Economic Calendar

•Survey results from Bloomberg, as of 9 June 2023; The lists are not exhaustive and only meant to highlight key data/events

Yellow highlight indicates actual data

G3

Date	Country	Event	Period	Survey*	Prior
12 Jun	JP	PPI YoY	May	5.1%	5.9%
	JP	Machine Tool Orders YoY	May P	--	-14.4%
13 Jun	**US**	**CPI/Core YoY**	**May**	**4.1%/5.2%**	**4.9%/5.5%**
	US	Real Avg Hourly Earning YoY	May	--	-0.6%
	JP	BSI Large All Industry/Mfg QoQ	2Q	--	-3.0/-10.5
	GE	**ZEW Survey Expectations/Current**	**Jun**	**-13.1/-42.0**	**-10.7/-34.8**
14 Jun	US	PPI Final DD/ Ex Food and Energy YoY	May	1.5%/2.9%	2.3%/3.2%
	EZ	Industrial Production WDA YoY	Apr	0.7%	-1.4%
	US	**FOMC Decision (Lower/Upper Bound)**		**5.00%/5.25%**	**5.00%/5.25%**
15 Jun	**US**	**Initial Jobless Claims**		**250k**	**261k**
	US	**Retail Sales Adv/Ex Auto and Gas**	**May**	**-0.1%/0.3%**	**0.4%/0.6%**
	US	Industrial Production MoM	May	0.1%	0.5%
	US	**Philadelphia Fed Business Outlook**	**Jun**	**-13.0**	**-10.4**
	US	**Empire Manufacturing**	**Jun**	**-15.1**	**-31.8**
	EZ	**ECB Main Refinancing Rate**		**4.00%**	**3.75%**
	JP	Trade Balance	May	-¥1286.8b	-¥432.3b
	JP	Core Machine Orders YoY	Apr	-8.5%	-3.5%
16 Jun	**US**	**U. of Mich. Sentiment/Expectations**	**Jun P**	**60.1/--**	**59.2/55.4**
	US	**U. of Mich. 1 Yr/5-10 Yr Inflation**	**Jun P**	**4.1%/3.1%**	**4.2%/3.1%**
	EZ	CPI/Core YoY	May F	6.1%/5.3%	6.1%/5.3%
	JP	**BOJ Policy Balance Rate**		**-0.10%**	**-0.10%**

Asia

Date	Country	Event	Period	Survey*	Prior
12-15 Jun	CH	New Yuan Loans/Aggregate Financing CNY	May	1550b/1900b	718.8b/1217.1b
12-Jun	ID	Consumer Confidence Index	May	--	126.1
	IN	**CPI YoY**	**May**	**4.3%**	**4.7%**
	IN	Industrial Production YoY	Apr	1.4%	1.1%
14 Jun	IN	Wholesale Prices YoY	May	-2.5%	-0.9%
	KR	Unemployment rate SA	May	2.7%	2.6%
14-18 Jun	PH	Overseas Cash Remittances YoY	Apr	--	3.0%
15 Jun	**CH**	**Retail Sales YoY**	**May**	**13.8%**	**18.4%**
	CH	**Industrial Production YoY**	**May**	**3.5%**	**5.6%**
	CH	FAI/Property Investment YTD YoY	May	4.4%/-6.7%	4.7%/6.2%
	CH	1-Yr Medium-Term Lending Facility Rate		2.75%	2.75%
	CH	New Home Prices MoM	May	--	0.3%
	AU	Employment Change	May	15.0k	-4.3k
	AU	**Participation/Unemployment Rate**	**May**	**66.7%3.7%**	**66.7%3.7%**
	ID	Trade Balance	May	$2940m	$3940m
	IN	Trade Balance	May	-$16500.0m	-$15240.0m
	TW	**CBC Benchmark Interest Rate**		**--**	**1.875%**
16 Jun	**SG**	**Non-oil Domestic Exports YoY**	**May**	**-7.7%**	**-9.8%**

