

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.75	141.47	▼0.51	+1.25
EUR	1.0944	1.0918	▼0.0003	+0.0125
AUD	0.6807	0.6785	▼0.0066	+0.0018
SGD	1.3409	1.3433	+0.0023	+0.0010
CNY	7.1732	7.1809	+0.0175	+0.0147
INR	82.10	82.12	+0.18	▼0.26
IDR	15021	15000	+5	+140
MYR	4.6371	4.6405	+0.0098	+0.0255
PHP	55.56	55.56	▼0.19	▼0.39
THB	34.70	34.74	▼0.05	+0.20

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.721%	▼4.1 bp	▼9.3 bp
JPY (10YR)	0.393%	▼0.7 bp	▼3.2 bp
EUR* (10YR)	2.405%	▼11.2 bp	▼1.8 bp
AUD (5YR)	3.916%	▼0.3 bp	+12.2 bp
SGD (5YR)	3.091%	+0.1 bp	+8.7 bp
CNY (5YR)	2.469%	▼2.3 bp	+5.7 bp
INR (5YR)	6.989%	▼0.5 bp	+5.4 bp
IDR (5YR)	5.940%	+2.7 bp	+3.1 bp
MYR (5YR)	3.553%	+1.3 bp	+2.9 bp
PHP (5YR)	5.772%	▼1.0 bp	+10.4 bp
THB (5YR)	2.330%	+0.9 bp	+7.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,053.87	▼0.72%	▼0.46%
N225 (JP)	33,388.91	+0.06%	+1.12%
STOXX 50 (EU)	4,343.14	▼0.44%	▼0.10%
ASX (AU)	4,125.41	▼0.30%	▼0.63%
STI (SG)	3,220.23	▼0.65%	+0.97%
SHCOMP (CN)	3,240.37	▼0.47%	+0.21%
SENSEX (IN)	63,327.70	+0.25%	+0.29%
JSE (ID)	6,660.46	▼0.38%	▼0.87%
KLSE (MY)	1,388.33	+0.07%	+0.56%
PSE (PH)	6,448.90	▼0.02%	▼0.90%
SET (TH)	1,537.59	▼1.24%	▼1.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.41	▲1.29%	+2.53%
COPPER (LME)	8,552.25	+0.07%	+1.21%
IRON ORE (CN)	113.47	▲0.64%	+0.34%
GOLD	1,936.42	▲0.72%	▲0.38%
OIL (WTI)	70.50	▼1.78%	+1.56%

Three Take-aways:

- 1) RBA Minutes rings comparatively less hawkish amid June pause contemplation; AUD slips.
- 2) But RBA stance remains hawkish with more than 80% odds of another 50bp of hikes.
- 3) China stimulus disappointment flags underlying risks; CNH drag amid diminished risk appetite.

Wait a (RBA) Minute

- Details of RBA Minutes give pause to the notion of more unrelenting, unflinching rate hikes that was conveyed in comparatively more unequivocally hawkish sounding post-RBA statement.
 - To be sure, the Minutes were not expressly coy about further hikes, retaining tightening bias.
 - Nonetheless, by comparison, it comes across less aggressively hawkish. Especially as "members discussed the possibility of holding the cash rate ...and then reconsidering (subsequently)".
 - As a result of which, markets have tempered rate hike expectations now holding back on a July hike; although two more (25bp) hikes for 2023 remains a base case with >80% probability. Consequently, the AUD has been knocked back (from upwardly aspiring mid-0.68 to sub-0.68) (below mid-0.68+ alongside slippage in AGB yields (that are down 6-7 bps).
 - Upshot being, markets are now warming to the idea of a pause for the RBA to assess more (mixed) data rather than an unpunctuated rate hike path. Along with RBA hawks now waiting on (June) Minutes, AUD bulls may also have to wait a minute on diminished policy support.
 - Especially as Fed Powell's two-day testimony to the Congress (House tonight and Senate tomorrow) is likely to underpin the Fed's hawkish conviction; instigating fresh USD traction.
 - Accordingly, EUR has slipped to the softer side of mid-1.09, USD/SGD is bumped up nearer to mid-1.34 and USD/JPY, while easing back from 142 tests, is buoyed around mid-141.
 - And more so as, China stimulus disappointments further dent risk appetite and CNH.

