

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	137.83	138.71	+1.03	+4.18
EUR	1.0815	1.0770	▼0.0070	▼0.0146
AUD	0.6636	0.6622	▼0.0038	▼0.0080
SGD	1.3448	1.3479	+0.0058	+0.0163
CNY	7.0280	7.0375	+0.0410	+0.0886
INR	82.55	82.59	+0.20	+0.51
IDR	14868	14865	+0	+141
MYR	4.5319	4.5380	+0.0118	+0.0740
PHP	55.88	55.89	▼0.30	+0.13
THB	34.31	34.34	+0.08	+0.61

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.646%	+8.2 bp	+26.1 bp
JPY (10YR)	0.382%	+1.2 bp	▼1.6 bp
EUR* (10YR)	2.446%	+11.0 bp	+22.1 bp
AUD (5YR)	3.235%	+6.7 bp	+11.9 bp
SGD (5YR)	2.738%	+2.8 bp	+5.9 bp
CNY (5YR)	2.556%	+0.2 bp	+3.4 bp
INR (5YR)	6.923%	+2.9 bp	▼4.9 bp
IDR (5YR)	6.080%	+0.0 bp	▼3.5 bp
MYR (5YR)	3.499%	+1.0 bp	+4.5 bp
PHP (5YR)	5.533%	▼0.5 bp	▼12.0 bp
THB (5YR)	2.171%	▼0.2 bp	+4.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,535.91	+0.34%	+0.68%
N225 (JP)	30,573.93	+1.60%	+4.97%
STOXX 50 (EU)	4,367.45	+1.02%	+1.34%
ASX (AU)	4,221.45	+0.27%	+0.15%
STI (SG)	3,182.55	+0.27%	▼1.46%
SHCOMP (CN)	3,297.32	+0.40%	▼0.37%
SENSEX (IN)	61,431.74	▼0.21%	▼0.76%
JSE (ID)	6,663.11	+0.00%	▼1.37%
KLSE (MY)	1,428.04	+0.26%	+0.20%
PSE (PH)	6,628.64	▼0.10%	▼0.70%
SET (TH)	1,526.69	+0.26%	▼2.60%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	261.66	▲0.24%	+1.43%
COPPER (LME)	8,128.48	▲1.63%	▲0.06%
IRON ORE (CN)	107.83	▲0.64%	+4.61%
GOLD	1,957.55	▲1.23%	▲2.85%
OIL (WTI)	71.86	▼1.33%	+1.40%

Three Take-aways:

- 1) McCarthy "see(ing) a path" to raise debt ceiling triggers relief rallies and solid USD surge.
- 2) But with two weeks left, brinkmanship may delay a breakthrough. Watch for volatility.
- 3) Despite a likely Fed pause, slower EM Asia dis-inflation keeps macro risks intact.

Debt Ceiling: Relief & Reservations

- Republican House Speaker Kevin McCarthy's suggestion that he "can see a path" to raise the debt ceiling as early as next week triggered another surge of relief.

- Wall St exuberance was extended with a 1.5% rally in Nasdaq and 0.9% lift in S&P500. - And this time, the Fed was not in the driver's seat, but instead being driven. The give away were that relief about debt ceiling meltdown averted;

i) nudged up June rate hike expectations;

ii) thereby sending yields (led by front-end) higher, and;

iii) solidly lifted USD (on higher yields and reversal of debt ceiling sell-off).

- But with a couple of weeks left before the US Treasury completely exhausts its fund, and therefore (time) left to haggle over the deal, our reservation is that this dangling of a deal may merely set the stage for interim brinkmanship rather than an imminent breakthrough.

- In which case, it's not just presumptuous, but perhaps foolhardy, to expect that markets will coast through with an unfettered bullish tailwind. Instead, baring for volatility hidden in plain sight is a far better approach to this familiar movie on brinkmanship.

