

Jun 16, 2026

## Three Take-Aways

- 1) Despite the market rally, the US-Iran MoU remains highly preliminary with just 1.5 pages and leaves key issues unresolved.
- 2) The RBA is expected to deliver a vigilant hold in view of a sharp slippage in the latest jobs report, leaving the AUD volatile on sharp swings in risk sentiment.
- 3) The PBoC is likely to remain in wait-and-see mode in the near term, draining excess interbank liquidity despite weaker recent credit momentum.

## MACRO THEME: Loose Ends

- Markets initially cheered reports that the US and Iran signed an electronic MoU, with a formal agreement expected this Friday.
- US officials also struck an optimistic tone, projecting a near-term rebound in Strait of Hormuz traffic to 40–50 vessels per day.
- However, the MoU remains highly preliminary with just one and a half pages and leaves key issues unresolved.
- Leaks suggest the interim deal guarantees toll-free passage for only 60 days. While the US is pushing for a permanent waiver, Iran is reportedly considering profiting from “navigation service” fees in the final agreement.
- Uncertainty also persists around the phased release of frozen Iranian funds. US officials indicate sanctions relief is loosely conditional, tied more to general improvements in Iran’s behavior and incremental gestures than to clearly defined benchmarks.
- Separately, US Strategic Petroleum Reserve dropped to its lowest level since 1983, leaving less flexibility for future supply disruptions.

**Yields (2Y: -1.3bp; 10Y: -0.6bp; 30Y: +1.1bp)**

**Equities (Nasdaq: +3.1%; S&P500: +1.7%; Dow: +0.9%)**

**FX (DXY: -0.1%)**

## RBA: Vigilant Hold

- Today’s RBA meeting is set up to be a widely expected rate hold.
- A sharp slippage in jobs has likely resulted in a calibration of the RBA’s response with more caution on their employment mandate.
- That said, a **one-off decline of 18.6k jobs and spike in unemployment to 4.5% will likely be framed as a need to be mindful of risks** rather than a signpost of labour market deterioration.
- Admittedly, the softer GDP print in Q1 added to growth risks as private consumption was tepid with spending concentrated on essentials while higher capex spending was largely negated by the surge in import expenditure on equipment.
- Inflation in April showed little relief with the trimmed mean edging higher to 3.4% YoY from 3.3% YoY in March. Higher non-tradables inflation at 4.7% YoY and services inflation at 1.0% MoM reflecting price pressures in new dwellings, medical services and electricity will continue to be a discomfort.

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(IN) Exports/Imports YoY (May)	18.0%/20.6%	--	13.8%/10.0%
(IN) Wholesale Price Index YoY (May)	9.68%	9.55%	8.26%
(US) Empire Manufacturing (Jun)	5.7	13.7	19.6
(US) Industrial Production MoM (May)	0.1%	0.3%	0.7%
Today	Actual	Exp.	Prior
(US) Housing Starts/Building Permits (May)		1430k/1428k	1465k/1423k
(GE) ZEW Current Situation/Expectations (Jun)		-77/-7.5	-77.8/-10.2
<b>(JP) BOJ Target Rate</b>		<b>1.00%</b>	<b>0.75%</b>
(CH) Industrial Production YoY (May)		4.4%	4.1%
(CH) Retail Sales YoY (May)		-0.2%	0.2%
(CH) Surveyed Jobless Rate (May)		5.2%	5.2%
(CH) New/Used Home Prices MoM (May)		--	-0.2%/-0.2%
<b>(AU) RBA Cash Rate Target</b>		<b>4.35%</b>	<b>4.35%</b>

- While the expiry of the excise tax cut is a well expected bump ahead in Q3, the potential resurgence of higher logistics cost triggering second round effects will also trouble the RBA especially with the likes of Harper being concerns on inflation expectations.

- All in, rather than a hawkish hold, we **expect a rather vigilant hold to be communicated by Governor Bullock**. The AUD will remain volatile on sharp swings in risk sentiments, with an upside bias following the announcement of the US-Iran deal.

## China: Wait-and-see Mode

- China’s latest credit data point to weak underlying demand. The increase in both new loans and aggregate financing for May remained softer than in the same period last year.

- Moreover, the loan increase was entirely driven by short-term financing (RMB573bn), while medium- to long-term loans contracted for the second consecutive month (-RMB77b).

- By sector, corporates relied mainly on bill financing and bond issuance, while households deleveraged further across consumer loans and mortgages. That said, government financing remained resilient, with over RMB1.2trn raised through net bond issuance.

- Despite weak credit momentum, we expect the PBoC to remain in wait-and-see mode in the near term, particularly with trade flows via the Strait of Hormuz expected to start resuming this week.

