

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	143.91	144.07	▼0.59	▼0.69
EUR	1.0856	1.0889	+0.0035	+0.0024
AUD	0.6671	0.6626	▼0.0029	+0.0010
SGD	1.3517	1.3536	+0.0002	▼0.0029
CNY	7.2488	7.2488	▼0.0017	+0.0013
INR	82.51	82.51	+0.28	+0.45
IDR	15055	15045	+30	+52
MYR	4.6587	4.6605	+0.0085	▼0.0117
PHP	55.52	55.51	+0.11	+0.18
THB	35.10	35.05	+0.16	▼0.57

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.029%	+9.8 bp	+19.1 bp
JPY (10YR)	0.414%	+2.2 bp	+2.3 bp
EUR* (10YR)	2.626%	+14.8 bp	+21.0 bp
AUD (5YR)	4.057%	+13.0 bp	+22.0 bp
SGD (5YR)	3.163%	+7.3 bp	+8.9 bp
CNY (5YR)	2.419%	+0.2 bp	▼2.1 bp
INR (5YR)	7.108%	+4.2 bp	+9.0 bp
IDR (5YR)	5.916%	+1.8 bp	+0.5 bp
MYR (5YR)	3.661%	+0.0 bp	+7.6 bp
PHP (5YR)	6.308%	+16.3 bp	+30.4 bp
THB (5YR)	2.299%	+0.1 bp	▼1.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,922.26	▼1.07%	▼0.59%
N225 (JP)	32,773.02	▼1.70%	▼1.39%
STOXX 50 (EU)	4,223.09	▼2.93%	▼3.02%
ASX (AU)	3,965.25	▼2.22%	▼2.44%
STI (SG)	3,150.43	▼1.10%	▼1.77%
SHCOMP (CN)	3,205.58	▼0.54%	+0.73%
SENSEX (IN)	65,785.64	+0.52%	+2.93%
JSE (ID)	6,757.33	+0.57%	+1.43%
KLSE (MY)	1,385.95	▼0.28%	▼0.17%
PSE (PH)	6,474.26	▼0.59%	▼0.57%
SET (TH)	1,490.46	▼1.22%	+0.74%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	261.92	▲0.34%	+1.10%
COPPER (LME)	8,246.00	▲0.70%	+0.84%
IRON ORE (CN)	111.69	+0.45%	▲0.86%
GOLD	1,910.90	▲0.23%	+0.14%
OIL (WTI)	71.80	+0.01%	+2.78%

### Three Take-aways:

- 1) Strong labour market and ISM services data painting a resilient economy was unable to buoy sentiments.
- 2) Threat of tight monetary policy sent UST yields surging while equities sink as market sell-off continues.
- 3) BSP Governor Remolona's allusion to rate cuts remain a consideration rather than firm trajectory.

### The Good, The Bad and The Ugly

- First, the **good** is with reference to low initial jobless claims, large upside surprise in ADP employment change and uptick in US ISM services which combine to display a picture of a **resilient economy**. Admittedly, the ADP employment change is a highly volatile series.

- The **bad** is associated with the consequent implication that inflation may run higher and rates may need to stay restrictive for longer. This led to another **bout of soaring UST yields** with 10Y yields up an emphatic 9.8bp while 2Y yields rose 3.6bp.

- The cross Atlantic movements is again notably larger as **10Y UK Gilts and German Bunds** were up 16.5 and 14.9bp respectively. Higher European yields aided EUR recovery towards 1.09.

- The threats of a **prolonged reign** of higher rates sent equities tumbling with **Euro Stoxx down 2.9%** while US equities was also down across the board (Dow: -1.1%; S&P500 and Nasdaq: -0.8%).

- **Seeking shelter**, the risk aversion is also evident in FX markets with the **havens of JPY and CHF** leading G10 gains. The USD/JPY slipped below 144 despite the wider UST-JGB yield differentials.