China's Stimulus Stumbles

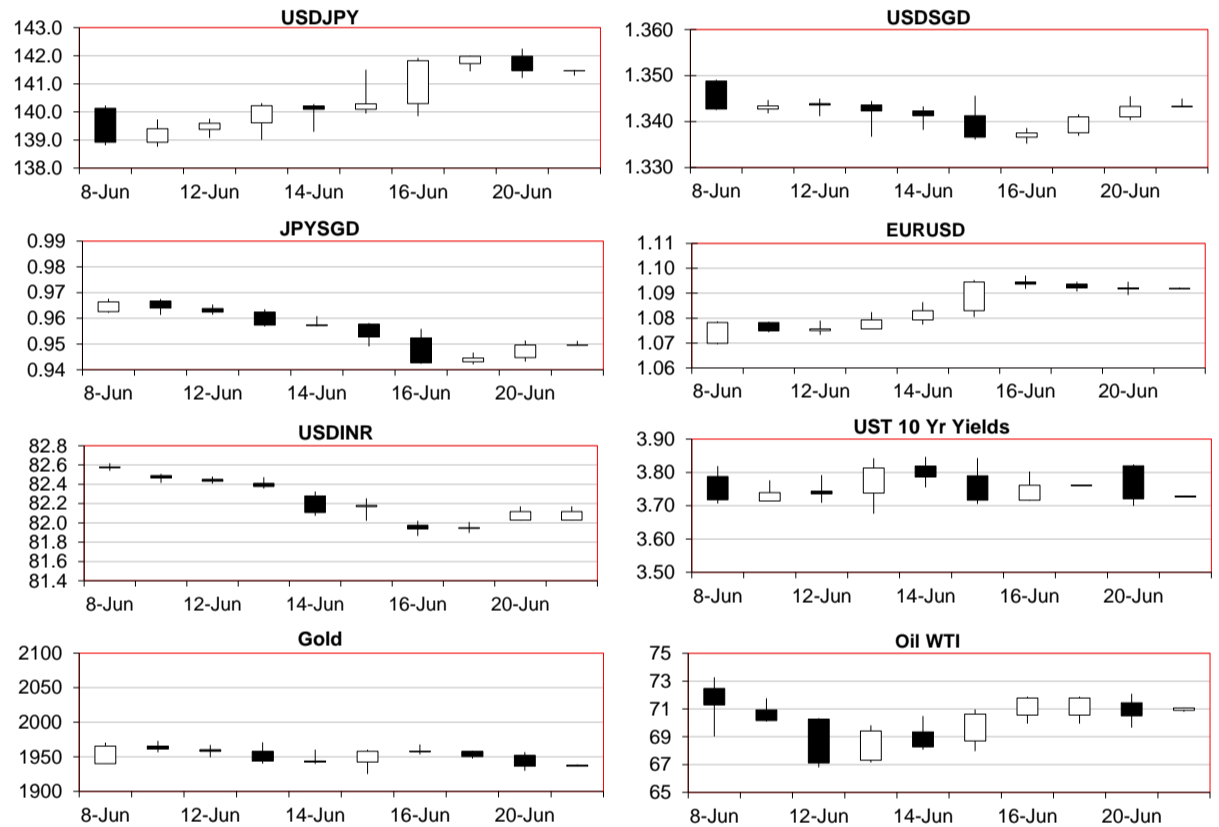
- Market exuberance on stimulus bets, extrapolated from China's sputtering economy is not just perverse, but dangerously misguided; a point validated by the recoil in risk appetite as the 10bp rate cut to 5Y LPR (to 4.20%) disappointed expectations of a 15bps reduction.

