

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	160.94	160.88	+0.12	+1.08
EUR	1.0698	1.0713	+0.0009	+0.0020
AUD	0.6634	0.6670	+0.0023	+0.0029
SGD	1.3570	1.3560	▼0.0025	+0.0011
CNY	7.2660	7.2673	▼0.0015	+0.0063
INR	83.45	83.39	▼0.07	▼0.15
IDR	16397	16375	▼23	▼75
MYR	4.7174	4.7175	+0.0000	+0.0048
PHP	58.60	58.61	▼0.14	▼0.20
THB	36.80	36.70	▼0.17	+0.04

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.396%	+11.0 bp	+14.1 bp
JPY (10YR)	1.057%	▼1.9 bp	+8.2 bp
EUR* (10YR)	2.500%	+5.2 bp	+8.8 bp
AUD (5YR)	4.073%	▼9.4 bp	+13.2 bp
SGD (5YR)	3.193%	▼4.4 bp	+2.1 bp
CNY (5YR)	1.974%	▼0.7 bp	▼5.8 bp
INR (5YR)	7.024%	+0.8 bp	+2.4 bp
IDR (5YR)	6.971%	▼2.2 bp	▼7.5 bp
MYR (5YR)	3.648%	+0.0 bp	+0.6 bp
PHP (5YR)	6.348%	▼1.5 bp	▼4.8 bp
THB (5YR)	2.468%	▼0.9 bp	+0.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,118.86	▼0.12%	▼0.08%
N225 (JP)	39,583.08	+0.61%	+2.56%
STOXX 50 (EU)	4,894.02	▼0.18%	▼0.27%
ASX (AU)	4,451.92	▼0.19%	▼0.87%
STI (SG)	3,332.80	▼0.32%	+0.81%
SHCOMP (CN)	2,967.40	+0.73%	▼1.03%
SENSEX (IN)	79,032.73	▼0.27%	+2.36%
JSE (ID)	7,063.58	+1.37%	+2.67%
KLSE (MY)	1,590.09	+0.32%	▼0.02%
PSE (PH)	6,411.91	+0.33%	+4.12%
SET (TH)	1,300.96	▼0.65%	▼0.42%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.47	▲0.28%	▲0.94%
COPPER (LME)	9,455.98	+0.90%	▲0.96%
IRON ORE (CN)	106.51	+0.02%	▲0.11%
GOLD	2,326.75	▲0.04%	+0.21%
OIL (WTI)	81.54	▼0.24%	+1.00%

Three Take-Aways:

- Both US PCE deflator and survey inflation expectations affirm slightly moderating inflation.
- Presidential debate saw higher odds of Trump's return and sent UST yields higher on fiscal concerns.
- Australia CPI points to rate cut delays while hikes may require space from real economic resiliency.

