



Economic Calendar

Date	Country	Event	Period	Survey*	Prior
23 Jun	US	Existing Home Sales	May	3.95m	4.00m
		PMI Mfg/Services (US, EZ, JP)	Jun P	--	--
24 Jun	US	Current Account Balance	1Q	-\$445.5b	-\$303.9b
	US	Conf. Board Consumer Confidence	Jun	99.0	98.0
	US	Richmond Fed Manufact. Index	Jun	--	-9.0
	GE	IFO Business Climate/Expectations	Jun	88.3/--	87.5/88.9
25 Jun	US	New Home Sales	May	693k	743k
	JP	Coincident Index/Leading Index Cl	Apr F	--	115.5/103.4
	JP	Machine Tool Orders YoY	May F	--	0.0
26 Jun	US	Advance Goods Trade Balance	May	-\$92.0b	-\$87.0b
	US	Initial Jobless Claims		248k	245k
	US	Wholesale Inventories MoM	May P	--	0.2%
	US	GDP Annualized QoQ	1Q T	-0.2%	-0.2%
	US	Durable Goods Orders/Nondef Ex Air	May P	6.9%/--	-6.3%/-1.5%
	US	Pending Home Sales MoM	May	0.0%	-6.3%
	US	Chicago Fed Nat Activity Index	May	--	-0.3
	US	Kansas City Fed Manf. Activity	Jun	--	-3.0
27 Jun	US	U. of Mich. Sentiment/Expectations	Jun F	60.5/--	60.5/58.4
	US	PCE/Core Deflator YoY	May	2.3%/2.6%	2.1%/2.5%
	US	Personal Income/Spending	May	0.2%/0.2%	0.8%/0.2%
	JP	Retail Sales YoY	May	2.5%	3.5%
	JP	Jobless Rate/Job-To-Applicant Ratio	May	2.5%/1.3	2.5%/1.3

Week-in-brief: Conflict, (Un)Certainty and Central Banks

- Attention turned away from trade to geopolitical risks in the Middle East in the past week. Rolling Iran-Israel tensions sapped risk sentiment and supported Brent Crude's continued its ascendancy, which climbed >2% to >\$76/bbl. S&P500 was little changed while most equity bourses globally are down for the week. Against this backdrop, a cautious view on outlook was revealed in the slew of central bank events.

- **The Fed stayed on hold**, as widely expected. The median of 'Dot Plot' retained expectations of 2 rate cuts for 2025 despite a discernible hawkish drift in 'Dot Plot' amid a distinct downside shifts in growth and upside revisions to inflation. BOJ stood pat as expected, and reduced pace of bond buying from the next FY to quarterly reductions of ¥200bn from the current ¥400bn.

- **Riksbank lowered its key rate to 2%** to support growth in the economy and signalled potential for further cuts. BOE held rates at 4.25% in a 6 (cut)-to-3 (hold) vote as policymakers weighed up UK's softening jobs market and weak growth against a backdrop of mounting geopolitical tensions.

- **SNB cut policy rate by 25bp to 0%** and signalled readiness to ease further, in an attempt to temper CHF's strength, which had pushed inflation into deflationary territory in May. The central bank noted developments abroad as the main risks to Swiss economy.

- **Norges Bank surprised markets with a 25bps cut**, reducing benchmark interest rate from 4.50% to 4.25%, as inflation outlook was revised lower. Norges Bank's updated rates forecast saw policy rate below 4% at end-2025, suggesting more cuts ahead.

- **Bank Indonesia stood pat** to support the rupiah amid global trade war and Middle East conflicts. Nonetheless, Bank Indonesia easing bias remained as it continues looking for room to ease.

- **CBC kept policy rate unchanged** on expectations of "very high uncertainty" going into 2H'25. 2025 growth forecast was retained at 3.05% while inflation forecast slightly lowered to 1.81% (prev: 1.89%).

- **BSP cut policy rate by 25bps** with 2025 risk-adjusted inflation forecast revised lower to 1.6% (prev: 2.3%) and with a more subdued view on growth outlook.

- Next week, **Bank of Thailand is expected to proceed with an insurance cut**. Our out-of-consensus call takes into account higher NPLs all categories, weak private consumption and a lack of progress on a trade deal.

