

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	155.47	153.64	▼0.93	▼2.01
EUR	1.0719	1.0725	+0.0013	▼0.0005
AUD	0.6541	0.6565	+0.0042	+0.0047
SGD	1.3587	1.3549	▼0.0059	▼0.0041
CNY	7.2411	7.2411	+0.0000	+0.0012
INR	83.44	83.47	+0.03	+0.14
IDR	16185	16185	▼75	▼3
MYR	4.7540	4.7545	▼0.0180	▼0.0215
PHP	57.53	57.55	▼0.23	▼0.26
THB	36.91	36.95	▼0.11	▼0.07

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.581%	▼4.7 bp	▼12.3 bp
JPY (10YR)	0.901%	+1.0 bp	+0.2 bp
EUR* (10YR)	2.541%	▼4.3 bp	▼8.9 bp
AUD (5YR)	4.126%	▼5.3 bp	+3.3 bp
SGD (5YR)	3.391%	▼1.1 bp	+6.6 bp
CNY (5YR)	2.179%	+0.0 bp	+9.3 bp
INR (5YR)	7.170%	▼2.6 bp	▼2.0 bp
IDR (5YR)	7.078%	▼8.1 bp	+0.2 bp
MYR (5YR)	3.781%	▼0.4 bp	▼1.0 bp
PHP (5YR)	6.768%	▼2.7 bp	▼1.5 bp
THB (5YR)	2.543%	▼2.0 bp	+1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,225.66	+0.85%	+0.37%
N225 (JP)	38,236.07	▼0.10%	+1.61%
STOXX 50 (EU)	4,890.61	▼0.62%	▼0.98%
ASX (AU)	4,446.15	+0.62%	+1.33%
STI (SG)	3,296.89	+0.13%	+0.28%
SHCOMP (CN)	3,104.82	+0.00%	+1.70%
SENSEX (IN)	74,611.11	+0.17%	+0.37%
JSE (ID)	7,117.43	▼1.61%	▼0.53%
KLSE (MY)	1,580.30	+0.27%	+0.70%
PSE (PH)	6,646.55	▼0.81%	+1.09%
SET (TH)	1,363.25	▼0.34%	▼0.07%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.74	▲0.25%	▲4.34%
COPPER (LME)	9,642.46	▲1.43%	▲1.02%
IRON ORE (CN)	118.04	+1.84%	+6.28%
GOLD	2,303.83	▲0.68%	▲1.23%
OIL (WTI)	78.95	▼0.06%	▼5.53%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	153.05	EUR/USD	1.0730
USD/SGD	1.3538	USD/THB	36.81
JPY/SGD	0.8735	USD/MYR	4.754

Forecast

USD/JPY	152.00 - 154.00
EUR/USD	1.0670 - 1.0780
AUD/USD	0.6520 - 0.6620
USD/SGD	1.3500 - 1.3600
JPY/SGD	0.8766 - 0.8947
USD/CNH	7.1900 - 7.2300
USD/INR	83.30 - 83.60
USD/IDR	16100 - 16220
USD/MYR	4.740 - 4.770
USD/PHP	57.20 - 57.80
USD/THB	36.70 - 37.00

Today's Direction

	Bull	Bear
USD/SGD	0	4
USD/JPY	0	4

Three Take-Aways

- 1) US risk sentiments remain buoyed as UST yields continued declines in a bull steepener.
- 2) After US oil inventories jump, Brent crude persisted below US\$85/barrel amid calmer geo-politics.
- 3) JPY intervention risks remain live amid MOF and BoJ retaining advantages of unknown and surprise.

Of Positive Spirits and Commitments

- **US risk sentiments remain buoyed** with US equities rising across the board as Nasdaq led gains rising 1.5% while the S&P500 and Dow rose 0.9%. Undoubtedly, there was also lingering support from the post FOMC dousing of rate hike concerns and **impending step down in QT pace in June**.

