

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	143.19	143.51	▼0.19	+1.53
EUR	1.0904	1.0906	+0.0012	▼0.0015
AUD	0.6679	0.6675	▼0.0005	▼0.0176
SGD	1.3534	1.3535	+0.0016	+0.0125
CNY	7.2344	7.2401	+0.0607	+0.0767
INR	82.01	82.04	+0.01	+0.10
IDR	15026	15015	+21	+20
MYR	4.6754	4.6750	▼0.0033	+0.0443
PHP	55.71	55.71	▼0.06	▼0.04
THB	35.22	35.20	▼0.02	+0.40

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.721%	▼1.4 bp	▼4.0 bp
JPY (10YR)	0.361%	▼0.8 bp	▼3.9 bp
EUR* (10YR)	2.309%	▼4.4 bp	▼20.8 bp
AUD (5YR)	3.868%	▼6.8 bp	▼5.1 bp
SGD (5YR)	3.060%	▼2.2 bp	▼3.0 bp
CNY (5YR)	2.466%	+0.0 bp	▼2.6 bp
INR (5YR)	7.016%	▼1.2 bp	+2.2 bp
IDR (5YR)	5.936%	▼0.1 bp	+2.3 bp
MYR (5YR)	3.601%	▼0.7 bp	+6.1 bp
PHP (5YR)	5.942%	+0.7 bp	+16.0 bp
THB (5YR)	2.319%	▼2.1 bp	▼0.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,714.71	▼0.04%	▼1.70%
N225 (JP)	32,698.81	▼0.25%	▼2.01%
STOXX 50 (EU)	4,280.57	+0.21%	▼1.88%
ASX (AU)	4,046.84	▼0.17%	▼2.20%
STI (SG)	3,189.68	▼0.06%	▼1.59%
SHCOMP (CN)	3,150.62	▼1.48%	▼3.23%
SENSEX (IN)	62,970.00	▼0.01%	▼0.31%
JSE (ID)	6,664.67	+0.38%	▼0.32%
KLSE (MY)	1,389.88	▼0.07%	+0.18%
PSE (PH)	6,523.09	+2.03%	+1.13%
SET (TH)	1,485.32	▼1.34%	▼4.60%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	263.44	+0.17%	▲2.76%
COPPER (LME)	8,422.00	+0.15%	▲1.45%
IRON ORE (CN)	112.33	▲0.07%	▲1.64%
GOLD	1,923.26	+0.11%	▲1.40%
OIL (WTI)	69.37	+0.30%	#VALUE!

Three Take-aways:

- 1) Acute Russia risks curbed, not culled; with softer equities/long-end yields against firmer Oil/USD.
- 2) CNH emerges from Dragon Boat Festival right into troubled waters; submerged near 7.25.
- 3) Singapore's IP contraction warns of a technical recession. Underlying worries are larger.

Averting Crisis, Not Expunging Risks

- Admittedly, **Russia has averted a political crisis**; as the aborted mutiny fizzled into a negotiated exit for Wagner boss Prigozhin. This has *side-stepped a socio-political upheaval in Russia* that would have had *far-reaching military consequences for the Caucasus and Europe*.

- **But this has not expunged geo-political risks**. Not by a long shot. Fact is, signs of Putin's eroding grip on power perversely raise more worrying questions about a chaotic frenzy to fill the vacuum; *accentuating, not alleviating, geo-political risks in Europe and around the Black Sea*.

- Fact is, **desperation** (to hold on to or seize power) and **diminished loss function** ("nothing to lose" type of mentality) **make for the deadliest miscalculations**, if not outright carnage.

- This could have **far-reaching impact for geopolitical stability** and, by extension, **commodity markets**; as determined by *disruptions to production and passage*. But that is for another day. For now (and to varying degrees), *markets are pricing relief (of averting crisis) over the lack of a resolution (inability to expunge entrenched risks)*. Even Brent's jump has moderated to -2%.

- In that context "risk off" as measured. Equities sell-off is fairly contained (Dow off <0.1% and S&P500 slipping 0.5%); although Nasdaq was smarting far more from IT/Comms pullback.

