

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.48	139.65	+0.82	+1.15
EUR	1.1228	1.1201	▼0.0028	+0.0072
AUD	0.6786	0.6772	▼0.0039	▼0.0015
SGD	1.3251	1.3250	+0.0022	▼0.0052
CNY	7.2171	7.2232	+0.0368	+0.0577
INR	82.12	82.10	+0.06	▼0.15
IDR	14997	14995	+0	▼83
MYR	4.5398	4.5398	+0.0000	▼0.1120
PHP	54.51	54.52	+0.09	▼0.44
THB	34.03	34.04	▼0.17	▼0.87

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.748%	▼3.7 bp	▼10.9 bp
JPY (10YR)	0.466%	▼1.4 bp	▼0.8 bp
EUR* (10YR)	2.406%	+5.1 bp	▼13.5 bp
AUD (5YR)	3.749%	▼9.6 bp	▼28.8 bp
SGD (5YR)	2.965%	▼2.7 bp	▼20.6 bp
CNY (5YR)	2.406%	+0.3 bp	▼1.3 bp
INR (5YR)	7.044%	+2.6 bp	▼6.3 bp
IDR (5YR)	5.881%	+0.0 bp	▼1.5 bp
MYR (5YR)	3.553%	+0.0 bp	▼3.8 bp
PHP (5YR)	6.062%	▼4.7 bp	▼21.3 bp
THB (5YR)	2.319%	▼0.2 bp	+0.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,061.21	+0.31%	+2.08%
N225 (JP)	32,896.03	+1.24%	+2.98%
STOXX 50 (EU)	4,362.28	▼0.17%	+0.04%
ASX (AU)	4,151.54	+2.08%	+2.55%
STI (SG)	3,275.24	+0.64%	+3.15%
SHCOMP (CN)	3,198.84	+0.03%	+0.08%
SENSEX (IN)	67,097.44	+0.45%	+2.61%
JSE (ID)	6,830.20	+0.00%	+0.32%
KLSE (MY)	1,403.03	+0.00%	+0.36%
PSE (PH)	6,541.91	+0.20%	+1.16%
SET (TH)	1,536.64	+0.09%	+3.05%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	273.09	+0.45%	+1.79%
COPPER (LME)	8,401.79	▲0.51%	▲1.02%
IRON ORE (CN)	112.63	▲0.54%	+1.85%
GOLD	1,976.64	▲0.11%	+0.99%
OIL (WTI)	75.35	▼0.53%	▼0.53%

Three Take-aways:

- 1) Lower UK CPI inflation sinks Gilt yields and the Pound as bets for large BoE hikes unwind.
- 2) Australia jobs may stay resilient but lagged nature imply muted AUD gains.
- 3) Political uncertainty asserts a premium on the THB amid foreign equity and capital outflows.

Inflation Relief?