Week-in-brief: Hawkish Caveats

- Arguably, the **main event** of the week will be the **June FOMC** (Wed**)**, which is **widely**, *albeit not unanimously* (with some 30% odds of a hike still being priced in), **expected to mark the first pause** to the Fed's emphatic hiking cycle since March 2022. So, a **hawkish pause**, by any measure.
- But the **real question** will be with regards to *quantifying how much of a hawkish intent remains,* and *how this is distributed* amongst voting members, and crucially, what the *most sensitive thresholds* are for the Fed to pull the trigger on another hike as well as to abandon the hiking cycle.
- We suspect there will be **no cut-and-dried plan** for markets to assess. Instead, it is likely that the Fed will focus a great deal on conveying that *a pause is not a termination of the hiking cycle; much less a pivot to pipeline easing.* Fact is, **a few FOMC members are vocal about not having done enough on inflation**; and that messaging has more shelf life in it.
- What would be interesting to see, likely *conveyed in the press conference* rather than the statement, is the **assessment of pipeline credit tightening from** the aftermath of **regional banking turmoil**.
- Moreover, **Fed hawks may be instigated by sticky services/rental components** of the CPI report (Tue) on day one of the two-day FOMC. Especially if fading goods disinflation highlights stickier CPI.
- At the other side of the Atlantic, the **ECB** (Thu) is **set to hike by 25bp**, delivering *fairly unequivocal commitment to tightening bias;* as inflationary pressures remain discomfortingly elevated.
- ***But*** the **bar may be higher for the ECB to deliver a fresh hawkish jolt as markets search incremental, not existing, hawkish calibration** in guidance.
- **And with faltering activity and economic momentum** in the EZ, it is **harder to convince markets that the ECB will not temper its tightening bias** sooner rather than later; perhaps even blink.
- Elsewhere, the **BoJ is likely to stand pat** (Fri) amid heightened uncertainty; although the option of a highly measured calibration from NIRP to ZIRP remains on the table. This must however be done very delicately, convincing markets that this is not the start of a hiking cycle but a one-off calibration.
- Whereas **more significant balance sheet policies shifts such as yield curve abandonment and or QQE termination will be deferred** to when the global manufacturing downturn bottoms and economic uncertainty subsides. And *although a wider band for YCC is palatable, it is not the instinct*.
- In Asia, **Taiwan central bank (Thu) is set to hike by a calibrated 12.5bp** amid **stubborn inflation risks** and **given the lag to the next policy meeting**; **although admittedly, this is a close cal**l.
- **India's inflation** today is widely **expected to soften, although the RBI will not be seduced to abandon its hawkish inclination** (after June's pause). Especially as pipeline inflation and macro-/rupee-stability risks remain a bug bear for the RBI.
- The wider point is that **'hawkish' appear to be the operative caveat to a wider dispersion of policy outcomes** and **considerations** in a low-visibility environment. And the warning is that **against a backdrop of tightening liquidity**, **hawkish caveats may be a bug bear not a bull catalyst**.

