

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.87	141.98	+0.16	+2.38
EUR	1.0930	1.0921	▼0.0016	+0.0164
AUD	0.6868	0.6851	▼0.0024	+0.0100
SGD	1.3394	1.3410	+0.0035	▼0.0026
CNY	7.1563	7.1634	+0.0365	+0.0170
INR	81.94	81.94	+0.00	▼0.49
IDR	14997	14995	+60	+130
MYR	4.6254	4.6307	+0.0157	+0.0109
PHP	55.74	55.74	▼0.12	▼0.30
THB	34.77	34.80	+0.13	+0.20

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.761%	+0.0 bp	+2.6 bp
JPY (10YR)	0.400%	▼1.2 bp	▼3.1 bp
EUR* (10YR)	2.517%	+4.3 bp	+12.9 bp
AUD (5YR)	3.919%	▼2.7 bp	+12.6 bp
SGD (5YR)	3.090%	+4.1 bp	+4.8 bp
CNY (5YR)	2.492%	+3.0 bp	+6.3 bp
INR (5YR)	6.994%	+2.4 bp	+4.3 bp
IDR (5YR)	5.913%	+1.7 bp	▼3.9 bp
MYR (5YR)	3.540%	+0.7 bp	+0.6 bp
PHP (5YR)	5.782%	+3.3 bp	+10.6 bp
THB (5YR)	2.321%	+1.8 bp	+10.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,299.12	+0.00%	+0.68%
N225 (JP)	33,370.42	▼1.00%	+2.89%
STOXX 50 (EU)	4,362.38	▼0.74%	+1.06%
ASX (AU)	4,137.73	▼0.73%	▼0.06%
STI (SG)	3,241.17	▼0.58%	+1.41%
SHCOMP (CN)	3,255.81	▼0.54%	+0.84%
SENSEX (IN)	63,168.30	▼0.34%	+0.71%
JSE (ID)	6,686.06	▼0.19%	▼0.54%
KLSE (MY)	1,387.33	▼0.09%	+0.04%
PSE (PH)	6,450.34	▼0.89%	▼0.87%
SET (TH)	1,556.92	▼0.16%	+0.36%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.91	+0.00%	+5.43%
COPPER (LME)	8,546.00	▲0.11%	+3.19%
IRON ORE (CN)	114.20	+0.35%	+2.76%
GOLD	1,950.48	▲0.38%	▲0.38%
OIL (WTI)	71.78	+0.00%	+6.94%

**Three Take-aways:**

- 1) EUR loses traction on conflicting ECB remarks despite higher EZ yields from BoE hike expectations.
- 2) Singapore's NODX speaks to deepening uncertainties over global demand woes or turnaround hopes.
- 3) Bank Indonesia to hold rates on Thursday amid inflation relief and IDR stability.

**Dampened Expectations**

- ECB Chief Economist Lane has eschewed excessive forward guidance with his **"July will be decided in July. September will be decided in September."**

- This is certainly a departure from ECB President Lagarde's rather clear remarks on it being very likely that rates will be raised at the upcoming July meeting. These conflicting remarks reflect sharper trade-offs at this juncture as ECB's Stournaras (Bank of Greece) warns recession risks.

- While European yields were led higher as Gilt yields soared on expects for another BOE hike this Thursday, the Euro Stoxx dropped 0.4%. Tellingly on ECB's uncertain trajectory with OIS markets lowering odds of ECB hikes, EUR did not ride on higher yields as it edged lower towards 1.09.

- In Asia, USD/JPY stayed flat just below 142 as the pair remain buoyed on policy divergence.

- While the PBoC may be expected to cut loan prime rates today, the lack of specific rescue details from the State Council had **dampened market expectations**. Alongside a weaker CNH, the AUD fell toward mid-68 cents while the USD/SGD rose above 1.34.

**Singapore: Trading Risks**

- Being a small and open economy, *Singapore is acutely sensitive to global headwinds*.

- By the same token, it plays the *role of the proverbial canary* (in the coal mine).

