

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.37	157.48	+0.11	▼0.35
EUR	1.0887	1.0882	▼0.0015	▼0.0025
AUD	0.6696	0.6685	▼0.0021	▼0.0099
SGD	1.3443	1.3453	+0.0013	+0.0044
CNY	7.2674	7.2699	+0.0078	+0.0195
INR	83.63	83.66	+0.00	+0.13
IDR	16189	16190	+33	+52
MYR	4.6800	4.6858	+0.0163	+0.0143
PHP	58.33	58.35	+0.10	▼0.03
THB	36.24	36.28	+0.31	+0.08

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.239%	+3.7 bp	+5.6 bp
JPY (10YR)	1.044%	+0.2 bp	▼2.1 bp
EUR* (10YR)	2.467%	+3.5 bp	▼2.9 bp
AUD (5YR)	4.009%	+2.4 bp	▼5.0 bp
SGD (5YR)	3.036%	+3.2 bp	▼6.0 bp
CNY (5YR)	1.959%	▼1.3 bp	▼3.1 bp
INR (5YR)	6.923%	+0.4 bp	▼5.5 bp
IDR (5YR)	6.840%	+1.7 bp	▼1.0 bp
MYR (5YR)	3.597%	+0.2 bp	▼2.4 bp
PHP (5YR)	6.135%	+2.7 bp	+7.2 bp
THB (5YR)	2.377%	+1.1 bp	+0.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	40,287.53	▼0.93%	+0.72%
N225 (JP)	40,063.79	▼0.16%	▼2.74%
STOXX 50 (EU)	4,827.24	▼0.88%	▼4.28%
ASX (AU)	4,473.44	▼0.62%	▼1.09%
STI (SG)	3,447.56	▼0.68%	▼1.44%
SHCOMP (CN)	2,982.31	+0.17%	+0.37%
SENSEX (IN)	80,604.65	▼0.91%	+0.11%
JSE (ID)	7,294.50	▼0.36%	▼0.45%
KLSE (MY)	1,636.55	+0.17%	+1.08%
PSE (PH)	6,791.69	+1.29%	+2.16%
SET (TH)	1,317.14	▼0.58%	▼1.12%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	280.36	▲1.83%	▲3.47%
COPPER (LME)	9,179.32	▲0.82%	▲5.63%
IRON ORE (CN)	107.20	▲0.47%	▲1.70%
GOLD	2,400.83	▲1.81%	▲0.44%
OIL (WTI)	80.13	▼3.25%	▼2.53%

Three Take-Aways:

1. Cybersecurity disruptions sent US equities lower while UST yields slipped on dovish spots of Fed speak.
2. USD drivers switch back to recalibrating political odds this week from slipping oil prices last Friday.
3. India budget consolidation boost to INR likely priced in and face risks of fading on spending demands.

Patchy Outage?

- Last Friday, a **tech outage** caused by a software patch hogged headlines as airlines, hotels and media companies as well as many firms worldwide faced significant disruption which sent US equities lower across the board (Dow: -0.9%; Nasdaq: -0.8%; S&P 500: -0.7%).

- While the on-going debate on resiliency of back up plans take place, the pervasiveness of the outage also highlights **the entrenched dominance and network effects of these software juggernauts** and as such switching providers is easier said than done. In short, a step back for these giants may cause a global rumble but not their crumble.

- Not backing down on neutral rates was certainly New York Fed President Williams, he stated that that **r-star was unchanged relative to the pre-pandemic times** which re-iterates the amount of space available for monetary policy easing. Accordingly, UST yields slipped with 2Y yields down 4bp while 10Y yields drop 3.7bp. Nonetheless the USD was far from giving way as **Brent Crude dropped 2.4% lower to US\$83/barrel** and saw NOK underperform G10 peers. While EUR was lower last Friday, it has climbed to 1.09 this early morning on **Biden dropping out of the 2024 Presidential Race with his endorsement of Kamala Harris**. AUD rose towards 67 cents while the USD/JPY is slipping towards 157.

