Market comment_17Jun2023

US inflation cools more than expected in May, hawkish Fed pauses rate hike at June meeting

By Sandy Wang, 17 June 2023-10 pm SGT

Key Takeaways:

- *The Federal Reserve skipped a rate hike in June, implying that there may be two more rate hikes to come.*
- *US May CPI and PPI unexpectedly cool.*
- *University of Michigan (UoM) Inflation Expectations slip.*
- *Hawkish ECB raises rates by 25 basis points at the June meeting.*
- *The Bank of Japan continued its accommodative policy unchanged at its June interest rate meeting.*
- *China's central bank cuts interest rates in response to signs of stalled recovery.*

1. US inflation cools more than expected in May; Fed pauses rate hike at June rate meeting.

1) The Federal Reserve skipped a rate hike in June, implying that there may be two more rate hikes to come.

This Thursday (15 June), the Federal Reserve announced that it is keeping its target range for the federal funds rate unchanged at 5.00%-5.25%. Since March 2022, the Fed has raised interest rates 10 times in a row, accumulating up to 500 basis points, with the benchmark rate rising from 0.00%-0.25% to the current 5.00%-5.25%. According to the June dot plot of the Federal Open Market Committee (FOMC), the median expectation for the year-end interest rate in 2023 is 5.6%, up from 5.1% previously. This suggests a potential increase of 50 basis points later this year, indicating that there may be room for two more rate hikes.

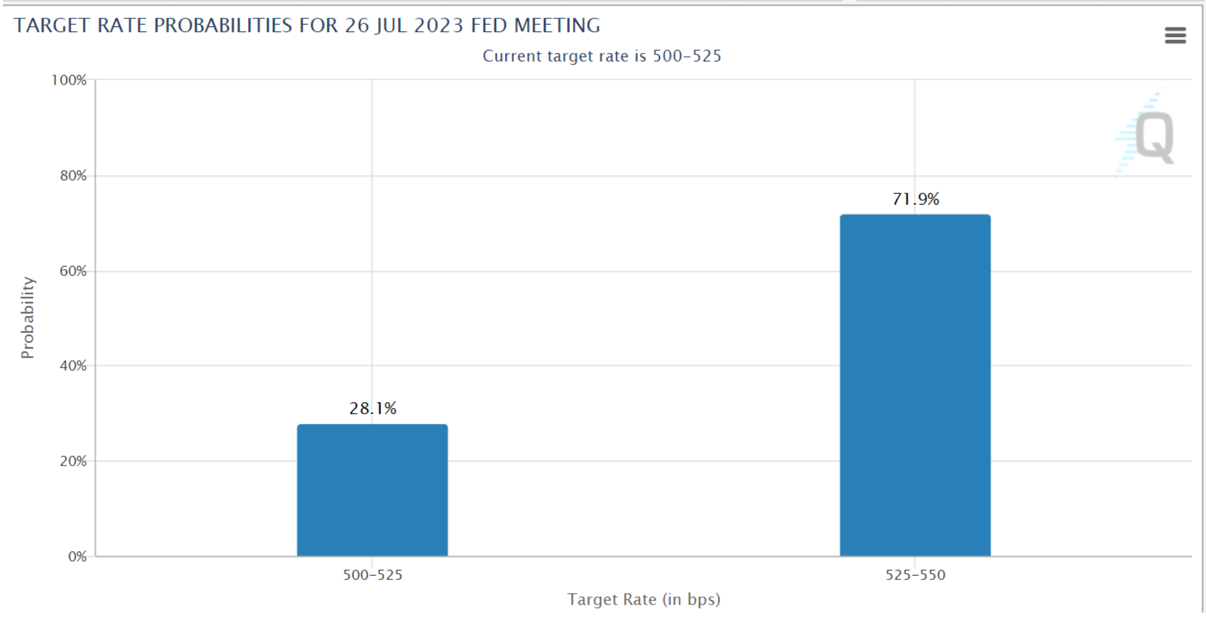
When asked by a reporter why the Federal Reserve doesn't hike rates all at once if necessary, Federal Reserve Chairman Powell explained it's like driving a car. "The question of speed is a separate question from that of level," Powell said. "Speed was very important last year, and as we get closer and closer to the destination," he said, "It is common sense to slow down a little."

