

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	140.53	140.36	▼0.95	▼4.11
EUR	1.1009	1.1009	+0.0008	+0.0130
AUD	0.6673	0.6686	+0.0011	▼0.0006
SGD	1.3417	1.3410	▼0.0039	▼0.0083
CNY	7.2027	7.2098	▼0.0162	▼0.0064
INR	82.38	82.37	▼0.21	+0.34
IDR	15151	15140	▼55	+147
MYR	4.6597	4.6590	▼0.0115	+0.0088
PHP	55.29	55.28	▼0.41	+0.04
THB	34.84	34.82	▼0.34	▼0.07

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.970%	▼2.4 bp	+11.6 bp
JPY (10YR)	0.459%	▼0.3 bp	+7.3 bp
EUR* (10YR)	2.649%	+0.9 bp	+19.6 bp
AUD (5YR)	4.088%	▼10.0 bp	+15.9 bp
SGD (5YR)	3.208%	▼3.4 bp	+11.4 bp
CNY (5YR)	2.416%	▼0.2 bp	▼1.0 bp
INR (5YR)	7.076%	▼4.3 bp	▼0.5 bp
IDR (5YR)	5.931%	▼9.2 bp	+2.8 bp
MYR (5YR)	3.622%	▼3.8 bp	▼0.6 bp
PHP (5YR)	6.288%	+0.2 bp	+18.4 bp
THB (5YR)	2.314%	▼0.1 bp	+1.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,261.42	+0.93%	▼0.46%
N225 (JP)	32,203.57	+0.04%	▼3.65%
STOXX 50 (EU)	4,286.56	+0.71%	▼2.38%
ASX (AU)	3,973.18	+0.19%	▼2.98%
STI (SG)	3,163.84	+0.46%	▼1.25%
SHCOMP (CN)	3,221.37	+0.55%	▼0.74%
SENSEX (IN)	65,617.84	+0.42%	+0.21%
JSE (ID)	6,796.92	+0.98%	+1.72%
KLSE (MY)	1,391.46	+0.61%	▼0.07%
PSE (PH)	6,398.64	+0.30%	▼1.78%
SET (TH)	1,496.96	+0.00%	▼1.21%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.60	+1.22%	+2.57%
COPPER (LME)	8,305.00	▲0.62%	▲0.49%
IRON ORE (CN)	108.18	+1.44%	▲2.05%
GOLD	1,932.23	+0.36%	+0.35%
OIL (WTI)	74.83	+2.52%	+4.23%

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

USD/JPY	140.12	EUR/USD	1.1014
USD/SGD	1.3404	USD/THB	34.76
JPY/SGD	0.9566	USD/MYR	4.650

**Forecast**

USD/JPY	139.00 - 141.00
EUR/USD	1.0940 - 1.1060
AUD/USD	0.6640 - 0.6740
USD/SGD	1.3350 - 1.3490
JPY/SGD	0.9468 - 0.9705
USD/CNH	7.1950 - 7.2550
USD/INR	82.20 - 82.80
USD/IDR	15100 - 15250
USD/MYR	4.645 - 4.678
USD/PHP	55.20 - 55.50
USD/THB	34.70 - 35.10

**Today's Direction**

	Bull	:	Bear
USD/SGD	2	:	6
USD/JPY	2	:	6

**Three Take-aways:**

- 1) Soft USD and buoyed US equities running on 'patient'/optimistic' Fed may face challenging inflation.
- 2) Surging Brent crude prices may re-ignite headline inflation fears.
- 3) BoK set to prolong pause on growth concerns as pressure on KRW eases.

