

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.11	156.20	▼2.15	▼5.49
EUR	1.0908	1.0939	+0.0040	+0.0109
AUD	0.6735	0.6729	▼0.0005	▼0.0018
SGD	1.3414	1.3405	▼0.0037	▼0.0084
CNY	7.2662	7.2621	▼0.0064	▼0.0139
INR	83.59	83.59	+0.00	+0.06
IDR	16102	16100	▼80	▼140
MYR	4.6697	4.6642	▼0.0126	▼0.0355
PHP	58.31	58.32	▼0.07	▼0.02
THB	35.89	35.88	▼0.23	▼0.52

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.158%	+0.0 bp	▼12.6 bp
JPY (10YR)	1.041%	+1.2 bp	▼4.4 bp
EUR* (10YR)	2.421%	▼0.6 bp	▼11.2 bp
AUD (5YR)	3.974%	▼0.3 bp	▼11.0 bp
SGD (5YR)	2.974%	+0.9 bp	▼21.8 bp
CNY (5YR)	1.967%	▼0.8 bp	▼4.0 bp
INR (5YR)	6.928%	+0.0 bp	▼4.6 bp
IDR (5YR)	6.824%	▼2.6 bp	▼9.4 bp
MYR (5YR)	3.597%	▼2.1 bp	▼3.9 bp
PHP (5YR)	6.098%	+2.4 bp	▼0.3 bp
THB (5YR)	2.367%	▼1.1 bp	▼2.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	41,198.08	+0.59%	+3.72%
N225 (JP)	41,097.69	▼0.43%	▼1.76%
STOXX 50 (EU)	4,891.46	▼1.14%	▼1.36%
ASX (AU)	4,489.24	+0.15%	+0.07%
STI (SG)	3,489.57	+0.05%	+0.86%
SHCOMP (CN)	2,962.86	▼0.45%	+0.80%
SENSEX (IN)	80,716.55	+0.00%	+0.99%
JSE (ID)	7,224.22	▼0.00%	▼0.86%
KLSE (MY)	1,633.54	+0.47%	+0.94%
PSE (PH)	6,687.71	+0.31%	+3.06%
SET (TH)	1,319.79	▼0.12%	▼0.26%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	286.06	+0.09%	▲1.26%
COPPER (LME)	9,489.60	▲0.17%	▲2.61%
IRON ORE (CN)	107.48	▲1.14%	+0.19%
GOLD	2,458.79	▲0.42%	+3.69%
OIL (WTI)	82.85	+2.59%	+0.91%

Three Take-Aways:

- Possible trade restrictions by Biden led sell-off in chipmakers stocks.
- Trump's purported "big currency [strength] problem" saw rally in JPY and CNH.
- ECB to hold; but EUR traction tempered by ECB dialling down inflation risks and French woes.

Geopolitical Heat

- **US geopolitical heat took centre stage**, as markets digested how the US election might influence future trans-national relations. News that the **Biden administration is considering severe trade restrictions if companies like Tokyo Electron and ASML kept giving China access to advanced semiconductor technology** saw a sell-off in chipmakers counters, and dragged tech-heavy Nasdaq down by 2.8% (S&P: -1.4%; Dow: +0.6%).