Critical points from Fed Chairman Jerome Powell's speech: Price stability is the cornerstone of the US economy, and without stable prices, sustained strength in the labour market cannot be achieved. Almost all policymakers believe that further rate hikes should be appropriate this year. The full impact of tightening policies has yet to be seen, the unemployment rate has been hovering at historically low levels, and the labour market remains very tight. Labour demand still far exceeds labour supply, and while wages are not expected to decline, the pace of growth is anticipated to slow down. Most policymakers expect the economy to continue its moderate growth. Inflation has moderated somewhat, but inflationary pressures remain high, and the risks to inflation are still seen as tilted to the upside. There is still a long way to go to restore inflation to 2%, and the extent of the impact of tightening policies remains uncertain. Bringing down inflation may require growth below the trend and softening in the labour market. We are now closer to a sufficiently restrictive level in terms of our current interest rate levels. A gradual cooling of the strong labour market could help the economy achieve a soft landing. Restoring price stability is our top priority, and this will benefit future generations. It would be inappropriate to cut interest rates this year, and no one is suggesting a cut this year. Wouldn't put too much weight on economic expectations because there is too much uncertainty, and I don't yet understand the full consequences of the banking turmoil. When inflation is falling, it would be appropriate to cut rates in the next few years; we want to bring inflation down to 2% with minimal damage to the economy. In 2022 and this year, many analysts believe that lower wage growth will be important in reducing inflation. We have not seen much progress on the decline in core PCE and would like to see a significant decline in this figure; the key to a fall in non-housing services inflation is softening labour market conditions, we have only seen "early signs" of a fall in services inflation, and we are not far from the terminal rate. Continued rate increases may be justified, but at a more moderate pace; the main issue is to determine the extent of further increases, with the median rate of 5.6% being comparable to the level prior to the banking turmoil in March. Further rate increases will have to take into account the lagged effects of monetary policy on economic activity and inflation, as well as the impact of tightening on the economic and financial stability aspects.

Key points of the Fed's FOMC statement: Members unanimously agreed with the rate decision, leaving rates unchanged to facilitate the assessment of additional data; inflation remains high, and the Committee remains highly concerned about inflation risks and is strongly committed to returning inflation to the 2% target; job growth is strong, and unemployment remains low; the banking system is healthy and resilient; the strength of further tightening will depend on economic conditions. Most of the FOMC participants believe that real GDP growth faces higher uncertainty and risks are tilted to the downside; most of the FOMC participants believe that the unemployment rate faces higher uncertainty and risks are tilted to the upside; most of the FOMC participants believe that PCE inflation and core PCE inflation face higher uncertainty and risks are tilted to the upside.

Following the FOMC meeting, according to CME FedWatch Tool, the probability of a 25 basis point rate hike by the Federal Reserve in July has risen to 71.9%. Additionally, the Fed funds futures market indicates that the peak rate in September is expected to reach 5.35%, and there are no longer bets on rate cuts within the year. Julie Kozack, the spokesperson for the International Monetary Fund (IMF), recently stated that if it turns out that inflation is more persistent than expected, the Federal Reserve may need to raise rates for a longer period.

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
26 Jul 2023	ZQN3	31 Jul 2023	94.8925	37,287	347,718	0.0 %	28.1 %	71.9 %



Source: CME

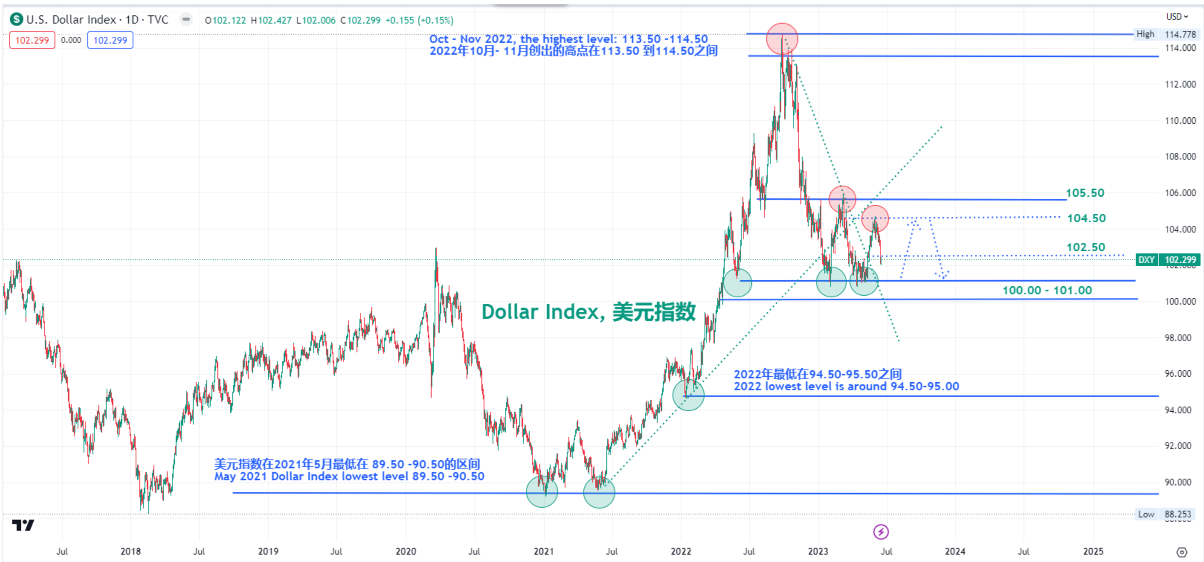
The June interest rate decision was more hawkish than market expectations, signalling the possibility of two more rate hikes by the Federal Reserve in the future and an expectation of maintaining higher rates for longer. This has led the market to anticipate a peak rate in this rate hike cycle of around 5.50% to 5.75%. Coupled with the recent deceleration in US inflation levels, the tightening of policy by the Federal Reserve in the coming months may not exceed the signals released in the June rate decision. Once the market fully digests this expectation, a true reversal trend may occur at any time.

