

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	159.90	160.81	+1.11	+2.72
EUR	1.0694	1.0681	▼0.0033	▼0.0063
AUD	0.6678	0.6648	+0.0001	▼0.0025
SGD	1.3559	1.3580	+0.0034	+0.0073
CNY	7.2666	7.2666	+0.0037	+0.0095
INR	83.58	83.58	+0.14	+0.12
IDR	16408	16405	+30	+40
MYR	4.7158	4.7163	+0.0111	+0.0098
PHP	58.87	58.87	+0.10	+0.11
THB	36.79	36.82	+0.17	+0.14

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.329%	+8.2 bp	+10.7 bp
JPY (10YR)	1.030%	+2.6 bp	+9.9 bp
EUR* (10YR)	2.452%	+4.1 bp	+4.8 bp
AUD (5YR)	4.096%	+16.1 bp	+17.1 bp
SGD (5YR)	3.205%	+5.1 bp	+4.9 bp
CNY (5YR)	2.006%	▼0.4 bp	▼2.0 bp
INR (5YR)	7.017%	+0.8 bp	+1.5 bp
IDR (5YR)	6.993%	+0.4 bp	▼3.0 bp
MYR (5YR)	3.640%	+0.0 bp	▼1.3 bp
PHP (5YR)	6.369%	▼1.8 bp	▼1.0 bp
THB (5YR)	2.458%	+2.3 bp	▼3.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,127.80	+0.04%	+0.75%
N225 (JP)	39,667.07	+1.26%	+2.84%
STOXX 50 (EU)	4,915.94	▼0.41%	+0.62%
ASX (AU)	4,480.66	▼0.28%	+0.16%
STI (SG)	3,331.70	+0.16%	+0.84%
SHCOMP (CN)	2,972.53	+0.76%	▼1.51%
SENSEX (IN)	78,674.25	+0.80%	+1.73%
JSE (ID)	6,905.64	+0.33%	+2.66%
KLSE (MY)	1,590.95	+0.35%	▼0.55%
PSE (PH)	6,313.11	+0.22%	▼0.83%
SET (TH)	1,319.15	+0.00%	+1.18%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	291.29	▲0.26%	▲1.48%
COPPER (LME)	9,399.31	▲0.25%	▲2.57%
IRON ORE (CN)	106.63	+0.55%	▲0.67%
GOLD	2,298.23	▲0.92%	▲1.29%
OIL (WTI)	80.90	+0.09%	▼0.82%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	160.63	EUR/USD	1.0680
USD/SGD	1.3589	USD/THB	36.96
JPY/SGD	0.8460	USD/MYR	4.722

Forecast

USD/JPY	159.00 - 161.50
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3510 - 1.3600
JPY/SGD	0.8365 - 0.8553
USD/CNH	7.2800 - 7.3150
USD/INR	83.40 - 83.70
USD/IDR	16350 - 16500
USD/MYR	4.710 - 4.730
USD/PHP	58.70 - 59.10
USD/THB	36.70 - 37.20

Today's Direction

	Bull	Bear
USD/SGD	4	0
USD/JPY	1	3

Three Take-Aways:

1. UST yields rose in absence of FedSpeak; markets pricing converging towards 1 rate cut as in Dot Plot.
2. USD gained against G10 on higher yields; AUD outperformed on inflation upside.
3. BSP stand pat amid still-elevated inflation; more hawkish remarks could be forthcoming to support PHP.

Pushback

- That UST yields (2Y: +5.0bps; 10Y: +8.2bps) rose in the absence of FedSpeak and below-expectations home sales could point to **markets backing down on their pushback on only one rate cut this year**, especially as past few days of FedSpeak refused to relent on data-dependency and upside risks to inflation. Post-FOMC, markets had priced more likely 2 rate cuts, instead of one as in the Dot Plot. Nonetheless, **optimism over US consumer exceptionalism saw consumer discretionary counters leading gains** amid doubts on how long chipmakers' outperformance could last. **US equity indexes eked out some gains** (S&P500: +0.2%; Dow: +0.0%; Nasdaq: +0.5%).

