

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.82	135.23	+0.13	▼1.32
EUR	1.0978	1.0962	▼0.0042	▼0.0037
AUD	0.6759	0.6762	▼0.0020	+0.0099
SGD	1.3259	1.3274	+0.0029	▼0.0073
CNY	6.9272	6.9204	+0.0062	+0.0078
INR	82.09	82.05	+0.24	+0.16
IDR	14741	14730	+30	+25
MYR	4.4438	4.4480	+0.0110	▼0.0160
PHP	55.76	55.76	+0.50	+0.40
THB	33.73	33.72	▼0.08	▼0.48

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.519%	+1.1 bp	+9.5 bp
JPY (10YR)	0.426%	+0.8 bp	+0.5 bp
EUR* (10YR)	2.350%	+3.1 bp	+9.2 bp
AUD (5YR)	3.158%	+3.3 bp	▼7.3 bp
SGD (5YR)	2.709%	+2.4 bp	▼13.9 bp
CNY (5YR)	2.582%	▼0.5 bp	▼3.9 bp
INR (5YR)	6.982%	▼0.3 bp	▼1.8 bp
IDR (5YR)	6.210%	+0.3 bp	▼5.7 bp
MYR (5YR)	3.449%	+0.4 bp	▼0.1 bp
PHP (5YR)	5.575%	▼6.7 bp	▼30.6 bp
THB (5YR)	2.145%	+2.1 bp	+0.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,561.81	▼0.17%	▼0.36%
N225 (JP)	29,242.82	+1.01%	+0.29%
STOXX 50 (EU)	4,323.09	▼0.59%	+0.66%
ASX (AU)	4,231.12	▼0.27%	▼0.11%
STI (SG)	3,242.95	▼0.45%	▼1.19%
SHCOMP (CN)	3,357.67	▼1.10%	+1.04%
SENSEX (IN)	61,761.33	▼0.00%	+0.66%
JSE (ID)	6,779.98	+0.15%	▼1.21%
KLSE (MY)	1,432.63	▼0.08%	+0.46%
PSE (PH)	6,622.61	+0.33%	▼0.75%
SET (TH)	1,564.66	+0.15%	+2.37%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.12	+0.05%	+1.34%
COPPER (LME)	8,562.25	+0.02%	+0.85%
IRON ORE (CN)	105.20	▲2.35%	+0.10%
GOLD	2,034.56	+0.66%	+0.89%
OIL (WTI)	73.71	+0.75%	+2.86%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	135.29	EUR/USD	1.0965
USD/SGD	1.3272	USD/THB	33.68
JPY/SGD	0.9810	USD/MYR	4.448

Forecast

USD/JPY	134.30 - 135.60
EUR/USD	1.0900 - 1.1060
AUD/USD	0.6720 - 0.6810
USD/SGD	1.3220 - 1.3300
JPY/SGD	0.9749 - 0.9903
USD/CNH	6.9100 - 6.9350
USD/INR	81.80 - 82.30
USD/IDR	14620 - 14780
USD/MYR	4.438 - 4.459
USD/PHP	55.50 - 55.90
USD/THB	33.55 - 33.85

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	7	1

Three Take-aways:

- 1) Debt ceiling risks elevated by tough talk brinksmanship ruling out short-term extensions.
- 2) "Stickiness" in ex-rentals core services CPI could kick tyres on Fed-market expectations gap.
- 3) China's industrial woes in imports slump despite staggeringly high (\$90bn) trade surplus.

