

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	140.26	139.79	▼0.66	+1.20
EUR	1.0689	1.0735	+0.0027	▼0.0035
AUD	0.6530	0.6517	▼0.0022	▼0.0093
SGD	1.3546	1.3505	▼0.0031	+0.0033
CNY	7.0921	7.0799	+0.0088	+0.0239
INR	82.75	82.72	+0.09	▼0.09
IDR	14987	14985	+15	+105
MYR	4.6147	4.6025	▼0.0020	+0.0300
PHP	56.41	56.31	+0.18	+0.58
THB	34.86	34.79	+0.02	+0.11

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.687%	▼11.2 bp	▼0.5 bp
JPY (10YR)	0.435%	▼0.6 bp	+3.1 bp
EUR* (10YR)	2.342%	▼9.2 bp	▼12.7 bp
AUD (5YR)	3.450%	▼0.5 bp	+4.8 bp
SGD (5YR)	2.943%	▼4.0 bp	+1.2 bp
CNY (5YR)	2.477%	▼0.5 bp	▼0.1 bp
INR (5YR)	6.949%	▼1.9 bp	+3.3 bp
IDR (5YR)	6.061%	▼0.8 bp	▼3.8 bp
MYR (5YR)	3.480%	▼2.9 bp	▼3.8 bp
PHP (5YR)	5.660%	▼0.7 bp	+5.4 bp
THB (5YR)	2.219%	▼0.8 bp	+2.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,042.78	▼0.15%	▼0.04%
N225 (JP)	31,328.16	+0.30%	+1.20%
STOXX 50 (EU)	4,291.58	▼0.66%	▼1.17%
ASX (AU)	4,104.75	▼1.15%	▼2.92%
STI (SG)	3,187.56	▼0.24%	▼0.95%
SHCOMP (CN)	3,224.21	+0.09%	▼0.68%
SENSEX (IN)	62,969.13	+0.20%	+1.59%
JSE (ID)	6,636.42	▼0.67%	▼1.49%
KLSE (MY)	1,396.91	▼0.57%	▼1.04%
PSE (PH)	6,510.67	▼1.25%	▼1.41%
SET (TH)	1,534.81	▼0.40%	▼0.00%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	255.50	▲2.00%	▲2.19%
COPPER (LME)	8,103.00	▲0.04%	+0.84%
IRON ORE (CN)	105.17	+0.05%	▲0.21%
GOLD	1,959.33	+0.83%	▲0.80%
OIL (WTI)	69.46	▼4.42%	▼4.73%

Three Take-aways:

- 1) Debt ceiling deal meets initial stumbling blocks from Republican fractions.
- 2) Rising house prices and resilient consumer confidence backstop Fed hawks staring at falling oil prices.
- 3) The BoT will proceed with another 25bp hike to normalise monetary policy amid tourism recovery.

Stumbling Blocks

- As we had alluded to yesterday, the **passage of the debt ceiling deal may meet with stumbling blocks** as fractions of right winged Republicans threatened to stop the deal with threats to remove Speaker McCarthy from his post.

- **Risk sentiments were pared back** as US equities gave up much of early gains. The Dow slipped 0.2% and S&P 500 stayed flat while the Nasdaq edged up 0.3% on AI euphoria.

- Both 2Y and 10Y UST yields dropped 11.2bp as markets sought out safety **bracing for potential bruises as the deal stumbles along its passage**. That said, with **house prices showing potential for revival alongside stronger consumer confidence**, Fed hawks still linger over UST bulls.

- For now, UST bulls has inevitably also leaned on **stumbling oil prices which fell 4.6%** to US\$73.5/barrel with the associated hope to quell headline inflation.

- Benefitting from lower UST yields and lower oil prices, JPY gained the most among G10 peers as USD/JPY slipped below 140. EUR recovered from initial slippage to stay above 1.07.

- On the other end, losing ground against the greenback, AUD continues its attempts to stay above 65 cents as plunging building approvals and subdued retail sales restrain RBA hawks.

