

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.26	134.34	▼0.89	▼0.37
EUR	1.0965	1.0982	+0.0020	▼0.0080
AUD	0.6760	0.6779	+0.0017	+0.0108
SGD	1.3276	1.3250	▼0.0024	▼0.0053
CNY	6.9284	6.9304	+0.0100	+0.0178
INR	82.04	81.99	▼0.05	+0.16
IDR	14730	14725	▼5	+40
MYR	4.4547	4.4585	+0.0105	+0.0033
PHP	55.70	55.69	▼0.08	+0.32
THB	33.71	33.67	▼0.06	▼0.37

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.443%	▼7.6 bp	+10.7 bp
JPY (10YR)	0.425%	▼0.1 bp	+0.4 bp
EUR* (10YR)	2.288%	▼6.2 bp	+4.1 bp
AUD (5YR)	3.180%	+2.2 bp	+0.8 bp
SGD (5YR)	2.740%	+3.1 bp	▼3.2 bp
CNY (5YR)	2.560%	▼2.2 bp	▼6.1 bp
INR (5YR)	6.985%	+0.3 bp	+4.1 bp
IDR (5YR)	6.182%	▼2.8 bp	▼5.6 bp
MYR (5YR)	3.467%	+1.8 bp	+0.2 bp
PHP (5YR)	5.581%	+0.6 bp	▼27.7 bp
THB (5YR)	2.135%	▼1.0 bp	+0.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,531.33	▼0.09%	+0.35%
N225 (JP)	29,122.18	▼0.41%	▼0.12%
STOXX 50 (EU)	4,306.76	▼0.38%	▼0.08%
ASX (AU)	4,220.42	▼0.25%	▼0.56%
STI (SG)	3,242.29	▼0.02%	▼0.60%
SHCOMP (CN)	3,319.15	▼1.15%	▼0.12%
SENSEX (IN)	61,940.20	+0.29%	+1.22%
JSE (ID)	6,811.91	+0.47%	▼0.01%
KLSE (MY)	1,425.68	▼0.49%	▼0.02%
PSE (PH)	6,658.59	+0.54%	+0.79%
SET (TH)	1,569.56	+0.31%	+2.36%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.22	▲0.72%	+2.20%
COPPER (LME)	8,436.25	▲1.47%	▲0.08%
IRON ORE (CN)	106.32	+1.06%	+1.74%
GOLD	2,030.09	▲0.22%	▲0.44%
OIL (WTI)	72.56	▼1.56%	+5.77%

Three Take-aways:

- 1) US headline and core inflation came in aligned with expectations but momentum is uncomfortably high.
- 2) Despite lower UST yields and softer USD, lower ex-rentals core services CPI is case for pause (not cuts).
- 3) Philippines Q1 GDP growth set to slow as policy and inflation bite alongside fading external demand.

Of Lines and Gaps

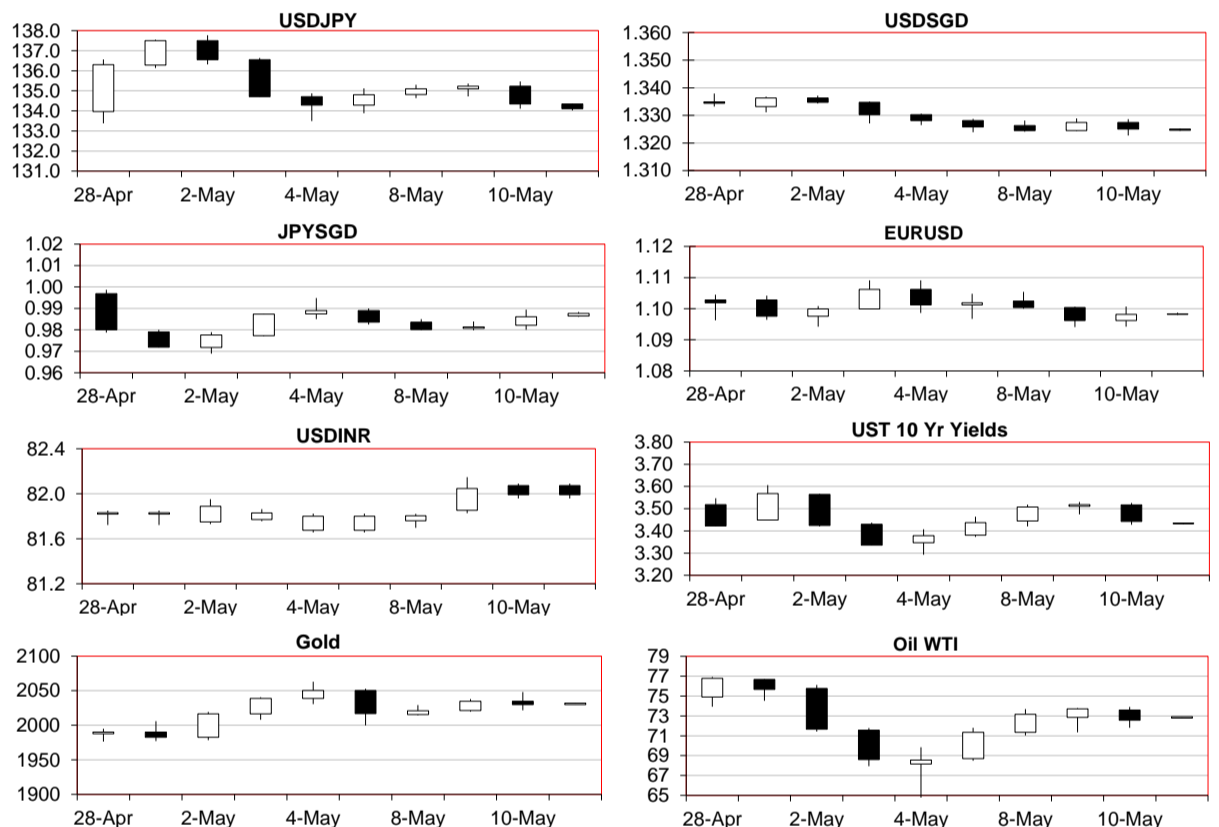
- US headline inflation for April came in at 4.9% which was below expectations 5.0% while core inflation outturn was at **5.5% in line with expectations**.
- On a **sequential** basis, both headline and core inflation stayed at **an uncomfortable 0.4% MoM**. Certainly **not the desired momentum to achieve the Fed's 2% target**.
- To be clear, the reaction of US treasuries rallying to send 2Y and 10Y yields plunging 11.2bps and 7.6bps is unlikely the psychological phenomena of the left digit bias (headline inflation printing a notch below expectations of 5%).
- Instead attention ought to be on **inflation for core services excluding rentals** which was flagged yesterday, as it came in at 5.2% which was down from 5.7%. More importantly, this translates to a 0.1% MoM increase is a much more palatable pace.
- That said, the gaps matter. The gap between core services ex rental and core inflation are nonetheless actual prices increases in the CPI basket with knock-on impact of cost of living.
- The **gap between inflation outcome and the Fed's 2% target is still a large one**.
- Consequently, the gap between Fed funds futures pricing in a **staggering 100bps cut** by end-23/early-24 and a Fed which looks **determined to hold rates**.
- The differentiated reactions of US equities with the Nasdaq rising 1.0% and S&P500 up 0.5% while the Dow edging down 0.1% is telling of the caution surrounding real economic growth relative to tech valuations boosted by lower rate expectations.
- While the USD was softer, this was far from a straight line descend. Aided by the lower UST yields, the JPY gained as the USD/JPY sank plunged towards 134. Meanwhile, EUR rally faltered as it was unable to sustain above 1.10. Similarly, the AUD remain restrained below 68 cents.

