

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	133.79	133.97	+0.30	▼0.27
EUR	1.1051	1.1028	▼0.0013	+0.0058
AUD	0.6620	0.6631	+0.0028	▼0.0112
SGD	1.3354	1.3349	▼0.0006	+0.0025
CNY	6.9239	6.9225	▼0.0055	+0.0483
INR	81.69	81.84	+0.08	▼0.31
IDR	14703	14703	▼130	▼142
MYR	4.4603	4.4633	+0.0058	+0.0260
PHP	55.73	55.73	+0.10	▼0.29
THB	34.13	34.14	▼0.06	▼0.24

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.520%	+7.2 bp	▼1.1 bp
JPY (10YR)	0.466%	+0.1 bp	▼0.6 bp
EUR* (10YR)	2.460%	+6.3 bp	+1.5 bp
AUD (5YR)	3.102%	+6.8 bp	▼14.7 bp
SGD (5YR)	2.795%	+0.6 bp	▼4.0 bp
CNY (5YR)	2.625%	▼1.8 bp	▼3.5 bp
INR (5YR)	6.990%	+0.0 bp	▼5.2 bp
IDR (5YR)	6.297%	+2.0 bp	▼11.5 bp
MYR (5YR)	3.439%	+2.6 bp	▼5.5 bp
PHP (5YR)	5.861%	+1.7 bp	+1.9 bp
THB (5YR)	2.115%	+1.2 bp	+1.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,826.16	+1.57%	+0.12%
N225 (JP)	28,457.68	+0.15%	▼0.70%
STOXX 50 (EU)	4,358.05	+0.24%	▼0.61%
ASX (AU)	4,259.55	▼0.20%	▼0.69%
STI (SG)	3,282.03	▼0.36%	▼0.95%
SHCOMP (CN)	3,285.88	+0.67%	▼2.41%
SENSEX (IN)	60,649.38	+0.58%	+1.71%
JSE (ID)	6,945.48	+0.51%	+1.81%
KLSE (MY)	1,418.05	+0.27%	▼0.29%
PSE (PH)	6,583.68	+0.66%	+0.97%
SET (TH)	1,531.23	▼0.82%	▼2.16%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.22	+0.10%	▲2.46%
COPPER (LME)	8,569.50	+0.40%	▲3.34%
IRON ORE (CN)	116.16	▲0.01%	▲2.82%
GOLD	1,987.78	▲0.06%	▲0.85%
OIL (WTI)	74.76	+0.62%	▼3.27%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	133.79	EUR/USD	1.1032
USD/SGD	1.3350	USD/THB	34.11
JPY/SGD	0.9986	USD/MYR	4.452

Forecast

USD/JPY	133.10 - 134.90
EUR/USD	1.0940 - 1.1100
AUD/USD	0.6580 - 0.6690
USD/SGD	1.3300 - 1.3400
JPY/SGD	0.9859 - 1.0068
USD/CNH	6.9150 - 6.9500
USD/INR	81.65 - 82.15
USD/IDR	14650 - 14800
USD/MYR	4.443 - 4.468
USD/PHP	55.45 - 55.95
USD/THB	34.00 - 34.30

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	3	5

Three Take-aways:

- 1) Markets cherry-pick; celebrating firm consumption but also betting on Fed pivot from soft spots.
- 2) 'Hard' core inflation may however prove problematic for extended risks appetite.
- 3) This warns of wobbles, not exuberance ahead; reason for BoJ to not rock the (stimulus) boat.

Goldilocks, Not Icarus

- A **cruel juxtaposition of hotter than expected Q1 core PCE** that ought to re-ignite inflation concerns alongside **sharply softer** than expected headline **Q1 US GDP** has **ostensibly unleashed upbeat 'Goldilocks' response rather than gut-wrenching Icarus-type hard-landing fears.**

- Ostensibly, **markets have quite happily cherry-picked to;**

i) **revel in economic optimism** derived from the strong consumption component of GDP (quite rightly discounting the upsized inventory drag to headline GDP);

ii) **yet discount problematically elevated and sticky core inflation** (as per core PCE), possibly assuming that **soft spots in investments, housing and manufacturing will tame inflation.**

- As a result of which, the **inconvenient mix of hard inflation and soft GDP** has been **spun as 'Goldilocks' free pass** to tame Fed hawks; thereby **keeping Fed pivot in play.**

- **Rather than invoking ("hard-landing") fears of Icarus;** from the Greek mythology, of flying too high/close to the sun, and tragically crashing to his death as his wax-affixed wings failed.