Debt Ceilings & Cans

- **Brinksmanship** appears to be the **name of the game** as terse US debt ceiling talks kick off between President Joe Biden and House Speaker Kevin McCarthy.
- Especially considering that both sides have **adopted unyielding positions** entrenched in party hard-lines and crucially, have **ruled out short-term debt limit extensions**.
- That's to say, there will be **no kicking of the (debt ceiling) can to buy time on negotiations**.
- And Senate Majority Leader Mitch McConnell has **doubled down on the threat of hurtling towards a default** (flagged to be as early as 1st June by Treasury Secretary Yellen), saying he has no "secret little plan" to whip out a last minute deal with the White House.
- **UST yields are "only" gently higher**; with 2Y entrenching above 4% (10Y: +1bp to 3.52%).
- **USD is somewhat buoyant**, but it is **hard to say how much of that is debt ceiling risk reaction** given coincident mechanical UST yield support and renewed concerns about regional banks.
- **Debt ceiling brinksmanship has some way to go** before any breakthrough on compromises.
- A **deal will eventually be reached** (given that an enduring default is not an option for the US); **but perhaps not uneventfully so**. And if indeed **can-kicking is shunned as a brinksmanship gambit**, then the scope for market disruptions is potentially large.
- At which point, the **trillion dollar question is, whether USTs and USD will (ironically) function as haven or be punished for US political brinksmanship**.
- The answers are not evident even if one draws parallels from the past. Especially as the 2011 experience is coloured by QE2 and 'Operation Twist' driving down long-end yields; in sharp contrast to on-going QT with a Fed that has only paused, not reversed, hawkish inclinations.