- On the Fed, despite mutterings of a hawkish bias, and openness to further hikes, the bar for a June hike is rather high. Instead a hawkish-leaning pause, may be the sweet spot from which to observe and ascertain the extent of unplanned (post-SVB) credit tightening.

EM Asia Inflation: Relief & Reservations

- Admittedly, there is bona fide cause for relief about EM Asia's dis-inflation distinctly getting underway. India's inflation below 5% alongside China's virtually zero CPI (negative PPI) are solid anchors for the case. And ex-China Asia* inflation has declined 180bp to 4.2%.

OVERNIGHT RESULTS

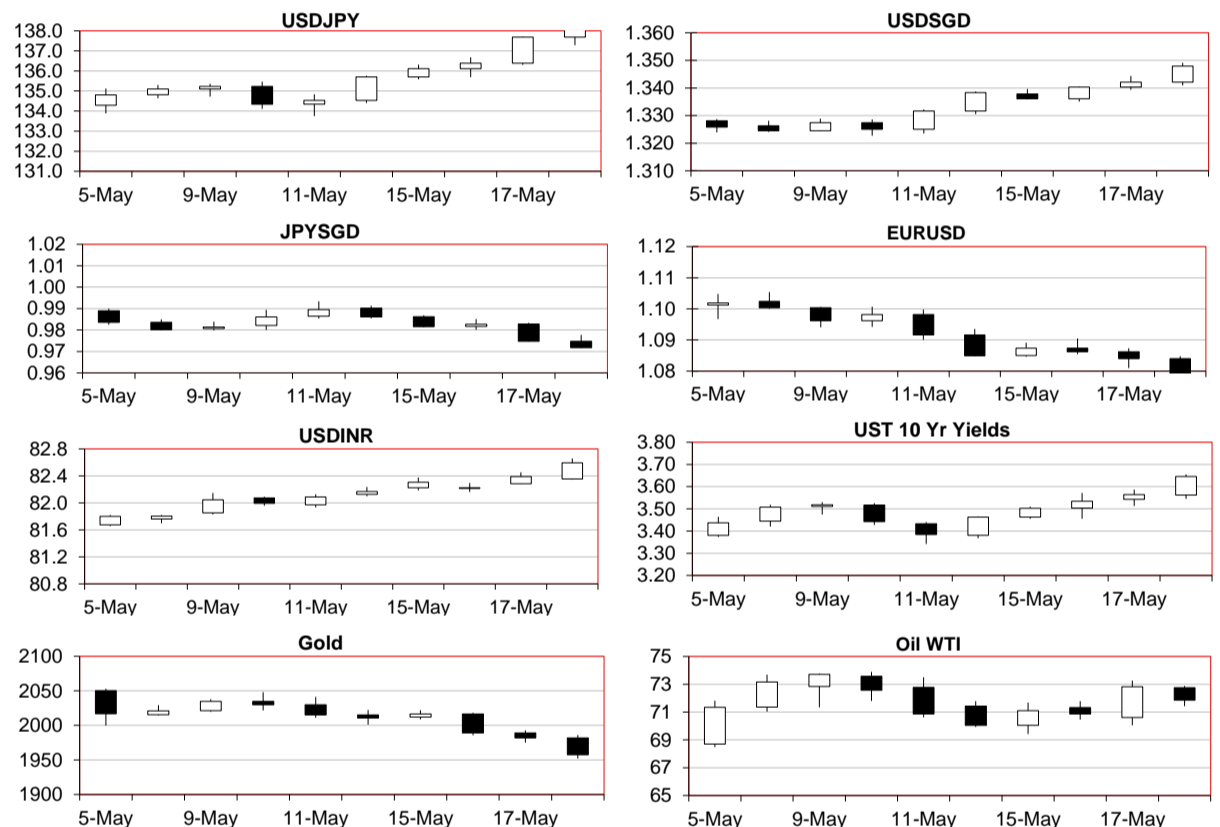
(AU) Emp. Chg/F-T/P-T (Apr): -4.3K/-21.7K/22.8K (Mkt: 25.0K/--/--; Mar: 61.1K/82.5K/-21.4K)

