

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	160.90	160.83	+0.08	▼0.63
EUR	1.0835	1.0824	▼0.0016	+0.0084
AUD	0.6745	0.6737	▼0.0012	+0.0077
SGD	1.3489	1.3500	+0.0014	▼0.0076
CNY	7.2698	7.2681	▼0.0002	▼0.0003
INR	83.47	83.50	+0.01	+0.06
IDR	16256	16255	▼23	▼67
MYR	4.7088	4.7087	+0.0000	▼0.0050
PHP	58.50	58.53	+0.01	▼0.12
THB	36.44	36.46	▼0.12	▼0.25

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.278%	▼0.0 bp	▼18.3 bp
JPY (10YR)	1.095%	+1.6 bp	+3.4 bp
EUR* (10YR)	2.540%	▼1.6 bp	▼6.7 bp
AUD (5YR)	4.119%	▼4.0 bp	▼1.0 bp
SGD (5YR)	3.190%	▼1.6 bp	▼3.8 bp
CNY (5YR)	2.021%	+3.0 bp	+1.5 bp
INR (5YR)	6.991%	▼0.3 bp	▼2.8 bp
IDR (5YR)	6.910%	▼3.8 bp	▼5.8 bp
MYR (5YR)	3.648%	+0.0 bp	▼1.5 bp
PHP (5YR)	6.180%	▼4.7 bp	▼11.5 bp
THB (5YR)	2.419%	▼3.0 bp	▼3.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,344.79	▼0.08%	+0.45%
N225 (JP)	40,780.70	▼0.32%	+2.90%
STOXX 50 (EU)	4,969.83	▼0.19%	+0.81%
ASX (AU)	4,481.83	▼0.09%	+0.68%
STI (SG)	3,404.47	▼0.19%	+1.97%
SHCOMP (CN)	2,922.45	▼0.93%	▼2.41%
SENSEX (IN)	79,960.38	▼0.05%	+0.61%
JSE (ID)	7,250.98	▼0.03%	+1.56%
KLSE (MY)	1,611.02	+0.00%	+0.80%
PSE (PH)	6,529.43	+0.56%	+2.04%
SET (TH)	1,322.50	+0.80%	+1.78%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.91	▲0.86%	▲0.23%
COPPER (LME)	9,760.01	▲0.36%	+2.92%
IRON ORE (CN)	109.24	▲1.58%	▲0.76%
GOLD	2,359.13	▲1.38%	+1.17%
OIL (WTI)	82.33	▼1.00%	▼1.26%

Three Take-Aways:

1. EUR mood, while cautious (equities slipping) are backstopped by prospects of less disruptive coalition.
2. Ahead of earnings, Powell's testimony and US CPI, caution creep is evident amid policy and political shifts.
3. Powell conditioning cuts on confidence about dis-inflation, dampens UST bull steepening and USD downside.

The French Gambit: From Coup to Coalition

- Averting an impending populist swing to Le Pen's Far Right, Left swing was nothing short of an election coup. One that has resulted in collective and palpable relief, to the benefit of EUR assets. But this relief boost for EUR assets is limited as a surprise pivot to the Far Left is not quite a panacea. Nonetheless, the absence of a conspicuous and compelling majority for any Party provides a narrow path to a more centrist coalition. And that could further sweeten the French election relief and lend political capital to Macron's gambit.

- Such an "ideal" outcome could provide further, but modest, boost for EUR assets. In which case, a short leash for EUR to test 1.09-1.10 emerges. Whereas it neither eradicates the risks of fragile alliances nor does it absolve France of fiscal/debt woes.

- The former (fragile alliances) will quickly impose risk premium that sinks EUR.

- Meanwhile, kicking the tyres on fiscal regression and compromised debt sustainability threatens to re-widen OAT-Bund spreads (past 75-80bp), with steeper French yield curve likely.

