

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.28	140.29	+0.20	+1.37
EUR	1.0827	1.0945	+0.0115	+0.0163
AUD	0.6818	0.6885	+0.0089	+0.0169
SGD	1.3425	1.3366	▼0.0047	▼0.0061
CNY	7.1518	7.1210	▼0.0408	+0.0092
INR	82.07	82.18	+0.08	▼0.39
IDR	14954	14945	+45	+50
MYR	4.6342	4.6260	+0.0043	+0.0050
PHP	55.96	55.95	▼0.00	▼0.17
THB	34.80	34.81	+0.14	▼0.01

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.717%	▼7.0 bp	▼0.1 bp
JPY (10YR)	0.429%	▼0.2 bp	▼0.9 bp
EUR* (10YR)	2.504%	+5.2 bp	+10.2 bp
AUD (5YR)	3.937%	+6.6 bp	+9.2 bp
SGD (5YR)	3.083%	+2.7 bp	+8.9 bp
CNY (5YR)	2.433%	+4.4 bp	▼1.0 bp
INR (5YR)	6.985%	+2.8 bp	+1.0 bp
IDR (5YR)	5.902%	+3.2 bp	▼8.7 bp
MYR (5YR)	3.541%	+2.1 bp	+1.7 bp
PHP (5YR)	5.729%	+3.2 bp	+5.4 bp
THB (5YR)	2.300%	+2.0 bp	+9.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,408.06	+1.26%	+1.70%
N225 (JP)	33,485.49	▼0.05%	+5.83%
STOXX 50 (EU)	4,365.12	▼0.25%	+1.57%
ASX (AU)	4,161.92	+0.18%	+0.27%
STI (SG)	3,242.85	+0.77%	+1.76%
SHCOMP (CN)	3,252.98	+0.74%	+1.23%
SENSEX (IN)	62,917.63	▼0.49%	+0.11%
JSE (ID)	6,713.80	+0.21%	+0.71%
KLSE (MY)	1,381.73	▼0.27%	+0.52%
PSE (PH)	6,461.42	+0.43%	▼1.19%
SET (TH)	1,557.71	▼0.22%	▼0.11%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	266.91	+2.55%	+1.75%
COPPER (LME)	8,555.99	+0.55%	+2.64%
IRON ORE (CN)	113.67	+0.22%	+1.65%
GOLD	1,958.01	+0.80%	▲0.38%
OIL (WTI)	70.62	+3.44%	▼0.94%

### Three Take-aways:

- 1) The ECB hiked by 25bp as expected and says it is "not done"; nor is it "thinking about pausing".
- 2) That it has "ground to cover" stems from "too high for too long" inflation and tight job market.
- 3) Despite downside JPY pressures, the BoJ is likely to hold; continuing its careful review.

### ECB Hawks Flex

- The ECB flexed hawkish, saying it is "not done" after its 25bp hike, has "ground to cover", and barring tail risks is likely to hike again in July; as it is "not thinking about pausing" yet. So, July is considered a done deal and the question is what it will take to pause or stop in September.

- Central to the ECB's hawkish bias is its "determination to ensure that inflation returns to ... 2% ... target in a timely manner"; as despite tentative comfort about "coming down", inflation projected to be "too high for too long" amid (tight) job market dynamics is the bugbear.

- But despite more pipeline tightening and intent to be "restrictive as long as required", the admission that "past rate increases are being transmitted forcefully" and that "tighter financing conditions ... key reason (for) ... inflation ... to decline" suggest two-way policy risks.

- In turn, continuation of hikes in September (and certainly beyond in Q4) without a skip, pause or stop is arguably up for more intense debate. On this, the ECB's allusion to data dependence is expected. But nevertheless complicated by; i) shifting emphasis away from cost shocks to a tight job market, and; ii) long and variable lags in tightening financial conditions.

- A hawkish ECB with relative shifts up in European yields vis-a-vis USTs (after higher US jobs claims) triggered EUR mid-1.09 surge (USD dent). US equities soared despite Europe's dip.