(AU) Unemployment/Participation rate (Apr): -3.7%/66.7% (Mkt: 3.5%; Mar: 3.5%/66.8%)

(US) Initial Jobless Claims (13 May): 242K (Mkt: 253k; Prev Wk: 264k) | (US) Leading Index (Apr): -0.6% (Mkt: -0.6%; Mar: -1.2%)

(US) Philly Fed (May): -10.4 (Mkt: -20.0; Apr: -31.3) | (US) Existing Homes Sales (Apr): 4.28mn (Mkt: 4.30m; Mar: 4.43mn)

Past Two Weeks Movement



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	4.542

Forecast

USD/JPY	137.60	-	139.30
EUR/USD	1.0700	-	1.0850
AUD/USD	0.6580	-	0.6890
USD/SGD	1.3420	-	1.3500
JPY/SGD	0.9634	-	0.9811
USD/CNH	7.0330	-	7.0750
USD/INR	82.45	-	83.00
USD/IDR	14830	-	14930
USD/MYR	4.538	-	4.554
USD/PHP	55.80	-	56.35
USD/THB	34.30	-	34.60

Today's Direction

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

- To be sure, the dis-inflation trend in EM Asia is likely to remain intact; as pent-up demand subsides, energy dis-inflation extends and favourable base effects kicking in for good measure.

- But the caveat is that dis-inflation will be neither rapid nor uninterrupted.

- Crucially, our reservation is that EM Asia's dis-inflation may be somewhat more impeded (at least at the margin) as compared to of the US or most of the G10.

- Partly, this may be owed to the uncharacteristically lower starting point of inflation in EM Asia vis-a-vis the US and Europe; which means that US and European inflation has further to fall.

- But that arithmetic quirk is not the fundamental reason for our reservation.

- Whereas, more prominently, as a by-product of emphatic tourism revival, which is essentially a lagged pass-through of the post-COVID phenomenon of goods-to-services demand re-balancing.

- What's more, fiscal strains coming home to roost, forcing an erosion of subsidies, could also hamper the relative dis-inflationary trajectory in EM Asia. a

- Especially as lagged inflation payback (even if diminished) filters through.

- Another reservation is that as US inflation falls more rapidly, thereby driving down relative real returns in EM Asia, resultant fits of depreciation in EM Asia FX could elevate imported inflation.

- Further down the road, mounting geo-political risks, may eventually start to solidify the threat of a structural lift in baseline inflation.

- This, as a fragmentation, if not fracturing, of supply-chains conspires with inefficiencies of hoarding strategic stockpiles to impose additional costs across the supply-chains.

FX Daily Outlook

- EUR/USD: As USD squeeze and surging UST yields bear down; sub-1.07 may be next test.

- USD/JPY: Surging UST yields and relief rallies ("risk on") conspire to lift; 139 watched.

- USD/SGD: Slumping CNH drags SGD along with it; breakout to 1.35 cannot be dismissed.

- AUD/USD: Tyranny of softer commodities and higher UST yields/USD may test below 66cents.

TODAY'S EVENTS

(JP) CPI/Ex-Fresh Food/Ex-Fresh Food & Energy YoY (Apr): 3.5%/3.4%/4.1% (Mkt: 3.5%/3.4%/4.2%; Mar: 3.2%/3.1%/3.8%)

(JP) Tertiary Index MoM (Mar): (Mkt: 0.3%; Feb: 0.7%) | (MY) Trade Bal (Apr): (Mkt: MYR21.20b; Mar: MYR26.69b)

(MY) Exports/Imports YoY (Apr): (Mkt: -5.0%/-2.4%; Mar: -1.4%/-1.8%)

Central Banks: Fed's Williams, Bowman & Powell speak | ECB Publishes Bulletin | ECB's Schnabel & Lagarde speak

* This is approximation of average inflation of ASEAN-6, India & Korea

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