

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	161.64	158.84	▼2.85	▼2.44
EUR	1.0839	1.0868	+0.0038	+0.0056
AUD	0.6757	0.6759	+0.0012	+0.0033
SGD	1.3480	1.3428	▼0.0061	▼0.0091
CNY	7.2711	7.2579	▼0.0181	▼0.0103
INR	83.57	83.57	+0.04	+0.07
IDR	16197	16195	▼45	▼135
MYR	4.6906	4.6875	▼0.0122	▼0.0215
PHP	58.30	58.31	▼0.03	▼0.27
THB	36.26	36.27	▼0.13	▼0.36

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.210%	▼7.4 bp	▼14.9 bp
JPY (10YR)	1.090%	+0.5 bp	+0.9 bp
EUR* (10YR)	2.463%	▼7.0 bp	▼14.5 bp
AUD (5YR)	4.113%	+2.9 bp	▼4.5 bp
SGD (5YR)	3.190%	▼0.2 bp	▼2.7 bp
CNY (5YR)	1.995%	▼1.2 bp	+2.9 bp
INR (5YR)	6.985%	+1.1 bp	▼1.5 bp
IDR (5YR)	6.894%	▼2.4 bp	▼6.8 bp
MYR (5YR)	3.636%	+0.0 bp	▼1.9 bp
PHP (5YR)	6.125%	+2.4 bp	▼10.4 bp
THB (5YR)	2.384%	▼0.5 bp	▼8.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,753.75	+0.08%	+1.13%
N225 (JP)	42,224.02	+0.94%	+3.20%
STOXX 50 (EU)	4,976.13	+0.35%	▼0.23%
ASX (AU)	4,508.55	+0.50%	+0.24%
STI (SG)	3,475.06	+0.44%	+1.02%
SHCOMP (CN)	2,970.39	+1.06%	+0.43%
SENSEX (IN)	79,897.34	▼0.03%	▼0.19%
JSE (ID)	7,300.41	+0.18%	+1.10%
KLSE (MY)	1,623.12	+0.29%	+0.39%
PSE (PH)	6,609.24	+1.85%	+1.56%
SET (TH)	1,329.37	+0.46%	+2.18%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	290.41	+0.24%	▲1.23%
COPPER (LME)	9,627.95	▲1.19%	▲1.09%
IRON ORE (CN)	108.91	+1.52%	▲4.22%
GOLD	2,415.48	+1.86%	+2.49%
OIL (WTI)	82.62	+0.63%	▼1.50%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	158.31	EUR/USD	1.0874
USD/SGD	1.3423	USD/THB	36.07
JPY/SGD	0.8479	USD/MYR	4.673

Forecast

USD/JPY	156.00 - 161.00
EUR/USD	1.0820 - 1.0940
AUD/USD	0.6740 - 0.6850
USD/SGD	1.3390 - 1.3490
JPY/SGD	0.8317 - 0.8647
USD/CNH	7.2200 - 7.2900
USD/INR	83.40 - 83.80
USD/IDR	16050 - 16300
USD/MYR	4.640 - 4.690
USD/PHP	57.70 - 58.50
USD/THB	34.80 - 36.50

Today's Direction

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

Three Take-Aways:

1. US CPI cooling faster than expected right through "super core" reinforces rate cut bets starting Sep.
2. Three cuts by Jan'25 are now priced. But despite distinct UST bull steepening USD slippage measured.
3. Stunning post-CPI JPY rebound may be flattered by intervention. Two-way JPY risks intact for now.

CPI Gift for Pivot Bets

- The **unexpected sequential (MoM) drop in headline US CPI (-0.1%)** and moderation in core (+0.1%) was the **gift for pivot bets**. The proof of that pudding was in the **distinct UST yield curve bull steepening (2Y: -10.8bp to 4.51%; 10Y: -7.4bp to 4.21%)**. To be sure, **Fed comments** post-CPI align with greater confidence, but a **tad shy of guaranteed cuts**. Fed Goolsbee tempering remarks of encouraging dis-inflation with the qualifier that this is what a path to 2% ought to look like.

