

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	138.38	138.05	▼0.45	▼6.02
EUR	1.1154	1.1226	+0.0097	+0.0337
AUD	0.6841	0.6889	+0.0102	+0.0263
SGD	1.3263	1.3221	▼0.0081	▼0.0315
CNY	7.1607	7.1493	▼0.0162	▼0.0995
INR	82.10	82.07	▼0.18	▼0.44
IDR	14966	14968	▼110	▼77
MYR	4.6057	4.5822	▼0.0696	▼0.0783
PHP	54.49	54.53	▼0.42	▼0.98
THB	34.51	34.57	▼0.35	▼0.48

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.763%	▼9.4 bp	▼26.6 bp
JPY (10YR)	0.475%	+0.1 bp	+6.1 bp
EUR* (10YR)	2.450%	▼9.1 bp	▼17.6 bp
AUD (5YR)	3.933%	▼10.4 bp	▼12.4 bp
SGD (5YR)	3.071%	▼10.0 bp	▼9.2 bp
CNY (5YR)	2.429%	+1.0 bp	+1.0 bp
INR (5YR)	7.058%	▼4.9 bp	▼5.0 bp
IDR (5YR)	5.864%	▼3.2 bp	▼5.2 bp
MYR (5YR)	3.562%	▼2.9 bp	▼9.9 bp
PHP (5YR)	6.087%	▼18.8 bp	▼22.1 bp
THB (5YR)	2.314%	+0.0 bp	+1.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,395.14	+0.14%	+1.39%
N225 (JP)	32,419.33	+1.49%	▼1.08%
STOXX 50 (EU)	4,391.76	+0.72%	+3.99%
ASX (AU)	4,061.27	+0.32%	+2.42%
STI (SG)	3,238.46	+1.99%	+2.79%
SHCOMP (CN)	3,236.48	+1.26%	+0.96%
SENSEX (IN)	65,558.89	+0.25%	▼0.34%
JSE (ID)	6,810.21	+0.03%	+0.78%
KLSE (MY)	1,396.23	▼0.13%	+0.74%
PSE (PH)	6,578.49	+1.73%	+1.61%
SET (TH)	1,494.02	+0.19%	+0.24%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.74	+0.91%	+3.37%
COPPER (LME)	8,687.00	+2.34%	+5.35%
IRON ORE (CN)	111.01	+0.39%	▲0.61%
GOLD	1,960.51	+0.16%	+2.60%
OIL (WTI)	76.89	+1.50%	+7.09%

Three Take-aways:

- 1) US equities buoyed and UST yields plunged as markets revel in lower PPI and resilient labour.
- 2) Rising oil prices and narrative of passing economic pains may set up a testing Q4 for the Fed.
- 3) Thailand's political uncertainty restrain the THB performance offsetting tourism recovery.

Trains and Departures

- After the CPI print, markets are seemingly **departing away from caution** with US equities rising across the board. Dialing back odds for 2 hikes, UST 2Y and 10Y yields fell 11.6bp and 9.4bp respectively **enjoying alignment (with CPI) from lower than expected PPI and taking comfort from lower initial jobless claims**. On the aside, Fed Hawk James Bullard has **resigned** with immediate effect.

- Nonetheless, Fed Governor Christopher Waller has chosen to lean on the hawkish front to espouse the need for two more rate hikes with a rather **notable caution** for buoyant markets.

- "If one believes that the bulk of the (tightening) effects have **passed through the economy**, then we cannot expect much more slowing of demand and inflation". "Pausing hikes... to wait for long and variable lags, **may leave you standing on the platform waiting for a train that has already left**".

- Here's the thing: If one has decided that economic slowdown/recession has been averted, it would be also consistent to believe that aversion would underpin inflationary pressures. Furthermore, given surging oil prices with Brent Crude prices now above US\$81/barrel, **tailwinds from base effects (on headline inflation) of fading fuel prices will wash out in Q4 if prices remain sticky at these levels**.