- In a bull steepener, UST 2Y yields sank 8.7bps and 10Y yields fell 4.7bps.

- The sight of **Brent Crude prices persisting below US\$85/barrel** after the previous day's slump on higher US inventories also added to the cause of UST bulls.

- Furthermore, with Hamas stating that they are **studying the Truce deal in "positive spirits" alongside US-Saudi defence pact**, the consequent wider Middle East and energy price landscape appear to be in a relatively calmer state. That said, required commitments from Israel such as an end to the Gaza war may be far from being reached.

- Amid the lower UST yields, the Greenback weakened with the JPY leading gains (See below).

- The AUD rose above mid-65 cents as prospects of RBA cuts remain far into the horizon.

- In contrast, the EUR made little headway still hovering around 1.07 even as ECB chief economist Philip Lane said that they are not pre-committed to a particular rate path. Nonetheless, the **June cut is already being widely viewed as being a rather committed one** and as such wider US-EZ spreads an impediment for EUR bulls. In EM-Asia, the SGD gained with the USD/SGD falling below mid-1.35 as regional peers look to be afforded a breather today.

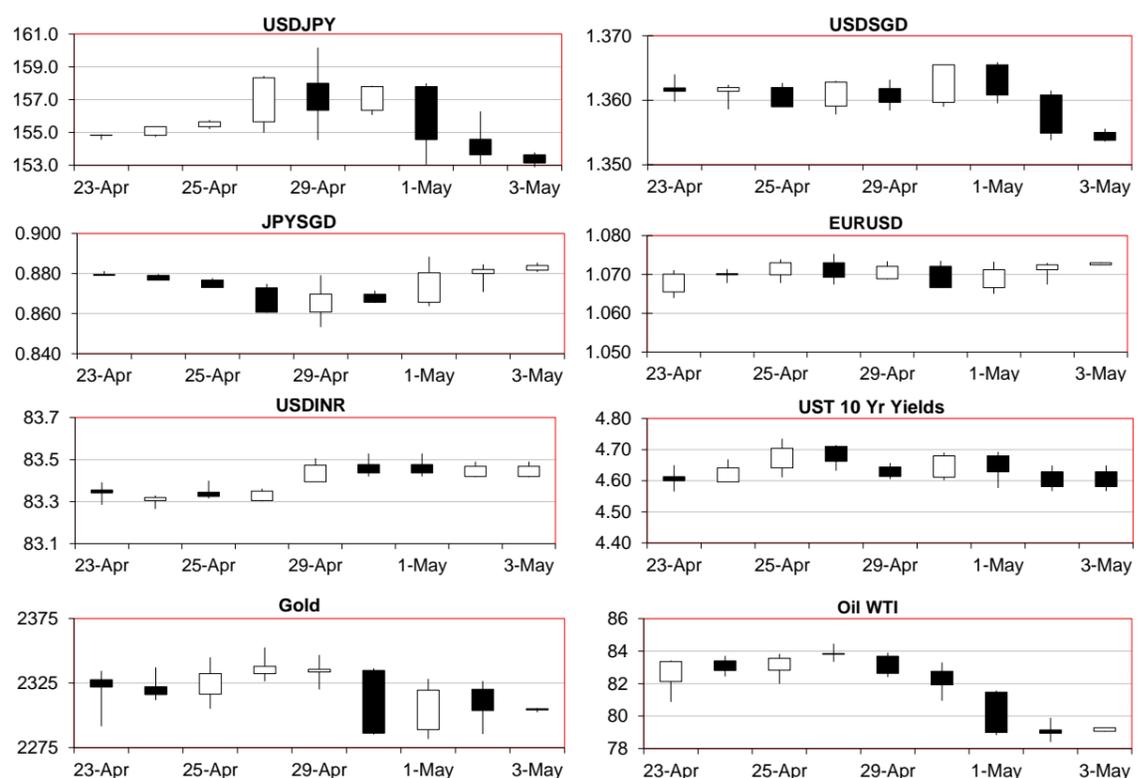
JPY Intervention Risks Of "Live" & Line

- The **elephant in the FX room** this week must be **emphatic JPY intervention***. So the temptation is to **define triggers and thresholds**. That would be a mistake.

