

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 156.11 | 154.88 | ▼1.54 | ▼0.65 |
| EUR | 1.0826 | 1.0884 | +0.0065 | +0.0136 |
| AUD | 0.6643 | 0.6694 | +0.0067 | +0.0114 |
| SGD | 1.3497 | 1.3452 | ▼0.0066 | ▼0.0103 |
| CNY | 7.2235 | 7.2190 | ▼0.0147 | ▼0.0056 |
| INR | 83.50 | 83.50 | ▼0.01 | ▼0.02 |
| IDR | 16029 | 16028 | ▼76 | ▼17 |
| MYR | 4.7023 | 4.7063 | ▼0.0112 | ▼0.0352 |
| PHP | 57.55 | 57.55 | ▼0.30 | +0.16 |
| THB | 36.56 | 36.54 | ▼0.13 | ▼0.42 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|----------|----------|
| USD (10YR) | 4.340% | ▼9.9 bp | ▼15.4 bp |
| JPY (10YR) | 0.956% | +0.3 bp | +7.4 bp |
| EUR* (10YR) | 2.422% | ▼12.6 bp | ▼4.0 bp |
| AUD (5YR) | 4.004% | ▼0.4 bp | +1.6 bp |
| SGD (5YR) | 3.229% | ▼5.0 bp | ▼0.8 bp |
| CNY (5YR) | 2.128% | +1.7 bp | +0.1 bp |
| INR (5YR) | 7.093% | ▼2.4 bp | ▼4.7 bp |
| IDR (5YR) | 6.962% | ▼1.8 bp | +1.5 bp |
| MYR (5YR) | 3.704% | ▼3.4 bp | ▼2.6 bp |
| PHP (5YR) | 6.470% | ▼4.5 bp | ▼2.7 bp |
| THB (5YR) | 2.496% | ▼1.4 bp | ▼4.1 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 39,908.00 | +0.88% | +2.18% |
| N225 (JP) | 38,385.73 | +0.08% | +0.48% |
| STOXX 50 (EU) | 5,100.90 | +0.41% | +1.25% |
| ASX (AU) | 4,596.71 | +0.29% | +1.15% |
| STI (SG) | 3,289.42 | ▼0.72% | +0.76% |
| SHCOMP (CN) | 3,119.90 | ▼0.82% | ▼0.27% |
| SENSEX (IN) | 72,987.03 | ▼0.16% | ▼0.65% |
| JSE (ID) | 7,179.83 | +1.36% | +1.28% |
| KLSE (MY) | 1,603.23 | ▼0.17% | ▼0.09% |
| PSE (PH) | 6,558.63 | ▼0.75% | ▼1.51% |
| SET (TH) | 1,370.44 | ▼0.45% | ▼0.21% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|-----------|---------|--------|
| CRB | 289.97 | +0.90% | +0.33% |
| COPPER (LME) | 10,124.79 | +1.16% | +3.66% |
| IRON ORE (CN) | 115.35 | ▲0.60% | ▲0.38% |
| GOLD | 2,385.99 | +1.18% | +3.34% |
| OIL (WTI) | 78.63 | +0.78% | ▼0.46% |

Three Take-Aways

- 1) UST yields tumbled; although more encouraging US CPI data required before rate cuts commence.
- 2) ECB's June cut restrained EUR's climb; AUD rallied as wage growth caution sticky services inflation.
- 3) BSP to hold on supportive growth and inflation within tolerance levels.

US CPI: Adequately Cooler, Not Sufficiently Cool

- We had warned earlier that the unhealthy fixation on inflation data primed *overly-sensitized markets for an overreaction on CPI release*. And we got just that. Equities surged (S&P500 up 1.2% to a record-breaking 5,308+ and Nasdaq up 1.4%). UST yields tumbled (down 9-10bp) across the curve, with 10Y now at 4.34%T and 2Y at 4.72%; the latter a far cry from threatening 5%. USD slumped correspondingly (DXY below mid-104), down >1% on the week.

- *Whereas inflation (both core and headline) merely cooled fractionally**. Put simply, inflation cooled just enough to assuage concerns about stalled dis-inflation, but not sufficiently to invoke emphatic easing on conviction about the "job done" (on inflation). That is, it is *adequately cooler, not sufficiently cool*. Point being, after a series of data points that raised concerns of "stalled" disinflation, it will take more than one encouraging CPI print to catalyse conviction to start rate cut. In other words, *nothing imminently nor unconditionally dovish in CPI*. And certainly not of the "Goldilocks" variety as the stumble in retail sales (contracting unexpectedly in the core measures) warn of a coincident softening in demand.

