

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) Hawkish Fed speakers sent UST yields higher and dampened US equities.
- 2) Amid multiple reasons for H2 hikes, the Fed remains wary and search for warning signs on credit.
- 3) Facing credit and power crunch, the SBV cut rates to underpin growth and rescue industrials.

Fed's Mission

- A necessary recap of the Dot Plot last week: only 2 out of 18 members reflected staying put at 5.125%, with 4, 9, 2 and 1 pointing to one, two, three and four hikes respectively. This **display** has already **set the tone for various Fed speakers** last Friday and will likely continue to do so.

- The reasons to do more include Richmond Fed's Barkin citing **elevated demand from fiscal demand and elevated savings**, Fed Governor Waller insistence on being steadfast on tackling inflation and **not being derailed by ineffective management** at a few banks.

- Meanwhile, Chicago Fed's Goolsbee who has been concerned over credit tightening, framed the pause as a **reconnaissance mission "before charging up the hill"**. That said, one may wonder if special efforts are being made to assess regional banking health or credit channel fluidity.

- Given the **overall hawkish tones**, UST 2Y yields soared 7.2bp while 10Y yields rose 4.5bps as 10Y-2Y yield curve inversion deepened.

- Improved consumer sentiments and lower inflation expectations from the Uni. Of Michigan survey had to take a back seat as prospects of tighter monetary policy weighed.

- US equities slipped with the Nasdaq down 0.7% while the S&P 500 fell 0.4% and 0.3%.

- The USD remained firm. USD/JPY rose emphatically towards 142 as the BoJ stood pat on the accommodative monetary policy stance. EUR hovered sideways around mid-1.09.

- AUD continues to retain traction above mid 68 cents. Elsewhere, USD/SGD may bounce off mid-1.33

State Bank of Vietnam: Unleashes Another Round of Easing with a 50bp Cut

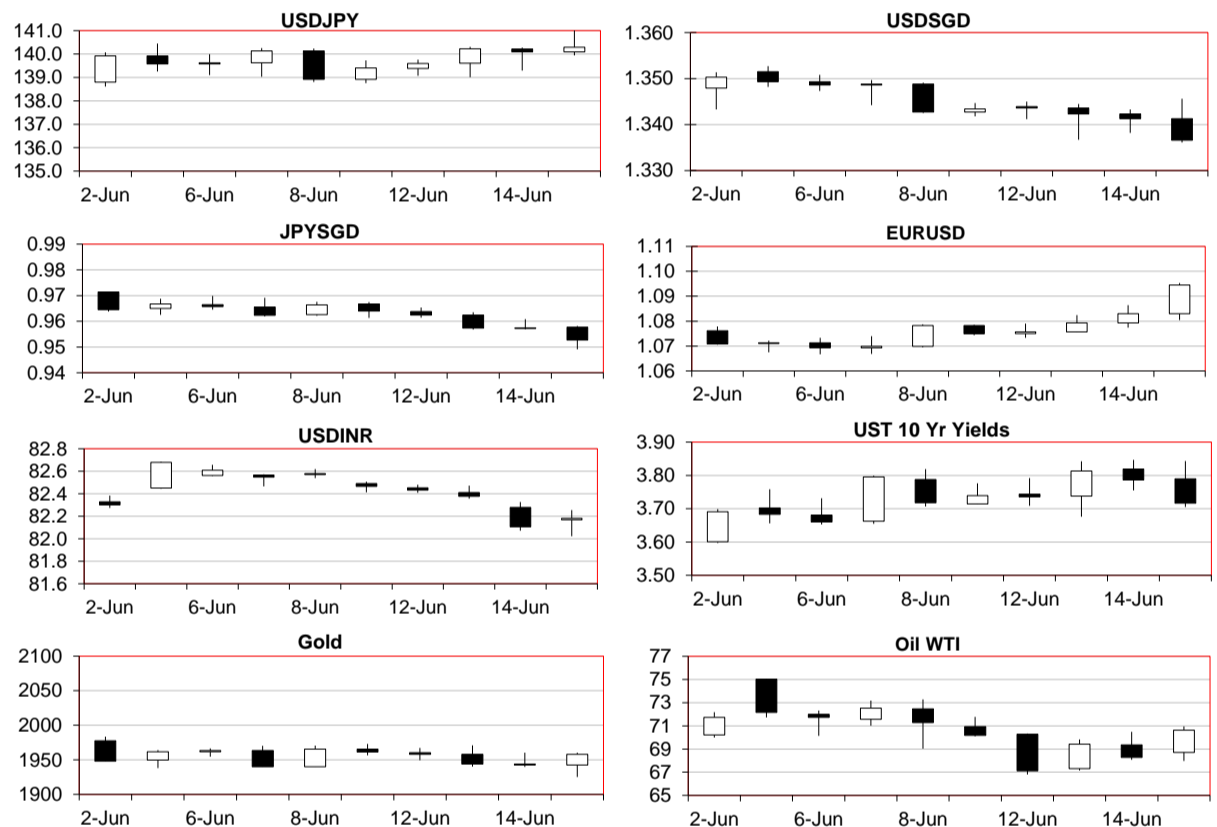
- The SBV announced on 16 June that **both the refinancing rate and the rediscount rate will be cut by 50bp** from 5.0% to 4.5% and from 3.5% to 3.0% respectively, effective today.