- **Regardless** (and justifiably), **markets were not inclined to be coy**. Accordingly, a **Sep rate cut considered a done deal** and three cuts priced by Jan 2025. Fact is, inflation is cooling through to the "super core". And encouragingly, anticipated cooling in rentals is coming through (even if belatedly). But be that as it may, markets may need to be cautious about Fed restraint and attendant volatility that entails from Fed speak triggers. Notably, Fed Chair Powell has (at the June press conference) warned about upside bumpiness in Q3 inflation. So **non-linearity of inflation cues is par for the course**. In that context, relatively restrained USD pullback (-0.3-0.4% drop) despite emphatic UST bull steepener is sensible. **JPY's outsized (near-2%) jump** (vs. 0.4% EUR and CHF gains) appears to have been flattered by intervention.

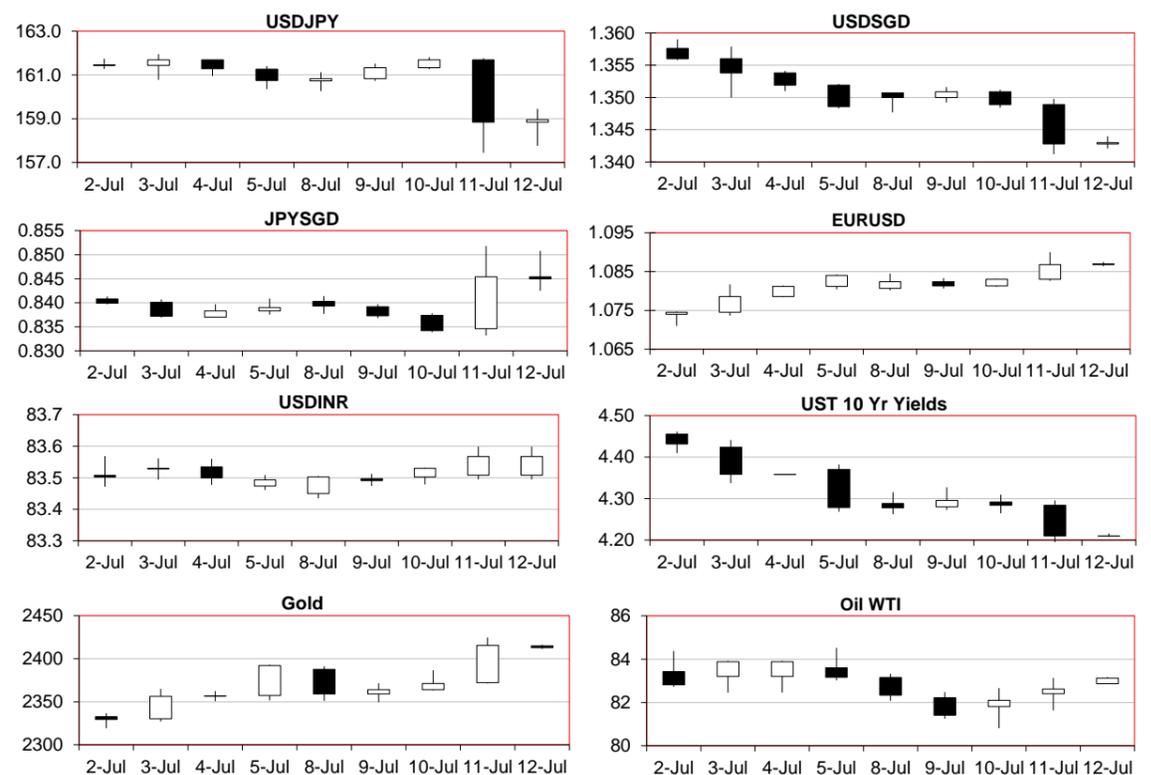
JPY's "Fed Solution" ...

