

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	144.36	144.76	+0.28	+1.65
EUR	1.0918	1.0865	▼0.0048	▼0.0091
AUD	0.6624	0.6616	+0.0016	▼0.0140
SGD	1.3533	1.3565	+0.0037	+0.0115
CNY	7.2393	7.2475	+0.0082	+0.0681
INR	82.06	82.06	+0.00	+0.11
IDR	14993	14993	+0	+53
MYR	4.6718	4.6722	+0.0000	+0.0175
PHP	55.34	55.33	+0.00	▼0.31
THB	35.62	35.62	+0.01	+0.58

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.838%	+13.1 bp	+4.4 bp
JPY (10YR)	0.391%	+0.2 bp	+1.2 bp
EUR* (10YR)	2.416%	+10.1 bp	▼7.8 bp
AUD (5YR)	3.837%	+5.2 bp	▼6.4 bp
SGD (5YR)	3.074%	+0.0 bp	▼0.6 bp
CNY (5YR)	2.440%	▼1.5 bp	▼2.6 bp
INR (5YR)	7.018%	+0.0 bp	▼1.6 bp
IDR (5YR)	5.911%	+0.0 bp	▼4.0 bp
MYR (5YR)	3.585%	+0.0 bp	+2.2 bp
PHP (5YR)	6.004%	+1.2 bp	+9.7 bp
THB (5YR)	2.314%	▼0.7 bp	▼2.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,122.42	+0.80%	+0.52%
N225 (JP)	33,234.14	+0.12%	▼0.09%
STOXX 50 (EU)	4,354.69	+0.23%	+1.17%
ASX (AU)	4,064.45	▼0.44%	▼0.41%
STI (SG)	3,207.28	+0.00%	▼0.47%
SHCOMP (CN)	3,182.38	▼0.22%	▼0.49%
SENSEX (IN)	63,915.42	+0.00%	+1.07%
JSE (ID)	6,661.88	+0.00%	+0.14%
KLSE (MY)	1,388.37	+0.00%	▼0.45%
PSE (PH)	6,511.49	+0.13%	+1.66%
SET (TH)	1,479.57	+0.86%	▼1.97%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	259.08	▲0.06%	▲2.50%
COPPER (LME)	8,177.00	▲1.00%	▲4.69%
IRON ORE (CN)	112.66	▲0.11%	▲0.22%
GOLD	1,908.20	+0.05%	▲0.30%
OIL (WTI)	69.86	+0.43%	+0.50%

Three Take-aways:

- 1) Lower jobless claims and stronger private consumption sent UST yields soaring.
- 2) Greenback gains against most G10 peers as contrast on economic growth with global peers grow.
- 3) Vietnam's 4.1% Q2 GDP growth signals the need for support to anchor stability.