- The USD strengthened against the G10 currencies on higher yields. **AUD** outperformed, briefly moving above mid-65 cents as inflation surprised to the upside on a surge in services inflation, raising risks of a RBA hike and likely pushing back any rate cut plans.

- **EUR** moved below 1.07, taking cues from **absence of pushback on rate cut expectations in remarks by ECB officials**. ECB Rehn viewed bets for two more cuts in 2024 to be reasonable, with rate moves possible at any policy meeting. Meanwhile, ECB Panetta noted that stickiness of service inflation was 'not abnormal' and economics is consistent with ECB normalisation.

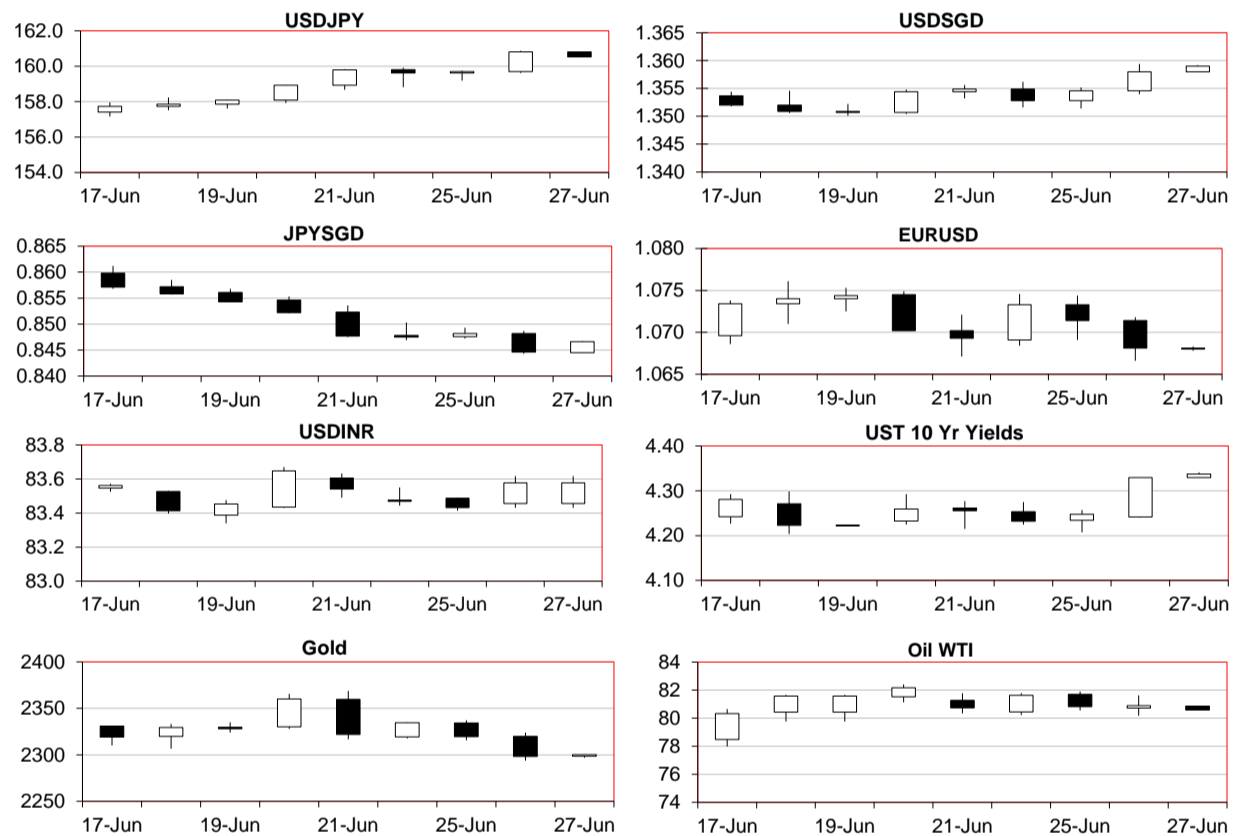
- **JPY** slumped as USD/JPY surged above 160. Nonetheless, **Japan's currency chief Kanda pushback against these "rapid" and "one-sided" moves were mostly verbal warnings**, refraining from commenting if these moves were excessive but signalled that appropriate steps would be taken as needed. **USD/SGD** buoyed above mid-1.35 levels.