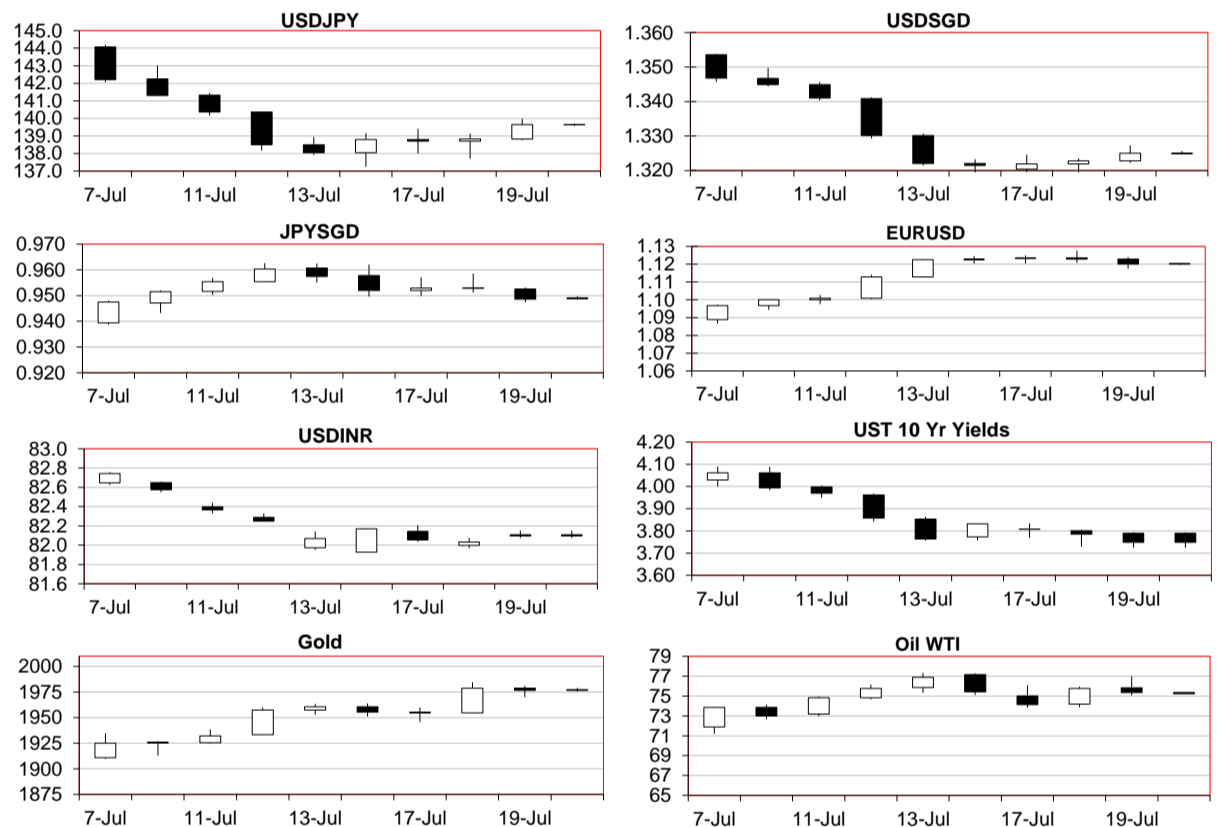
- Undoubtedly, **UK CPI heading lower reversed heightened BoE rate hike bets** as yields on the 2y and 10Y Gilts plunged 20bp and 12.7bp respectively leading to the pound underperforming G10 peers.
- Nonetheless, **amid EZ core inflation being revised upwards in the final print**, the Gilts spillover on EZ yields was also tempered by earlier less hawkish tones from ECB's Knot. Despite UST 2Y yields being flat, **EUR softened towards 1.12** to signal marginal risk aversion alongside 10Y UST yields down 3.7bp.
- **US equities also showed restraint** with the Nasdaq staying flat while the S&P500 and Dow edged up 0.2% and 0.3% respectively. While **lower inflation or prices** may bring relief for central banks, price cuts impacting Tesla's margins provide the **broader reminder of the resultant impact on income statements and balance sheets**.
- Whereas in Japan, current inflation being above target does not dampen the need for cautious assessment of YCC tweaks. The USD/JPY ascended towards 140 with BoJ Governor Ueda placing a high bar for a policy shift espousing that there is still **some distance to sustainably reach their inflation target**. Turning to EM-Asia, the USD/SGD inched up towards mid-1.32.
- The AUD has dribbled lower as tailwinds from commodities fade and today's job report may not trigger rallies even with resilient outturns as lagged policy effects restrain the RBA.

Australia Jobs: Resilience

- Given that labour markets are lagged indicators, one should not expect labour markets to falter before output related signals such as retail sales and business turnover.
- With retail sales looking resilient and services PMI staying in expansionary territory, employment ought to have held up in June. That said, **further strong job gains is increasingly dependent and restrained by labour force participation rates** which has already reached all time highs.

