

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.79	143.11	+1.23	+2.82
EUR	1.0994	1.0956	▼0.0030	+0.0011
AUD	0.6787	0.6756	▼0.0041	▼0.0129
SGD	1.3415	1.3450	+0.0046	+0.0084
CNY	7.1801	7.1794	+0.0000	+0.0584
INR	81.93	81.95	▼0.08	▼0.23
IDR	14939	14940	▼5	▼5
MYR	4.6515	4.6547	+0.0097	+0.0287
PHP	55.62	55.64	▼0.01	▼0.31
THB	34.98	35.04	+0.19	+0.23

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.795%	+7.6 bp	+7.8 bp
JPY (10YR)	0.379%	▼0.3 bp	▼5.0 bp
EUR* (10YR)	2.494%	+5.9 bp	▼1.0 bp
AUD (5YR)	3.901%	+2.0 bp	▼3.6 bp
SGD (5YR)	3.080%	+2.1 bp	▼0.3 bp
CNY (5YR)	2.466%	+0.0 bp	+3.3 bp
INR (5YR)	7.034%	+3.2 bp	+4.9 bp
IDR (5YR)	5.951%	▼0.2 bp	+4.9 bp
MYR (5YR)	3.563%	+0.4 bp	+2.2 bp
PHP (5YR)	5.907%	+4.5 bp	+17.8 bp
THB (5YR)	2.343%	▼0.3 bp	+4.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,946.71	▼0.01%	▼1.34%
N225 (JP)	33,264.88	▼0.92%	▼0.66%
STOXX 50 (EU)	4,304.47	▼0.42%	▼1.39%
ASX (AU)	4,081.03	▼0.84%	▼1.94%
STI (SG)	3,222.43	▼0.04%	▼0.63%
SHCOMP (CN)	3,197.90	+0.00%	▼1.69%
SENSEX (IN)	63,238.89	▼0.45%	+0.51%
JSE (ID)	6,652.26	▼0.75%	▼0.92%
KLSE (MY)	1,394.67	+0.09%	+0.94%
PSE (PH)	6,404.91	▼0.30%	▼0.87%
SET (TH)	1,509.31	▼0.84%	▼3.11%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.72	▲1.82%	▲0.45%
COPPER (LME)	8,579.25	▲0.31%	+0.27%
IRON ORE (CN)	112.91	+0.25%	▲0.67%
GOLD	1,914.01	▲0.96%	▲2.25%
OIL (WTI)	69.51	▼4.16%	▼1.57%

Three Take-aways:

- 1) BoE and Norges Bank surprise with a 50bp hike; as SNB rendered a hawkish 25bp move.
- 2) Yields higher, curves flatter/invert deeper and equities (mostly) softer amid hard(er) landing risks.
- 3) Relative AUD outperformance set to fizzle as RBA hawkish cues and China cheer are dampened.

Higher & Harder

- That cautionary adage, "the higher you climb, the harder you fall", ostensibly resonated; as a spate of **harder hawkish talk** (Fed) and **walk** (BoE & Norges Bank) lifted yields higher.
- Specifically, as **higher central bank rates raised the odds of a harder-than-earlier-expected landing**; and expressed as flattening, if not in deepening inversion of global yield curve.
- Admittedly, between the upsized 50bp hike "surprises", the Norges Bank's was less unexpected than the BoE's. But fussing the details doesn't detract from the **notion of fresh hawkish outbursts**, as deemed necessary amid "sticky core" inflation, **being entrenched**.
- And this includes a **hawkish rendition of an expected 25bp hike by the SNB**.
- The corresponding surge in CHF/JPY to record high (flirting with 160) also reflect that the higher global yields climb, the **harder it is to ignore perceived divergence of BoJ's stance**.
- Significantly **higher Cross/JPY, reflecting immense JPY pressures, render the BoJ's delicate balance even harder**. But that does not mean BoJ caves to tightening bets (*allowing higher BoJ rates and JGB yields*). Instead, punters need to be wary of **harder verbal intervention risks**.
- Wider point being, expect volatility to go higher and simplistic one-way bets will get harder.
- All said, **as global rates go higher**, it becomes **harder to justified unfettered "risk on"**.

