

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	158.79	159.80	+0.87	+2.40
EUR	1.0679	1.0693	▼0.0009	▼0.0010
AUD	0.6649	0.6641	▼0.0015	+0.0026
SGD	1.3547	1.3549	+0.0005	+0.0017
CNY	7.2612	7.2610	+0.0006	+0.0053
INR	83.55	83.54	▼0.11	▼0.02
IDR	16458	16450	+20	+50
MYR	4.7155	4.7127	+0.0032	▼0.0080
PHP	58.84	58.82	+0.04	+0.16
THB	36.68	36.66	▼0.12	▼0.11

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.255%	▼0.4 bp	+3.4 bp
JPY (10YR)	0.975%	+1.8 bp	+3.1 bp
EUR* (10YR)	2.412%	▼1.9 bp	+5.2 bp
AUD (5YR)	3.941%	▼0.2 bp	+8.8 bp
SGD (5YR)	3.172%	▼0.9 bp	+0.5 bp
CNY (5YR)	2.032%	+1.0 bp	▼2.5 bp
INR (5YR)	7.000%	+0.0 bp	▼0.9 bp
IDR (5YR)	7.046%	+1.0 bp	▼5.3 bp
MYR (5YR)	3.642%	▼0.1 bp	▼1.3 bp
PHP (5YR)	6.396%	▼0.2 bp	+3.9 bp
THB (5YR)	2.464%	▼1.9 bp	▼2.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,150.33	+0.04%	+1.45%
N225 (JP)	38,596.47	▼0.09%	▼0.56%
STOXX 50 (EU)	4,907.30	▼0.82%	+1.41%
ASX (AU)	4,490.92	▼0.39%	+1.18%
STI (SG)	3,306.02	+0.18%	+0.26%
SHCOMP (CN)	2,998.14	▼0.24%	▼1.14%
SENSEX (IN)	77,209.90	▼0.35%	+0.28%
JSE (ID)	6,879.98	+0.89%	+2.16%
KLSE (MY)	1,590.37	▼0.15%	▼1.05%
PSE (PH)	6,158.48	▼2.93%	▼3.53%
SET (TH)	1,306.41	+0.63%	▼0.01%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	293.22	▲0.73%	▲0.28%
COPPER (LME)	9,547.61	▲1.79%	▲0.71%
IRON ORE (CN)	106.63	▲0.49%	▲0.77%
GOLD	2,321.98	▲1.61%	▲0.47%
OIL (WTI)	80.73	▼1.75%	+2.91%

Three Take-Aways:

1. US equities and Treasuries were in a tentative mode despite triple witching and PMI upside.
2. EUR remained weak as EZ manufacturing and services PMI disappointed.
3. Japan's inclusion to US currency is a statistical and mechanical one, no restraint to JPY intervention.

Looking For Direction?

- Last Friday, despite the triple witching, **markets remained rather tentative**. UST yields closed **rather flat** (2Y: -0.5bp; 10Y: -0.4bp) after US PMI printed on the upside.
- Notably, the latter's impact is expectedly more subdued relative to ISM reports. Similarly, US equities were unable to make much of it with the Dow unchanged while the Nasdaq and S&P 500 dropped 0.2%. Nonetheless, at these record heights, some consolidation should not surprise.
- In a somewhat revealing contrast, the **USD was able to retain ground against all G10 peers**.
- EUR was unable to recover above 1.07 with **both manufacturing and services PMI in the EZ falling short of expectations**. While ECB's Schnabel continued to caution against pre-committing on rate paths over the weekend, the underlying causes of supply and geo-political shocks does not bode well for robust EUR recovery even if rates are maintained higher for longer.
- **JPY underperformed G10 peers with the USD/JPY now close to the 160 mark as MOF's Kanda reiterated their readiness to intervene at any time**. We do not think that Japan's addition to US currency watchlist restrains prospects of intervention (See below for more).
- While the intervention threat is real, it is worth remembering that these levels are dynamic and dependent on the prevailing UST-JGB spreads and other drivers such as oil prices.
- On that note, even as Brent crude remain elevated above US\$85/barrel, AUD was unable to hold above mid-66 cents. In EM-Asia, USD/SGD has risen to above mid-1.35.