OVERNIGHT RESULTS

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

(US) U. of Mich. Sentiment/Expectations (June P): 63.8/61.3(Mkt: 60.1/-; May: 59.2/55.4)

(US) U. of Mich. 1 Yr/5-10 Yr Inflation (Jun P):3.3%/3.0% (Mkt: 4.1%/3.1%; May: 4.2%/3.1%)

*** 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	140.50	-	142.50
EUR/USD	1.0880	-	1.1000
AUD/USD	0.6800	-	0.6930
USD/SGD	1.3330	-	1.3450
JPY/SGD	0.9354	-	0.9573
USD/CNH	7.1160	-	7.1630
USD/INR	81.80	-	82.30
USD/IDR	14900	-	14980
USD/MYR	4.598	-	4.628
USD/PHP	55.70	-	56.10
USD/THB	34.48	-	34.85

Today's Direction

	Bull	:	Bear
USD/SGD	4	:	0
USD/JPY	3	:	1

- For context: the SBV began cutting rates on 15 March with a 100 bps cut to the rediscount rate which pertains to improving access for front end (short term) credit and may be aimed at **alleviates stresses in the troubled property sector**.

- Q1 GDP growth outturn released on 29 March was at a **disappointing 3.3% YoY** as manufacturing output contracted. This was followed suit by a 50bp cut on 3 April to the refinancing rate to **ease access to liquidity and credit further out the curve with longer tenors**.

- **Credit indicators displayed impaired access across sectors including external facing trade sectors as inventory build-up and slowing orders weighed**.

- Meanwhile, **power crunch from high temperatures and low reservoir water levels** have not only curtailed "non-essentials" (e.g. advertising billboards) but impacted **MNC industrial parks too**. Delayed logistics and shipments add additional costs woes on top of production hold back.

- Amid credit crunch and power crunch exacerbating risks of higher prices and lower output, the SBV carried out another **50bps cut to the refinancing rate effective on 25 May**.

- In this current context, their latest policy easing move serves to **alleviate stresses** which has beset the industrial bases. While rainfall and hydroelectric power issues may not be easily addressed and managed, a lower cost of credit may marginally placate wounded businesses and preserve Vietnam's painstakingly built industrial capabilities and capacities.

- Looking ahead, **Q2 GDP growth outturns are likely to be dismal** while the official growth target may look a stretch too far.

FX Daily Outlook

- EUR/USD: Cautious testing of 1.10 on the cards, durability in doubt amid hawkish Fed speak.

- USD/JPY: Excessive volatility and jawboning may restrain 142.

- USD/SGD: CNH recovery may hold back 1.34 while 1.33 underpinned by UST yields.

- AUD/USD: Stage set for repeated testing of 69 cents amid consolidation attempts.

TODAY'S EVENTS

19-22 Jun: (PH) BoP Overall (May): (Mkt: ; Apr: -\$148m)

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