

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	156.76	156.93	+0.13	+1.54
EUR	1.0831	1.0815	▼0.0008	▼0.0052
AUD	0.6620	0.6606	▼0.0014	▼0.0073
SGD	1.3500	1.3518	+0.0010	+0.0058
CNY	7.2445	7.2429	+0.0016	+0.0215
INR	83.28	83.28	+0.00	▼0.22
IDR	16008	15993	+0	+68
MYR	4.7118	4.7038	+0.0070	+0.0208
PHP	58.15	58.14	+0.07	+0.66
THB	36.54	36.53	+0.21	+0.38

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.477%	+5.5 bp	+10.2 bp
JPY (10YR)	1.002%	▼0.7 bp	+7.5 bp
EUR* (10YR)	2.596%	+6.2 bp	+13.6 bp
AUD (5YR)	3.961%	▼1.3 bp	+8.1 bp
SGD (5YR)	3.255%	▼0.4 bp	+9.7 bp
CNY (5YR)	2.110%	▼0.4 bp	▼2.4 bp
INR (5YR)	7.036%	+0.0 bp	▼4.0 bp
IDR (5YR)	6.838%	+0.0 bp	▼1.1 bp
MYR (5YR)	3.693%	+1.1 bp	+2.0 bp
PHP (5YR)	6.423%	+2.3 bp	+13.7 bp
THB (5YR)	2.520%	▼1.3 bp	+4.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,065.26	▼1.53%	▼2.02%
N225 (JP)	39,103.22	+1.26%	+0.47%
STOXX 50 (EU)	5,037.60	+0.25%	▼0.69%
ASX (AU)	4,543.84	▼0.37%	▼1.11%
STI (SG)	3,322.62	+0.44%	+0.53%
SHCOMP (CN)	3,116.39	▼1.33%	▼0.19%
SENSEX (IN)	75,418.04	+1.61%	+2.38%
JSE (ID)	7,222.38	+0.00%	▼0.34%
KLSE (MY)	1,629.18	+0.44%	+1.12%
PSE (PH)	6,659.99	+0.80%	+0.48%
SET (TH)	1,367.84	▼0.22%	▼0.72%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	293.78	▲0.50%	+1.31%
COPPER (LME)	10,318.41	+0.23%	▲0.24%
IRON ORE (CN)	118.12	▲0.82%	+1.09%
GOLD	2,329.27	▲2.08%	▲2.00%
OIL (WTI)	76.87	▼0.90%	▼2.98%

Three Take-Aways

- 1) US PMIs outperformed expectations and sent UST yields higher and equities plummeting.
- 2) EZ PMI and better than expected EZ wage growth was unable to inspire the EUR.
- 3) EM Asia FX and central banks remain under pressure with SBV in focus for possible policy moves.

