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Economic Calendar

•Survey results from Bloomberg, as of 14 June 2024; The lists are not exhaustive and only meant to highlight key data/events

Yellow highlight indicate actual data

G3

Date	Country	Event	Period	Survey*	Prior
17 Jun	**US**	**Empire Manufacturing**	**Jun**	**-13.0**	**-15.6**
	JP	Core Machine Orders MoM	Apr	-3.1%	2.9%
18 Jun	US	Retail Sales Adv/Ex Auto, Gas MoM	May	0.3%/0.3%	0.0%/-0.1%
	US	Industrial Production MoM	May	0.4%	0.0%
	EZ	**CPI/Core YoY**	**May F**	**2.6%/2.9%**	**2.6%/2.9%**
	GE	**ZEW Survey Expectations/Current**	**Jun**	**52.0/-**	**47.1/-72.3**
19 Jun	EZ	ECB Current Account SA	Apr	--	35.8b
	JP	Trade Balance	May	-¥1298.5b	-¥465.6b
20 Jun	US	Building Permits	May	1460k	1440k
	US	Housing Starts	May	1375k	1360k
	US	Current Account Balance	1Q	-$206.1b	-$194.8b
	US	**Initial Jobless Claims**		--	242k
	US	Philadelphia Fed Business Outlook	Jun	4.5	4.5
	EZ	Consumer Confidence	Jun P	--	-14.3
21 Jun	US	Existing Home Sales	May	4.10m	4.14m
	JP	Mfg/Services PMI (US, EZ, JP)	Jun P	--	--
	JP	**Natl CPI/Ex Fresh Food, Energy YoY**	**May**	**2.9%/2.2%**	**2.5%/2.4%**

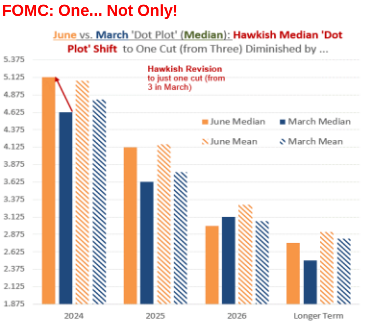
Asia

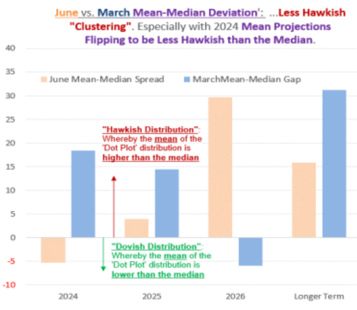
Date	Country	Event	Period	Survey*	Prior
15-16 Jun	CH	Agg. Financing/New Yuan Loans CNY YTD	May	15080b/11310b	12731b/10191b
15-18 Jun	CH	FDI YTD YoY CNY	May	--	-27.9%
17 Jun	CH	Industrial Production YoY	May	6.2%	6.7%
	CH	FAI/Property Investment YTD YoY	May	4.2%/-10.0%	4.2%/-9.8%
	CH	1Y Medium-Term Lending Facility Rate		2.50%	2.50%
	CH	Retail Sales YoY	May	3.0%	2.3%
	PH	Overseas Cash Remittances YoY	Apr	3.3%	2.5%
18 Jun	SG	Non-oil Domestic/Electronic Exports YoY	May	-1.0%/-	-9.3%/3.3%
	AU	**RBA Cash Rate Target**		**4.35%**	**4.35%**
19 Jun	ID	Exports/Imports YoY	May	1.6%/-9.8%	1.7%/4.6%
	PH	BoP Overall	May	--	-$639m
20 Jun	**CH**	**1Y/5Y Loan Prime Rate**		**3.45%/3.95%**	**3.45%/3.95%**
	ID	**BI-Rate**		**6.25%**	**6.25%**
	MY	Exports/Imports YoY	May	1.1%/6.0%	9.1%/15.6%
21 Jun	AU	PMI Mfg/Services	Jun P	--	49.7/52.5
	KR	PPI YoY	May	--	1.8%