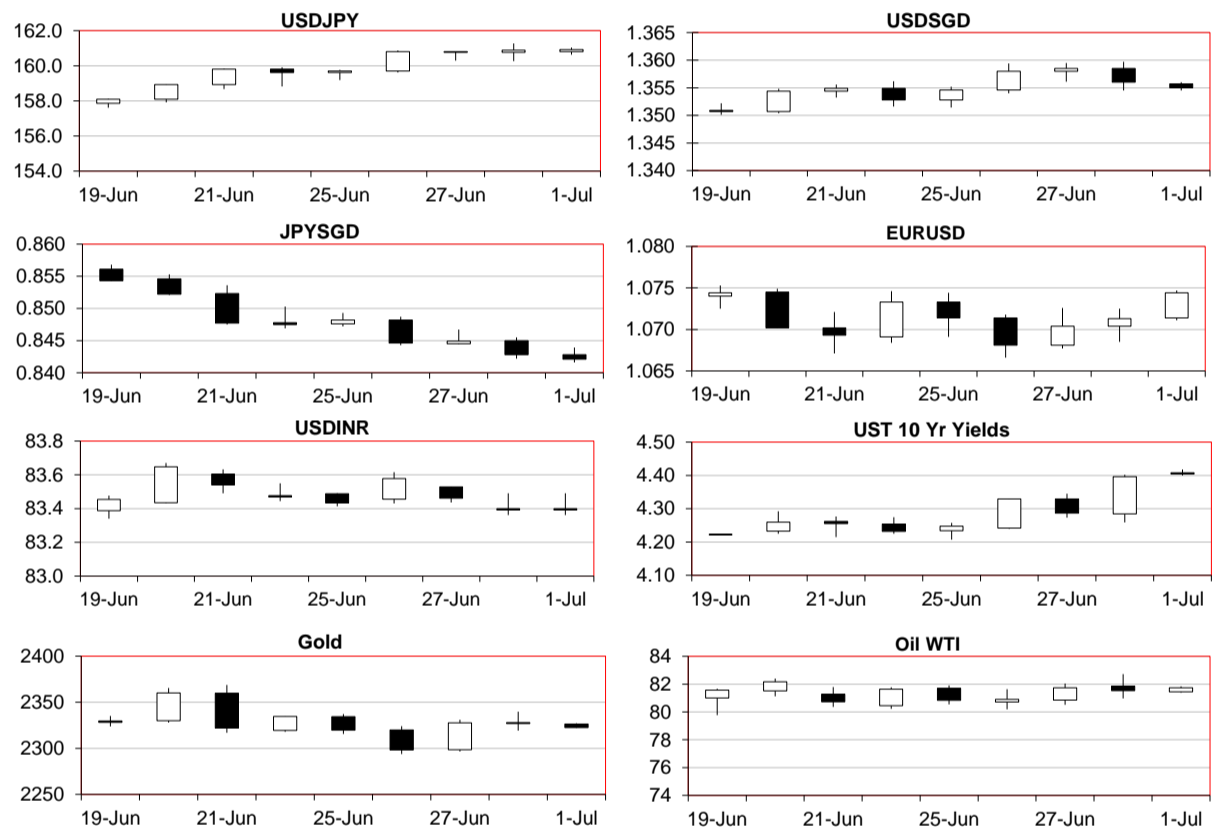
Elections - Ex Or Next?

- Last Friday, **economic data took a back seat to political events.**
- While UST yields saw a slight dip post release of **US PCE deflator affirming continued disinflation**, UST yield curve ended up with a **bear steepener as 2Y yields rose 4.2bp and 10Y UST yields soared 11bps** as current US President Joe Biden's performance during the Presidential debate ignited worries on his ability to fulfil a second term.
- In the same token, this implied **higher odds of a return of ex-President Trump and his MAGA related spending plans raising concerns of US fiscal debt.** The muted risk sentiments was also reflected by **US equities slipping** across the board (Nasdaq: -0.7%; S&P 500: -0.4%; Dow: -0.1%).
- Rather than the yield driven mechanics, **USD debasement fears along with the dis-inflation data and lower inflation expectations** from the Uni of Michigan survey saw the **USD softened.**
- The USD/JPY remains buoyed above 160. EUR is now looking to test mid-1.07 as the early results this morning indicate **Marine Le Pen's party inability to achieve outright victory.**
- While concerns on radical fiscal positions may be dampened, **slow or paralysis in government policy making ought to dampen outright EUR rallies.** This is especially so considering the **continued contraction from China's manufacturing PMI over the weekend.**
- Accordingly, the USD/SGD slippage to mid-1.35 is likely to slow and the AUD bounce towards upper half of mid-66 cents may also feel stretched.

