

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.97	140.09	▼0.13	▼0.04
EUR	1.0791	1.0830	+0.0037	+0.0131
AUD	0.6784	0.6796	+0.0029	+0.0144
SGD	1.3417	1.3413	▼0.0010	▼0.0075
CNY	7.1603	7.1618	▼0.0044	+0.0268
INR	82.23	82.11	▼0.27	▼0.44
IDR	14904	14900	+40	+22
MYR	4.6188	4.6217	+0.0067	+0.0242
PHP	55.96	55.95	+0.01	▼0.15
THB	34.64	34.67	+0.13	▼0.06

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.786%	▼2.7 bp	▼0.9 bp
JPY (10YR)	0.431%	+0.6 bp	+0.4 bp
EUR* (10YR)	2.452%	+2.9 bp	▼0.4 bp
AUD (5YR)	3.871%	+7.7 bp	+20.9 bp
SGD (5YR)	3.056%	+5.2 bp	+12.7 bp
CNY (5YR)	2.389%	▼2.3 bp	▼4.3 bp
INR (5YR)	6.957%	+2.2 bp	+3.6 bp
IDR (5YR)	5.870%	▼3.9 bp	▼13.5 bp
MYR (5YR)	3.520%	▼0.4 bp	+2.3 bp
PHP (5YR)	5.697%	+2.9 bp	+2.2 bp
THB (5YR)	2.280%	+2.0 bp	+8.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,979.33	▼0.68%	+0.93%
N225 (JP)	33,502.42	+1.47%	+4.98%
STOXX 50 (EU)	4,375.98	+0.65%	+1.96%
ASX (AU)	4,154.38	+0.07%	▼0.22%
STI (SG)	3,218.14	+0.90%	+1.21%
SHCOMP (CN)	3,228.99	▼0.14%	+0.98%
SENSEX (IN)	63,228.51	+0.14%	+0.14%
JSE (ID)	6,699.72	▼0.29%	+1.21%
KLSE (MY)	1,385.42	+0.35%	+0.49%
PSE (PH)	6,434.06	▼1.12%	▼1.99%
SET (TH)	1,561.15	▼0.08%	+1.82%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	260.27	▲0.21%	▲0.45%
COPPER (LME)	8,509.25	+0.70%	+2.62%
IRON ORE (CN)	113.42	+0.30%	+3.12%
GOLD	1,942.52	▲0.06%	+0.13%
OIL (WTI)	68.27	▼1.66%	▼5.87%

**Three Take-aways:**

- 1) Dot Plot signals 2 more hikes this year backed by statement tweaks and Powell press conference.
- 2) Markets abandon rate cut bets in H2 but only pricing in slightly less than a hike at this point.
- 3) ECB's hike a given tonight and services inflation and activity boost odds for a further hike in July.

**FOMC: Hawks Not Done & Dovish Bets Come Undone**

- The Fed left **no doubt** about the fact that **June FOMC was but a hawkish pitstop**, and not pivot, **enroute to more hikes**; with the 'Dot Plot', statement and rhetoric all lined up to **flag more hikes in the bag, and likely shortly**.

- To be sure, in justifying the June pause, he said the Committee "**judged it prudent**" to take a breather having "**covered a lot of ground**" and given the lagged "**full effects of ... tightening have yet to be felt**". But the **unflinching message that hawks were not done** meant that **dovish bets, pushing the envelope on pivot, came undone**.

- Front-end yields were squeezed up (2Y: up 3-4bp at 4.7%) while the Dow slid (0.7%) as S&P500 gave back earlier gains. USD too rebounded initial "selling the fact" on expected hawkish pause.

- Quite unmistakably, the **biggest hawkish jolt** (for doves-in-waiting) was arguably meant to be delivered, and accordingly derived, **from additional hawkish intent quantified in the 'Dot Plot'**; which has signalled **two more (25bp) hikes this year**, with end-2023 rates at **5.625%** (5.50-5.75%), **up from 5.125%** (5.00-5.25%) as per the March 'Dot Plot'.