OVERNIGHT RESULTS

(US) Housing Starts/Building Permits (Jun):1434k/1440k (Mkt: 1480k/1500k; May: 1631k/1496k) | (EZ) CPI/Core YoY (Jun F): 5.5%/5.5% (Mkt: 5.5%/5.4%; Jun P: 6.1%/5.4%) | (UK) CPI/Core YoY (Jun F): 7.9%/6.9% (Mkt: 8.2%/7.1%; Jun P: 8.7%/7.1%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	139.61	EUR/USD	1.1205
USD/SGD	1.3249	USD/THB	34.03
JPY/SGD	0.9490	USD/MYR	4.545

Forecast

USD/JPY	138.50 - 141.00
EUR/USD	1.1160 - 1.1300
AUD/USD	0.6660 - 0.6820
USD/SGD	1.3200 - 1.3300
JPY/SGD	0.9362 - 0.9603
USD/CNH	7.2200 - 7.2500
USD/INR	81.80 - 82.45
USD/IDR	14930 - 15080
USD/MYR	4.518 - 4.588
USD/PHP	54.30 - 54.80
USD/THB	33.90 - 34.30

Today's Direction

	Bull	Bear
USD/SGD	4	2
USD/JPY	4	2

- While housing markets show budding signs of stability with higher dwelling approvals and rising new loan commitments, the burden of higher mortgage cost continues to weigh on household sentiments which tempers the optimism from decent wage gains.

- Looking ahead, the RBA has stated that **mortgage interest payments would continue to rise** due to resets of low fixed rate loans even without further increases in cash rates.

THB: Political Uncertainty Premium

- Given fading headwinds from sliding freight costs and substantial net travel inflows from tourism to around US\$5bn per quarter since the start of 2023, **one would expect the THB to be on an emphatic and discernible recovery path**.

- Admittedly, risks of delays to Budget 2024 may interrupt the economic recovery. But this is unlikely to be a significant driver of THB underperformance.

- Instead, almost certainly the **on-going political uncertainty, involving not just PM selection but possibly coalition government stability appears to be the main bugbear for THB**.

- Over and above the political uncertainty premium, THB underperformance is arguably also a consequence of **dented confidence** due to corporate debt worries and fraud issues which have precipitated foreign equity and capital outflows.

- While we remain **fundamentally constructive** on the THB, the ongoing uncertainty and drags will have to fade in order to allow a smoother recovery path.

- Click Here for full report: Mizuho Flash - THB: The Political Uncertainty Premium

FX Daily Outlook

- EUR/USD: China policy moves backstop mid-1.11 while grain woes impart restrained rallies.
- USD/JPY: Dovish BoJ buoys pair above 140 as policy divergence regains prominence.
- USD/SGD: CNH slippage backstop 1.32 as regional peers brace for G3 volatility.
- AUD/USD: Two way reactions from jobs to fade with 68 cents recovery shallow.

TODAY'S EVENTS

(JP) Machine Tool Orders YoY (Jun F): (Mkt: -, Jun P: -21.7%) | (AU) Employment Change (Jun): (Mkt: 15.0k; May: 75.9k) | (AU) Participation/Unemployment Rate (Jun): (Mkt: 66.9%/3.6%; May: 66.9%/3.6%) | (MY) Trade Balance MYR (Jun): (Mkt: 16.7b; May: 15.4b) | (TW) Export Orders YoY (Jun): (Mkt: -20.3%; May: -17.6%) | (US) Initial Jobless Claims (Jul): (Mkt: 240k; Jun: 237k) | (US) Leading Index (Jun): (Mkt: -0.6%; May: -0.7%) | (US) Philadelphia Fed Business Outlook (Jul): (Mkt: -10.0; Jun: -13.7)

Central Banks: PBoC 1-Yr/5-Yr Loan Prime Rate

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.