

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.00	139.92	+1.12	▼0.68
EUR	1.0763	1.0708	▼0.0054	▼0.0015
AUD	0.6611	0.6610	+0.0039	+0.0093
SGD	1.3457	1.3503	+0.0025	▼0.0019
CNY	7.0740	7.0986	+0.0010	+0.0346
INR	82.35	82.30	▼0.11	▼0.27
IDR	14998	14993	+0	+38
MYR	4.5883	4.5765	▼0.0372	▼0.0238
PHP	55.92	55.90	▼0.37	+0.12
THB	34.63	34.54	▼0.26	▼0.14

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.691%	+9.6 bp	▼10.8 bp
JPY (10YR)	0.414%	▼1.0 bp	▼0.7 bp
EUR* (10YR)	2.312%	+6.3 bp	▼22.6 bp
AUD (5YR)	3.428%	+4.0 bp	▼3.9 bp
SGD (5YR)	2.910%	+0.0 bp	▼8.8 bp
CNY (5YR)	2.449%	+2.3 bp	▼5.3 bp
INR (5YR)	6.889%	▼1.7 bp	▼4.5 bp
IDR (5YR)	6.028%	+0.0 bp	▼6.7 bp
MYR (5YR)	3.465%	▼1.0 bp	▼6.4 bp
PHP (5YR)	5.589%	▼1.5 bp	▼4.8 bp
THB (5YR)	2.192%	+0.6 bp	▼6.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,762.76	+2.12%	+2.02%
N225 (JP)	31,524.22	+1.21%	+1.97%
STOXX 50 (EU)	4,323.52	+1.55%	▼0.32%
ASX (AU)	4,155.37	+1.58%	+0.07%
STI (SG)	3,166.30	+0.00%	▼1.28%
SHCOMP (CN)	3,230.07	+0.79%	+0.55%
SENSEX (IN)	62,547.11	+0.19%	+0.07%
JSE (ID)	6,633.26	+0.00%	▼0.80%
KLSE (MY)	1,381.26	▼0.13%	▼1.55%
PSE (PH)	6,512.01	+1.27%	▼0.28%
SET (TH)	1,531.20	+0.64%	+0.02%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	259.69	+0.90%	▲0.39%
COPPER (LME)	8,233.50	▲0.08%	+1.57%
IRON ORE (CN)	106.38	+1.70%	+1.40%
GOLD	1,947.97	▲1.50%	+0.08%
OIL (WTI)	71.74	+2.34%	▼1.28%

### Three Take-aways:

- 1) While NFP upside bolster UST yields and equities, growth concerns linger among households.
- 2) OPEC+ actions look to backstop oil prices but uncertainty over July extension restrain rallies.
- 3) A hike not to be dismissed as challenging inflation read makes the RBA decision a live one.

### Rolling in Uncertainty

- **Nonfarm payrolls surprised on the upside** with employment gains of 339k (vs expectations of 195k) to **send UST bulls rolling over** as UST 2Y yields soared 15.6 bp while 10Y yields rose 9.6bps.
- Admittedly, resolution of debt ceiling debacle have also buoyed risk sentiments. Furthermore, the **expected deluge of new bond issuance** by the Treasury may deliver a further blow to UST bulls.
- That said, the headline **complication** was clear last Friday as **unemployment rate from the household survey shot up** amid higher labour force participation rates and lower employment.
- **Growth worries are far from being dismissed by households.** In contrast, US equities only had eye for staging a sharp recovery as Dow led gains to rise 534% while S&P500 and Nasdaq were up 1.5% and 1.1% respectively. Tonight's ISM index further assesses US economic health.
- Meanwhile, amid the surge in UST yields, the USD gained against most G10 peers aside from the commodity currencies which rode tailwinds from the 2.9% rise in Brent crude prices. Notably, this rise was before OPEC+'s **announced 1 million barrel cut** which will commence in July.
- Nonetheless, the **uncertainty over the cut's extension beyond July** may restrain the sustainability of oil price rallies with OPEC+ action more a backstop rather than catalyst for unfettered boost. The AUD remains lethargic staying restrained below 66 cents amid a backdrop of a 'live' RBA decision clouded over a **challenging inflation read** for April.
- EUR has dropped back to 1.07 while the USD/JPY ascended and retook 140.
- In EM-Asia, USD/SGD is threading above 1.35. Higher oil prices will be a **certain worry for the ASEAN region** with twin deficit economics such as the Philippines facing the harshest impact.
- What's more, China's services PMI may compound Asia's growth worries.