Week-in-brief: Anchors of Stability

- This week, cooling US inflation doused the seemingly hawkish Fed Dot Plot which showed only 1 rate cut in 2024 to send UST yields lower and buoy equities. Underlying tones of Fed Chair Powell being non-committal around the Dot Plot also aided risk sentiments.
- Meanwhile, BoJ's deferment on revising bond purchases schedule to July alluded to delays in policy normalisation, surprising markets and saw USD/JPY testing 158.
- In EM-Asia this week, as expected, **the BoT held rates** unchanged as they retained their growth forecast and revised core inflation in 2024 downwards to 0.5%.
- Notably, the **latest 6-1 voting outcomes from the 5-2 outcomes** in the previous two meetings impart a **greater sense of stability** within the monetary policy committee amid the reported threats of erosion of independence stemming from the government.
- Looking ahead, the BoT will keep **a close watch on fiscal slippages** alongside potential for broadening dis-inflation in the CPI basket.
- In contrast, **Malaysia kicked off subsidy rationalisation** at the start of the week as they removed diesel subsidies which saw diesel prices rise 56%.
- Cost of living pressures will be offset via cash handouts to low income households and lower prices for logistics and transportation companies. Inflation pressures on aggregate are likely to remain mild while the **firm commitment to fiscal consolidation will structurally underpin MYR recovery**.
- In Taiwan, while the CBC proceed with their expected rate hold, they **raise their reverse requirement ratios and tightened house buying rules such as lower mortgage cap to stabilise property prices which continued to soar in Q1**
- Down Under, Australia employment was higher than expected on strong hiring in full time jobs and the unemployment rate edged lower to 4.0%.
- Nonetheless, the **RBA looks set to stand pat next week in the face of sticky inflationary pressures** which has eroded household purchasing power and diminished household savings ratio.
- In turn, while the stock of employment remains healthy, the RBA will remain wary of not excessively tightening borrowing costs and raising interest burdens which constrains the support from income flows. With the bar for another hike being a high one, AUD bulls will have little to run on aside from latching onto the broader USD trend.
- In Indonesia, IDR's underperformance since the last Bank Indonesia's meeting has been exacerbated by president-elect Prabowo's plans to increase debt-to-GDP ratio to 50% (2023: 40%). We now expect Bank Indonesia to proceed with another hike. In addition to providing a stronger anchor for the IDR, higher fiscal expenditures (necessitating higher borrowings) could mean structurally higher inflation going forward, necessitating the need for higher nominal policy rates.
- All in, even **as UST yield decline, relief for EM-Asia FX may not be as readily forthcoming.** As such, central banks will continue to attempt to anchor macroeconomic stability to support growth recovery.

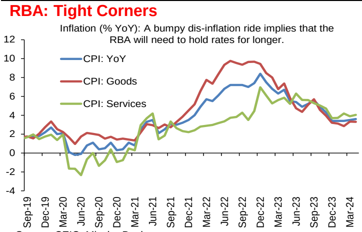
FOMC: One... Not Only!



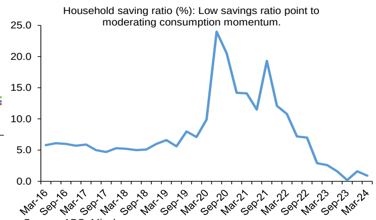


- The 'Dot Plot' stole the thunder, signalling just one cut this year (down from three pencilled in March). But markets have protested, putting money that says it will not be the only cut, suggesting two cuts more likely.
- Market pushback only partly explains why UST yields and the USD fell (whilst US equities surged) despite the hawkish shift in the 'Dot Plot*'.
- Driving the push-back were less hawkish details of the 'Dot Plot' and (dis-)inflation.
- On the former, where it mattered, 'Dot Plot' mean was less hawkish.
- And this conveys important nuance in the context of **clustered "dots" (15 out of 19 members FOMC members opting for 1 or 2 cuts). Especially with Fed Chair hinting that the pullback to one cut may not be high conviction.**
- **Simply put, the aggregate intent is less hawkish than middle-of-the-pack**, binary pick between 1 or 2 cuts (which are pencilled into the 'Dot Plot').
- What's more, **softer CPI headline that preceded the FOMC was arguably taken into account to a greater degree by the markets than FOMC members.**

