

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.73	137.50	+1.20	+3.26
EUR	1.1002	1.0976	▼0.0043	▼0.0070
AUD	0.6638	0.6630	+0.0015	▼0.0066
SGD	1.3336	1.3363	+0.0019	+0.0029
CNY	6.9181	6.9126	+0.0000	+0.0168
INR	81.84	81.83	+0.00	▼0.08
IDR	14672	14670	+0	▼175
MYR	4.4624	4.4622	+0.0000	+0.0249
PHP	55.47	55.36	+0.00	▼0.43
THB	34.19	34.14	+0.00	▼0.25

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.568%	+14.6 bp	+7.8 bp
JPY (10YR)	0.407%	+1.3 bp	▼6.6 bp
EUR* (10YR)	2.313%	+0.0 bp	▼19.5 bp
AUD (5YR)	3.086%	+0.4 bp	▼12.0 bp
SGD (5YR)	2.817%	+0.0 bp	▼4.3 bp
CNY (5YR)	2.621%	+0.0 bp	▼3.9 bp
INR (5YR)	6.999%	+0.0 bp	▼0.7 bp
IDR (5YR)	6.279%	+0.0 bp	▼13.3 bp
MYR (5YR)	3.450%	+0.0 bp	▼4.4 bp
PHP (5YR)	5.860%	+0.1 bp	+1.9 bp
THB (5YR)	2.149%	+0.0 bp	+6.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,051.70	▼0.14%	+0.52%
N225 (JP)	29,123.18	+0.92%	+1.85%
STOXX 50 (EU)	4,359.31	+0.00%	▼0.97%
ASX (AU)	4,283.83	+0.00%	▼0.28%
STI (SG)	3,270.51	+0.00%	▼1.63%
SHCOMP (CN)	3,323.28	+0.00%	+1.46%
SENSEX (IN)	61,112.44	+0.00%	+1.76%
JSE (ID)	6,915.72	+0.00%	+1.38%
KLSE (MY)	1,415.95	+0.00%	▼0.43%
PSE (PH)	6,625.08	+0.00%	+0.40%
SET (TH)	1,529.12	+0.00%	▼1.85%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	266.32	▲0.68%	▲2.31%
COPPER (LME)	8,577.00	+0.00%	▲1.53%
IRON ORE (CN)	104.30	▲10.19%	▲10.39%
GOLD	1,982.56	▲0.37%	▲0.33%
OIL (WTI)	75.66	▼1.46%	▼3.94%

Three Take-aways:

- 1) High cost pressures from ISM report and 1 June debt ceiling risks sent UST yields soaring.
- 2) US equities remain pressured as banking rescue unable to tame regional banking woes.
- 3) RBA decision watched for out of consensus hike as inflation moderation not entirely convincing.

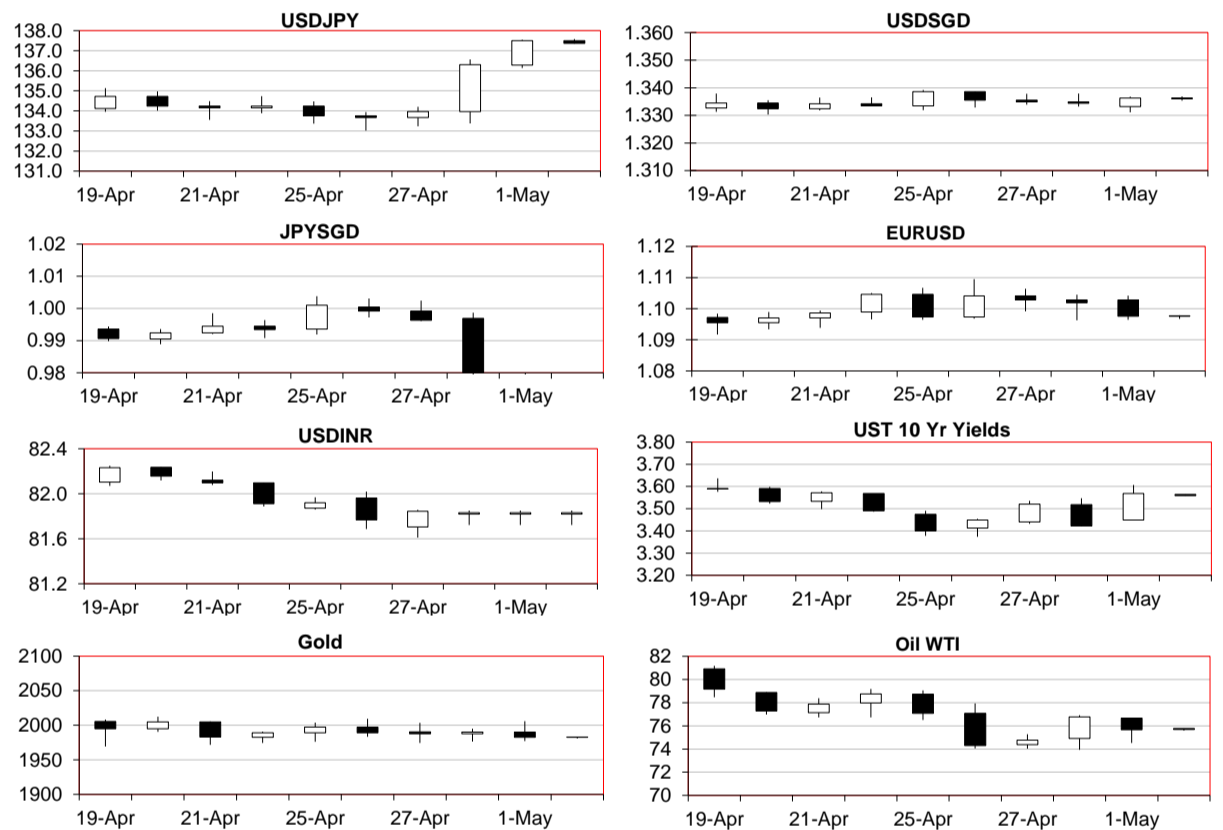
Mayday? May Day?

