

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.81	136.39	+0.27	+1.16
EUR	1.0890	1.0862	▼0.0012	▼0.0100
AUD	0.6690	0.6656	▼0.0044	▼0.0106
SGD	1.3362	1.3403	+0.0042	+0.0129
CNY	6.9629	6.9773	+0.0256	+0.0568
INR	82.20	82.22	▼0.09	+0.17
IDR	14820	14820	+15	+78
MYR	4.5020	4.4990	+0.0018	+0.0510
PHP	56.08	56.06	▼0.01	+0.30
THB	33.93	34.10	+0.31	+0.38

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.534%	+3.2 bp	+1.5 bp
JPY (10YR)	0.397%	▼1.0 bp	▼2.9 bp
EUR* (10YR)	2.353%	+4.4 bp	+0.3 bp
AUD (5YR)	3.145%	▼1.0 bp	▼1.3 bp
SGD (5YR)	2.694%	▼1.8 bp	▼1.5 bp
CNY (5YR)	2.544%	+0.3 bp	▼3.8 bp
INR (5YR)	6.927%	▼3.7 bp	▼5.5 bp
IDR (5YR)	6.085%	▼2.6 bp	▼12.5 bp
MYR (5YR)	3.462%	+0.0 bp	+1.3 bp
PHP (5YR)	5.561%	▼8.8 bp	▼1.4 bp
THB (5YR)	2.158%	▼1.2 bp	+1.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,012.14	▼1.01%	▼1.64%
N225 (JP)	29,842.99	+0.73%	+2.05%
STOXX 50 (EU)	4,315.51	▼0.02%	▼0.18%
ASX (AU)	4,224.76	▼0.29%	▼0.15%
STI (SG)	3,214.04	▼0.02%	▼0.89%
SHCOMP (CN)	3,290.99	▼0.60%	▼1.99%
SENSEX (IN)	61,932.47	▼0.66%	+0.28%
JSE (ID)	6,676.56	▼0.52%	▼1.53%
KLSE (MY)	1,423.50	+0.43%	▼0.64%
PSE (PH)	6,588.90	+1.01%	▼0.51%
SET (TH)	1,539.84	▼0.10%	▼1.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	259.89	▲0.67%	▲1.60%
COPPER (LME)	8,074.24	▲1.75%	▲5.70%
IRON ORE (CN)	107.07	▲0.02%	+1.78%
GOLD	1,989.17	▲1.35%	▲2.23%
OIL (WTI)	70.86	▼0.35%	▼3.87%

Three Take-aways:

- 1) Fed speak continue to espouse no cut view; debt talk progress is no easy relief as 'deadline' looms.
- 2) US retail sales recovery not entirely convincing as reflected by softer US equities.
- 3) China's dismal activity data drags the AUD and weighs on EM-Asia FX.

