

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	161.66	161.44	▼0.02	+1.74
EUR	1.0718	1.0745	+0.0005	+0.0031
AUD	0.6649	0.6667	+0.0007	+0.0020
SGD	1.3584	1.3560	▼0.0016	+0.0014
CNY	7.2714	7.2712	+0.0028	+0.0083
INR	83.52	83.50	+0.06	+0.07
IDR	16396	16395	+73	+20
MYR	4.7211	4.7212	+0.0075	+0.0160
PHP	58.80	58.80	+0.15	+0.03
THB	36.83	36.86	+0.14	+0.21

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.432%	▼3.0 bp	+18.4 bp
JPY (10YR)	1.086%	+2.5 bp	+8.2 bp
EUR* (10YR)	2.603%	▼0.4 bp	+19.2 bp
AUD (5YR)	4.140%	+1.2 bp	+20.5 bp
SGD (5YR)	3.251%	+2.3 bp	+9.7 bp
CNY (5YR)	1.980%	▼2.6 bp	▼3.0 bp
INR (5YR)	7.021%	+0.2 bp	+1.2 bp
IDR (5YR)	6.991%	+2.3 bp	+0.2 bp
MYR (5YR)	3.672%	+0.9 bp	+3.2 bp
PHP (5YR)	6.290%	▼0.5 bp	▼9.7 bp
THB (5YR)	2.477%	+1.9 bp	+4.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,331.85	+0.41%	+0.56%
N225 (JP)	40,074.69	+1.12%	+2.30%
STOXX 50 (EU)	4,906.33	▼0.48%	▼0.60%
ASX (AU)	4,429.66	▼0.49%	▼1.41%
STI (SG)	3,367.90	+0.88%	+1.25%
SHCOMP (CN)	2,997.01	+0.08%	+1.59%
SENSEX (IN)	79,441.45	▼0.04%	+1.78%
JSE (ID)	7,125.14	▼0.20%	+3.52%
KLSE (MY)	1,597.96	▼0.02%	+0.79%
PSE (PH)	6,358.96	▼0.62%	+0.95%
SET (TH)	1,288.58	▼0.83%	▼2.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	292.35	+0.27%	+0.10%
COPPER (LME)	9,527.16	+0.47%	+1.11%
IRON ORE (CN)	110.37	+0.26%	+4.07%
GOLD	2,329.46	▲0.10%	+0.42%
OIL (WTI)	82.81	▼0.68%	+2.45%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	161.51	EUR/USD	1.0748
USD/SGD	1.3561	USD/THB	36.81
JPY/SGD	0.8397	USD/MYR	4.713

Forecast

USD/JPY	160.50 - 162.50
EUR/USD	1.0620 - 1.0820
AUD/USD	0.6600 - 0.6720
USD/SGD	1.3500 - 1.3610
JPY/SGD	0.8308 - 0.8480
USD/CNH	7.2900 - 7.3200
USD/INR	83.10 - 83.70
USD/IDR	16280 - 16470
USD/MYR	4.700 - 4.720
USD/PHP	58.10 - 59.00
USD/THB	36.40 - 37.20

Today's Direction

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

Three Take-Aways:

1. Fed Powell signalled risks were more balanced now; softer labour markets could hasten rate cuts.
2. GBP gained on growth optimism should Labour win; AUD climb restrained on cautious RBA minutes.
3. FOMC minutes may still see lower yields even as dovish calibrations in Dot Plot already dampened.