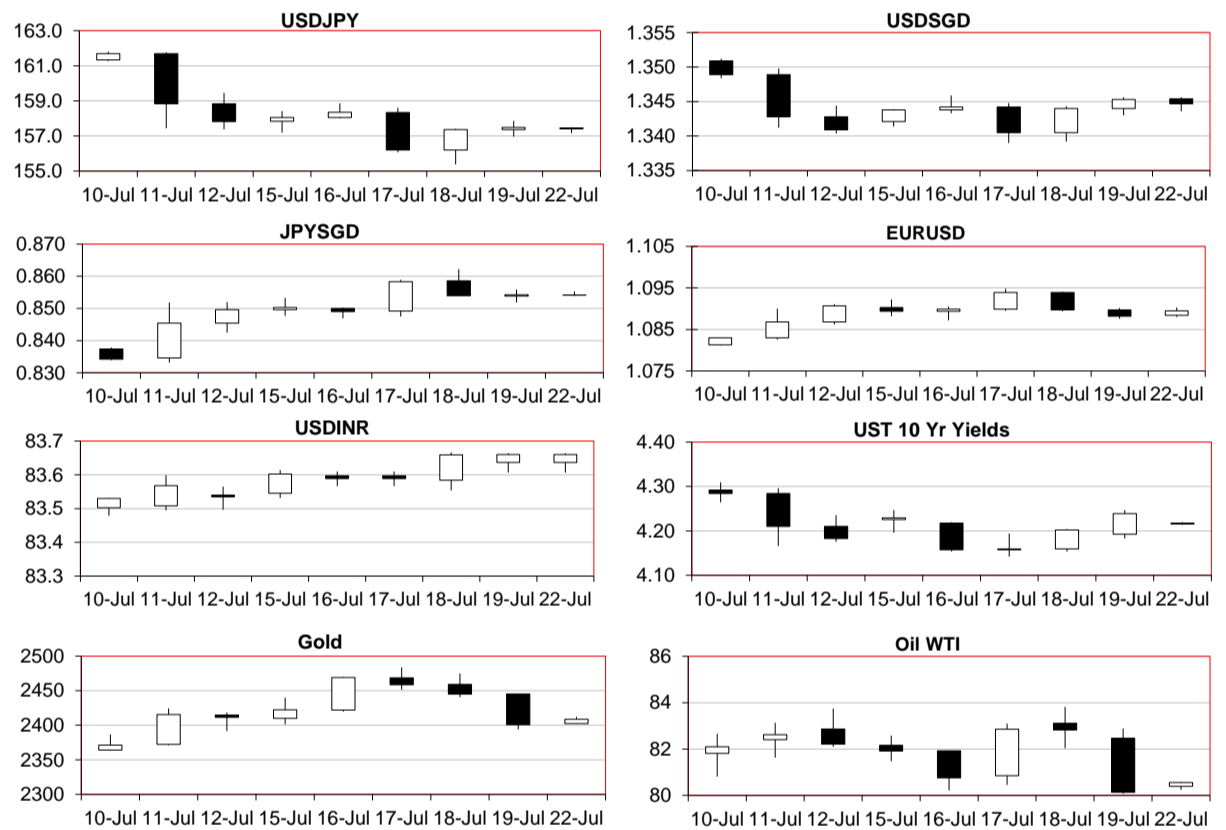
India Budget: Raising The Bar

- India is set to **maintain ambitious fiscal consolidation** plans, which have been *cheered by investors and ratings agencies alike*. But **India will have to "run" harder**, given political demand for more spending, **just to maintain its fiscal consolidation goals**. Moreover, it **may even entail diminished prospects of ratings upgrade**. For the record, we expect that the Fin Min will maintain the fiscal targets from the preliminary, pre-elections budget, retain the **5.1% (of GDP) deficit for FY25**, which entails a **0.7%-pt deficit reduction** plans from 5.8% in FY24*.

OVERNIGHT RESULTS

(JP) Natl CPI/Ex Fresh Food, Energy YoY (Jun): 2.8%/2.2% (Mkt: 2.9%/2.2%; May: 2.8%/2.1%) | (MY) GDP YoY (2Q A): 5.8% (Mkt: 4.7%; 1Q: 4.2%) | (PH) BoP Overall (Jun): -\$155m (May: \$1997m) | (EZ) ECB Current Account SA (May): (Apr: 38.6b)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	157.39	EUR/USD	1.0900
USD/SGD	1.3441	USD/THB	36.32
JPY/SGD	0.8540	USD/MYR	4.686

Forecast

USD/JPY	155.00 - 159.00
EUR/USD	1.0840 - 1.0950
AUD/USD	0.6620 - 0.6760
USD/SGD	1.3400 - 1.3470
JPY/SGD	0.8428 - 0.8690
USD/CNH	7.2700 - 7.2950
USD/INR	83.40 - 83.90
USD/IDR	16100 - 16300
USD/MYR	4.670 - 4.700
USD/PHP	58.20 - 58.50
USD/THB	36.00 - 36.40

Today's Direction

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

- Furthermore, whether the target of **further deficit reduction to 4.5% for FY26** there will also be scrutinized. But **given fiscal positives already baked in**, broad adherence to existing targets alone will neither impress investors, nor seduce ratings agencies into an upgrade. Especially as the **RBI dividend windfall of INR2.11trln** (as opposed to expectations of INR850bn) constitutes a **fiscal bonus of 0.4% of GDP**. And so, maintaining the same consolidation is in effect an **admission of inherent fiscal slippage on the spending side of things**.

- **Crucially, politically-induced fiscal strains** that have emerged after the BJP/Modi lost outright Majority points to more elevated, inherent fiscal risks. Especially as the Modi 3.0 Administration will now have to deal with, and arguably concede to; i) higher budget demands of coalition partner, and ii) loosen purse strings to assuage on-the-ground disgruntlement about inequalities that have worsened. Given these political vulnerabilities, it is even more important to demonstrate the ability to achieve earlier fiscal consolidation plans. Insofar that RBI dividend windfall is one-off, markets/rating agencies will assess if a gentler glide path to fiscal consolidation may be necessitated further out.

- **Ratings Impact:** In which case, imminent ratings upgrade will be deferred.

- **Bond Impact:** Accordingly, beyond Bond Index inclusion boost, credit premium reduction will be limited, and term premium may widen at some point.

- **FX Impact:** Relative rupee out-performance (boost already priced in earlier) may also begin to fade at the margin. *Referring to the year ending March 2024

FX Daily Outlook

- EUR/USD: Rally towards mid-1.09 to slow as Harris-Trump odds get a better assessment.
- USD/JPY: 155 backstopped by UST yields though rallies restrained by slipping oil prices.
- USD/SGD: PBoC cut to see CNH weakness and backstop 1.34.
- AUD/USD: Weaker oil to hold back testing of mid 67 cents.

TODAY EVENTS

(KR) Exports/Imports 20 Days YoY (Jul): (Jun: 8.5%/-0.6%) | (TW) Export Orders YoY (Jun): (May: 7.0%) | (TW) Unemployment Rate (Jun): (May: 3.4%) | (US) Chicago Fed Nat Activity Index (Jun): (May: 18.0%)

Central Bank Policy Decision: PBoC 1Y/5Y Loan Prime Rate

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