

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	138.65	139.47	+0.88	+1.79
EUR	1.0785	1.0750	▼0.0020	▼0.0090
AUD	0.6571	0.6544	▼0.0066	▼0.0116
SGD	1.3475	1.3495	+0.0023	+0.0074
CNY	7.0520	7.0609	+0.0049	+0.0644
INR	82.74	82.67	▼0.14	+0.28
IDR	14903	14905	+25	+40
MYR	4.5903	4.5935	+0.0210	+0.0673
PHP	55.77	55.79	+0.05	▼0.41
THB	34.57	34.54	▼0.14	+0.28

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.742%	+5.0 bp	+17.8 bp
JPY (10YR)	0.414%	+1.0 bp	+4.4 bp
EUR* (10YR)	2.472%	+0.3 bp	+13.6 bp
AUD (5YR)	3.372%	▼3.0 bp	+20.4 bp
SGD (5YR)	2.929%	▼0.2 bp	+21.9 bp
CNY (5YR)	2.487%	+0.9 bp	▼6.7 bp
INR (5YR)	6.916%	+0.0 bp	+2.2 bp
IDR (5YR)	6.076%	▼2.3 bp	▼0.4 bp
MYR (5YR)	3.518%	+0.0 bp	+2.9 bp
PHP (5YR)	5.632%	+2.6 bp	+9.4 bp
THB (5YR)	2.213%	+1.4 bp	+4.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,799.92	▼0.77%	▼1.86%
N225 (JP)	30,682.68	▼0.89%	+1.96%
STOXX 50 (EU)	4,263.74	▼1.81%	▼1.38%
ASX (AU)	4,156.82	▼1.69%	▼1.27%
STI (SG)	3,214.21	▼0.12%	+1.27%
SHCOMP (CN)	3,204.75	▼1.28%	▼2.42%
SENSEX (IN)	61,773.78	▼0.34%	+0.35%
JSE (ID)	6,745.80	+0.14%	+1.24%
KLSE (MY)	1,409.62	▼0.14%	▼1.03%
PSE (PH)	6,615.95	+0.19%	▼0.29%
SET (TH)	1,536.51	+0.11%	+0.90%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.70	+0.57%	+0.16%
COPPER (LME)	7,851.75	▲2.29%	▲4.97%
IRON ORE (CN)	103.91	▲1.40%	▲4.26%
GOLD	1,957.16	▲0.91%	▲1.25%
OIL (WTI)	74.34	+1.96%	+2.07%

**Three Take-aways:**

- 1) Hawkish speeches may not be inconsistent with June pause; data dependence re-iterated.
- 2) US credit ratings placed on Negative Watch by Fitch leading to knee jerk haven reactions.
- 3) BI and BoK to stand pat on policy. BI leans on inflation relief but BoK is gripped by growth fears.

**Skipping and Watching**

- FOMC minutes confirmed hawkish tendencies of some officials who may be supportive on further raises in policy rates if progress in returning to 2% is **unacceptably slow**.

- While Fed Governor Waller has indicated that he does not support stopping rate hikes unless he sees clear evidence on inflation, it is worth noting that he mentioned the possibility of "skipping" in June depending on the incoming data (payroll report and CPI print). This "skipping" in fact **aligns his hawkish views** with Fed Chair Powell's allusion to being able to afford to **watch the data**.

- Nonetheless, at this juncture, markets remain fixated on US debt ceiling negotiations and **unable to derive much cheer** from Speaker McCarthy's optimism that there is time to reach an agreement.

- The **anxiety was certainly taken up a notch this morning as Fitch placed US credit ratings on a Negative Watch for a potential downgrade** despite explicit expectations for a resolution before the X-date. Amid hawkish Fed tendencies and debt default fears, US Treasuries sold off as 2Y yields soared 11.1bp while 10Y yields rose 5.0bps. US equities dropped across the board by 0.6-0.8%.