Balancing Act

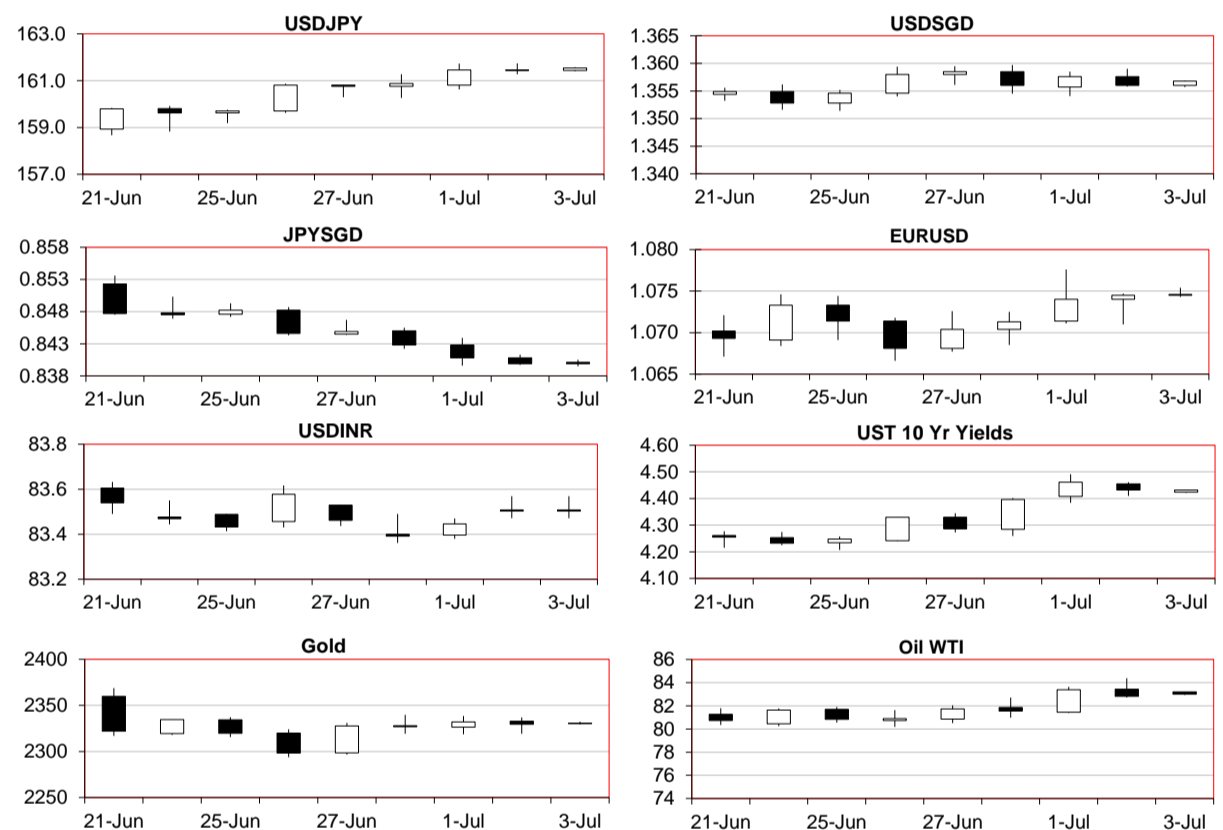
- UST yields fell (2Y: -1.4bps; 10Y: -3.0bps) as FedSpeak signalled that risks were "more balanced" now. While Fed Chair Powell maintained the rhetoric that more progress of dis-inflation was required before cutting, he signalled that unexpected labour weakening could also prompt reaction, noting two-sided risks at this juncture. Specifically, risk that inflation could resurge if cuts come too quickly, but waiting too long risks a softer labour market. Meanwhile, Fed Goolsbee noted that there were some warning signs real economy is weakening and that Fed should only want to stay restrictive as long as it has to. Nonetheless, yields are still higher following the treasuries sell-off sparked by IMF warnings on US debt and presidential debate. US equities moved higher (S&P: +0.6%; Dow: +0.4%; Nasdaq: +0.8%).

- USD mostly weakened against G10 currencies. GBP gained on positive sentiments that a change of government with a Labour win could potentially boost growth, and the spillovers supported the EUR towards near mid-1.07 levels even as ECB Lagarde remarks were tilted to the dovish side. Notably, she remarked that the cooling labour market doesn't look like problem for future inflation, suggesting that the dis-inflation trajectory remains intact.

