

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	161.47	161.69	+0.36	+0.00
EUR	1.0817	1.0830	+0.0017	+0.0044
AUD	0.6740	0.6747	+0.0006	+0.0042
SGD	1.3497	1.3489	▼0.0020	▼0.0049
CNY	7.2759	7.2760	+0.0034	+0.0058
INR	83.49	83.53	+0.04	+0.00
IDR	16245	16240	▼10	▼130
MYR	4.7058	4.6997	▼0.0073	▼0.0198
PHP	58.35	58.34	▼0.10	▼0.39
THB	36.38	36.40	+0.00	▼0.36

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.284%	▼1.2 bp	▼7.5 bp
JPY (10YR)	1.085%	▼0.7 bp	▼1.6 bp
EUR* (10YR)	2.533%	▼4.7 bp	▼5.2 bp
AUD (5YR)	4.084%	▼2.4 bp	▼7.6 bp
SGD (5YR)	3.192%	▼0.7 bp	▼5.5 bp
CNY (5YR)	2.007%	+1.1 bp	+3.3 bp
INR (5YR)	6.974%	▼1.2 bp	▼2.9 bp
IDR (5YR)	6.918%	▼1.5 bp	▼6.6 bp
MYR (5YR)	3.636%	▼0.2 bp	▼3.4 bp
PHP (5YR)	6.101%	▼5.6 bp	▼17.9 bp
THB (5YR)	2.389%	▼2.7 bp	▼9.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,721.36	+1.09%	+1.05%
N225 (JP)	41,831.99	+0.61%	+3.08%
STOXX 50 (EU)	4,958.86	+1.13%	▼0.14%
ASX (AU)	4,486.21	+0.75%	+0.52%
STI (SG)	3,459.93	+0.99%	+1.30%
SHCOMP (CN)	2,939.36	▼0.68%	▼1.44%
SENSEX (IN)	79,924.77	▼0.53%	▼0.08%
JSE (ID)	7,287.04	+0.24%	+1.25%
KLSE (MY)	1,618.38	+0.25%	+0.19%
PSE (PH)	6,489.35	▼1.03%	+0.61%
SET (TH)	1,323.28	+0.25%	+2.21%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.71	▲0.09%	▲1.47%
COPPER (LME)	9,743.59	+0.34%	+0.24%
IRON ORE (CN)	107.28	▲2.52%	▲5.28%
GOLD	2,371.26	+0.30%	+0.64%
OIL (WTI)	82.10	+0.85%	▼2.12%

Three Take-Aways:

1. Powell's some, but not (yet) sufficient confidence on inflation saw modest declines in UST yields.
2. GBP buoyed as BoE rate cut remains an "open question"; NZD slid on less-hawkish RBNZ hold.
3. BNM to hold amid improved growth outlook and managed inflation.

The Powell Pause

- Fed Chair Jerome Powell, in his testimony to the Congress, pretty much stuck to the script that amounted to a "soon, but not yet" on rate cut guidance. Specifically, on disinflation his qualified but mostly encouraging assessment was "more good data (on disinflation)" was required to strengthen confidence to cut. He however categorically killed what little speculation or left-field punts there might have been on a July cut, concluding that "job (was) not done on inflation."

- The upshot being that, all considered, he had some confidence, but not (yet) sufficiently confident of inflation risks effectively tackled. This has resulted in incremental UST yield declines being modest (2Y: -0.6bps; 10Y: -1.2bps) and conspicuously lacking impetus for further steepening. US equities rallied (S&P: +1.0%; Dow: +1.1bps; Nasdaq: +1.2bps).