2) US May CPI and PPI unexpectedly cooled.

On Tuesday (13 June), the US May Consumer Price Index (CPI) recorded an annual rate of 4.0%, significantly lower than the previous reading of 4.9% and below the expected 4.1%. This data has been declining for 11 consecutive months. The US May Core CPI, which excludes volatile food and energy prices, recorded 5.3% YoY, lower than the previous reading of 5.5% and in line with the expected 5.3%. The US May CPI recorded 0.1% MoM, lower than the expected 0.2% and the previous reading of 0.4%, while the US May Core CPI recorded 0.4% MoM, consistent with expectations and the previous reading.

The US May Producer Price Index (PPI) data released on Wednesday, 14 June, showed a significant slowdown from April. The annual rate of PPI decreased from 2.3% to 1.1%, well below the market's expectation of 1.5%, marking the lowest level since December 2020. The US May core PPI, which excludes volatile food and energy prices, also slowed down from April, decreasing from 3.2% to 2.8% YoY, lower than the market's expectation of 2.90%. The PPI for May recorded -0.3% MoM, lower than April's 0.2% and the market's expectation of -0.10%. The Core PPI for May remained unchanged at 0.2% MoM, in line with market expectations.

Although the overall CPI and PPI data for May in the US show a deceleration, indicating a significant improvement in inflation conditions and reduced pressure on the Federal Reserve, the core CPI YoY, which represents inflation data excluding transportation (gasoline) and food, still remains above 5%. This suggests that core inflation in the US remains resilient and stubborn, with inflation levels more than double the 2% target. US inflation remains at a high level, and the potential risks of rising inflation persist, increasing the probability of the Federal Reserve continuing with rate hikes in the July rate meeting. Nick Timiraos, a Wall Street Journal journalist known as the "Fed Whisperer" and the "New Fed Communications Agency," suggests that the Federal Reserve is likely to take action again in the summer or fall of this year.



Source: TradingView

From a technical perspective, looking at the daily chart, the US Dollar Index is still inclined to overall depreciation in the near future. Around 105.50 may serve as a temporary high for the US dollar this year. The peak range of 113.50-114.50, reached in late September last year, may be difficult to revisit, and the extent of US dollar depreciation remains a focal point for the market.

Reflecting on the financial markets, after the June FOMC meeting, risk assets experienced varying degrees of upward momentum. The market does not seem particularly concerned about the Fed's tightening prospects. This may also validate the viewpoint expressed by the author in a previous article (US May non-farm payrolls data greatly exceeded market expectations, increasing the probability of the Federal Reserve continuing to raise interest rates) written on 5 June that considering the overall increase of 3.98% (100.50-104.50) in the US Dollar Index since May, the market may have already priced in the rate hike expectations from the Federal Reserve. It is essential to be cautious as the market may potentially experience a "buy the rumour, sell the fact" scenario even if the Federal Reserve actually raises interest rates in the upcoming months of June and July. Following the interest rate decision, the US Dollar Index experienced a greater downward movement than a rebound, resulting in various degrees of appreciation for non-US currencies. The three major US stock indices also saw significant increases, particularly the Nasdaq Index, which has recorded eight consecutive weeks of gains. The retracement of gold from its recent high, around $2050 per ounce, may be nearing its end. The following are the price movements over the past two weeks (since early June):

