

Jun 19, 2026

## Three Take-Aways

**1) US-Iran deal goes into effect with the US lifting naval blockade. Resumption of oil production may restrain upside in oil prices though decline in energy prices appear to be turning cautious.**

**2) The BoE, SNB and the Norges bank kept rates on hold. Norges Bank signalled potential rate hike while BoE's 7-2 outcome is a reminder that inflation path remains a concern even amid lower upside risks.**

**3) BSP rate hike reflected need to arrest on-going second round effects on inflation while BI's hike was meant to enhance IDR stability though headwinds continue to mount.**

## MACRO THEME: Lifting Flows

- With the US-Iran peace deal taking effect, **US central command also announced that it has lifted the naval blockade** on traffic to and from Iranian ports and coastal areas.

- Vessels including Saudi owned tankers are expected to transit the Straits of Hormuz and oil fields are expected to resume production in the weeks ahead.

- Even as many sticking points remain in this 60 day negotiation period ranging from Israel's presence in Lebanon, Iran's missile programme as well as treatment of Iran's nuclear material, it remains clear that the impeding flow of oil through Hormuz has been established as a loose-loose unstable equilibrium.

- For now, the drop in oil price appears to be slowing though Brent crude prices hovering around US\$79/barrel still implies a 9% decline for this week. Nonetheless, **risk sentiments in the US were buoyed** with the Nasdaq leading gains as semiconductor chips sector rallied alongside Trump's saying that Apple will work with Intel to design and build its chips in America.

## Holding Trio

- The **SNB kept rates unchanged** though stated a need to counter excessive appreciation of the CHF. They added that second round effects on inflation are not observed in Switzerland.

- While the **Norges Bank stood pat, they signalled a likely need to raise rates further** at one of the forthcoming meetings.

- Meanwhile, the **BoE held rates** in a 7-2 decision. With concerns over inflation not being on track to return to 2% in the medium term, rate hikes by the BoE cannot be ruled out though tightening decisions will remain finely balanced given the elevated unemployment rate.

## BSP: Hiking Cycle Not Over

- In contrast, EM-Asia central banks were in action. **BSP's 25bp rate hike yesterday was largely expected.** Governor Remolona's comments were understandably two sided, saying that he is focused on **inflation second round effects** while also saying that by undertaking a **more measured tightening would provide marginal support to growth** amid complementary fiscal measures. His tone was less hawkish compared to April's with oil prices currently being tempered by the impending re-opening of Hormuz.

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Initial Jobless Claims	226k	225k	229k
(US) Leading Index (May)	0.1%	0.1%	0.1%
<b>(ID) BI-Rate</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.50%</b>
<b>(PH) BSP Overnight Borrowing Rate</b>	<b>4.75%</b>	<b>4.75%</b>	<b>4.50%</b>
(TW) CBC Benchmark Interest Rate		2.00%	2.00%

Today	Actual	Exp.	Prior
(JP) Natl CPI/Ex Fresh Food, Energy YoY(May)	1.5%/1.8%	1.5%/1.9%	1.4%/1.9%
(MY) Exports/Imports YoY (May)		29.5%/12.0%	36.9%/20.0%
(MY) CPI YoY (May)		2.1%	1.9%

- That said, the BSP expects inflation will likely remain elevated in the near term being **above target range of 2-4% in 2026 and 2027.** Looking ahead, we expect BSP to have to continue on its tightening trajectory, with at least another 50bp of hikes by end-2026.

## BI: Supporting the IDR but Risks Remain

- BI **hiked its policy rate by 25bp**, in line with market consensus, as part of its ongoing efforts to stabilise the rupiah.

- The rate hike is complemented by additional measures, including (i) an increase in the External Funding Ratio (EFR) cap from 35% to 40% allowing banks to increase their funding from overseas and (ii) tightened dollar purchases regulations.

- Although external headwinds have eased, domestic vulnerabilities persist for the IDR even though a reversal of the commodity export policy has allow some gains to consolidate. While the IDR may be stabilising on the back of lower oil prices and the anticipated reopening of Hormuz, a more durable recovery will likely depend on greater policy predictability, favourable MSCI assessment and a more credible fiscal outlook.

- In addition, given the Fed's hawkish tilt, BI will likely need to maintain its tightening bias to sustain currency stability, with at least one further rate hike likely in 2026.