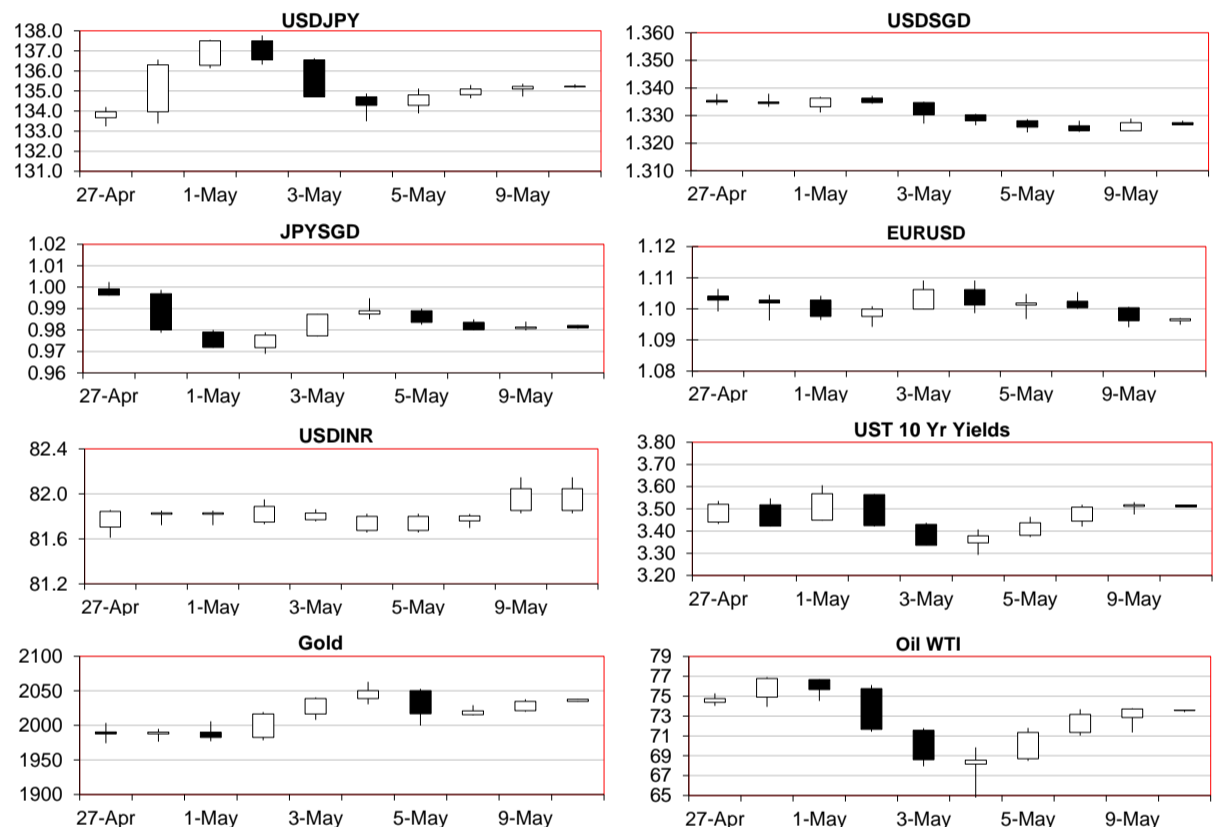
OVERNIGHT RESULTS

(CH) Exports/Imports YoY (Apr): 8.5%/-7.9% (Mkt: 8.0%/-0.7%; Mar: 14.8%/6.1%)

(CH) Trade Bal (Apr): \$90.21b (Mkt: \$71.25b; Mar: \$88.19b) | (PH) Trade bal (Mar): -\$4.93b (Mkt: -\$4.40bn; Feb: -3.91bn)

(MY) Ind Pdn YoY (Mar): 3.1% (Mkt: 0.7%; Feb: 3.6%) | (AU) Retail Sales ex-Inflation QoQ (Q1): -0.6% (Mkt: -0.6%; Q4: -0.2%)

* Past Two Weeks Movement *



CPI Watching

- While debt ceiling negotiations will be the obsession, **US CPI may temporarily steal the limelight** (after jobs hot spots), **challenging defiant pivot bets of sharp rate cuts in late-2023**.
- To be sure, the bar is high for a Fed response to data surprises in either direction.
- Having concluded 500bps of rate hikes, and anticipating some credit tightening from a shake-down amongst regional banks (post-SVB), the **Fed is unlikely to tighten further on merely "sticky" inflation**; instead requiring re-acceleration of inflation.
- Equally, insofar that the Fed believes banking risks to be adequately ring-fenced (despite consequent credit tightening), the Fed deems it premature to back down on inflation risks.
- But despite a stoic Fed, markets may be excitable given defiant **bets on sharp Fed rate cuts later in H2 2023 may be vulnerable to tyre-kicking**. In particular, if core services excluding rentals prove stickier or more elevated. Being identified as a core instigator of wage-price spiral risks, any upside surprise here will likely lift front-end yields and USD.

China Woes

- **Underlying concerns of deficient industrial and investor confidence resurface on slumping imports** that signal woes and worries despite glittering \$90bn trade surplus surge.
- Fact is, the **"real" pullback in high-tech imports** (e.g. chips, diodes and wafers) are **even more abysmal** while industrial barometers such as copper imports have also stumbled (in volumes).
- So this is **not about softer (import) price relief but harsh demand pain points**.
- Spillover pessimism in EM Asia could as such rein in EM Asia FX.

FX Daily Outlook

- EUR/USD: Firmer USD pre-CPI keeping EUR below 1.10; but watch for debt ceiling volatility.
- USD/JPY: Tensions between higher UST yields and potential for haven demand.
- USD/SGD: China woes get in the way of break below 1.32; bouts of buoyancy to 1.33.
- AUD/USD: Soft China imports impose commodities drag; but 0.67 backstopped by Budget.

TODAY'S EVENTS

(KR) Current Account/Goods (Mar): \$267.9mn/- \$1125.1m; Feb: -\$518.4mn/- \$12957mn)

(KR) Unemployment Rate (Apr): 2.6% (Mkt: 2.9%; Mar: 2.7%)

(JP) Leading/Coincident Index (Mar P): (Mkt: 97.9/98.7; Feb: 98.0/98.6)

(US) CPI/Ex-Food & Energy YoY (Apr): (Mkt: 5.0%/5.5%; Mar: 5.0%/5.6%)

Central Banks: | ECB's Muller & Centeno speak | Fed's Williams speaks

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.