- *DXY USD Index down 250 pips (104.50-102.00) and closed at 102.29 on 16 June.*
- *EURUSD up 300 pips (1.0650-1.0950) and closed at 1.0940 on 16 June.*
- *GBPUSD up 500 pips (1.2300-1.2800) and closed at 1.2820 on 16 June.*
- *AUDUSD up 450 pips (0.6450-0.6900) and closed at 0.6867 on 16 June.*
- *NZDUSD up 250 pips (0.6000- 0.6250) and closed at 0.6227 on 16 June.*
- *USDJPY up 330 pips (138.50-141.80) and closed at 141.85 on 16 June.*
- *USDCHF shaken down 250 pips (0.9150-0.8900), closed at 0.8933 on 16 June.*
- *USDCAD down 450 pips (1.3650-1.3200) and closed at 1.3195 on 16 June.*
- *USDCNH oscillated up 1250 pips (7.0650-7.1900), down 850 pips (7.1900-7.1050) after the June FOMC meeting, and closed at 7.1270 on 16 June.*
- *USDSGD plunged 200 pips (1.3550-1.3350) and closed at 1.3367 on 16 June.*
- *Dow Jones up 1,900 points (32600-34500), up 600 points (33900-34500) after the June FOMC meeting, closed at 34300 on 16 June.*
- *S&P 500 stock index up 300 pips (4150- 4450), up 100 pips (4350-4450) after the June FOMC meeting, closed at 4416 on 16 June.*
- *Nasdaq up 1100 pips (14200-15300), up 420 pips (14880-15300) after the June FOMC meeting, and closed at 15126 on 16 June.*
- *Gold oscillated in a range of 1925-1985 per ounce against the US dollar, surging 40 per ounce (1925-1965) after the June FOMC meeting, closing at 1957.40 on 16 June.*
- *Bitcoin oscillated in the 2700 pips range (27450-24750), up 1670 pips after the June FOMC meeting (24750-26420), and closed at 16420 on 16 June.*

3) University of Michigan (UoM) Inflation Expectations slip.

The University of Michigan Consumer Confidence Index for June came in at 63.9 on Friday (16 June), ahead of expectations of 60 and the previous reading of 59.2. The five-year inflation expectations in the United States come in at 3.00% in June, below expectations of 3.10% and the previous reading of 3.10%, while the US one-year inflation rate is expected to come in at 3.3% in June, below expectations of 4.10% and the previous reading of 4.20%. It was also at a one-year low. Although the above data shows that US consumer confidence has increased, inflation expectations have plummeted, suggesting that US inflation may continue to ease further in the future, or to a certain extent, limiting the Fed's ability to continue to raise interest rates this year, to the detriment of the US dollar, with the US dollar index facing the risk of continuing to fall towards the yearly low of around 100.50.

2. Hawkish ECB raises rates by 25 basis points at the June meeting.

Meanwhile, on Thursday (15 June), the European Central Bank (ECB) announced its interest rate decision, stating a further increase of 25 basis points. The main refinancing operations rate rose to 4.0%, the deposit facility rate (DFR) increased to 3.50%, and the marginal lending facility interest rate (MLFR) rose to 4.25%, aligned with market expectations. ECB President Lagarde expressed a hawkish stance, stating that it is highly likely that it will continue to raise interest rates in July, with no consideration of a pause, and the ECB still has further room for rate hikes. Since July 2022, the ECB has raised interest rates for eight consecutive times, accumulating a total increase of 400 basis points. Furthermore, the ECB revised its inflation forecasts for 2023, 2024, and 2025 upward by 0.1% each, reaching 5.4%, 3.0%, and 2.2%, respectively. The prospect of weakening inflation in the United States, combined with the hawkish attitude of the Euro Area interest rate hikes and the news of the respective 25 basis point rate hikes by the Reserve Bank of Australia and the Bank of Canada last week, increases the possibility of the US dollar maintaining its weakness.

Source: TradingView

As early as two weeks ago, the author of this article stated in the article written on 5 June that the daily candlestick chart of EURUSD and the RSI indicator shows a "hidden bullish divergence," suggesting a potential for an upward movement in EURUSD. If it fails to break below the range of 1.0500-1.0600 and starts a rebound, it could target the high points of May 2023 around 1.0950-1.1050. As of 16 June, the closing price for EURUSD was 1.0940. Economists from Commerzbank and ANZ Bank recently published their year-end forecast for EURUSD at 1.14.

