

DAILY DIGEST

Prabowo mulls removal of 3% deficit cap

- Macro:** Fed Powell noted two-sided risks to economy amid cooling labour markets. ID President-elect Prabowo mulled scrapping of fiscal deficit and government debt cap. BOT Governor Sethaput reiterated structural reforms needed for higher long-term sustainable growth.
- Fixed Income:** Short-dated UST strengthened on Powell remarks and solid 3Y auction. IndoGB fell for the day amid fiscal news and weaker auction demand. 5Y LB29NA ThaiGB auction with size THB35bn to be held today.
- FX:** Majors mostly fell while regional currencies traded sideways amid a lack of catalysts, ahead of key data events later this week.

Global macro wrap

- Global:** Fed Chair Powell remarked to the Senate Banking Committee that elevated inflation is not the only risk to the economy, noting the recent cooling of labour market conditions as potential risks amid the currently still high borrowing costs, though stopped short of offering a timeline for interest rate cuts. The Fed Chair's testimony will continue for its second day today, ahead of US Jun CPI data on Thursday with consensus estimating a slight pick up to 0.1% mom in headline inflation (May: +0.0%) and for core inflation growth to remain at 0.2% mom.
- ASEAN:** Sources indicate that Indonesia President-elect Prabowo is considering revising Indonesia's State Finances Law that caps fiscal deficit at 3% of GDP and government debt at 60%, enabling him to establish a standalone state revenue agency (separate from the Finance Ministry) and fund his signature free school lunches program with estimated costs of more than IDR400tr/year. BOT Governor Sethaput said a 3% potential growth rate is insufficient given the country's 'low-income' status, with structural reforms needed for higher long-term, sustainable growth. He stressed however that the BOT will continue to ensure inflation is 'not too high'. This comes as Deputy FM Paopoom reiterated the dangers of low inflation and another call on the BOT to reduce policy interest rates. Malaysia's MOF said the government is still in the process of streamlining policies and legislation related to the high-value goods tax (HVGTT) with no date set yet for rollout.

Fixed Income

- Global:** UST reversed earlier moves for the curve to close overall steeper, though trading activity remain subdued as markets look ahead to US CPI data for more clarity on the Fed's pathway. Short-dated UST were the only gainers for the day amid a solid 3Y UST auction and Powell's speech that suggests rate cuts are more probable earlier rather than later. Belly-to-tail end bonds declined, amid market concerns that a Trump win would have greater fiscal and inflation implications.
- ASEAN:** Mixed performance for regional bonds. MGS overall strengthened by 1bp after reopening from holiday, belatedly tracking earlier gains in UST though activity remains subdued amid a lack of catalyst events pre-BNM meeting. An overall 1bp rally of ThaiGB comes alongside continued momentum in THB gains, ahead of today's 5Y LB29NA auction with issuance size of THB35b. IndoGB yields meanwhile closed 2-4bps higher for the day, as bonds were pressured by news on the fiscal front as well as unexpectedly tepid auction demand, which saw total incoming bids of IDR48tr (previous: IDR56tr). MOF opted to issue as per its new issuance target of IDR24tr, with the majority filled in the 5Y and 10Y series.

FX

- Majors:** DXY continued trading upwards (+0.1%), with most majors posting declines against the USD. EUR (-0.1%) and GBP (-0.2%) continued to fall, as markets continue to sell on the news of domestic election results, paring earlier mom gains. JPY (-0.3%) pressure meanwhile continued, amid ongoing discussions between the BOJ and local banks on trimming central bank bond purchases, with sources indicating that the BOJ thus far has shown no specific plan on this issue.
- ASEAN:** Mixed performance for regional currencies though most closed little changed. Meanwhile, up ahead this week include BNM's MPC meeting on Thursday with no expected changes to the OPR rate at 3.00%.

