

Economic Calendar

G3

Date	Country	Event	Period	Survey*	Prior
21 Jun	US	Chicago Fed Nat Activity Index	May	0.88	0.24
22 Jun	US	Existing Home Sales	May	5.71m	5.85m
	US	Richmond Fed Manufact. Index	Jun	18.0	18.0
	EZ	Consumer Confidence	Jun A	--	-5.1
	JP	Machine Tool Orders YoY	May F	--	140.7%
23 Jun	US	New Home Sales	May	882k	863k
	US	Current Account Balance	1Q	-\$207.1b	-\$188.5b
	EZ	Markit Eurozone Manufacturing/Services PMI	Jun P	--	63.1/55.2
	JP	Leading Index C/I/Coincident Index	Apr F	--	103/95.5
	JP	Jibun Bank Japan PMI Mfg/Services	Jun P	--	53/46.5
	JP	BOJ Minutes of April Meeting			
24 Jun	US	Initial Jobless Claims	19-Jun	--	--
	US	Kansas City Fed Manf. Activity	Jun	--	26
	US	GDP Annualized QoQ	1Q T	6.4%	6.4%
	US	Durables Ex Transportation	May P	0.7%	1.0%
	US	Wholesale Inventories MoM	May P	--	0.8%
	US	Durable Goods Orders	May P	3.0%	-1.3%
	GE	IFO Expectations/Business Climate	Jun	--	102.9/99.2
25 Jun	US	U. of Mich. Sentiment	Jun F	86.9	86.4
	US	PCE Core Deflator YoY/MoM	May	-0.6%	3.1%/0.7%
	US	Personal Spending/Personal Income	May	0.3%/-2.9%	0.5%/-13.1%

*Survey results from Bloomberg, as of 18 Jun 2021. The lists are not exhaustive and only meant to highlight key data/events.

Asia

Date	Country	Event	Period	Survey*	Prior
21-Jun	CH	5-Year/1-Yr Loan Prime Rate	21-Jun	4.65%/3.85%	4.65%/3.85%
	AU	Retail Sales MoM	May P	0.50%	1.1%
22-Jun	KR	PPI YoY	May	--	5.6%
23-Jun	TH	Customs Exports/Imports YoY	May	33.5%/53.4%	13.1%/29.8%
	TH	Customs Trade Balance	May	\$1038m	\$182m
	SG	CPI YoY/Core CPI YoY	May	2.2%/0.7%	2.1%/0.6%
	TH	BoT Benchmark Interest Rate	23-Jun	0.50%	0.50%
24-Jun	PH	BSP Overnight Borrowing Rate	23-Jun	2.00%	2.00%
25-Jun	KR	Business Survey Manuf./Non-Manuf.	Jul	--	97/81
	MY	CPI YoY	May	4.7%	4.7%
	SG	Industrial Production YoY	May	24.2%	2.1%
	CH	BoP Current Account Balance	1Q F	--	\$75.1b
25-30 Jun	VN	GDP YoY	2Q	--	4.5%
	VN	CPI YoY	Jun	--	2.9%
	VN	Retail Sales YTD YoY	Jun	--	7.6%
	VN	Industrial Production YoY	Jun	--	11.6%