- All in, while market may be somewhat desensitized to headlines on geopolitical flares as evidenced in a more modest climb in Crude, tail risks of a sharp sell-off in risk assets on a significant escalation in events have increased materially.

Thailand's Political Upheaval

- **Political turmoil grips Thailand** have been precipitated by a leaked phone call, a key defection from the ruling Pheu Thai and calls for PM Paetongtarn's resignation.

- The ruling **Pheu Thai's razor thin majority** (of 253 out of 500 seats), backed by only 142 seats of its own, suggest a precarious government, especially amid risks of further defections from coalitions it is highly-reliant on.

- Elevated, and potentially prolonged political uncertainty now casts a pall on an already weak economy, further exacerbating pre-existing by geo-economic (tariff) threats.

- With already compromised business confidence and fragile household sentiments, there is arguably an need for further stimulus sooner.

- BoT may need to hasten 50-75bp of cuts.

- THB weakness is not a substitute for or an argument against cuts.

- Instead, **stabilizing the THB even as the BoT cuts may be optimal** to shore up confidence and stave off (misperceived) allegations of mercantilism amid tariff/trade threats.

Iran-Israel risks: Fatter Tails!

- Tensions between hopes for a negotiated truce and dislocations involved in regime change entail **fatter tail risks**: keeping volatility intact, possibly more profound and susceptible to sudden flares.

Dangerous Escalation

- Trump's inclination are unclear. Admittedly, brinksmanship aimed at curbing Iran's nuclear ambitions is possible.

- Nonetheless, in the context of Israel's unrelenting strikes on Iran, during which the chances of negotiations are stymied, the clear and present danger is escalation and spill-over.

- Crippled as they may be, Iran's proxies may not be completely neutered, given the DNA of working in cells.

- And if the leadership in Iran smells regime change on the agenda, the risk is that it may shift from loss-minimizing survival strategies to destruction maximizing end-game.

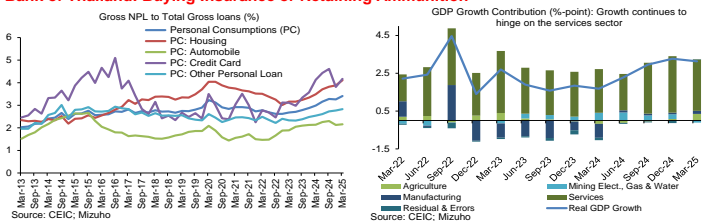
- In which case, amongst other more extreme threats, the evident danger/deterrent of US involvement of a brutal US intervention may be less of a deterrent to blockading the Strait of Hormuz.

- Oil (and consequently wider energy) and shipping are rendered first-order tail risks.

*Survey results from Bloomberg, as of 20 Jun 2025. The lists are not exhaustive and only meant to highlight key data/events

Date	Country	Event	Period	Survey*	Prior
23 Jun	SG	CPI/CoreYoY	May	0.8%/0.6%	0.9%/0.7%
		PMI Mfg/Services (AU, IN)	Jun P	--	--
	TW	Unemployment Rate	May	--	3.4%
24 Jun	KR	Consumer Confidence	Jun	--	101.8
	MY	CPI YoY	May	1.4%	1.4%
	TW	Industrial Production YoY	May	18.8%	22.3%
25 Jun	AU	CPI/Trimmed Mean YoY	May	2.3%/--	2.4%/2.8%
	TH	BoT Benchmark Interest Rate		1.75%	1.75%
26 Jun	SG	Industrial Production YoY	May	2.7%	5.9%
	AU	Job Vacancies QoQ	May	--	-4.5%
	PH	Budget Balance PHP	May	--	67.3b
27 Jun	CH	BoP Current Account Balance	1Q F	--	\$165.6b
	CH	Industrial Profits YoY	May	--	3.0%
	IN	Industrial Production YoY	May	2.3%	2.7%
	PH	Exports/Imports YoY	May	4.3%/-2.9%	7.0%/-7.2%
23-30 Jun	IN	BoP Current Account Balance	1Q	--	-\$11.5b
24-30 Jun	KR	Retail Sales YoY	May	--	7.0%

Bank of Thailand: Buying Insurance or Retaining Ammunition



- We expect the Bank of Thailand to proceed with another rate cut despite their acknowledgment of the policy room becoming increasingly limited. BoT officials have explicitly said that there is limited ammunition after recent cuts and that there is a need to preserve monetary policy space.