## HKD Tightening Builds, but the Fed Changes the Equation

- As expected, **HKD liquidity has tightened further into mid-June.** Front-end HIBOR has repriced sharply higher, with 1M and 3M fixings rising to 2.959% and 2.988% on 17 June, taking both back to the highest levels since early January. This tightening impulse has started to show through in spot. **USD/HKD briefly fell below 7.832 on 17 June**, its lowest level since 28 May, but failed to extend the move. In our view, that price action is telling that **tighter HKD funding is beginning to exert downward pressure on USD/HKD.**

- **We continue to expect HKD liquidity to tighten further over the next couple of weeks**, driven by the dividend payment calendar and seasonal half-year settlement demand.

- **IPO-related funding remains an upside risk to this view.** Hong Kong's listing calendar is already busy, and media reports suggesting Xiaohongshu may be preparing for a Hong Kong IPO as soon as this month could **add further fuel to already firm HKD funding demand.** That said, with timing and size still uncertain, we do not incorporate this blockbuster deal into our baseline at this stage.

- The surprise has come from the USD side. **The June FOMC delivered a materially more hawkish signal than we had expected**, driving USD front-end yields higher to reflect the repricing of rate hikes.

- That points to wider USD-HKD rate spreads than previously assumed. Overall, our Hong Kong liquidity tightening narrative remains unchanged, but **we revise our end-June USD/HKD forecast to 7.82** from 7.81 as the Fed's hawkish pivot slows the pace of HKD appreciation.

**Yields (2Y: -0.6bp; 10Y: -3.4p; 30Y: -3.4bp)**

**Equities (Nasdaq: +1.9%; S&P500: +1.1%; Dow: +0.1%)**

**FX (DXY: +0.8%)**

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	161.38	161.32	+0.45%	159.30 - 163.00
EURUSD	1.1458	1.1458	▼0.37%	1.1400 - 1.1600
GBPUSD	1.3206	1.3202	▼0.65%	1.3100 - 1.3400
AUDUSD	0.7013	0.7013	▼0.01%	0.6950 - 0.7100
DX	100.8	--	+0.76%	99.2 - 102.0
USDCNY	6.7682	--	+0.11%	6.7300 - 6.8100
USDCNH	6.7784	6.7776	+0.03%	6.7300 - 6.8100
USDHKD	7.8373	7.8370	+0.02%	7.8150 - 7.8500
USDSGD	1.2900	1.2906	+0.15%	1.2750 - 1.2950
USDKRW	1535	1541	+0.00%	1515 - 1545
USDTWD	31.59	--	+0.03%	31.40 - 31.80
USDINR	94.33	--	▼0.21%	94.00 - 95.30
USDIDR	17710	--	▼0.16%	17500 - 18000
USDMYR	4.117	4.118	+1.17%	4.070 - 4.130
USDPHP	60.59	--	+0.33%	59.90 - 61.00
USDTHB	32.75	32.79	+0.51%	32.5 - 33.0
USDVND	26326	26326	+0.01%	26100 - 26500

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

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.180	4.455	-0.6	-3.4
JGB (JP)	1.381	2.608	0.2	1.5
Bunds (GE)	2.604	2.928	2.0	0.2
Gilts (UK)	4.182	4.756	4.0	0.5
AGB (AU)	4.475	4.772	3.2	0.5
SGS (SG)	1.569	2.003	2.0	2.0
CGB (CN)	1.244	1.725	-1.1	0.0
KGB (KR)	3.577	4.079	0.0	0.0
SDL (IN)	6.075	6.871	2.7	-1.1

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7500.58	80.48	+1.08%
Nasdaq (US)	26517.93	496.27	+1.91%
DJIA (US)	51564.7	72.15	+0.14%
N225 (JP)	71053.49	1151.24	+1.65%
STOXX50 (EU)	6323.27	23.20	+0.37%