On Friday (16 June), the Euro Area Consumer Price Index (CPI) was reported at 6.1% YoY, which is more than three times the European Central Bank's target of 2%. Additionally, the Euro Area Core Consumer Price Index (CPI) recorded 5.3% on an annual basis. Hence, the hawkish stance of the European Central Bank in continuing to raise interest rates to fight inflation is not difficult to comprehend. It is likely that there will be further rate hikes between July and September, which is one of the reasons for the recent rapid appreciation of the euro.

- *Olli Rehn, the Governor of the Bank of Finland and a member of the Governing Council of the ECB, recently stated on 16 June that they would at least further raise interest rates in July.*

- *Pierre Wunsch, the Governor of the National Bank of Belgium and a member of the Governing Council of the ECB stated on 16 June that they hadn't seen any signs of core inflation starting to slow down. If core inflation does not significantly decrease, the European Central Bank is likely to raise interest rates again in September. If the core inflation rate remains around 5%, it may be necessary to raise rates in September or even for a longer period.*

3. The Bank of Japan continued its accommodative policy unchanged at its June interest rate meeting.

Bank of Japan Governor Kazuo Ueda, who took office just in April this year, repeatedly expressed concerns about the risks of premature exit from expansionary policies during the first Bank of Japan interest rate meeting. He stated that a sudden shift to contractionary policies could have adverse effects on employment and wage growth, complicating efforts to achieve a long-term stable inflation rate of 2.0%. Changing his stance just two months later could potentially undermine Ueda's credibility. Therefore, we observed that in the Bank of Japan interest rate meeting held on Friday, 16 June, they decided to maintain the status quo, continuing with the same policies as the April meeting. This includes keeping the benchmark rate at -0.1%, maintaining the target for Japan 10 Year Government Bond yields at 0%, and preserving the Yield Curve Control (YCC) policy with a range of +/-0.5%. These decisions were in line with market expectations. The Bank of Japan has kept the benchmark rate at -0.1% unchanged for the past seven and a half years since January 2016. Following the announcement of the Bank of Japan's interest rate decision, the Japanese yen continued to depreciate, resulting in a 185-pip increase in USDJPY (from 140.00 to 141.85).

Key points from the Bank of Japan meeting: The Japanese economy is likely to continue its moderate recovery but faces significant uncertainties. The Bank of Japan unanimously voted for YCC (Yield Curve Control) while patiently maintaining accommodative monetary policy alongside wage increases. Core CPI in Japan may slow in the middle of this fiscal year. The Bank of Japan will not hesitate to expand its accommodative measures further if necessary. The target range for Japan 10 Year Government Bond yields will remain at ±50 basis points, the annual limit for ETF purchases will be maintained at 12 trillion yen, and the framework for the complementary deposit facility and the interest scheme to promote lending will remain unchanged. Exports and output remain stable, capital expenditure is moderately growing, and consumption is also experiencing moderate growth. Inflation expectations have remained stable after rising, and the recent CPI has been around 3.5% due to transmission effects.

Critical points from Bank of Japan Governor Kazuo Ueda's remarks at the rate meeting: The Japanese economy faces extremely high uncertainty, particularly regarding wage growth prospects. It is expected that wages will increase significantly compared to last year. Changes have already occurred in wages, prices, etc., and it will be necessary to continue studying whether these changes will persist, including whether this situation will continue when interest rates change. Stocks reflect future growth prospects, and theoretically, low-interest rates are favourable for the stock market. The risk of high inflation is not zero, and it is difficult to determine the level of wage growth required for stable CPI. The weakening yen has both positive and negative effects, and it is essential for currency stability to reflect the economic fundamentals. The 2% inflation target helps to understand policy, as policy objectives are linked to inflation rather than wages. Prices of food, daily goods, and hotel rates have shown some strength. The negative impact of US interest rate hikes may become apparent later, including the possibility of an economic downturn. When guiding policy, it is necessary to consider not only intermediate price forecasts but also the overall situation.

Source: TradingView

US10Y-JP10Y spread, and the divergence between the USDJPY rise but the US Dollar Index fall. It may suggest that if the market confirms the limited extent of the US dollar's rise, it could imply limited depreciation of the Japanese yen in the future. The focus will depend on how the market digests the news of the Federal Reserve's continued rate hikes. If the US dollar continues to decline with greater conviction, the timing of the yen's strength will be the key focus of the market's attention.