- **This conveniently upbeat "Goldilocks" framing of data** is laid bare in market outcomes.

- **US equities have rallied (S&P500: 2.0%; Nasdaq: 2.4%) despite sharply higher yields,** suggesting **economic optimism** (lifting both equities and yields) trumping.

- **Rather than policy tightening worries,** in which case rising yields subdue, if not submerge equities/risk assets; while buoying the USD emphatically.

- Whereas the Greenback is little changed after the initial lift in reaction to core PCE,; as EUR dip below mid-1.10 is measured; AUD has in fact gained modest traction (0.66+) post-CPI.

- JPY is a tad softer (high-133) in response to higher UST yields and BoJ caution.

OVERNIGHT RESULTS

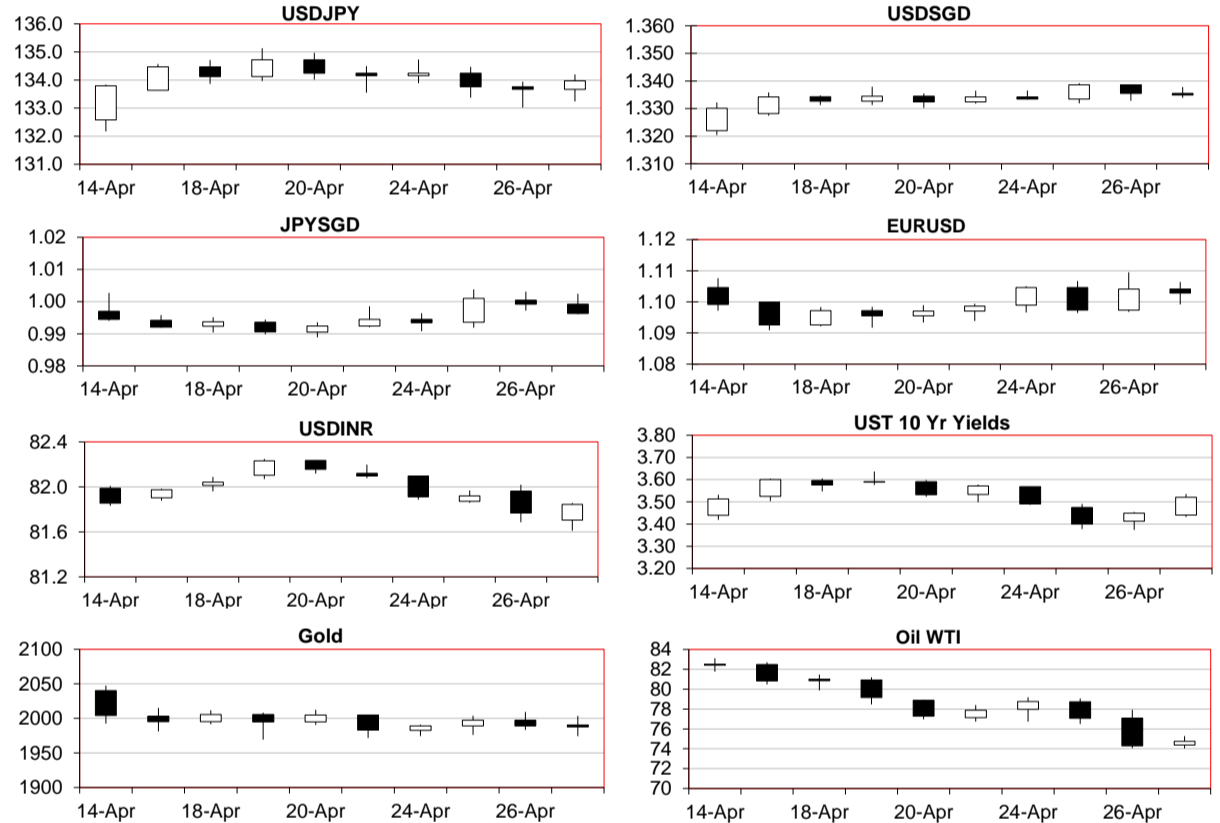
(AU) Export/Imports Price Index QoQ (Q1): 1.6%/-4.2% (Mkt: -2.6%/0.5%; Q4: -0.9%/1.8%)