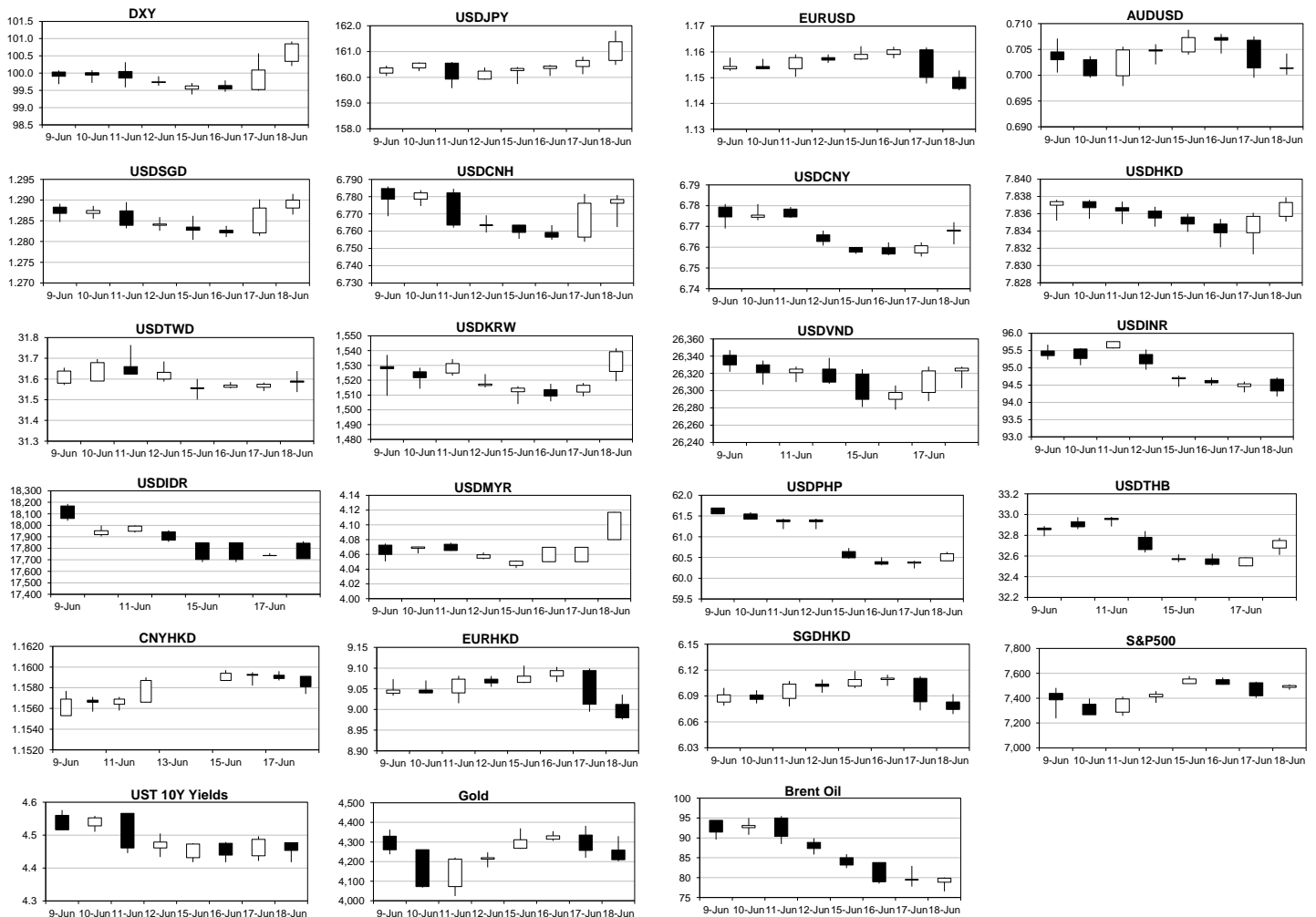
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,624.19	-139.26	▼1.01%
IRON ORE (CN)	100.55	-0.88	▼0.05%
GOLD	4,209.97	-46.96	▼1.10%
SILVER	65.67	0.09	+2.80%
OIL (BRENT)	79.85	0.30	+0.38%
OIL (WTI)	76.60	-0.19	▼0.25%
NATURAL GAS	3.23	-2.26	▼3.32%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.91	184.84	+0.08%
GBP/JPY	213.083	212.967	▼0.21%
JPY/SGD (100yen)	0.7995	0.8	▼0.29%
JPY/HKD (100yen)	4.8566	4.858	▼0.43%
CNH/JPY	23.88	23.834	+0.60%
CNH/HKD	1.1581	1.1579	▼0.07%
EUR/GBP	0.86778	0.86793	+0.30%
AUD/NZD	1.2188	1.2185	+0.24%
EUR/CNH	7.767	7.7658	▼0.35%
GBP/CNH	8.9508	8.9474	▼0.63%
CNY/HKD	1.1581	1.1579	▼0.07%
EUR/HKD	8.9801	8.9796	▼0.36%
SGD/HKD	6.0745	6.0724	▼0.14%

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

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5597.04	-52.65	▼0.93%
STI (SG)	5212.84	36.38	+0.70%
SHCOMP (CN)	4090.481	-17.59	▼0.43%
SZCOMP (CN)	2853.367	15.01	+0.53%
HSI (HK)	23924.81	-387.35	▼1.59%
SENSEX (IN)	77409.98	254.36	+0.33%
JSE (ID)	6172.34	-48.40	▼0.78%
KLSE (MY)	1711.39	1.40	+0.08%
PSE (PH)	6153.66	38.85	+0.64%
SET (TH)	1585.06	-2.01	▼0.13%
VNINDEX (VN)	1830.47	0.01	+1.34%

## CHARTS



## RESEARCH TEAM

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