

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	161.76	161.69	+0.25	+0.88
EUR	1.0760	1.0786	+0.0041	+0.0105
AUD	0.6682	0.6705	+0.0038	+0.0057
SGD	1.3561	1.3538	▼0.0022	▼0.0042
CNY	7.2735	7.2702	▼0.0010	+0.0036
INR	83.54	83.53	+0.03	▼0.05
IDR	16369	16370	▼25	▼35
MYR	4.7186	4.7195	▼0.0017	+0.0032
PHP	58.75	58.73	▼0.07	▼0.14
THB	36.77	36.76	▼0.09	▼0.06

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.359%	▼7.3 bp	+2.9 bp
JPY (10YR)	1.101%	+1.5 bp	+7.1 bp
EUR* (10YR)	2.585%	▼1.8 bp	+13.3 bp
AUD (5YR)	4.160%	+2.0 bp	+6.4 bp
SGD (5YR)	3.247%	▼0.4 bp	+4.2 bp
CNY (5YR)	1.974%	▼0.6 bp	▼3.2 bp
INR (5YR)	7.003%	▼1.8 bp	▼1.4 bp
IDR (5YR)	6.984%	▼0.7 bp	▼0.9 bp
MYR (5YR)	3.670%	▼0.2 bp	+3.0 bp
PHP (5YR)	6.280%	▼1.0 bp	▼8.9 bp
THB (5YR)	2.481%	+0.4 bp	+2.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,308.00	▼0.06%	+0.46%
N225 (JP)	40,580.76	+1.26%	+2.30%
STOXX 50 (EU)	4,965.80	+1.21%	+1.01%
ASX (AU)	4,463.09	+0.75%	▼0.39%
STI (SG)	3,415.51	+1.41%	+2.52%
SHCOMP (CN)	2,982.38	▼0.49%	+0.33%
SENSEX (IN)	79,986.80	+0.69%	+1.67%
JSE (ID)	7,196.76	+1.01%	+4.22%
KLSE (MY)	1,615.32	+1.09%	+1.53%
PSE (PH)	6,450.03	+1.43%	+2.17%
SET (TH)	1,294.70	+0.47%	▼1.85%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	294.02	+0.57%	+0.94%
COPPER (LME)	9,720.19	+2.03%	+3.41%
IRON ORE (CN)	113.26	+2.62%	+6.22%
GOLD	2,356.20	+1.15%	+2.52%
OIL (WTI)	83.88	+1.29%	+3.68%

Three Take-Aways:

1. FOMC Minutes softened the hawkish 'Dot Plot' shift, but not unexpectedly so.
2. ISM Services plunge suggest more rapid cooling of UD, but equity bulls cling to Goldilocks.
3. Ongoing China woes and Trump 2.0 risks caution against aggressive bearish USD/bullish AXJ bets.

Wait a Minute(s)

- As flagged in yesterday's note, **dovish details embedded in the Minutes, meaningfully tempering the hawkish 'Dot Plot' shift in June**. In particular, the **admitted close call with regards to dialing back 2024 rate cuts to just one** (rather than a more measured trim to two cuts) from three in the March 'Dot Plot'. **But** as we had also flagged, **OIS markets had already baked in a good deal of this dovish augmentation**, pricing for two cuts in 2024 for some time now.

What's more, the Fed is **unwavering in requiring "greater confidence ... (on dis-)inflation" to commence rate cuts**. So, the **dovish accents to Junes hawkish 'Dot Plot' shift in the Minutes proved rather sheer** (as dis-inflation caveats apply) and **stale** (already priced in). Simply put, the Fed continues to **wait on in-coming evidence** as it holds its horses on commencing cuts. **Nothing new in terms of rate cut timing** corresponding to a July hold and a conditionally "live" September.