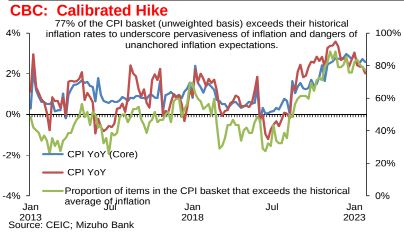
FOMC: Reining in Doves

- If we cut to the chase, **June FOMC** is set to deliver a **hawkish pause**. And to be clear, *emphasis is on 'hawkish'; so as **to rein in overly-excited doves**-in-waiting.* Point being, this is **not a pause that throws policy into neutral gear**, whereby the Fed assesses symmetric policy options; *equally likely* to *drive on* **with hikes** *or throw the gear into reverse* and **embark on cuts**.
- Rather, it's akin to a **traffic-light interruption at which the Fed hawks remains in "drive" gear**; only assessing how much further they have to go with tightening (albeit calibrated).
- Admittedly, **jobs** data have evidence of **soft spots** (from higher unemployment and slower wage pick-up supplemented by higher claims), which may tempt of policy inflection.
- But these **merely validate peak, not pivot**. That's to say, the Fed is **nearing the peak of its tightening cycle**, *not bordering on the cusp of an alarmed and sharp reversal of policy tightening.*
- Especially **as coincident stickiness in inflation**, which remains uncomfortably elevated, gets in the way of the Fed shifting gears decisively.
- The upshot is that hawks have yet to decisively retire. And the **bar is high** for current pace of **softening in jobs** (and moderation in inflation) **to flip the policy switch** the other way.
- Instead, **pipeline tightening in credit conditions over the next 3-6 months** is more likely to be the **decisive policy catalyst for policy inflection** (**to explicit easing**); rather than in-coming jobs and/or inflation data. Although, that is a **data-driven, conscious, "opt-in" policy that will take time**, and **not an 'opt-out' pre-set policy** course set for more imminent **shift to easing**.
- Thus, **effectively reining in doves**, *even as the Fed pulls off its first pause in 15 months,* poses a *challenge to appropriately nuancing* the *statement* and *press conference take-aways.*

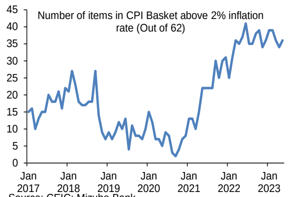
ECB: 25 - 25 ?

- While it is certainly not a surprise that the **ECB is set to hike rates by 25bp** at the June meeting as ECB President Largarde re-iterates that inflation pressures remain strong, much attention will be **paid to the 80% probability** (as of publication) **of a further 25bp hike in end-July**
- Despite headline CPI's sharp plunge to 6.1% YoY in May from 7.0% in April, core inflation sticky near 5.3% from 5.6% in April **reflects stubborn services inflation** which continues to hover at about 5.0% and shows **no signs of dis-inflation.**
- With **nearly 65% of economy supported by services**, higher prices are **both impactful and salient** in consumers' minds and associated expectation formation. What's more, **services PMI while declining remain firmly in expansionary territory**. As such, increased activity is likely to continue to underpin services inflationary pressures.
- A return to large step hikes are certainly too high a bar with **sequential growth momentum at high risk of sinking into contractionary territory.**
- On balance, given the ECB's emphasis on a timely return of inflation to target, steady 25bp steps in the near term may well be required to steer inflation lower.

CBC: Calibrated Hike



Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- We expect the **CBC to take another calibrated step of 12.5bp at their 15 June** meeting to raise rates to 2.0% as they attempt to quell inflationary pressures which remains uncomfortably elevated.
- The **calibrated** step takes into account an **abundance of growth headwinds as well as the need to curb pervasive inflation.**
- Taiwan's **manufacturing PMIs** continues to decline and remain **entrenched in contractionary territory** alongside **slumping industrial the production** which drop 22.9% YoY in April.
- The 2.9% contraction for Q1 GDP from a year ago certainly reflects the dire state of economic activity for **externally oriented sectors** as net exports posted a severe drag on growth.
- Despite these growth concerns, **low and declining unemployment** rates point to a tight labour market supporting underlying core inflation pressures.
- Afterall, **core inflation has exceeded headline inflation for 5 consecutive months.**
- The **pervasiveness of inflation within the CPI basket** also ought to worry the CBC as the **risk of unanchored inflation expectation rises**. Specifically,48 out of 62 items in the CPI basket exceed their historical average with 36 items having inflation rates above 2%.
- What's more given that the **much lower frequency of meetings** for the CBC with the **next meeting in September**, the tendency is skewed towards **leaning against upside inflationary risks.**
- While the **balance of risks back our case to call for a well calibrated 12.5bp hike**, the **persistently negative real rates** implies **that a 25bp increase cannot be fully ruled out consider the 3 month lag in meeting frequency** and the ease of displaying nimbleness for policy pivots in H2 2022 should growth outturns take a sharp plunge.