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Rates dashboard

Gov't bonds	Close	Change (bps)			
		1D	1W	1M	YTD
UST 2Y	4.63	-0.2	-11.5	-20.8	37.7
UST 10Y	4.30	1.8	-13.6	-10.8	41.7
MY 3Y	3.49	-1.0	-4.1	-5.7	3.0
MY 10Y	3.85	-0.8	-3.1	-2.1	11.9
ID 2Y	6.70	5.2	3.2	-3.8	35.3
ID 10Y	7.03	2.1	-7.3	3.0	57.7
SG 2Y	3.32	0.1	-3.6	-5.4	6.0
SG 10Y	3.20	1.0	-7.2	-7.2	50.8
TH 2Y	2.34	0.0	-1.8	-4.3	-3.9
TH 10Y	2.65	-0.1	-3.4	-12.4	-2.6

Close for ASEAN rates captured at end of Asian trading day.

FX dashboard

	Close	1D (%)	1W (%)	1M (%)	YTD (%)
DXY	105.13	0.1	-0.6	-0.1	3.7
EURUSD	1.0813	-0.1	0.6	0.7	-2.0
GBPUSD	1.2786	-0.2	0.8	0.4	0.4
AUDUSD	0.6741	0.1	1.1	2.0	-1.0
USDCHF	0.8978	0.0	-0.7	0.0	6.7
USDJPY	161.33	0.3	-0.1	2.7	14.4
USDCNH	7.2886	0.0	-0.3	0.2	2.3
USDMYR	4.7070	-0.0	-0.3	-0.3	2.5
USDIDR	16250	-0.0	-0.9	-0.2	5.5
USDSGD	1.3509	0.1	-0.4	-0.2	2.3
USDTHB	36.40	-0.2	-1.3	-0.9	6.6

Commodities dashboard

	Close	1D (%)	1W (%)	1M (%)	YTD (%)
WTI	81.41	-1.1	-1.7	4.5	13.6
Brent	84.66	-1.3	-1.8	3.3	9.9
Copper	9,869	-0.5	2.0	1.1	15.3
Gold	2,364	0.2	1.5	2.0	14.6
CPO	4,015	-1.8	-3.0	2.1	9.6

HIGHLIGHTS

Macro: Thailand’s Council of State has approved a draft of an additional THB122bn for FY2024 to fund the digital wallet program, with presentation to the House expected on 17 Jul.

Macro: Preliminary estimates for Indonesia retail sales rose 4.4% yoy in Jun (May: +2.1%), driven by demand for clothing, cultural and recreational goods amid several holidays. Domestic auto sales meanwhile increased to 72,936 units in Jun (May: 71,306 units), though this still represents a fall in domestic auto sales of -11.8% yoy.

Macro: Malaysia PM Anwar Ibrahim said the Madani Budget 2025 will focus on achieving the targets mentioned in the Madani Economy Framework. He added that the government must consider how to restructure the economy towards becoming a leading Southeast Asian economy, while ensuring that enlarged wealth is shared equitably.

Figure 1: Data Preview

Date	Country	Indicator	Period	Survey	Prior
10 Jul 2024	CH	PPI YoY	Jun	-0.8%	-1.4%
10 Jul 2024	CH	CPI YoY	Jun	0.4%	0.3%
10 Jul 2024	EC	ECB's Nagel Speaks			
10 Jul 2024	UK	BOE's Huw Pill speaks			
10 Jul 2024	US	Fed's Powell Testifies to House Financial Services			
10 Jul 2024	US	Wholesale Inventories MoM	May F	0.6%	0.6%
11 Jun 2024	US	Fed's Goolsbee, Bowman Give Opening Remarks at Childcare Even			
11 Jun 2024	US	Fed's Cook Speaks on Global Inflation, Monetary Policy			

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 2: Data Review

Date	Country	Indicator	Period	Survey	Actual	Prior
09 Jul 2024	US	NFIB Small Business Optimism	Jun	90.2	91.5	90.5
09 Jul 2024	US	Fed's Powell Testifies to Senate Banking				

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 3: Sovereign yields and CDS

