

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	161.31	161.28	▼0.41	+0.52
EUR	1.0793	1.0812	+0.0026	+0.0108
AUD	0.6718	0.6726	+0.0021	+0.0079
SGD	1.3522	1.3519	▼0.0019	▼0.0066
CNY	7.2710	7.2682	▼0.0020	▼0.0006
INR	83.52	83.50	▼0.03	+0.04
IDR	16330	16330	▼40	▼68
MYR	4.7095	4.7090	▼0.0105	▼0.0085
PHP	58.61	58.58	▼0.15	▼0.17
THB	36.62	36.63	▼0.13	▼0.24

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.359%	+0.0 bp	+7.2 bp
JPY (10YR)	1.081%	▼2.0 bp	+0.5 bp
EUR* (10YR)	2.608%	+2.3 bp	+16.0 bp
AUD (5YR)	4.158%	▼0.3 bp	▼0.9 bp
SGD (5YR)	3.217%	▼3.0 bp	▼2.0 bp
CNY (5YR)	1.966%	▼0.8 bp	▼1.5 bp
INR (5YR)	7.000%	▼0.3 bp	▼1.6 bp
IDR (5YR)	6.962%	▼2.2 bp	▼3.1 bp
MYR (5YR)	3.655%	▼1.5 bp	+0.7 bp
PHP (5YR)	6.229%	▼5.1 bp	▼13.4 bp
THB (5YR)	2.471%	▼1.1 bp	▼0.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,308.00	+0.00%	+0.37%
N225 (JP)	40,913.65	+0.82%	+4.00%
STOXX 50 (EU)	4,987.48	+0.44%	+1.73%
ASX (AU)	4,497.97	+0.78%	+0.85%
STI (SG)	3,439.88	+0.71%	+2.89%
SHCOMP (CN)	2,957.57	▼0.83%	+0.40%
SENSEX (IN)	80,049.67	+0.08%	+1.02%
JSE (ID)	7,220.89	+0.34%	+3.63%
KLSE (MY)	1,616.75	+0.09%	+2.01%
PSE (PH)	6,507.49	+0.89%	+1.83%
SET (TH)	1,301.04	+0.49%	▼0.64%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	294.02	+0.00%	+0.93%
COPPER (LME)	9,734.08	+0.14%	+3.86%
IRON ORE (CN)	113.71	+0.40%	+6.78%
GOLD	2,356.69	+0.02%	+1.24%
OIL (WTI)	83.88	+0.00%	+2.62%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	161.37	EUR/USD	1.0810
USD/SGD	1.3517	USD/THB	36.64
JPY/SGD	0.8376	USD/MYR	4.709

Forecast

USD/JPY	159.50 - 162.50
EUR/USD	1.0700 - 1.0890
AUD/USD	0.6640 - 0.6800
USD/SGD	1.3450 - 1.3600
JPY/SGD	0.8277 - 0.8527
USD/CNH	7.2600 - 7.3100
USD/INR	83.30 - 83.70
USD/IDR	16260 - 16430
USD/MYR	4.685 - 4.720
USD/PHP	58.10 - 59.00
USD/THB	35.90 - 36.80

Today's Direction

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

Three Take-Aways:

1. UK elections constructive for GBP asset as relief from political stability and "reboot" buoy.
2. French election relief that National Rally will not gain outright Majority buoys EUR despite economic pain.
3. But persistent China risks denied relief. And US jobs likely to underpin Fed hold for time being.

Relief Rules the Roost

- The hallmarks of a "risk on" market was evident as equities* were broadly higher, USD eased back. But palpable relief, rather than unbridled rejoice, appears to have been the main motivation for this bout of risk-taking. This relief derives as much to political/election risks as it does from economic-policy risks. *While US equity markets were shut for US Independence Day holiday, European stocks were up following gains in ex-China Asia.

UK Elections - Stability Premium:

- The temptation to characterize Labour's crushing victory over the incumbent Conservatives as outright rejoice is understandable. But this misses the key point about relief about bottoms. The celebration may be unqualified. But the conditions are still consistent with relief about a "fresh" start to shrug off economic/income stagnation.

- Crucially, relief about the requisite ruling majority (to avert policy road-blocks), which has been painfully absent for the longest time, to get a fair chance to accomplish that. But relief from less tenuous political sway/policy traction does not absolve Labour of the daunting challenges of raising incomes in the midst of geo-politics and global monetary headwinds. Accordingly GBP is justifiably firm as "political stability premium" is constructive for GBP assets; but far from surging. And Gilt yields, which have been gently nudged higher, although there may be a case for bull steepening further out on pipeline BoE pivot and Labour spend.