Oil: Will Iran Tease or Taunt?

- Hope of a **US-Iran deal** within grasp is one thing. But guarantee of a quick and unencumbered passage of such a complex, layered deal is quite another. And the complexity of such a deal and the **attendant impact on the oil market** is **even more fraught given Saudi's agitations**.
- The key question is whether prospects of a US-Iran deal will ***merely tease*** *hopes of oil price (supply) relief,* but fall through; ***or credibly taunt Saudi's supply threats*** if it gets inked.
- It is too early to tell. And recent enough history informs us that it may be **best not to jump the gun on deal optimism** given the many hurdles. And there is an additional risk involved.
- That is, **trying to secure Iranian barrels end up staring down the barrel of** an antagonized, **gun-slinging Saudi** that is worryingly ready to pull the trigger on further supply cuts.
- **Having already put through a unilateral 1MBpD cut** (for July), **rhetoric appears to suggest** that **Saudi wants to double down**, not dial back, on its threat.
- To be sure, the trajectory of Oil retains downside bias; especially against the backdrop of gather global demand headwinds. But for now, Saudi's ability to hold supply ransom will incite upside volatility. And so, two-way volatility with more (Saudi-led) OPEC sabre-rattling is par for the course before a more sustained softening and stabilization of prices come through later.

BoJ: Hold … Policy, Not Breath

- The **BoJ is likely to be in an extended state of contemplation and dynamic assessment** rather than in a rush to commit to emphatic policy action.
- In other words, it is a case of a **considered policy hold**, *not* **reason to hold your breath in anticipation of decisive action**.
- To be clear, there are solid **reasons to calibrate policy from ultra-easy settings** in a calibrated and sensible manner.
- In which case, "when" and "what (exactly)", rather than "if", are the pertinent policy questions.

When: On the when, it makes **intuitive sense not to rush in at the wrong point of the cycle**; instead deferring to coincide with a proper bottom in currently languishing global manufacturing. Especially not for the more impactful policy moves

What: In particular, the "**low-hanging fruit"** for the BoJ t**hat may be executed relatively sooner is exit from NIRP* to a calibrated one-off adjustment to effective ZIRP***. Further **tweaks to the width of YCC band** may also be opted. Whereas *in contrast, drastic moves such as YCC abandonment needs further debating, and certainly considerable deferment.*

- **Meaningful conversations on balance sheet/market impediments** as well as **inherent conflicts of Balance Sheet policies targeting both price (YCC) and quantity (QQE)** are;
- **undeniably necessary** to ensure policy sustainability and efficacy in the long-run.
- But it is **neither necessary nor wise to attempt a policy overhaul imminently**.
- So, a hold is no less considered, conscious or convincingly effective as policy decisions go.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	139.4	-0.520	-0.37%	137.00	~	142.00
EUR/USD	1.0749	0.0041	0.38%	1.060	~	1.088
USD/SGD	1.3434	-0.007	-0.51%	1.3400	~	1.3620
USD/THB	34.618	0.078	0.23%	34.30	~	34.90
USD/MYR	4.6143	0.038	0.83%	4.560	~	4.660
USD/IDR	14840	-153	-1.02%	14,800	~	15,100
JPY/SGD	0.964	-0.001	-0.05%	0.944	~	0.994
AUD/USD	0.6742	0.013	2.00%	0.655	~	0.680
USD/INR	82.47	0.164	0.20%	82.0	~	83.0
USD/PHP	56.04	0.136	0.24%	55.7	~	56.4

^Weekly change.