Vietnam: Q2 GDP growth to be hit by the ongoing virus outbreak

- After doing a stand-out job at containing the pandemic in 2020, Vietnam finds itself currently faced with greater challenges than at another point during the pandemic for two reasons.
- First, the resurgence in COVID-19 cases, especially of new more virulent and transmissible strains, has made it way to numerous provinces and cities across the country forcing authorities to re-impose tighter social restrictions.
- At last count, 39 provinces and cities had been impacted by the latest wave of infections.
- Of these, crucial provinces such as Bac Ninh, home to Samsung and Apple suppliers in Vietnam, have become virus hotspots with the factories itself being the epicenters of the outbreaks, forcing closures of four industrial parks.
- The bigger cities of Hanoi and Ho Chi Minh have not been spared either as tighter social restrictions forced street vendors, some forms of public transport and some retail outlets to close.
- Second, Vietnam is lagging badly in vaccinations; in both procurement and progress.
- The latest data shows that only 0.07% of the population has been fully vaccinated while around 1.8% of the population has received one dose.
- After initially relying solely on AstraZeneca vaccines, the government has diversified vaccine sources to include China's SinoFarm and Russia's Sputnik, and the government is also in talks to acquire Pfizer and Moderna vaccine doses but these have not been formally endorsed yet.
- According to Vietnam's Health Ministry, the country will obtain 125m doses of vaccines this year, which will be able to vaccinate 64% of the population. But these are still subject to delays and also fall short of the government goal to obtain 150mn, i.e. for 75% of the population.
- This underscores ongoing efforts to build on its vaccine pipeline to attain higher vaccination rates.
- Inevitably, the interim impact to growth will be noticeable.
- Industrial production and retail sales slowed in May from April despite broadly favourable base effects and will likely slow further in June given the recent wave of infections continues to intensify.
- Officials are acknowledging this hit to growth. The Ministry of Planning and Investment cut H1 GDP growth forecast to 5.8% from 6.2% in Jan; implying 7.1% growth (Q1: 4.5%).
- From a policy perspective, both the government and central bank remain in a strong position to provide further support to growth if needed.
- The government ran a budget surplus for the year until April 2021 while the central bank has some

Bank Sentral ng Pilipinas: Still hamstrung by high inflation

- Although headline inflation has remained stable at 4.5% YoY for the 3 months since March 2021, it remains elevated and above the BSP's 2-4% headline inflation target range.
- This will no doubt constrain BSP's ability to cut the policy rate even as a sharp resurgence in COVID-19 infections forced the authorities to institute more stringent lockdowns and tighter social restrictions in many parts of the country since April.
- The slow vaccination drive is not helping either as the country still struggles to obtain enough vaccination doses to slow the population to reach 'herd immunity'.
- That said, BSP still has other non-rate tools in its monetary policy kit which it can use as it deems fit. This includes another 200bp in Reserve Requirement Ratio cuts and additional credit/liquidity support measures for banks and households.
- In all this, it is worth noting that USD/PHP has been relatively resilient. The Balance of Payments position shifted to a large surplus in April following three consecutive months of deficit. Moreover, BSP has continued to build FX reserves to buffer against shocks to the currency.
- With the US Federal Reserve expected to raise rates sooner-than-previously forecasted, some depreciation pressures on the PHP may start to build.
- Unfortunately for BSP, this could also coincide with a decelerating inflation profile once again putting the central bank in the midst of conflicting outcomes, which could constrain policy space.

Bank of Thailand: Status Quo

- BOT will keep its policy rate unchanged at historical low of 0.50%, with no motivation for the BOT to make any major to its policy as it continues to defer pandemic support to fiscal policy.
- Although BOT lowered its 2021 GDP growth forecast in May to 2% for this year from 3% previously, it will likely formalise this downgrade at its June meeting when it also releases a quarterly update coinciding with its June meeting.
- Even with this downgrade, the risks to the growth outlook are tilted to the downside.
- For one, the government is missing its vaccination targets on account of a shortfall in vaccine supplies. And regardless of intent to, acquiring more vaccine will take time.
- Second, it will take even longer for the tourism sector to kick start as not only do vaccinations domestically need to speed up, but also globally.
- Even with the US Federal Reserve sounding a tad more hawkish at the margin, the BOT will remain comfortable holding onto its firmly dovish bias on account of the rather dismal state of recovery in key sectors of the economy; especially as subdued inflation buys policy space.

Week-in-brief: Reining in (Run-away) Hawks?

- After last week's FOMC, the question is not whether market perceptions of hawkishness have gotten ahead of the FOMC intent; they almost certainly have! Rather it is whether (and probably) at what threshold the Fed may have to step in to rein in run-away hawks.
- To be fair, the fervour surrounding the 'Dot Plot' that now prices in two rate hikes in 2023 (from none in March) was not completely unexpected by the Fed. After all, Fed Chair Jerome Powell took pains to advise taking the 'Dot Plot' with a pinch of salt. Markets clearly need more seasoning!
- Meanwhile, a spirited buying of USD (more precisely covering USD shorts) alongside an unravelling of refraction trades has left a pool of blood in FX markets and shaken down equities.
- Long-end bond yields are down presumably on the belief that hawks will tame inflation, while 2Y yields are up as markets price in the 'Dot Plot' hikes. The flatter yield curve though is not really doing many favours for EM markets or risk appetite as liquidity driven buoyancy is being questioned.
- To be clear the Fed's primary remit is not to prevent volatility in emerging markets.
- But a continued decline in asset markets and contagion risks between equities and commodities as refraction trades unwind will not be ignored. Specifically a tightening of overall financial conditions - which is Fed speak for equity/credit market sell-off - could jolt Fed into dovish gear.
- For now, the Fed will probably gauge how far hawkish interpretations of the 'Dot Plot' will run.
- But if markets fall into old habits of over-inflation (as they are prone to), then Fed attempts to rein in run-away hawks down the road should not surprise anyone.
- Which is to say, USD bulls may want to exercise some restraint along the way. The same restraint that Bot and BSP will require in holding back additional easing even as COVID impact lingers.