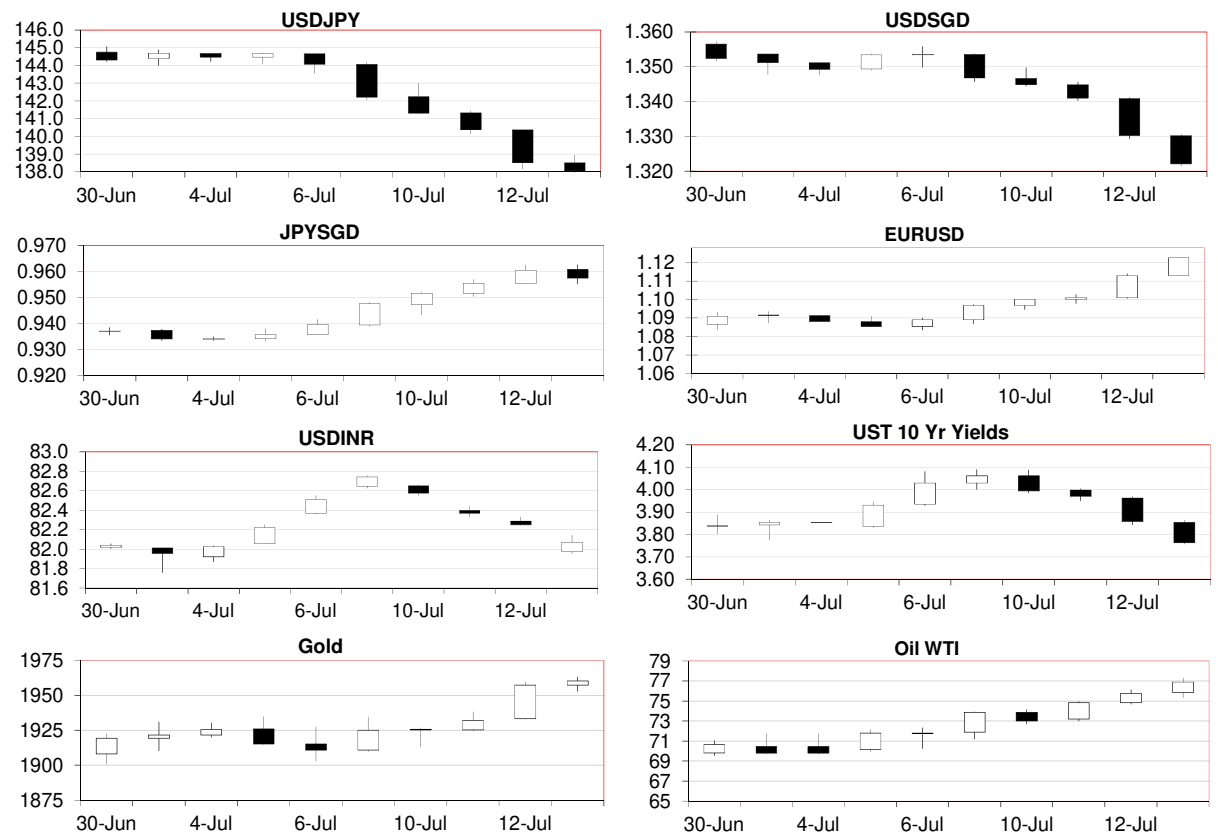
- In FX land, it is unsurprising that USD weakened with commodity currencies leading the way with NOK outperforming while the AUD looking to test 69 cents. EUR ascended above 1.12 and USD/JPY slipped below 138. Elsewhere, USD/SGD is now hovering just above 1.32.

Malaysia: Domestic Resilience, External Woes

- Led by strong manufacturing performance of 5.1% YoY, Malaysia's May industrial production recovered from April's contraction and grew 4.7% YoY. The **domestic-oriented boost was a key driver** as manufacture of **motor vehicles, fabricated metals, food and beverage surge** while export oriented industries had a smaller contribution from rising production of vegetable oil.