RBA: Tight Corners



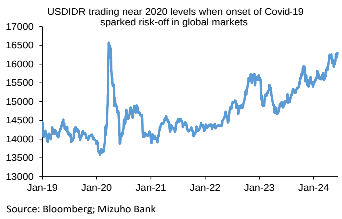
Source: CEIC; Mizuho Bank



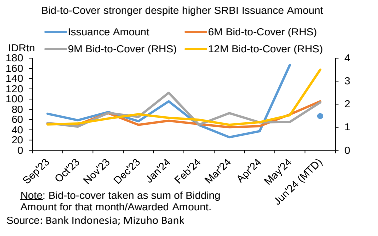
Source: ABS; Mizuho

- The RBA is increasingly facing the threat of narrowing policy space as inflation remains stubbornly elevated while growth continues to show signs of moderation. As such, **they will keep rates unchanged at their meeting on 18 June while signalling their resolve in taming inflation**.
- Food inflation edged higher as prices for meat, seafood, fruit and vegetable prices rose. Meanwhile housing inflation is still elevated at 4.9% YoY as rising rentals reflecting low vacancies was partially offset by administrative electricity relief.
- In turn, inflationary prices drove nominal household consumption higher to outpace gross disposable income growth **leading to a decline in household savings ratio**. Notably, income components continued to tussle as higher interest received was offset by rising interest servicing burdens.
- Nonetheless, robust job gains with employment rising nearly 40k in May imply that **labour incomes will continue to be a key backstop for the economy. Unemployment rate also edged lower to 4.0% despite higher participation rates highlighting continued labour market tightness.**
- **In turn, the RBA will keep a hawkish hold as they espoused patience on a slow and bumpy dis-inflation process.** Admittedly, with the bar for another hike being a high one, AUD bulls will have little to run on aside from latching onto the broader USD trend.

BI: Another Surprise?



Source: Bloomberg; Mizuho Bank



Source: Bank Indonesia; Mizuho Bank

- Since the last meeting on 22 May, **IDR has been the worst performing currency (compared to regional peers)**, weakening by ~2.4% (as at 14 Jun) against the greenback. In fact, the IDR is now trading at above 16,300 - the handle which Bank Indonesia openly stated they were guarding against, after president-elect Prabowo's announced his target to increase debt-to-GDP to 50% (2023: 40%) intensified fiscal worries. Even as Prabowo plans to increase the debt gradually (at 2% per annum), debt-to-GDP ratio steadily increasing from 25% since the start of Jokowi's first-term Presidency (in 2014) incites concern on fiscal prudence. At this juncture, **we are inclined towards a hike (attributing 80% to a hike and 20% to a hold)** for two reasons.
- First, **rupiah stability has been a central tenet in BI's policy calculus**, and the 16,300 handle breach likely warrants further action. Point being, after being so explicit about a specific level, inaction following the IDR sell-off above the level could raise doubts on BI's commitment towards rupiah stability. Moreover, BI will remain wary of excessively running down reserves, which are likely to have fallen since May as USD/IDR hovering slightly below 16,300 in early June hints at BI's interventions. To this end, a hike could relieve some pressure on the scale of interventions. Next, even if we have observed rather strong demand at recent SRBI auctions (bid-to-cover ratios higher even as issuance size has increased on higher auction frequency), it may not have been that **effective in bringing in hard currency.**
- Second, **plans for higher debt could mean structurally higher inflation going forward on higher fiscal expenditures (necessitating the additional borrowings).** This could make a case for higher nominal policy rates.
- While **macrofundamentals do not warrant a hike, the repercussions from another 25bps should be manageable**. Inflation edged down slightly to 2.8% in May (Apr: 3.0%) on slower increases in food prices. Meanwhile, growth remains supported although the household consumption would be key to watch. While retail sales rebounded to 4.7% YoY in May from a -2.7% in April, contracting discretionary spending on recreation and culture since May'2023 could point to tight wallets. The absence of a broadened deterioration however,should still keep policy room for a hike open for now.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	157.49	0.740	0.47%	155.00	~	159.00
EUR/USD	1.0707	-0.0094	-0.87%	1.068	~	1.088
USD/SGD	1.3528	0.001	0.04%	1.3420	~	1.3580
USD/THB	36.737	0.235	0.64%	36.00	~	37.00
USD/MYR	4.716	0.024	0.51%	4.630	~	4.730
USD/IDR	16400	205	1.27%	16,000	~	16,800
JPY/SGD	0.8595	-0.003	-0.36%	0.849	~	0.879
AUD/USD	0.6616	0.003	0.52%	0.646	~	0.670
USD/INR	83.55	0.166	0.20%	82.9	~	83.6
USD/PHP	58.654	0.129	0.22%	58.0	~	59.0