- In fact, **details of the 'Dot Plot' dispersion were even more emphatic about hawks far from being done**. Only two (out of 18) stayed put at 5.125%, suggesting peak rate at 5.00-5.25%.

- Whereas four pointed to one more hike to 5.375% (5.25-5.50%);

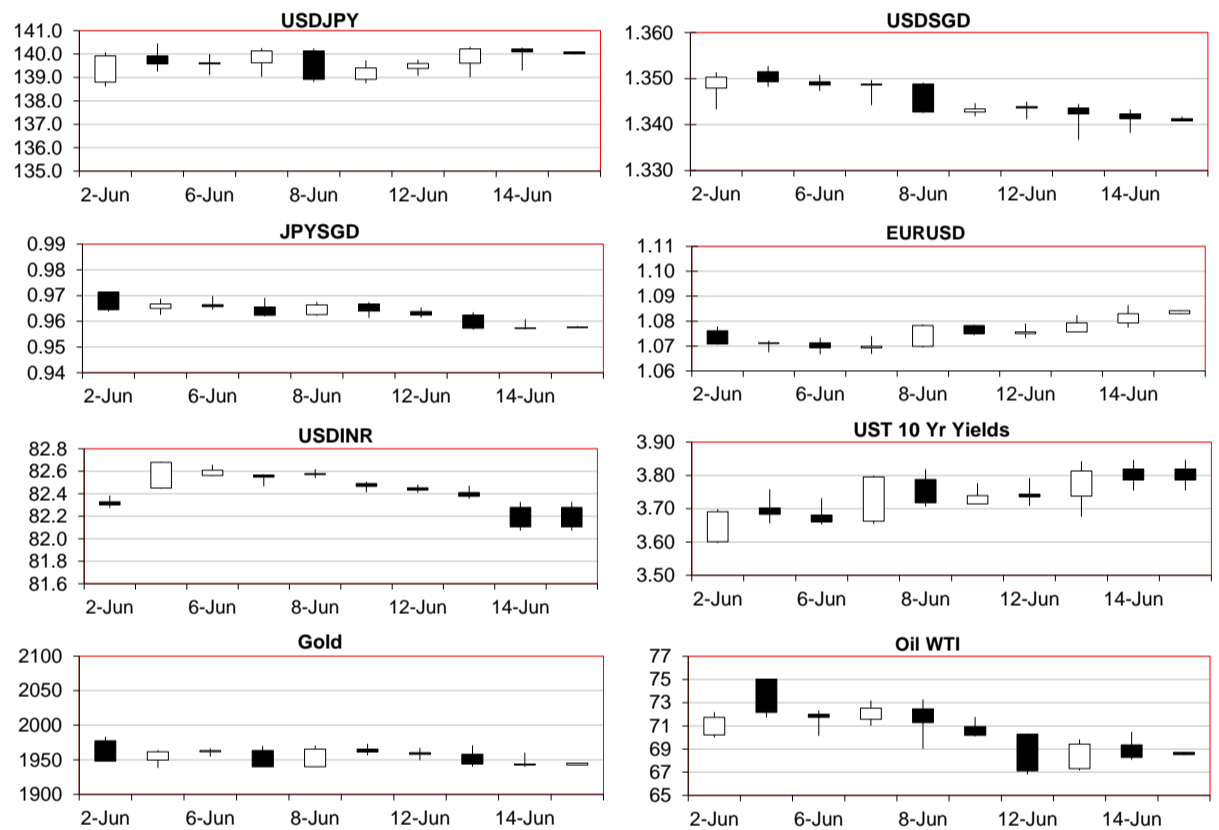
- **9 looking for two more hikes** (at the 5.625% median 'Dot Plot' for June);

- **two signalling three more hikes and one calling for four more hikes** (to 6.125%).

- And this is where **doves(-in-waiting) with pivot bets** on a rate cut in H2 (much less Q3!) **comes undone**. Accordingly, OIS and Fed Funds futures have abandoned H2 rate cut bets; although still not fully pricing in more than one hike (in Q3). In addition, the **statement was artfully tweaked to allude to assessing how much, rather than whether, further hikes were needed**.