- But knee-jerk reactions are not necessarily a trend. And volatility is not canned ahead of BoJ.

### BoJ: Hold ... Policy, Not Breath

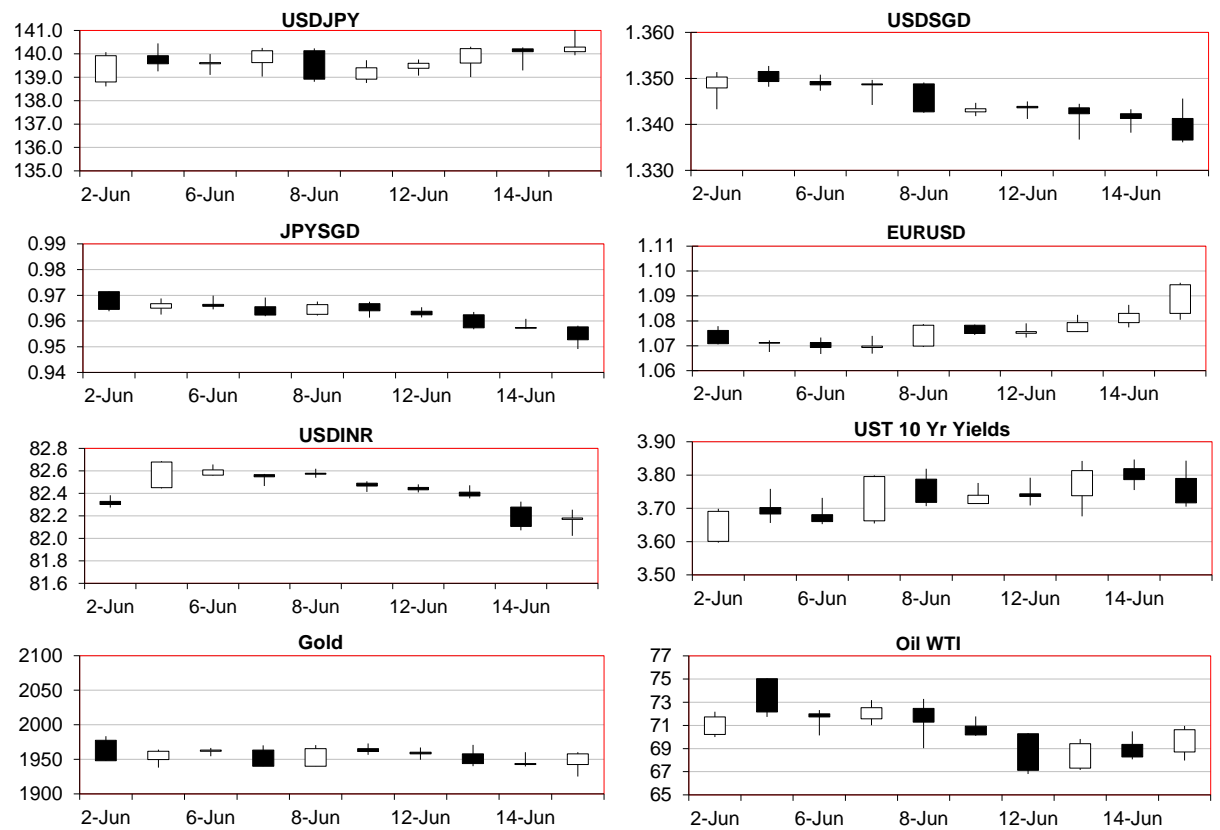
- Despite JPY depreciation pressures, the BoJ is set for further contemplation rather than being rushed into ill-timed tightening. So, even as a policy review is mullied, the case is for a considered policy hold, not reason to hold one's breath in anticipation of decisive action.