- Elsewhere, Beijing joined the other 3 tier-1 cities in easing downpayment and mortgages requirements to support the real estate sector.

BSP: More Hawkish?

- The BSP is expected to stand pat at the upcoming meeting as **recent inflation prints have been encouraging**. Inflation prints in May (3.9%) and April (3.8%) **remains within the 2-4% target range**, against BSP's earlier expectations (back in Q4'23) that inflation could exceed the upper **OVERNIGHT RESULTS**

(AU) CPI YoY (May): 4.0% (Mkt: 3.8%; Apr: 3.6%) | (SG) Industrial Production YoY (May): 2.9% (Mkt: 1.4%; Apr: -1.2%) | (US) New Home Sales (May): 619k (Mkt: 633k; Apr: 698k)

Past Two Weeks Movement


bound in Apr-Jul'24 due to El Nino and positive base effects. Furthermore, rice inflation also contracted by -0.2% on a non-seasonally adjusted month ago basis, the first such contraction since Nov'2023. Rice inflation has been registering double-digit growth since Sep'23.

- We think that still-within target range inflation and downward revision to BSP's risk-adjusted 2024 inflation to 3.8% (prev: 4.0%) are the key reasons behind BSP's "less hawkish" positioning at the previous meeting in May, with Governor Remolona alluding to a cut as early as August. This was despite the statement continuing acknowledge upside risks to inflation.

- However, the possibility of BSP frontrunning the Fed pressured the PHP, likely prompting BSP Recto's recent remarks that BSP was unlikely to frontrun the Fed in cutting rates. PHP has weakened by -2.4% since the previous meeting, only performing better than the IDR, which has been pressured by fiscal woes. Nonetheless, to be clear, we think that BSP is concerned over PHP-stability **insofar as a weak PHP increases the threat of cost-push inflation via the import channel**. This is especially so as persistently high rice prices have appeared to be due to insufficient domestic supply which saw a surge in rice imports. Imports of cereals in Jan-Apr are +22.7% higher compared to a year ago, with recent rice tariff reduction from 35% to 15% aimed at further lowering rice prices. Furthermore, the **improvement in exports (+26.4% YoY)** give more reason for the BSP to be on hold.

- All in, BSP is expected to stand pat and compared to the previous meeting, could exercise more refrain from alluding to "less hawkish" tendencies in its remarks.

FX Daily Outlook

- EUR/USD: Weak rallies towards mid-1.07 on dovish ECB inclinations (relative to Fed).
- USD/JPY: Durability below 160 may be weak as little hints of interventions, despite verbal warnings.
- USD/SGD: Little support to CNH on Beijing property boost retain buoyancy above mid-1.35.
- AUD/USD: Upside surprise to CPI should backstop declines at 66 cents.

TODAY'S EVENTS

(JP) Retail Sales YoY (May): 3.0% (Mkt: 2.0%; Apr: 2.0%) | (CH) Industrial Profits YoY (May): (Apr: 4.0%) | (US) Initial Jobless Claims: (Mkt: 235k; prev: 238k) | (US) GDP Annualised QoQ (1Q T): (Mkt: 1.4%; 1.3%) | (US) Durable Goods Orders/Nondef Ex Air (May P): (Mkt: -0.5%/0.1%; Apr: 0.6%/0.2%) | (US) Wholesale Inventories MoM (May P): (Mkt: 0.1%; Apr: 0.1%) | (US) Kansas City Fed Mfg Activity (Jun): (Mkt: -4; May: -2)

Central Bank Policy Decisions: **BSP Overnight Borrowing Rate**

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