OVERNIGHT RESULTS

(SG) Purchasing Managers/Electronics Sector Index (Apr): 50.5/50.9 (Mar: 50.7/50.8) | (AU) Trade Balance (Mar): A\$5024m (Mkt: A\$7300m; Feb: A\$7280m) | (AU) Building Approvals MoM (Mar): 1.9% (Mkt: 3.4%; Feb: -1.9%; Revised: -0.9%) | (ID) CPI/Core YoY (Apr): 3.0%/1.8% (Mkt: 3.1%/1.8%; Mar: 3.1%/1.8%) | (US) Trade Balance (Mar): -\$69.4b (Mkt: -\$67.3b; Feb: -\$68.9b) | (US) Initial Jobless Claims: 208k (Mkt: 210k; Prev: 207k; Revised: 208k)

* Past Two Weeks Movement *



- For one, we think **JPY intervention risks remain "live"** given entrenched USD/JPY and rate spread imbalances. Admittedly, there is **no straight-forward mapping for UST-JGB spreads and USD/JPY**. But suffice to say USD/JPY 150 appears rich enough. And so, **to test 155-160 at current yield spreads veers into speculative territory**. Unless the proposition is one of a structural break in USD/JPY UST-JGB spread equilibrium, warranting higher corresponding USD/JPY levels now.

- That is not implausible. But it will not, as yet, convince the BoJ and MoF that JPY is fairly valued. And more importantly, that speculative forces are not at work for that reason, JPY intervention risks remain "live". The intended message is, **speculators cannot afford complacency as MoF remain vigilant**.

- Second, **there is no "line in the sand"** to authoritatively determine "safe zones" for speculators. Fact is, the BoJ and MoF are only too acutely aware that large USD swings easily shift relative FX goal-posts. So it will be **imprudent to engage in rigid, and worse, futile interventions**, which come at a high cost to FX reserves and credibility.

- Instead, **calculated and opportunistic market action for maximum effect** is preferred. And the MoF is practiced in this. What's more, the **element of unknown and surprise are key advantages** that the BoJ and MoF will want to retain.

- Admittedly, declaring that JPY intervention risks remain "live" appears redundant after USD/JPY has been hammered down to 153+ after testing 160 earlier this week. But it is important to acknowledge that this is not a one and dusted. And that the moves, exploit, but are not exclusively driven by, lower UST yields and USD. ***Compared to the -1% drop in the USD from the week's peak, JPY has surged close to 4% from its lows. So, the USD/JPY drop (JPY surge) is not purely a transposition of USD slippage.**

FX Daily Outlook

- EUR/USD: ECB's June commitments will persist to restrain EUR recovery.
- USD/JPY: Lower UST yields and softer oil prices to allow trading around 153.
- USD/SGD: CNH recovery to aid consolidation around mid-1.35.
- AUD/USD: Buoyancy at 65 cents as CNH assistance and RBA looms next week. Soft oil restrains.

TODAY EVENTS

(SG) Retail Sales/Ex Auto YoY (Mar): (Mkt: 2.8%/-; Feb: 8.4%/9.4%) | (US) NFP Chg/Unemployment Rate (Apr): (Mkt: 250k/3.8%; Mar: 303k/3.8%) | (US) ISM Services Index/Prices Paid (Apr): (Mkt: 52.0/-; Mar: 51.4/53.4) | (US) Avg Hourly Earnings MoM (Apr): (Mkt: 0.3%; Mar: 0.3%) | (EZ) Unemployment Rate (Mar): (Mkt: 6.5%; Feb: 6.5%)

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