Malaysia's 'National Recovery Plan': Cautious, Contingent & Challenging!

- On 15 June, 15 days into a complete nationwide lockdown, PM Muhyuddin Yassin outlined a four phase 'National Recovery Plan' (NRC).
- The recovery is based on three main indicators: the average daily infection rate, ICU bed capacity and the percentage of the population completely vaccinated. The government wants to move into phase 4 after October this year, with 60% of the population vaccinated.
- As we discussed earlier, Malaysia's vaccination procurement plans are in place to receive adequate supplies to meet their vaccination goals for the year (see Mizuho Insights: 27 April 2021: ASEAN-6 and India: Renewed Virus Outbreaks Threaten Growth Recovery Amidst Slow Incubation).
- That said, some delays are inevitable given high global demand for vaccine doses.
- Notwithstanding, mobilising the population to get vaccinated and adhering to social restrictions will remain challenging; yet critical in hitting the expected timelines on this NRC.
- From an economic standpoint, GDP growth in Q2 and Q3 will be impacted by the tighter social restrictions. There could be some spillover into Q4 as well, especially if the timeline to enter Phase-4 is delayed. We expect 2021 GDP growth to come in at 4.7%, with the risks tilted to the downside.
- While Bank Negara Malaysia has some room to manoeuvre in terms of cutting the policy rate (although not our base case) and providing additional credit/liquidity support (our base case), its flexibility will diminish as the US Fed signals a clear intent to tighten monetary policy.
- Fiscal policy still has some legs to support growth and the self-imposed debt ceiling could be raised again, if need be. But increasingly high debt levels will add to the financing burden and borrow from future growth as the economy looks to weave itself out of the pandemic.

Phase	Average daily infections rate	ICU bed capacity	% of population fully vaccinated	Expected timelines	Other comments
Phase 1	>4000	Full capacity	4.6%	Phase-1	The current daily average case count is above 5,000 and although the pace of vaccinations is picking up, progress remains slow.
Phase 2	<4000	Not at a critical stage	10%	July	Under Phase-2, movement controls will still be tight but economic activities can be reopened in stages subject to 80% workforce on site. Interstate travel and social activities are still banned.
Phase 3	<2000	ICU bed capacity reduced; healthcare system is 'comfortable'	40%	End-August	Under Phase Three, all economic sectors (other than those on the high-risk list) will be reopened at workforce capacity of 80%. High-risk economic activities are considered to be close-contact and crowded spaces. Sports and education related social activities will be eased. Parliament could reconvene (September or October).
Phase 4	<500	No stress on the healthcare system	60%	After October	In this final phase, all economic sectors will be fully reopened, while social activities, interstate travel and domestic tourism will be allowed under tight standard operating procedures.

(Source: Today's Online, Bloomberg, Malay Mail, Mizuho Bank)

Forex Rate

	Close*	Chg [^]	% Chg [^]	Week Forecast	
USD/JPY	110.21	0.550	0.50%	108.80	~ 111.80
EUR/USD	1.1864	-0.0245	-2.02%	1.170	~ 1.205
USD/SGD	1.3451	0.019	1.44%	1.3300	~ 1.3540
USD/THB	31.489	0.402	1.29%	31.30	~ 32.00
USD/MYR	4.1395	0.031	0.75%	4.122	~ 4.175
USD/IDR	14375	186	1.31%	14,200	~ 14,650
JPY/SGD	1.2202	0.011	0.93%	1.190	~ 1.244
AUD/USD	0.7479	-0.023	-2.97%	0.742	~ 0.773
USD/INR	73.86	0.785	1.07%	73.2	~ 74.8
USD/PHP	48.433	0.732	1.53%	48.2	~ 49.0

