

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	155.41	154.88	▼1.20	▼2.29
EUR	1.0890	1.0879	▼0.0025	+0.0022
AUD	0.6663	0.6649	▼0.0040	▼0.0001
SGD	1.3468	1.3467	+0.0008	▼0.0020
CNY	7.2455	7.2403	▼0.0017	▼0.0041
INR	83.48	83.53	+0.38	+0.34
IDR	16226	16220	▼10	+130
MYR	4.6989	4.7017	▼0.0048	+0.0117
PHP	58.73	58.74	+0.05	+0.77
THB	36.54	36.59	▼0.20	▼0.05

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.326%	▼6.3 bp	▼22.4 bp
JPY (10YR)	1.030%	▼3.9 bp	+0.0 bp
EUR* (10YR)	2.534%	▼4.6 bp	▼5.8 bp
AUD (5YR)	4.014%	▼5.4 bp	+3.2 bp
SGD (5YR)	3.245%	▼4.5 bp	▼3.6 bp
CNY (5YR)	2.066%	▼0.2 bp	▼1.8 bp
INR (5YR)	7.100%	+7.2 bp	+6.1 bp
IDR (5YR)	6.840%	▼2.2 bp	▼3.0 bp
MYR (5YR)	3.674%	▼2.1 bp	▼2.0 bp
PHP (5YR)	6.370%	▼3.8 bp	▼2.6 bp
THB (5YR)	2.500%	▼0.6 bp	+1.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,711.29	+0.36%	▼0.36%
N225 (JP)	38,837.46	▼0.22%	▼0.05%
STOXX 50 (EU)	4,953.37	▼1.00%	▼1.53%
ASX (AU)	4,496.88	▼0.45%	▼0.22%
STI (SG)	3,338.94	▼0.30%	+0.27%
SHCOMP (CN)	3,091.20	+0.41%	▼0.59%
SENSEX (IN)	72,079.05	▼5.74%	▼4.11%
JSE (ID)	7,099.31	+0.90%	▼2.13%
KLSE (MY)	1,615.40	+1.17%	▼0.03%
PSE (PH)	6,386.42	▼1.30%	▼1.77%
SET (TH)	1,337.32	▼0.62%	▼1.86%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	286.27	▲0.98%	▲4.65%
COPPER (LME)	9,820.12	▲1.97%	▲5.40%
IRON ORE (CN)	107.50	▲2.25%	▲8.68%
GOLD	2,327.01	▲1.01%	▲1.45%
OIL (WTI)	73.25	▼1.31%	▼8.24%

Three Take-Aways

- 1) Lower jobs openings and durable goods orders saw UST yields decline further.
- 2) USD retained traction as lower oil prices from OPEC supply plans hit commodity currencies.
- 3) Australia Q1 GDP face downside risk, dampening hopes for AUD recovery.

Conspiracy, Cartels and Coalitions

- **Conspiring** with the ISM manufacturing disappointment, **US JOLTS report showing a decline in jobs openings** alongside a **downwardly revised durable goods orders** dealt another blow to UST bears as yields fell (2Y: -3.8bp; 10Y: -6.2bp). **US equities eked out marginal gains** (Dow: +0.4%; Nasdaq: +0.2%; S&P 500: +0.2%), hardly the stuff of buoyant hopes for policy easing. That said, Fed funds futures are pricing in about 75% chances of a 25bp cut in September.

- Notably, **the lower UST yields was far from denting the Greenback's strength**, with the JPY and CHF being the only ones gaining against the USD among G10 peers.

- The USD/JPY was sent below 155 as the relative UST-JGP yield gap narrowed. CHF gained as the **absence of dis-inflation in Switzerland** pare back the odds of another cut in June. On the other end, commodity currencies led loss with the NOK down 1% and AUD dropped 0.6% to go below mid-66 cents. This was driven by a sharp decline in oil prices with **Brent crude down almost 5% this week** to approach US\$77/barrel as **OPEC plans to remove supply reductions** weighed.

- In the middle, EUR was unable to sustain above 1.09 as the ECB's decision loom.

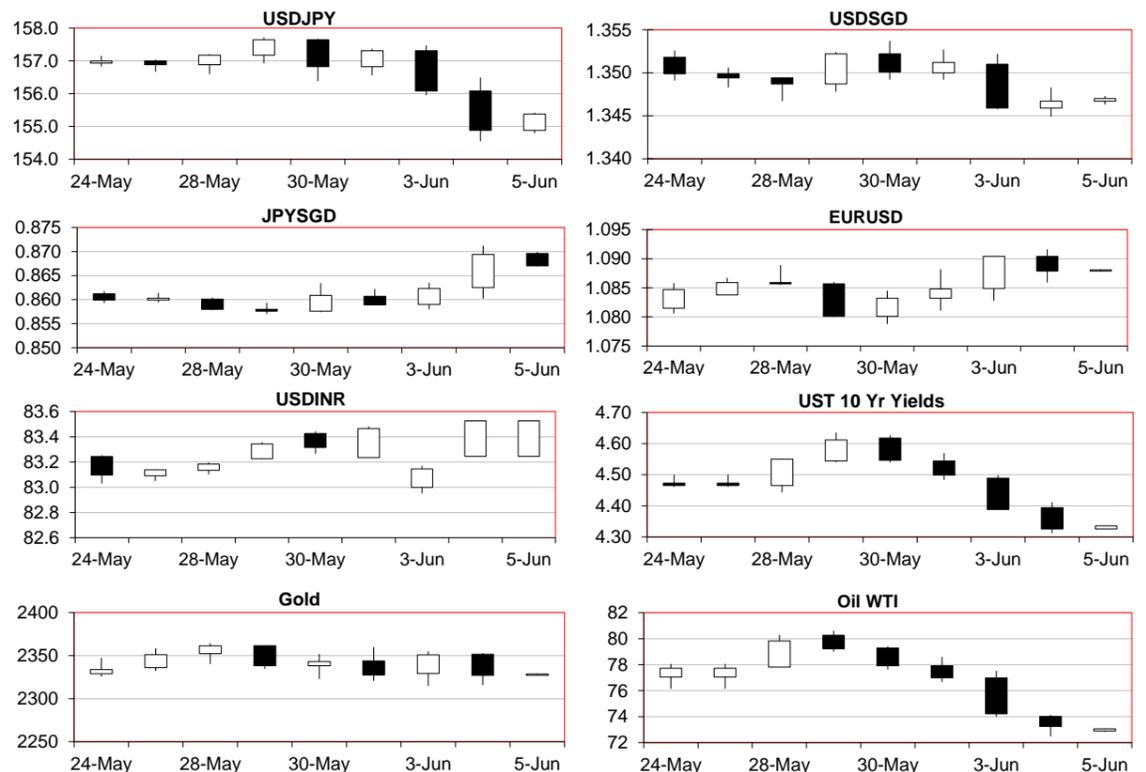
- Admittedly for EM-Asia FX, the likes of oil importers such as the PHP and THB may enjoy some tailwinds. Nonetheless, in India, the INR and risk assets will likely remain pressured as focus on **India elections** is retained with **BJP's loss of majority** hitting confidence around economic policy progress. Fiscal consolidation path is also subject to risks as BJP leans on coalition partners.

