

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.87	143.70	+0.59	+1.88
EUR	1.0867	1.0894	▼0.0062	▼0.0043
AUD	0.6692	0.6680	▼0.0076	▼0.0195
SGD	1.3516	1.3519	+0.0069	+0.0144
CNY	7.1801	7.1794	+0.0000	+0.0525
INR	82.03	82.03	+0.08	+0.10
IDR	14998	14994	+54	+59
MYR	4.6767	4.6783	+0.0236	+0.0633
PHP	55.75	55.77	+0.14	▼0.09
THB	35.26	35.22	+0.18	+0.55

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.735%	▼6.0 bp	▼2.7 bp
JPY (10YR)	0.369%	▼1.0 bp	▼4.3 bp
EUR* (10YR)	2.353%	▼14.1 bp	▼12.1 bp
AUD (5YR)	3.936%	+3.5 bp	▼1.0 bp
SGD (5YR)	3.082%	+0.2 bp	+3.3 bp
CNY (5YR)	2.466%	+0.0 bp	+0.4 bp
INR (5YR)	7.028%	▼0.6 bp	+5.8 bp
IDR (5YR)	5.937%	▼1.4 bp	+4.1 bp
MYR (5YR)	3.608%	+4.5 bp	+7.5 bp
PHP (5YR)	5.935%	+2.8 bp	+18.6 bp
THB (5YR)	2.340%	▼0.3 bp	+3.7 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,727.43	▼0.65%	▼1.67%
N225 (JP)	32,781.54	▼1.45%	▼2.74%
STOXX 50 (EU)	4,271.61	▼0.76%	▼2.80%
ASX (AU)	4,053.65	▼0.67%	▼2.75%
STI (SG)	3,191.60	▼0.96%	▼2.10%
SHCOMP (CN)	3,197.90	+0.00%	▼2.30%
SENSEX (IN)	62,979.37	▼0.41%	▼0.64%
JSE (ID)	6,639.73	▼0.19%	▼0.88%
KLSE (MY)	1,390.89	▼0.27%	+0.16%
PSE (PH)	6,393.55	▼0.18%	▼1.76%
SET (TH)	1,505.52	▼0.25%	▼3.45%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	263.00	▲1.03%	▲2.92%
COPPER (LME)	8,409.24	▲1.98%	▲1.70%
IRON ORE (CN)	112.41	▲0.44%	▲1.22%
GOLD	1,921.20	+0.38%	▲1.88%
OIL (WTI)	69.16	▼0.50%	▼3.65%

**Three Take-aways:**

- 1) Plunging PMI trigger recession worries in Europe as yields plunge and equities fall.
- 2) Risk aversion imparts traction for the Greenback while geo-political risks remains amid uncertainty.
- 3) While semiconductor woes hope to find a bottom, Korea's trade position is in a tight balance.

**Plunge**

- France's **services PMI plunged into contractionary territory** from 52.5 in May to June's 48.0 while **Germany's services PMI decline** from 57.2 to 54.1. As for manufacturing, Eurozone PMI sank deeper to 43.6 from 44.8 within contractionary territory.

- Unsurprisingly the **EUR took a dive** towards mid-1.08 (before climbing back to 1.09 to claw back some losses) alongside free falling Europe-wide yields with 2Y and 10Y Bund yields down 10.3bp and 13.8bp respectively as **yield curve inversion deepened**.

- Given the recalibration of recession risk, Euro Stoxx also took a hit to drop 0.8%.

- While US PMIs on the services front declined slower than expected, **spillover worries still weighed on US equities** (Nasdaq: +1.0%; S&P500: -0.8%; Dow: -0.7%).

- **UST yield curve also remains entrenched in deep inversion** of ~100bps with yields on the 10Y UST falling 6.0bp and 2Y UST yields falling 5.0bp)

- The **risk aversion** mood resurfaced as the USD gained against all G10 peers. Reflecting so, despite lower UST yields, USD/JPY heading higher to mid-143. The AUD plunged below 67 cents as the fade from RBA hawkish cues and China stimulus continued. USD/SGD rose above 1.35.