[^] Changes are on weekly basis

FX Theme: Of Bulls & Hawks

- The post-FOMC USD upswing was not entirely unexpected given overdue USD sell-off heading into the FOMC (especially amid hot inflation data and sustained economic recovery).
 - But how severe and sustained USD resurgence may be at this point appears to be dependent on and driven by the conviction behind;

i) rising short-end yields moved by the "Dot Plot", and;

ii) higher real yields provoked by the Fed's inflation-fighting chops

- And the latter (higher real yields) is specifically being inspired by the assumption that a Fed moving considerably sooner than earlier flagged will rein in inflation expectations (hence falling breakeven).
- In other words, the current USD bulls are driven by FOMC hawks.
- Which is to say, any clarification that dialls back and/or qualifies the projected hawkishness of the Fed may very well lead to some reversal of the recent bout of USD strength.
- At the very least, check sharp USD surges that have been sustained since the FOMC.
- As such, a more cautious approach to one-way long USD bets - especially as USD short squeeze peters out and deliberate long USD positions are required to extend Greenback strength.
- What's more, exaggerated drop in commodity currencies due to the sharp unwind in inflation bets may also be due for soul-searching in coming sessions/weeks as the underlying intent of the Fed to reflate the economy is merely calibrated not cast out.
- The upshot is that USD bulls are unlikely to remain on an unbridled rampage as the Fed is likely to check overdue hawkish interpretations of June FOMC.
- We expect that EUR will be bought back on drops below 1.17, while AUD at 0.74 may look like a bargain. Meanwhile, USD/CNH will be watched for any sharp moves above 6.50-6.52.
- To be sure, "taper" risks down the road also align with a stronger USD. But one-way USD

JPY: Cross Currents

- USD/JPY bulls are not as charged up as broad-based USD upwings suggest.
- For one, the unexpected and sudden USD squeeze has led to a meltdown in Cross/JPY;
- which in turn is checking upside in USD/JPY.
- What's more, softer long-end UST yields that have accompanied this bout of USD surge is also leading to some top-end pressures on USD/JPY; hindering a sustained move up above 111 at this juncture.
- For now, USD/JPY could thus be trapped in aloftier consolidation in the 109-112 range as USD direction is stress tested. And knock-back on advance may be par for the course on "risk off".

EUR: Suppressed

- EUR bears could have further to go on two accounts.
- First, the post-FOMC bout of USD strength that is sweeping across FX land; especially amid the entrenching view that the ECB will lag the Fed in terms of normalization.
- Second, this EUR lag (owing to ECB deferral) being further emphasized by resurgence of COVID in Europe led by the more transmissible delta variant.
- This is also expected to cast a shadow on the EUR.
- That said, a lot of the weakness has been baked in since FOMC, and thus EUR drop below 1.18 to 1.17 could potentially induce some reversal given the C/A surplus backing of the single currency.
- Near-term range of sub-1.17 to 1.20 is likely to hold most headline triggers.

SGD: EUR & CNY Cues to Dominate

- How far broad-based USD strength can extend will determine the range of the USD/SGD in strict sense.
- Point being, SGD moves are not a reflection weak fundamentals and or MAS monetary policy response being priced in. In fact the trade-weighted S&NEER remains at stronger half of the policy bands.
- Instead broad-based USD strength showing up as weaker trade partner currencies is what is driving SGD weakness at this point.
- In particular;

i) CNY cues (how much the PBoC allows it to depreciate from price setting signals) and;

ii) how far the EUR falls are two key determinants of (USD)/SGD moves that are consistent with a fairly buoyant S&NEER.

- At this juncture, we expect that USD/SGD will be traded 1.33 to low-1.35 as USD retains tone, but perhaps the ferocity of USD gains is tamed.

AUD: Tempering Reflation Unwind?

- A double whammy of commodity sell-off and a strong USD may well set course for a sub-0.75 AUD that goes on to test the 0.74 handle.
- And it certainly does not help that hawkish interpretations of the Fed's "Dot Plot" accentuate the Fed-RBA divergence that feeds into AUD weakness.
- Specifically a more state-dependent Fed compared to the "time-dependent" RBA has batted away any tilt 2024.
- That said, we are not betting on a one-way slide in AUD either as unravelling reflation trades are likely to run out of room as would overdue hawkish bets on the Fed. So a consolidation amid low-0.74 to high-0.76 appears par for the course as markets check overdue moves.

