

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.14	156.08	▼1.23	▼0.80
EUR	1.0842	1.0904	+0.0056	+0.0045
AUD	0.6635	0.6689	+0.0036	+0.0035
SGD	1.3518	1.3459	▼0.0053	▼0.0035
CNY	7.2463	7.2420	+0.0002	▼0.0025
INR	83.15	83.15	▼0.32	+0.01
IDR	16218	16230	▼20	+165
MYR	4.7062	4.7065	+0.0000	+0.0100
PHP	58.68	58.69	+0.16	+0.57
THB	36.90	36.79	+0.00	+0.16

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.388%	▼11.0 bp	▼7.7 bp
JPY (10YR)	1.069%	▼0.1 bp	+4.4 bp
EUR* (10YR)	2.580%	▼8.4 bp	+3.3 bp
AUD (5YR)	4.068%	▼3.0 bp	+7.7 bp
SGD (5YR)	3.290%	▼4.8 bp	+1.0 bp
CNY (5YR)	2.068%	▼1.3 bp	▼2.8 bp
INR (5YR)	7.028%	▼2.2 bp	▼0.9 bp
IDR (5YR)	6.862%	▼2.4 bp	▼3.1 bp
MYR (5YR)	3.695%	+0.0 bp	▼0.5 bp
PHP (5YR)	6.408%	▼2.6 bp	▼4.1 bp
THB (5YR)	2.506%	+0.0 bp	+0.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,571.03	▼0.30%	▼1.28%
N225 (JP)	38,923.03	+1.13%	+0.06%
STOXX 50 (EU)	5,003.54	+0.40%	▼1.10%
ASX (AU)	4,517.03	▼0.00%	▼0.46%
STI (SG)	3,348.87	+0.37%	+0.92%
SHCOMP (CN)	3,078.49	▼0.27%	▼1.46%
SENSEX (IN)	76,468.78	+3.39%	+1.43%
JSE (ID)	7,036.19	+0.94%	▼1.95%
KLSE (MY)	1,596.68	+0.00%	▼1.33%
PSE (PH)	6,470.74	+0.59%	▼1.53%
SET (TH)	1,345.66	+0.00%	▼1.52%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.09	▲0.37%	▲1.76%
COPPER (LME)	10,016.96	+1.04%	▲1.84%
IRON ORE (CN)	109.98	▲6.42%	▲6.83%
GOLD	2,350.75	+1.01%	▲0.01%
OIL (WTI)	74.22	▼3.60%	▼4.50%

Three Take-Aways

- 1) Unexpected pullback in US ISM Manufacturing drags UST yields and USD.
- 2) Details of 'New Orders' rather than headline ISM-Mfg is the worry.
- 3) But ECB will have to talk a hawkish game to maintain EUR traction.

Manufactured Pessim-ISM?

- A sharp slump in UST yields with the USD in tow is attributed to an unexpected 0.5-pt slip in US ISM Mfg (to 48.7), disappointing expectations for a modest uptick to 49.2.

- The narrative is that demand slowdown fears are to blame, assaulting UST yields to express increased (albeit neither imminent nor profound) rate cut bets.

- In fact, despite the positive close in S&P500, equities were not unscathed. Instead, it was a case of narrow-based, tech-driven clawback of earlier, post-ISM losses.

- But the question is, **whether ISM Manufacturing all that consequential for upsetting die-hard "soft landing" hopes** given the US is more than two thirds services-driven.

- What's more, ISM Mfg has been in contraction (sub-50) for 18 out of the last 19 months* and the current read is still higher than at any time in 2023.

- So, why such a distinct wave of US pessimism this time? Was it a **manufactured excuse to take profits?** Or is there a **deeper cause for concern beneath the hood?**

- We suspect it is a bit of both. ISM details are worrying. Equally pre-US jobs markets may want to be positioned more cautiously as well. *fleeting expansionary at 50.3 in March this year.

Or a Demand Downturn in the Making?

- On the first, the 'New Orders' sub-component of US ISM Mfg was particularly dismal. A 3.7-pt plunge in the reading to 45.5 (from 49.1) suggests the sharpest deterioration* since mid-2022, which in turn invokes concerns about underlying US demand shifts.

- Crucially, 'New Orders' drop cannot be dismissed as a mere blip given corresponding soft patches in retail sales alongside some other recent activity/confidence markers.