Why Relative AUD Bulls May Fizzle, Not Dazzle

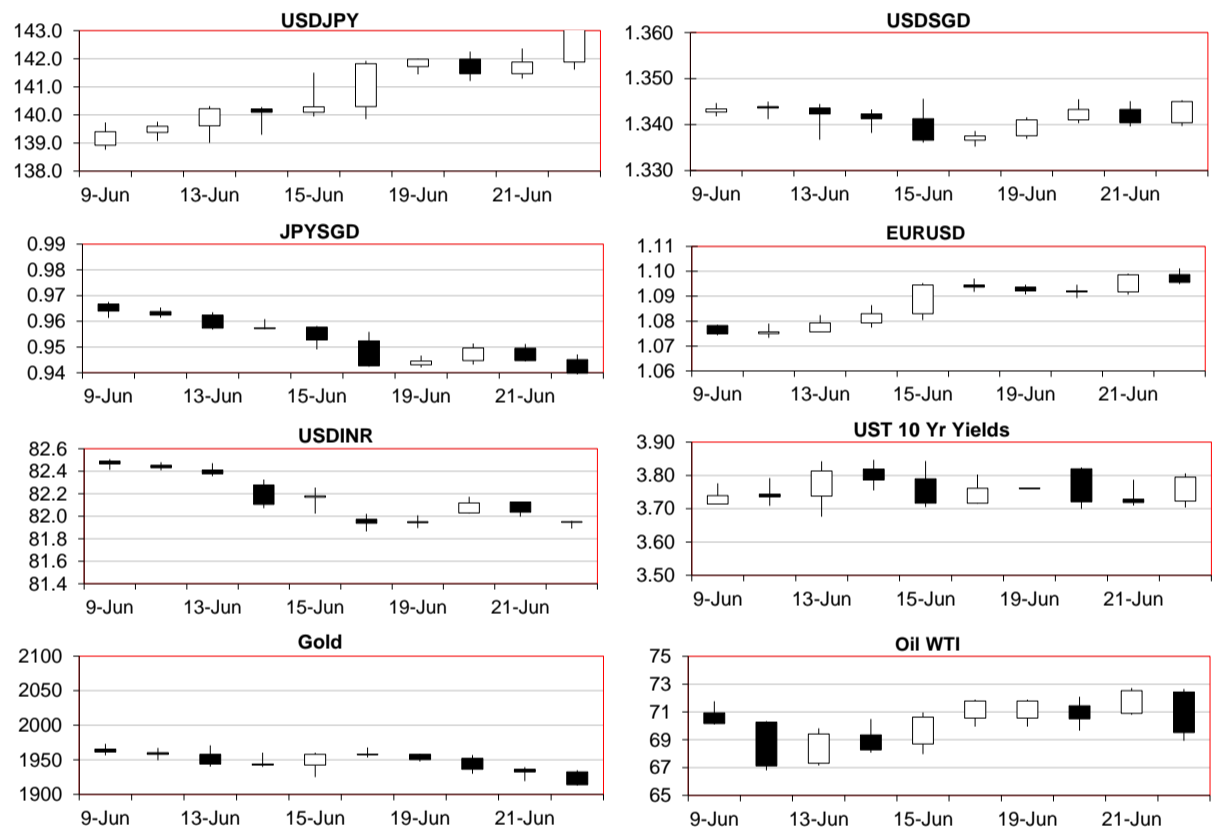
- Admittedly, **relative AUD out-performance has been notable** (up 4% since end-May and at the top of leaderboard in Asia); even after accounting for inherent tendency for gyrations.
- And with solid reasons. Key amongst which are; i) a distinctly more hawkish RBA, and; ii) growing (albeit in fits and starts) bets on emphatic China stimulus with resultant amplification of commodity pass-through, and; iii) housing revival coincident to, and backed by, immigration.
- Nonetheless, **relative AUD bulls may fizzle, not dazzle**; given AUD's typically higher (two-way) volatility, is liable for more, sometimes pronounced, episodes of out- and under-performance.