Caution Creep

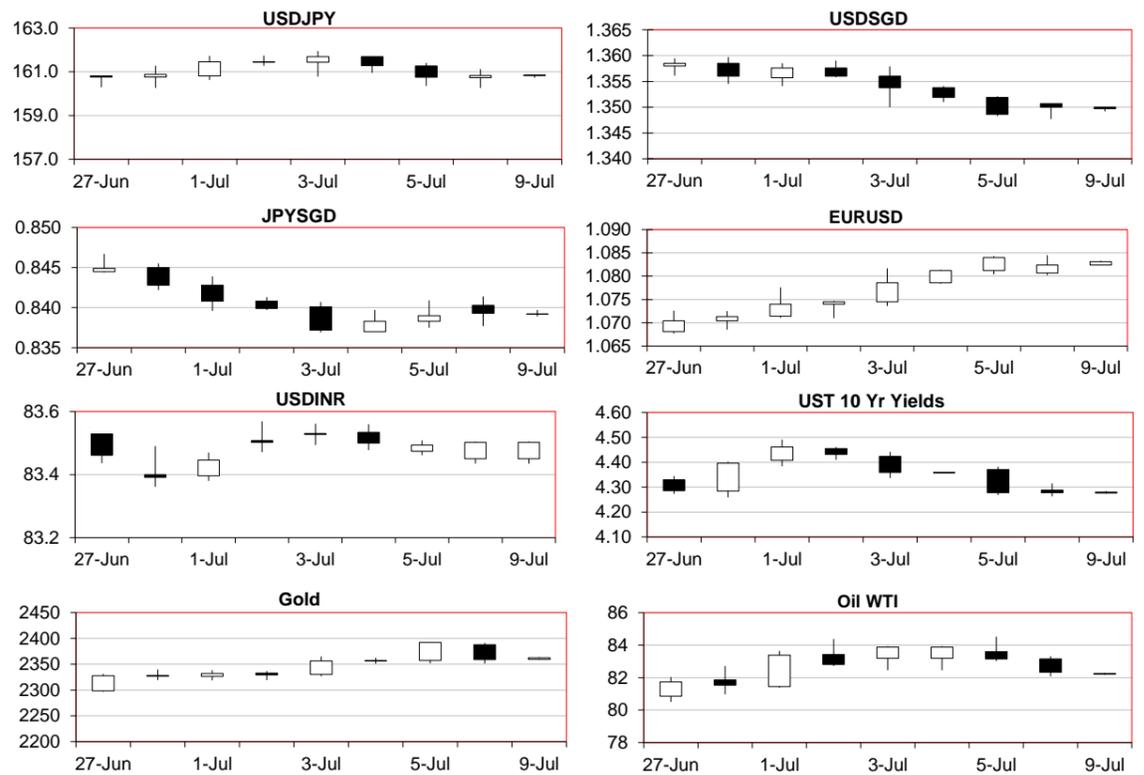
- Despite the record finish in the S&P500 and French election coup providing relief, sentiments remain cautious, if not fragile. For one, the S&P500 was a mere tenth of a percent higher, and the record being a product of pre-existing rich valuations. Whereas European equities have slipped, but not slumped. EuroStoxx down 0.2% with French equities shedding 0.6% is caution, not panic.

- But caution could creep in more emphatically into the week as markets reassess risk sentiments amid shifting policy and political sands. US equity bulls have every reason to await cues from in-coming earnings, Powell's testimony, and US CPI rather than jump the gun.

OVERNIGHT RESULTS

(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%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	160.86	EUR/USD	1.0831
USD/SGD	1.3495	USD/THB	36.40
JPY/SGD	0.8389	USD/MYR	4.708

Forecast

USD/JPY	159.60 - 161.80
EUR/USD	1.0770 - 1.0880
AUD/USD	0.6685 - 0.6780
USD/SGD	1.3460 - 1.3530
JPY/SGD	0.8319 - 0.8477
USD/CNH	7.2760 - 7.2990
USD/INR	83.30 - 83.60
USD/IDR	16200 - 16350
USD/MYR	4.700 - 4.723
USD/PHP	58.30 - 58.70
USD/THB	36.30 - 36.65

Today's Direction

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

- Meanwhile, across the Atlantic, French coalition developments and UK policy reveal could set the tone (and direction) of risk (appetite). Especially as the ECB is likely to pause through summer while the BoE has members likely to resist an imminent cut.

- In China too, caution will prevail as optimism hinges on further and "bigger bang" stimulus.

Especially in the context of unrelenting property gloom imposing economic headwinds, as chronic confidence deficit subdues growth multipliers. A challenging situation made worse by currency and bond market pressure that inflict sharp policy stimulus trade-offs. In turn, any resulting pressures on CNY and its relative under-performance could impede AXJ.

Powell Play: A Matter of Confidence

- Ahead of Thursday's US CPI, Fed Chair Powell will testify to the Senate Banking Committee today and the House Financial Services Committee tomorrow. Question is, whether Powell will have any sway on markets given how much has been priced into UST yields.

- In particular, the cumulative bull steepening over the last 4 weeks (yields down 20-25bp amid mildly steeper curve) in response to softer spots of US data despite "sticky" inflation.

- But despite US exceptionalism tempered and progress on dis-inflation, Powell looks set to condition cuts on more confidence about sustained disinflation. In which case, the impetus to extend UST bull steepening may be dampened, while the Greenback will likely be backstopped. Consequently, pronounced gains in AUD, IDR and THB since end-June could begin to stall, possibly fade.

FX Daily Outlook

- EUR/USD: Less disruptive coalition to backstop excessive slippage below 1.08..

- USD/JPY: Troubled oil prices to become marginal play ahead of Fed Powell to aid buoyancy.

- USD/SGD: Bond pressures limit CNH gains and SGD gains to buoy above mid-1.34.

- AUD/USD: Cautious ventures towards 68 cents ahead of Powell.

TODAY EVENTS

(AU) Business Confidence/Conditions (Jun): (May: -3/6) | (PH) Unemployment Rate (May): (Apr: 4.0%) | (TW) Exports/Imports YoY (Jun): (Mkt: 14.7%/15.0%; May: 3.5%/0.6%) | (JP) Machine Tool Orders YoY (Jun P): (May: 4.2%)

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