

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	155.41	156.75	+1.14	▼0.56
EUR	1.0894	1.0801	▼0.0089	▼0.0047
AUD	0.6674	0.6582	▼0.0084	▼0.0071
SGD	1.3446	1.3522	+0.0064	+0.0010
CNY	7.2433	7.2478	+0.0028	+0.0060
INR	83.40	83.38	▼0.10	▼0.09
IDR	16204	16195	▼65	▼55
MYR	4.6941	4.6920	▼0.0030	▼0.0145
PHP	58.51	58.53	▼0.09	▼0.00
THB	36.37	36.50	+0.03	▼0.28

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.434%	+14.7 bp	▼6.5 bp
JPY (10YR)	0.976%	+1.2 bp	▼9.4 bp
EUR* (10YR)	2.620%	+7.1 bp	▼4.4 bp
AUD (5YR)	3.935%	▼1.2 bp	▼16.3 bp
SGD (5YR)	3.173%	▼0.7 bp	▼16.5 bp
CNY (5YR)	2.054%	▼0.5 bp	▼2.7 bp
INR (5YR)	7.020%	▼1.9 bp	▼3.0 bp
IDR (5YR)	6.847%	▼0.7 bp	▼3.9 bp
MYR (5YR)	3.653%	▼0.3 bp	▼4.2 bp
PHP (5YR)	6.332%	▼0.8 bp	▼10.2 bp
THB (5YR)	2.501%	▼0.7 bp	▼0.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,798.99	▼0.22%	+0.29%
N225 (JP)	38,683.93	▼0.05%	+0.51%
STOXX 50 (EU)	5,051.31	▼0.35%	+1.36%
ASX (AU)	4,498.20	▼0.52%	▼0.42%
STI (SG)	3,330.77	▼0.00%	▼0.17%
SHCOMP (CN)	3,051.28	+0.08%	▼1.15%
SENSEX (IN)	76,693.36	+2.16%	+3.69%
JSE (ID)	6,897.95	▼1.10%	▼1.04%
KLSE (MY)	1,617.86	+0.19%	+1.33%
PSE (PH)	6,518.76	+0.14%	+1.33%
SET (TH)	1,332.74	+0.33%	▼0.96%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.86	▲0.88%	▲0.10%
COPPER (LME)	9,638.42	▲3.97%	▲2.77%
IRON ORE (CN)	108.70	+0.05%	▲7.51%
GOLD	2,293.78	▲3.46%	▲1.44%
OIL (WTI)	75.53	▼0.03%	▼1.90%

Three Take-Aways

- 1) NFP print exceeded expectations saw UST yields saw and USD strengthened while equities slipped.
- 2) Diesel subsidy reform in Malaysia subjects MYR to structural positive and volatility on political volatility.
- 3) Amid a tight labour market and elevated inflation, CBC has a strong case for prolong hold.

Stamping Authority

- The authoritative nature of Nonfarm payrolls was on full display last Friday. Higher than expected NFP print at 272k in May which exceeded expectations and improved from April's 175k triggered a sell-off in USTs as yields soared in a bear flattener (2Y:+16.3bp; 10Y: +14.6bp).
 - Admittedly, the survey data of US unemployment rising despite lower labour force participation was subordinated to the strength of NFP outperformance.
 - Consequently, with chances of a 25bp cut by the Fed in September dropping to 50%, US equities ended the week with a restrained manner declining 0.1-0.2%.
 - The Greenback was buoyant as the DXY rose above 105, gaining against all G10 peers. USD/JPY rose to test 157 while the AUD sank below 66 cents as UST yields surged.
 - Facing prospects of a prolonged policy rate spread differential, EUR was sent plunging below 1.08. Notably, ECB's Holzmann who was the sole dissenter revealed that there was "no other way because it had been announced that such a decision would be made in June". In attempting to retain credibility, the ECB appears to have compromised authority and nimbleness on policy. In EM-Asia, USD/SGD was buoyed above 1.35. Attention will be on the political reception of Malaysia's subsidy reform which is already effective since midnight saw diesel prices rise from RM2.15 to RM3.35. Alongside subsidies for lower income groups, PM Anwar's ability to stamp his authority on reforms will be critical. The structurally positive move for the MYR will inevitably be subject to volatility on political unrest.

