

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	157.00	157.04	+0.29	+0.96
EUR	1.0763	1.0765	▼0.0036	▼0.0139
AUD	0.6595	0.6610	+0.0028	▼0.0079
SGD	1.3533	1.3526	+0.0004	+0.0067
CNY	7.2478	7.2478	+0.0000	+0.0058
INR	83.50	83.51	+0.13	+0.37
IDR	16284	16280	+85	+50
MYR	4.7182	4.7230	+0.0310	+0.0165
PHP	58.79	58.80	+0.27	+0.11
THB	36.84	36.82	+0.31	+0.03

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.467%	+3.3 bp	+7.9 bp
JPY (10YR)	1.044%	+6.8 bp	▼2.5 bp
EUR* (10YR)	2.670%	+5.0 bp	+9.0 bp
AUD (5YR)	3.935%	+0.0 bp	▼13.3 bp
SGD (5YR)	3.260%	+8.7 bp	▼3.0 bp
CNY (5YR)	2.054%	+0.0 bp	▼1.4 bp
INR (5YR)	7.033%	+1.3 bp	+0.5 bp
IDR (5YR)	6.932%	+8.5 bp	+7.0 bp
MYR (5YR)	3.664%	+1.1 bp	▼3.1 bp
PHP (5YR)	6.396%	+6.4 bp	▼1.2 bp
THB (5YR)	2.513%	+1.2 bp	+0.7 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,868.04	+0.18%	+0.77%
N225 (JP)	39,038.16	+0.92%	+0.30%
STOXX 50 (EU)	5,016.48	▼0.69%	+0.26%
ASX (AU)	4,487.00	▼0.25%	▼0.66%
STI (SG)	3,322.08	▼0.26%	▼0.80%
SHCOMP (CN)	3,051.28	+0.00%	▼0.88%
SENSEX (IN)	76,490.08	▼0.27%	+0.03%
JSE (ID)	6,921.55	+0.34%	▼1.63%
KLSE (MY)	1,614.37	▼0.22%	+1.11%
PSE (PH)	6,458.64	▼0.92%	▼0.19%
SET (TH)	1,318.57	▼1.06%	▼2.01%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	291.39	+0.53%	+0.80%
COPPER (LME)	9,765.86	+1.32%	▲2.51%
IRON ORE (CN)	107.06	▲1.51%	▲2.66%
GOLD	2,310.88	+0.75%	▲1.70%
OIL (WTI)	77.74	+2.93%	+4.74%

**Three Take-Aways**

- 1) EZ bond yields soared and EUR declined as snap elections in France trigger political instability fears.
- 2) Brent crude prices rose above US\$81/barrel on US sanctions on Huoth and deeper Russian cuts.
- 3) BoT will hold rates tomorrow while keeping a keen eye of impending fiscal risks.

**Cross Atlantic Contrast?**

- Markets struck a **cautious tone** last night as we approach the mid-week **double whammy of US CPI and FOMC meeting**. In USTs, 2Y yields were relatively unchanged (-0.6bp) while 10Y yields rose 3.4bp on the back of higher oil prices and spillovers from **soaring EZ yields**.

- On the latter, **10Y government bond yields in France rose 12.8bp as President Macron called legislative elections in France** after suffering poor results at the European Parliament Elections over the weekend. The political instability fear was evident in the inability of the EUR to latch onto higher yields as the **EUR underperformed** all G10 peers to sink towards mid-1.07.

- This was **despite** rather hawkish tones from ECB President Lagarde who espoused that rates are not on a linear declining path as there **might be periods where we hold rates again**.

- Equities in Europe also sold off with the Stoxx down 0.7% in contrast to US equities edging higher across the board (Nasdaq: +0.4%; S&P500: +0.3%; Dow: +0.2%). Meanwhile, USD/JPY hovered sideways on both sides of 157 as dismal GDP growth cautions JPY bulls. Commodity currencies saw stronger gains with AUD heading above 66 cents alongside **Brent crude's recovery back above US\$81/barrel**. Apart from US sanctions on Huoth oil shipments, another driver appears to be **Russia's deeper production cuts in May**. Nonetheless, production is still higher than their pledged reduction.