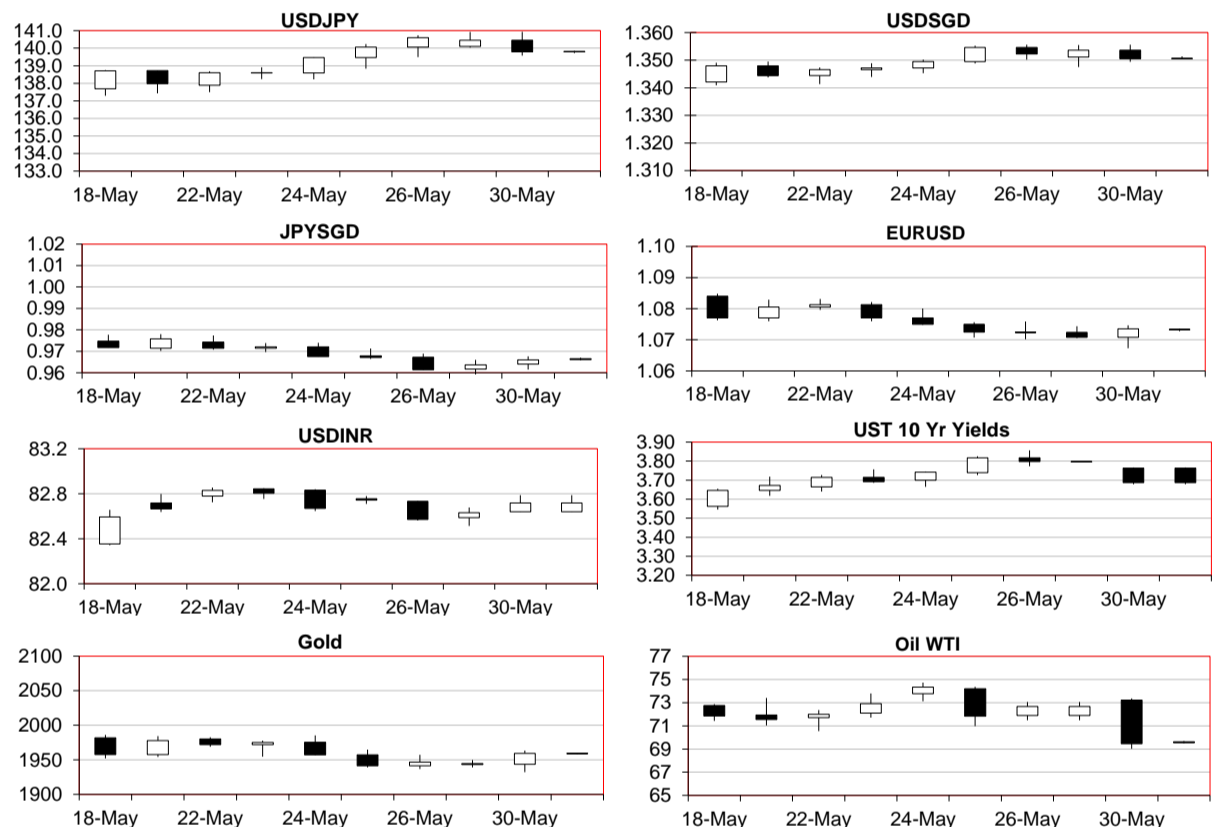
- In EM-Asia, USD/SGD has edged lower to 1.35. In Thailand, while the BoT is expected to normalise policy with another 25bp hike, internal coalition negotiation and Senate voting uncertainties place **multiple stumbling blocks for government formation and the THB recovery**.

- As for geo-politics, China-US relations look far from being thawed as renewed instance of aggressive military manoeuvres coincide with stalled defence diplomacy. This morning's East Asia economic prints are also stumbling as industrial production contracted for both Japan and South Korea.