^Weekly change.

FX: Policy Differentials

- This week, the USD was mostly weaker against G10 peers amid lower UST yields as markets pushed back against hawkish interpretations of the Dot Plot.
- Currencies where central banks show greater restrain in deferring rate cuts led gains. SEK led the pack as expectations of a June hold gained traction. Meanwhile, Australia and New Zealand gained on their hawkish hold posturing amid still-tight labour markets.
- JPY led losses as BoJ delayed reduction in bond purchases, while EUR was pressured as France's snap election ignited fears of looser fiscal poliices as Le Pen's party appeard to be in voters' favour.

EM-Asia: Struggling

- EM Asia FX broadly traded lower despite lower UST yields, amid a pressured CNH on European Commission's decision to apply additional duties on Chinese electric vehicles from July.
- **IDR** led losses and breached 16,300 at the end of the week on Prabowo's plans to increase debt-to-GDP ratio towards 50% (2023: 40%), raising concerns of Indonesia's fiscal prudence.
- Meanwhile, **KRW** also underperformed as it was unable to latch onto lower UST to recover from the post NFP depreciation. While China-EU trade tensions may perhaps implicate supply chain for Korean manufacturers to impose structural worries, the **extension of its short selling ban on equities dent prospects of their inclusions in global indicies and remove short term catalyst for KRW rallies.**

Bond Yield (%)

11-Jun	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.694	-19.3	4.229	-20.5	Flattening
GER	2.806	-27.3	2.403	-21.4	Steepening
JPY	0.291	-4.2	0.926	-3.4	Steepening
SGD	3.295	-0.6	3.166	-2.3	Flattening
AUD	3.901	-7.4	4.121	0.1	Steepening
GBP	4.152	-18.9	4.077	-18.3	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,433.74	1.62
Nikkei (JP)	38,814.56	0.34
EuroStoxx (EU)	4,908.68	-2.82
FTSE STI (SG)	3,302.48	-0.85
JKSE (ID)	6,734.97	-2.36
PSEI (PH)	6,383.70	-2.07
KLCI (MY)	1,606.10	-0.73
SET (TH)	1,309.58	-1.74
SENSEX (IN)	76,948.26	0.33
ASX (AU)	7,724.26	-1.73

UST: Dis-inflated Bears?

- US CPI showing dis-inflation progress offset the Dot plot showing 1 cut in 2024 to send UST yields lower this week. With Fedspeak back in focus next week, the danger is a **further fade of the hawkish aspects of the new Dot Plot.**
- Nonetheless, we might get another dose of "not so fast" by US retail sales which may display yet another enduring picture of consumer health.
- Amid lower stockpiles in the US and reports of attacks by Houthi rebels using sea drones, buoyed oil prices may allow milder slippages of 10Y UST yields.
- All in, we expect a moderate bull flattener for 2Y yields to trade in the 4.60-4.80% range while 10Y yield 4.20-4.40% range.

FX Brief:

1) JPY: Post FOMC and BoJ meeting reactions to fade. US retail sales may see narrower JGB-UST yield gap to allow USD/JPY to creep lower but retain buoyancy above 157.