OVERNIGHT RESULTS

(JP) Industrial Production MoM (May P): 0.3% (Mkt: -0.1%; Apr: -0.9%) | (KR) Industrial Production YoY (May): 3.5% (Mkt: 3.9%; Apr: 6.2%) | (TH) BoP CA Balance (May): \$647m (Mkt: \$663m; Apr: -\$45m) | (TH) Exports/Imports YoY (May): (Mkt: 5.8%/6.45%) | (US) UoM Sentiment/Expectations (Jun F): 68.2/69.3 (prelim: 65.6/67.6) | (US) MNI Chicago PMI (Jun): 47.4 (Mkt: 40.0; May: 35.4) | **(US) PCE/Core Deflator YoY (May): 2.6%/2.6%** (Mkt: 2.6%/2.6%; Apr: 2.7%/2.8%) | (US) Personal Income/Spending (May): 0.5%/0.2% (Mkt: 0.4%/0.3%; Apr: 0.3%/0.2%) | (JP) Housing Starts YoY (May): 0.3% (Mkt: -6.2%; Apr: 13.9%) | (VN) Trade Balance (Jun): \$2940m (Mkt: \$1673m; May: -\$1000m) | (VN) Retail Sales/Industrial Production YoY (Jun): 101.1%/9.1% (May: 9.5%/8.9%) | (VN) GDP YoY (2Q): 6.9% (Mkt: 6.0%; 1Q: 5.7%) | (VN) CPI YoY (Jun): 4.3% (Mkt: 4.4%; Apr: 4.4%) | (CH) Mfg/Non-Mfg PMI (Jun) 49.5/50.5 (Mkt: 49.5/51.0; May: 49.5/51.1)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	160.91	EUR/USD	1.0735
USD/SGD	1.3552	USD/THB	36.74
JPY/SGD	0.8422	USD/MYR	4.717

Forecast

USD/JPY	159.00 - 161.50
EUR/USD	1.0670 - 1.0790
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3510 - 1.3610
JPY/SGD	0.8365 - 0.8560
USD/CNH	7.2800 - 7.3150
USD/INR	83.10 - 83.70
USD/IDR	16300 - 16500
USD/MYR	4.710 - 4.735
USD/PHP	58.50 - 59.10
USD/THB	36.60 - 37.20

Today's Direction

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

RBA Minutes - Prescient?

- From the RBA's policy decision in June, the upcoming release of the Minutes tomorrow will undoubtedly reflect their discussion on **hiking rates and keeping interest rates on hold.**
- At first glance, hawkish leanings even before the latest headline CPI print for May which surprise to the upside to print at 4.0% YoY, surpassing expectations of 3.8%, appear to be rather prescient.
- Certainly, while there is every right to be cautious, it should be notable that **inflation excluding volatile items moderated from 4.1% in April to 4.0% in May.**
- Specifically, much of the increase was due to higher fuel inflation (9.3% YoY) due to low base effects from a year ago. Nonetheless, we note that **underlying inflation may not have moderated sufficiently which delays its return to the RBA's 2-3% target range.** RBA's Kent has also alluded to model estimates of neutral rates around 3.5% along with the usual caveats of considerable uncertainty. While it shows the restrictiveness of current monetary policy, the **sufficiency of restriction will be increasingly debated** in the months ahead.
- We will look **within the upcoming minutes for the RBA's parameters to hike.** Specifically, it may well end up being that it is not a sharp upward inflation shock that tilts the case for hikes but the **resiliency of the domestic labour market conspiring with slow to moderate inflation** that tempts the RBA to **undertake another hike in August.** As for the AUD, hawkish tendencies from the RBA may aid to backstop around 66 cents. That said, rallies above 67 cents remain vulnerable as seen from the inability to sustain the initial post CPI spike.

FX Daily Outlook

- EUR/USD: Air towards 1.08 to thin as UST yields and election uncertainties to restrain climb.
- USD/JPY: Buoyancy above 160 retained on higher UST yields.
- USD/SGD: Slippage below 1.35 to weaken on CNH woes and China manufacturing concerns.
- AUD/USD: AUD rallies towards 67 cents to slow awaiting backing from their retail sales print.

TODAY EVENTS

(KR) Exports/Imports YoY (Jun): 5.1%/-7.5% (Mkt: 4.4%/-4.7%; May: 11.5%/-2.0%) | (JP) Tankan Large Mfg Index (Q2):13 (Mkt: 11; Q1: 11) | (ID) CPI/Core YoY (Jun): (Mkt: 2.7%/1.9%; May: 2.8%/1.9%) | (CH) Caixin PMI Mfg(Jun): (Mkt: 51.1.; May: 51.7) | (US) ISM Manufacturing/Price Paid (Jun): (Mkt: 49.1/55.8; May: 48.7/57.0)

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