

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	158.48	158.35	+0.29	▼2.98
EUR	1.0899	1.0899	+0.0005	+0.0086
AUD	0.6743	0.6734	▼0.0026	▼0.0007
SGD	1.3441	1.3442	+0.0004	▼0.0067
CNY	7.2660	7.2685	+0.0102	▼0.0041
INR	83.59	83.59	▼0.01	+0.10
IDR	16192	16180	+10	▼70
MYR	4.6777	4.6768	+0.0033	▼0.0302
PHP	58.42	58.39	▼0.08	▼0.05
THB	36.11	36.11	▼0.10	▼0.29

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.158%	▼7.2 bp	▼13.8 bp
JPY (10YR)	1.029%	▼3.6 bp	▼6.3 bp
EUR* (10YR)	2.427%	▼4.5 bp	▼15.3 bp
AUD (5YR)	3.978%	▼7.5 bp	▼13.1 bp
SGD (5YR)	2.965%	▼7.3 bp	▼23.4 bp
CNY (5YR)	1.975%	+0.5 bp	▼2.1 bp
INR (5YR)	6.928%	▼3.2 bp	▼5.8 bp
IDR (5YR)	6.850%	▼1.9 bp	▼8.3 bp
MYR (5YR)	3.618%	▼0.5 bp	▼2.0 bp
PHP (5YR)	6.074%	+1.3 bp	▼8.3 bp
THB (5YR)	2.378%	+0.4 bp	▼3.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	40,954.48	+1.85%	+4.23%
N225 (JP)	41,275.08	+0.20%	▼0.73%
STOXX 50 (EU)	4,947.83	▼0.71%	+0.90%
ASX (AU)	4,482.44	▼0.17%	+0.67%
STI (SG)	3,487.91	▼0.34%	+1.80%
SHCOMP (CN)	2,976.30	+0.08%	+0.57%
SENSEX (IN)	80,716.55	+0.06%	+0.45%
JSE (ID)	7,224.29	▼0.75%	▼0.63%
KLSE (MY)	1,625.96	▼0.24%	+0.71%
PSE (PH)	6,667.09	▼0.33%	+1.68%
SET (TH)	1,321.31	▼0.46%	+0.11%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	285.79	▲0.90%	▲1.44%
COPPER (LME)	9,505.34	▲1.53%	▲2.12%
IRON ORE (CN)	108.72	▲0.64%	▲1.21%
GOLD	2,469.08	+1.93%	+4.44%
OIL (WTI)	80.76	▼1.40%	▼0.80%

Three Take-Aways:

1. UST rallied as FedSpeak imparted further confidence that Fed was approaching a rate cut.
2. Retail sales suggests US economy is holding up as rate cut(s) approaches, buoying US equities.
3. Bank Indonesia set to hold; although fiscal (and attendant IDR) risks remains pronounced.

Buoyed Confidence

- Markets were buoyed as FedSpeak suggested more confidence on the dis-inflation trajectory. Following to Powell's comments that latest readings "add somewhat to confidence" on inflation, Fed Kugler expressed that she was "cautious[ly] optimistic" on the 2% target. While bumpiness to inflation could mean a hold for longer, she remarked that downside risks to labour market conditions could prompt her to vote for a cut "sooner rather than later". UST yields fell (2Y: -4.0bps; 10Y: -7.2bps).
 - Meanwhile, US exceptionalism buoyed US equities (S&P: +0.6%; Dow: +1.9%; Nasdaq: +0.2%) as resiliency in consumer spending suggests the economy is still holding up as the Fed nears a rate cut. Retail sales surprised on the upside, especially on the non-volatile items which expanded by the most on a month-ago basis since Sep'23. In addition, May's prints were revised upwards.
 - The DXY was marginally lower and EUR hovered around 1.09 levels.
 - AUD led losses against the USD amid lower oil prices, spillovers from a weaker Kiwi on cooler inflation, and a softer CNH on China's growth concerns and as Trump 2.0 could complicate China's recovery. Brent oil dipped below \$US84/bbl (-1.3%) as China's demand concerns lingered.
 - Elsewhere, USD/JPY was buoyant above 158 levels with BoJ data suggesting two consecutive days of interventions last Thursday and Friday; and USD/SGD mostly traded below mid-1.34 levels.

