

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	138.39	138.59	▼0.01	+2.20
EUR	1.0802	1.0770	▼0.0043	▼0.0092
AUD	0.6628	0.6610	▼0.0043	▼0.0046
SGD	1.3450	1.3472	+0.0006	+0.0069
CNY	7.0512	7.0560	+0.0240	+0.0787
INR	82.83	82.80	▼0.03	+0.59
IDR	14876	14875	▼15	+55
MYR	4.5690	4.5725	+0.0233	+0.0735
PHP	55.74	55.73	▼0.10	▼0.33
THB	34.70	34.60	+0.14	+0.50

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.692%	▼2.3 bp	+15.8 bp
JPY (10YR)	0.404%	+1.1 bp	+0.7 bp
EUR* (10YR)	2.469%	+1.0 bp	+11.6 bp
AUD (5YR)	3.402%	+7.0 bp	+25.7 bp
SGD (5YR)	2.931%	+10.5 bp	+23.7 bp
CNY (5YR)	2.478%	▼4.4 bp	▼6.6 bp
INR (5YR)	6.916%	+4.5 bp	▼1.1 bp
IDR (5YR)	6.099%	▼1.0 bp	+1.4 bp
MYR (5YR)	3.518%	+0.9 bp	+5.6 bp
PHP (5YR)	5.606%	+6.5 bp	+4.5 bp
THB (5YR)	2.199%	+0.7 bp	+4.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,055.51	▼0.69%	+0.13%
N225 (JP)	30,957.77	▼0.42%	+3.74%
STOXX 50 (EU)	4,342.38	▼0.99%	+0.62%
ASX (AU)	4,228.38	▼0.14%	+0.09%
STI (SG)	3,218.08	+0.22%	+0.13%
SHCOMP (CN)	3,246.24	▼1.52%	▼1.36%
SENSEX (IN)	61,981.79	+0.03%	+0.08%
JSE (ID)	6,736.68	+0.10%	+0.90%
KLSE (MY)	1,411.54	▼0.53%	▼0.84%
PSE (PH)	6,603.56	▼0.26%	+0.22%
SET (TH)	1,534.84	+0.37%	▼0.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	261.21	▲0.14%	+0.51%
COPPER (LME)	8,035.74	▲0.32%	▲0.48%
IRON ORE (CN)	105.39	▲0.88%	▲1.57%
GOLD	1,975.23	+0.17%	▲0.70%
OIL (WTI)	72.91	+1.28%	+2.89%

Three Take-aways:

- 1) Debt ceiling disappointments on "not (being) anywhere close" to a deal dent risk sentiments.
- 2) The SBV cut Refinancing rate by 50bp to 5.00% amid worries of a power crunch intensifying pain.
- 3) FOMC Minutes are unlikely to be revelatory; perhaps suggesting a likely hawkish pause.

Between "Productive" & Conclusive

- Despite President Biden politely characterizing debt ceiling negotiations as "productive", McCarthy's comments have thrown cold water. Especially his allusion to "not anywhere close" to striking a deal and suggesting Democrats' current spending plan was "the red line".

- Equities slipped back, paying back for premature optimism around a debt deal. To be sure, we are of the view that this will be resolved. But not without brinksmanship and blame-shifting; which we have warned about. Long-end yields have slipped and USD is firmer; as EUR is treads water above mid-1.07, USD/JPY at mid-138 and USD/SGD at mid-1.34. AUD slipping to 0.66 test.

- For now, it pays to differentiate "productive" from "conclusive". To paraphrase Alfred Montapert, "not all motion is progress". Expect the road to a debt deal to be bumpy.

SBV Cuts by 50bp

- The State Bank of Vietnam (SBV) cut the Refinancing rate by 50bp to 5.00% (effective 25th May), citing the need to "improve access to capital/credit" to "support production recovery".

- We had flagged an impending cut by the SBV in our report yesterday (Mizuho Chart Speak - Vietnam: Crunch Time, 23rd May 2023*), linking the heat wave, sharply lower water levels, the consequent (hydro-)power crunch and in turn, adversely impacted industrial (and farm) output.

