

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	156.92	156.88	▼0.11	+0.62
EUR	1.0851	1.0859	+0.0012	+0.0002
AUD	0.6637	0.6654	+0.0026	▼0.0013
SGD	1.3498	1.3494	▼0.0005	+0.0019
CNY	7.2448	7.2445	+0.0009	+0.0091
INR	83.10	83.14	+0.04	▼0.19
IDR	16068	16065	+72	+90
MYR	4.7028	4.6965	▼0.0150	+0.0103
PHP	58.12	58.12	▼0.08	+0.22
THB	36.59	36.63	▼0.06	+0.59

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.465%	+0.0 bp	+2.2 bp
JPY (10YR)	1.025%	+2.0 bp	+4.4 bp
EUR* (10YR)	2.547%	▼3.6 bp	+1.8 bp
AUD (5YR)	3.990%	▼2.2 bp	+6.9 bp
SGD (5YR)	3.280%	+1.1 bp	+5.7 bp
CNY (5YR)	2.096%	▼1.8 bp	▼1.7 bp
INR (5YR)	7.037%	▼0.5 bp	▼5.2 bp
IDR (5YR)	6.893%	+5.5 bp	+5.2 bp
MYR (5YR)	3.700%	▼0.1 bp	+2.5 bp
PHP (5YR)	6.449%	+1.6 bp	+10.5 bp
THB (5YR)	2.505%	▼2.2 bp	+1.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,069.59	+0.00%	▼1.85%
N225 (JP)	38,900.02	+0.66%	▼0.43%
STOXX 50 (EU)	5,059.20	+0.47%	▼0.30%
ASX (AU)	4,538.02	+0.00%	▼1.14%
STI (SG)	3,318.45	+0.06%	+0.13%
SHCOMP (CN)	3,124.04	+1.14%	▼1.49%
SENSEX (IN)	75,390.50	▼0.03%	+1.87%
JSE (ID)	7,176.42	▼0.64%	▼1.24%
KLSE (MY)	1,618.27	▼0.07%	▼0.57%
PSE (PH)	6,571.60	▼0.73%	▼1.66%
SET (TH)	1,366.37	+0.14%	▼0.89%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	294.28	+0.00%	▲0.45%
COPPER (LME)	10,204.59	+0.00%	▲5.52%
IRON ORE (CN)	118.04	▲0.28%	+0.26%
GOLD	2,350.97	+0.73%	▲3.07%
OIL (WTI)	77.72	+0.00%	▼2.61%

Three Take-Aways

- 1) ECB doves have not deterred EUR traction; as bullish European data led by German IFO offset.
- 2) Crucially, ECB's "maximum optionality" is a delicate balance that support EUR.
- 3) Beijing's property rescue cheer at least needs scaling up and some central government under-writing.

The Dove-Bull Condition

- EUR traction despite dovish ECB remarks underpinning more cuts is **not** to be mistaken for **outright defiance of policy/rate-differentials**.

- Instead, the coincidence of bullish European data with upbeat German IFOs leading the way probably offset undermined yields advantage with growth inducements.

- Moreover, a "Goldilocks" mix of ECB rate cuts without the European growth shoe-dropping has spurred more broad-based "risk on"; which tempers the Greenback.

- This dove-bull condition is **not unconditionally durable**. Nor is it a guarantee of continued EUR boost. Specifically, ECB chief economist Lanes' "maximum optionality" allusion in the context of calibrating spill-over US tightening without abandoning restriction is delicately balanced EUR support. EUR bulls and wider "risk on" as thus are not unconditional, perhaps even stretched.

- This applies to China property cheer as well.

China Property Rescue - The Good, the Bad & the Ugly

- The **good** news is that Beijing's announced **property measures*** from last week, while still subject to justifiable doubts, appears to be **gaining traction**. Admittedly, lower downpayments, softer/subsidized mortgage rates and committed SOE buying along bank support may help arrest demand shortfall. **But not adequately so**.