FX Outlook: Beware the Bullwhip Effect

- **As markets roll from one G3 central bank to another** (Wed: Fed, Thu: ECB & Fri: BoJ) into the back-end of the week, there is **certainly a risk of a bullwhip effect cascading** on evolving central bank speak. In which case, it is **best not to prematurely conclude on particular trends** persisting.
- Being nimble may be the way to go about manoeuvring around a cascade of competing hawkish caveats from the Fed and ECB amongst others (BoE, BoC, RBA, RBI, etc.).
- **Even the BoJ might have to sound less dovish**, and in a world where the delta is traded, a less dovish BoJ might lead to JPY getting an edge over a shortfall in hawkish reassurances.
- Apart from **warnings against overly aggressive Cross/JPY long positions** (betting on sharp JPY Declines agianst EUR and a wider array of G10 Majors), due to BoJ "policy review", the other main point to note is that it **may not be wise to double down on bearish USD bets**.
- Certainly not the unrestrained forms of short USD.
- Admittedly a Fed pause against a backdrop of ECB hike sets the stage to go long EUR against the USD (backed by a hawkish-bullish RBA-AUD as well as BoC-CAD dynamics).
- But the thing is that we *expect the Fed to retain a distinctively hawkish tone on a pause, not a pivot;*
- alluding to room for more hikes as quite a few members prefer to do more to anchor inflation.
- **If** this is communicated effectively, and it **coincides with sustained tightening in USD liquidity** amid ramped-up T-bill issuances as the US Treasury replenishes its depleted cash, then **USD bulls could blind-side** markets. **Especially against "twin deficit" and higher-beta currencies**.
- This as we expect a (USD) liquidity squeeze to lift front-end yields and widen spreads.
- In particular, if tightening liquidity overlaps with renewed China concerns, manifesting as **CNH sell-off, sharper pullback in EM Asia Fx led by AUD, MYR, IDR, THB and SGD** cannot be discounted.
- So **as the bullwhip effect makes** its way across markets, **best to recognize the changing dynamics of the ripples than to bank on a sustained tide**.
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Bond Yield (%)

9-Jun	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.596	9.9	3.739	4.8	Flattening
GER	2.898	10.9	2.372	6.2	Flattening
JPY	-0.071	0.6	0.415	1.4	Steepening
SGD	3.343	7.6	2.956	8.7	Steepening
AUD	3.993	35.3	3.945	0.1	Flattening
GBP	4.512	17.9	4.232	8.5	Flattening

Stock Market

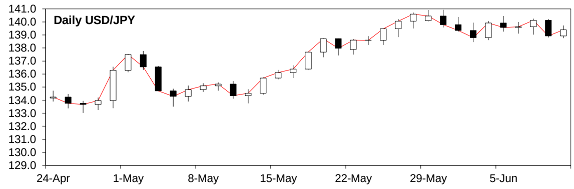
	Close	% Chg
S&P 500 (US)	4,298.86	0.39
Nikkei (JP)	32,265.17	2.35
EuroStoxx (EU)	4,289.79	-0.78
FTSE STI (SG)	3,186.97	0.65
JKSE (ID)	6,694.02	0.92
PSEI (PH)	6,507.15	-0.07
KLCI (MY)	1,376.08	-0.38
SET (TH)	1,555.11	1.56
SENSEX (IN)	62,625.63	0.13
ASX (AU)	7,122.51	-0.32

US Treasuries: Of Skips and Jumps

- UST yields **rose in a bear flattener** as 2Y yields increased 9.9 bps on the back of marginal improvement in risk sentiments alongside **a further re-alignement to higher for longer rates** even as the case for a hawkish pause this week firms.
- The case for further liquidity squeeze as **US treasury issuances** continue to weigh will be expected to **continue buoying UST yields**.
- This week, with the Fed's hawkish hold likely in sight**, communication around further 25bp jumps after this June skip** may spook UST sell-offs and **send UST yields jumping.**
- On balance, amid heightened volatility and anxious anticipation, further UST curve inversion will not surprise as 2Y UST yields attempts to conslidate durably above 4.6% while 10Y yields remain backstopped near 3.7%.

