

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.08	141.88	+0.41	+1.79
EUR	1.0916	1.0986	+0.0068	+0.0156
AUD	0.6765	0.6797	+0.0012	+0.0001
SGD	1.3443	1.3404	▼0.0029	▼0.0009
CNY	7.1940	7.1794	▼0.0015	+0.0176
INR	82.03	82.04	▼0.08	▼0.07
IDR	14962	14945	▼55	+45
MYR	4.6453	4.6450	+0.0045	+0.0233
PHP	55.65	55.65	+0.09	▼0.31
THB	34.86	34.85	+0.11	+0.18

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.719%	▼0.2 bp	▼6.7 bp
JPY (10YR)	0.382%	▼1.1 bp	▼4.9 bp
EUR* (10YR)	2.435%	+3.0 bp	▼1.7 bp
AUD (5YR)	3.881%	▼3.5 bp	+1.0 bp
SGD (5YR)	3.059%	▼3.2 bp	+0.3 bp
CNY (5YR)	2.466%	▼0.3 bp	+7.7 bp
INR (5YR)	7.002%	+1.3 bp	+4.5 bp
IDR (5YR)	5.953%	+1.3 bp	+8.3 bp
MYR (5YR)	3.559%	+0.6 bp	+3.9 bp
PHP (5YR)	5.862%	+9.0 bp	+16.5 bp
THB (5YR)	2.346%	+1.6 bp	+6.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,951.52	▼0.30%	▼0.08%
N225 (JP)	33,575.14	+0.56%	+0.22%
STOXX 50 (EU)	4,322.75	▼0.47%	▼1.22%
ASX (AU)	4,115.41	▼0.24%	▼0.94%
STI (SG)	3,223.66	+0.11%	+0.17%
SHCOMP (CN)	3,197.90	▼1.31%	▼0.96%
SENSEX (IN)	63,523.15	+0.31%	+0.47%
JSE (ID)	6,702.63	+0.63%	+0.04%
KLSE (MY)	1,393.45	+0.37%	+0.58%
PSE (PH)	6,424.21	▼0.38%	▼0.15%
SET (TH)	1,522.12	▼1.01%	▼2.50%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.65	+1.21%	+3.99%
COPPER (LME)	8,606.25	+0.63%	+1.14%
IRON ORE (CN)	112.63	▲0.74%	▲0.70%
GOLD	1,932.55	▲0.20%	▲0.51%
OIL (WTI)	72.53	+2.88%	+6.24%

Three Take-aways:

- 1) Powell sets the tone to tolerate softening economic conditions and nudges rate expectations higher.
- 2) UK's inflation re-acceleration raises expectations of rate hike re-acceleration; EUR borrows strength.
- 3) BSP will head for another prudently hawkish pause as core inflation worries unabated.

Powell's Script

- Fed Chair Powell script had several important signals. **First**, "earlier in the process, speed was very important ... It is not very important now" cements the magnitude for rate hikes to be at 25bp.

- **Second**, "reducing inflation is likely to require a period of **below-trend growth** and some **softening of labor market conditions**" indicates that the Fed is unlikely to be alarmed by the recent uptick in initial jobless claim but instead sees them as necessary transmission channels.

- The **third point** which ought to be read together with the previous, "**two hikes** suggested in the 'Dot Plot' a pretty good guess of what will happen if the economy **performs about as expected**" serves to give guidance that **barring sharp economic shocks the Fed looks to proceed with further hikes**. As such, higher jobless claims may trigger recession fears rather than policy shifts.

- Consequently, US equities were sent lower (Nasdaq: -1.2%; S&P 500: -0.5%; Dow: -0.3%) alongside UST 2Y yields rising 3.1bp. Nonetheless, except for USD/JPY which edged up slightly, the Greenback weakened against most G10 peers.

UK: Re-acceleration

- The **EUR was sustained on borrowed strength** to approach close to 1.10 from **higher EZ yields** which emanated from soaring Gilt yields.