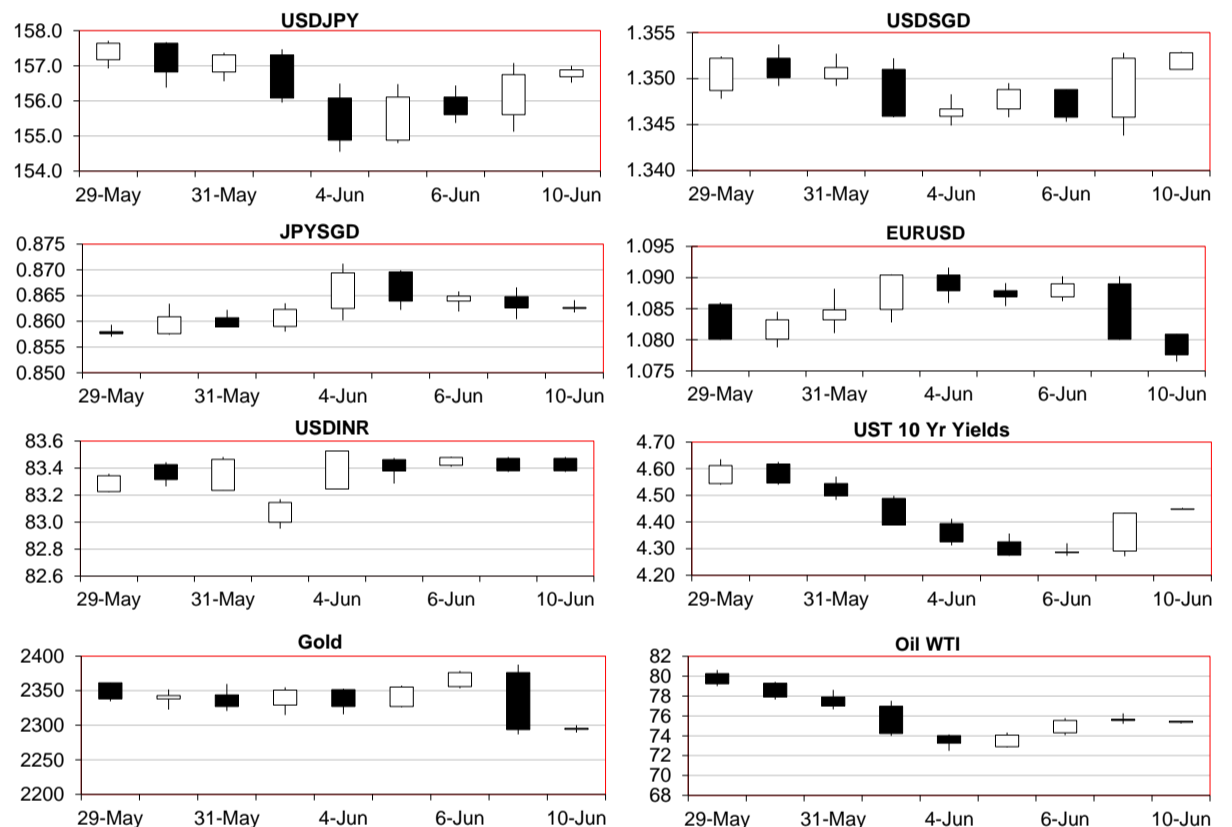
CBC: Structural Hold

- Having pre-emptively raised rates (by 12.5bp at their last meeting in March) to anchor inflation expectations amid the electricity tariff hike in April, the CBC will keep rates unchanged on 13 June. Despite the electricity hike, inflation remain contained with core inflation at 1.8% in May.

