

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

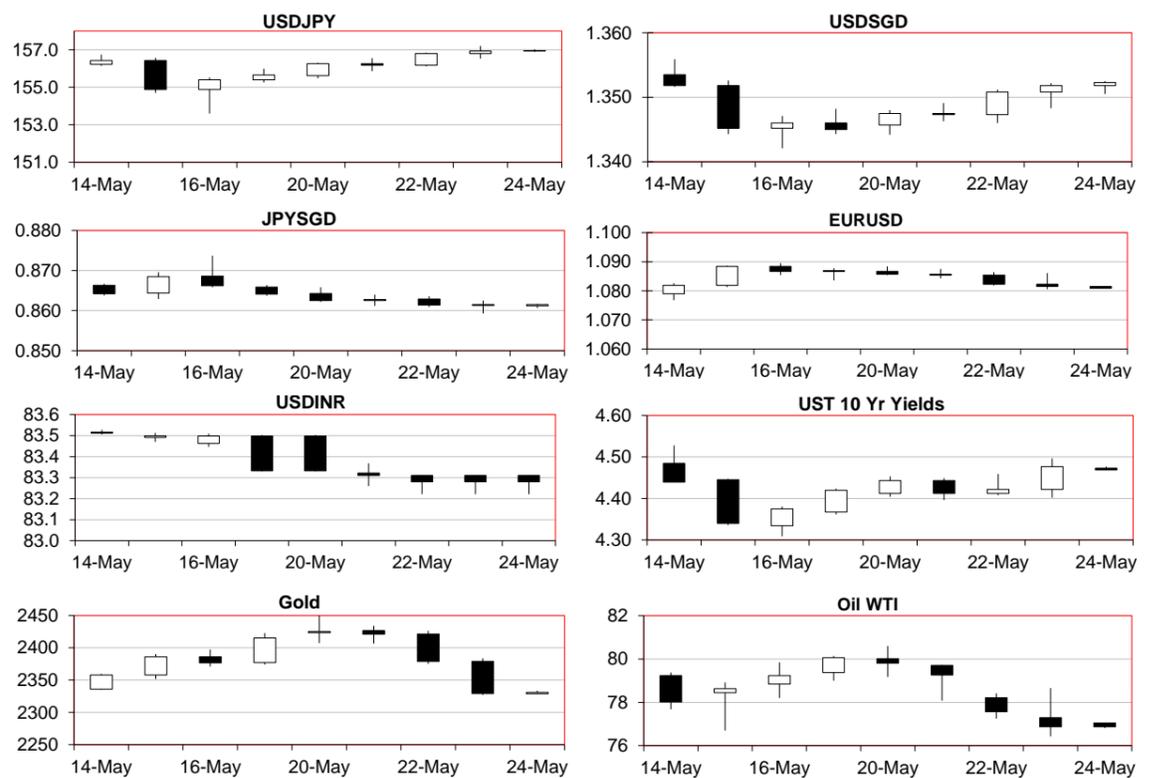
- 1) US PMIs outperformed expectations and sent UST yields higher and equities plummeting.
- 2) EZ PMI and better than expected EZ wage growth was unable to inspire the EUR.
- 3) EM Asia FX and central banks remain under pressure with SBV in focus for possible policy moves.

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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