- Note that the PBoC reportedly instructed large national banks to reduce their fund lending in the interbank market last Wednesday, to prevent market rates from drifting notably below policy rates.

- As a result, the 7-day repo rate for financial institutions edged up by 2.4bp on Thursday and a further 2.3bp on Friday, while CGB yields also moved higher across the curve.

- That said, Chinese policymakers will probably step up targeted fiscal and credit support aimed at easing cost pressures for manufacturers.

## Fed Take: Kevin & His 2 Ex-es

- The **prominent presence of ex-Fed Chair Powell amongst** the Board of Governors (of the FOMC) and Warsh’s desire to bring to the table **inflation ex-extremities** (trimmed mean) are the **2 “Ex-es” that will not challenge, but in fact boost** precious (but threatened) **credibility** and **provide critical policy cover**.

- **“Ex” Number One - Powell**: Specifically, the presence of **ex-Fed Chair Powell** has prevented a stacking of the FOMC with Trump nominees. Hence, **helps avoid perceptions** (justifiable or otherwise) of a **politicized Fed**. This in turn inadvertently, but very helpfully, **provides Warsh with policy credibility**.

- **“Ex” Number Two - Ex-Extremities (Trimmed Mean) Inflation**: Making a **convincing case for trimmed mean inflation** (that **omits tail extremities of inflation** components) will help to formalize an easing bias (under current “Iran shocks”).

- All else equal, **enhanced credibility and policy cover ought to diminish USD debasement risks** and **check any sharp rise in term premium**.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	160.34	160.24	+0.06%	158.90 - 161.00
EURUSD	1.1590	1.1592	+0.19%	1.1450 - 1.1680
GBPUSD	1.3414	1.3416	+0.06%	1.3250 - 1.3450
AUDUSD	0.7073	0.7072	+0.37%	0.6950 - 0.7100
DXY	99.6	--	▼0.12%	99.3 - 101.0
USDCNY	6.7576	--	▼0.08%	6.7400 - 6.8200
USDCNH	6.7593	6.7581	▼0.06%	6.7400 - 6.8200
USDHKD	7.8348	7.8346	▼0.01%	7.8150 - 7.8500
USDSGD	1.2827	1.2828	▼0.12%	1.2800 - 1.2960
USDKRW	1514	1515	+0.00%	1515 - 1540
USDTWD	31.55	--	▼0.25%	31.30 - 32.00
USDINR	94.72	--	▼0.42%	94.50 - 96.20
USDIDR	17703	--	▼0.93%	17600 - 18300
USDMYR	4.051	4.0500	▼0.22%	4.050 - 4.110
USDPHP	60.49	--	▼1.42%	60.20 - 62.20
USDTHB	32.57	32.55	▼0.30%	32.5 - 33.2
USDVND	26290	26292	▼0.08%	26200 - 26550

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.069	4.475	-1.3	-0.6
JGB (JP)	1.394	2.574	-0.8	-4.3
Bunds (GE)	2.569	2.953	-4.6	-4.1
Gilts (UK)	4.170	4.811	-6.3	-2.4
AGB (AU)	4.484	4.807	1.3	-0.5
SGS (SG)	1.538	1.989	-1.3	-1.8
CGB (CN)	1.283	1.741	0.7	0.0
KGB (KR)	3.674	4.204	0.0	0.0
SDL (IN)	6.169	6.877	0.0	-1.4

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7554.29	122.83	+1.65%
Nasdaq (US)	26683.94	795.10	+3.07%
DJIA (US)	51671.03	468.77	+0.92%
N225 (JP)	69317.5	3297.46	+4.99%
STOXX50 (EU)	6229.43	41.80	+0.68%

