

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	156.41	156.80	+0.63	+1.92
EUR	1.0857	1.0823	▼0.0031	▼0.0061
AUD	0.6660	0.6620	▼0.0046	▼0.0074
SGD	1.3478	1.3508	+0.0035	+0.0056
CNY	7.2397	7.2413	+0.0037	+0.0223
INR	83.27	83.28	▼0.03	▼0.22
IDR	16008	15993	▼2	▼35
MYR	4.6966	4.6968	+0.0000	▼0.0095
PHP	58.07	58.07	▼0.18	+0.52
THB	36.34	36.32	+0.00	▼0.22

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.422%	+1.0 bp	+8.2 bp
JPY (10YR)	1.009%	+2.9 bp	+5.3 bp
EUR* (10YR)	2.534%	+3.5 bp	+11.2 bp
AUD (5YR)	3.974%	+3.8 bp	▼3.0 bp
SGD (5YR)	3.259%	+0.0 bp	+3.0 bp
CNY (5YR)	2.114%	▼0.8 bp	▼1.4 bp
INR (5YR)	7.036%	▼2.4 bp	▼5.7 bp
IDR (5YR)	6.838%	▼5.7 bp	▼12.4 bp
MYR (5YR)	3.682%	+0.0 bp	▼2.2 bp
PHP (5YR)	6.400%	+0.6 bp	▼7.0 bp
THB (5YR)	2.533%	+0.0 bp	+3.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,671.04	▼0.51%	▼0.59%
N225 (JP)	38,617.10	▼0.85%	+0.60%
STOXX 50 (EU)	5,025.17	▼0.43%	▼1.48%
ASX (AU)	4,560.55	▼0.52%	▼0.79%
STI (SG)	3,307.90	+0.00%	+0.56%
SHCOMP (CN)	3,158.54	+0.02%	+1.24%
SENSEX (IN)	74,221.06	+0.36%	+1.69%
JSE (ID)	7,222.38	+0.51%	+0.59%
KLSE (MY)	1,622.09	+0.00%	+1.18%
PSE (PH)	6,607.22	▼0.40%	+0.74%
SET (TH)	1,370.83	+0.00%	+0.03%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.25	▲0.24%	+1.82%
COPPER (LME)	10,295.21	▲4.16%	+1.68%
IRON ORE (CN)	119.10	+0.40%	+3.25%
GOLD	2,378.85	▲1.74%	▲0.30%
OIL (WTI)	77.57	▼2.13%	▼1.35%

Three Take-Aways

- 1) Rising median home prices and hawkish signals in FOMC minutes aided climb in front end UST yields.
- 2) USD rose against most G10 peers. GBP held ground as UK yields soared on higher than expected inflation.
- 3) Amid elevated core inflation, BoK can continue rate hold on semiconductor recovery

Scary Future or Haunted Past?

- There was a mild sell-off in both USTs and US equities overnight. 2Y UST yields rose 4bps while 10Y yields rose 1bp. US equities were sent slipping (Nasdaq: -0.2%; S&P500: -0.3%; Dow: -0.5%) on hawkish signals within FOMC minutes with **officials contemplating the extent of restriction which monetary policy is imposing** and it also indicated that a few supported **maintaining the previous QT pace or a slightly higher cap** around redemption of USTs than the final decision. Nonetheless, it should not be all about 'the past' given that the climb in UST yields was already underway before the release and the minutes merely supported. Instead, **the sight of a rising median selling price (Apr: 5.7% YoY) of existing homes amid a decline in sales would have triggered further worries of inflation bumps.**

- In the same vein, **UK Gilts had an emphatic sell off** with 2Y yields surging a staggering 14.7bp on higher than expected UK inflation (Apr: 2.3%; Mkt: 2.1%). Notably, much of the decline from the March print of 3.2% was driven by a 12% decrease in the energy price cap for gas and electricity bills and this was also reflected that the much milder core dis-inflation from 4.2% to 3.9% YoY.

- In turn, the GBP held ground while **most G10 peers slipped against the Greenback**. At the bottom of the G10 pile, AUD slipped towards 66 cents as hawkish tones from earlier RBA minutes faded. The USD/JPY was buoyed above mid-156 as UST yields climbed.