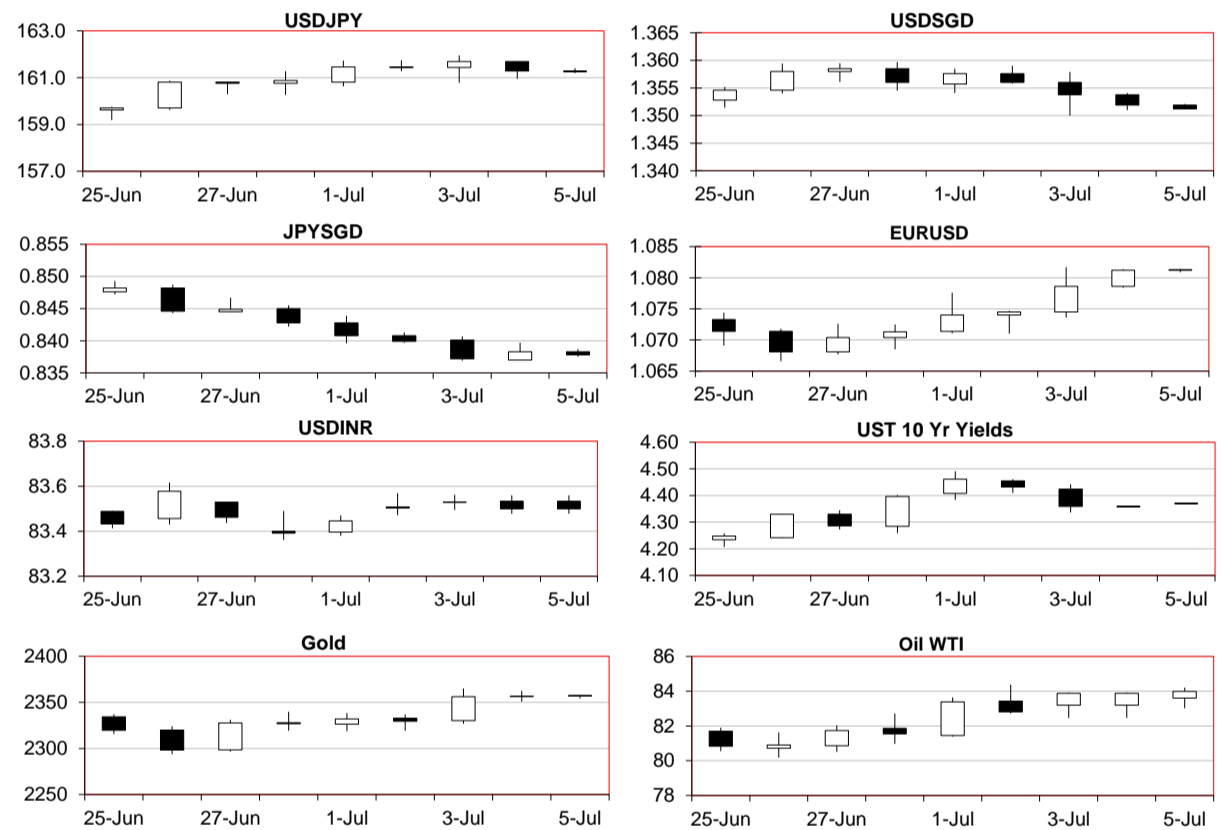
French Elections - Relief:

- European "risk on" is even more unequivocally built on relief, and not outright exuberance. Relief that Le Pen's victory in the first round will not translate into an outright Majority over the weekend's second round elections. Relief also that Le Pen's National Rally party has turned less extreme and more business friendly, mitigating risks from a far larger representation.

- Notably, EUR surge more emphatically past 1.08; surpassing GBP buoyancy (with EUR/GBP still OVERNIGHT RESULTS

(AU) Trade Balance (May): A\$6548m (Mkt: A\$6328m; Apr: A\$6027m)

* Past Two Weeks Movement *



modestly down on the week). And that's arguably, this is clearest sign that relief is the main driver of "risk on", with the higher beta French election relief paying off. Whereas dire German industrial data highlighting economic pain was merely overlooked, not overruled. So, EUR relief gains will be hard to convert into follow-through surge from economic exuberance.

China & CNY Relief:

- The conspicuous absence of "risk on" in Chinese markets is perhaps the definitive proof of conditional relief rather than unconditional "risk on". Losses in Chinese equities (down 0.8-1.6%) have bucked the gains in equity markets elsewhere in Asia. Moreover, the inability of CNH to piggy-back on EUR gains (corresponding to USD losses) is telling of chronic confidence deficit.

- Fact is being, election relief in France and wider political relief for the UK economy do not quell elevated geo-economic risks for China. What's more, persistent, if not growing, evidence of confidence deficit unresolved (as dire jobs and) means that bona fide optimism will elude.

US Jobs: Payroll, Not Pay Dirt

- Relief (on the policy front) may also be the best case for markets watching US jobs. Point being, US non-farm payrolls data are likely to be sufficiently robust; in particular more resilient than ADP. In particular, as the current "birth-death" model of NFP looks inclined to spit out stronger employment gains. As such, this US (non-farm) payroll will not be the data pay dirt for imminent rate cuts. Instead, NFP will merely "roll" with the narrative and Fed Minutes/message of "not yet" on rate cuts.

FX Daily Outlook

- EUR/USD: Doubts over rate cuts could backstop declines around mid-1.07 levels.
- USD/JPY: Dips below 160 possible on weaker-than-expected US jobs data.
- USD/SGD: Firmer CNH and EUR could retain traction below mid-1.35 levels.
- AUD/USD: Buoyancy above mid-65 cents retained as RBA hold looks to be prolonged.

TODAY EVENTS

(KR) BoP Current Account Balance (May): \$8922.5m (Apr: -\$285.2m) | (SG) Retail Sales/Ex Auto YoY (May): (Mkt: 0.2%/-; Apr: -1.2%/-4.5%) | (TH) CPI/Core YoY (Jun): (Mkt: 1.1%/0.4%; May: 1.5%/0.4%) | (PH) CPI YoY 2018=100 (Jun): (Mkt: 3.9%; May: 3.9%) | (TW) PPI YoY (Jun): (May: 2.7%) | (TW) CPI/Core YoY (Jun): (Mkt: 2.3%/1.9%; May: 2.2%/1.8%) | (US) Change in Nonfarm Payrolls (Jun): (Mkt: 190k; May: 272k) | (US) Unemployment Rate (Jun): (Mkt: 4.0%; May: 4.0%) | (US) Average Hourly Earnings MoM (Jun): (Mkt: 0.3%; May: 0.4%) | (EZ) Retail Sales MoM (May): (Mkt: 0.2%; Apr: -0.5%) | (JP) Coincident Index/Leading Index CI (May P): (Mkt: 114.8/111.2; Apr: 115.2/110.9)

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