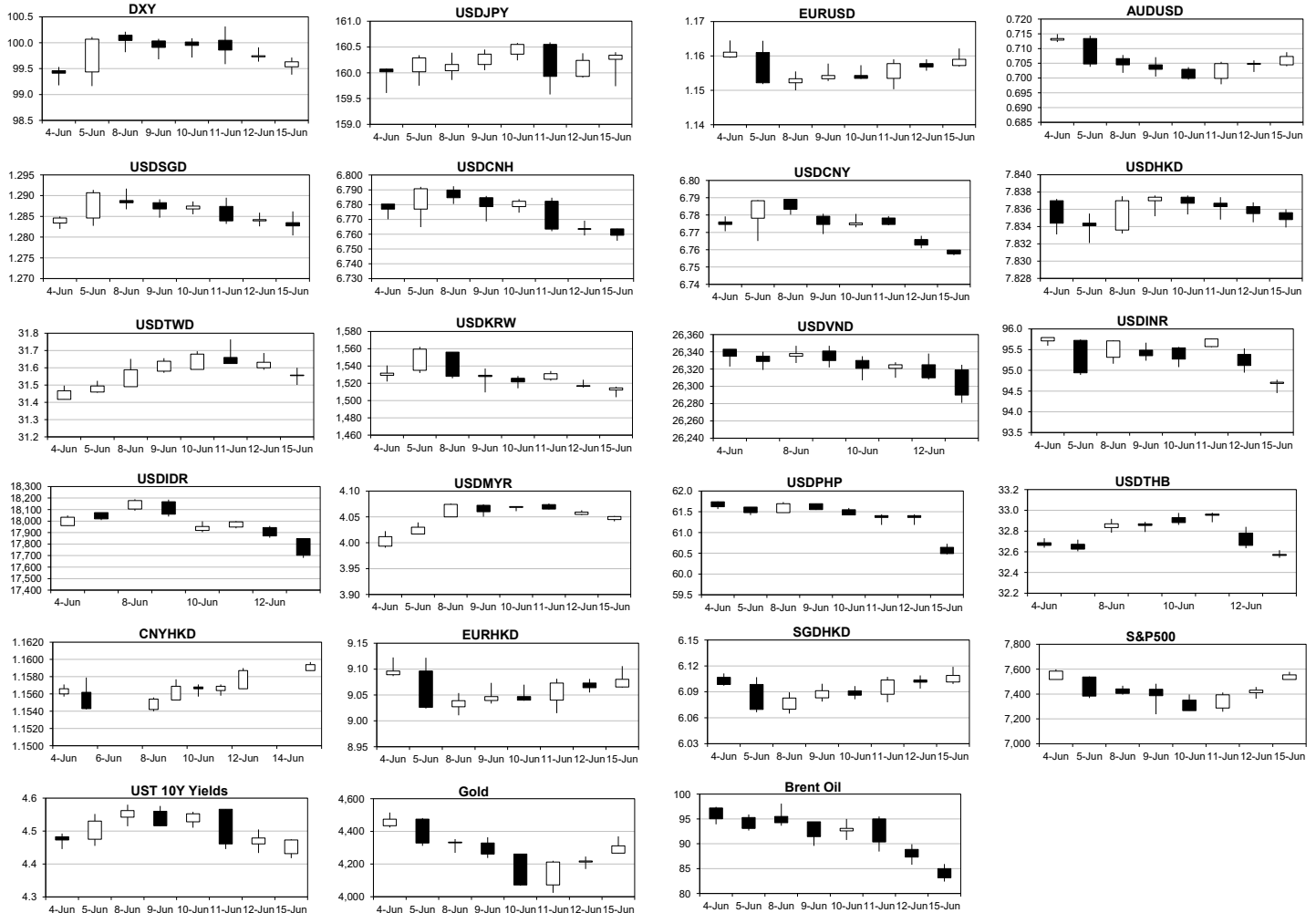
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,669.66	24.33	+0.18%
IRON ORE (CN)	102.09	1.44	+0.58%
GOLD	4,311.69	92.36	+2.19%
SILVER	70.00	0.03	+0.87%
OIL (BRENT)	83.17	-4.16	▼4.76%
OIL (WTI)	80.75	-4.13	▼4.87%
NATURAL GAS	3.15	1.98	+2.91%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.84	185.74	+0.26%
GBP/JPY	215.073	214.971	+0.11%
JPY/SGD (100yen)	0.7998	0.8006	▼0.21%
JPY/HKD (100yen)	4.8861	4.8894	▼0.09%
CNH/JPY	23.723	23.711	+0.12%
CNH/HKD	1.1594	1.1594	+0.06%
EUR/GBP	0.86408	0.86404	+0.15%
AUD/NZD	1.2146	1.2137	+0.55%
EUR/CNH	7.8336	7.834	+0.11%
GBP/CNH	9.0663	9.0667	▼0.01%
CNY/HKD	1.1594	1.1594	+0.06%
EUR/HKD	9.0803	9.0819	+0.18%
SGD/HKD	6.109	6.1074	+0.13%

\*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5612.6	-18.31	▼0.33%
STI (SG)	5077.29	51.49	+1.02%
SHCOMP (CN)	4096.472	64.96	+1.61%
SZCOMP (CN)	2789.357	92.18	+3.42%
HSI (HK)	24842.67	124.57	+0.50%
SENSEX (IN)	76264.33	736.38	+0.97%
JSE (ID)	6254.966	247.31	+4.12%
KLSE (MY)	1691.39	7.76	+0.46%
PSE (PH)	6272.88	362.82	+6.14%
SET (TH)	1591.72	-0.69	▼0.04%
VNINDEX (VN)	1799.31	0.00	+0.43%

## CHARTS



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