10Y yields	Close	1D (bps)	1W (bps)	1M (bps)	YTD (bps)
US	4.30	1.8	-13.6	-10.8	41.7
UK	4.16	4.6	-8.9	-10.9	62.2
Germany	2.58	4.0	-2.2	-4.3	55.7
Japan	1.08	-0.4	0.2	6.3	47.4
Australia	4.34	-1.5	-6.5	2.0	38.9
China	2.27	-1.7	3.2	-3.6	-29.0
Malaysia	3.85	-0.8	-3.1	-2.1	11.9
Indonesia	7.03	2.1	-7.3	3.0	57.7
Singapore	3.20	1.0	-7.2	-7.2	50.8
Thailand	2.65	-0.1	-3.4	-12.4	-2.6

5Y IRS	Close	1D (bps)	1W (bps)	1M (bps)	YTD (bps)
MY	3.63	0	-2	-5	4
SG	2.94	-0	-10	-12	38
TH	2.57	0	0	0	0

5Y CDS	Close (bps)	1D (bps)	1W (bps)	1M (bps)	YTD (bps)
MY	41	-1	-8	-11	-2
ID	71	-3	-7	-1	-1
TH	39	-4	-10	-8	-4

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 4: Interbank rates and credit indices

Interbank rates	Close	1D (bps)	1W (bps)	1M (bps)	YTD (bps)
US o/n SOFR	5.32	0	-3	0	-6
EU o/n ESTRON	3.66	0	0	-25	-22
JP o/n TONAR	0.08	0	0	-0	12
MY 3m KLIBOR	3.59	0	0	0	-18
MY MYOR	3.01	0	1	-1	1
ID 3m JIBOR	7.10	0	0	0	25
SG o/n SORA	3.46	0	5	-7	-16
TH BOT o/n THOR	2.49	-0	-0	0	-0

Credit indices	Close	1D (%)	1W (%)	1M (%)	YTD (%)
Bloomberg Global Aggregate	266	-0.2	1.0	1.2	-0.2
Bloomberg US Aggregate	2162	-0.1	1.0	0.9	-0.0
Bloomberg EUR Aggregate	235	-0.3	0.5	0.7	-1.0
Bloomberg Asia Aggregate	186	0.3	0.1	1.7	6.3
Bloomberg Asia Pac Treasury	113	-0.2	0.2	-1.2	-9.0
Bloomberg ASEAN Corp/Quasi	120	-0.0	1.0	0.8	2.5

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 5: Currencies

Currencies	Close	1D (%)	1W (%)	1M (%)	YTD (%)
DXY	105.13	0.1	-0.6	-0.1	3.7
EURUSD	1.0813	-0.1	0.6	0.7	-2.0
GBPUSD	1.2786	-0.2	0.8	0.4	0.4
AUDUSD	0.6741	0.1	1.1	2.0	-1.0
USDJPY	161.33	0.3	-0.1	2.7	14.4
USDCNH	7.2886	0.0	-0.3	0.2	2.3
USDMYR	4.7070	-0.0	-0.3	-0.3	2.5
USDIDR	16,250	-0.0	-0.9	-0.2	5.5
USDSGD	1.3509	0.1	-0.4	-0.2	2.3
USDTHB	36.40	-0.2	-1.3	-0.9	6.6
GBPMYR	6.0290	0.1	1.1	0.3	3.3
AUDMYR	3.1720	0.0	1.0	1.9	1.5
SGDMYR	3.4858	-0.1	0.3	-0.1	0.2
CNHMYR	0.6457	-0.1	-0.1	-0.5	0.0
IDRMYR	0.0290	0.0	0.6	0.0	-2.9
THBMYR	12.9099	0.2	0.7	0.5	-3.6

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 6: Global equity indices and commodity prices