- **JPY's resounding post-CPI recovery** reflects emerging "Fed solution" by way of more emphatic Fed cut inspired by US CPI data. For the record, we have long said that the **"JPY is a BoJ problem with a Fed solution"**. The point being **unremitting JPY pressures**, which is **problematic for the BoJ, may only be effectively addressed by emphatic Fed cuts**. Not only because the Fed-BoJ policy chasm driving JPY pressures was created by aggressive Fed hikes. But crucially, because **BoJ attempts to meaningfully close the policy rate gap would be ruinous to Japan's economy**. So the good news is that conditions for JPY stabilization from a "Fed solution" are beginning to take shape.

OVERNIGHT RESULTS

(JP) Core Machine Orders MoM (May): -3.2% (Mkt: 0.8%; Apr: -2.9%) | (US) Initial Jobless Claims: 222k (Mkt: 235k; prev: 239k) | (US) CPI/Ex Food and Energy YoY (Jun): 3.0%/3.3% (Mkt: 3.1%/3.4%; May: 3.3%/3.4%) | (US) Real Avg Weekly Earnings YoY (Jun): 0.6% (May: 0.5%) | (US) Monthly Budget Statement (Jun): -\$66.0b (May: -\$347.1b)

* Past Two Weeks Movement *



- But the caveat, to use Powell's phrase is that decisive JPY recovery (from emphatic Fed easing) has "ways to go". So it is a **bumpy road out of the woods for a JPY chased by bears**.

... Not at Odds with Interim Intervention

- Knowing that **JPY pressures** are merely **tentatively alleviated, not resoundingly resolved**, means interim intervention options remain "live". In fact, "live" intervention post-CPI appears to have been the case. And to be sure, a compelling one for the authorities.

- **Intervention that rides on unexpected distinct USD pullback rather than put up futile resistance to bullish USD waves is the smart intervention money**. And probably a more effective deterrent insofar that it ups the stakes for getting JPY speculation wrong. So again, **no lines in the sand**. And with more accentuated UST yield and attendant USD volatility expected, **speculative USD/JPY froth is on notice**.

BoJ Calculus

- The more layered, question is **what this means for BoJ calculus** and the **consequent feedback to JPY and JGBs**. At face value, it helps the BoJ gain confidence around buying time and pacing gradual and measured tightening. But the caveat around that heightened two-way **JPY volatility will continue to hang over the BoJ into its policy meetings in Q3**. So it is highly likely that measured tightening will still have to come through. But given markets steeped in expectations of tightening priced in, the **bar is high for BoJ triggers to induce further and sustained JPY strength**. So, a bumpy path down (up) in USD/JPY (JPY) in 2024 is still par for the course; with distinct JPY slippage risks intact for now.

FX Daily Outlook

- EUR/USD: Piling up of Fed rate cut wagers support buoyancy above mid-1.08.
- USD/JPY: Could plausibly rebound back above 160 on dip buying.
- USD/SGD: Could retain traction below mid-1.34 on firmer CNH and stronger EUR.
- AUD/USD: Hover above mid-67 cents amid softer USD environment.

TODAY EVENTS

(SG) GDP YoY (2Q A): 2.9% (Mkt: 2.7%; 1Q: 3.0%) | (CH) Exports/Imports YoY (Jun): (Mkt: 8.0%/2.5%; Apr: 7.6%/1.8%) | (IN) Industrial Production YoY (May): (Mkt: 4.9%; Apr: 5.0%) | (IN) CPI YoY (Jun): (Mkt: 4.8%; May: 4.8%) | (MY) Industrial Production YoY (May): (Mkt: 3.8%; Apr: 6.1%) | (US) UoM Sentiment/Expectations (Jul P): (Mkt: 68.5/69.3; Jun: 68.2/69.6) | (US) UoM 1Y/5-10Y Inflation (Jul P): (Mkt: 2.9%/3.0%; Jun: 3.0%/3.0%) | (US) PPI Final Demand/Ex Food, Energy YoY (Jun): (Mkt: 2.3%/2.5%; May: 2.2%/2.3%) | (JP) Industrial Production YoY (May F): (prelim: 0.3%)

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