- AUD buoyancy above mid-66 cents was restrained as the RBA minutes sounded cautious. First, they chose not to give too much weight on upwardly revised consumption to back a rate hold, amid tepid retail sales. Second, the bar to raise rates appears high, and one factor cited to move the needle being more constrained aggregate supply (or tighter labour market if evidenced in an increase in employment gains and decline in unemployment rates). Third, the RBA said that while some central banks view that some spare capacity was necessary to bring back inflation, "this was not the approach... adopted by the board".

OVERNIGHT RESULTS

(KR) CPI/Core YoY (Jun): 2.4%/2.2% (Mkt: 2.6%/2.2%; May: 2.7%/2.2%) | (SG) Purchasing Managers Index (Jun): 50.4 (May: 50.6)
(EZ) CPI/Core YoY (Jun P): 2.5%/2.9% (Mkt: 2.5%/2.8%; May: 5.6%/2.9%) | (EZ) Unemployment Rate (May): (Mkt: 6.4%; Apr: 6.4%)
(US) Past Two Weeks Movement: (Mkt: 46k; Apr: 7919k)



FOMC Minutes: Of Relevance, Revelations

- A perennial issue with whether FOMC Minutes are invariably dated by subsequent data and attendant Fed guidance. And this time is not an exception. Case in point being;

- i) the overnight pullback in UST yields ahead of FOMC Minutes in response to Fed Powell's allusion to "quite a bit of progress" on dis-inflation;
- ii) whilst the unexpected jump in JOLTS job openings (suggesting job market resilience) checking the extent of downside in yields.

- Admittedly then, FOMC Minutes are not expected to be revelatory in the strong sense of that term. Nor were they meant to be. But some of the nuances and details of aggregated decisions are nevertheless revealed in FOMC Minutes. And this lends itself to some degree of relevance for assessing policy calculus, thresholds and triggers. For June, a particular focus will be in unpacking what has been deemed an overly hawkish shift in "Dot Plot" headline that dialed back 2024 rate cuts from three to just one. To be fair, some of this has been hinted at by the Fed Chair at the June FOMC press conference when he said that for some the call between 1 or 2 cuts was close. And OIS markets have accordingly tempered the hawkish 'Dot Plot' impulse (of rate cut reductions), by effectively pricing in two cuts by year-end. So perhaps the scope for a dovish calibration of the 'Dot Plot' has already been dampened. And accordingly, the extent to which the Minutes may be traded. For now, modest post-Minutes shifts in UST yields, with a bias to downside, remains on the table. But that is probably unlikely to dramatically weaken the USD as real US rates remain constructive for the USD. Especially amid political uncertainty that favours being long USD.

FX Daily Outlook

- EUR/USD: Spillovers from GBP on election outlook temper declines towards 1.07.
- USD/JPY: Lower UST yields could support some gains towards 161.
- USD/SGD: Soft CNH restrain rallies towards 1.35 handle.
- AUD/USD: Despite high bar to hike, possibility of a hike backstop any declines towards 66 cents.

TODAY EVENTS

(CH) Caixin China PMI Services (Jun): (Mkt: 53.4; May: 54.0) | (AU) Building Approvals MoM (May): (Mkt: 1.6%; Apr: -0.3%) | (AU) Retail Sales MoM (May): (Mkt: 0.3%; Apr: 0.1%) | (US) ADP Employment Change (Jun): (Mkt: 165k; May: 152k) | (US) Trade Balance (May): (Mkt: -\$76.5b; Apr: -\$74.6b) | (US) Initial Jobless Claims: (Mkt: 235k; prev: 233k) | (US) Durable Goods Orders/Nondef Ex Air (May F): (Mkt: ; prelim: 0.1%/-0.6%) | (US) ISM Services Index/Prices Paid (Jun): (Mkt: 52.6/56.7; May: 53.8/58.1) | (US) Factory Orders (May): (Mkt: 0.2%; Apr: 0.7%) | (EZ) PPI YoY (May): (Mkt: -4.1%; Apr: -5.7%)

Central Bank Policy Decision: FOMC Meeting Minutes

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