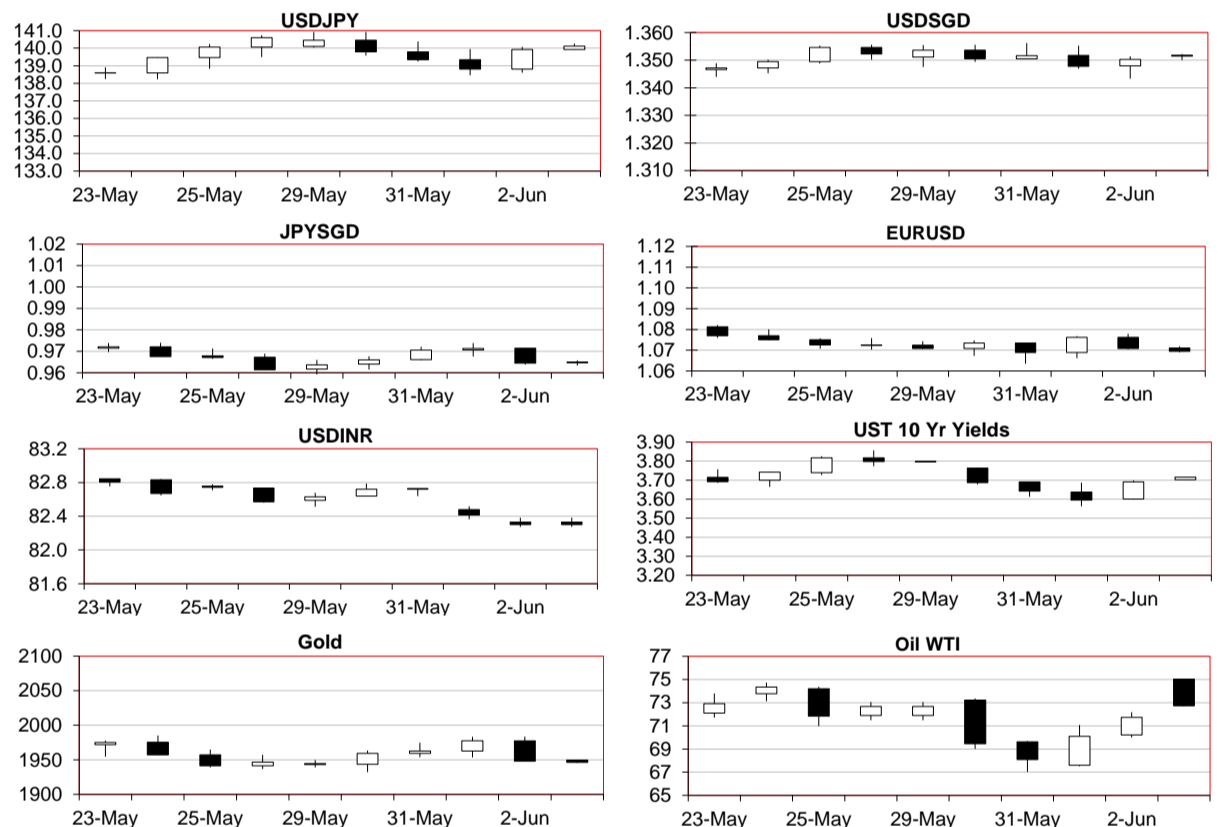
### OVERNIGHT RESULTS

(KR) CPI YoY (May) : 3.3% (Mkt: 3.4%; Apr: 3.7%) | (KR) GDP YoY (Q1): 0.9% (Mkt: 0.8%; Prelim: 0.8%)

(US) Change in non-farm payrolls (May): 339k (Mkt: 195k; Prev: 294k) |

(US) Unemployment Rate (May): 3.7% (Mkt:3.5%; Apr: 3%)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	140.22	EUR/USD	1.0697
USD/SGD	1.3512	USD/THB	34.85
JPY/SGD	0.9637	USD/MYR	4.577

### Forecast

USD/JPY	139.00	-	140.80
EUR/USD	1.0630	-	1.0750
AUD/USD	0.6440	-	0.6550
USD/SGD	1.3480	-	1.3570
JPY/SGD	0.9574	-	0.9763
USD/CNH	7.0900	-	7.1380
USD/INR	82.20	-	82.95
USD/IDR	14950	-	15080
USD/MYR	4.570	-	4.638
USD/PHP	55.80	-	56.40
USD/THB	34.50	-	34.88

### Today's Direction

	Bull	:	Bear
USD/SGD	5	:	2
USD/JPY	5	:	2

### RBA: Narrow Hike?

- While the mild April employment contraction may incite some RBA caution, **April's inflation print rising to 6.8% from March's 6.3%** will be the **more troubling data** point to ponder over.
- Admittedly, one might be tempted to discount the increase as it is driven in large part due to **base effects from fuel excise tax cut a year ago**. Excluding volatile items (fruit and vegetables, fuel and holiday travel and accommodation), inflation is down to 6.5% in April from 6.9% in March.
- Nonetheless, fuel prices are still up 2.9% MoM to absolve some blame from base effects.
- **Slow moderation of food and non-alcoholic beverage inflation** from 8.1% in March to 7.9% in April is also little comfort for the RBA. Incessant rise in rental inflation add to the RBA's woes given that low vacancy rates is set to collide with impending increase immigration inflows.
- While **growth is expected to slow** on weaker consumption spending amid retail sales contraction, it ought to hold closer to pre-pandemic rates rather than head for a straight up collapse.
- Given this inflation backdrop and the RBA's desire to traverse the narrow path of bringing inflation path to target while preserving employment gains, the case for a narrower 15bps hike continue to hold relevance.
- That said, **the tendency to continue in 25bps hikes of normal central bank orthodoxy will nonetheless be a strong one.**

### FX Daily Outlook

- EUR/USD: USD yield looks to suppress the EUR below 1.07 as geo-political tensions heat up.
- USD/JPY: Higher oil prices colliding with higher UST yields may see cautious 141 tests.
- USD/SGD China services PMI look to buoy above 1.35 amid resurgent USD.
- AUD/USD: Oil to remain a backstop for mid-0.65; RBA hike unlikely to boost above mid-0.66.

### TODAY'S EVENTS

(CH) Caixin Services PMI (May): (Mkt: 552; Apr: 6.4) | (ID) CPI/Core YoY (May): (Mkt: 4.2%/2.8%; Apr: 4.3%/2.8%) |

(SG) Retail Sales/Ex-Auto (Apr): (Mar: 4.5%/4.1%) | (EZ) Sentix Investor Confidence (Jun): (Mkt: -15.1; May: -13.1)

(EZ) PPI YoY (Apr): (Mkt: 1.5%; Mar: 5.9%) | (US) Durable Good/Non-def Ex Air Orders (Apr F): (Mkt: 1.1%/--; Prelim: 1.1%/14%)

(US) ISM Services Index (May): (Mkt 52.4; Apr: 51.9)

Central Banks: ECB's Lagarde Speaks

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