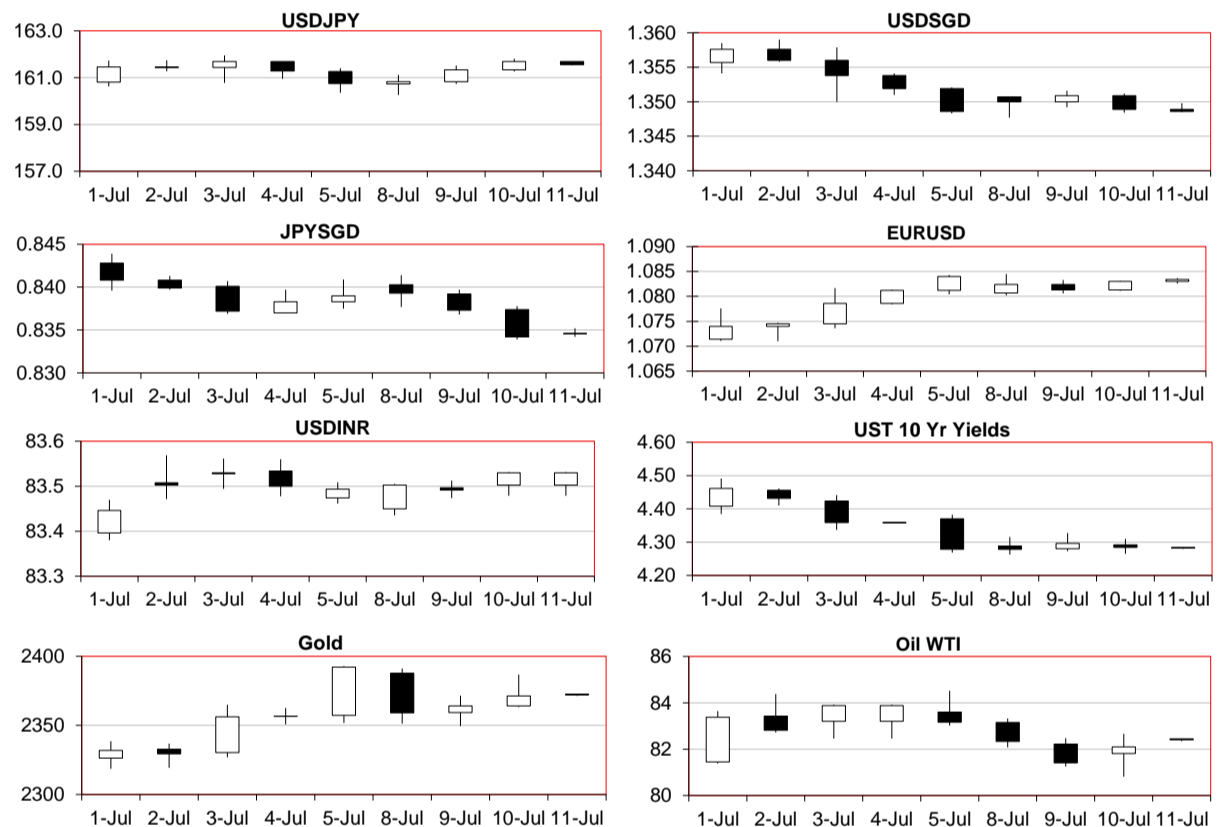
Deviations

- Meanwhile, some deviations to the script (or data trajectory) in other jurisdictions drove markets' action. BoE Pills commented that the timing of an interest rate cut was still an "open question", after the "finely balanced" hold at the last meeting by some members led a pile up in rate cuts bets. BoE Mann also chimed in, noting that Middle East remains a risk even as goods prices were soft, and a sustained slower service inflation was needed. The comments led the GBP higher, spilling over to buoy the EUR above 1.08 levels. In contrast, NOK led losses against the USD among G10 peers as inflation cooled more than expected, which could cast complications to Norges Bank's rhetoric of holding rates for the rest of the year. A less-hawkish hold by RBNZ saw the NZD slid alongside a decline NZ yields. While reiterating that policy needs to remain restrictive, it added that the extent of restraint will be "tempered" as inflation slows. This was a contrast to the May meeting where policymakers discussed the case to increase rates further.

OVERNIGHT RESULTS

(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) CPI/PPI YoY (Jun): 0.2%/-0.8% (Mkt: 0.4%/-0.8%; May: 0.3%/-1.4%) | (PH) Exports/Imports YoY (May):-3.1%/-0.0% (Mkt: -0.8%/1.5%; Apr: 27.9%/13.0%)|(US) Wholesale Inventories MoM (May F): 0.6% (Mkt: 0.6%; Prelim 0.6%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	161.61	EUR/USD	1.0833
USD/SGD	1.3487	USD/THB	36.33
JPY/SGD	0.8345	USD/MYR	4.700

Forecast

USD/JPY	160.00 - 162.00
EUR/USD	1.0780 - 1.0900
AUD/USD	0.6700 - 0.6800
USD/SGD	1.3410 - 1.3520
JPY/SGD	0.8278 - 0.8450
USD/CNH	7.2800 - 7.2980
USD/INR	83.20 - 83.60
USD/IDR	16140 - 16350
USD/MYR	4.693 - 4.710
USD/PHP	57.80 - 58.60
USD/THB	34.80 - 36.50

Today's Direction

	Bull	Bear
USD/SGD	0	5
USD/JPY	0	5

BNM: Steady

- BNM looks steady to proceed with a rate hold at the upcoming meeting (11 Jul).
 - Improvement in growth is expected to continue after the Q1 growth outrun (4.3% yoY). The manufacturing industrial production index advanced further by 4.9% in April (Mar: 1.3%) on accelerating growth for both export-/domestic-oriented clusters. Meanwhile, resilient growth in loans for personal uses as well as continued withdrawals by Employees' Provident Fund members would support household spending. Finally, investment activity would be supported by the ongoing progress of multi-year projects in both private and public sectors.
 - Meanwhile, inflationary pressures is expected to be managed even with the rollout of diesel (and likely forthcoming fuel) subsidy reductions, given that fuels & lubricating equipment only account for 5.9% of the CPI basket. Headline inflation rose to 2.0% in May (Apr: 1.8%), driven mainly by selected necessities, notably fresh food and utilities (on an increase in water tariffs).
 - With positive growth momentum and managed inflation, it should be a clear-cut hold by BNM given the central bank's emphasis of inflation and growth prospects with current stance characterised as "supportive" of the economy. FX concerns have also taken a backseat as the MYR has gained about 1.0% against the US since the last meeting, outperforming most Asian peers except the AUD. Anyhow, BNM Deputy Chief had also already explicitly remarked that the central bank will not use interest rates to prop up the MYR. On FX, we think that MYR could continue outperforming amid improved macrofundamentals, constructive steps taken towards fiscal consolidation and continued efforts by government and BNM to attract inflows.

FX Daily Outlook

- EUR/USD: Spillovers from GBP backstop declines at 1.08.
- USD/JPY: Continued uncertainty over BoJ's bond reduction plan temper moves towards 160.
- USD/SGD: Traction below 1.35 could be sustained should US CPI prints soft.
- AUD/USD: Buoyed above 67 cents on RBA's relatively hawkish positioning.

TODAY EVENTS

(JP) Core Machine Orders MoM (May): -3.2% (Mkt: 0.8%; Apr: -2.9%) | (US) Initial Jobless Claims: (Mkt: 235k; prev: 238k) | (US) CPI/Ex Food and Energy YoY (Jun): (Mkt: 3.1%/3.4%; May: 3.3%/3.4%) | (US) Real Avg Weekly Earnings YoY (Jun): (May: 0.5%)

Central Bank Policy Decisions: BoK Base Rate; BNM Overnight Policy Rate

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