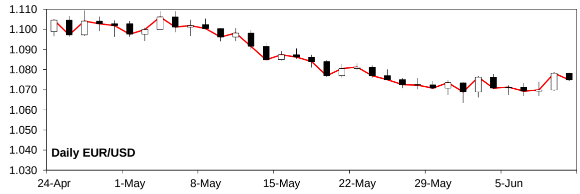
USD/JPY: Volatile Sideways?

- While buoyancy above 139 was largely retained last week, rallies for the USD/JPY faltered as oil prices softened and markets becoming increasingly wary of one way bearish JPY bets amid longer term policy shift possibilities.
- In anticipation of end of the week BoJ meeting which is afterall after the Fed and ECB may **see heightened volatility in the week lead to "subdued" outcomes**.
- The USD/JPY may well end up persisting in the 139-141 range as the ECB take a little shine off the Fed imparting USD/JPY buoyancy while insufficient to incitedurable rallies.



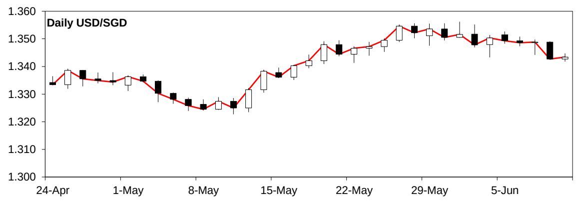
EUR: Illusionary Divergence?

- Indeed, the ECB is posied to hike rates by 25bp while the Fed is looking likely to hold.
- That said, given the likelihold of a Fed hawkish hold, EUR bulls may have little to run on especially if a skip is communicated as "next meeting is an opportunity for another 25bp jump"
- As such, the policy divergence is likely to fade .
- While the EUR may challenge 1.08, the pair is likely to remain within mid-1.06-mid-1.08.



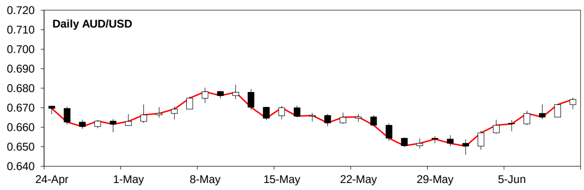
SGD: Dip, Not Dive

- FOMC-induced two-way volatility is something we have flagged.
- Equally important is to recognize underlying USD resilience on liquidity contrainst as well as underlying soft spots in risk appetite; both of whihc will boost the USD.
- What's more, a sufficiently hawkish Fed could also bprematurely arrest USD declines betting simplistically on a Fed pause vis-a-vis ECB hike.
- And USD bulls could truly hijack the AXJ space if CNH bears appear unexpectedly amid a liquidity-induced USD squeeze.
- And so, while USD/SGD dips to 1.34-figure are on the cards given central bank shifts this week, we expect this to be measured dips, and not manic dices to test 1.33 and lower.
- Near-term range of low-1.33 to 1.35 remains intact amid underlying caution.
- Watch CNH for triggers that accentuate moves one way or another.



AUD: Finding Feet, Not Flying

- Yes, RBA hawks have gained prominence on accentuated inflation risks and the contrast with a Fed set to pause. Especially amid early signs of heat generation in Sydney's housing market (which checks the adverse feedback loop of balance sheet risks from higher rates).
- In addition, growing hopes of more China stimulus, insofar that it may be activated via the infrastructure channels supportive of Australia's commodity channels, could also add to the new-found tone in the AUD (at mid-0.67, distinctly higher from struggles to break decisively above mid-0.66 since mid-May).
- But the warning is that AUD is merely finding its feet, not wings to fly. And so, we expect consolidation on either side of 0.68 to invide offers and caution and downside China risks have not faded convincingly enough to revive commodity channels emphatically.



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