

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	160.92	161.33	+0.50	▼0.11
EUR	1.0818	1.0813	▼0.0011	+0.0068
AUD	0.6743	0.6741	+0.0004	+0.0074
SGD	1.3500	1.3509	+0.0009	▼0.0051
CNY	7.2718	7.2726	+0.0045	+0.0014
INR	83.50	83.49	▼0.01	▼0.01
IDR	16253	16250	▼5	▼145
MYR	4.7100	4.7070	▼0.0017	▼0.0142
PHP	58.45	58.44	▼0.09	▼0.36
THB	36.41	36.40	▼0.07	▼0.46

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.296%	+1.8 bp	▼13.6 bp
JPY (10YR)	1.092%	▼0.3 bp	+0.6 bp
EUR* (10YR)	2.580%	+4.0 bp	▼2.3 bp
AUD (5YR)	4.108%	▼1.1 bp	▼3.2 bp
SGD (5YR)	3.199%	+0.9 bp	▼5.2 bp
CNY (5YR)	1.996%	▼2.5 bp	+1.6 bp
INR (5YR)	6.986%	▼0.5 bp	▼3.5 bp
IDR (5YR)	6.933%	+2.3 bp	▼5.8 bp
MYR (5YR)	3.638%	▼1.0 bp	▼3.4 bp
PHP (5YR)	6.157%	▼2.3 bp	▼13.3 bp
THB (5YR)	2.415%	▼0.4 bp	▼6.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,291.97	▼0.13%	▼0.10%
N225 (JP)	41,580.17	+1.96%	+3.76%
STOXX 50 (EU)	4,903.62	▼1.33%	▼0.06%
ASX (AU)	4,452.61	▼0.65%	+0.52%
STI (SG)	3,426.09	+0.64%	+1.73%
SHCOMP (CN)	2,959.37	+1.26%	▼1.26%
SENSEX (IN)	80,351.64	+0.49%	+1.15%
JSE (ID)	7,269.80	+0.26%	+2.03%
KLSE (MY)	1,614.42	+0.21%	+1.03%
PSE (PH)	6,556.66	+0.42%	+3.11%
SET (TH)	1,319.92	▼0.20%	+2.43%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.98	▲0.32%	▲0.81%
COPPER (LME)	9,711.02	▲0.50%	+1.93%
IRON ORE (CN)	110.05	+0.74%	▲0.29%
GOLD	2,364.09	+0.21%	+1.49%
OIL (WTI)	81.41	▼1.12%	▼1.69%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	161.33	EUR/USD	1.0814
USD/SGD	1.3507	USD/THB	36.42
JPY/SGD	0.8372	USD/MYR	4.706

Forecast

USD/JPY	159.60 - 161.80
EUR/USD	1.0770 - 1.0850
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	1
USD/JPY	2	2

Three Take-Aways:

- 2Y UST yield stayed flat on Powell's cautious stocktake and guidance while 10Y yields edged higher.
- EUR slipped as French fiscal concerns persist amid continued OAT selloff.
- BoK to stand pat amid likely hints at conditional possibilities of pivots with pushback on consecutive cuts.

Stocktake and Forecast

- Fed Chair Powell's testimony to the Congress was **expectedly unable to have much sway on markets given how much was already priced into UST yields**. The muted reaction was reflected by the policy sensitive 2Y UST yields staying flat while 10Y UST yields edged up 2bps. Similarly, US equities closed mixed with the Nasdaq and S&P 500 just 0.1% higher while Dow slipped 0.1%.

- While he hailed considerable progress towards their inflation goal **over the past two years**, he offered a more tempered assessment of **recent inflation readings as some modest further progress**. Moreover, he offered little guidance as he reiterated **meeting by meeting decision making and his warnings of a cooling labour market** were already well accounted by markets.

- Notably, **his assessment of a not overheated labour market** perhaps point to the available room to normalise especially under a standard Taylor Rule construct.

- Unsurprisingly, USD held ground. **Post election assessment continued in Europe with EUR slipped towards 1.08 as fiscal concerns in France took hold** with OATs selling off to send to 2Y yields up 5bps. USD/JPY buoyed back above 161 while the AUD trade sideways below mid-67 cents.

- In EM-Asia, USD/SGD rose higher above 1.35. While the THB has outperformed this week, further gains may not be as forthcoming as we keep a close watch on reported **announcement of all details regarding their digital wallet plan on 24 July**. Elsewhere, reports of India considering easing of their rice exports restrictions may alleviate global rice prices though the impact on ASEAN remain an indirect one given that most exports flow to African and Middle East countries.