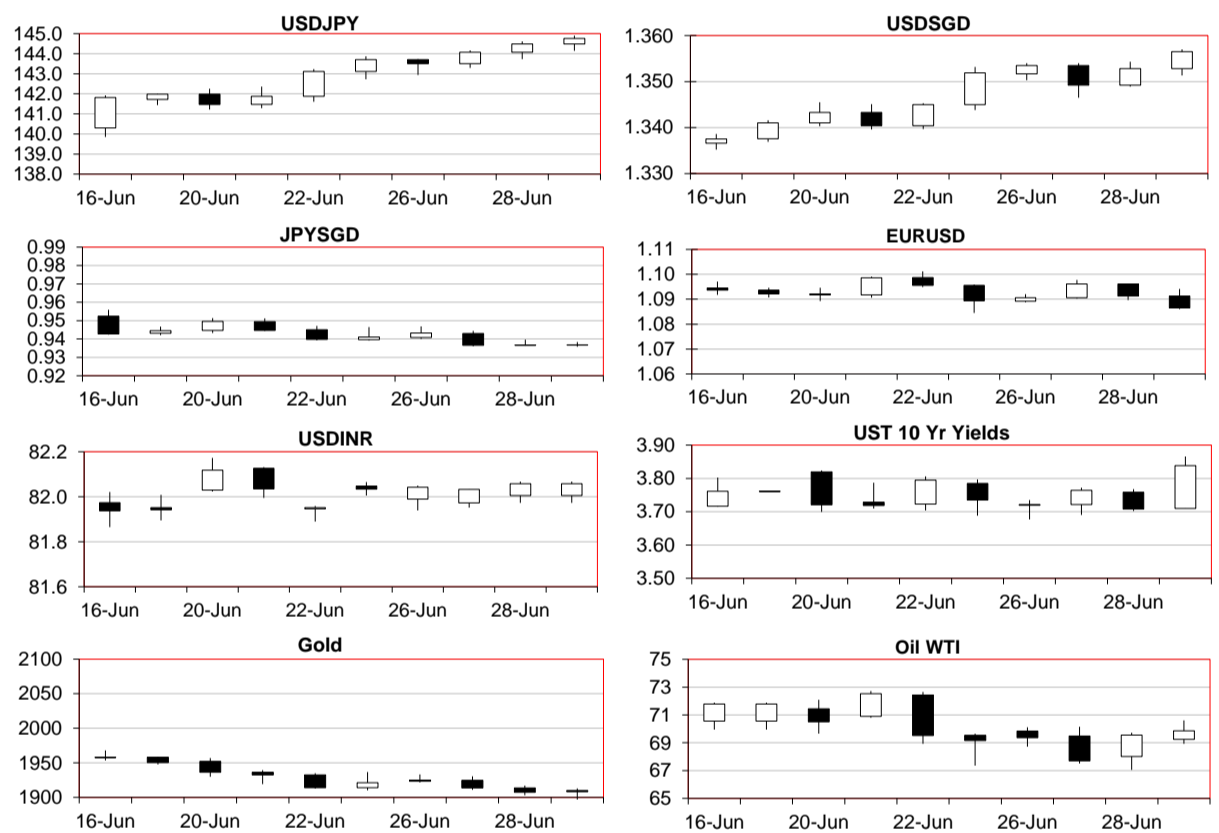
Higher for Longer

- The frequently quoted "Higher for Longer" is perhaps rather apt at this juncture.
- While initial jobless claims dropping below expectations to 239k may not be always as significant in and of itself, the alignment with stronger than expected personal consumption (in a third release) reinforces the **impression of resilient US households and supports the hawkish central bank flex** in Sintra this week.
- Consequently, a **bear flattener ensued** as UST 2Y and 10Y yields soared an emphatic 14.9bp and 13.1bp respectively. These large adjustments **raise the bar** and sets up hawkish expectations for **tonight's PCE deflator prints** and dampens the potential impact of upside surprises.
- In US equities, the economic resilience was reflected via the Dow and S&P 500 which rose 0.8% and 0.5% respectively whereas the policy sensitive Nasdaq stayed flat.
- **Backed by higher UST yields, the USD regained strength to rise against most G10 peers.**
- The **AUD** was a notable exception as **strong retail sales print** served as a backstop to dial back expectations for an RBA pause following the downside surprise on inflation.
- In contrast, the **EUR** dropped below 1.09 to edge closer to mid-1.08 as slipping confidence indicators tell of growth worries. USD/JPY was yet again pulled higher above mid-144, jawboning and intervention risks though continue to temper rallies.
- In EM-Asia, higher UST yields and weaker CNH conspired to send the USD/SGD above mid-1.35.
- While China has available tools for supporting the CNH, **monetary tool implementation should not be conflated with outright CNH rallies** especially given on-going domestic legislation changes and US plans for further chip controls. FX and geo-political tensions may also run higher for longer.