Australia Q1 GDP: Downside Risks

- Australia's **Q1 GDP release this morning looks to face an uphill task of putting up an image of resilience** given that a slew of indicators show weakness.

OVERNIGHT RESULTS

(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): -\$4.9b(Mkt: A\$5.2b; 4Q: A\$11.8b) | (US) JOLTS Job Openings (Apr): 8059k (Mkt: 8350k; Mar: 8488k) | (US) Durable Goods Orders/Nondef Ex Air (Apr F): 0.6%/0.2% (Mkt: 0.7%/0.3%; prelim: 0.7%/0.3%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	155.10	EUR/USD	1.0881
USD/SGD	1.3467	USD/THB	36.60
JPY/SGD	0.8683	USD/MYR	4.701

Forecast

USD/JPY	154.00 - 156.00
EUR/USD	1.0820 - 1.0920
AUD/USD	0.6600 - 0.6700
USD/SGD	1.3420 - 1.3510
JPY/SGD	0.8603 - 0.8773
USD/CNH	7.2100 - 7.2650
USD/INR	83.20 - 83.80
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	3	:	2
USD/JPY	2	:	3

- While we expect the Q1 GDP print to slow from Q4's 1.5% YoY to around 1.2%, the **distribution of outcomes based on the balance of risks is tilted towards a further underperformance.**

- **Real retail sales contraction on a QoQ seasonally adjusted** basis by 0.4% point to softening household consumption as spending on household goods and at departmental stores fell. In fact, even the supportive drivers were one off in nature, the strong uptick in clothing and footwear expenditure was driven by the Taylor Swift effect rather than strong underlying demand.

- Furthermore, the Q4 uptick in household savings ratio partly due to income tax payment quirks in our view is of no solace. Household savings ratio staying below pre-pandemic levels highlight the stresses of higher inflation and interest payments **hindering accumulation of savings.**

- Support may stem from investments as **private capital expenditure** rose 1% QoQ with spending on machinery, plant and equipment up 3.3% QoQ led by spending from non-mining industries.

- External demand appears weak as exports of goods decline in Q1 by 8.2% YoY as the trade balance continued to dwindle on the back of declining revenues from coal and metal ore.

- This growth print is likely to further narrow **RBA's policy space amid elevated inflationary pressures.** Specifically, headline CPI resurgence to 3.6% in April from 3.5% in March led by an uptick in services inflation (Apr:4.0%; Mar:3.8%) with goods dis-inflation stalling at 3.3%.

- While the return to inflation target range may be prolonged, it will be the near term growth concerns that restrains the RBA hawks from actual policy hikes. Consequently, AUD bulls have little runway on the upside above mid-67 cents.

FX Daily Outlook

- EUR/USD: Softer UST yields may invite re-test of 1.09 but durability in doubt.

- USD/JPY: Focus may return to yield gap rather the narrower differentials to backstop above 154.

- USD/SGD: China services may allow consolidation around mid-1.34.

- AUD/USD: Given the already dire performance, dip buyers may return on sub-66 cents slippage.

TODAY EVENTS

(KR) GDP YoY (Q1): 3.3% (Mkt: 3.4%; Prelim: 3.4%) | (JP) Labor/Real Cash Earnings YoY (Apr): 2.1%/-0.7% (Mkt: 1.8%/-0.9%; Mar: 1.0%/-2.1%) | (AU) GDP YoY (Q1): (Mkt: 1.2%; Q4: 1.5%) | (CH) Caixin PMI Services (May): (Mkt: 52.6; Apr: 52.5) | (SG) Retail Sales/Ex Auto YoY (Apr): (Mkt: 1.9%/-; Mar: 2.7%; 2.0%) | (PH) CPI YoY (May): (Mkt: 4.0%; Apr: 3.8%) | (US) ADP Emp. Change (May): (Mkt: 175k; Apr: 192k) | (US) ISM Services/New Orders (May): (Mkt: 51.0/53.2; Apr: 49.4/52.2) | (EZ) PPI YoY (Apr): (Mkt: -5.3%; Mar: -7.8%)

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