**OVERNIGHT RESULTS**

(IN) Wholesale Prices YoY (May): -3.5% (Mkt: -2.5%; Apr: -0.9%)

**\* Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	139.99	EUR/USD	1.0843
USD/SGD	1.3408	USD/THB	34.69
JPY/SGD	0.9578	USD/MYR	4.622

**Forecast**

USD/JPY	138.60 - 140.50
EUR/USD	1.0780 - 1.0900
AUD/USD	0.6770 - 0.6850
USD/SGD	1.3400 - 1.3490
JPY/SGD	0.9537 - 0.9733
USD/CNH	7.1500 - 7.1800
USD/INR	82.00 - 82.40
USD/IDR	14830 - 14960
USD/MYR	4.612 - 4.630
USD/PHP	55.90 - 56.25
USD/THB	34.55 - 34.78

**Today's Direction**

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

**TODAY'S EVENTS**

(JP) Trade Balance (May): -¥1372.5b (Mkt: -¥1286.8b; Apr: -¥432.2b) | (JP) Core Machine Orders YoY (Apr): -5.9% (Mkt: -8.5%; Mar: -3.5%) | (CH) Retail Sales YoY (May): (Mkt: 13.8%; Apr: 18.4%) | (CH) Ind. Pdtm YoY (May): (Mkt: 3.5%; Apr: 5.6%) | (AU) Emp. Change (May): (Mkt: 15.0k; Apr: -4.3k) | (AU) Unemp. Rate (May): (Mkt: 3.7%; Apr: 3.7%) | (ID) Trade Balance (May): (Mkt: \$2940m; Apr: \$3940m) | (IN) Trade Balance (May): (Mkt: -\$16500.0m; Apr: -\$15240.0m) | (US) Initial Jobless Claims: (Mkt: 250k; 261k) | (US) Retail Sales Adv/Ex Auto and Gas (May): (Mkt: -0.1%/0.3%; Apr: 0.4%/0.6%) | (US) Ind. Pdtm MoM (May): (Mkt: 0.1%; Apr: 0.5%) | (US) Phil. Fed Busines (Jun): (Mkt: -13.0; May: -10.4) | (US) Empire Mfg (Jun): (Mkt: -15.1; May: -31.8) | **Central Banks: CBC Policy Decision | ECB Policy Decision**

- Just by swapping out "to which" for "of" the Fed has now morphed to assessing the "**extent of additional policy firming that may be appropriate**" from "**the extent to which additional policy firming may be appropriate**". Moreover, in his press address, Fed Chair Powell left no doubt (to slip through the cracks of interpretation) that **almost all** of the (save for "some") of the **FOMC members expect it appropriate to hike "somewhat further"**.

- And **sooner rather than later** as Powell stressed that **July FOMC was "live"**.

**ECB: 25 - 25 ?**

- While it is certainly not a surprise that the **ECB is set to hike rates by 25bp** at the June meeting as ECB President Lagarde re-iterates that inflation pressures remain strong, much attention will be paid to the **87% probability of a further 25bp hike at the end-July meeting**.

- Despite headline CPI's plunge to 6.1% YoY in May from 7.0% in April, core inflation sticky near 5.3% from 5.6% in April reflects **stubborn services inflation** which continues to hover at about 5.0% and shows **no signs of dis-inflation**. With **services making up 65% of the economy**, higher prices are **both impactful and salient** in consumers' minds and associated expectation formation.

- What's more, **services PMI while declining remain firmly in expansionary territory**. As such, increased activity is likely to continue to underpin services inflationary pressures.

- A return to large step hikes are certainly too high a bar with **sequential growth momentum sinking into contractionary territory**. On balance, given the ECB's emphasis on a timely return of inflation to target, steady 25bp steps may well be required to steer inflation lower.

**FX Daily Outlook**

- EUR/USD: Ahead of ECB tonight, EUR looks likely to hold up above 1.08.

- USD/JPY: Continued buoyancy of mid-139 par for the course.

- USD/SGD: Sideways above 1.34 stays the base case even as speculation of China stimulus mount.

- AUD/USD: Stage set for consolidation near both sides of 68 cents.

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