### OVERNIGHT RESULTS

(CH) Retail Sales YoY (May): 12.7% (Mkt: 13.7%; Apr: 18.4%) | (CH) Ind Pdtm YoY (May): 3.5% (Mkt: 3.5%; Apr: 5.6%) | (AU) Emp. Chg/Unemp. Rate (May): 75.9k/3.6% (Mkt: 17.5k/3.7%; Apr: -4.3/3.7%) | (US) Ind Pdtm MoM (May): -0.2% (Mkt: 0.1%; Apr: 0.5%)

(US) Retail Sales/ex-Auto&Gas MoM (May): 0.3%/0.4% (Mkt: -0.2%/0.2%; Apr: 0.4%/0.5%) | (US) Empire Mfg (Jun): 6.6 (Mkt: -15.1; May: -31.8) | (US) Philly Fed (Jun): -13.7 (Mkt: -14.0; May: -10.4) | (US) Initial Jobless Claims (10-Jun): 262K (Mkt: 245K)

### Past Two Weeks Movement



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	140.27	EUR/USD	1.0946
USD/SGD	1.3367	USD/THB	34.61
JPY/SGD	0.9530	USD/MYR	4.626

### Forecast

USD/JPY	139.60 - 140.90
EUR/USD	1.0880 - 1.1000
AUD/USD	0.6800 - 0.6930
USD/SGD	1.3330 - 1.3450
JPY/SGD	0.9461 - 0.9635
USD/CNH	7.1160 - 7.1630
USD/INR	81.88 - 82.30
USD/IDR	14900 - 14980
USD/MYR	4.598 - 4.628
USD/PHP	55.80 - 56.10
USD/THB	34.48 - 34.85

### Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	7	1

- To be clear, there are solid reasons to calibrate policy from ultra-easy settings in a measured, controlled and sensible manner; to check policy risks and ensure stability and sustainability.

- So we are past the "if". But "when" and "what (exactly)", are critical policy questions.

**When:** On the "when?", it makes intuitive sense not to rush in at the wrong point of the cycle; instead deferring to coincide with a proper bottom in currently languishing global manufacturing. Especially not for the more impactful policy (tightening) moves, that may exacerbate pain.

**What:** In particular, the "low-hanging fruit" for the BoJ that may be executed relatively sooner is exit from NIRP\* to a calibrated one-off adjustment to effective ZIRP\*. Further tweaks to the width of YCC band may also be opted given the impression of continuity and calibration.

- Whereas in contrast, drastic moves such as YCC abandonment, which could result in violent moves in JGB yields, needs further debating, and certainly considerable deferment.

- Admittedly, meaningful conversations to resolve balance sheet/market impediments as well as inherent conflicts of Balance Sheet policies targeting both price (YCC) and quantity (QQE) are undeniably necessary to ensure policy sustainability and efficacy in the long-run.

- But it is neither necessary nor wise to attempt a policy overhaul imminently. Not even on account of JPY backstop; benefits of which are significantly outweighed by rocking the policy boat on credibility, and worse, fiscal blowback if JGB yields spiral out.

- So, a hold is no less considered, conscious or convincingly effective as policy decisions go.

\* NIRP is negative interest rate policy while ZIRP is zero interest rate policy

### FX Daily Outlook

- EUR/USD: A hawkish ECB has boosted EUR; but 1.10+ may be a bit of a challenge.

- USD/JPY: USD and UST yield pullback holding back the pair from sustained 141 break.

- USD/SGD: Sub-1.34 benefits from CNH rebound and USD drop (EUR boost); 1.33 supported though.

- AUD/USD: China stimulus hopes and hot jobs spurring 0.68+ but; may fizzle at 0.69 on caution.

### TODAY'S EVENTS

(SG) Non-Oil Domestic/Electronics Exports YoY (May): -14.7%/-27.2% (Mkt: -7.7%/--; Apr: -9.8%/-23.3%)

(EZ) CPI/Core YoY (May F): (Mkt: 6.1%/5.3%; May P: 6.1%/5.3%)

(US) U. of Mich. Sentiment/Expectations (June P): (Mkt: 60.1/--; May: 59.2/55.4)

(US) U. of Mich. 1 Yr/5-10 Yr Inflation (Jun P): (Mkt: 4.1%/3.1%; May: 4.2%/3.1%)

Central Banks: BOJ Policy Decision

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