

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.98	137.68	+1.29	+3.34
EUR	1.0833	1.0840	▼0.0022	▼0.0142
AUD	0.6631	0.6660	+0.0004	▼0.0119
SGD	1.3434	1.3421	+0.0018	+0.0171
CNY	7.0011	6.9965	+0.0192	+0.0661
INR	82.41	82.39	+0.17	+0.40
IDR	14868	14865	+45	+140
MYR	4.5246	4.5262	+0.0272	+0.0677
PHP	56.17	56.20	+0.13	+0.51
THB	34.23	34.26	+0.30	+0.59

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.564%	+3.0 bp	+12.2 bp
JPY (10YR)	0.370%	▼2.7 bp	▼5.5 bp
EUR* (10YR)	2.336%	▼1.7 bp	+4.8 bp
AUD (5YR)	3.168%	+2.3 bp	▼1.2 bp
SGD (5YR)	2.710%	+1.6 bp	▼3.0 bp
CNY (5YR)	2.554%	+1.0 bp	▼0.6 bp
INR (5YR)	6.894%	▼3.3 bp	▼9.1 bp
IDR (5YR)	6.080%	▼0.5 bp	▼10.2 bp
MYR (5YR)	3.489%	+2.7 bp	+2.2 bp
PHP (5YR)	5.538%	▼2.3 bp	▼4.3 bp
THB (5YR)	2.172%	+1.4 bp	+3.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,420.77	+1.24%	▼0.33%
N225 (JP)	30,093.59	+0.84%	+3.34%
STOXX 50 (EU)	4,323.23	+0.18%	+0.38%
ASX (AU)	4,210.17	▼0.35%	▼0.24%
STI (SG)	3,173.84	▼1.25%	▼2.11%
SHCOMP (CN)	3,284.23	▼0.21%	▼1.05%
SENSEX (IN)	61,560.64	▼0.60%	▼0.61%
JSE (ID)	6,663.11	▼0.20%	▼2.18%
KLSE (MY)	1,424.34	+0.06%	▼0.09%
PSE (PH)	6,635.11	+0.70%	▼0.35%
SET (TH)	1,522.74	▼1.11%	▼2.98%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.28	+0.92%	+0.02%
COPPER (LME)	8,262.75	+2.33%	▲2.06%
IRON ORE (CN)	108.53	+1.36%	+2.08%
GOLD	1,981.84	▲0.37%	▲2.38%
OIL (WTI)	72.83	+2.78%	+0.37%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	137.61	EUR/USD	1.0838
USD/SGD	1.3426	USD/THB	34.27
JPY/SGD	0.9757	USD/MYR	4.522

Forecast

USD/JPY	136.00	-	137.50
EUR/USD	1.0800	-	1.0900
AUD/USD	0.6620	-	0.6700
USD/SGD	1.3400	-	1.3450
JPY/SGD	0.9745	-	0.9890
USD/CNH	7.0000	-	7.0200
USD/INR	82.20	-	82.50
USD/IDR	14850	-	14900
USD/MYR	4.510	-	4.530
USD/PHP	56.00	-	56.35
USD/THB	34.10	-	34.40

Today's Direction

	Bull		Bear
USD/SGD	7	:	1
USD/JPY	5	:	3

Three Take-aways:

- 1) Optimism on debt ceiling talks buoyed sentiments supported equities and sent UST yields higher.
- 2) Worst case aversion does not lift growth worries while commodity price recoveries are far from rallies.
- 3) The BSP will hold policy rates after the third good inflation print for April and preserve growth gains.

Breakthrough?

