

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	159.47	159.70	+0.08	+1.84
EUR	1.0727	1.0714	▼0.0019	▼0.0026
AUD	0.6667	0.6647	▼0.0010	▼0.0009
SGD	1.3525	1.3546	+0.0018	+0.0037
CNY	7.2627	7.2629	+0.0035	+0.0090
INR	83.44	83.43	▼0.04	+0.02
IDR	16378	16375	▼19	▼25
MYR	4.7065	4.7052	▼0.0078	▼0.0081
PHP	58.77	58.77	▼0.03	+0.15
THB	36.62	36.65	▼0.04	▼0.18

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.248%	+1.6 bp	+2.5 bp
JPY (10YR)	1.004%	+0.8 bp	+6.2 bp
EUR* (10YR)	2.411%	▼0.8 bp	+1.5 bp
AUD (5YR)	3.936%	▼1.5 bp	+5.3 bp
SGD (5YR)	3.154%	▼0.9 bp	▼4.5 bp
CNY (5YR)	2.010%	▼1.8 bp	▼4.4 bp
INR (5YR)	7.009%	+1.2 bp	▼0.1 bp
IDR (5YR)	6.989%	▼3.0 bp	▼11.0 bp
MYR (5YR)	3.640%	+0.0 bp	▼1.7 bp
PHP (5YR)	6.387%	▼1.1 bp	+1.6 bp
THB (5YR)	2.435%	▼1.0 bp	▼5.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,112.16	▼0.76%	+0.71%
N225 (JP)	39,173.15	+0.95%	+1.80%
STOXX 50 (EU)	4,935.97	▼0.30%	+0.42%
ASX (AU)	4,493.07	▼0.48%	+0.56%
STI (SG)	3,326.28	+0.37%	+0.74%
SHCOMP (CN)	2,950.00	▼0.44%	▼2.65%
SENSEX (IN)	78,053.52	+0.92%	+0.97%
JSE (ID)	6,882.70	▼0.09%	+2.20%
KLSE (MY)	1,585.38	▼0.27%	▼1.29%
PSE (PH)	6,299.05	+0.42%	▼1.10%
SET (TH)	1,319.14	+0.18%	+1.67%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	292.06	▲0.92%	▲1.22%
COPPER (LME)	9,422.59	▲0.95%	▲1.15%
IRON ORE (CN)	106.05	+0.09%	▲0.90%
GOLD	2,319.62	▲0.64%	▲0.42%
OIL (WTI)	80.83	▼0.98%	▼0.91%

Three Take-Aways:

1. Fed's Bowman policy reflection of recency bias and data issues is also important alongside inflation risks.
2. Amid higher UST yields, USD gained traction. CAD was just flat despite inflation upside surprise.
3. Vietnam Q2 GDP growth improvement to allow more room for SBV to tackle inflation and VND weakness.

Difficult to Call?

- Reversing Monday's declines, USTs yields rose (2Y:+1.9bp 10Y: +1.5bp). US equities also staged a reversal with Dow 0.8% lower while Nasdaq and S&P 500 rose 1.3% and 1.4% on Nvidia's rebound.

- Recent market action continues to **underscore the heightened uncertainty around adjusting rate cut calls at this juncture which stands at two cuts by end-2024**, with 2Y yields hovering around 4.70-4.75% for the past week, more than 20bps lower than in late May.

- Reflecting so, Fedspeak overnight had a less dovish tone with Fed's Bowman highlighting various upside risks to inflation. Notably, her speech looked back on the **reasons behind Fed's delayed response to surging inflation** and pointed to years leading up to the pandemic, when inflation was persistently low as well as inflation and labour data which were not reflective and subsequently substantially revised. In my view, it is also robust to consider if the current situation is also subject to these data issues as well as a recency bias (cognitive bias that favours recent events such as 2022's high inflation). Unfortunately, data issues may require the passage of time to reveal.

- For now, the tendency to lean towards elevated rates **keeps the USD bid against all G10 peers**. Despite Canadian 2Y yields surging 7.4bp on inflation upside, the CAD only managed to stay flat.

