

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	156.90	157.17	+0.29	+1.00
EUR	1.0878	1.0857	▼0.0002	+0.0003
AUD	0.6663	0.6650	▼0.0004	▼0.0016
SGD	1.3476	1.3487	▼0.0007	+0.0014
CNY	7.2470	7.2444	▼0.0001	+0.0068
INR	83.17	83.18	+0.05	▼0.13
IDR	16093	16090	+25	+95
MYR	4.6946	4.6900	▼0.0065	▼0.0068
PHP	57.96	57.96	▼0.16	▼0.28
THB	36.59	36.64	+0.01	+0.32

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.550%	+8.5 bp	+13.8 bp
JPY (10YR)	1.030%	+0.5 bp	+5.0 bp
EUR* (10YR)	2.592%	+4.5 bp	+9.3 bp
AUD (5YR)	3.982%	▼0.8 bp	+4.6 bp
SGD (5YR)	3.281%	+0.1 bp	+2.2 bp
CNY (5YR)	2.084%	▼1.2 bp	▼3.8 bp
INR (5YR)	7.039%	+0.2 bp	▼2.1 bp
IDR (5YR)	6.870%	▼2.3 bp	▼2.5 bp
MYR (5YR)	3.694%	▼0.6 bp	+1.2 bp
PHP (5YR)	6.396%	▼5.3 bp	+0.2 bp
THB (5YR)	2.490%	▼1.5 bp	▼4.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,852.86	▼0.55%	▼2.56%
N225 (JP)	38,855.37	▼0.11%	▼0.24%
STOXX 50 (EU)	5,030.35	▼0.57%	▼0.33%
ASX (AU)	4,506.79	▼0.69%	▼1.69%
STI (SG)	3,330.09	+0.35%	+0.67%
SHCOMP (CN)	3,109.57	▼0.46%	▼1.53%
SENSEX (IN)	75,170.45	▼0.29%	+1.65%
JSE (ID)	7,253.63	+1.08%	+0.94%
KLSE (MY)	1,615.82	▼0.15%	▼0.39%
PSE (PH)	6,501.34	▼1.07%	▼1.99%
SET (TH)	1,362.70	▼0.27%	▼0.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	300.23	+2.02%	+1.44%
COPPER (LME)	10,380.76	+1.73%	▲3.36%
IRON ORE (CN)	117.72	▲0.27%	▲0.76%
GOLD	2,361.31	+0.44%	▲2.47%
OIL (WTI)	79.83	+2.71%	+0.72%

Three Take-Aways

- 1) Hawkish Fed rhetoric and optimistic US consumers led UST yields higher.
- 2) Oil climbed amid geopolitical tensions; buoyancy to be retained ahead of weekend's OPEC+ meet.
- 3) But oil bulls caution with OPEC curbs mostly baked in and desensitisation to geo-political triggers.

So Near Yet So Far?

- **Market's expectations of rate cuts were doused further yesterday**, as comments by Fed Kashkari and optimistic US consumers brought home the point that cuts (which were thought to be nearer) were still far away. While indicating that it was best to hold as long as necessary to gain clarity, Kashkari signalled that **hikes were not entirely ruled out**. In particular, he noted that **Fed's policy stance was restrictive "by most measures, but not all"**, pointing out that wage growth was still "quite robust". Meanwhile, US consumer confidence unexpectedly rose in four months, while the measure of expectations jumped by the most since July 2023.

- **UST yields rose** (2Y: +3.0bps; 10Y: +8.5bps) while **US equities traded mixed** (S&P: +0.0%; Dow: -0.6%; Nasdaq: +0.6%) on uneven growth prospects across sectors amid a prolonged environment of elevated interest rates and uninspiring manufacturing data (which disappointed yesterday). Tech and energy counters gained while other sectors slid lower.

- Higher yields buoyed the **USD**, which headed above mid-104. **EUR** moved lower to mid-1.08 levels as traders' inflation expectations edged lower and **USD/JPY** surged past 157. Elsewhere, **USD/SGD** traded above mid-1.34 levels while **AUD** traded around mid-66 cents.

- Meanwhile, Brent crude continued its climb (+1.4%) amid news reports of clashes between Israeli and Hamas forces in the center of Rafah, suggesting further incursions by Israeli troops and a Israeli takeover of the city could be near (see more on oil below).