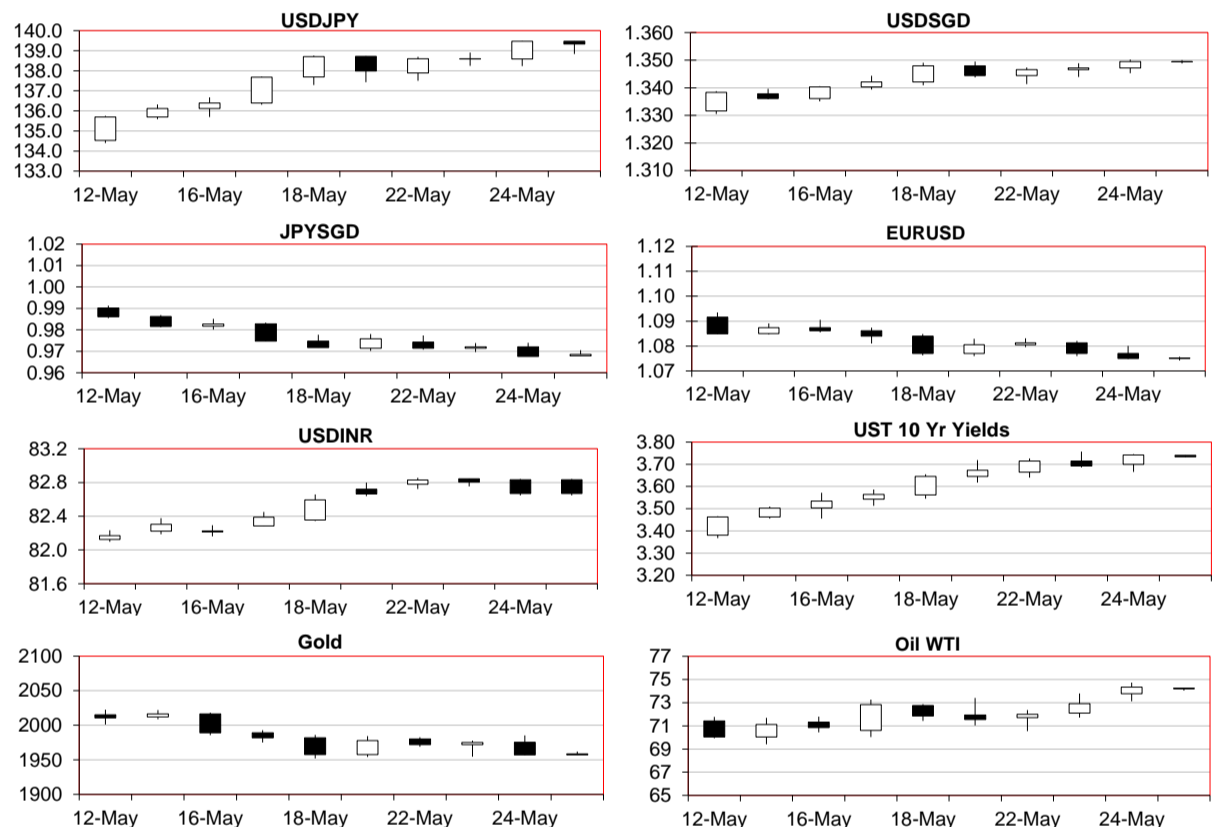
- The USD gained against G10 peers with the Kiwi leading losses as the RBNZ signalled that rates might have peaked. Spillover to the AUD was evident as it dropped towards 65 cents. EUR dribbled lower towards mid-1.07. While USD/JPY rose above 139, the **knee jerk reactions on haven demand** resulting on reports of the Fitch's actions is an early preview of what's to come when anxiety heightens as deadlines inched closer. USD/SGD is approaching 1.35.

**Bank Indonesia: Pauses and Patience**

- The case for BI to **hold onto current policy settings today** has **strengthened** since their previous meeting as headline inflation at 4.3% in April is a very tolerable distance from their 4% upper limit while **core inflation** has inched down to 2.8%. While IDR has performed reasonably thus far, **durability of external support** ought to be under scrutiny despite higher trade balances in April.