Bond Bulls At Your (ISM) Service

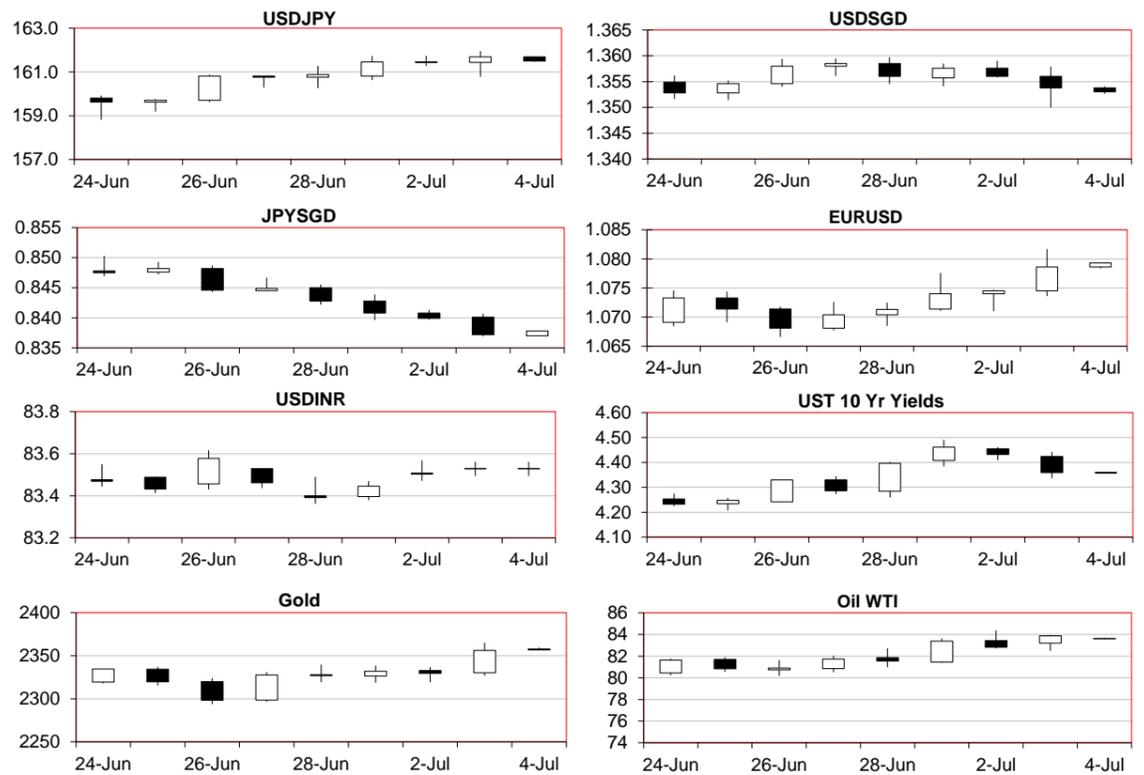
- And this provides critical context for the motivation for bull steepening of the UST yield curve (10Y: -7.3bp to 4.22%; 2Y: -3.5bp to 4.71%). Which is that the **long-end led drop in UST yields was merely undeterred by the Minutes rather than being driven by it**.

- Point being, if the Minutes had indeed delivered a dovish jolt amplifying rate cut bets, the drop in yields ought to have been more pronounced at the front-end (bull flattening) instead. Whereas the long-end led drop conveys a Fed on hold (stickier front-end) **even as US economic conditions cool**; and arguably sharper than expected. Which was on full display in sharp drop in US ISM Services, where a **whopping 5.0-point drop** (to 48.8) corresponds to services activity in contraction. **Risk of the US economy cooling far more rapidly than expected** was underpinned by gloomier order book and employment details of the ISM Services report.

