

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	140.47	140.45	▼0.15	+1.85
EUR	1.0728	1.0708	▼0.0015	▼0.0105
AUD	0.6534	0.6539	+0.0022	▼0.0114
SGD	1.3529	1.3536	+0.0014	+0.0070
CNY	7.0768	7.0711	+0.0071	+0.0391
INR	82.66	82.63	+0.06	▼0.20
IDR	14972	14970	+15	+80
MYR	4.6093	4.6045	+0.0042	+0.0553
PHP	56.13	56.13	+0.35	+0.30
THB	34.74	34.77	+0.09	+0.32

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.798%	+0.0 bp	+8.3 bp
JPY (10YR)	0.441%	+2.0 bp	+4.8 bp
EUR* (10YR)	2.434%	▼10.4 bp	▼2.5 bp
AUD (5YR)	3.455%	▼1.2 bp	+12.3 bp
SGD (5YR)	2.983%	▼1.5 bp	+15.7 bp
CNY (5YR)	2.482%	▼2.0 bp	▼4.0 bp
INR (5YR)	6.968%	+3.4 bp	+9.7 bp
IDR (5YR)	6.069%	▼2.6 bp	▼4.0 bp
MYR (5YR)	3.509%	▼2.0 bp	+0.0 bp
PHP (5YR)	5.667%	+3.0 bp	+12.6 bp
THB (5YR)	2.227%	▼3.0 bp	+3.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,093.34	+0.00%	▼0.58%
N225 (JP)	31,233.54	+1.03%	+0.47%
STOXX 50 (EU)	4,320.01	▼0.40%	▼1.50%
ASX (AU)	4,152.54	+0.00%	▼1.93%
STI (SG)	3,195.22	▼0.38%	▼0.49%
SHCOMP (CN)	3,221.45	+0.28%	▼2.28%
SENSEX (IN)	62,846.38	+0.55%	+1.42%
JSE (ID)	6,681.10	▼0.09%	▼0.72%
KLSE (MY)	1,404.93	+0.14%	▼0.99%
PSE (PH)	6,593.16	+0.96%	▼0.42%
SET (TH)	1,540.97	+0.66%	+0.77%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	260.70	+0.00%	▲0.34%
COPPER (LME)	8,106.00	+0.00%	+0.55%
IRON ORE (CN)	105.12	+0.20%	▲1.14%
GOLD	1,943.19	▲0.17%	▲1.45%
OIL (WTI)	72.67	+0.00%	+0.94%

Three Take-aways:

- 1) Hopes US debt ceiling deal passing the House (Wed) and Senate (Fri/weekend) appear to be rising.
- 2) A bumpy deal passage and deluge of T-bill issuances draining liquidity after keep volatility intact.
- 3) Despite Russia's assurances of status quo, OPEC agitations and supply cuts remain a threat.

Of Passage & Pain

- The **likelihood of the passage of the debt ceiling deal, with both sides of the aisle lobbying to win over their respective hard-liners, ostensibly kept markets backstopped.** In any case, Memorial Day holiday in the US meant there were few cues to trade off.
- For now, US equity futures remain buoyant, as has the Greenback; with EUR trading water at 1.07; AUD losing traction around mid-0.65 and USD/JPY buoyed around mid-140.
- **Debt ceiling relief trades are however not a one way street.**
- Between the deal's **passage of the House (requiring 218 votes)** on Wed and **Senate (requiring 51 votes)** as early as Fri or through the weekend, **there could be stumbling blocks.**
- So **headline volatility is not to be dismissed before passage of the deal is done and dusted.**
- **But a deal passage (bumpy or otherwise) may merely mark another chapter, rather than a closure, of volatility;** this time **triggered by a deluge of T-bill issuances** to replenish the emptied coffers of the US Treasury at a **sharp liquidity cost (shock)** to markets.
- In particular, an **acute USD funding squeeze** is the **next risk on the radar** as the **passage of the debt deal** through early-June gives way to the **painful drainage of liquidity.**
- Consequently, post-debt deal trades will be augmented. **USD will still be favoured; arguably more so** as the competition for USD funding heats up. **Equities (and other risk assets)** though could **suffer from "de-hydration"** as **liquidity is sucked out by a wall of T-bill issuances.**
- **Front-end rates/yields may be squeezed higher, with asymmetric USD funding upping bank stress risks.** In short, **deal exuberance arrested and USD dominance resurrected.**