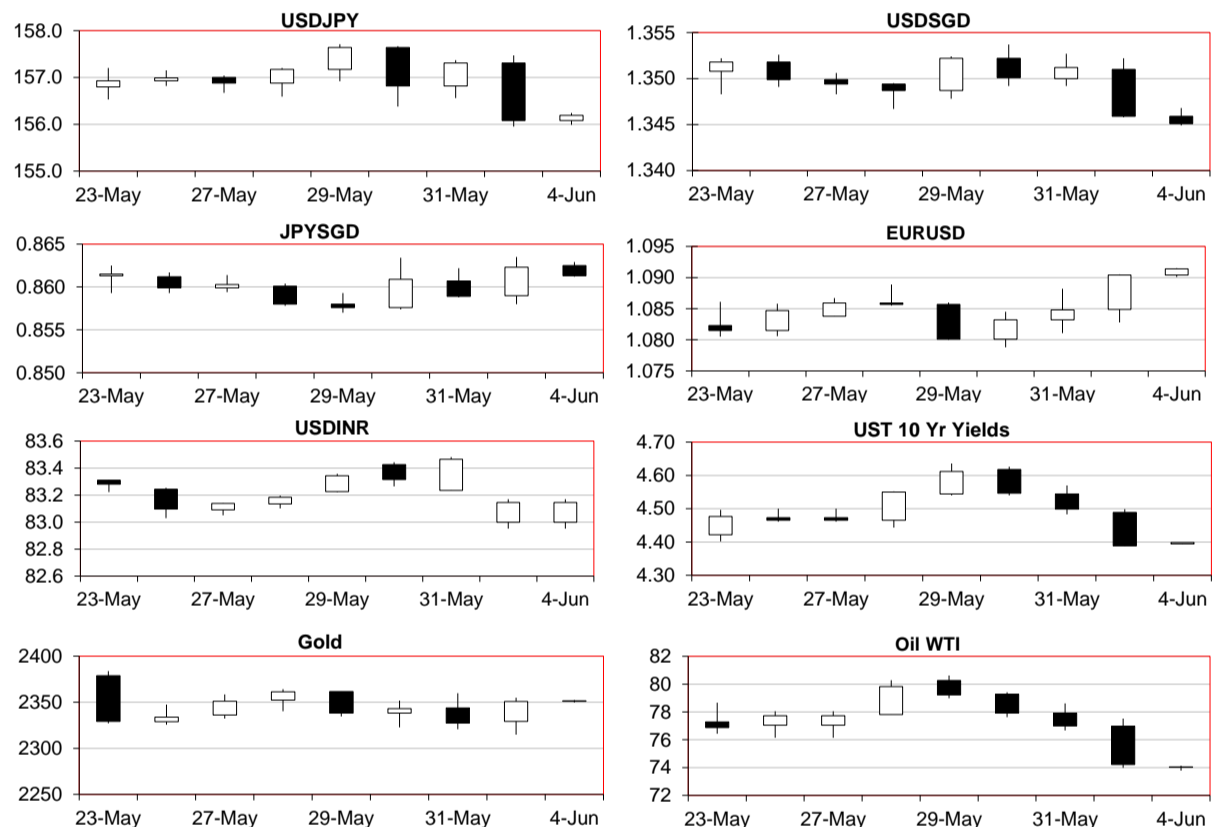
- The upshot is that a **strong case of US exceptionalism** is justifiably being stress-tested.

What's debatable is exactly where along the spectrum of "Goldilocks no landing" to "not-altogether-soft landing" the US economy will find itself 6-12 months down the road.

OVERNIGHT RESULTS

(US) ISM Manufacturing/Prices Paid (May): 48.7/57.0 (Mkt: 49.5/59.0; Apr: 49.2/60.9) | (CH) Caixin China PMI Mfg (May): 51.7 (Mkt: 51.6; Apr: 51.4) | (ID) CPI/Core YoY (May): 2.8%/1.9% (Mkt: 3.0%/1.9%; Apr: 3.0%/1.8%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.07	EUR/USD	1.0907
USD/SGD	1.3454	USD/THB	36.61
JPY/SGD	0.8620	USD/MYR	4.700

Forecast

USD/JPY	155.00 - 157.50
EUR/USD	1.0820 - 1.0980
AUD/USD	0.6620 - 0.6730
USD/SGD	1.3420 - 1.3520
JPY/SGD	0.8521 - 0.8723
USD/CNH	7.2100 - 7.2650
USD/INR	82.70 - 83.30
USD/IDR	16100 - 16300
USD/MYR	4.640 - 4.720
USD/PHP	58.20 - 58.90
USD/THB	36.40 - 37.00

Today's Direction

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

- Elections and fraught global geo-politics add to complexity of gauging the extent and nature of any demand slowdown; whether it is a fleeting dip or a downturn.

- In turn, this will determine any diversion (or perhaps even swerves) in the Fed's policy course (away from guidance/ current market expectations)

* by and large remains the case (sharpest drop since Q3-2022) even when smoothed for inherent volatility in the 'New Orders' series.

Will USD Bears Persist

- All else equal, it is tempting to then suggest that a softer USD ought to entrench as evidence of unravelling narrative of US exceptionalism comes to light.

- But trouble is, while USD bears have every reason to pounce on soft patches in US data, bearish bets may not have the conviction to persist. Especially given weakness predominantly in the goods sector, tends to invoke harsher European headwinds continue to the detriment of the EUR. What's more, US elections uncertainties perversely inflict greater risk premia elsewhere, including Europe as does the tyranny of geo-politics appears to tip vulnerabilities/liabilities more heavily towards Europe; both of which compromise the EUR.

- Hence, **unimpeded USD declines remain hampered by wider economic and geo-politics.** EUR traction in coming sessions hinge on ECB hawkish talk that is tough enough to overwhelm a 25bp cut. So far, the ECB has had some success in convincing markets that a 25bp cut is not a cutting cycle, but a calibration that will subsequently defer to data. **Nevertheless, "buying the rumour and selling the fact" is a risk for EUR** if ECB hawks fall short of a fairly high bar.

FX Daily Outlook

- EUR/USD: Test of 1.10 unlikely on caution ahead of ECB decision on Thursday.
- USD/JPY: Return back above 157 plausible should data indicates hot US jobs market.
- USD/SGD: Firmer CNH could see durability below 1.35 handle.
- AUD/USD: Positioning for softer growth print tomorrow could restrain gains mid-67 cents.

TODAY EVENTS

(KR) CPI/EX Food and Energy YoY (May): 2.7%/2.2% (Mkt: 2.8%/2.2%; Apr: 2.9%/2.3%) | (AU) BoP Current Account Balance (1Q): (Mkt: A\$5.2b; 4Q: A\$11.8b) | (US) JOLTS Job Openings (Apr): (Mkt: 8350k; Mar: 8488k) | (US) Durable Goods Orders/Nondef Ex Air (Apr F): (Mkt: 0.7%/0.3%; prelim: 0.7%/0.3%)

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