- In contrast, the AUD plunged towards 66 cents. While the USD/SGD stayed flat, the **display of volatility seen may just prelude of an 'ugly' show ahead**.

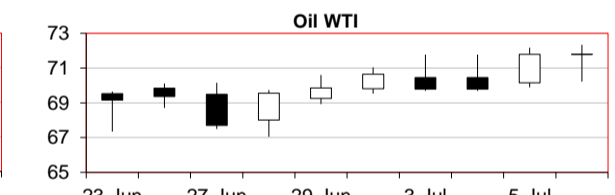
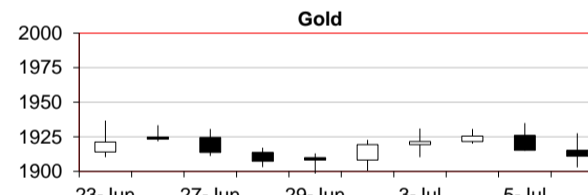
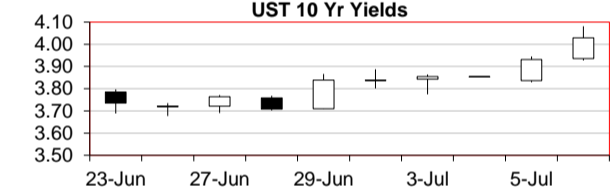
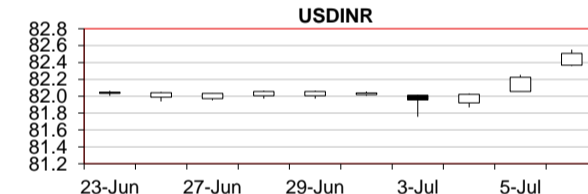
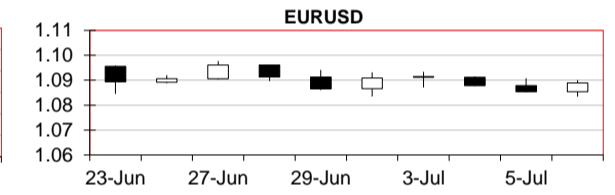
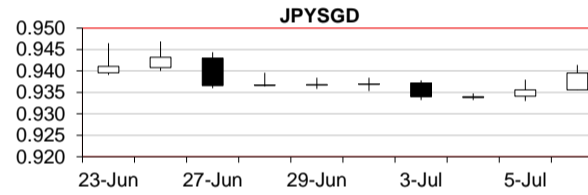
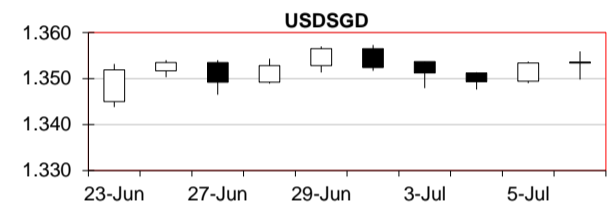
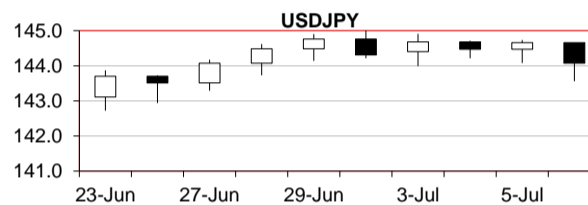
- The range of **ugly** scenarios would entail DM central bank policy being tighter which would widen yield differentials and weigh on EM-Asia FX and in a **risk aversion** environment EM-Asia FX may experience episodes of **capital outflows**. Furthermore, **EM-Asia will also not be spared** the spillover **threats of higher borrowing costs** amid elevated government and household debt burdens and these will increasingly be exposed in an environment of high rates.