**Optimism?**

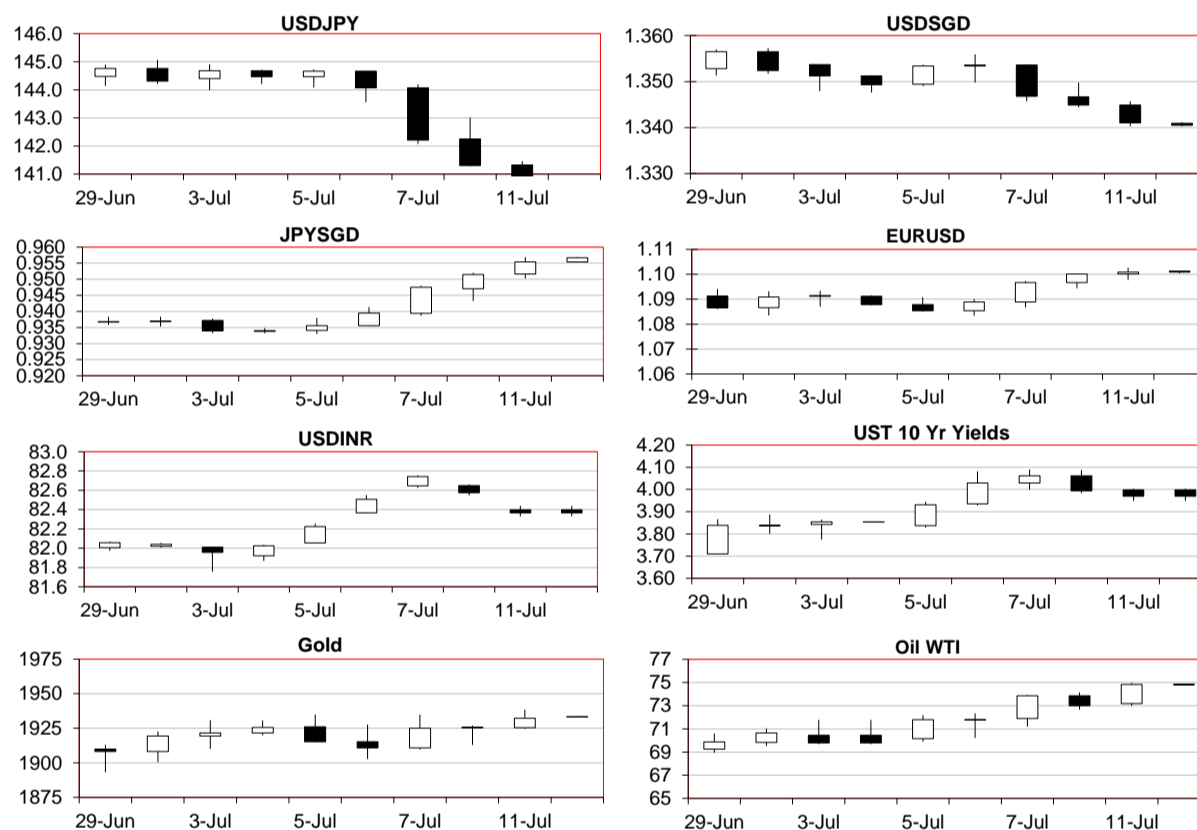
- Ahead of tonight's US CPI print, New York Fed president John Williams has stated that he "does not have recession in his forecast" but "has very slow growth". This barely resembles unfettered optimism. In a case of glass half full, US equities rose across the board. Whereas in USTs, actions were rather measured, UST yield curve flatten as UST 2Y yields edged up 1.5bp while 10Y yields fell 2.5bp.
- Amid the mild improvement in sentiments, USD slipped further against G10 peers as NOK led gains riding on 2.2% surge in Brent crude prices to above \$79/barrel.
- Despite the absence of clear yield dynamics and higher energy prices, USD/JPY continued its slide to go below 140 to underscore the extent of unwinding of positions and threat of BoJ pivots.
- In contrast, the EUR is still hovering around 1.10 as German investor sentiments for July beating market consensus remains unable to mask the plain fact of its continued slide from June.
- Down Under, the AUD looks to buoy above 67 cents today on CNH recovery if further stimulus comes through. That said, rallies may fade given the inevitable sense of worry to ponder about the correlation of the scale of issues with the size and timeline of support measures.
- In EM-Asia, USD/SGD has slipped below 1.34. In Thailand, the run-up to PM vote tomorrow has incited THB gains on optimism of political certainty though potential for upheavals persist.