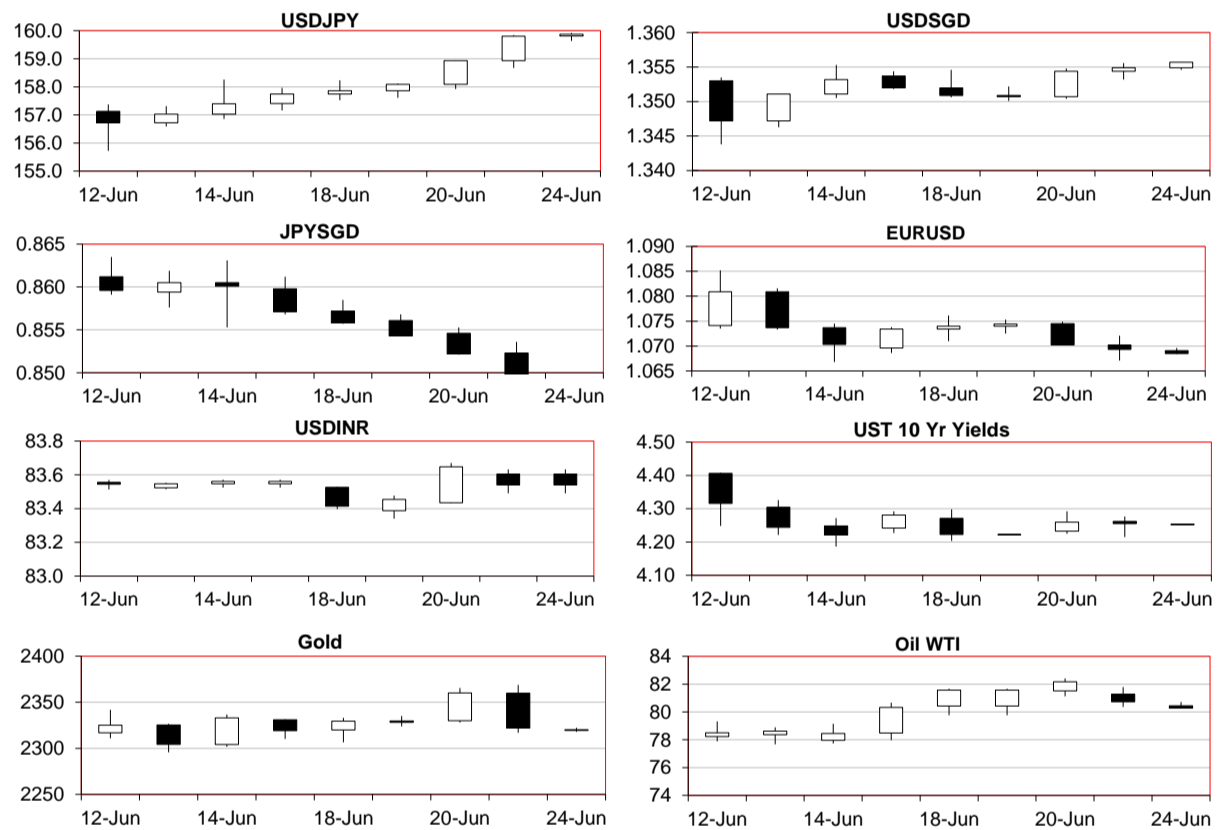
What warrants monitoring?

- **The bi-annual US Treasury review** of macroeconomic and FX policies of major trading partners saw **Japan** being added to the monitoring list in addition to **China, Taiwan, Malaysia, Singapore, Vietnam and Germany**. **No countries were on the currency manipulator list**.

OVERNIGHT RESULTS

US Existing Home Sales (May): 4.1m (Mkt: 4.1m; Apr: 4.1m) | (JP) Mfg/Services PMI (Jun P): 50.1/49.8(May: 50.4/53.8) | (EZ) Mfg/Services PMI (Jun P): 45.6/52.6 (Mkt: 47.9/53.4; May: 47.3/53.2) | (US) Mfg/Services PMI (Jun P): 51.7/55.1 (Mkt: 51.0/54.0; May: 51.3/54.8)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	159.88	EUR/USD	1.0688
USD/SGD	1.3556	USD/THB	36.78
JPY/SGD	0.8479	USD/MYR	4.713

Forecast

USD/JPY	157.50 - 160.00
EUR/USD	1.0650 - 1.0770
AUD/USD	0.6600 - 0.6700
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	2	2
USD/JPY	2	2

- To be upfront, **Japan's addition is merely a statistical and mechanical one rather than an explicit critic against Japan's macroeconomic policies**. As noted in the report, their fulfilment of the criteria of a substantial current account surplus was largely driven by:

1. Lower goods trade deficit due to decline in cost of energy imports which is an external factor.
2. Narrower services deficit on travel rebound due to relaxation of Covid related restrictions.
3. Stronger primary income inflows due to the weak JPY. The JPY performance being a reflection of BoJ-Fed policy will be well within knowledge of Treasury Secretary Yellen.

- **Aside from Singapore, the countries on the monitoring list meet both criteria of having a significant bilateral trade surplus with the US and a material current account surplus while not being found guilty of engaging in persistent one sided FX intervention**.

- Even as the Bank Negara Malaysia was assessed to be smoothing out excessing volatility, they conducted **net sales of foreign exchange amounting to 2.3% of GDP** in a reflection of **leaning against the USD strength**. As for **Vietnam**, their **net purchase** of foreign currencies at about US\$7bn 1.7% of GDP in 2023 was below the 2% threshold and **notably is just a partial re-accumulation of the US\$20bn of reserves sold in 2022**.

- While Singapore met the criteria of FX intervention with net purchases of FX amounting to US\$35.8bn (7.1% of GDP), the **outlier nature stems from the fact that the MAS was attempting to slow appreciation of SGD** which then does not fall into the motivations of gaining an unfair trade advantage with the United States.

FX Daily Outlook

- EUR/USD: EZ political stability weigh on EUR's recovery above mid-1.07.
- USD/JPY: Intervention threat looms though buoyancy above 157 to be retain even if tested.
- USD/SGD: SG CPI no cause for further MAS tightening given default S\$NEER crawl. Buoy above 1.35.
- AUD/USD: CPI anticipation a backstop for 66 cents rather than rally for 67 cents.

TODAY EVENTS

(SG) CPI/Core YoY (May): (Mkt:3.0%/3.0%; Apr: 2.7%/3.1%) | (TW) Industrial Production YoY (May): (Mkt: 7.6%; Apr: 14.6%) | (US) Dallas Fed Mfg Activity (Jun): (Prev: -19.4) | (GE) IFO Business Climate/Expectations (Jun): (Prev: 89.3/90.4)

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