- Despite US President Joe Biden heading to G7 summit in Japan, markets have **turned seemingly optimistic** on background negotiators' ability to reach a **deal** on raising the debt ceiling **this week**. Without a doubt, no deal is not an option for the US or anyone else.
- US equities recovered across the board with the Nasdaq up 1.3% while the Dow and S&P 500 rose 1.2% alongside some easing of deposit concerns of regional banks.
- Amid the **improved sentiments**, USTs were sold off as 2Y yields ascended by an emphatic 7.2 bps which implies a ~16bp increase for this week thus far. On the longer end, 10Y UST yields increased by 3.0bp as the yield curve bear flattened.
- Notably, with the Fed's preferred recession indicator (18M-3M spread) at an inversion of a staggering 175bps, there is **little breakthrough on lifting growth worries**. Philadelphia Fed survey alongside another print of the initial jobless claims tonight will hopefully provide a clearer take.
- With the pull of higher UST yields, the USD strengthened against most G10 peers. That said, the recovery of Brent crude prices towards US\$77/barrel provided support for commodity currencies such as the AUD which stayed flat around mid-0.66. USD/JPY soared above mid-137 as haven allure faded and higher UST yields and energy prices weighed on the JPY; EUR slipped below mid-1.08.
- In EM-Asia, USD/SGD continued to inch higher alongside USD/CNH which is now resting above 7.0.
- The THB has given up all of its gains in May as USD/THB soared above 34.2. **Hardly any breakthrough on government formation** with Pita's bid for PM being an uphill challenge against a pro-Monarchy senate and a pro-Monarchy party which came in third with 70 seats.

OVERNIGHT RESULTS

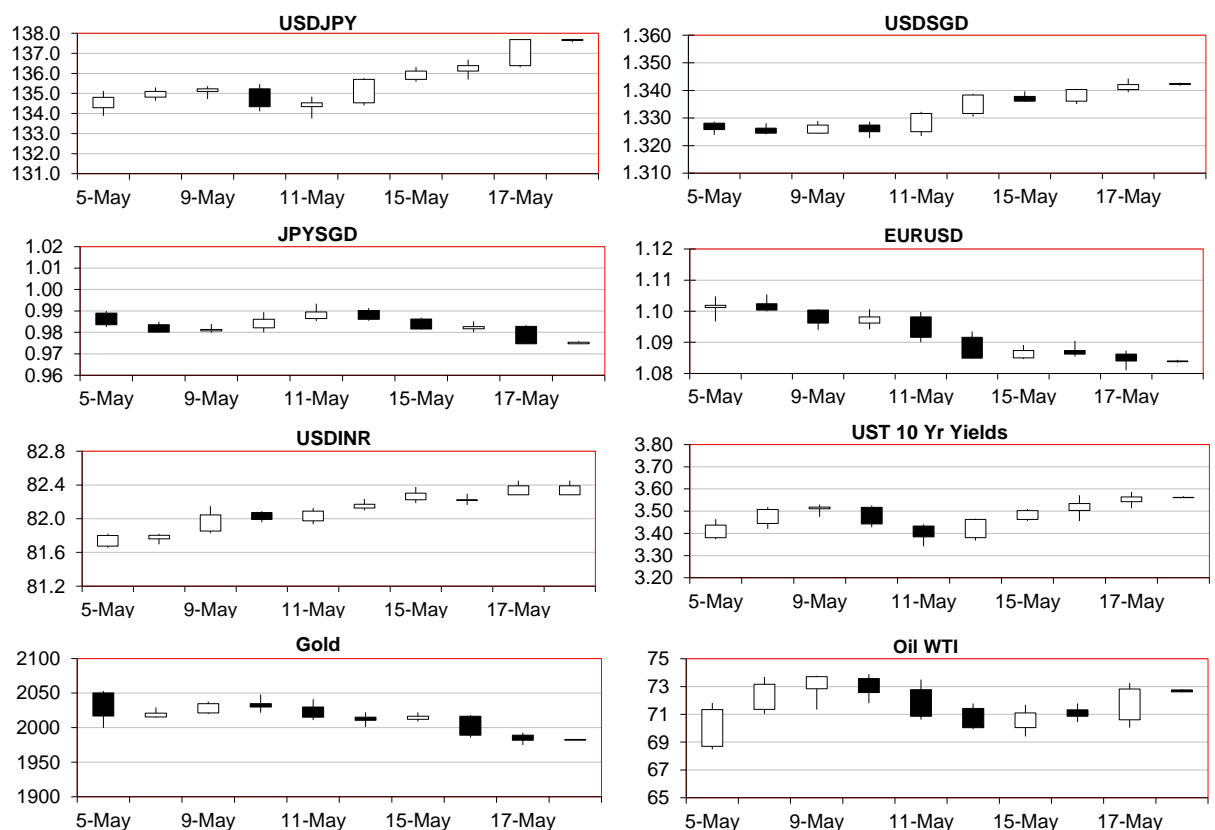
(SG) Non-oil Domestic Exports/Electronics Exports YoY (Apr): 2.7%/-23.3% (Mkt: -9.7%/--; Mar: -8.3%/-22.3%)