OVERNIGHT RESULTS

(JP) Ind Pdtm YoY (Apr F): -0.7% (Apr P: -0.3%) | (CH) 1 Year/5-Year Loan Prime Rate: 3.55%/4.20% (Prior: 3.65%/4.30%) | (TW) Export Orders YoY (May): -17.6% (Mkt: -21.3%; Apr: -18.1%) | (EZ) Current Account SA (Apr): €3.6b (Mar: €31.2b)

* (US) Fed Funds Rate: 5.25-5.50% (Mkt: 5.25-5.50%) | (UK) 5Yr Gilt: 4.25% (Mkt: 4.25%) | (IN) 5Yr Gilt: 6.75% (Mkt: 6.75%) | (TH) 5Yr Gilt: 2.33% (Mkt: 2.33%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	141.33	EUR/USD	1.0920
USD/SGD	1.3432	USD/THB	34.84
JPY/SGD	0.9504	USD/MYR	4.640

Forecast

USD/JPY	140.70 - 142.60
EUR/USD	1.0870 - 1.0980
AUD/USD	0.6720 - 0.6870
USD/SGD	1.3370 - 1.3480
JPY/SGD	0.9376 - 0.9581
USD/CNH	7.1550 - 7.1880
USD/INR	81.95 - 82.35
USD/IDR	14980 - 15110
USD/MYR	4.628 - 4.655
USD/PHP	55.50 - 56.15
USD/THB	34.68 - 34.95

Today's Direction

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

- And not just because of tantrums that market may throw if their expectations of a sufficiently soothing quantum and form of policy fillip is not handed to them.
 - For a start, addiction to stimulus to the point of overlooking underlying structural economic malaise negligently celebrates short-lived relief over durable resilience.
 - Moreover, markets may be primed for even greater disappointment (of outcomes over response); misjudging, more precisely overestimating, durable uplift from any stimulus boost.
 - Crucially, sharpening policy trade-offs inevitably impose a cost on, and beyond, the economy.
 - Whereas, China's three most daunting macro challenges are posed by a confluence of pre-existing structural impediments, self-inflicted socio-political pain and geo-economic headwinds.
 - Especially as these headwinds/threats interact and conspire to inadvertently dampen and diminish growth-boosting impulse from stimulus as well as growth potential.
 - Upshot being, failing the most desperate and potentially de-stabilizing pump-priming, policy stimulus attempts will at best cushion the bruises from a landing, not conjure a lift-off.
 - Most notably as the three most daunting macro threats manifest as;
 - i) binding credit constraints (that impede provision of, and multiplier benefits from credit);
 - ii) confidence deficit, significantly compromising growth multipliers amid uncertainty;
 - iii) pervasive property drag adversely impacting balance sheet/wealth effects and;
 - iv) geo-political "premium" robbing growth. That is, threat mitigation costs in various forms (security costs, barrier levy, acquisition premium, duplication overheads, etc.).

FX Daily Outlook

- EUR/USD: Fed Powell's testimony could impose more hawkish flex; 1.10 upside may be impeded.
- USD/JPY: While softer global yields overnight have given reprieve; re-test of 142 remains a risk.
- USD/SGD: China risks and Fed hawks could conspire to get the pair above mid-1.34.
- AUD/USD: Post-Minutes sub-0.68 slide may entrench; if Powell flexes hawkish amid China risk.s

TODAY'S EVENTS

(KR) PPI YoY (May): 0.6% (Apr: 1.6%) | (AU) Westpac Leading Index MoM (May): -0.27% (Apr: -0.03%)

(US) Mortgage Applications (16-Jun): (Prev: 7.6%)

Central Banks: Fed Chair Powell Testifies to the House Financial Services Panel

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