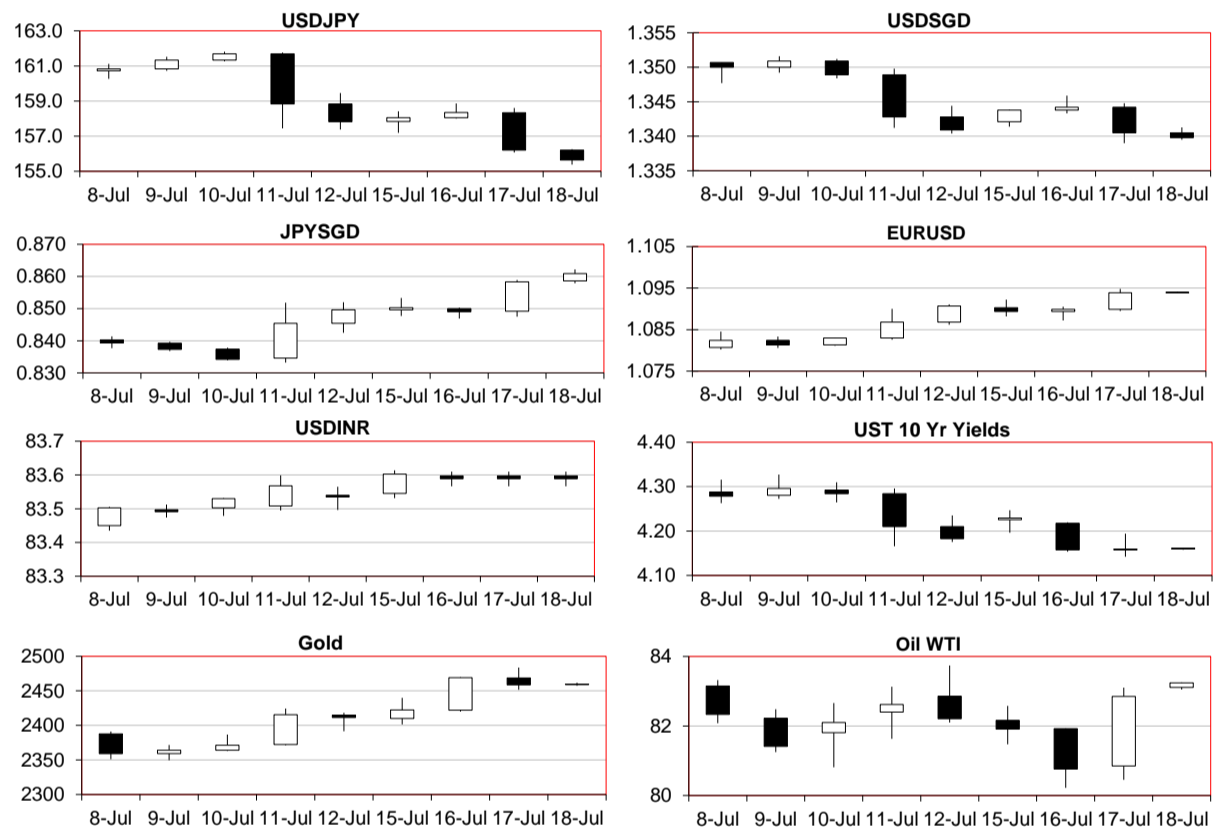
- Meanwhile, **USD weakened after Trump's comments on the US's "big currency problem"**, where he claimed that the strength of the USD has been hurting the competitiveness of US exports - a stance he held during his term as President. JPY and CNH rallied after he pointed to the weakness of both currencies. **USD/JPY** fell towards 156 (~1.4% gain) while **USD/CNH** briefly dipped below 7.27 levels. Other currencies were also buoyed, with **EUR** gaining traction above 1.09 and **USD/SGD** tested 1.34 handle. **AUD** was the outlier, suggesting cautious positioning ahead of employment data today.

- The notch up in **geopolitical heat overshadowed other reports/datapoints, with action in the Treasury market was comparatively muted**. UST yields rose (2Y: +2.1bps; 10Y: +0.0bps) as FedSpeak continued the rhetoric that a cut could be near, but remained vague on the timing. Fed Barkin called the **breadth of disinflation encouraging** and observed that **labour markets remain quite healthy**; while Fed Waller remarked that the labour market is in a "sweet spot" where job growth is not excessive and wage increases are nearly consistent with stable prices. Meanwhile, the **Beige book suggested growing headwinds to growth**. While it noted slight economic growth, there were increasing signs of declining economic activity, with businesses highlighting greater uncertainty surrounding upcoming elections, domestic policy, geopolitical conflict and inflation. In addition, consumers' wallets appear to be increasingly tighter, as nearly every district "mentioned retailers discounting items or price-sensitive