The Bank of Japan is not yet prepared to exit its stimulus policies. Recently, the European Central Bank, Reserve Bank of Australia, and Bank of Canada raised rates by 25 basis points each, while the Federal Reserve paused rate hikes in June but hinted at two more hikes in the second half of 2023. The US10Y-JP10Y spread may continue to favour a short-term uptrend in USD/JPY. Similarly, supported by the US10Y-JP10Y spread, other non-US currencies, particularly the EURJPY, GBPJPY, and CADJPY, have experienced varying degrees of appreciation. While most G7 non-US currencies have seen significant gains since June, the yen *has weakened considerably, and the sustainability of yen weakness remains a crucial concern for investors.*

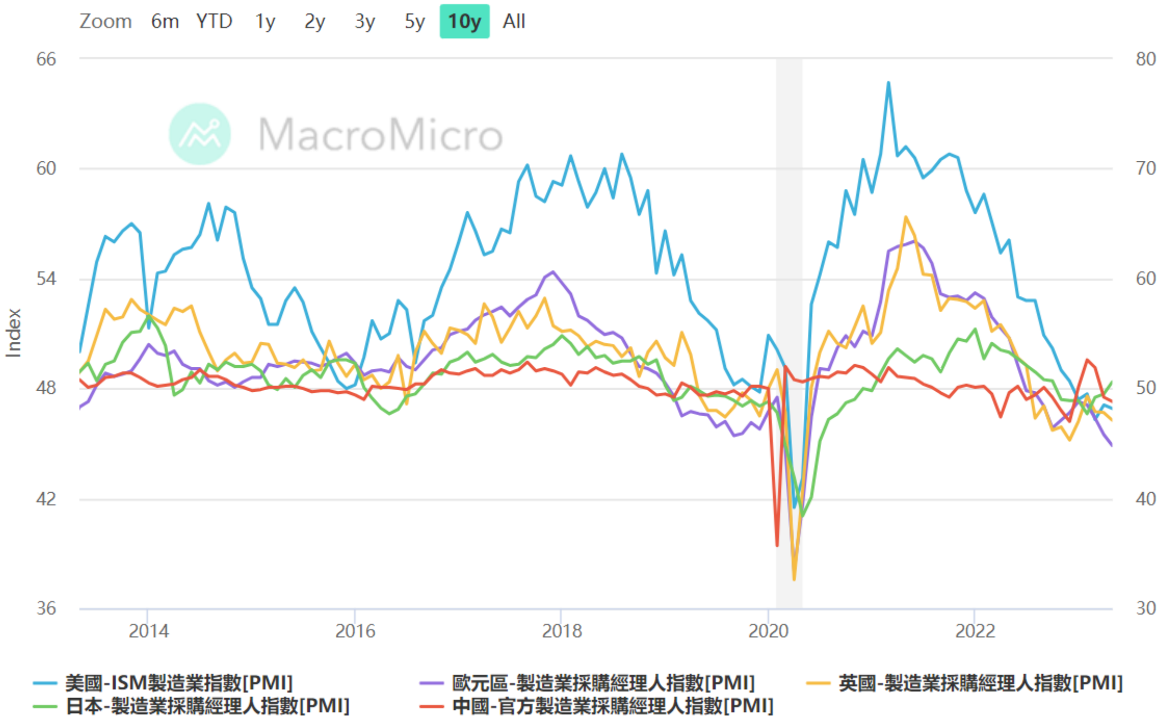
From a technical perspective, following the Bank of Japan's announcement to maintain its ultra-loose policy, the yen experienced a significant short-term decline. Over the past two weeks, driven by a 330-pip rally in USDJPY, coupled with varying degrees of 250-500 pips gains in non-US currencies against the yen in most G7 countries, these currencies have seen approximately 500-pip swings. Among them, GBPJPY had the largest increase, surging by 950 pips, and EURJPY reached a 15-year high of 155.00. Here is the record of gains and losses over the past two weeks:

- *USDJPY up 330 pips (138.50-141.80), with a closing price of 141.80 on 16 June.*
- *GBPJPY up 950 pips (172.50-182.00) and closed at 182.00 on 16 June.*
- *EURJPY up 650 pips (148.50-155.00) and closed at 155.00 on 16 June.*
- *AUDJPY up 730 pips (90.20-97.50), closed at 97.50 on 16 June.*
- *NZDJPY up 500 pips (83.50-88.50) and closed at 88.50 on 16 June.*
- *CADJPY up 500 pips (102.50-107.50) and closed at 107.50 on 16 June.*
- *CHFJPY up 600 pips (152.50-158.50) and closed at 158.50 on 16 June.*
- *SGDJPY up 350 pips (102.50-106.00), closed at 106.00 on 16 June.*