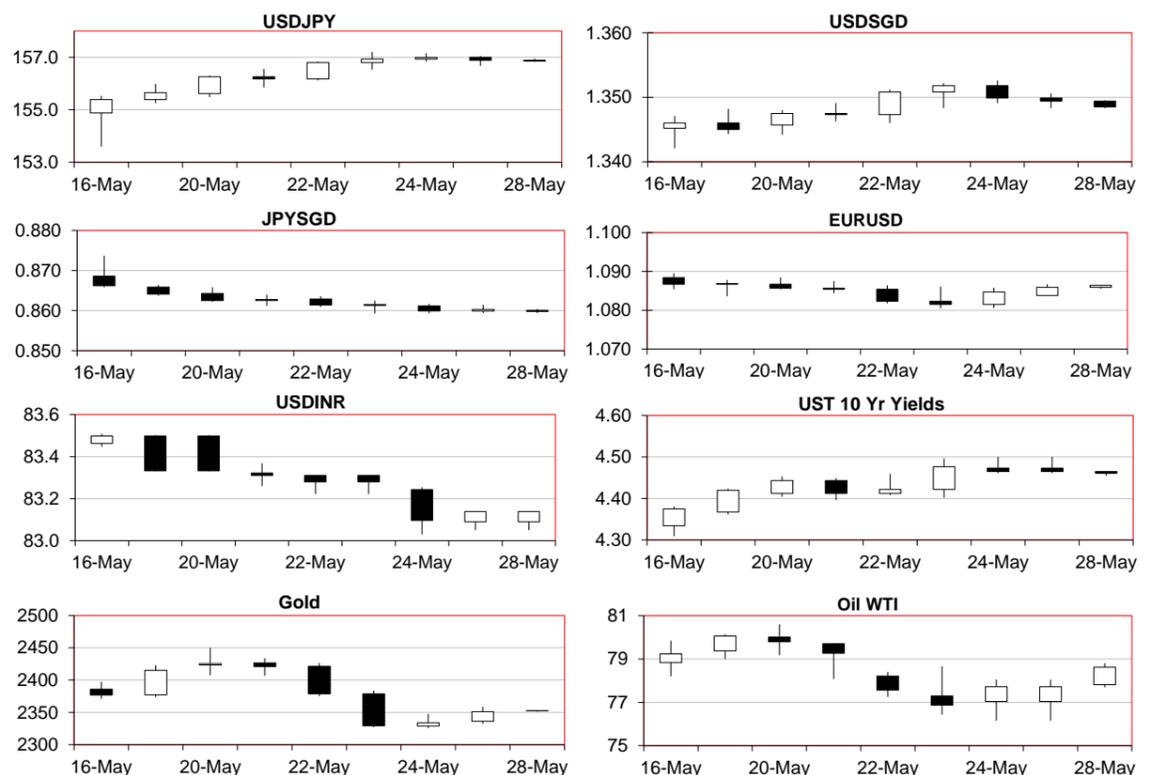
- **Bad** news being, **shortfall in the scale of financing support**, while prominent, isn't what's most problematic. Instead, the **devilish details of the plan execution** may prove most daunting; probably **requiring central government underwriting and coordination**.

- The **ugly** truth is that **moving housing inventories** may be a critical start, but is still **wide of the mark in restoring confidence, for a self-sustaining resolution**.

OVERNIGHT RESULTS

(JP) Coincident Index/Leading Index CI (May F): 113.6/112.2 (Prelim: 113.9/111.4) | (CH) Industrial Profits YoY (Apr): 4.0% (Mar: -3.5%)
(GE) IFO Business Climate/Expectations (May): 89.3/90.4 (Mkt: 90.4/90.8; Apr: 89.3/89.7)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.86	EUR/USD	1.0861
USD/SGD	1.3487	USD/THB	36.58
JPY/SGD	0.8598	USD/MYR	4.697

Forecast

USD/JPY	156.00 - 157.80
EUR/USD	1.0810 - 1.0930
AUD/USD	0.6580 - 0.6690
USD/SGD	1.3420 - 1.3540
JPY/SGD	0.8504 - 0.8679
USD/CNH	7.2300 - 7.2700
USD/INR	82.70 - 83.40
USD/IDR	15900 - 16300
USD/MYR	4.670 - 4.720
USD/PHP	57.90 - 58.30
USD/THB	36.30 - 36.90

Today's Direction

	Bull	Bear
USD/SGD	3	1
USD/JPY	3	1

The Good: Cashflows Restored & Blueprints to Exploit.

- To be fair, **restoration of cash-flows** from a suite of measures to move housing inventories is **unequivocal relief**. Also, **buying unsold housing inventories for Affordable Housing** that was beta-tested in cities such as Zhengzhou provide a **blue-print for larger scale rollout**. A coincidence of **local governments aligned on affordable housing and banks incentivized** by the re-lending facility plays into **early momentum**.

The Bad: Value & Transformation Compromised

- But while cash-flows are restored, **acquisition of inventory at deep haircuts** means **valuations remain compromised**. Especially as the **property stimulus remit limited to purchase unsold inventories for Affordable Housing hampers wider transmission** of stimulus. Moreover, **local governments encouraged to buy back land from troubled developers** poses a degree of **local government stimulus cannibalization; given land sales revenues turn on its head**.

The Ugly: Confidence Compromised by Uncertainty

- **Uncertainty from a tentative price discovery process** - hobbled by haircuts and Affordable Housing distortions - for the wider property market will **stifle confidence recovery**. Insofar that both **buyers** and (private sector) **developers** remain **circumspect**, the **uncertainty feedback loop** will dampen appetite for new private sector projects. A skew towards SOE land ownership might (inadvertent or engineered) may reinforce restrained land purchases and price dampening. **Lingering adverse wealth-effects and land sales revenues (hence capacity for stimulus) impaired** (without more enthused private sector bidding) could **exacerbate negative multiplier effects**.

FX Daily Outlook

- EUR/USD: Buoyant above 1.08 levels amid uncertainty over policy trajectory beyond June.
- USD/JPY: Could sustain durable gains below 157 following BoJ's signals on possible rate hike.
- USD/SGD: Firmer CNH could retain traction below 1.35 levels.
- AUD/USD: Higher oil and retail sales growth could backstop 66 cents.

TODAY EVENTS

(AU) Retail Sales MoM (Apr): (Mkt: 0.2%; Mar: -0.4%) | (KR) Retail Sales YoY (Apr): (Mar: 10.9%) | (US) Conf. Board Consumer Confidence (May): (Mkt: 96.0; Apr: 97.0) | (US) Dallas Fed Mfg Activity (May): (Mkt: -12.5; Apr: -14.5)

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