OVERNIGHT RESULTS

(SG) Non-oil Domestic/Electronics Exports YoY (Jun): -8.7%/-9.5% (Mkt: -1.2%/-; May: -0.7%/19.6%) | (US) Building Permits/Housing Starts (Jun): 1446k/1353k (Mkt: 1400k/1300k; May: 1399k/1314k) | (US) Industrial Production MoM (Jun): 0.6% (Mkt: 0.3%; May: 0.9%) | (EZ) CPI/Core YoY (Jun F): 2.5%/2.9% (Mkt: 2.5%/2.9%; prelim: 2.6%/2.9%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	155.67	EUR/USD	1.0940
USD/SGD	1.3399	USD/THB	35.90
JPY/SGD	0.8608	USD/MYR	4.664

Forecast

USD/JPY	151.00 - 158.00
EUR/USD	1.0890 - 1.0970
AUD/USD	0.6660 - 0.6780
USD/SGD	1.3340 - 1.3470
JPY/SGD	0.8443 - 0.8921
USD/CNH	7.2200 - 7.2850
USD/INR	83.40 - 83.90
USD/IDR	15970 - 16200
USD/MYR	4.620 - 4.680
USD/PHP	57.90 - 58.50
USD/THB	35.30 - 36.20

Today's Direction

	Bull	Bear
USD/SGD	0	4
USD/JPY	0	4

consumers only purchasing essentials, trading down in quality, buying fewer items, or shopping around for the best deals.

ECB: No Progress, No Cuts, For Now

- **ECB is widely expected to keep rates at 4.25%** with June headline CPI barely moderating while core inflation was sticky. But **EUR bulls may find little cause for rallies given that officials remain rather optimistic on inflation outlook**, albeit with caveats on avoiding policy commitments. Notably, ECB officials appeared to dial back concerns on still-elevated services inflation, with Lagarde focusing on overall CPI gauge and did not see a need for services inflation to hit 2% as it can be offset by other components. Most speakers have signalled that **one more cut can be delivered with ease**. Even the more hawkish likes of Bundesbank President Nagel who said that the ECB is not on auto pilot, still re-iterated expectation that the 2% goal will be reached by end of 2025 at the latest. At this juncture, OIS markets are pricing in **at least one cut by October and two cuts by end-Q1 2025**. **Joining the fray is fiscal woes in France leading to OAT selloff and the associated fragmentation risks which has weighed on the EUR**.

- While markets have speculated that ECB could start purchasing OATs using the Transmission Protection Instrument, this appears unlikely given i) France's budget deficit would render this move non-compliant with EU fiscal framework, ii) lack of spillovers to other EZ countries appears may not fulfil the intervention criteria of "disorderly" markets, iii) set a precedent which could see a loss of confidence in ECB's tool box. Accordingly, EUR's recovery is laden with a strong dose of caution amid heightening uncertainty.

FX Daily Outlook

- EUR/USD: Upside above mid-1.09 on ECB decision limited on dovish inclinations and French woes.
- USD/JPY: Volatility remains heightened both ways; interventions still a live possibility.
- USD/SGD: Firmer CNH and EUR could provide durability below mid-1.34 levels.
- AUD/USD: Cooler jobs report could test 67 cents on expectations of a less-hawkish RBA.

TODAY EVENTS

(JP) Trade Balance (Jun): 224.0b (Mkt: -¥185.7b; May: -¥1220.1b) | (AU) Unemployment Rate/Emp. Change (Jun): (Mkt: 4.1%/20.0k; May: 4.0%/39.7k) | (MY) Exports/Imports YoY (Jun): (Mkt: 4.6%/15.5%; May: 7.3%/13.8%) | (US) Initial Jobless Claims: (Mkt: 230k; prev: 222k) | (US) Philadelphia Fed Business outlook (Jul): (Mkt: 3.0; Jun: 1.3) | (US) Leading Index (Jun): (Mkt: -0.3%; May: -0.5%)
Central Bank Policy Decision: ECB Main Refinancing Rate

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