YR)	2.483%	▼0.9 bp	▼0.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,134.76	+0.77%	+1.26%
N225 (JP)	38,633.02	+0.16%	▼0.23%
STOXX 50 (EU)	4,947.73	+1.27%	+0.25%
ASX (AU)	4,508.44	+0.78%	+1.34%
STI (SG)	3,300.00	▼0.12%	▼0.74%
SHCOMP (CN)	3,005.44	▼0.42%	▼0.78%
SENSEX (IN)	77,478.93	+0.18%	+0.87%
JSE (ID)	6,819.32	+1.37%	▼0.18%
KLSE (MY)	1,592.69	▼0.44%	▼1.09%
PSE (PH)	6,344.56	▼0.34%	▼0.72%
SET (TH)	1,298.29	▼0.42%	▼1.03%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.38	▲0.10%	▲0.08%
COPPER (LME)	9,721.50	+0.77%	+0.60%
IRON ORE (CN)	107.15	▲0.19%	+0.16%
GOLD	2,360.09	+1.37%	+2.43%
OIL (WTI)	82.17	+0.74%	+4.52%

Three Take-Aways:

1. SNB's second 25bp rate cut "canary" for more cuts in Europe/ BoE sooner rather than later.
2. With the exception of NOK (Norges Bank's hawkish hold) European FX defer to USD
3. PBoC's planned shift to a single short-term rate and CGB trading may lower risk/liquidity premium.

(European) Policy Watch, Swiss Movement

- A second 25bp cut by the Swiss National Bank is gaining recognition as the harbinger for more widespread easing across to follow in Europe. Admittedly, the Norges Bank conveyed a hawkish hold, suggesting no rate cuts for the year. But that's an exception. Whereas the Riksbank has already cut, following the SNB's first cut; and may have more in the bag. What's more, the BoE was on a more dovish hold than the 7(hold)-2 (cut) vote would suggest, flagging an August cut up for grabs. Crucially, for some of the 7 voting to hold (resisting a cut) the decision was "finely balanced"; as the binary outcome of a "hold" or "cut" vote understates the underlying dovish shifts. It is not a stretch for markets to start betting that the ECB may follow-up on the June cut sooner rather than later. And FX markets are already pricing in the Swiss movement in European policy watch.

FX: SNB Action & BoJ Intervention?

- That CHF dropped the most in Europe is no surprise. Nor is GBP's 0.5% decline on the BoE's dovish hold. In contrast a hawkish Norges Bank explains NOK coming out on top in Europe (up 0.2%). But despite SNB action (with European impulse), JPY intervention risks dominate. Admittedly, sharper (0.8%) CHF drop takes some the glare off coincident 0.5% JPY hit.

- But a comparatively more jarring near-1% swoon in the JPY for the week speaks far more acute and sustained JPY risks/volatility. Moreover, the optics of near-159 test, pre-160 big-figure threat, accentuates MoF/BoJ intervention risks. And the JPY's 11.3% YTD drop, which dwarfs CHF's 5.7% pullback, encapsulates why JPY intervention overwhelms even as SNB excited.

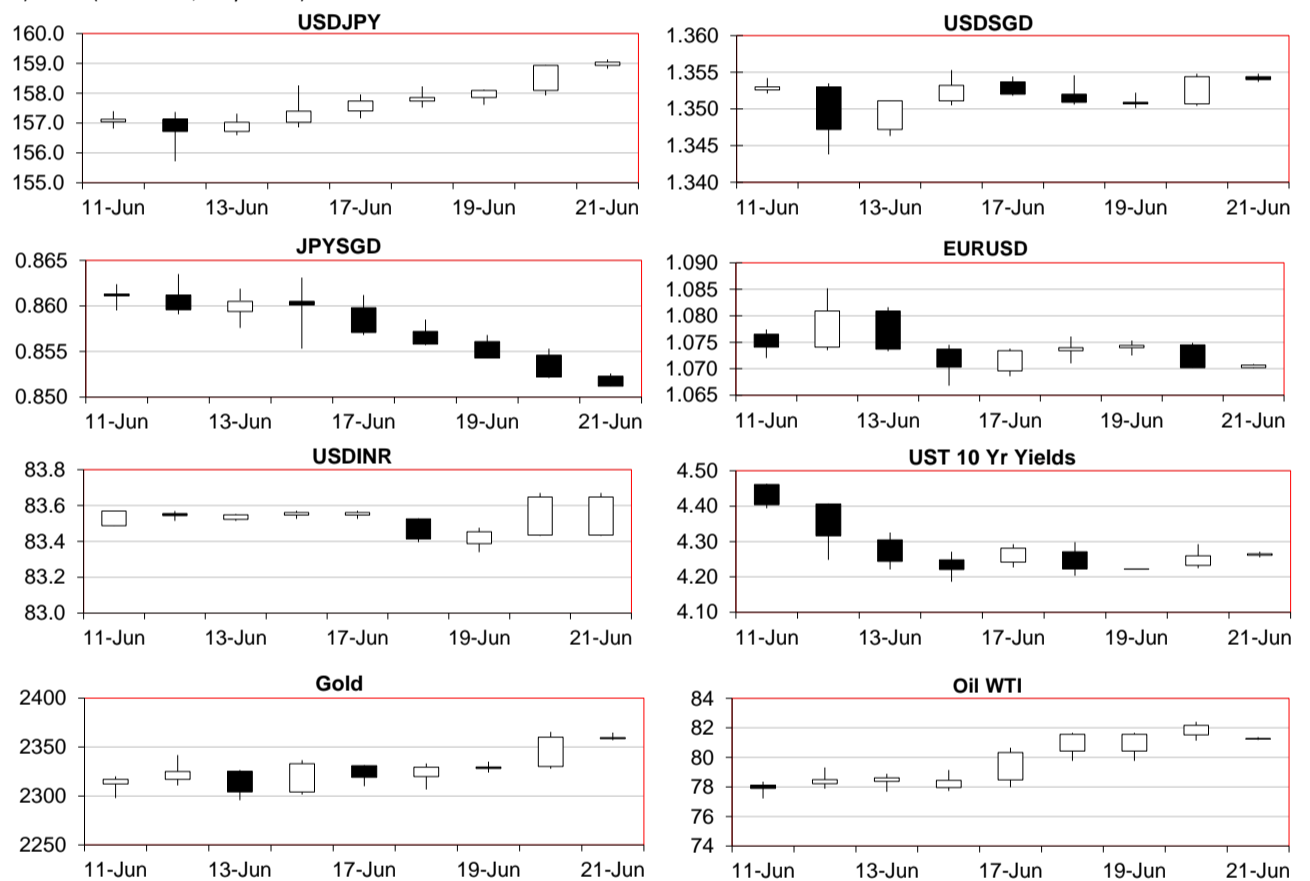
The 5Cs of PBoC Shift & Future QE Elephant