- Admittedly, the start of this week ought to be marked by initial reactions to incursions within Russia which has admittedly descalated. While the USD may obtain marginal safe haven premium, the case for Asia is far from clear cut as oil prices gyrate further.

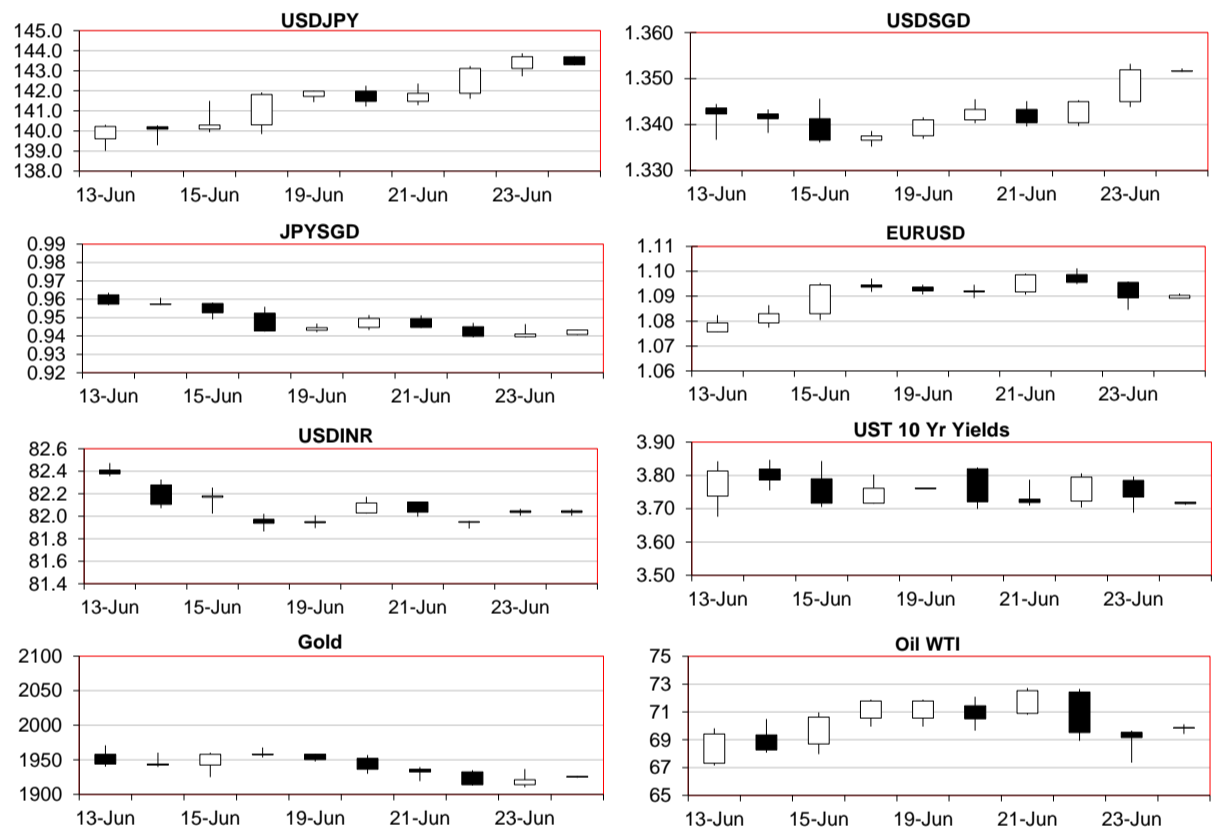
- Furthermore, the unpredictability of surrounding the case for **re-establishing/re-assert** Russian strength may break initial calm and heighten risk aversion sentiments. China's geo-political tensions along the Taiwan Straits is another dimension of worries on top of growth.