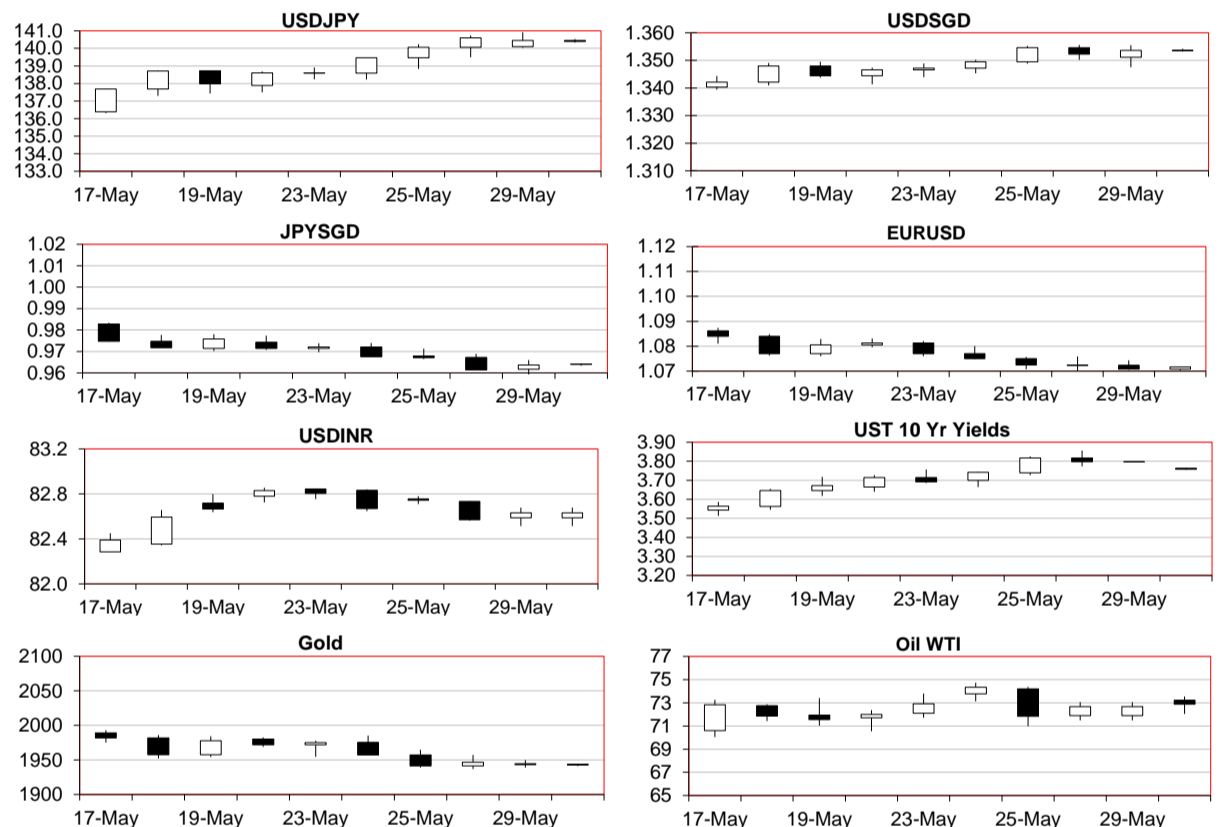
India Q1 (CY) GDP: Spark or Flicker?

- Set to come in around 5.4% YoY, **India's Q1 (CY) GDP is set to be a bright spot; outshining China,** and tempting optimism about being able to defy headwinds.