OVERNIGHT RESULTS

(AU) Building Approvals MoM (Apr): -8.1% (Mkt: 2.0%; Mar: -0.2%) | (TH) Trade Bal (May): -\$1470mn (Mkt: -\$450mn; Apr: -\$2719mn) | (EZ) Consumer Confidence (May F): -17.4 (Prelim: -17.4) | (US) FHFA House Price Index MoM (Mar): 0.6% (Mkt: 0.2%; Feb: 0.5%) | (US) Conf. Board Consumer Expectations (May): 102.3 (Mkt: 99.0; Apr: 101.3) | (US) Dallas Fed Mfg (May): -29.1 (Mkt: -18.0; Apr: -23.4) | (US) S&P CoreLogic 20-City MoM (Mar): 0.5% (Mkt: 0.0%; Feb: 0.1%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	139.80	EUR/USD	1.0732
USD/SGD	1.3508	USD/THB	34.72
JPY/SGD	0.9667	USD/MYR	4.599

Forecast

USD/JPY	139.50 - 141.00
EUR/USD	1.0670 - 1.0770
AUD/USD	0.6460 - 0.6560
USD/SGD	1.3480 - 1.3570
JPY/SGD	0.9560 - 0.9728
USD/CNH	7.0700 - 7.1100
USD/INR	82.55 - 82.85
USD/IDR	14900 - 15050
USD/MYR	4.595 - 4.638
USD/PHP	56.10 - 56.50
USD/THB	34.60 - 34.90

Today's Direction

	Bull	Bear
USD/SGD	3	2
USD/JPY	3	2

Bank Of Thailand: Tight All Round

- Amid robust tourism recovery, BoT Governor Sethaput had signalled their inclination to normalise monetary policy further, implying raising **rates to 2.00% from 1.75% this afternoon**.

- Admittedly, given rather high occupancy rates contrasting with further room for tourist arrivals to pick up, **accommodation and related services prices have more upside ahead**.

- In addition, **upside risks may stem from probable minimum wage increases and increased spending upon formation of the new government**.

- That said, policy risk persists considering that services sector is currently the main driver of growth. While the tight labour market boost purchasing power, **higher debt servicing cost will dent private consumption** considering the high levels of household debt.

- Specifically, given that household debt is about **87% of GDP**, a small pickup in NPL and/or interest servicing burden is inadvertently still a significant drag on growth. A substantial portion of debt is related to **consumption needs** such as personal loans and credit cards which have **considerably higher interest** compared to asset-based loans such as housing debt.

- As such, this dampens traditionally strong growth multipliers from tourism **at an inconvenient time where the manufacturing sector continues to face substantial headwinds** alongside a depreciating THB (since elections) worsening imported inflation **accentuating the dilemma**.

- On balance, we expect **the BoT to halt their tightening cycle sooner rather than later** with **headline and core inflation both within their 1-3% target range**.

FX Daily Outlook

- EUR/USD: Unable to capitalise on lower UST yields, consolidation on both sides of 1.07 stays.

- USD/JPY: Pair remains backstopped above mid-139 as UST yields declines may fade.

- USD/SGD: Upside bias retain as CNH risks persist with PMI data watched.

- AUD/USD: Lack of lift from RBA hawks and fading commodity prices pressure AUD below mid-0.65.

TODAY'S EVENTS

(KR) Industrial Production YoY% (Apr): -8.9% (Mkt: -7.8% Mar: -7.6%) | (JP) Retail Sales YoY (Apr): 5.0% (Mkt: 7.1%; 6.9%)

(JP) Industrial Productin YoY% (Apr P): -0.3% (Mkt: 2.0%; -0.6%) | (AU) CPI YoY (Apr): (Mkt: 6.4%; 6.3%) |

(IN) GDP YoY (1Q): (Mkt: 5.0%; 4Q: 4.4%) | (TH) Current Account Balance (Apr): (Mkt: \$2200m; \$4779m)

(US) Jolts Jobs Opening (Apr): (Mkt: 9439k; Apr: 9590k) | (US) MNI Chicago PMI (May): (Mkt: 47.2; Apr: 48.6)

Central Banks: **Bank of Thailand Monetary Policy Decision**

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