4. China's central bank cuts interest rates in response to signs of stalled recovery.

The People's Bank of China (PBOC), China's central bank, announced on Tuesday (13 June) that it would reduce the 7-day reverse repo rate from 2% to 1.9%, stating that it aims to maintain reasonable and sufficient liquidity in the banking system. The PBOC conducted 20 billion yuan of reverse repos through bidding. This is the first rate cut since mid-August last year. The PBOC has also recently lowered the one-year Medium-term Lending Facility (MLF) rate by 10 basis points to 2.65%, in line with market expectations. Following the announcement, the offshore yuan depreciated, with the USDCNH exchange rate breaking the key level of 7.15 and reaching a high of around 7.1910, the highest in the past six months. On 15 June, the one-year MLF rate in China was further reduced from 2.75% to 2.65%. Additionally, it is widely believed that the PBOC's rate cut this time may drive a series of policies to fully support the recovery of the real economy, indicating that the rate cut cycle in China may be fully activated. Market expectations for the PBOC rate meeting next Tuesday (20 June) include possible reductions in China's one-year and five-year Loan Prime Rate (LPR) and deposit rates.

Factors for the PBOC's rate cut in China: First, domestic demand in China is weak, with sluggish investment in the real estate industry and private enterprises, leading to a weaker-than-expected economic recovery in the second quarter of this year. Second, overseas demand remains weak amid increasing expectations of recession in developed countries. Third, China's consumer price index (CPI) for the first five months of this year (January-May) increased by only 0.8% year-on-year, raising concerns about deflation in the Chinese economy. Fourth, concerns persist over the labour market, with the youth unemployment rate rising for the fifth consecutive month to 20.8% in May. PBOC Governor Yi Gang also stated last week that they would strengthen counter-cyclical adjustment, supporting the real economy.



Source: MacroMicro

The words in the picture above:

Blue: United States-ISM Manufacturing PMI

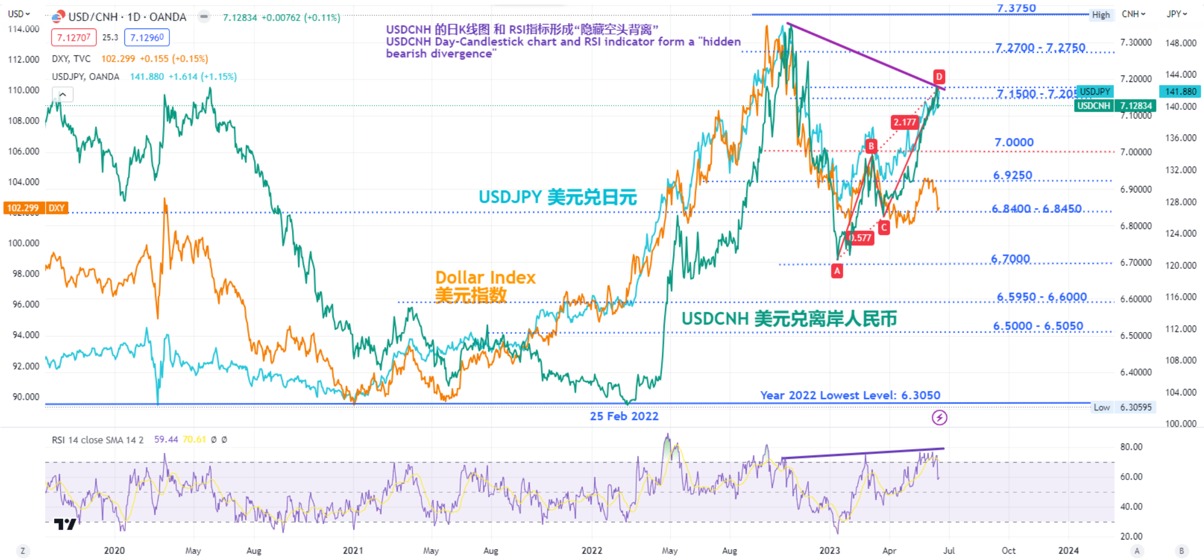
Green: Japan- Manufacturing PMI

Purple: Euro Area-Manufacturing PMI

Red: China-Official Manufacturing PMI

Orange: United Kingdom-Manufacturing PMI

Since mid-2021, manufacturing sectors in various countries around the world have generally been on a downward trend, and with the expectations of an economic recession in globally developed countries, this downward trend may continue. In the graph, the red line represents China's official Manufacturing Purchasing Managers' Index (PMI), which has shown relatively stable performance compared to several other developed countries, such as the United States (blue), Eurozone (purple), United Kingdom (yellow), and Japan (green).