**OVERNIGHT RESULTS**

(SG) CPI/Core YoY (May): 5.1%/4.7% (Mkt: 5.4%/4.7%; Apr: 5.7%/5.0%) | (MY) CPI YoY (May): 2.8% (Mkt: 3.0%; Apr: 3.3%) |

(EZ) PMI - Mfg/Svcs/Comp. (Jun P): 43.6/52.4/50.3 (Mkt: 44.8/54.5/52.5; May: 44.8/55.1/52.8) | (US) Kansas City Svcs Activity (Jun): 14

(May: 3) | (US) PMI - Mfg/Svcs/Comp. (Jun P): 46.3/54.1 (Mkt: 48.5/54.0/53.5; May: 48.4/54.9/54.3)

**\* Past Two Weeks Movement \***

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

USD/JPY	143.55	EUR/USD	1.0906
USD/SGD	1.3518	USD/THB	35.23
JPY/SGD	0.9417	USD/MYR	4.676

**Forecast**

USD/JPY	142.60 - 144.10
EUR/USD	1.0830 - 1.0960
AUD/USD	0.6650 - 0.6750
USD/SGD	1.3450 - 1.3550
JPY/SGD	0.9334 - 0.9502
USD/CNH	7.1850 - 7.2300
USD/INR	81.80 - 82.30
USD/IDR	14900 - 15050
USD/MYR	4.660 - 4.685
USD/PHP	55.55 - 55.85
USD/THB	35.10 - 35.30

**Today's Direction**

	Bull	Bear
USD/SGD	5	1
USD/JPY	5	1

**Korea's Fine Balance**

- Given that first 20 days' **trade balance** for June had a small deficit of US\$1.6bn, the final monthly outturn (on 30 June) is projected to be in a **finely balance position** with even odds of slim surplus or deficit, a **clear departure from stark deficits seen in late 2022/early 2023**.

- That said, the improved position is largely driven by marked step down in import expenditure driven by **lower spending on crude oil** rather than outright export demand exuberance.

- While energy import bill may stay close to such levels, **further substantial declines are less likely given sticky oil prices backstop of OPEC+**.

- On the export front, given that lumpy ship exports was the biggest driver of June's export revenue gains compared to May, sustainability of these gains remain in doubt.

- Meanwhile, the consolation here looks like semiconductor exports may have likely bottomed in Jan-Feb though an outright recovery may be increasingly laboured.

- On the tourism front, **the current pace of resident departures have slowed while visitor inflows surged** which has led to improvement in travel balances on the services account of the BoP. In **pre-Covid times**, number of resident departures outweigh visitor arrivals and **net resident spending abroad also exceeds that of foreign spending**.

- As such, the **services receipts inflows are unlikely to durably turn the tide** for their current account deficit which necessarily require substantial improvement in electronic exports that may not happen until late this year.

**FX Daily Outlook**

- EUR/USD: Growth concerns will continue to restrain ability to test 1.10.

- USD/JPY: Delayed impact of lower UST yield alongside intervention risks but buoyed above 142.

- USD/SGD: China risks remains a backstop as pair may attempt consolidate on both sides of 1.35.

- AUD/USD: Attempts to find bottom may allow mid-0.66 to retain traction for now.

**TODAY'S EVENTS**

(JP) PPI Services YoY (May): 1.6% (Mkt: 1.8%; Apr: 1.6%) | (SG) Industrial Production YoY (May): (Mkt: -7.1%; Apr: -6.9%)

(GE) IFO Business Climate/Current Assessment/Expectations (Jun): (Mkt: 90.5/93.0/88.5; May: 91.7/94.8/88.6)

(US) Dallas Fed Manufacturing Activity (Jun): (May: -29.1)

Central Banks: ECB Forum in Sintra from 26-28 June

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