Bond Yield (%)

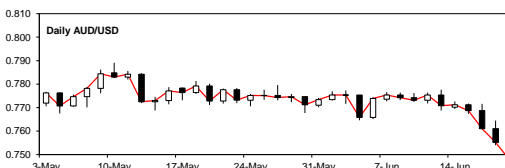
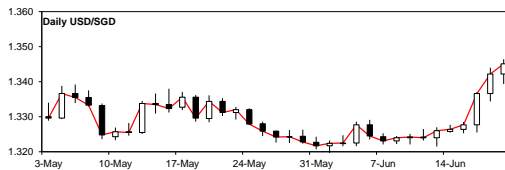
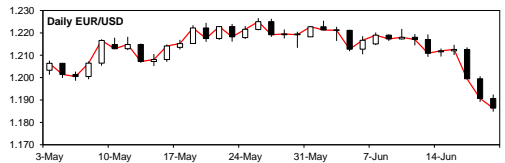
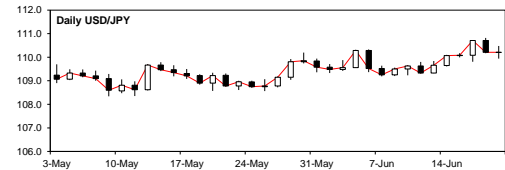
	18-Jun	2-yr	Chg (bp) [^]	10-yr	Chg (bp) [^]	Curve
USD	0.254	10.7	1.438	-1.4		Flattening
GER	-0.675	1.7	-0.205	7.0		Steepening
JPY	-0.131	0.5	0.045	2.2		Steepening
SGD	0.338	2.6	1.451	8.2		Steepening
AUD	0.039	4.5	1.589	11.3		Steepening
GBP	0.120	7.7	0.750	4.4		Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	4,166.45	-1.91
Nikkei (JP)	28,964.08	0.05
EuroStoxx (EU)	4,083.37	-1.05
FTSE STI (SG)	3,144.16	-0.44
JKSE (ID)	6,007.12	-1.45
PSEI (PH)	6,851.38	-0.82
KLCI (MY)	1,589.05	0.88
SET (TH)	1,612.98	-1.44
SENSEX (IN)	52,344.45	-0.25
ASX (AU)	7,368.85	0.77

US Treasuries: Overdone UST Yield Curve Flattening?

- Headlines suggest that last week's FOMC was a hawkish surprise. And this is true insofar that the "Dot Plot" suggested two rate hikes being baked into 2023 (from none previously).
- What is however less clear is why this would trigger a flattening of the UST yield curve, which that entails softer long-end and higher short-end yields.
- At face value, the rise in 2Y yields being attributed to rate hikes being factored in as a response to a more "hawkish" "Dot Plot" for 2023 is perhaps not odd per se.
- But the softening in long-end yields requires some reconciliation given current experience of cost-push pressures that may be set to grow.
- In particular if the Fed is going to transition into normalization with "taper" as the first port of call (and with appreciable lead over rate hikes)
- Point being, "taper" as we know it from 2013 usually leads with UST yield curve steepening (driven by rising long-end yields) at least in the early stages before flipping to UST curve flattening (left by rising 2Y yields) as rate hikes come into view.
- Question is whether the flatter yield curve has gotten too far ahead of "taper" and rising 2Y yields out of sync with the Fed's intent. If so, current flattening may subside. 2Y yield upside looking capped around 0.3%, while 10Y sub-1.4% dips may be rendered unsustainable.



MIZUHO

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. MHBK provides this information for free. Please request for cancellation of subscription if you do not want to receive free-of-charge information from MHBK.

Disclaimer

Unless otherwise stated, all views or opinions herein are solely those of the author(s) as of the date of this publication and are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, and are subject to change without notice.

This publication has been prepared by Mizuho solely from publicly available information. Information contained herein and the data underlying it have been obtained from, or based upon, sources believed by us to be reliable, but no assurance can be given that the information, data or any computation based thereon are accurate or complete. This publication provides general background information only. It is information in summary form and does not purport to be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who

are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.