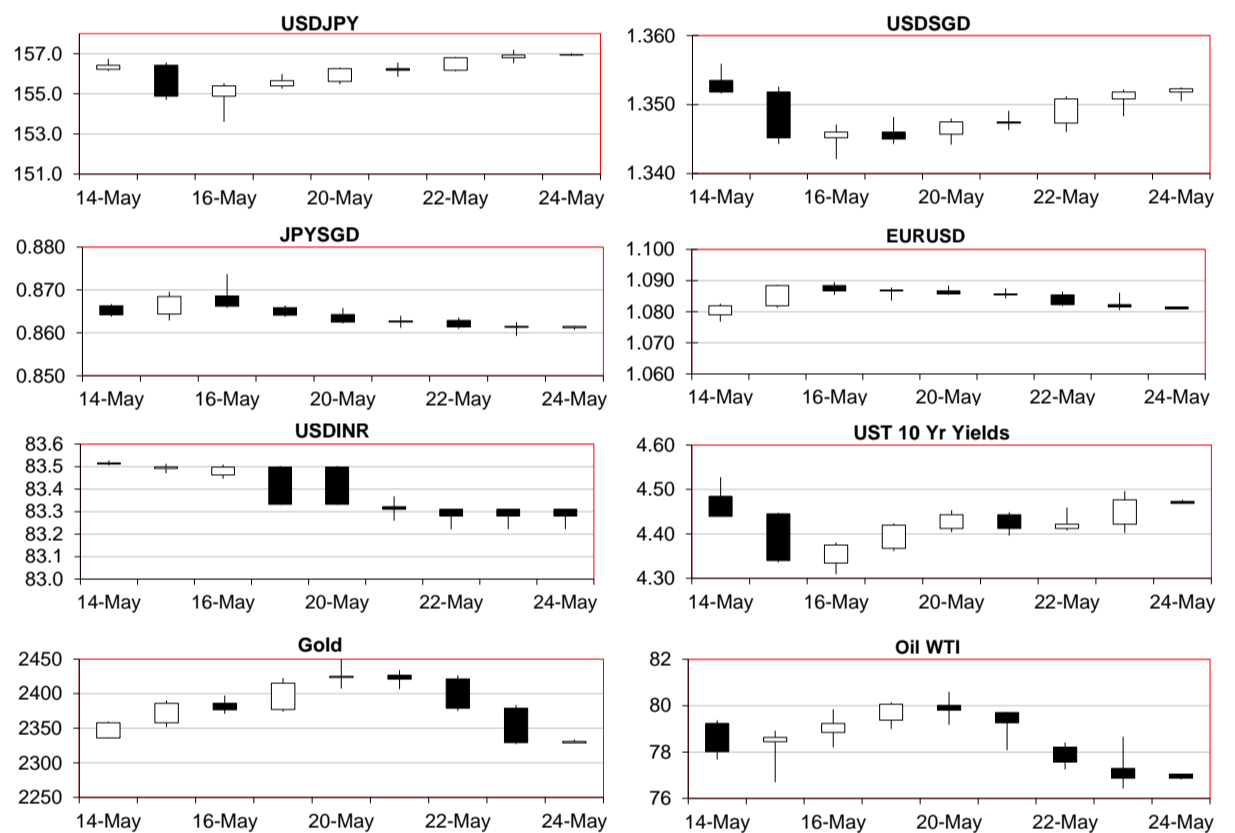
Where is the Good News?

- US manufacturing PMI outperforming expectations to head into expansionary territory and a surge in Services PMI were taken as **bad news for those betting on the Fed to cut rates early**.
- USTs sold off as 2Y yields soared 6.6bp while 10Y yields rose 5.5bp. US equities declined across the board as the Dow led losses with a 1.5% plunge and S&P 500 dropped 0.7%. Nasdaq's milder 0.4% decline was assisted by a surge in Nvidia shares on earnings outperformance.
- The stronger activity indicator was also being cast as **monetary policy being less effective in slowing growth** by Fed's Bostic as he stated that much debt was re-financed to lower rates and as such the impact of Fed's monetary policy is muted.
- That said, the spillovers of more hawkish Fed policy are widely felt as the Greenback retained traction. USD/JPY has been further buoyed to above 157.
- Despite Eurozone PMI manufacturing PMI outperforming and negotiated wages 4.7% YoY in Q1 ending up higher than the 4.5% in Q4, EUR was unable to sustain the initial surge above mid-1.08 as it ended up retreating towards 1.08. This was also alongside ECB's Villeroy warning against being overly dependent on wage data. Similarly, the AUD dribbled lower towards 66 cents.
- In EM-Asia, the THB was the worst performer on political instability fears as the Constitutional court agreed to hear a petition to dismiss PM Srettha on ethical grounds.
- Top of the pack, KRW held ground. The BoK kept rates unchanged signalling that upside risks to inflation has increased and more time is needed to gain confidence on rate cuts.
- Elsewhere, the USD/SGD remain hovering above 1.35. While Brent crude slipping to below US\$82/barrel is welcomed, EM-Asia FX will again face pressures from higher UST yields.