OVERNIGHT RESULTS

(JP) Leading/Coincident Index (Mar P): 97.5/98.7 (Mkt: 97.9/98.7; Feb: 98.0/98.6; Revised: 98.2/98.7)

(US) CPI/Ex-Food & Energy YoY (Apr): 4.9%/5.5% (Mkt: 5.0%/5.5%; Mar: 5.0%/5.6%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	134.09	EUR/USD	1.0984
USD/SGD	1.3246	USD/THB	33.65
JPY/SGD	0.9878	USD/MYR	4.445

Forecast

USD/JPY	133.90 - 135.00
EUR/USD	1.0900 - 1.1060
AUD/USD	0.6720 - 0.6810
USD/SGD	1.3220 - 1.3300
JPY/SGD	0.9793 - 0.9933
USD/CNH	6.9100 - 6.9420
USD/INR	81.80 - 82.10
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	1	4
USD/JPY	1	4

- In EM-Asia, USD/SGD dribbled down towards mid-1.32. The CNH will watch for China's inflation print though not for policy implications, rather as an indicator of consumer health as firms increasingly look to lower prices to incite demand.

Philippines Q1 GDP: Slowdown, Not Meltdown

- **Philippines Q1 GDP print today is expected to slow** towards a near 6% clip from 7.1% in Q4 2022. High frequency indicators show **slowing activity in the manufacturing sector** congruent with slipping global demand as **exports contracted 18.1% in Feb** from a year ago.
- **Weaker remittances growth** and a **dimmed consumer outlook** point to further erosion of private consumption. A weak peso feeding into **higher imported inflation** will also continue to be a key household budget stress point.
- With fiscal measures (fuel subsidies and income transfers) justifiably targeted at lower income groups, private consumption is not expected to receive unfettered boost as **fiscal consolidation** proceeds with government expenditure in Q1 staying somewhat flat from a year ago.
- All in, given the **global labour markets remain rather resilient** at this juncture, growth is expected to slow but not collapse as household consumption holds up.
- Looking ahead, **El Nino risks** in mid-2023 may throw up unwelcomed disruptions for households and the agricultural sector. Moreover, while **headline inflation in April slowing to 6.6% being on the back of a 0.2% MoM decline** solidifies the BSP considerations for holding rates, the pass through of monetary tightening on economic activity bears close watching.

FX Daily Outlook

- EUR/USD: Consolidation below 1.10 par for the course as UST yields ponder prolonged rates.
- USD/JPY: Lower UST yields may allow shallow sub-134 testing, not durable plunge.
- USD/SGD: China CPI likely to restrain CNH gains and allow buonces off 1.32.
- AUD/USD: China woes imply weak challenges of 68 cents as commodity prospects sour.

TODAY'S EVENTS

(JP) BoP Current Account Balance (Mar): ¥2278.1b (Mkt: ¥2890.7b; Feb: ¥2197.4b) | (JP) Eco-watchers Survey Current/Outlook: (Mkt: 54.1/55.1; Mar: 53.3/54.1) | (CN) CPI/PPI YoY (Apr): (Mkt: 0.3%/-3.3%; Mar: 0.7%/-2.5%) | (PH) GDP YoY (1Q): (Mkt: 6.2%; 7.1%) | (TH) Consumer Confidence Economic (Apr): (Mar: 48.0) | (US) Initial Jobless Claims (6-May): (Mkt: 245k; Prev. Week: 242k) | (US) PPI Final Demand/Ex food and energy YoY (Apr): (Mkt: 2.5%/3.3%; 2.7%/3.4%)

Central Banks: Fed's Kashkari and Waller Speaks

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