OVERNIGHT RESULTS

(CH) Trade Balance (Jun): \$70.6b (Mkt: \$74.9b; May: \$65.8b) | (TH) Consumer Confidence Economic (Jun): 51.2 (May: 50.2) | (US) Initial Jobless Claims: 237k (Mkt: 250k; Prior: 248k) | (US) PPI/Ex-Food & Energy YoY (Jun): 0.1%/2.4% (Mkt: 0.4%/2.6%; May: 1.1%/2.8%) | (EZ) Industrial Production SA MoM (May): 0.2% (Mkt: 0.3%; Apr: 1.0%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	138.07	EUR/USD	1.1223
USD/SGD	1.3227	USD/THB	34.57
JPY/SGD	0.9580	USD/MYR	4.560

Forecast

USD/JPY	137.60 - 139.70
EUR/USD	1.1070 - 1.1220
AUD/USD	0.6780 - 0.6920
USD/SGD	1.3270 - 1.3380
JPY/SGD	0.9499 - 0.9724
USD/CNH	7.1400 - 7.1800
USD/INR	81.95 - 82.55
USD/IDR	14950 - 15180
USD/MYR	4.540 - 4.600
USD/PHP	54.40 - 55.00
USD/THB	34.50 - 34.90

Today's Direction

	Bull	Bear
USD/SGD	3	5
USD/JPY	3	5

- The resilient domestic demand assisted by BNM's relatively accommodative policy contrast with more pessimistic PMIs in contraction that may be more reflective of global conditions.

- Looking ahead, the domestic situation remains fluid with the state elections slated for 12 August. While PM's Anwar's **Unity Government is not under direct threat**, his coalition will be keen for a strong show to push through reforms such as rationalising petrol subsidies.

Thailand: Political Clout and Cloud

- The **political cloud** hanging over the THB is undeniably evident with the THB being down 2.3% since the May 14 elections. Notably, the THB **has underperformed regional peers** such as PHP, MYR, IDR and VND **despite a substantial inflows** of 2 million **tourist arrivals** each month and **surging consumer confidence**.

- In yesterday's parliament session, Mr Pita **did not manage to secure the required votes** for Premiership, falling short by 51 votes and this sets up a subsequent voting round on 19 July.

- Furthermore, Mr Pita's **bid for the PM seat remains clouded** by the uncertainty over **two cases** which has been submitted to the constitutional **court**. One being **his eligibility** to run for elections given his ownership of media shares and the other is targeted at the **dissolution of the Move Forward Party** on their intentions of amend the lese majeste law.

- Looking ahead, the tail risks from prolonged uncertainty will stem from a resurgence of social unrest. As for political permutations, tail probabilities of **last resort** "House Speaker" type arrangement which will see Mr Pita take on a deputy PM role also cannot be ruled out.

FX Daily Outlook

- EUR/USD: USD weakening to allow 1.12 consolidation especially on improving US sentiments.

- USD/JPY: Slower slips below 138 as surging oil prices provide reassessment needs.

- USD/SGD: Sub-1.32 if CNH recovery provides more assistance.

- AUD/USD: Caution imparted at 69 cents as China recovery prospects ought to be weighed.

TODAY'S EVENTS

(SG) GDP YoY/QoQ saar (2Q A): 0.7%/0.3% (Mkt: 0.4%/-0.2%; 1Q: 0.4%/-0.4%) | (JP) Industrial Production (May F): (May P: -1.6%) | (IN) Trade Balance (Jun): (Mkt: -\$20.05b; May: -\$22.12b) | (US) U. of Mich. Sentiment (Jul P): (Mkt: 65.5; Jun: 64.4) | (US) U. of Mich. 1/5-10 Yr Inflation (Jul P): (Mkt: 3.1%/3.0%; Jun: 3.3%/3.0%)

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