- And whether or not inflation may be cooled before lagging demand destruction is pushed a tad too far remains the elephant in the room that equity bulls appear to be ignoring.

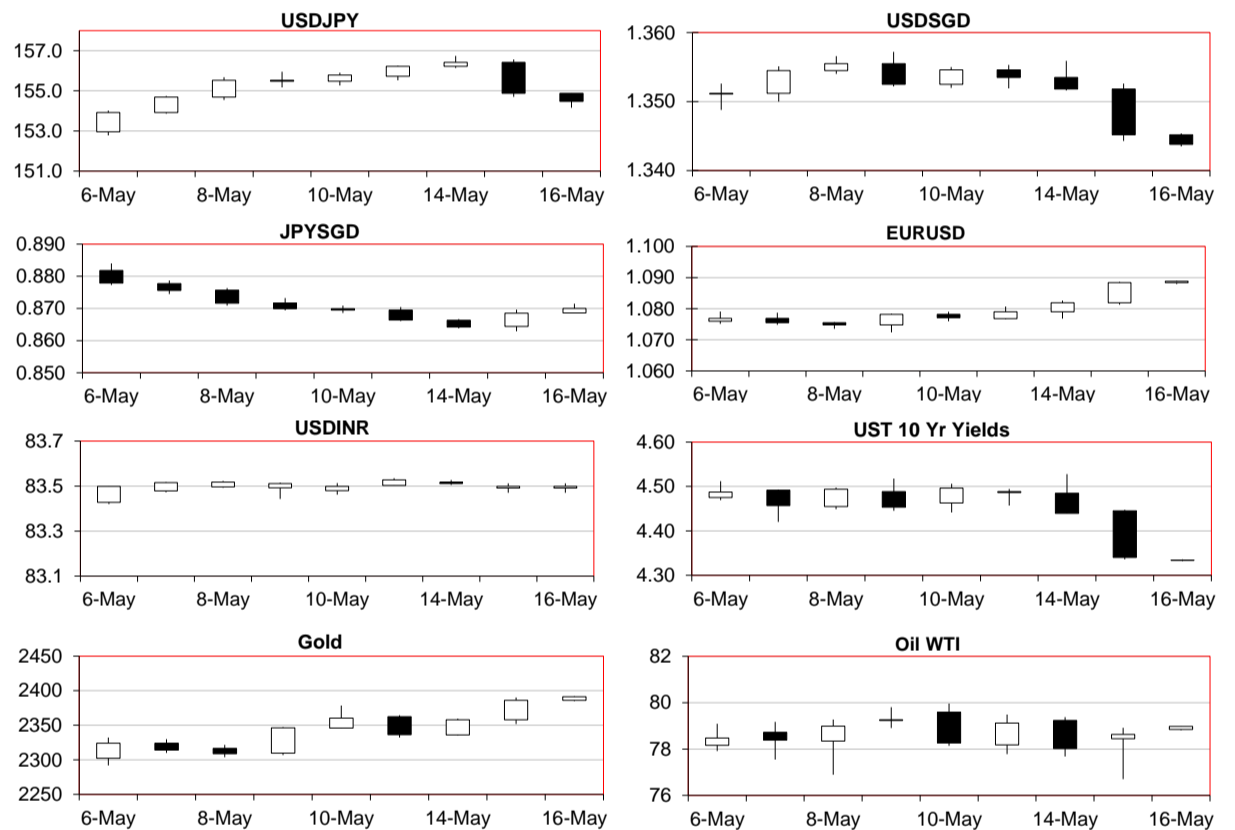
Differentiated * core inflation cooled to 0.3% MoM pace with details to suggest softer ex-rental, services inflation to feed in as softer core PCE, with headline CPI unexpectedly slipping to 0.3% (consensus: 0.4%).

- The USD weakened against all G10 currencies, although different policy nuances saw differentiated FX moves. EUR headed above mid-1.08, although its climb was tempered by Bunds outperformance over USTs as while ECB remained on track to a June cut, (the EU cut EZ inflation forecasts in 2024 and 2025), the economy still appeared headed for a soft landing scenario.