- The **yield curve further flattened/inverted** as *long-end yields eased* on marginal haven demand even as *front-end yields lifted* (towards 4.75%) as geo-political crisis was defused.

- A **delicate balance of acute geo-political crisis defused but risks not depleted** leaves USD relatively firm; notably *without a bullish JPY flex and Gold middling rather than glittering*.

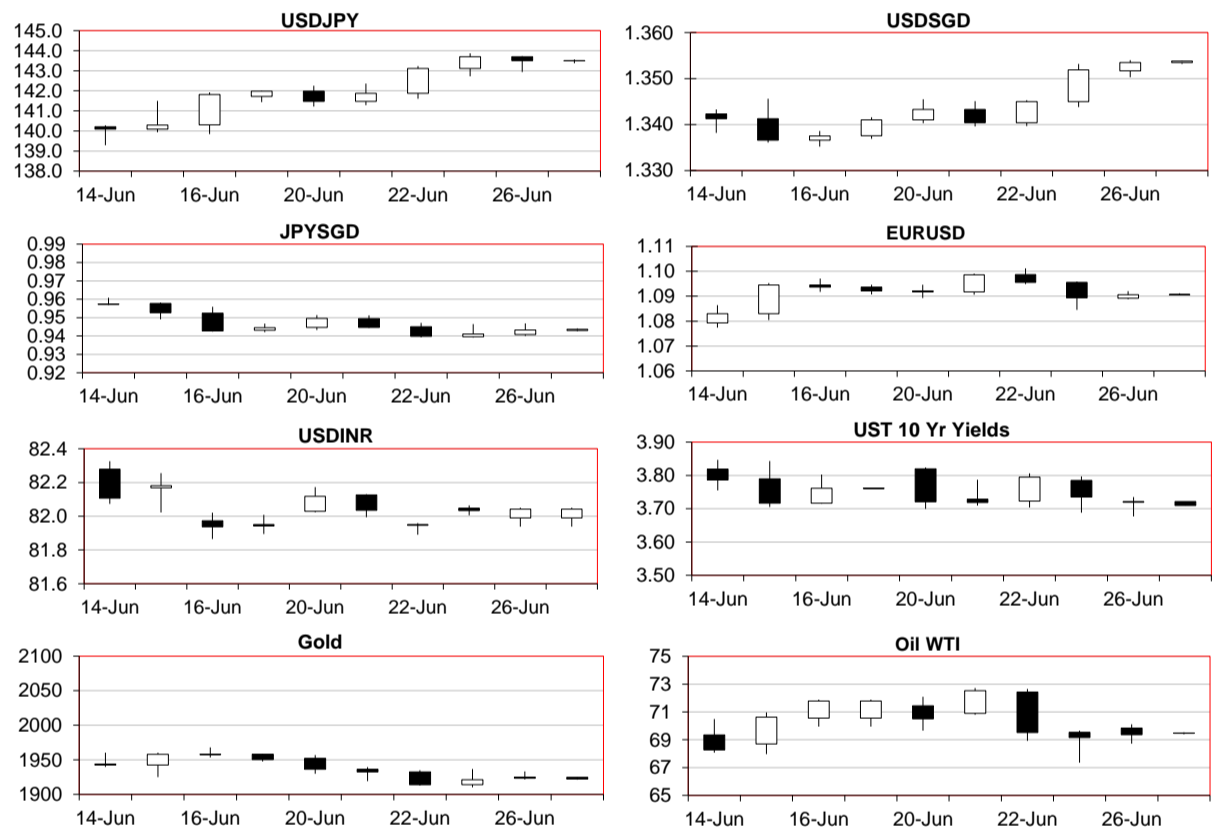
CNH: Troubled Waters

- *Out of the Dragon Boat Festival holidays and into troubled waters* may be *one way to describe the CNH*; which has slipped -0.9% over the holidays, and down -1.6-1.8% from a week ago.