- As such, our call is an out of consensus one that hinges on the Committee prioritising insurance cuts over policy space.

- For one, financial conditions have continued to tightened. Specifically, NPL ratios continued to creep up in Q1 2025 with higher distress in all categories ranging from credit card loans to mortgage loans. In the same vein, new mortgage loans continued to contract 10% according to data from the real estate information center.

- Private consumption indicator also affirmed further weakness as spending on non-durable, semi-durables and services contracted in April relative to a year ago.

- Growth risks ahead also remain heightened given that there is a clear lack of progress on trade deal. Even though there is also a lack of evident progress among region peers, Thailand's 36% reciprocal tariff is a significant threat to their industrial sector.

- Admittedly, underlying inflation pressures is somewhat a worry for the BoT despite the benign headline CPI in deflation as core inflation stood elevated at 1.1% with inflationary pressures with prepared food inflation at 3.4% YoY. That said, with lower total employment leading to a creep up in unemployment rate, the case for demand led inflation remains weak.

- Since their previous meeting on 30 April, THB has also outperformed most regional peers aside from the TWD and KRW, and despite the recent sell-off. The THB will not be a significant impediment to the BoT's easing though we expect them to persist with conditionality rather than overtly declaring an easing cycle which may trigger unnecessary depreciation pressures.

- On balance, the line is thin between buying insurance or saving up for a rainy day.

FOMC: 2 (Cuts to) Be, or Not To Be

- Status Quo Amid Greater Dilemma: The Fed's widely expected status quo (for a fourth straight meeting over six months) masks diverging growth and inflation risks.

- "Dot Plot" Leaves 2 Cuts in Place for 2025:

Arguably, the most notable dimension of the Fed's inertia pertained to the "Dot Plot" leaving 2 cuts left on the table or 2025.

- To Be (Dovish): The ostensibly suggests that the question of "to be or not to be (dovish)" answers itself. Especially as the direction of (contingent) travel remains lower.

- Or Not Two Be: Nonetheless, the appreciable hawkish drift (although shy of a hawkish shift) of the 'Dot Plot' distribution, with seven voters looking at no cuts (compared to 4 in the March "Dot Plot"), reveals underlying tensions.

- Not 2 (Cuts to) Be for 2026: And this guarded stance shows in the 'Dot Plot' tipping less dovish for 2026; with the median now suggesting just one cut instead of two next year.

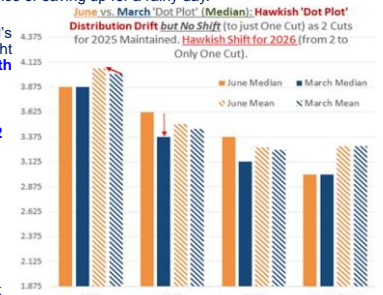
Inertia Amid Uncertainty & Dilemma

- Uncertainty: But critical context for more members seeing fewer cuts reflects elevated and persistent uncertainty confronting the Fed, rather than a distinct shift in policy direction.

- Amid Geoeconomic Upheavals: Point being, geoeconomic upheavals (in global trade and amid various conflicts) accentuate policy dilemma and cast exceptional doubt on the policy path ahead.

- Low Conviction Inertia: Hence, as Fed Chair Powell openly alluded to in the post-FOMC press conference, the hawkish (Dot Plot) drift reveals low conviction inertia, not pointed hawkish cues.

- Building Tensions: A notable risk from inertia inflicted by uncertainty is that the Fed has higher risk of being "behind the curve" as conditional moves, by definition, may be tardy (given data and policy transmission lags).



Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	145.33	1.260	0.87%	143.00	~	147.00
EUR/USD	1.1517	-0.0032	-0.28%	1.140	~	1.168
USD/SGD	1.285	0.003	0.21%	1.2740	~	1.2960
USD/THB	32.783	0.348	1.07%	32.50	~	33.20
USD/MYR	4.2508	0.005	0.12%	4.220	~	4.290
USD/IDR	16374	79	0.48%	16,250	~	16,500
JPY/SGD	0.8842	-0.006	-0.65%	0.867	~	0.906
AUD/USD	0.648	-0.001	-0.11%	0.640	~	0.656
USD/INR	86.73	0.642	0.75%	85.9	~	87.4
USD/PHP	57.205	1.037	1.85%	56.5	~	58.2

^Weekly change.

FX: Tussles

- The **USD** was stronger against all G10 currencies, supported by haven flows amid roiling geopolitical headlines. Notably, the USD was little moved post-FOMC as the decision and shifts in 'Dot Plot' were widely-expected.
- **SEK** led losses as Riksbank eased and signalled further cuts ahead.
- **NOK** underperformed on Norges Bank's surprise easing.
- **AUD** held up better on supportive Oil prices and a firmer CNH despite a weak jobs report. Australia's economy shed jobs in May, against expectations of smaller increases in hiring compared to April.
- **CHF** and **GBP** performed in the middle-of-the-pack as SNB and BOE were less dovish than expected. While SNB's cut policy rate to ZLB, markets had been pricing in more than 1 cut for the meeting. Meanwhile, expectation was leaning towards more members voting for a cut (7-2) and the decision was more divided than expected (6-3).
- Looking ahead however, haven flows on geopolitical turmoil would tussle with any heightened US trade antagonism and developments on ongoing tax bills negotiations.

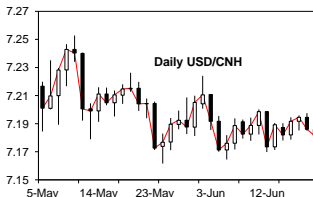
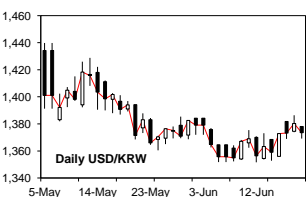
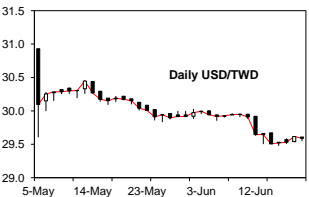
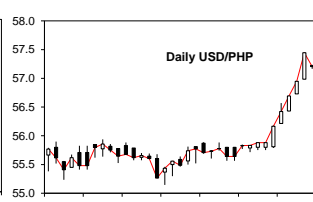
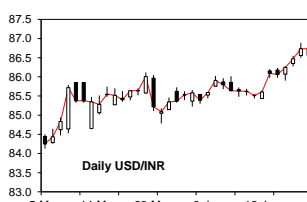
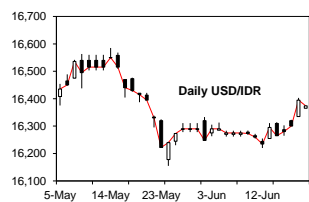
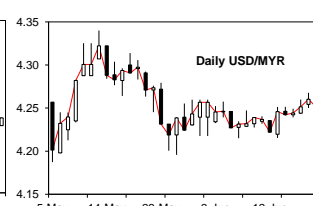
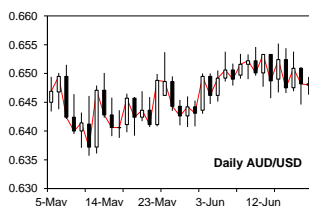
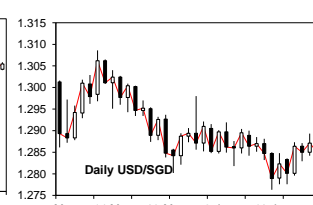
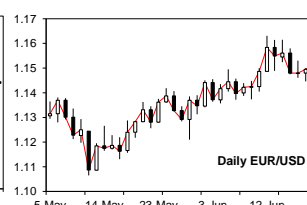
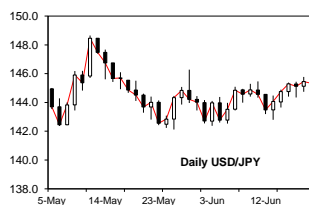
EM-Asia FX: Broadly Weaker