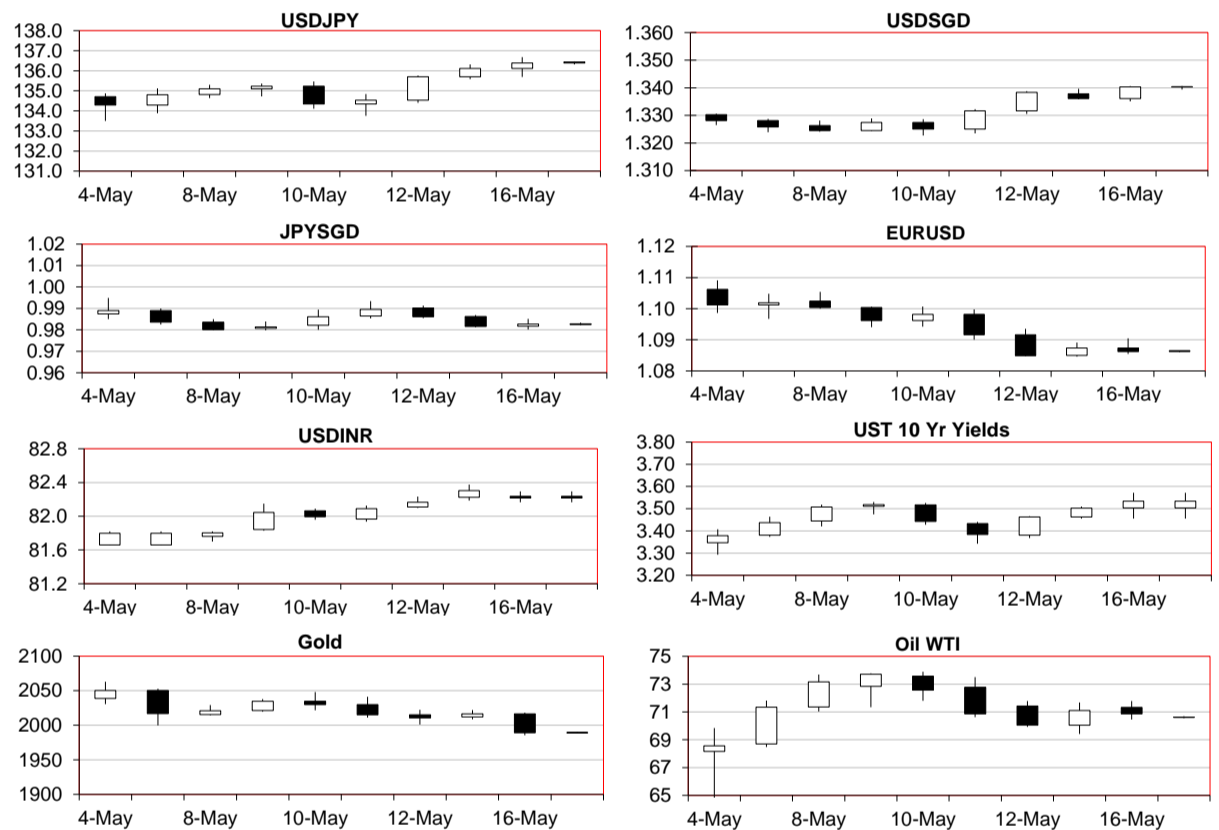
Unconvincing

- All round, markets look cautious as economic data and progress on debt talks remain unconvincing.
- Following fellow Fed colleagues, Mester, Williams and Barkin have all come out to point out optionality for more increases while refuting the possibility of cuts.
- **Barkin is yet to be convinced that inflation has been defeated** while Mester is markedly more hawkish starting that **rates are yet to reach sufficiently restrictive levels**.
- While the USTs sell off which led to 2Y yields rising 7.2bp (10Y: +3.2bp) also came alongside April's retail sales expansion, markets are still **nowhere near convinced on the absence of rate cuts** pricing in -80bps cut by end-23/early-24 despite this being shallower than -100bps cut last week.
- Notably, even the retail sales expansion (0.4% MoM in Apr) is **more recovery than resilience** coming off sharp contraction (-0.7% in March) and was actually significantly below market expectations. Feeling the disappointment, US equities were down across the board.
- **Anxiety also remains elevated** as working towards a debt ceiling deal is unable to incite much relief especially as **buffers run thin** and both sides remain **far from averting** a default.
- Amid attendant risk aversion and higher UST yields, the USD gained against all G10 peers.
- USD/JPY rose towards mid-136. EUR dipped towards mid-1.08 as **German investor sentiments and expectations soured**. AUD was near the bottom of the G10 pile as it plunged towards mid-0.66.
- The AUD faced pressure from the hit by **outrightly dismal China retail sales, industrial production and investment prints**. What's more, the RBA's minutes which displayed far more patience than the Fed which would tolerate some economic damage was certainly not helping the AUD.