OVERNIGHT RESULTS

(SG) Ind Pdn YoY (May): -10.8% (Mkt: -7.1%; Apr: -6.5) | (US) Dallas Fed Mfg (Jun): -23.2 (Mkt: -21.8; May: -29.1)

(GE) IFO Business Climate/Current/Exp. (Jun): 88.5/93.7/83.6 (Mkt: 90.7/93.5/88.1; May: 91.5/94.8/88.3)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	143.46	EUR/USD	1.0910
USD/SGD	1.3536	USD/THB	35.23
JPY/SGD	0.9437	USD/MYR	4.670

Forecast

USD/JPY	142.60 - 144.10
EUR/USD	1.0840 - 1.0960
AUD/USD	0.6630 - 0.6740
USD/SGD	1.3500 - 1.3570
JPY/SGD	0.9368 - 0.9516
USD/CNH	7.2280 - 7.2660
USD/INR	81.90 - 82.40
USD/IDR	15000 - 15130
USD/MYR	4.665 - 4.690
USD/PHP	55.60 - 55.90
USD/THB	35.15 - 35.40

Today's Direction

	Bull	Bear
USD/SGD	5	0
USD/JPY	5	0

- And to be sure, this is **not purely a function of the PBoC's easing stance**. Admittedly, the **contrast against other G10 central bankers looking to tighten more** (not less) **has sharpened**.

- **But given Beijing's effective capital controls** and **the PBoC's sway over CNY fixing**, **bearish CNH reactions appear exaggerated**; unless there are greater fundamental headwinds involved.

- And indeed there are. Fact is, **bearish CNH impulse is a feature, not a bug of China's re-opening**; as inevitably, **good surplus is eroded, w services (tourism) deficit widened** and propensity for capital leakage amplified. The confluence of which **exerts real cashflow pressures on CNH**.

- What's more, **with Russia's fragilities laid bare**, it is **not unimaginable that China's** (indirectly, but irrefutably) **compromised geo-political position extracts a risk premium** on the CNH.

- The upshot is that a **bearish conspiracy of economic disappointment, eroding external cash-flows, policy divergence and geo-political disadvantage** are inevitably reflected in CNH.

- This is not without negative impact on wider AXJ (and AUD) given binding correlations.

Singapore's Technical Recession Risk

- Industrial Production plunging 10.8% YoY in May (Apr: -6.5%) **reveals conspicuous threats of a technical recession** (5.4% sequential drop over April-May squares with QoQ contraction).

- Specifically, the **threat is that manufacturing**, accounting for a fifth of GDP, will **induce Q2 drag large enough to trigger a technical recession** (two consecutive quarters of contraction).

- This is virtually a given. Fact is the **manufacturing sector has already been effectively in a recession for some time** now. And the critical question beyond headline gasping about technical recessions is whether manufacturing bottoms or the manufacturing recession broadens to drag the entire economy. **The answer which resides outside of Singapore**.

FX Daily Outlook

- EUR/USD: Still hampered around 1.09 as underlying risks check any sustained upside.

- USD/JPY: Slightly softer 10Y UST yields or MoF jawboning don't distract from 143+ buoyancy.

- USD/SGD: Slide in CNH props the pair above 1.35 for now.

- AUD/USD: Sub-0.67 on account of China/CNH risks despite hawkish RBA underpinnings.

TODAY'S EVENTS

(TW) Unemployment Rate (May): (Mkt: 3.6%; Apr: 3.5%) | (JP) Coincident Index/Leading Index CI (Apr F): (Mkt: -; Apr P: 99.4/97.6)

(US) New Home Sales (May): (Mkt: 675k; Apr 683k) | (US) Conf. Board Consumer Confidence (Jun): (Mkt: 104.0; May: 102.3) |

(US) Durable Goods Orders/Nondef Ex Air (May P): (Mkt: -1.9%/0.2%; Apr F: 1.1%/1.3%) |

(US) Richmond Fed Manufact. Index (Jun): (Mkt: -12; May: -15)

Central Banks: ECB's Lagarde Speaks at the Forum on Central Banking in Sintra

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