- EM Asia FX was mostly weaker against the USD.
- **PHP** led losses amid Brent Oil's climb and BSP's cut. As Philippines is an Oil importer, PHP had been hardest hit among EM Asia FX by soaring Brent Oil prices. PHP has softened ~2.7% against the greenback since Israel's Iran airstrikes on 13 June. INR had also weakened by ~1.3% in the same period. BSP has signalled that they would intervene "more seriously" if the depreciation continues, but for now did not see a reason to intervene insofar as moderate peso depreciation doesn't affect inflation environment.
- **THB** and **IDR** underperformed - the former amid the political upheaval, and the latter perhaps amid a confluence of subdued risk sentiments, volcano eruptions' impact on tourism flows, Indonesia's non-aligned foreign policy* and/or as fiscal woes continue to weigh.
- **TWD** managed some gains the greenback amid CBC's firm hold.

*President Prabowo visited Putin in Russia instead of attending the G7 meeting in Canada.

FX Brief:

- 1) JPY: Following this week's underperformance, could regain ground amid haven flows as geopolitical tensions continue.
- 2) EUR: ECB's cautious view on further easing should aid EUR to hold onto gains above mid-1.14 levels.
- 3) AUD: Bias towards a softer AUD on higher prospects of RBA easing following this week's jobs report, especially if inflation print reveal disinflation progress.
- 4) CNH: Stability around mid-7.18 levels expected.
- 5) INR: RBI's easing bias, against the backdrop of continued equity and bond outflows, likely means it is difficult to regain ground below 86 levels.
- 6) SGD: Retain expectations for USD/SGD to trade above 1.28 levels as geo-political tensions are not expected to fade away soon.
- 7) IDR: Softening rupiah post-BI's hold may point to less BI interventions to anchor the rupiah. IDR may see further drift up towards 16,450 levels.
- 8) THB: Political upheaval unlikely to be resolved in a timely manner, and would drag on the THB. Sustained break above 33 handle the most likely scenario.
- 9) MYR: Firm CNH ought to impart some stability. But renewed (negative) trade headlines would add some pressure to the ringgit.
- 10) PHP: Oil's ascendancy amid geo-political tensions would likely see a USD/PHP drift towards 58 levels.
- 11) KRW: Tailwinds of equity inflows could continue and see relative outperformance against regional peers.
- 12) TWD: Likely remain stable or see some mild appreciating bias as Taiwan is still likely benefitting from frontloading effects. Sharp rallies unlikely with CBC signalling that it would intervene.



Bond Yield (%)

20-Jun	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	3.925	-2.3	4.395	-0.4	Steepening
GER	1.833	-1.4	2.519	-1.2	Steepening
JPY	0.716	-0.9	1.406	1.0	Steepening
SGD	1.796	2.5	2.271	2.9	Steepening
AUD	3.281	2.5	4.210	0.1	Flattening
GBP	3.901	-2.7	4.529	-1.9	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,980.87	0.07
Nikkei (JP)	38,444.67	1.61
EuroStoxx (EU)	5,197.03	-1.77
FTSE STI (SG)	3,895.26	-0.41
JKSE (ID)	6,941.08	-3.14
PSEI (PH)	6,342.74	-0.83
KLCI (MY)	1,501.95	-1.06
SET (TH)	1,068.73	-4.81
SENSEX (IN)	81,361.87	0.30
ASX (AU)	8,470.10	-0.90

USTs: Stability or Sharp Moves?

- UST yield curve bull-steepened this week amid haven flows and as US trade antagonism took a pause (momentarily).
- Looking ahead, we posit there there could either stability in yields or very sharp moves in either directions. Point being, developments could have conflicting moves. For example, haven flows would see lower yields, intensifying US trade antagonism and/or worries on US debt could lend to higher yields, while data (PCE, durable goods, economic activity due) could exceed or undershoot expectations.
- All said, we expect 2Y UST yields to trade around 3.85-4.05% and 10Y UST yields to trade around 4.25-4.55%.

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