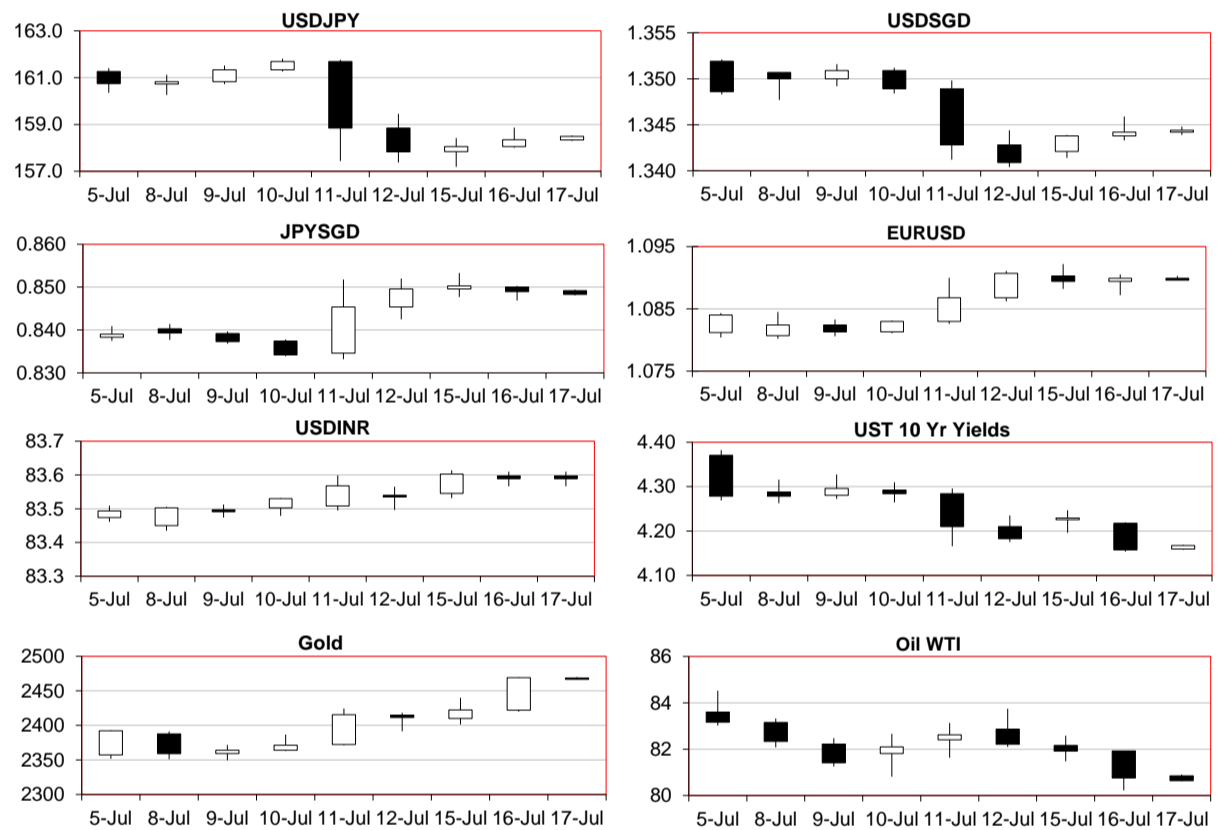
BI: Respite, Not Relief

- Bank Indonesia (BI) is set to stand at the upcoming meeting (17 July). The decision to hold at June's meeting is telling of BI's reluctance to use the policy rate as the primary tool to anchor IDR-stability and IDR has enjoyed some respite since the last meeting, appreciating by -1.6% and outperformed regional currencies.