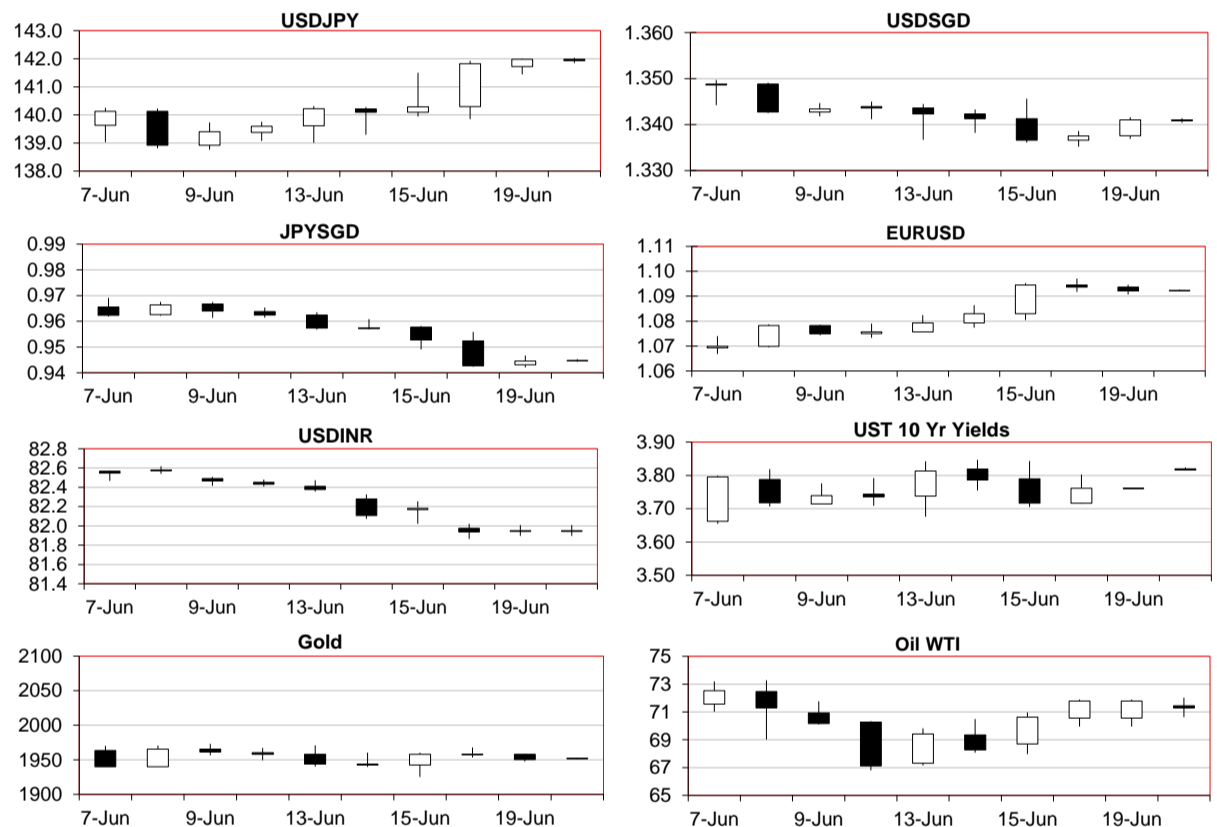
- On that note, in-coming trade data, led by select **NODX details, warn of approaching global demand storms; consistent with severe contractions, if not recessions.**

- To be sure, *Singapore's manufacturing sector has already been in a recession* for a while now.

- Questions is, **will this broaden rather than turnaround in the near-term.**

- The prognosis is uncertain. But even for optimists it would be *cavalier to ignore more intense headwinds around the corner*; with odds that things get worse before better.

- All said, **global trade risks** means that **policy-makers also ought to be trading inflation-growth risks nimbly, with great finesse and nuance.**

**OVERNIGHT RESULTS**
**\* Past Two Weeks Movement \***

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

USD/JPY	141.90	EUR/USD	1.0924
USD/SGD	1.3408	USD/THB	34.77
JPY/SGD	0.9449	USD/MYR	4.627

**Forecast**

USD/JPY	140.50 - 142.50
EUR/USD	1.0880 - 1.1000
AUD/USD	0.6800 - 0.6900
USD/SGD	1.3350 - 1.3450
JPY/SGD	0.9368 - 0.9573
USD/CNH	7.1400 - 7.1800
USD/INR	81.80 - 82.30
USD/IDR	14950 - 15130
USD/MYR	4.610 - 4.640
USD/PHP	55.70 - 56.10
USD/THB	34.55 - 34.85

**Today's Direction**

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

**Bank Indonesia: Holding It Together**

- Bank Indonesia will be expected to keep **policy rates on hold** at their meeting on 22 June.

- Unlike many regional peers, headline inflation in May of 4.0% YoY is now **resting within BI's target range** (1-4%) and core inflation presents an even more comfortable scene at 2.7%.

- For now, **tightening bias has admittedly subsided** amid mixed signals on economic activity.

- Amid BI's dropping of upward bias in their growth outlook at the previous meeting, the **broad conjuncture depicts possible resilience attempting to hold up growth amid a slew of emerging soft spots**. While retail sales posted subdued growth of 0.8% YoY in April-May and car sales in April fell 28% YoY, **consumer confidence bucked the pessimism to continue improving**.

- Visitor arrivals (at around 860k/month) are steady at about 65% of pre-Covid levels awaiting stronger inflows from ASEAN and China **underscores on-going services recovery which lean against the risks of manufacturing PMI buckling** from their current expansionary territory.

- While **surplus position on trade balances will endure** for the next few months, 29% YoY and 22% plunge in exports and imports respectively incite worries on both external and domestic demand. As for **the IDR, it has critically remained stable** to chalk up mild gains since the last meeting amid a confluence of trade, foreign fund inflows and policy (operation twist and export term deposits).

- All said, Bank Indonesia's attempt to maintain this balancing act of (Inflation-growth-IDR) **stability rules out rate cuts at this point**; so as to avoid exposing vulnerabilities to capital flight.

**FX Daily Outlook**

- EUR/USD: Within ECB divergence sets back EUR rallies to restrain recovery back above mid-1.09.

- USD/JPY: Buoyancy retained though opportunistic JPY bulls watched for bids nearer mid-142.

- USD/SGD: Souring China stimulus expectations set the tone for consolidation around 1.34.

- AUD/USD: RBA minutes to backstop 68 cents rather than incite quick reversals back to 69 cents.

**TODAY'S EVENTS**

(JP) Industrial Production YoY (Apr F): (Apr P: -0.3%) | (JP) Machine Tool orders YoY (May F): (May P: -22.2%) |

(CH) 1 Year/5-Year Loan Prime Rate: (Mkt: 3.7%/4.3%; Prior: 3.7%/4.3%) | (MY) Trade Balance MYR (May): (Mkt: 13.4b; Apr: 12.9b) |

(TW) Export Orders YoY (May): (Mkt: -21.4%; Apr: -18.1%) | (EZ) ECB Current Account SA (Apr): (Mar: 31.2b) |

(US) Building Permits (May): (Mkt: 1428k; Apr: 1417k) | (US) Housing Starts (May): (Mkt: 1379k; Apr: 1401k)

Central Bank: RBA Meeting Minutes

**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 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.