### OVERNIGHT RESULTS

(AU) Trade Balance (May): A\$11791m (Mkt: A\$10900m; Apr: A\$11158m) | (TW) CPI/Core YoY (Jun): 1.8%/2.6% (Mkt: 1.8%/-; May: 2.0%/2.6%) | (US) ADP Employment Change (Jun): 497k (Mkt: 240k; May: 278k) |

(US) JOLTS Job Openings (May): 9824k (Mkt: 9900k; Apr: 10103k) | (US) Initial Jobless Claims: 248k (Mkt: 245k; Prior: 239k) | (US) ISM Services Index (Jun): 53.9 (Mkt: 51.3; May: 50.3) | (EZ) Retail Sales YoY (May): -2.9% (Mkt: -2.7%; Apr: -2.6; Revised: -2.9%)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	143.96	EUR/USD	1.0890
USD/SGD	1.3531	USD/THB	35.21
JPY/SGD	0.9399	USD/MYR	4.662

### Forecast

USD/JPY	143.70 - 145.00
EUR/USD	1.0800 - 1.0910
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3520 - 1.3655
JPY/SGD	0.9324 - 0.9502
USD/CNH	7.2350 - 7.2700
USD/INR	82.30 - 82.60
USD/IDR	15000 - 15900
USD/MYR	4.660 - 4.673
USD/PHP	55.40 - 55.60
USD/THB	34.80 - 35.20

### Today's Direction

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

### BSP: Structural and Cyclical Considerations

- Early this week, the BSP saw Eli Remolona taking over Felipe Medalla as Governor.

- With inflation cycle past its peak, this week's June's headline inflation **showed another sharp decline to 5.4% YoY from 6.1% YoY** while core inflation had a mild slide from 7.7% to 7.4%.

- Notably, at the presser, the decline in headline inflation prompted questions for considerations of **rate cuts in October** if headline inflation heads below 4% which is the BSP's upper limit.

- The reply from Governor Remolona was **"we will consider"**. While softer core inflation has dialed back the case for further hikes, **its sheer elevation will restrain rate cuts** amid Governor Remolona's stance that the **BSP is structurally hawkish**.

- What's more, policy rate cuts in a likely hawkish Fed environment imply **headwinds for the PHP** which has been resilient thus far after a dire 9.7% depreciation in 2022.

- In addition, with the **Maharlika Investment Fund** bill already reached President Marcos Jr. this week, the **formation of the sovereign wealth fund** cements their continued investments in infrastructure which continues to require **substantial imports** of raw materials and capital goods.

- An entrenchment of the **prolonged trade deficit** ensues. Given significant import reliance for food, energy and raw materials, a **weaker PHP re-igniting imported inflation will worry the BSP**. That said, if Secretary of Finance Diokno's expectations of headline CPI below the BSP's lower limit of 2% in Q1 2024, rate cuts may be better aligned at that juncture especially with the **accumulation of growth headwinds**.

### FX Daily Outlook

- EUR/USD: Failing to durably test 1.09, EUR may continue sideways around mid-1.08.

- USD/JPY: Risk aversion hinder 145 but higher yields may take opportunity to reassert buoyancy.

- USD/SGD: CNH may weaken to enable mid-1.35 consolidation.

- AUD/USD: 66 cents buoyancy may endure as RBA's hawkish inclinations pondered.

### TODAY'S EVENTS

(JP) Labor/Real Cash Earnings YoY (May): 2.5%/-1.2% (Mkt: 1.2%/-2.7%; Apr: 0.8%/-3.2%) |

(KR) BoP Current Account Balance (May): \$1927.2m (Apr: -\$792.6m) |

(JP) Coincident/Leading Index CI (May P): (Mkt: 97.1/97.6; Apr: 97.3/96.8) | (PH) Unemployment Rate (May): (Apr: 4.5%) |

(TW) Trade Balance (Jun): (Mkt: \$4.99b; May: \$4.89b) | (US) Change in Nonfarm Payrolls (Jun): (Mkt: 225k; May: 339k) |

(US) Unemployment Rate (Jun): (Mkt: 3.6%; May: 3.7%)

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