OVERNIGHT RESULTS

(US) Initial Jobless Claims (17 Jun): 264K (Mkt: 259k; Prev: 264k) | (US) Chicago Fed. Activity (May): -0.15 (Mkt: -0.10; Prev: 0.14)

(US) Leading Index (May): -0.7% (Mkt: -0.8%; Apr: -0.6%) | (US) Kansas City Fed Manf. Activity: -12 (Mkt: -5; May: -1)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	143.03	EUR/USD	1.0956
USD/SGD	1.3448	USD/THB	35.13
JPY/SGD	0.9402	USD/MYR	4.655

Forecast

USD/JPY	142.20 - 143.80
EUR/USD	1.0895 - 1.1020
AUD/USD	0.6720 - 0.6840
USD/SGD	1.3390 - 1.3490
JPY/SGD	0.9312 - 0.9487
USD/CNH	7.1800 - 7.2100
USD/INR	81.80 - 82.30
USD/IDR	14900 - 15000
USD/MYR	4.640 - 4.668
USD/PHP	55.55 - 55.85
USD/THB	34.95 - 35.30

Today's Direction

	Bull	Bear
USD/SGD	4	2
USD/JPY	3	3

- Crucially, the upshot is that a **more hawkish RBA**, while a baseline backstop, **cannot sufficiently, and durably "carry"** (pun intended) AUD.

- Specifically, as incremental RBA hawkishness does not clear the bar on nominal or real rates.
- Thing is, while sounding more hawkish, the **RBA is merely playing catch-up** with the Fed, and is **unlikely to exceed the Fed's hawkish flex**. Especially as Australia's exceptionally elevated household/mortgage debt (~120%/88%) and much higher proportion of floating rate loans means that **RBA's walk-to-talk ratio will fall short of the Fed's; inevitably hampering AUD as a result**.
- What's more, with Australia's inflation now more elevated than US inflation, and liable to decline more gradually, will further accentuate the real rates shortfall vis-à-vis Fed
- And while **China stimulus plans**, especially driven by infrastructure, housing, electrification, could provide a fillip to AUD via commodity channels, this is **likely to fizzle not dazzle**.
- At least in the near-term **as China stimulus hits a wall on global downturn and geo-politics that tend to spook commodities**. Especially amid high rates that dampen the investment channels of commodity boost, leaving flagging ToT as an inadequate thrust.
- Admittedly, any boost to the Aussie housing market alongside immigration dynamics will play into the hard commodity shine alongside hawkish RBA narrative propping up AUD.
- But this is a lift that requires other stars to align. And in the near-term, China stimulus disappointment risks alongside eroding real rate spreads, risks re-pricing and commodity headwinds from a global slowdown suggest **episodic, if not entrenched, downside AUD risks in the next 6-9 months before more sustained gains into H2 2024**.

FX Daily Outlook

- EUR/USD: Low conviction to piggy-back the BoE's upsized hike; traction to/above 1.10 tough.
- USD/JPY: Higher global yields and perceived divergence; fuelling 143+; cautious ahead of 145.
- USD/SGD: CNH soft spots and Fed hard talk to keep 1.34+ in play; 1.35 further out.
- AUD/USD: 0.68 traction fraught as higher global yields dampen "RBA boost"; as do China risks.

TODAY'S EVENTS

(JP) CPI/Ex-Fresh Food/Ex-Energy & Fresh Food YoY (May): 3.2%/3.2%/4.3%(Mkt: 3.2%/3.1%/4.2%; Apr: 3.5%/3.4%/4.1%)
 (JP) PMI - Mfg/Svcs/Comp. (Jun P): 49.8/54.2/52.3(May: 50.6/55.9/54.3) | (SG) CPI/Core YoY (May): (Mkt: 5.4%/4.7%; Apr: 5.7%/5.0%)
 (MY) CPI YoY (May): (Mkt: 3.0%; Apr: 3.3%) | (EZ) PMI - Mfg/Svcs/Comp. (Jun P): (Mkt: 44.8/54.5/52.5; May: 44.8/55.1/52.8)
 (US) Kansas City Svcs Activity (Jun): (May: 3) | (US) PMI - Mfg/Svcs/Comp. (Jun P): (Mkt: 48.5/54.0/53.5; May: 48.4/54.9/54.3)
Central Banks: BSP Policy Decision | ECB's Largarde, Pametta, De Cos & Vujcic speak | Fed's Bullard speaks

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