OVERNIGHT RESULTS

(US) Retail Sales Advance/Ex Auto and Gas MoM (Jun): 0.0%/0.8% (Mkt: -0.3%/0.2%; May: 0.3%/0.3%) | (EZ) Trade Balance SA (May): 12.3b (Mkt: 18.1b; Apr: 18.5b) | (JP) Tertiary Industry Index MoM (May): -0.4% (Mkt: 0.1%; Apr: 1.9%) | (GE) ZEW Survey Expectations/Current (Jul): 41.8/-68.9 (Mkt: 41.0/-74.8; Jun: 47.5/-73.8)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	158.36	EUR/USD	1.0902
USD/SGD	1.3441	USD/THB	36.01
JPY/SGD	0.8488	USD/MYR	4.677

Forecast

USD/JPY	155.00 - 160.00
EUR/USD	1.0830 - 1.0950
AUD/USD	0.6680 - 0.6780
USD/SGD	1.3390 - 1.3490
JPY/SGD	0.8369 - 0.8703
USD/CNH	7.2600 - 7.3000
USD/INR	83.40 - 83.90
USD/IDR	16000 - 16300
USD/MYR	4.630 - 4.700
USD/PHP	58.00 - 58.80
USD/THB	35.70 - 36.30

Today's Direction

	Bull	Bear
USD/SGD	1	2
USD/JPY	0	3

- But this is not a relief for the IDR, insofar as fiscal concerns have arguably intensified. Following assurances that the free lunch programmes will be scaled-down and fiscal deficit would remain within 3% of GDP, latest reports that president-elect Prabowo is intending to scrape the fiscal deficit and debt-to-GDP ratio will not sit well with markets. Increasingly, Prabowo appears to be taking on a different view on fiscal positioning from the incumbent and even with his own advisors, which hints at potential friction and fractures within the new government. And if BI auctions are of any indications, SRBI yields have edged higher while bid-to-cover ratios are lower since the last meeting, which could suggest some holding back by investors.
 - Macroeconomic fundamentals are broadly supportive of a hold. Inflation remains moderate while food inflation eased slightly in June. Nonetheless, downside risks to growth have increased slightly, especially as the major holidays have mostly passed alongside a contraction in consumer confidence in May and June. Meanwhile, commodities exports remain a mixed bag. Export volumes of palm oil fell in Jan-Apr period compared to a year ago, while coal, iron and mineral fuels held up although prices remain soft.

- Wariness of growth prospects could see BI continued to signal dovish inclinations at this meeting, with caveats that cuts could take place should fiscal woes ease. Notwithstanding this, BI has been rather circumspect on Fed rate cuts, only seeing a higher possibility of a cut "late this year" (vs markets' pricing of two). Accordingly, we also expect BI's cut to reveal in late 4Q conditional on discernible rupiah gains.

FX Daily Outlook

- EUR/USD: Softer CPI could question durable gains above 1.09.
- USD/JPY: Two-sided volatility remains heightened as interventions risks remain present.
- USD/SGD: Could see buoyancy above mid-1.35 on softer CNH.
- AUD/USD: Hawkish leanings of RBA would temper declines towards mid-66 cents.

TODAY EVENTS

(SG) Non-oil Domestic/Electronics Exports YoY (Jun): (Mkt: -1.2%/--; May: -0.1%/21.9%) | (US) Building Permits/Housing Starts (Jun): (Mkt: 1395k/1300k; May: 1399k/1277k) | (US) Industrial Production MoM (Jun): (Mkt: 0.3%; May: 0.7%) | (EZ) CPI/Core YoY (Jun F): (Mkt: 2.5%/2.9%; prelim: 2.6%/2.9%)

Central Bank Policy Decisions: Bank Indonesia BI-Rate
Fed Releases Beige Book

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