OVERNIGHT RESULTS

(CH) Caixin China PMI Services (Jun): 51.2 (Mkt: 53.4; May: 54.0) | (AU) Building Approvals MoM (May): 5.5% (Mkt: 1.6%; Apr: 1.9%) | (AU) Retail Sales MoM (May): 0.6% (Mkt: 0.3%; Apr: 0.1%) | (US) ADP Employment Change (Jun): 150k (Mkt: 165k; May: 157k) | (US) Trade Balance (May): -\$75.1b (Mkt: -\$76.5b; Apr: -\$74.5b) | (US) Initial Jobless Claims: 238k (Mkt: 235k; prev: 234k) | (US) Durable Goods Orders/Nondef Ex Air (May F): 0.1%/ -0.6% (Mkt: 0.1%/ -0.6%; prelim: 0.1%/ -0.6%) | (US) ISM Services Index/Prices Paid (Jun): 48.8/56.3 (Mkt: 52.7/56.7; May: 53.8/58.1) | (US) Factory Orders (May): 0.5% (Mkt: 0.2%; Apr: 0.4%) | (EZ) PPI YoY (May): -4.2% (Mkt: -4.1%; Apr: -5.7%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	161.62	EUR/USD	1.0791
USD/SGD	1.3533	USD/THB	36.68
JPY/SGD	0.8373	USD/MYR	4.719

Forecast

USD/JPY	160.50 - 162.50
EUR/USD	1.0680 - 1.0880
AUD/USD	0.6630 - 0.6800
USD/SGD	1.3460 - 1.3600
JPY/SGD	0.8283 - 0.8474
USD/CNH	7.2900 - 7.3200
USD/INR	83.40 - 83.90
USD/IDR	16280 - 16470
USD/MYR	4.695 - 4.720
USD/PHP	58.10 - 59.00
USD/THB	36.10 - 37.20

Today's Direction

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

- Specifically, an even sharper 6.8-pt plunge in the New Orders sub-index to 47.3 and further softening (-1.0-pt) in Employment to 46.1.

- Concerns of softening jobs were arguably exacerbated by details of the ADP jobs report conspiring with higher jobless claims. But ISM Services slump, **apart from encouraging bond bulls**, merely served to spur not scare **equity bulls minting fresh S&P500 and Nasdaq records**.

Half-Full Equity Bulls But Half-Baked USD, As Trump 2.0 Compound China Woes

- It appears that a **Goldilocks-type controlled landing narrative** is at work as **equity bulls** are seduced by "half-full" takes. Which is consistent with the Fed relenting on more (than one) rate hikes later this year to help manage a cushioned landing. More so in the context of sufficiently bountiful liquidity (still in the system), aided by dialed back QT. But it remains a **risky proposition to pile into bearish USD bets corresponding with approaching rate cuts amid softening US data**. As was reflected in the USD's sharp post-ISM Services plunge being checked.

- For one, the relative allure of USD counterweights (be it EUR, JPY or GBP) remain constrained on many dimensions. Which in turn limits the depths of USD decline. Crucially for AXJ, the ability to challenge **USD dominance are further compromised by growing prospects of Trump 2.0**. Specifically, the policy uncertainty subject to **whims and vagaries resulting on abrupt shifts to trade/globalization, currencies, and geo-politics**. More so, given the pre-existing, sympathetic drag from unrelenting renminbi pressures.

- As China grapples with both domestic confidence deficit and elevated geo-economic uncertainties, **CNH pressures could persist inconveniently**. In turn, this **challenges simplistic FX market narratives of Fed doves inspiring aggressive USD bears to the benefit of AXJ**.

FX Daily Outlook

- EUR/USD: Could see durability above 1.08 as ECB minutes dial back consecutive cuts.
- USD/JPY: Tests below 161 plausible on lower UST yields.
- USD/SGD: Dips below 1.35 unlikely on light data calendar.
- AUD/USD: Stronger economic data activity could sustain buoyancy above 67 cents.

TODAY EVENTS

(AU) Trade Balance (May): (Mkt: A\$6328m; Apr: A\$6548m)
Central Bank Policy Decision: ECB Account of June Policy Meeting

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