- PBoC Chief Pan has flagged PBoC policy shift comprising; i) switching a single, short-term, benchmark interest rate to be sued as the policy rate lever and; ii) PBoC's involvement in secondary market CGB trading to manage liquidity.

OVERNIGHT RESULTS

(MY) Exports/Imports YoY (May): 7.3%/13.8% (Mkt: 2.3%/8.4%; Apr: 9.0%/15.5%) | (US) Building Permits (May): 1386k (Mkt: 1450k; Apr: 1440k) | (US) Housing Starts (May): 1277k (Mkt: 1370k; Apr: 1352k) | (US) Current Account Balance (1Q): -\$237.6b (Mkt: -\$206.8b; 4Q: -\$221.8b) | (US) Initial Jobless Claims: 238k (Mkt: 235k; Apr: 243k) | (US) Philadelphia Fed Business Outlook (Jun): 1.3 (Mkt: 5.0; May: 4.5) | (EZ) Consumer Confidence (Jun P): -14.0 (Mkt: -13.8; May: -14.3)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	158.91	EUR/USD	1.0707
USD/SGD	1.3543	USD/THB	36.72
JPY/SGD	0.8522	USD/MYR	4.710

Forecast

USD/JPY	157.50 - 160.00
EUR/USD	1.0650 - 1.0780
AUD/USD	0.6600 - 0.6760
USD/SGD	1.3490 - 1.3600
JPY/SGD	0.8431 - 0.8635
USD/CNH	7.2700 - 7.3000
USD/INR	83.45 - 83.90
USD/IDR	16340 - 16600
USD/MYR	4.700 - 4.730
USD/PHP	58.60 - 59.10
USD/THB	36.50 - 36.90

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	4	1

- The "5Cs" of the PBoC's policy shift blueprint are:

- 1) **Cue Concentration**: A single point of policy cue allows the PBoC to concentrate (and arguably, amplify) signalling capabilities.
- 2) **Clarity**: With that comes clarity of policy intent. Especially if opposing, liquidity calibration is involved.
- 3) **Complementarity**: Apart from liquidity calibration, bond trading provides crucial complementarity to improve the efficacy and efficiency of policy transmission out the curve.
- 4) **Control**: Moreover, trading bonds provides the option to exercise a degree of control over the yield curve. With the potential to be a YCC-like/lite tool.
- 5) **Credit (Pricing)**: A policy of credit stimulus driven by price rather than quantity; better managing stimulus-stability trade-offs.

- **Devil in the Details**: It is arguably premature to ascertain any tangible and durable market impact as the devil is in the details.

- **Lower Risk/Liquidity Premiums**: But lower risk and liquidity premiums are conceivable from diminished PBoC policy uncertainty and implicit bond market backstop help lift assets more broadly.

- **QE Elephant**: But the QE elephant in the room over time is whether PBoC balance sheet expansion from bond trading is sticky and/or upwardly biased.

- **Conditional CNH Backstop**: Meanwhile, CNH may be initially supported as CGB market deepening helps pool more hard currency (converted) onshore. But sustaining this is conditional on debasement risks from QE being averted.

FX Daily Outlook

- EUR/USD: Spillovers from SNB's cut and BoE's rate cut prospects could see dips below 1.07.
- USD/JPY: Higher UST yields likely to see durability above mid-158.
- USD/SGD: Weaker EUR and soft CNH buoy above 1.35 levels.
- AUD/USD: Backstop at 66 cents as RBA rate cuts appear far from horizon.

TODAY EVENTS

(AU) PMI Mfg/Services (Jun P): 47.5/51.0 (May: 49.7/52.5) | (KR) PPI YoY (May): 2.3% (Apr: 1.9%) | (JP) Natl CPI/Ex Fresh Food, Energy YoY (May): 2.8%/2.1% (Mkt: 2.9%/2.2%; Apr: 2.5%/2.4%) | (US) Existing Home Sales (May): (Mkt: 4.1m; Apr: 4.1m) | (JP) Mfg/Services PMI (Jun P): (May: 50.4/53.8) | (EZ) Mfg/Services PMI (Jun P): (Mkt: 47.9/53.4; May: 47.3/53.2) | (US) Mfg/Services PMI (Jun P): (Mkt: 51.0/54.0; May: 51.3/54.8)

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