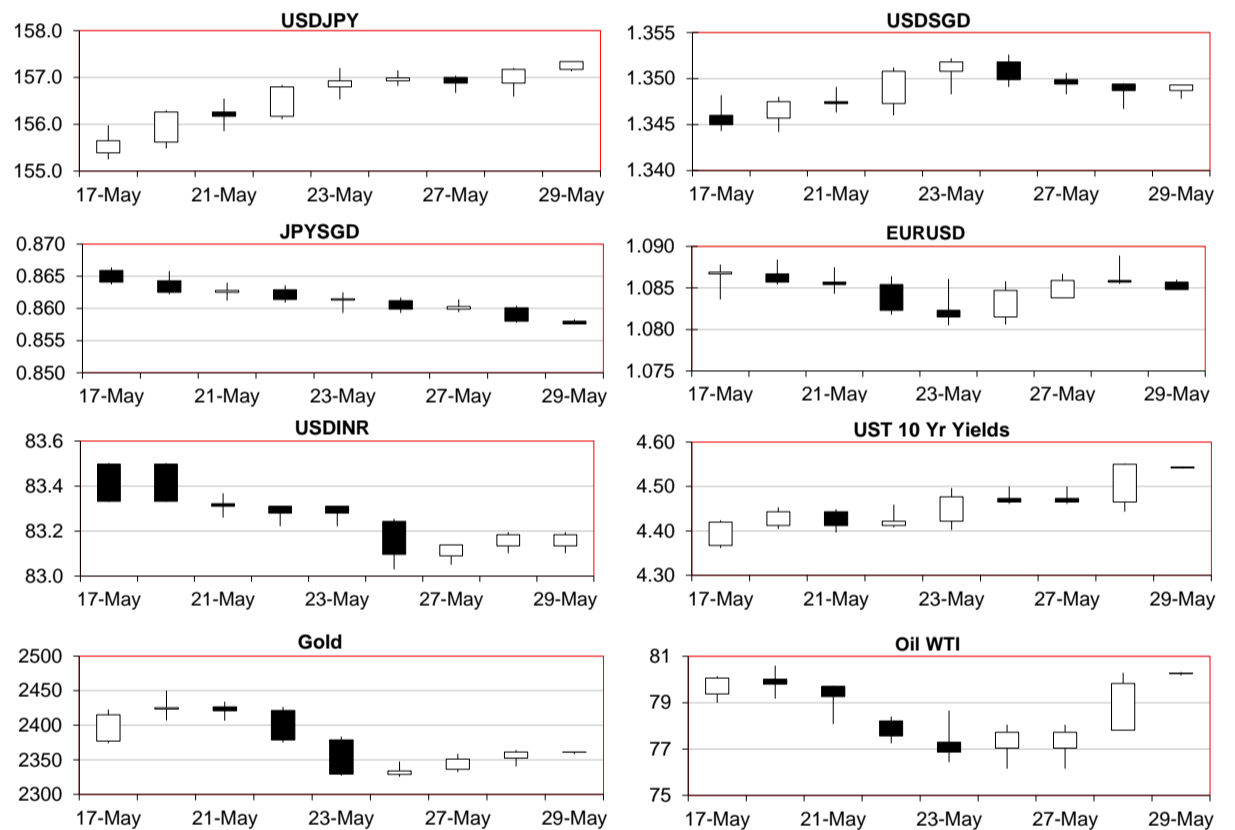
Oil Bulls & OPEC-Geopolitical Hawks

- **Oil's surge*** in reflecting **geo-political flares catching markets on a hawkish OPEC footing**; a dynamic **accentuated by inventory drawdown**. The confluence of fraught geo-politics and tight supplies admittedly reflects **Oil primed for more pronounced upside sensitivity**.

OVERNIGHT RESULTS

(AU) Retail Sales MoM (Apr): 0.1% (Mkt: 0.2%; Mar: -0.4%) | (KR) Retail Sales YoY (Apr): 10.8% (Mar: 10.9%) | (US) Conf. Board Consumer Confidence (May): 102.0 (Mkt: 96.0; Apr: 97.5) | (US) Dallas Fed Mfg Activity (May): -19.4 (Mkt: -12.5; Apr: -14.5)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	157.27	EUR/USD	1.0852
USD/SGD	1.3488	USD/THB	36.60
JPY/SGD	0.8576	USD/MYR	4.692

Forecast

USD/JPY	156.50 - 158.50
EUR/USD	1.0810 - 1.0930
AUD/USD	0.6600 - 0.6700
USD/SGD	1.3410 - 1.3540
JPY/SGD	0.8461 - 0.8652
USD/CNH	7.2500 - 7.2800
USD/INR	82.70 - 83.40
USD/IDR	15900 - 16300
USD/MYR	4.670 - 4.710
USD/PHP	57.30 - 58.20
USD/THB	36.30 - 36.90

Today's Direction

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

- But Oil bulls ought to be wary hanging too much on OPEC and geo-political hawks. Especially as OPEC curbs may be mostly baked in, while markets may be somewhat de-sensitized to geo-political triggers that are not compellingly proximate.

- To be sure, Oil ought to be reasonably buoyed, ahead of the weekend's OPEC+ meet, where **expectations of the cartel maintaining output curbs through year-end** are solidifying. Crucially, **geo-political flares accentuate threats of more violent outbursts in oil**. But equally, **Oil is not assured a surge to \$90-100** either as markets have become increasingly desensitized to geo-political/conflict risks.

- The upshot is **while Oil prices are likely to be elevated** with a good measure of **accentuated upside sensitivity** given the context of geo-politics and OPEC, it is **not on an unremitting bullish run** either. **Nonetheless**, with the chips stacked in favour of upside to Oil prices, the attendant **FX differentiation from oil sensitivities could continue to persist into the OPEC weekend**.

- At the risk of stating the obvious, a basket of oil exporters currencies may be poised to **outperform heavy oil-importers**. This means the likes of **NOK, CAD and MYR** could be **better placed than PHP, INR and even IDR** (the latter, despite being an energy exporter is an oil importer).

- **AUD too could shake off some of the CNH and post-RBA drag**, given its LNG dominance, although this is a second-order effect. But AUD boost will be materially helped by more spillover from Beijing's property boost. The **caveat** though is to **be positioned for markets that "sell the fact"**. *Brent approaching \$85 from \$81-83 levels since last week

FX Daily Outlook

- EUR/USD: Buoyed above 1.08 levels amid uncertainty over policy trajectory beyond June.
- USD/JPY: Test of 158 possible on higher UST yields; but intervention risks warn.
- USD/SGD: Could see some durability above 1.35 on soft CNH.
- AUD/USD: Any CPI upside could push backstop declines towards 66 cents.

TODAY EVENTS

(AU) CPI YoY (Apr): (Mkt: 3.4%; May: 3.5%) | (VN) Trade Balance (May): (Mkt: -\$700m; Apr: \$680m) | (VN) Retail Sales YoY (May): (Apr: 9.0%) | (VN) Industrial Production YoY (May): (Apr: 6.3%) | (VN) CPI YoY (May): (Mkt: 4.6%; Apr: 4.4%) | (US) Richmond Fed Mfg Index (May): (Apr: -7)

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