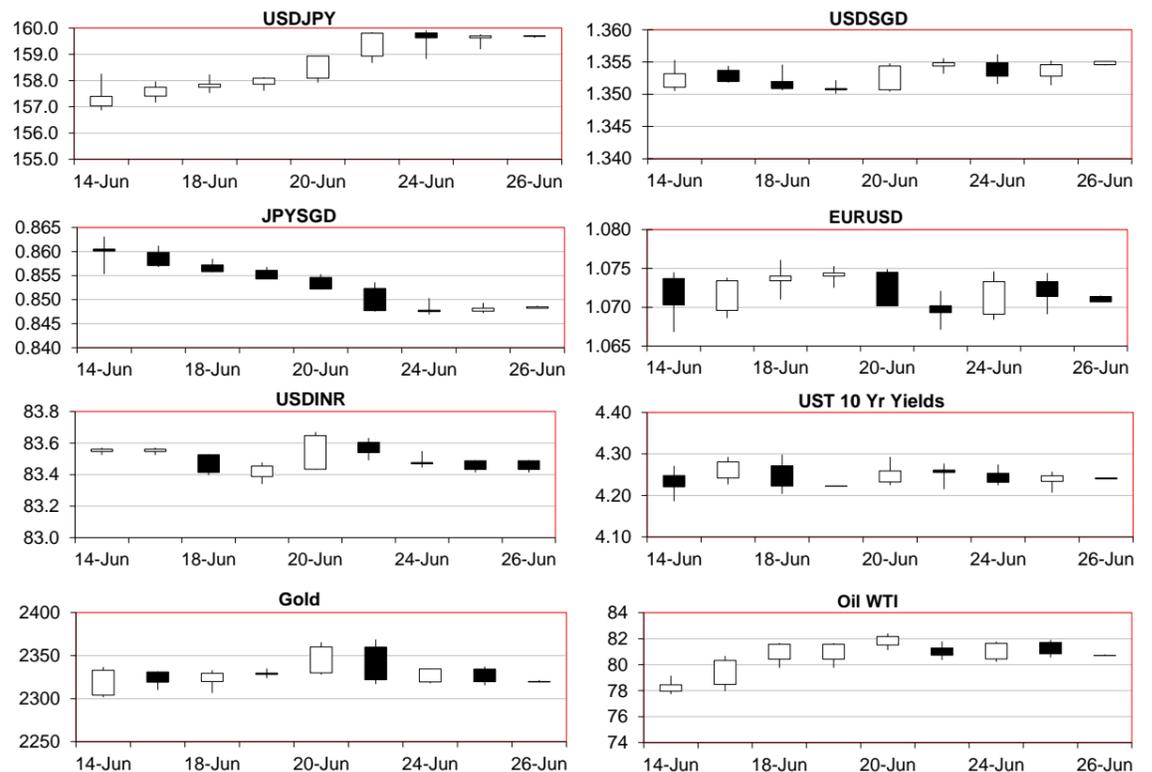
- USD/JPY buoyed above mid-159, EUR slipped towards 1.07 and AUD edged below mid-66 cents. In EM-Asia, the USD/SGD rose towards mid-1.35 and EM-Asia peers look to remain strained.

Vietnam: Growth Recovery - Implications and Limitations

- From the Q1 GDP growth of 5.7% YoY, we **expect Vietnam's Q2 GDP to improve to around 5.9%**. Admittedly, one driver of the moderate nature of this uptick is due to the higher base from a year ago. That said, underlying recovery in the manufacturing base remains steady.

OVERNIGHT RESULTS

(MY) CPI YoY (May): 2.0% (Mkt: 1.9%; Apr: 1.8%) | (JP) Coincident Index/Leading Index CI (Apr F): 115.2/110.9 (Prelim: 115.2/111.6)
 (US) Conference Board Consumer Confidence (Jun): 100.4 (Mkt: 100.0; May: 102.0) | (US) Richmond Fed Manufacturing Index (Jun): -10 (Mkt: -3; May: 0) | (US) Chicago Fed National Activity Index (May): 0.18 (Mkt: -0.25; Apr: -0.23)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	159.69	EUR/USD	1.0710
USD/SGD	1.3548	USD/THB	36.74
JPY/SGD	0.8484	USD/MYR	4.706

Forecast

USD/JPY	157.50 - 160.00
EUR/USD	1.0670 - 1.0760
AUD/USD	0.6600 - 0.6690
USD/SGD	1.3490 - 1.3570
JPY/SGD	0.8431 - 0.8616
USD/CNH	7.2700 - 7.3000
USD/INR	83.40 - 83.60
USD/IDR	16340 - 16500
USD/MYR	4.700 - 4.720
USD/PHP	58.60 - 59.10
USD/THB	36.50 - 36.90

Today's Direction

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

- Specifically, industrial production has remained resilient improving 2.3% MoM on average over April and May on the back of improving electronics and footwear demand. Domestic demand has also held up with average monthly retail sales expanding 1.3% over April and May compared to Q1.

- In turn, we expect inflation in June to remain elevated and **cross the SBV's upper limit of 4.5%**

- Consequently, to keep a lid on prices, the **current VAT rate reduction from 10% to 8% which is set to expire at the end of this month was announced in mid-June to be extended to the end of the year**. The authorities have also worked to raise air travel capacity during summer holidays to restrain costs of tickets. We expect the government to remain vigilant and nimble and keep a close watch on regulated adjustments such as education and electricity in the months ahead.

- In addition to inflation risks, the **SBV remains challenged by a VND testing near the top of their trading band** as well as still elevated NPL levels in the financial sector. The financial sector woes are also reflected by **escalating gold prices** which saw the SBV sell gold at fixed prices through state owned banks after ineffective initial attempts to dampen prices via auctions.

- The flight to safety points to wariness among investors after the banking-real estate developer scandals. Furthermore, the VND's depreciation against the Greenback aids the shift to gold.

- At this juncture, the **moderate nature of growth is unable to restore economy wide confidence**. Accordingly, we remain of the view that **should VND depreciation pressures worsen, the SBV could hike rates to ensure macro-financial stability** as the typical costs of a rate hike would be lesser than that of plunging confidence.

FX Daily Outlook

- EUR/USD: Caution ahead of US PCE may allow consolidation around 1.07.
- USD/JPY: Speculative BoJ hike bets may restrain testing of 160 alongside intervention threats.
- USD/SGD: Narrow rangebound trading around 1.35-mid-1.35 as markets look tentative.
- AUD/USD: CPI volatility may allow buoyancy above mid-66 cents but testing of 67 cents to falter.

TODAY EVENTS

(AU) CPI YoY (May): (Mkt: 3.8%; Apr: 3.6%) | (SG) Industrial Production YoY (May): (Mkt: 1.4%; Apr: -1.6%)
 (US) New Home Sales (May): (Mkt: 633k; Apr: 634k)

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