OVERNIGHT RESULTS

(AU) Wage Price Index YoY/QoQ (1Q): 4.1%/0.8% (Mkt: 4.2%/0.9%; 4Q: 4.2%/0.9%) | (US) CPI/Ex Food and Energy YoY (Apr): 3.4%/3.6% (Mkt: 3.4%/3.6%; Mar: 2.5%/3.8%) | (US) Retail Sales Adv/Ex Auto and Gas MoM (Apr): 0.0%/-0.1% (Mkt: 0.4%/0.2%; Mar: 0.6%/0.7%) | (US) Empire Manufacturing (May): -15.6 (Mkt: -10.0; Apr: -14.3) | (EZ) GDP GDP SA YoY/QoQ (1Q P): 0.4%/0.3% (Mkt: 0.4%/0.3%; 4Q: 0.4%/0.3%) | (EZ) Industrial Production WDA YoY (Mar): -1.0% (Mkt: -1.3%; Feb: -6.3%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 154.29 | EUR/USD | 1.0889 |
| USD/SGD | 1.3436 | USD/THB | 36.27 |
| JPY/SGD | 0.8708 | USD/MYR | 4.688 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 152.00 - 156.00 |
| EUR/USD | 1.0820 - 1.0960 |
| AUD/USD | 0.6620 - 0.6750 |
| USD/SGD | 1.3380 - 1.3520 |
| JPY/SGD | 0.8577 - 0.8895 |
| USD/CNH | 7.1900 - 7.2400 |
| USD/INR | 83.40 - 83.60 |
| USD/IDR | 15850 - 16100 |
| USD/MYR | 4.640 - 4.730 |
| USD/PHP | 57.20 - 57.80 |
| USD/THB | 36.00 - 36.70 |

Today's Direction

| | Bull | Bear |
|---------|------|------|
| USD/SGD | 1 | 1 |
| USD/JPY | 1 | 1 |

- Meanwhile, still resilient wage price data cautioned against RBA's hawkish tendencies on services inflation ahead of jobs report this morning. AUD surged above mid-66 cents but missed 67 cents. Elsewhere, USD/JPY dipped below 155 while USD/SGD moved below 1.35 handle.

BSP: Holding On

- We expect **BSP to remain on hold** at the upcoming meeting on 16 May.
- **Growth has been supportive**, with Q1 growth accelerating to 5.7% YoY (Q4'23: 5.5%) on the back of the improved external sector. Meanwhile, **inflation** which ticked up to 3.8% YoY in April, remains within target range and is **likely within BSP's tolerance level**. BSP had back in Q4'23 expected inflation to exceed target range in Apr-Jul'24 on El Nino and positive base effects.

- While inflation risks (esp. food) still lean to the upside, we are of the view that **inflation expectations would remain anchored** and a pre-emptive move is not required at this juncture.

- Meanwhile, **a weak PHP is unlikely to move the needle either**. While the PHP has recovered some ground, it remains >57 following the sell-off triggered by a ratcheting up of geopolitical tensions and hot US inflation in mid-April. Moreover, Governor Remolona had at that time noted that the PHP slide then was not at a level to impact policy, noting the broad USD strength backdrop as Fed cut delays rolls on. Instead, he signalled that adjustment can happen insofar as movements were not "very sharp".

- All in, we expect BSP to stand pat, although a hike in future meetings cannot be discounted if price pressures fail to be tamed. Meanwhile, inflation threats also mean any rate cuts are not on the table for the time being.

FX Daily Outlook

- EUR/USD: Competitive pivot dynamics should restrain rallies above 1.09.
- USD/JPY: Could remain below 155 as reduced JGB purchases provide support.
- USD/SGD: Retain traction below 1.35 on firmer CNH and stronger EUR.
- AUD/USD: Durable break above 67 cents plausible if jobs data show tightness.

TODAY EVENTS

(JP) GDP Annualized SA QoQ (1Q P): -2.0% (Mkt: -1.2%; 4Q: 0.0%) | (AU) Unemployment Rate/Employment Change (Apr): (Mkt: 3.9%/23.7%; Mar: 3.8%/-6.6k) | (US) Housing Starts (Apr): (Mkt: 1420k; Mar: 1321k) | (US) Initial Jobless Claims: (Mkt: 220k; prev: 231k) | (US) Philadelphia Fed Business Outlook (May): (Mkt: 8.0; Apr: 15.5) | (US) Industrial Production MoM (Apr): (Mkt: 0.1%; Mar: 0.4%) | (JP) Industrial Production YoY (Mar F): (prelim: -6.7%)

Central Bank Policy Decision: BSP Overnight Borrowing Rate

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