2) EUR: Political instability worries in France further solidifies our case for the inability to recover above 1.09 even as US inflation show signs of cooling. Nonethless, ECB pushback on consecutive cuts to buoy above mid-1.07.

3) AUD: Amid a resilient labour market, RBA set for hawkish hold alongside higher oil prices backstops 66 cents. Air thins above mid-67 cents.

4) CNH: Trade woes cast an overhang on external sector while inflation deficit hints at weak domestic demand ahead of a slew of China data releases next week.

5) INR: Could see durable traction below mid-83 on a return of inflows as uncertainty over policy continuity dissipates following Modi's tight victory.

6) SGD: Could see durability above 1.35 on softer CNH and EUR remains pressured.

7) IDR: Retain traction above 16,300 as Prabowo's debt plans incites doubts on fiscal prudence, and USD/IDR trajectory since June have already hinted at intervention (and attendant pressure on IDR).

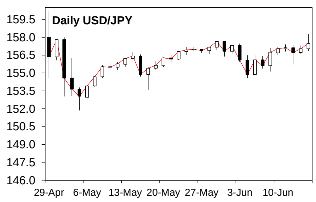
8) THB: BoT hold provides a semblance of stability but does not resolve the strains for the affirmation of prolonged yield gap with USTs.

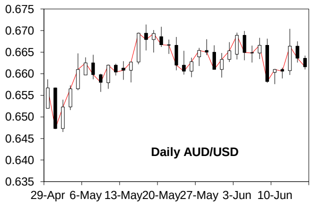
9) MYR: Still weaker against USD post-NFP print last Friday. But concrete actions towards fiscal sustainability could aid move towards 4.70 levels.

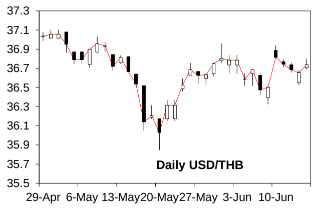
10) PHP: Could move towards 58 levels on BSP Recto's signal that rate cuts will likely be after Fed, a contrast to Governor Remolona's prior allusions that BSP could frontrun the Fed which sparked a sell-off in PHP.

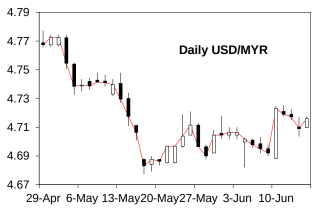
11) KRW: Underperformance reflect inability to fully recover even as UST yields declined post FOMC. Wider China-EU tariffs impacting supply chains such as 'Made in China' Korea autos may also become a structural worry. Weakness to persist and buoy above 1360.

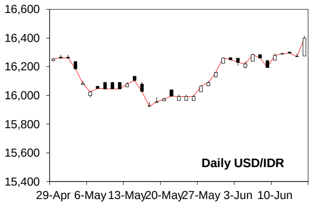
12) TWD: Slightly weaker for the week. CBC hold amid growth forecast upgrades saw the the TWD end up in the middle of the EM-Asia pack as rate calibration prospects are push backed.

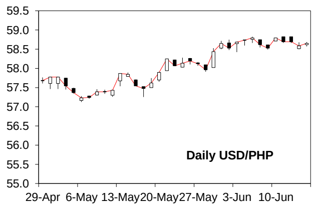


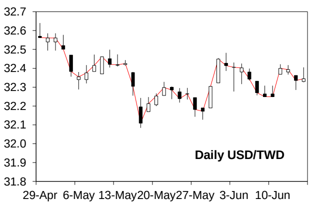


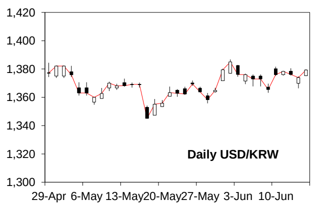


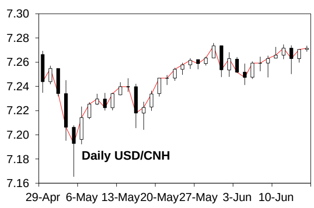












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