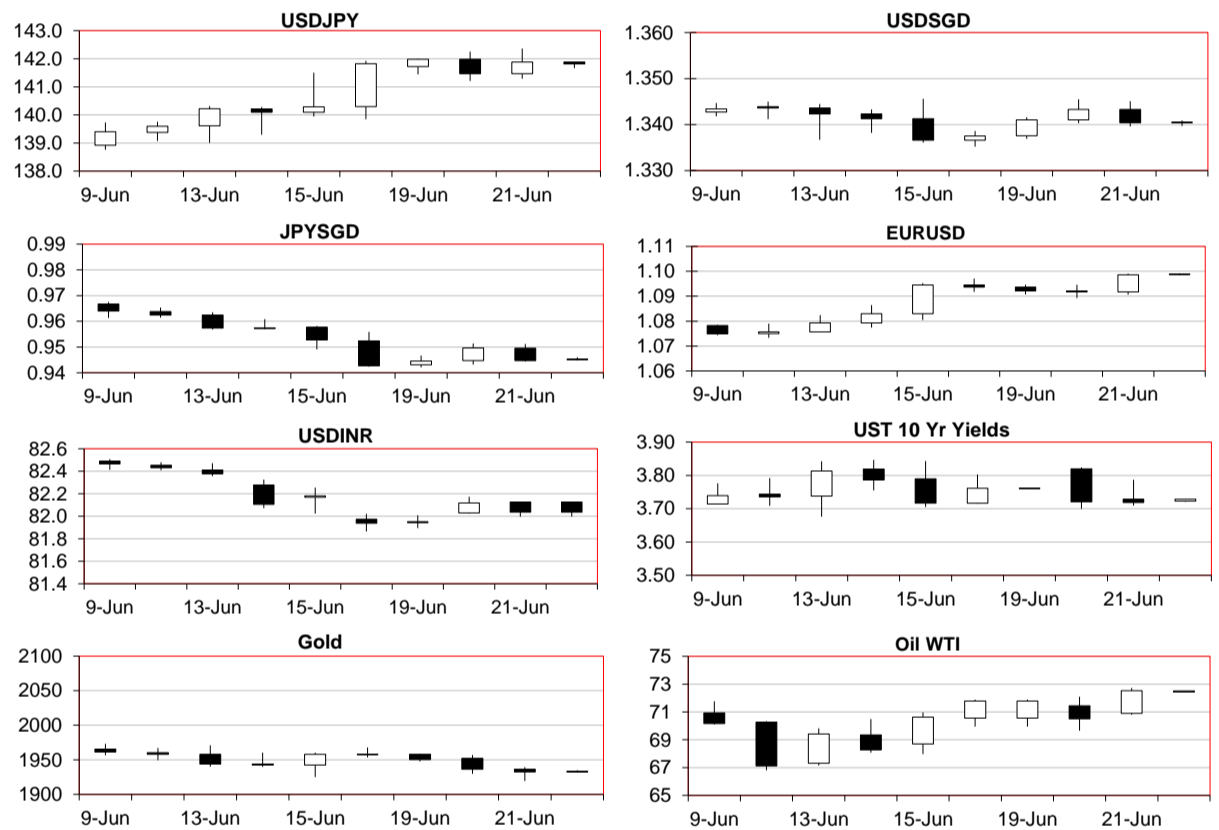
- Unmistakably, this was driven by **UK inflation re-accelerating** on both headline and core basis which **raised expectation of a re-acceleration of the BoE's rate hike pace**. Certainly, inflation was not just being sticky but also prone to upside volatility.

- While worries spilling over to the Eurozone as well as rest of the world are justifiable, the **reasonable consolation** is that the **UK case is one which has been exacerbated by Brexit woes and other specific policies**.

- Elsewhere, the AUD retained traction around 68 cents while USD/SGD sank towards 1.34.

OVERNIGHT RESULTS

(US) MBA Mortgage Applications (16 Jun): 0.5% (Prev: 7.2%) | (KR) Exports/Imports 20 Day YoY (Jun): 5.3%/-11.2% (Prev: -16.1%/-15.3%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	141.69	EUR/USD	1.0992
USD/SGD	1.3398	USD/THB	34.79
JPY/SGD	0.9456	USD/MYR	4.640

Forecast

USD/JPY	140.70 - 142.60
EUR/USD	1.0870 - 1.1020
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	14950 - 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	:	3
USD/JPY	2	:	4

- Meanwhile, in EM-Asia, both BI and BSP are expected to hold their policy rates at their meetings today with the latter likely to transmit stronger hawkish signals.

BSP: Prudently Hawkish Pause

- While the BSP is also likely to stand pat on monetary policy this afternoon, this will be a **prudently hawkish pause**. By the BSP's own admission at their previous meeting in May, there was scope for a **prudent pause while keeping a tightening bias**.

- In the same vein, **scope for a continued pause** persist on **slowdown in headline inflation** from 6.6% in April to 6.1% in May.

- That said, hawkish tendencies will continue to be transmitted from Governor Medalla despite his clearly communication projection for **headline inflation to land within 2-4% target by end-23**.

- With core inflation extremely **elevated at a 7.7%** and as the only country in the region where **core inflation has accelerated in 2023, dropping hawkish tendencies may not be prudent**.

- While improved import flows indeed provide restraints on food inflation, a tight labour market amid firm growth ought to underpin inflationary pressures while El Nino risks trigger bouts of price volatility.

- Hence, **visibility is diminished** given the **starkly divergent headline and core inflation**. What's more, **twin deficits** worries underpin PHP weakness arising from Marharlika fund concerns and associated mandated infrastructure needs entrenching raw material and capital goods imports.

FX Daily Outlook

- EUR/USD: Cautious testing 1.10 on the cards, fading borrowed strength restrain strong rallies.
- USD/JPY: Buoyancy above 141 ought to be retained amid resilient UST yields.
- USD/SGD: Sub-1.34 an uninviting prospect amid Powell's hawkish signals.
- AUD/USD: China risks remains a bugbear for durable rallies past 68 cents

TODAY'S EVENTS

(US) Initial Jobless Claims (17 Jun): (Mkt: 259k; Prev: 262k) | (US) Chicago Fed. Nat. Activity. Index (May): (Mkt: -0.1; Prev: 0.07) | (US) Leading Index (May) (Mkt: -0.8%; Apr: -0.6%) | (US) Kansas City Fed Manf. Activity: (Mkt: -5; May: -1)

Central Banks: BSP Policy Decision | BI Policy Decision

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