(AU) Wage Price Index YoY (Q1): 3.7% (Mkt: 3.6%; 3.3% Revised: 3.4%) |

(EZ) CPI/Core YoY (Apr F): 7.0%/5.6% (Mkt: 7.0%/5.6%; Prelim: 6.9%/5.6%)

(US) Housing Starts/Building Permits (Apr): 1401k/1416k (Mkt: 1400k/1434k; Mar: 1420k/1430k)

* Past Two Weeks Movement *



BSP: 3 Good Prints?

- After hiking rates by 425bps, their **meeting on 18 May** will be an apt juncture for **the BSP to hold their policy rate** to assess the dis-inflation trajectory and hold onto growth gains thus far.
- Afterall, BSP Governor Medalla had said that **"3 good prints in a row, and we would be in a position to pause."** The third good print was the **sequential MoM decline** in headline CPI which **culminated in April's 6.6% YoY print** as declines in food, gas and diesel prices provided much needed respite for cost of living issues.
- To be clear, given the BSP's inflation target of 2-4% range, coming close to the upper limit is looking probable in H2 2022.
- Nonetheless, **beneath the "good" print**, services inflation continues to be a challenge as cost of eating out at restaurants, accommodation cost and recreation inflation rise.
- Reflecting these pressures, **core inflation edged down a mere 0.1% point from 8.0% in March to 7.9% in April**. The implication being that the headline inflation is unlikely to settle comfortably within the BSP target this year.
- Meanwhile on the growth front, the BSP will look to preserve the underlying momentum.
- While Q1 GDP printed at a respectable 6.4%, household consumption dropped from 7% YoY in Q4 2022 to 6.3% in Q1 2023 as household budgets are eroded by inflation and remittances slip.
- Upshot being, **the BSP remains inclined to pause their rate hiking cycle in hope of more good prints ahead**.

FX Daily Outlook

- EUR/USD: Below mid-1.08 consolidation as UST yields assert.
- USD/JPY: Buoyancy enhanced at 137 as higher UST yields and oil prices intertwined.
- USD/SGD: Pair may continue to float above 1.34 as CNH recovery not in sight.
- AUD/USD: Rallies on jobs report watched but 67 cents remain a lid.

TODAY'S EVENTS

(JP) Trade Balance (Apr): -¥432.4b (Mkt: -¥600.0b; Mar: -¥755.1b) |

(AU) Employment Change/Unemployment Rate (Apr): (Mkt: 25.0k/3.5%; Mar: 53.0k; 3.5%)

(US) Initial Jobless Claims (13 May): (Mkt: 253k; Prev Wk: 264k) | (US) Leading Index (Apr): (Mkt: -0.6%; Mar: -1.2%)

(US) Philadelphia Fed Business Outlook (May): (Mkt: -20.0; Apr: -31.3)

Central Banks: BSP Monetary Policy Decision | Fed's Jefferson, Barr, Logan speaks

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