Equities	Close	1D (%)	1W (%)	1M (%)	YTD (%)
S&P500	5,576.98	0.1	1.2	3.8	16.9
Nasdaq	18,429.29	0.1	2.2	6.3	22.8
Eurostoxx	4,903.62	-1.3	-0.1	-1.2	8.5
Nikkei 225	41,580.17	2.0	3.8	6.2	24.3
Hang Seng	17,523.23	-0.0	-1.4	-3.6	2.8
KLCI	1,614.42	0.2	1.0	0.2	11.0
JCI	7,269.80	0.3	2.0	6.0	-0.0
SET	1,319.92	-0.2	2.4	0.3	-6.8

Commodities	Close	1D (%)	1W (%)	1M (%)	YTD (%)
BCOM Index	100.69	-0.6	-0.5	-2.0	2.1
WTI (US\$/bbl)	81.41	-1.1	-1.7	4.5	13.6
Brent (US\$/bbl)	84.66	-1.3	-1.8	3.3	9.9
Natural Gas (US\$/mmbtu)	2.34	-0.9	-3.7	-26.6	-13.1
Copper (US\$/ton)	9,869	-0.5	2.0	1.1	15.3
Gold (US\$/oz)	2,364	0.2	1.5	2.0	14.6
CPO (RM/ton)	4,015	-1.8	-3.0	2.1	9.6

SOURCE: BLOOMBERG, CIMB TREASURY AND MARKETS RESEARCH

Figure 7: Economic and commodity price forecasts

GDP	2021	2022	2023	2024	2025
Malaysia	3.3	8.9	3.6	4.9	4.7
Indonesia	3.7	5.3	5.0	5.0	5.0
Singapore	9.7	3.8	1.1	2.1	2.6
Thailand	1.6	2.5	1.9	2.8	3.0

Policy rate	3Q24	4Q24	1Q25	2Q25	3Q25
US (upper bound)	5.50	5.25	5.00	4.75	4.50
Malaysia	3.00	3.00	3.00	3.00	3.00
Indonesia	6.25	6.00	5.75	5.50	5.50
Thailand	2.50	2.50	2.50	2.50	2.50

Commodity prices	3Q24	4Q24	1Q25	2Q25	3Q25
Brent (USD/bbl)	80	75	73	73	75
WTI (USD/bbl)	76	71	69	69	71
CPO (RM/mt)	3,800	3,800	3,900	4,000	3,900
Gold (USD/oz)	2,300	2,300	2,325	2,350	2,400
Copper (USD/mt)	9,000	9,200	9,500	10,000	9,800

SOURCE: CIMB TREASURY AND MARKETS RESEARCH

Figure 8: Rates and currency forecasts

Rates	3Q24	4Q24	1Q25	2Q25	3Q25
UST 2Y	4.60	4.55	4.45	4.35	4.25
UST 10Y	4.15	4.20	4.15	4.10	4.10
MGS 3Y	3.55	3.55	3.55	3.50	3.45
MGS 10Y	3.75	3.75	3.80	3.80	3.80
IndoGB 2Y	6.65	6.50	6.35	6.20	6.25
IndoGB 10Y	6.95	7.00	7.05	7.10	7.15
ThaiGB 2Y	2.40	2.40	2.40	2.40	2.45
ThaiGB 10Y	2.85	2.90	2.95	2.95	3.05

Currency	3Q24	4Q24	1Q25	2Q25	3Q25
DXY	105.1	104.4	103.7	103.1	102.5
EURUSD	1.07	1.08	1.09	1.10	1.10
GBPUSD	1.28	1.29	1.30	1.29	1.29
USDCHF	0.89	0.89	0.89	0.89	0.89
AUDUSD	0.67	0.68	0.69	0.70	0.71
USDJPY	150	148	146	144	143
USDCNH	7.26	7.25	7.25	7.24	7.23
USDIDR	16,268	16,249	16,158	16,080	16,002
USDMYR	4.70	4.66	4.61	4.57	4.53
USDSGD	1.35	1.34	1.33	1.32	1.30
USDTHB	36.46	36.13	35.79	35.50	35.22

SOURCE: CIMB TREASURY AND MARKETS RESEARCH

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