OVERNIGHT RESULTS

(CH) Retail Sales/Ind Pdtm YoY (Apr): 18.4%/5.6% (Mkt: 21.9%/10.9%; Mar: 10.6%/3.9%) | (CH) Fixed Assets Ex Rural YTD YoY (Apr): 4.7% (Mkt: 5.7%; Mar: 5.1%) | (GE) ZEW Survey Expectations/Current Situation (May): -10.7/-34.8 (Mkt: -5.0/-37.0; Apr: 4.1/-32.5) | (EZ) GDP SA YoY (1Q P): 1.3% (Mkt: 1.3%; Prev: 1.3%) | (US) Industrial Production MoM (Apr): 0.5% (Mkt: 0.0%; Mar: 0.4%; Revised: 0.0%) | (US) Retail Sales Adv/Ex-Auto MoM (Apr): 0.4%/0.6% (Mkt: 0.8%/0.2%; Mar: -0.6%/-0.3%) |

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	136.43	EUR/USD	1.0866
USD/SGD	1.3404	USD/THB	34.09
JPY/SGD	0.9825	USD/MYR	4.500

Forecast

USD/JPY	134.80 - 136.80
EUR/USD	1.0820 - 1.0960
AUD/USD	0.6620 - 0.6700
USD/SGD	1.3350 - 1.3450
JPY/SGD	0.9759 - 0.9978
USD/CNH	6.9800 - 7.0200
USD/INR	82.10 - 82.50
USD/IDR	14720 - 14850
USD/MYR	4.490 - 4.510
USD/PHP	55.80 - 56.35
USD/THB	33.75 - 34.10

Today's Direction

	Bull	Bear
USD/SGD	5	1
USD/JPY	5	1

- Given the CNH weakening, SGD followed suit with the USD/SGD now above 1.34.

RBA: Patient But Not Unconditionally Tolerant

- The RBA's **patient but not unconditionally tolerant** approach was evident from the RBA's minutes (behind their decision to hike 25bp in May) released yesterday.
- By stating that inflation reaching the top of the target band by **mid-2025** was consistent with the RBA's mandate, tolerating 4 years of inflation exceeding target certainly requires much **patience**. Given this lengthy period being subject to potential upside risks such as surging rentals, population growth and productivity malaise, this inflation path remain a **tight one which has little room to accommodate such risks**.
- Furthermore, the RBA was willing to stay patient with a pause in April as they waited for inflation and labour data.
- **Nonetheless**, with a tight labour market and significant inflationary pressures the RBA showed that **their tolerance was not unconditional** as they hike policy rates by 25bp and **aligned with the technical assumption** that inflation projections were based on cash rate of 3.85%.
- A consequence of this alignment is that **data dependence becomes even more crucial** as upside inflation surprises will derail the RBA's inflation path and necessitate policy action as reflected by the RBA's **minutes stating that further increases may be required**.
- All in, with the RBA still seeking to traverse the **narrow path** of bringing inflation back to target, **pauses and even smaller calibrated increases** are now par for this narrow course.

FX Daily Outlook

- EUR/USD: With German sentiments souring, the EUR looks susceptible to mid-1.08 slippage.
- USD/JPY: Retaining buoyancy off 136 though GDP upside surprise may check rallies above 137.
- USD/SGD: Consolidation around both side of 1.34 as CNH look to test 7.
- AUD/USD: Patient RBA minutes and dismal China data pressures below 67 cents.

TODAY'S EVENTS

(JP) GDP Annualized SA QoQ (1Q P): 1.6% (Mkt: 0.8%; 4Q: 0.1%) | (JP) GDP Deflator YoY (1Q P): 2.0% (Mkt: 2.1%; 4Q: 1.2%)
 (SG) Non-oil Domestic Exports/Electronics Exports YoY (Apr): (Mkt: -9.7%/--; Mar: -8.3%/-22.3%)
 (AU) Wage Price Index YoY (Q1): (Mkt: 3.6%; 3.3%) | (EZ) CPI/Core YoY (Apr F): (Mkt: 7.0%/5.6%; Prelim: 6.9%/5.6%)
 (US) Housing Starts/Building Permits (Apr): (Mkt: 1400k/1434k; Mar: 1420k/1430k)
Central Banks: Fed's Mester, Barr, Goolsbee, Williams and Logan Speaks

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