- Mayday is a **distress signal** while May Day is a **celebration** of working people.
- US ISM manufacturing in April which remain in contractionary (**still distressed**) territory nonetheless exceeded expectations and improved from March. That said, the higher prices paid which went into **expansionary** territory signalled **higher cost pressures**.
- Coupled with survey respondents **quotes** which cite **resistance to pass on** to end consumers, it looks more like a worry of the working people's purchasing powers.
- In part, the **implication of higher costs passthrough** was certainly not lost on US Treasuries as 2Y UST yields rose 13.4bp while 10Y yields rose 14.6bps. Inflation was certainly not the only factor in mind for USTs investors as Treasury Secretary Janet Yellen cited 1 June as a possible date for US default if the debt ceiling is not raised.
- Higher UST yields pressured **US equities** which gave up early gains with the S&P500 staying flat as Dow and Nasdaq slipped. In stormy circumstances, the rescue of **distressed First Republic** was very much what is was - **a rescue to prevent wider ripple effects** while shareholders of First Republic were wiped out. **Calmer seas but not clear skies**.
- Backed by higher UST yields and risk aversion, the stronger USD against almost all G10 peers was par for the course. After the BoJ's decision to pause amid the commencement of a **justifiably lengthy review**, the major casualty is undoubtedly the JPY as USD/JPY soared above 137.
- The EUR plunged back below 1.10 with ECB's decision being expected by markets to match the Fed's decision this week. In EM-Asia, the **USD/SGD rose back above mid-1.33**.
- Down under, the AUD bucked the trend as it edged up and managed to sustain above 66 cents. **Afterall, the RBA's decision may not be a foregone conclusion to pause as inflation moderation may not be convincing.**

OVERNIGHT RESULTS

(US) ISM Manufacturing/Prices Paid (Apr): 47.1/53.2 (Mkt: 46.8/49.0; Mar: 46.3/49.2)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	137.53	EUR/USD	1.0968
USD/SGD	1.3368	USD/THB	34.21
JPY/SGD	0.9719	USD/MYR	4.455

Forecast

USD/JPY	135.00 - 138.00
EUR/USD	1.0900 - 1.1050
AUD/USD	0.6580 - 0.6690
USD/SGD	1.3300 - 1.3400
JPY/SGD	0.9638 - 0.9926
USD/CNH	6.9150 - 6.9500
USD/INR	81.65 - 82.15
USD/IDR	14600 - 14800
USD/MYR	4.443 - 4.468
USD/PHP	55.20 - 55.95
USD/THB	34.00 - 34.30

Today's Direction

	Bull	:	Bear
USD/SGD	6	:	2
USD/JPY	7	:	1

RBA: Unassuring Inflation Moderation

- While headline inflation indeed moderated from 7.8% to 7.0% in Q1, **it looks like a facade for another pause rather assured comfort on the dis-inflation process.**
- **As such, our call is an out of consensus one for a resumption of tightening by the RBA, albeit by a smaller 15bps to take the cash rate target to 3.75%.**
- Afterall, the RBA's minutes explicitly stated that their staff forecast which has inflation return to target by mid-2025 would be inconsistent with the Board's mandate.
- What's more, these forecast were already **conditioned on a further hike.**
- But under the hood of headline dis-inflation, **record high** (since 2001) **services inflation** at 6.1% in Q1 (Q4: 5.5%) on higher prices from holiday travel, medical services, rents and restaurant meals.
- **Goods dis-inflation provided the offset** as it declined from 9.5% to 7.6%. Nonetheless, this relief ought to be dampened by the fact that this was in part due to **post Christmas discounting** on furniture and appliance as well as **discounting on summer stock** for clothing.
- Nonetheless, we acknowledge that Q1's inflation downshift **could move forward RBA's forecast of inflation's return to target to end-2024. As such, a finely calibrated move of 15ps might be a sweet spot compromise between slipping growth and stubborn inflation risks.**
- While the RBA might opt for a further hike, AUD's recovery may remain lethargic given the persistent Fed-RBA differential and dismal commodity outlook.

FX Daily Outlook

- EUR/USD: Higher UST yields knock the winds out of the sails as durability above 1.1 remains suspect.
- USD/JPY: Lofty heights and excessive volatility cautioned as mid-137 test may not be straight forward.
- USD/SGD: Mid-1.33 buoyancy of higher UST yields as regional spillovers ripple.
- AUD/USD: RBA decision may see buoyancy off 0.66 though rallies beyond mid-0.67 restrained.

TODAY'S EVENTS

(KR) CPI YoY (Apr): 3.7% (Mkt: 3.7%; Mar: 4.2%) | (ID) CPI/Core YoY (Apr): (Mkt: 4.4%/2.9%; Mar: 5.0%; 2.9%)

Central Banks: RBA Decision

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