**OVERNIGHT RESULTS**

(JP) Machine Tool Orders YoY (Apr F): -14.4% (prelim: -14.4%) | (GE) IFO Business Climate/Expectations (May): 91.7/88.6 (Mkt: 93.0/91.7, Apr: 93.6/92.2)

**Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	139.30	EUR/USD	1.0756
USD/SGD	1.3491	USD/THB	34.67
JPY/SGD	0.9685	USD/MYR	4.595

**Forecast**

USD/JPY	138.20	-	139.60
EUR/USD	1.0700	-	1.0800
AUD/USD	0.6500	-	0.6600
USD/SGD	1.3440	-	1.3530
JPY/SGD	0.9628	-	0.9790
USD/CNH	7.0500	-	7.0800
USD/INR	82.60	-	82.90
USD/IDR	14850	-	15000
USD/MYR	4.580	-	4.610
USD/PHP	55.55	-	56.00
USD/THB	34.38	-	34.80

**Today's Direction**

	Bull	:	Bear
USD/SGD	6	:	0
USD/JPY	4	:	2

- Reason being that the deep import contraction from lower spending on capital goods which may underscore poor business confidence had offset the lower export revenues due to a plunge in demand for precious metals and may signal slowdown in coal demand.

- All said, BI will stand pat on policy rate while readying other tools to bolster IDR stability.

**BoK: Two Way Fears**

- While the **BoK is also likely to continue to their policy rate hold** on 25 May, it tells of **growth worries rather than inflation relief**. Simply put, **this hold is borne of fear on both fronts**.

- First, **inflation looks worryingly sticky** with core inflation at 4% in April now exceeding headline inflation which is at 3.7%. Amid a **tight labour market** which recorded 5.6% YoY wage gain in Feb, real household incomes look to continue to hold up but unlikely a cause for growth boost.

- Second, with upwardly adjusted electricity and gas charges, **cost pressures are given stronger underpinnings** despite these administrative fees will not move the needle on headline inflation figures. Transport cost such as subway fare are also at risk of an upward revision in H2 2023.

- Third, a weakening KRW dampens the relief from milder energy prices on imported inflation.

- All in, **inflation risks remain tilted to the upside** and as such the **door on further hikes is certainly not a closed one for the BoK**.

- Nonetheless, **growth concerns continue to weigh heavily** with **Q1's growth expansion not even fully making up for Q4's contraction**. On top of semiconductor demand concerns, **project funding worries** persist alongside **house prices which are still declining** albeit at a slower pace.

- The **BoK may opt to wait for further uptick** in growth indicators before opting for another hike to stamp inflationary pressures.

**FX Daily Outlook**

- EUR/USD: Consolidation around mid-1.07 as growth worries weigh.

- USD/JPY: Volatility watched as debt negotiations trigger haven demand.

- USD/SGD: 1.35 to be tested repeatedly but further rallies restrained as quasi-haven allure rises.

- AUD/USD: Kiwi spillovers look overdone, cautious approach to 66 cents possible.

**TODAY'S EVENTS**

(KR) PPI YoY (Apr): 1.6% (Mar: 3.3%) | (SG) GDP YoY (1Q F): 0.4% (Mkt: 0.2%; Prelim: 0.1%)

(US) Initial Jobless Claims: (Mkt: 248k; Prev Week: 242k) | (US) GDP Price Index (1Q S): (Mkt: 4.0%) |

(US) GDP Annualised QoQ (1Q S): (Mkt: 1.1%; Prev: 1.1%) | (US) Kansas City Fed Manf. Activity (May): (Mkt: 12.0; Apr: -10.0)

(US) Chicago Fed National Activity Index (Apr): (Mkt: -0.2; Mar: -0.2)

Central Banks: **BoK Monetary Policy Decision** | **Bank Indonesia Monetary Policy Decision**

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