

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	160.78	160.75	▼0.53	▼0.13
EUR	1.0829	1.0840	+0.0028	+0.0127
AUD	0.6733	0.6749	+0.0023	+0.0079
SGD	1.3497	1.3486	▼0.0033	▼0.0074
CNY	7.2672	7.2683	+0.0001	+0.0010
INR	83.48	83.49	▼0.01	+0.10
IDR	16278	16278	▼52	▼97
MYR	4.7088	4.7087	▼0.0003	▼0.0088
PHP	58.53	58.52	▼0.06	▼0.09
THB	36.57	36.58	▼0.05	▼0.12

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.278%	▼8.0 bp	▼11.8 bp
JPY (10YR)	1.079%	▼0.2 bp	+2.2 bp
EUR* (10YR)	2.556%	▼5.2 bp	+5.6 bp
AUD (5YR)	4.159%	+0.1 bp	+8.6 bp
SGD (5YR)	3.206%	▼1.1 bp	+1.3 bp
CNY (5YR)	1.991%	+2.5 bp	+1.7 bp
INR (5YR)	6.994%	▼0.6 bp	▼3.0 bp
IDR (5YR)	6.948%	▼1.4 bp	▼2.3 bp
MYR (5YR)	3.648%	▼0.7 bp	+0.0 bp
PHP (5YR)	6.227%	▼0.2 bp	▼12.1 bp
THB (5YR)	2.449%	▼2.2 bp	▼1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,375.87	+0.17%	+0.66%
N225 (JP)	40,912.37	▼0.00%	+3.36%
STOXX 50 (EU)	4,979.39	▼0.16%	+1.74%
ASX (AU)	4,486.08	▼0.26%	+0.77%
STI (SG)	3,410.81	▼0.85%	+2.34%
SHCOMP (CN)	2,949.93	▼0.26%	▼0.59%
SENSEX (IN)	79,996.60	▼0.07%	+1.22%
JSE (ID)	7,253.37	+0.45%	+2.69%
KLSE (MY)	1,611.02	▼0.35%	+1.32%
PSE (PH)	6,492.75	▼0.23%	+1.26%
SET (TH)	1,311.99	+0.84%	+0.85%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	293.43	▲0.20%	+1.02%
COPPER (LME)	9,795.24	+0.63%	+3.59%
IRON ORE (CN)	110.99	▲2.39%	+4.21%
GOLD	2,392.16	+1.51%	+2.81%
OIL (WTI)	83.16	▼0.86%	+1.99%

Three Take-Aways:

1. Downward revisions in Nonfarm payrolls sent UST yields plunging and USD weaker.
2. Shock French election results dampened EUR gains amid fiscal worries and political/policy uncertainty.
3. Oil and RBA backstops AUD/AxJ, though outright rallies against USD still rest on the UST yields.

Down, Not Up, Left, Not Right

- Last Friday, it was not the upside surprise in non-farm payrolls of 206k which beat expectations of 190k which drove markets but rather the decline from May's 218k which was already downward revised that sent UST yields plunging (2Y: -10.2bp; 10y: -9.0bp).

- Specifically, priors two months NFP prints were downwardly revised by 111k. Nonetheless, the sight of resilient wages at 0.3% MoM amid a very slight uptick in unemployment rate imply that this report is not entirely a game changer. The possibility of dovish policy leanings excited US equities bulls with the tech heavy Nasdaq gaining 0.9% while the S&P 500 and Dow rose 0.5% and 0.2% respectively.

- Driven by the lower UST yields, the USD weakened against most G10 peers. While the EUR rose to approach near mid-1.08, gains have been dampened by shock French election outcomes.

- While the right wing alliance of Rassemblement National's attempt to form the government was thwarted, the shock result of Left wing Nouveau Front Populaire (NFP) bloc winning the most seats but falling short of an outright majority imply political and policy uncertainty filled with fiscal worries about the promises to revoke pension reforms and hike minimum wages.

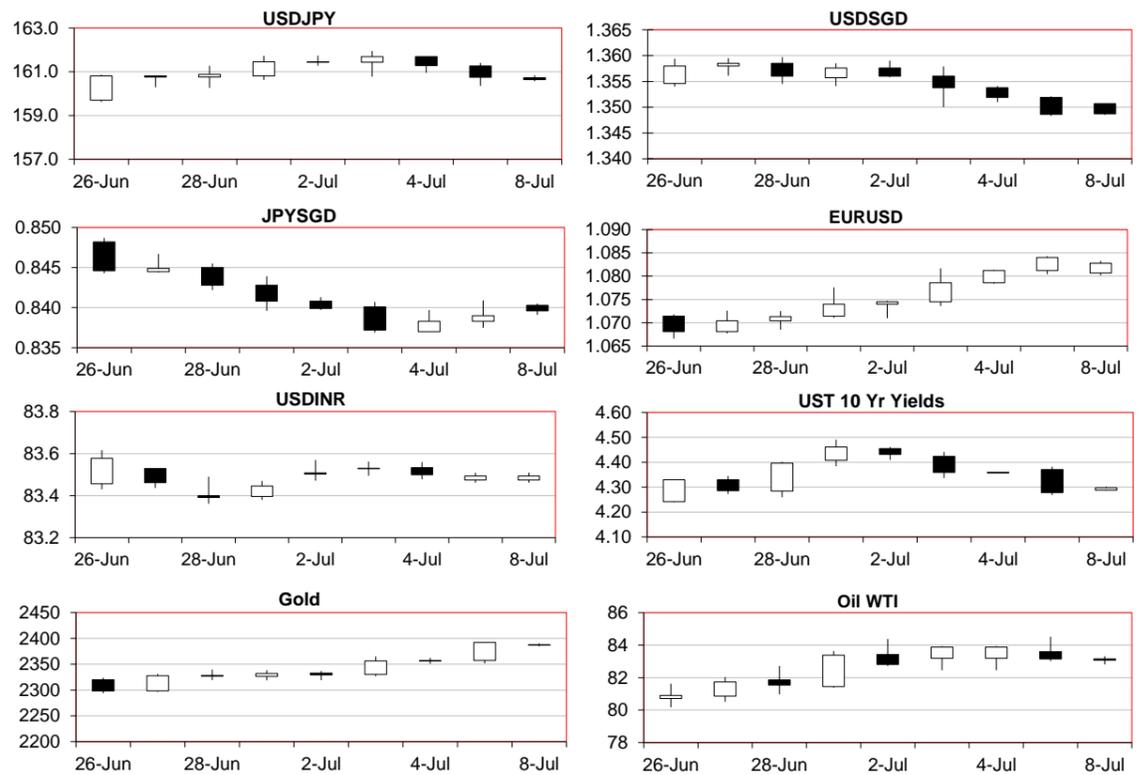
- USD/JPY declined towards mid-160 while the AUD was buoyed towards mid-67 cents. For the former, while this morning's resilience in real cash earnings may tempt JPY bulls, buoyancy above 159 will likely reassert after the impulse from the narrower UST-JGB spreads fade.