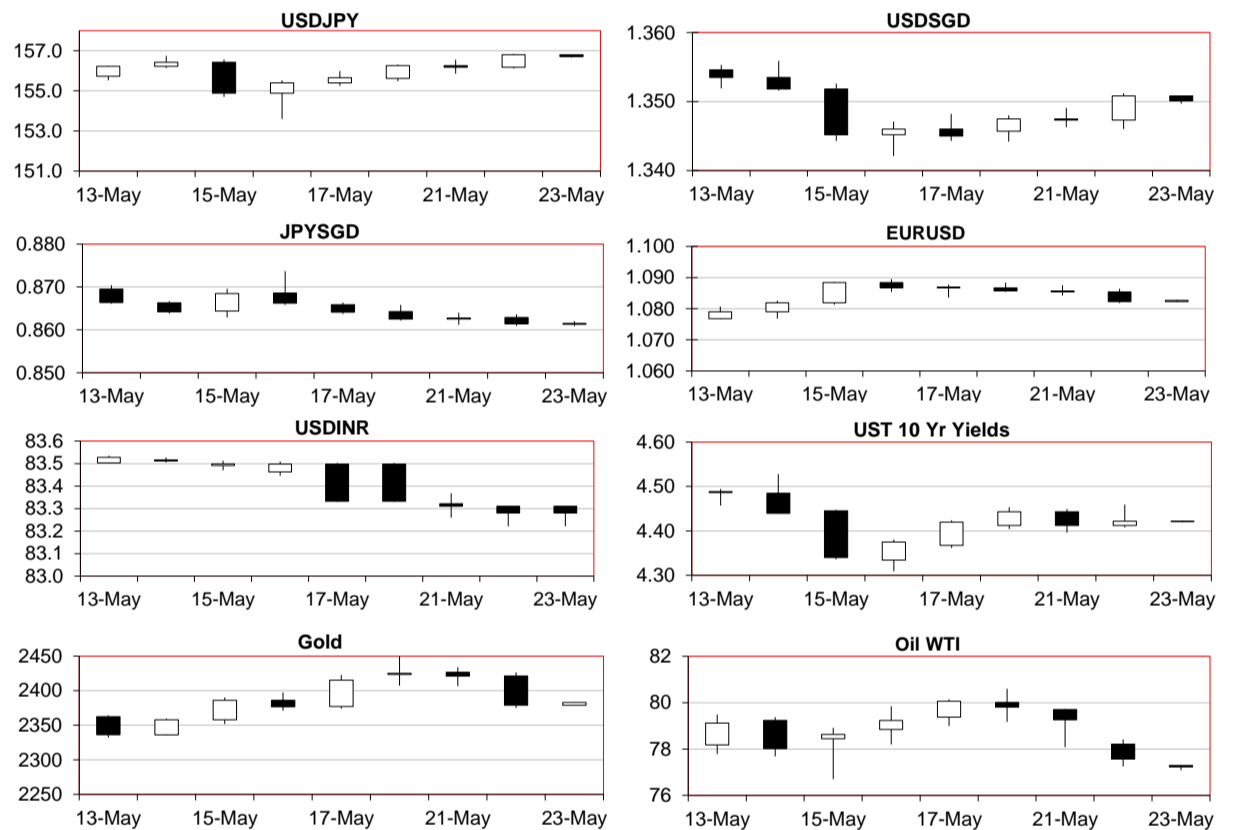
- EUR had a relatively milder slippage to below mid-1.08 as ECB's Schnabel was more upbeat highlighting slowing wage growth and slight economic growth revival.