USDCNH (Source: TradingView)

The graph shows the correlation between USDJPY and USDCNH, indicating a strengthening positive relationship since last year. Recently (since June), non-US currencies have generally shown varying degrees of appreciation against the US dollar, but both JPYUSD and CNHUSD have followed a predominantly depreciating trend. The daily candlestick chart of USDCNH and the RSI indicator form a "hidden bearish divergence," while the price action of USDCNH from early January to mid-June has formed an ABCD pattern, suggesting it may be approaching its end. Moreover, both USDCNH and the US Dollar Index exhibit a "bearish divergence". Currently, the USDCNH is facing resistance in the range of 7.2050 to 7.1500. If a retreat is observed near 7.2050, it could signal a "temporary peak." Additionally, one of the market's focal points is whether the upward momentum of the US Dollar Index, which started in mid-April (around 13 April), has seen a temporary peak around the level of 104.50 recorded at the end of May and beginning of June.

In the financial markets, the USDCNH spent nearly three months above the significant psychological level of 7.0000 during the fourth quarter of last year, from mid-September to early December. Since breaking above the 7.0000 level again in mid-May, it has maintained an oscillating upward pattern, reaching a high of 7.1900 around 15 June and closing at 7.1270 on Friday (16 June). Additionally, there have been clear signs of a rebound in the Chinese stock market following the strong rally in the US stock market. Here is the price movement over the past two weeks:

- *USDCNH oscillated upward by 1250 pips (7.0650-7.1900) and dropped by 850 pips (7.1900-7.1050) after the June FOMC meeting, closing at 7.1270 on 16 June.*
- *CHINA50 rose by 840 pips (12250-13090), closing at 13092 on 16 June.*
- *CHINAH increased by 800 pips (6080-6880), closing at 6809 on 16 June.*
- *HK50 rose by 2150 pips (18050-20200), closing at 19988 on 16 June.*

5. Short-term risks

Next week, it is crucial to pay close attention to the visit of US Secretary of State Antony Blinken to China from 18-19 June. This marks his first visit to China since assuming office and the first visit by a senior US official to China in nearly five years. Given the ongoing Russia-Ukraine war with no resolution after more than a year and the escalating tensions in the Taiwan Strait, maintaining dialogue between China and the United States is of utmost importance for stabilising their relationship, preventing military miscalculations, and promoting global peace. As a result, this visit to China has attracted significant attention from governments and stakeholders worldwide.

According to market reports, the confirmation of Blinken's visit to China came after recent favourable remarks about "US-China relations" made by US Treasury Secretary Janet Yellen. On 13 June, Yellen stated during a congressional hearing that although there are issues to be resolved, decoupling from China would be a huge mistake, and emphasised the mutual benefits of trade between the United States and China, stating that the American people have benefited tremendously from US-China trade, and the Chinese people have as well. Discontinuing trade with China would be disastrous and should seek to mitigate risks, but decoupling is absolutely not an option.

If Blinken's visit to China can achieve the widely anticipated goal of restoring healthy development in US-China relations, as advocated by the United States, including the three directions of "avoiding conflict," "managing competition," and "pursuing win-win cooperation," it will also pave the way for more meetings between senior Chinese and US officials. This includes possible future visits to China by US Treasury Secretary Yellen and Secretary of Commerce Gina Raimondo in the coming months. Such developments would be considered a significant positive for the financial markets.

In the Euro and the US, it is essential to focus on the results of the US bank stress tests, which will be announced next Friday, 23 June, as well as the interest rate decisions of the Swiss National Bank and the Bank of England, which will be announced next Thursday, 22 June. In the Asia-Pacific region, the key areas of focus are the interest rate decision of the People's Bank of China and the meeting minutes of the Reserve Bank of Australia, both of which will be released on Tuesday, 20 June. Additionally, the monetary policy meeting minutes of the Bank of Japan, which will be announced on Wednesday, 21 June, are also important.

“The extent of depreciation of the US dollar” remains a crucial focus in the market. A depreciation of the US dollar may favour further interest rate hikes by the Federal Reserve and contribute to the demand for a "safe and stable" financial environment. The key concern is when the US Dollar Index will fall below 100.00. Considering the overall increase of 3.98% (100.50-104.50) in the US Dollar Index since May, the market may have already priced in the rate hike expectations from the Federal Reserve. It is essential to be cautious as the market may potentially experience a "buy the rumour, sell the fact" scenario even if the Federal Reserve actually raises interest rates in the upcoming months of July and September.

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