OVERNIGHT RESULTS

(CH) Exports/Imports YoY (May): 7.6%/1.8% (Mkt: 5.7%/4.4%; Apr: 1.5%/8.4%) | (TH) CPI/Core YoY (May): (Mkt: 1.2%/0.4%; Apr: 0.2%/0.4%) | (TW) Exports/Imports YoY (May): 3.5%/0.6% (Mkt: 9.8%/4.5%; Apr: 4.3%/6.6%) | (US) Change in NFP (May): 272k (Mkt: 185k; Apr: 175k) | (US) Wholesale Inventories MoM (Apr F): 0.1% (Mkt: 0.2%; prelim: 0.2%) | (US) Unemp. Rate (May): 4.0% (Mkt: 3.9%; Apr: 3.9%) | (EZ) GDP SA YoY/QoQ (1Q F): 0.4%/0.3% (Mkt: 0.4%/0.3%; prelim: 0.4%/0.35%) |

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	156.84	EUR/USD	1.0779
USD/SGD	1.3526	USD/THB	36.93
JPY/SGD	0.8624	USD/MYR	4.688

Forecast

USD/JPY	155.50 - 157.50
EUR/USD	1.0750 - 1.0860
AUD/USD	0.6550 - 0.6640
USD/SGD	1.3480 - 1.3550
JPY/SGD	0.8559 - 0.8714
USD/CNH	7.2400 - 7.2700
USD/INR	83.20 - 83.80
USD/IDR	16180 - 16400
USD/MYR	4.685 - 4.722
USD/PHP	58.50 - 58.90
USD/THB	36.40 - 36.80

Today's Direction

	Bull	Bear
USD/SGD	2	1
USD/JPY	3	0

That said, adverse weather conditions saw a bump up in headline inflation to 2.2% (from 1.9% in April) underscoring the bumpy nature of the disinflation path.

- We expect further moderation in both core and headline inflation and end up more durably below the 2%-mark by end 2024. Nonetheless, these estimates remain significantly elevated than the pre-Covid trend (2016-19 avg: 1.0% headline, 0.9% core).

- In addition, amid the semiconductor recovery, growth stayed robust with industrial production levels up 7.1% on average in 2024 thus far (Jan-Apr) also backs the case to keep rates elevated.

- At this juncture, we are unable to convincingly rule out further hikes should inflation see a resurgence towards 2.5% as real rates remain accommodative rather than restrictive. (Real policy rate: 0.0% (April 2024); 0.4% (2016-19 avg)).

- As such, even prospects of policy rate normalisation is doubted, barring adverse growth shocks.

- In fact, an unprecedentedly tight labour market adds to the case that underlying demand and associated price pressures may have structurally shifted for the medium term.

- Taiwan's labour force participation rates have continued to rise in 2024 and the increase in supply has not induced slack as the unemployment rate remains at record lows. Furthermore, job vacancies in Q1 2024 are higher than pre-pandemic levels.

- Governor Yang's previous allusion to higher neutral rates ought to be given due merit. Reflecting these views, we only expect a 12.5bps calibration by the end of 2024.

- As for TWD, the CBC's continued FX intervention for the tenth month is a reminder of its high beta and telling of the persistent deference to the volatility of the yield differentials with USTs.

FX Daily Outlook

- EUR/USD: Sideways on both sides of 1.08 looks the base case.
- USD/JPY: Continued traction above 156 heading into BoJ
- USD/SGD: Regional woes to allow buoyancy above 1.35.
- AUD/USD: Consolidation around 66 cents as post-NFP reaction undergoes calibration.

TODAY EVENTS

(JP) BoP Current Account Balance (Apr): ¥2050b (Mkt: ¥1739.9b; ¥3398.8b) | (JP) GDP SA QoQ (1Q F): (Mkt: -0.5%; -0.5%)
 (JP) Eco Watchers Survey Current/Outlook SA (May): (Mkt: 48.6/49.0) | (EZ) Sentix Investor Confidence (Jun): (MayL -3.6)
 (MY) Industrial Production YoY (Apr): (Mkt: 6.9%; 2.4%)

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