- While EM-Asia FX will be starting the week on a positive note on UST yield relief, the sight of Brent crude buoyancy above US\$86/barrel point to restrained gains.

OVERNIGHT RESULTS

(KR) BoP Current Account Balance (May): \$8922.5m (Apr: -\$285.2m) | (SG) Retail Sales/Ex Auto YoY (May): 2.2%/0.0% (Mkt: 0.2%/-; Apr: -1.2%/-4.5%) | (TH) CPI/Core YoY (Jun): 0.6%/0.4% (Mkt: 1.1%/0.4%; May: 1.5%/0.4%) | (PH) CPI YoY 2018=100 (Jun): 3.7% (Mkt: 3.9%; May: 3.9%) | (TW) PPI YoY (Jun): 3.5% (May: 2.8%) | (TW) CPI/Core YoY (Jun): 2.4%/1.8% (Mkt: 2.3%/1.9%; May: 2.2%/1.8%) | (US) Change in Nonfarm Payrolls (Jun): 206k (Mkt: 190k; May: 272k; Revised: 218k) | (US) Unemployment Rate (Jun): 4.1% (Mkt: 4.0%; May: 4.0%) | (US) Average Hourly Earnings MoM (Jun): 0.3% (Mkt: 0.3%; May: 0.4%) | (EZ) Retail Sales MoM (May): 0.3% (Mkt: 0.2%; Apr: -0.5%) | (JP) Coincident Index/Leading Index CI (May P): 116.5/111.1 (Mkt: 115.6/111.0; Apr: 115.2/110.9)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	160.64	EUR/USD	1.0827
USD/SGD	1.3487	USD/THB	36.46
JPY/SGD	0.8396	USD/MYR	4.709

Forecast

USD/JPY	159.50 - 162.50
EUR/USD	1.0730 - 1.0860
AUD/USD	0.6670 - 0.6780
USD/SGD	1.3450 - 1.3600
JPY/SGD	0.8277 - 0.8527
USD/CNH	7.2600 - 7.3000
USD/INR	83.30 - 83.60
USD/IDR	16200 - 16380
USD/MYR	4.685 - 4.715
USD/PHP	58.10 - 58.70
USD/THB	35.90 - 36.70

Today's Direction

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

AUD and the RBA: Between Delays and Hikes

- Following RBA minutes, AUD saw some buoyancy above mid-66 cents, but consequent rise to above 67 cents required an upside surprise from Australia retail sales and lower UST yields.

- Nonetheless, caution should be duly restrained on a hawkish interpretation of RBA minutes as well as the retail sales print. On the latter, the fact that sales/discount campaigns being a key driver continued to point to stretched household budgets. As for the former, the minutes laid out several hypotheses behind upwardly revised consumption estimates (in relation to income growth) which point to either a likely catch-up in consumption ahead or that households were more financially stretched than earlier thought. Given competing views, the RBA chose to hold.

- Second, the bar to raise rates appears high, as 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). The next employment report is due 18 July.

- 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". The preference to preserve employment gains is on clear display, furthermore, their envisaged return to target is in 2026 is already a rather patient path. All in, while we note that the RBA is likely be one of the last to ease and hence AUD bulls may be afforded room to outperform regional peers. Nonetheless, without another CPI outperformance on 31 July, relying solely on speculative RBA hikes to rally against USD may still a stretch.

FX Daily Outlook

- EUR/USD: French election shock to dampen rallies towards 1.09.
- USD/JPY: Buoyancy above 159 retained while rallies to 162 restrained on bet for BoJ hike.
- USD/SGD: China weakness to exert pressure to see consolidation around 1.35.
- AUD/USD: Oil and RBA backstop mid 66 cents though rallies towards 68 cent dampened by CNH woes.

TODAY EVENTS

(JP) BoP Current Account Balance (May): ¥2849.9 (Mkt: ¥2350.2b; Apr: ¥2050.5b) | (JP) Labor/Real Cash Earnings YoY (May): 1.9%/-1.4% (Mkt: 2.1%/-; Apr: 1.6%/-1.2%) | (TH) Consumer Confidence Economic (Jun): (May: 54.3)

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