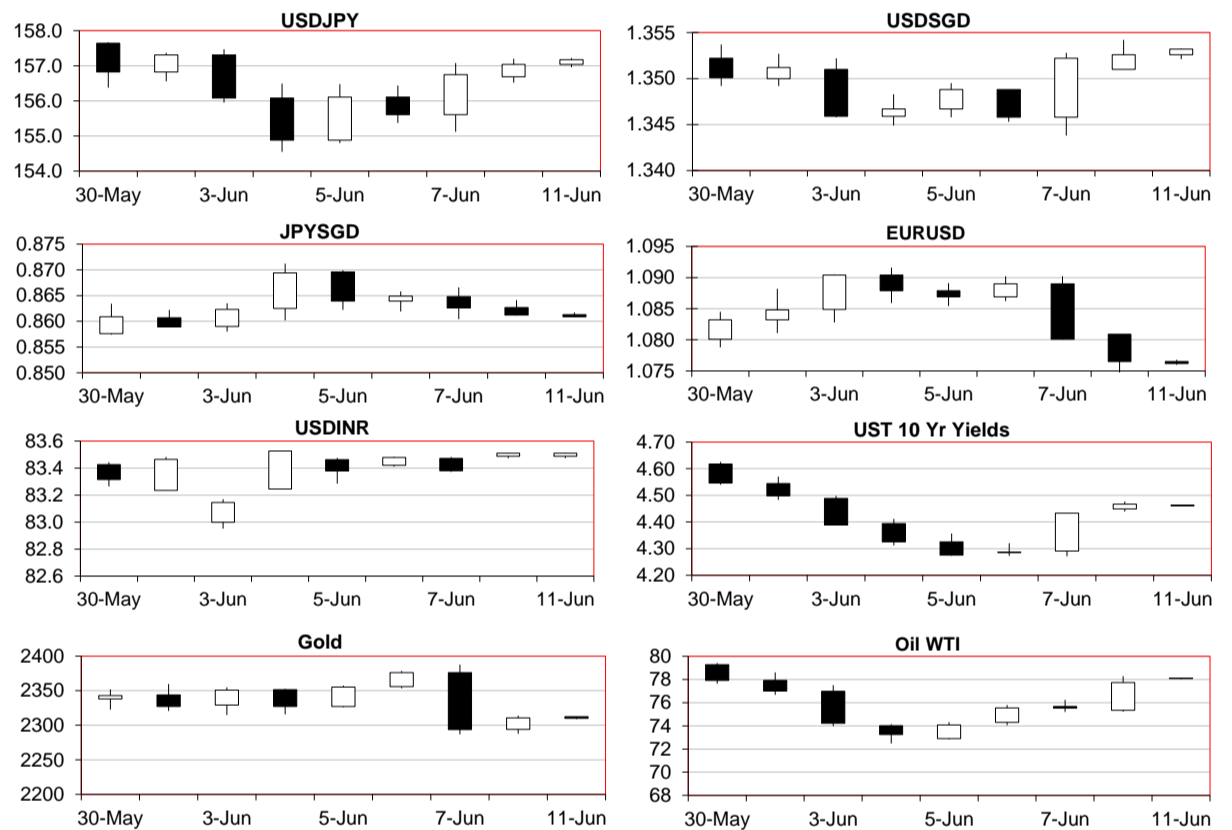
- In FX, EM-Asia is likely to remain pressured with USD/SGD staying above 1.35. Notably, this morning, Korea's current account swung to a deficit for April on **seasonal investment income outflows** while goods trade surplus remain healthy.

**BoT: Risky Imbalances**

-For the upcoming BoT policy meeting (12 June), keeping rates unchanged is a foregone conclusion. Strictly speaking, the focus of monetary policy makers may hardly be on their own policy settings.

**OVERNIGHT RESULTS**

(JP) Eco Watchers Survey Current/Outlook SA (May): 45.7/46.3(Mkt: 48.6/49.0) | (EZ) Sentix Investor Confidence (Jun): 0.3 (Mkt:-1.7; May: -3.6) | (US) NY Fed 1-Yr Inflation Expectations (May): 3.17% (Apr: 3.26%) | (MY) Industrial Production YoY (Apr): 6.1% (Mkt: 6.9%; 2.4%)

**\* Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	157.04	EUR/USD	1.0763
USD/SGD	1.3528	USD/THB	36.74
JPY/SGD	0.8615	USD/MYR	4.721

**Forecast**

USD/JPY	156.00 - 157.50
EUR/USD	1.0720 - 1.0810
AUD/USD	0.6550 - 0.6640
USD/SGD	1.3490 - 1.3550
JPY/SGD	0.8565 - 0.8686
USD/CNH	7.2500 - 7.2750
USD/INR	83.35 - 83.80
USD/IDR	16210 - 16400
USD/MYR	4.710 - 4.722
USD/PHP	58.50 - 58.90
USD/THB	36.50 - 36.90

**Today's Direction**

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

- Externally, the implications of the FOMC meeting right after the BoT's decision looms large as the THB remains weak, underperforming regional peers in EM-Asia on a YTD basis.

- The relative weakness though is not without reason as domestic growth remains highly skewed and worries around fiscal imbalances mount. **Q1 GDP printing at 1.5% YoY which was an upside surprise was not much relief considering that the manufacturing sector contracted 3% YoY**.

- The services sector was the main driver of growth contributing 2.3%-points with tourism related accommodation and food services as well as transportation and storage making up half of these gains. Furthermore, the **BoT will be worryingly concerned around the revised fiscal medium term framework in late May which showed expanded fiscal deficits and upwardly revised fiscal debt trajectory which falls dangerously close to the debt ceiling limits of 70% of GDP**.

- Given that the increased debt will be used to finance the digital wallet scheme (cash handout) which is goods focused, the **risk of leakages and rising import expenditures may hold back the THB recovery prospects** on top of on-going concerns around the efficacy of the household transfer.

- We remain wary of warnings of a **downgrade in ratings outlook** should the official debt trajectory materialise given the slim buffers (-1.1% of GDP) to the legal ceiling and the relative contrast to regional peers embarking on fiscal consolidation. On balance, the **feeble growth outlook and rising inflation back towards the target band (1-3%) imply continued hold to keep** while keeping a close watch on adverse spillovers of fiscal policy.

**FX Daily Outlook**

- EUR/USD: Emergence back above 1.08 looks stretched as political instability fear rise.
- USD/JPY: Higher Oil prices and UST yields to backstop above 156.
- USD/SGD: Lack of CNH positive catalyst to see sideways above 1.35.
- AUD/USD: Oil price led recovery may thin towards mid-66 cents.

**TODAY EVENTS**

(KR) Current Account Balance (Apr): -\$285.2m (Mar: \$6931m) | (JP) Machine Tool Orders YoY (May P): (Apr: -8.9%) | (PH) Exports/Imports YoY (Apr): (Mkt: 13.0%/-2.5%; Mar: -7.3%/-20.0%)

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