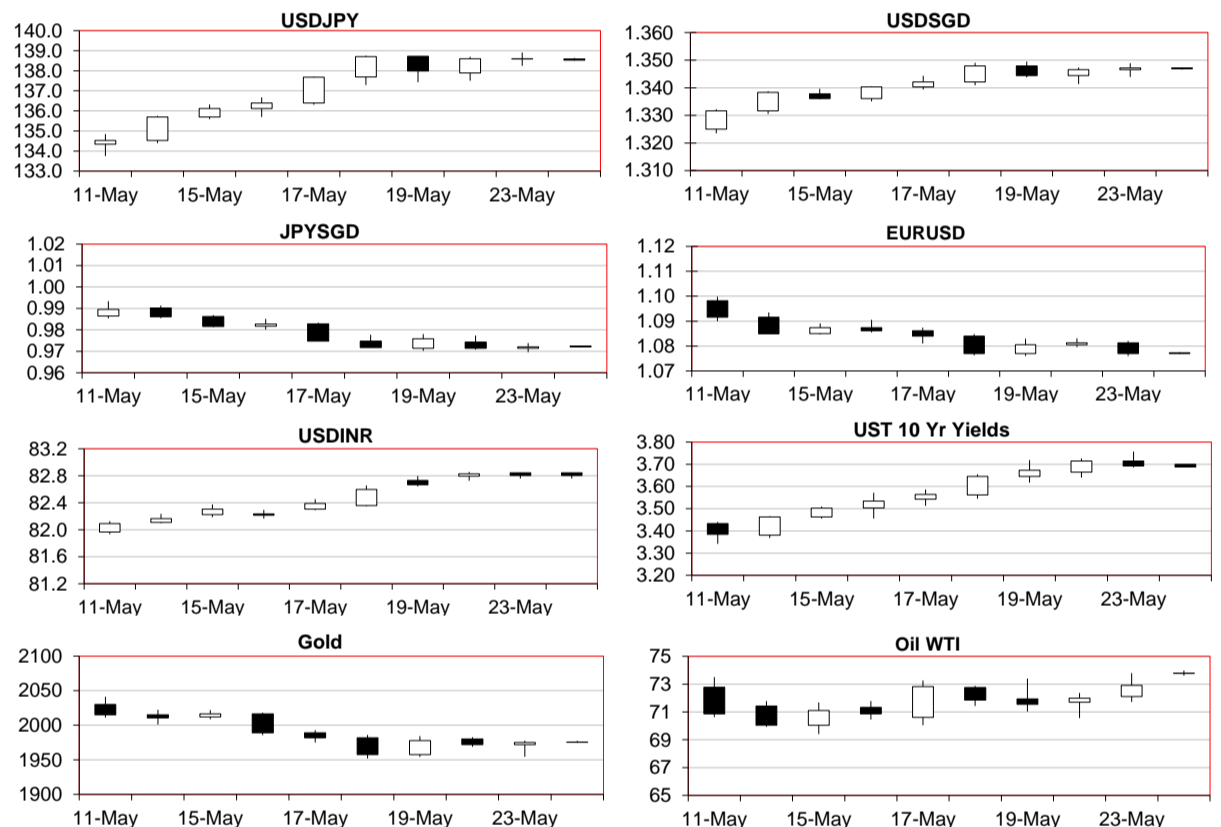
- Specifically, with nearly a third of Vietnam's power coming from hydro-electric generation, falling reservoir levels inflict an intense power crunch; resulting in a supply-side squeeze (both power availability and higher cost energy of imports) that adversely impacts production that is already impacted by a global manufacturing down-cycle.

- On paper, the SBV's policy dilemma from simultaneously higher costs and sharply lower output is amplified. But in effect, the worry is a deflationary collapse amid tightening credit. And so, alongside moral suasion for greater credit access, the cut we flagged is validated.

- But nothing is without a cost. And so, our warning of VND/macro-stability risks if wrong-footed by wobbling CNH and/or risks sentiments is also par for a loosening course.

OVERNIGHT RESULTS

(EZ) PMI - Mfg/Svcs. (May P): 44.6/55.9 (Mkt: 46.0/55.5; Apr: 45.8/56.2) | (US) Philly Fed Non-Mfg (May): -16.0 (Apr: -22.8) | (US) Fed Bond Mfg (May): 19.9 (Apr: -10)


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	138.60	EUR/USD	1.0770
USD/SGD	1.3470	USD/THB	34.62
JPY/SGD	0.9719	USD/MYR	4.572

Forecast

USD/JPY	137.80 - 139.30
EUR/USD	1.0730 - 1.0850
AUD/USD	0.6570 - 0.6670
USD/SGD	1.3420 - 1.3500
JPY/SGD	0.9634 - 0.9797
USD/CNH	7.0500 - 7.0800
USD/INR	82.60 - 83.05
USD/IDR	14850 - 15000
USD/MYR	4.568 - 4.588
USD/PHP	55.55 - 56.00
USD/THB	34.38 - 34.80

Today's Direction

	Bull	Bear
USD/SGD	4	5
USD/JPY	5	4

FOMC Minutes: No Revelations

- There will be no revelations in the May FOMC Minutes.

- Partly because of the rapidly evolving circumstances to which the Fed will have to dynamically respond. But mostly because the Fed has already revealed its hand for all to see.

- The upshot is that the Fed is now comfortable with a hawkish pause, whilst active assessment around how much further it may (or may not) need to calibrate rates higher.

- To be sure, the Fed's rapid-fire series of hikes to lift the Fed Fund rate by 500bp since March last year, is deemed to be significantly restrictive; providing policy space to pause and assess.

- Admittedly, if the Fed makes any move in June, it is more likely to be a hike.

- But only if warranted. And even then such a hike will be neither urgent nor massive.

- What's pivotal for the policy path forward is that the Fed's current (hard-earned) patience is premised on two critical assessments, that require time to assess. First, is in-coming data confirming if inflation has eased alongside wage-price risks from a hot job market.

- Second and arguably most importantly, will be the degree of inadvertent (and unintended) credit tightening from US banking sector turbulence, which may well do a lot of policy lifting; possibly even too much! As such, a hawkish June pause will be the most optimal outcome for a Fed that can well afford to be measured both in quantum and timing.

- Finally, for the record, the debt ceiling crisis should not sway the Fed significantly;

- neither unleashing imminent hikes nor flipping the Fed into rate cuts.

FX Daily Outlook

- EUR/USD: Maintaining sub-1.08 traction rather than slipping to/below mid-1.07 is the challenge.

- USD/JPY: Some reprieve from UST yields and "risk off" but buoyant around 138-139.

- USD/SGD: Further CNH slippage could imperil the barrier at 1.35.

- AUD/USD: Weaker risks sentiments remains a bugbear; (sub-)0.66 test may be on the cards.

TODAY'S EVENTS

(KR) Business Survey Mfg/Non-Manufacturing (Jun): 73/78 (Apr: 72/76)

(JP) Machine Tool Orders YoY (Apr F): (prelim: -14.4%) |

(GE) IFO Business Climate/Expectations (May): (Mkt: 93.0/91.7, Apr: 93.6/92.2)

Central Banks: Fed's Waller | FOMC Meeting Minutes

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