OVERNIGHT RESULTS

(VN) CPI YoY (May): 2.4% (Mkt: 2.6%; 2.8%) | (VN) Trade Balance (May): \$2240mn (Mkt: \$70mn; Apr: \$1510mn)

(US) Fed Funds Rate Movement: 1.5% | (VN) Industrial Production YoY (May): 0.1% (Apr: 0.5%)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	140.45	EUR/USD	1.0708
USD/SGD	1.3540	USD/THB	34.72
JPY/SGD	0.9640	USD/MYR	4.603

Forecast

USD/JPY	139.80 - 141.20
EUR/USD	1.0670 - 1.0770
AUD/USD	0.6460 - 0.6600
USD/SGD	1.3480 - 1.3570
JPY/SGD	0.9547 - 0.9707
USD/CNH	7.0600 - 7.1000
USD/INR	82.40 - 82.85
USD/IDR	14900 - 15050
USD/MYR	4.595 - 4.638
USD/PHP	55.95 - 56.40
USD/THB	34.60 - 34.90

Today's Direction

	Bull	Bear
USD/SGD	7	1
USD/JPY	6	2

- Question though is, whether this a **spark the fuels a sustained bullish India story, or a flicker that is vulnerable to global headwinds and uncertainties;** therefore, succumbing to a bumpy ride rather than being poised for an unbridled acceleration.
- To be sure, we are not contesting this narrative given signs of **resilience and the backdrop of a pick-up in industrial activity (with robust capital goods output), healthy consumer demand and a run-way of overall credit growth lift in 2022.**
- What's more, **inflation easing sharply might excite on account of fillip for forward-looking growth** owing to the waning drag on discretionary income from dis-inflation.
- **But such unbridled optimism is not just premature (amid two-way risks) but also overdone,** missing the fact that India is not immune to gathering global headwinds.
- In particular, given **lagged effects of RBI tightening** against a backdrop of **tighter global financial/liquidity conditions, dangers of capital account upheavals and pipeline credit drag.**
- Tellingly, the **pullback in the rate of credit growth to MSMEs,** which account for a significant portion of jobs (household demand), also **counsel caution about getting light-headed about growth upside accentuated by softer inflation and scope for RBI to ease.**
- In fact, the logic may be the other way around insofar the **need for the RBI to ease may be underpinned by downside risks to growth from imported headwinds.**
- Upshot being, **it is too early to distinguish spark from flicker in Q1 GDP.** Crucially, **ignoring gathering global headwinds to cheer domestic buffer is too complacent if not outright cavalier.**

FX Daily Outlook

- EUR/USD: Trading water above 1.07 ahead of US debt deal; downside risks on USD bids.
- USD/JPY: Buoyant yields and equities may add to the support; sub-140 to 141 play intact.
- USD/SGD: Mid-1.35 consolidation contingent on no further slippage in CNH; upside bias in USD/SGD.
- AUD/USD: Oil's support lacks follow-through at mid-0.65; whereas USD drag and caution dampen.

TODAY'S EVENTS

(JP) Jobless Rate/Jobs-to-Applicant Ratio (Apr): 2.6%/1.32 (Mkt: 2.7%/1.32; Mar: 2.8%/1.32)

(AU) Building Approvals MoM (Apr): (Mkt: 2.0%; Mar: -0.2%) | (TH) Trade Bal (May): (Mkt: -\$450mn; Apr: -\$2719mn)

(EZ) Consumer Confidence (May F): (Prelim: -17.4) | (US) FHFA House Price Index MoM (Mar): (Mkt: 0.2%; Feb: 0.5%)

(US) Conf. Board Consumer Expectations (May): (Mkt: 99.0; Apr: 101.3) | (US) Dallas Fed Mfg (May): (Mkt: -18.0; Apr: -23.4)

(US) S&P Corelogic 20-City MoM (Mar): (Mkt: 0.0%; Feb: 0.1%) | Central Banks: **ECB's Lane Speaks**

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