(CH) Industrial Profits YTD YoY (Mar): -21.4% (Feb: -22.9%) | (US) GDP Annualized QoQ (Q1 A): 1.1% (Mkt: 1.9%; Q4: 2.6%)

(US) Consumption QoQ (Q1 A): 3.7% (Mkt: 4.3%; Q4: 1.0%) | (US) Core PCE QoQ (Q1 A): 4.9% (Mkt: 4.7%; Q4: 4.4%)

(US) Pending Home Sales MoM (Mar): -5.2% (Mkt: 0.8%; Feb: 0.8%) | (US) Kansas City Fed Mfg (Apr): -10 (Mkt: -2; Mar: 0)

Past Two Weeks Movement



- Yet the **Icarus parallels to excessively elevated inflation,** thereby intensifying policy trade-offs and in turn **amplifying risks of a policy mistake-induced hard-landing** are hard to dismiss.

Hard Core ...

- Point being, worryingly **hard core PCE** may yet overshadow the shortfall in Q1 US GDP (at an annualized 1.1%), lending credence to the hawkish spectrum Fed views that **underlying inflation is discomfortingly sticky, and simply not cooling quickly enough.**

- Especially as as even the **softer-than-expected headline GDP** was not only understated by a 2.3%-pt drag from inventory drawdown, but also **faunted a reasonably hard consumption core.**

- Unsurprisingly there has been resultant **blowback against overly dovish markets bets;** **squeezing UST yields higher,** led by the front-end (2Y: +12bp to 4.07%).

- To be sure, this core PCE read is **not interpreted an open invitation for hard-core hawks;** that revives dramatic rate hikes. Fact is, **Fed futures are still pricing in little more than a 25bp May hike to peak rates of 5.00-5.25%.** But **defiant for rate cuts are pushed out to end-2023.**

- All said, **extending market exuberance on the 'Goldilocks' proposition is hard;** as the **core of the policy dilemma** between hot inflation and soft patches **only worsens.**

... & Soft Outcomes

- What this suggests is that there may be wobbles ahead as policy dilemma/mistakes are priced, rather than presumptuous and overly rosy soft-landing conjectures fuelling exuberance..

- We remain mindful of risk re-pricing and associated pullback in the EM/commodity space.

- Meanwhile, these risks alongside softer jobs data validate our call for a BoJ* hold.

FX Daily Outlook

- EUR/USD: Surge in UST yields taking some wind out of EUR; mid-1.10 consolidation.

- USD/JPY: Potential for volatility around BoJ; a hold alongside firmer UST yields to skew to upside.

- USD/SGD: Firmer CNH could tempt a test of 1.33; but cautiously so.

- AUD/USD: Post-CPI traction may be limited by firmer UST yields and softer commodities.

TODAY'S EVENTS

(KR) Ind Pdn MoM (Mar): 5.1% (Mkt: 0.4%;Feb: -2.7%) | (JP) Ind Pdn MoM (Mar P): 0.8% (Mkt: 0.4%; Feb: 4.6%) | (JP) Jobless Rate/Job-to-Applicants Ratio (Mar): 2.8%/1.32 (Mkt: 2.5%/1.34; Feb: 2.6%/1.34) | (JP) Retail Sales MoM (Mar): 0.6% (Mkt: 0.3%; Feb: 2.1%) | (AU) PPI QoQ/YoY (Q1): (Q4: 0.7%/5.8%) | (TH) C/A (Mar): (Mkt: \$1.02bn; Feb: \$1.33bn) | (EZ) GDP QoQ/YoY (Q1 A): (Mkt: 0.2%/1.4%; Q4: -0.1%/1.8%) | (US) MNI Chicago PMI (Apr): (Mkt: 43.6; Mar: 43.8) | (US) Personal Income/Spending (Mar): (Mkt: 0.2%/-0.1%; Feb: 0.3%/0.2%) | (US) U.o M (Apr F): (Prelim: 63.5) | (US) PCE/Core PCE YoY (Mar): (Mkt: 4.1%/4.6%; Feb: 5.0%/4.6%) | **Central Banks: BoJ Decision** | **BoJ GDP & CPI Forecasts** | *please refer to our report yesterday

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.