- In EM-Asia, the USD/SGD was sent above 1.35 and regional central banks will brace for further depreciation pressures. Notably, the USD/PHP has been sent above the 58 mark. While the BSP has reasons (such as not depleting crucial reserves) not to protect **certain FX levels, PHP bears should not be overly emboldened and trigger excessive volatility.**

OVERNIGHT RESULTS

(EZ) ECB Current Account SA (Mar): 35.8b (Feb: 29.5b) | (EZ) Trade Balance SA (Mar): 17.3b (Mkt: 20.0b; Feb: 17.9b) | (KR) PPI YoY (Apr): 1.8% (Mar: 1.5%) | (US) Existing Home Sales (Apr): 4.14m (Mkt: 4.23m; Mar: 4.19m) | (JP) Trade Balance (Apr): -¥462.5b (Mkt: -¥297.0b; Mar: ¥387.0b) | (JP) Core Machine Orders YoY/MoM: 2.7%/2.0% (Mar: 1.4%/-2.0%; -1.8%/7.7%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.72	EUR/USD	1.0825
USD/SGD	1.3506	USD/THB	36.51
JPY/SGD	0.8618	USD/MYR	4.697

Forecast

USD/JPY	155.00 - 157.20
EUR/USD	1.0810 - 1.0900
AUD/USD	0.6600 - 0.6680
USD/SGD	1.3400 - 1.3540
JPY/SGD	0.8524 - 0.8735
USD/CNH	7.2300 - 7.2700
USD/INR	83.20 - 83.50
USD/IDR	15900 - 16100
USD/MYR	4.680 - 4.710
USD/PHP	57.50 - 58.20
USD/THB	36.00 - 36.50

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	4	1

Bank of Korea: Battle Not Won

- BoK is expected to keep **rates unchanged** for the following reasons.
 - **Core inflation remains elevated relative to historical trend (2016-19 average: 1.3%) and as such prevents the BoK from declaring victory on inflation despite relatively encouraging signs.** The dis-inflation trend has continued for much of this year with core inflation declining to 2.3% in April from 2.5% in January. We also observe a broadening of the dis-inflation with the share of goods in the CPI basket with inflation rates above pre-pandemic levels declining from 72% to 58%. To that end, the BoK is likely to **highlight the inflation progress** and even discuss the possibility of **rate normalisation, in turn making a crucial distinction with easing in support of growth.**

- Next, the need to support growth has diminished amid a semiconductor led exports recovery and this will give the BoK more confidence to keep rates elevated. For now, real policy rates remain relatively restrictive especially in 'core inflation' adjusted terms. That said, the stance is certainly still within historical norms, rather than being unprecedentedly restrictive.

- As such, we acknowledge the policy room for 25-50bps of cuts which may reveal in the later parts of 2024. Nonetheless, given the inflation levels, the BoK may not want to follow the footsteps of the BoE, BoC and may refrain from outrightly declaring rate cuts in H2 2024.

- Pressures on the KRW remain a bugbear, while hikes are certainly off table, pre-emptive signalling of rate normalisation raises the costs of stabilising the currency amid a still hostile USD. All in, the BoK has cause to take in the inflation progress but not the confidence to declare that the battle is won.

FX Daily Outlook

- EUR/USD: Elevated UST yields to restrain recovery towards 1.09.
- USD/JPY: Buoyancy above 155 retained though slipping oil price may allow sideways around mid-156.
- USD/SGD: GDP beat in Singapore unlikely to lend support as regional peers remain under pressure.
- AUD/USD: Faded RBA minutes and China concerns imply inability to test 67 cents.

TODAY EVENTS

(SG) GDP YoY/SA QoQ (1Q F): 2.7%/0.1% (Mkt: 2.5%/-0.3%; prelim: 2.7%/0.1%) | (SG) CPI/Core YoY (Apr): (Mkt: 2.7%/3.1%; Mar: 2.7%/3.1%) | (TW) Industrial Production YoY (Apr): (Mkt: 11.3%; Mar: 4.0%) | (US) New Home Sales (Apr): (Mkt: 679k; Mar: 693k) | (US) Initial Jobless Claims: (Mkt: 220k; prev: 222k) | (US) Chicago Fed Nat Activity Index (Apr): (Mkt: 0.15; Mar: 0.15) | (US) Kansas City Fed Mfg Activity (May): (Mkt: -7; Apr: -8) | (EZ) Mfg/Services PMI (May P): (Mkt: 46.1/53.6; Apr: 45.7/53.3) | (EZ) Consumer Confidence (May P) (Mkt: -14.2; Apr: -14.7) | (JP) Machine Tool Orders YoY (Apr F): (prelim: -11.6%)

Central Bank Policy Decision: Bank of Korea Base Rate

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