OVERNIGHT RESULTS

(US) Initial Jobless Claims (24-Jun): 239k (Mkt: 256k; Prev: 264k) | (US) GDP Annualized QoQ (1Q T): 2.0% (Mkt:1.4%; 1Q S: 1.3%)
 (JP) Retail Sales YoY (May): 5.7% (Mkt: 5.2%; Apr: 5.1%) | (AU) Retail Sales MoM (May): 0.7% (Mkt: 0.1%; Apr: 0.0%)
 (VN) Trade Balance (Jun): \$2590m (Mkt: \$3114m; May:\$2240m) | (VN) Retail Sales YoY (Jun): 6.5% (May: 11.5%) | (VN) GDP YoY (2Q): 4.1% (Mkt: 3.8%; 1Q: 3.3%) | (VN) CPI YoY (Jun): 2.0% (Mkt: 2.2%; May: 2.4%) | (VN) Industrial Production YoY (Jun): 2.8% (May: 0.1%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	144.80	EUR/USD	1.0868
USD/SGD	1.3563	USD/THB	35.65
JPY/SGD	0.9367	USD/MYR	4.671

Forecast

USD/JPY	143.10 - 145.00
EUR/USD	1.0800 - 1.0940
AUD/USD	0.6600 - 0.6700
USD/SGD	1.3500 - 1.3655
JPY/SGD	0.9310 - 0.9542
USD/CNH	7.2400 - 7.2800
USD/INR	81.90 - 82.25
USD/IDR	14950 - 15070
USD/MYR	4.680 - 4.700
USD/PHP	55.20 - 55.65
USD/THB	35.40 - 35.70

Today's Direction

	Bull	Bear
USD/SGD	6	0
USD/JPY	6	0

Vietnam Growth: Support and Stability

- Vietnam's **Q2 GDP growth printed at 4.2% YoY** which was close to our estimates but above consensus. There is hardly any relief with much pessimism already factored into these forecasts. The wider implication remains **that H1 2023 growth at 3.7% is substantially below official target** and affirms our expectations that it remains a stretch too far.

- Nonetheless, the extent of manufacturing downturn set off by slowing orders since the start of 2023 is difficult for the authorities to foresee given their stellar growth in 2022.

- For Q2, industry (of which manufacturing is the main component) and construction contributed 0.9%-point while **services sector continues to be the key growth driver** contributing 2.7%-point.

- That said, given on-going credit and power crunch issues, the greater optimism lies in the hope that manufacturing sector's 1.1% Q2 growth implies a **semblance of stability for recovery in H2**.

- On the price front, headline inflation declined further to 2.0% (from May's 2.4%) mainly due to the drag from fuel cost. Reflecting so, core inflation had a mild slip to 4.3% (from May's 4.5%).

- These inflation outturns which are below official targets cement the **SBV's turn to focus on supporting growth via their recent policy easing**.

- Thus far, the silver lining is that **FDI disbursements remained steady** as it edged up 0.5% YoY in H1 2023. The **caution** though lies in 4.3% decline in commitments which in itself is unsurprising given the gloomy and uncertain global outlook but the **lagged effects on actualised investments ought to be watched** alongside the need to shore up power reliability for industrial bases.

FX Daily Outlook

- EUR/USD: US-EZ growth divergence dampens EUR recovery prospects.
- USD/JPY: 145 test ought to be cautious as jawboning and intervention risks rise.
- USD/SGD: Double whammy of weaker CNH and higher UST yield provides 1.35 backstop.
- AUD/USD: Retail sales impact buoyancy off 66 cents while rallies restrained by CPI downside.

TODAY'S EVENTS

(KR) Industrial Production YoY (May): (Mkt:-8.7%; Apr -8.9%) | (JP) Industrial Production YoY (May P): 4.7% (Mkt: 4.3%; Apr F: -0.7%) (US) U. of Mich. Sentiment (Jun F): (Mkt: 63.9; May P: 63.9) | (US) MNI Chicago PMI (Jun): (Mkt: 44.0; May: 40.4) | (US) PCE Deflator/Core YoY (May): (Mkt: 3.8%/4.7%; Apr: 4.7%/4.4%) | (EZ) CPI/Core YoY (Jun): (Mkt: 5.6%/5.5%; May: -/5.3%) | (EZ) Unemployment Rate (May): (Mkt: 6.5%; Apr: 6.5%) | (CH) Mfg/Non-manufacturing PMI (Jun): (Mkt: 49.0/53.2; May: 48.8/54.5) | (TH) BoP Current Account Balance (May): (Mkt: -\$270m; Apr: -\$476m)

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