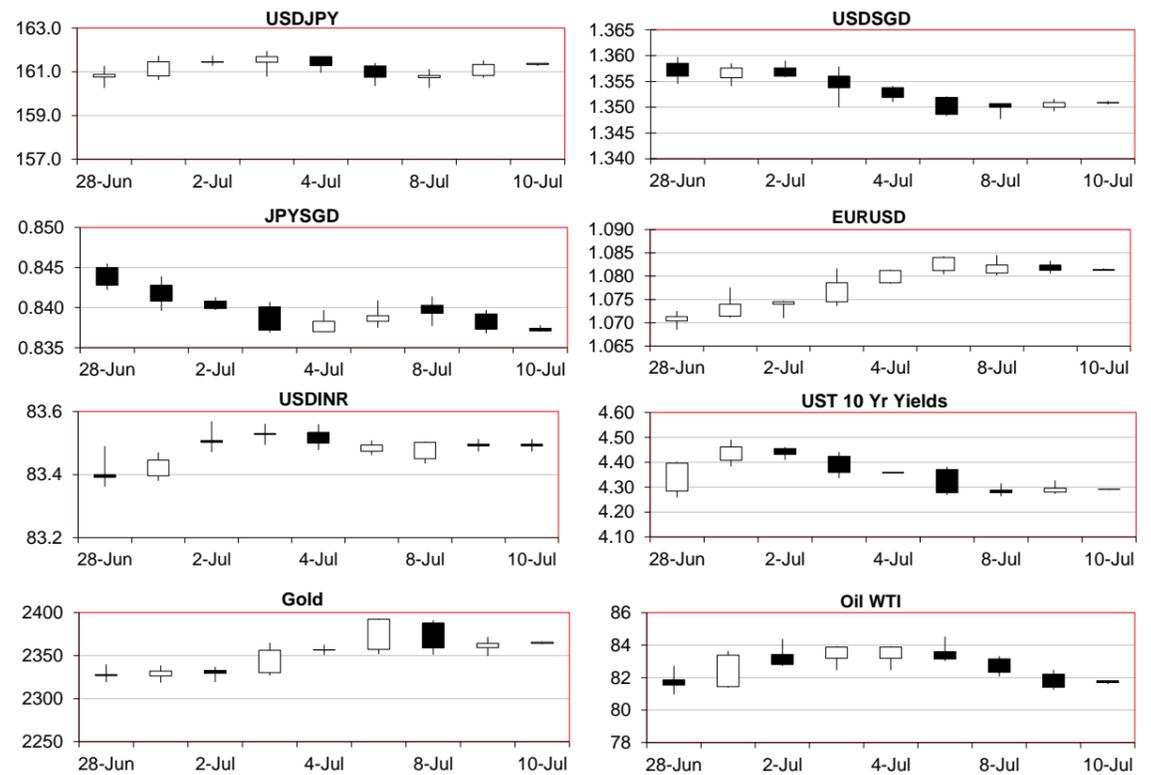
BoK: Slow Action, Fast Efficacy

- While the BoK is likely to keep rates unchanged tomorrow, they may begin to plot out **conditional trajectories for pivot or at the very least signal possibility of starting discussions of cuts in August**.

OVERNIGHT RESULTS

(AU) Business Confidence/Conditions (Jun): (May: -3/6) | (TW) Exports/Imports YoY (Jun): 23.5%/33.9% (Mkt: 14.7%/15.0%; May: 3.5%/0.6%) | (JP) Machine Tool Orders YoY (Jun P): 9.7% (May: 4.2%)

* Past Two Weeks Movement *



- After all, **headline inflation has declined to 2.4% in June from 2.7% in May**. Our tracking of the CPI basket also showed continued broadening of dis-inflation with close to half of the items returning to their pre-Covid inflation rates. Encouragingly, food prices continued to decline as prices of fruits and vegetables dropped on raised import volumes amid eased restrictions.

- **Underlying price momentum appear to have slowed with core CPI relatively flat** as core inflation stayed at 2.2% YoY.

- With upside growth risks being externally driven, the inflation passthrough is expected to remain relatively muted. As such, the BoK is likely to highlight that dis-inflation remains on track.

- Nonetheless, for policy, Bok Governor Rhee is likely to stick to his allusion to "Festina Leste", a Latin phrase which imply **"make haste slowly"**. This seemingly paradoxical principle by Augustus Caesar served to build up his army by slow regular training to get things right so that the enemy is conquered fast. In that sense, Governor Rhee has to wait for a range of factors to be right apart from inflation. Specifically, the KRW's **current weakness may be further worsened by premature cuts**. While the BoK is certainly charting their own policy path, **risk of depreciating KRW from front running the Fed and ensuing imported inflationary pressures will not be ignored**.

- Pre-mature cuts also risk re-igniting the housing market which Rhee had signalled as a factor yesterday and dials back progress of slowing the pace of mortgage debt growth. All in, the BoK may attempt to **signal the possibility of a rate cut while pushing back against speculation of hasty back to back cuts** in order to provide policy restriction to ensure inflation's defeat.

FX Daily Outlook

- EUR/USD: Bulls look to fade as French fiscal woes are unrelenting which may aid slippages below 1.08.
- USD/JPY: Buoyancy retained ahead of US CPI though opportunistic JPY bulls to step in close to 162.
- USD/SGD: China CPI woes to feature and assist consolidation around 1.35.
- AUD/USD: Sideways trading to continue as oil and RBA backstops.

TODAY EVENTS

(KR) Unemployment Rate SA (Jun): 2.8% (Mkt: 2.8%; May: 2.8%) | (JP) PPI YoY (Jun): 2.9% (Mkt: 2.9%; May: 2.4%)
(CH) CP/PPI YoY (Jun): (Mkt: 0.4%/-0.8%; May: 0.3%/-1.4%)
(PH) Exports/Imports YoY (May): (Mkt: -1.0%/1.5%; Apr: 26.4%/12.6%)
(US) Wholesale Inventories MoM (May F): (Prelim 0.6%) |

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