OVERNIGHT RESULTS

(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):2.7%/3.1% (Mkt: 2.7%/3.1%; Mar: 2.7%/3.1%) | (TW) Industrial Production YoY (Apr):14.6% (Mkt: 11.3%; Mar: 4.0%) | (US) New Home Sales (Apr):634k (Mkt: 679k; Mar: 693k) | (US) Initial Jobless Claims: 215k (Mkt: 220k; prev: 222k) | (US) Chicago Fed Nat Activity Index (Apr): -0.23 (Mkt: 0.15; Mar: 0.15) | (US) Kansas City Fed Mfg Activity (May): -2 (Mkt: -7; Apr: -8) | (EZ) Mfg/Services PMI (May P): 47.4/53.3 (Mkt: 46.1/53.6; Apr: 45.7/53.3) | (US) Mfg/Svcs PMI (May P): 50.9/50.9

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.97	EUR/USD	1.0813
USD/SGD	1.3518	USD/THB	36.65
JPY/SGD	0.8612	USD/MYR	4.705

Forecast

USD/JPY	156.00 - 157.50
EUR/USD	1.0790 - 1.0880
AUD/USD	0.6580 - 0.6670
USD/SGD	1.3460 - 1.3560
JPY/SGD	0.8546 - 0.8692
USD/CNH	7.2300 - 7.2700
USD/INR	83.20 - 83.50
USD/IDR	15900 - 16100
USD/MYR	4.680 - 4.730
USD/PHP	57.50 - 58.30
USD/THB	36.20 - 36.70

Today's Direction

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

EM-Asia Central Banks: Static Policy, Dynamic Pain

- While EM-Asia central banks have largely kept rates on hold this year except for BI which had to hike rates to anchor IDR stability, continued policy is certainly not a reflection of an absence of FX pains and in fact, their policy hold look to be increasingly tested by FX depreciation pressures.
- Recent VND depreciation pressures have been evident with the **USD/VND touching the SBV's upper limit of the trading range** and necessitated a 25bp increase of the 7-day reverse repo rate, the second one in a month.
- Given that the increase in reverse repo rate is likely aimed at raising the interbank interest rates, an **imminent increase in longer term policy related rates (rediscount and refinancing rates) may be on the cards** should the depreciation pressures not abate soon. Rate moves could be implemented in a staggered manner via different instruments depending on the extent of VND depreciation pressures. (See Mizuho Flash: Vietnam: VND and SBV Under Pressure, 23 May 2024)
- In addition, FX reserves ratio hovering just around the 3 months of import remains a bugbear cautioning against excessive FX intervention.
- Even in the Philippines where FX reserves are much higher, the BSP has signalled "very modest" intervention, which is intended to tame speculation, instead of defending specific levels. The USD/PHP crossed the 58 mark this week.
- As they stood pat this week, Bank Indonesia has also stated that they will continue their market intervention to support the IDR.

FX Daily Outlook

- EUR/USD: Wage growth outcome dampens prospects of cuts beyond June; sideways above 1.08.
- USD/JPY: CPI report backs case for continued buoyancy above 156.
- USD/SGD: CNH weakness to set stage for consolidation around 1.35.
- AUD/USD: Sub 66 cents slippage on further oil price declines and CNH weakness.

TODAY EVENTS

(JP) National CPI/ex Fresh Food, Energy YoY (Apr): 2.5%/2.4% (Mkt: 2.4%/2.4%; Mar: 2.7%/2.9%)
 (SG) Industrial Production YoY (Apr): (Mkt: 1.3%; Mar: -9.2%) | (MY) CPI YoY (Apr): (Mkt: 1.9%; Mar: 1.8%)
 (US) Durable Goods orders/Nondef Ex Air (Apr P): (Mkt: -0.8%/ 0.1%; Mar: 0.9%/-0.1%)
 (US) Uni of Mich. Sentiment/Expectations (May F): (Mkt: 67.7/67.0; Prelim: 67.4/66.5)

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