**BoK: Of Pauses and Downgrades**

- While our base case is for the BoK to hold rates (3.50%) tomorrow, an examination of the rationale behind their continued hold since the start of 2023 ought to shed light on the various signposts to watch for which could trigger another 25 step up in H2 or the need for cuts.
- First, declining headline inflation from 5.2% YoY in Jan 2023 to 2.7% YoY in June 2023 and an albeit smaller drop of core inflation from 4.1% in Jan to 3.5% in June.

**OVERNIGHT RESULTS**

(JP) Machine Tool Orders YoY (Jun P): -21.7% (May: -22.1%) | (CH) New Yuan Loans CNY (Jun): 3050.0b (Mkt: 2318.5b; May: 1362.8b) (PH) Trade Balance (May): -\$4396m (Mkt: -\$4622m; Apr: -\$4531m) | (GE) ZEW Survey Expectations/Current (Jul): -14.7/-59.5 (Mkt: -10.5/-62.0; Jun: -15.6/-65.4)

**Two Weeks Movement \***


- This imply that real rates have returned to sufficiently restrictive territory which raises the bar for further hikes. Cuts though remain off the table this year given sticky core inflation.
- Second, growth trajectory remains clouded with uncertainty over whether manufacturing production's 3.2% MoM SA increase in May (off 0.6% MoM SA contraction in April) represent a durable turnaround. What's more, the services industry contracted in both April and May.
- The elevated inventory levels in the manufacturing sector adds significant downward pressure on firms necessity to raise production levels in the coming months.
- Parsing the above points via the Taylor rule, the case for a pause in July is clear.
- Looking ahead, through the risk angle, the drop in housing prices have slowed substantial to a rather steady rate around 0.1% week on week. This risk reduction provides a backdrop but not catalyst for hikes. Nonetheless, risk could emerge from their reverse Jeonse crisis.
- Fiscal stimulus announced in early July could contain potential to generate impulse for both growth and prices. Admittedly, a slew of measures such as grants and tax incentives remain catered to enhance longer term potential growth and reduce supply chain vulnerabilities.
- Various consumption boosting measures (foreign and domestic tourism promotion, major sales campaigns) alongside infrastructure projects (high speed commuter rail) could have near term implications to price and growth and represent a tail risk surrounding a further hike.
- For now, BoK will stand pat as growth worries remain skewed to the downside with the MoF downgrading their 2023 growth forecast to 1.4% which is still a notch above ours (1.1%).

**FX Daily Outlook**

- EUR/USD: Ahead of US CPI, EUR may consolidate around both side of 1.10.
- USD/JPY: Unwinding JPY short positions could run into US CPI print and backstop 139.
- USD/SGD: Watch for fading CNH recovery to allow bids around mid-1.35.
- AUD/USD: Rallies above mid-67 cents remain subject to China stimulus durability.

**TODAY'S EVENTS**

(JP) PPI YoY (Jun): (Mkt: 4.4%; May: 5.1%) | (JP) Core Machine Orders MoM (May): (Mkt: 1.0%; Apr: 5.5%) | (IN) CPI YoY (Jun): (Mkt: 4.60%; May: 4.3%) | (IN) Industrial Production (May): (Mkt: 5.0%; Apr: 4.2%) | (KR) Unemployment Rate SA (Jun): (Mkt: 2.6%; May: 2.5%) | (MY) Industrial Production YoY (May): (Mkt: 1.8%; Apr: -3.3%) | (US) CPI/Ex Food and Energy YoY (Jun): (Mkt: 3.1%/5.0%; May: 4.0%/5.3%)

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