

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	140.40	139.58	▼0.34	▼0.87
EUR	1.0692	1.0713	+0.0005	+0.0005
AUD	0.6594	0.6617	+0.0007	+0.0078
SGD	1.3522	1.3493	▼0.0010	▼0.0043
CNY	7.1186	7.1023	+0.0037	+0.0312
INR	82.60	82.68	+0.38	+0.05
IDR	14901	14890	▼103	▼80
MYR	4.5760	4.5765	+0.0000	▼0.0280
PHP	56.21	56.24	+0.33	+0.10
THB	34.90	34.54	+0.00	▼0.23

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.683%	▼0.8 bp	▼11.5 bp
JPY (10YR)	0.434%	+2.0 bp	▼0.7 bp
EUR* (10YR)	2.381%	+6.9 bp	▼5.3 bp
AUD (5YR)	3.568%	+14.0 bp	+11.3 bp
SGD (5YR)	2.951%	+4.1 bp	▼3.2 bp
CNY (5YR)	2.445%	▼0.4 bp	▼3.7 bp
INR (5YR)	6.919%	+3.0 bp	▼4.9 bp
IDR (5YR)	6.051%	+2.3 bp	▼1.8 bp
MYR (5YR)	3.465%	+0.0 bp	▼4.4 bp
PHP (5YR)	5.587%	▼0.2 bp	▼8.0 bp
THB (5YR)	2.192%	+0.0 bp	▼3.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,562.86	▼0.59%	+1.42%
N225 (JP)	32,217.43	+2.20%	+3.15%
STOXX 50 (EU)	4,293.24	▼0.70%	▼0.62%
ASX (AU)	4,150.89	▼0.11%	▼0.04%
STI (SG)	3,189.01	+0.72%	▼0.19%
SHCOMP (CN)	3,232.44	+0.07%	+0.34%
SENSEX (IN)	62,787.47	+0.38%	▼0.09%
JSE (ID)	6,633.44	+0.00%	▼0.71%
KLSE (MY)	1,381.26	+0.00%	▼1.68%
PSE (PH)	6,521.64	+0.15%	▼1.08%
SET (TH)	1,531.20	+0.00%	▼0.63%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	260.44	+0.29%	▲0.10%
COPPER (LME)	8,331.01	+1.18%	+2.78%
IRON ORE (CN)	107.44	+1.00%	+2.21%
GOLD	1,961.86	+0.71%	+0.96%
OIL (WTI)	72.15	+0.57%	#VALUE!

**Three Take-aways:**

- 1) ISM Services Index disappointed as employment worries grow and new orders expansion slow.
- 2) Attendant slipping UST yields incite softer USD amid growth worries weighing on oil price rally.
- 3) Slowing Q1 GDP remains a backward looking gauge which may not convincingly restrain the RBA.

**Of Peaks and Pullbacks**

- US ISM Services index proved disappointing as it dropped to 50.3 from 51.9 signalling a much milder activity expansion. Notably, significant contribution of the slower pace was driven by employment contraction which sank below 50 to 49.2.

- Worryingly, slower expansion in new orders ought to invite questions of peaking growth in services activity or portend further pull back in services.

- Nonetheless, details in the ISM services report reveal continued expansion in 11 industries and contraction in 7 industries. The travel recovery is reflected by expansion in industries such as accommodation and food services, arts, entertainment and recreation while finance and insurance and real estate sectors contracted amid banking headwinds and tighter monetary policy.

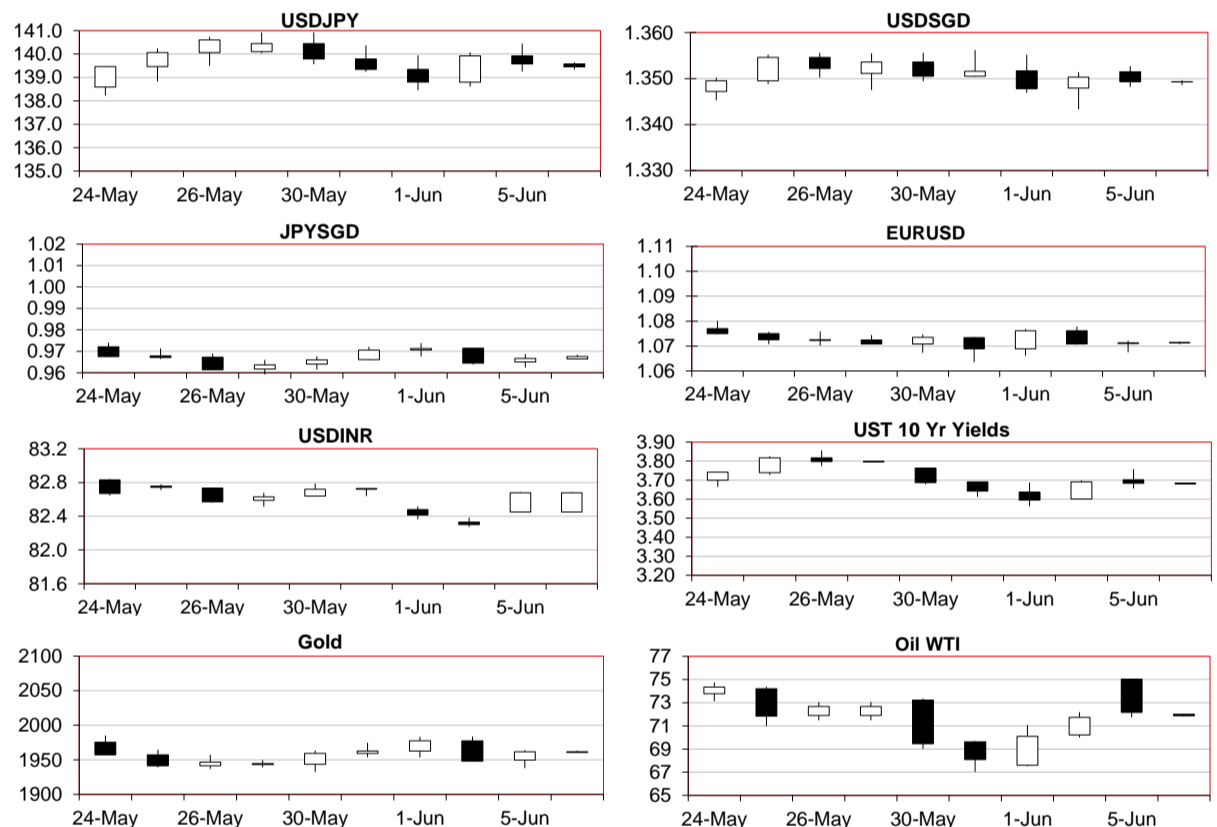
- At the margin, yields on the US treasuries reacted by declining 3.1bp on the 2Y and 0.8bp on the 10Y underscoring growth concerns and paring back the likelihood of further Fed hikes. US equities pullback with the Dow slipping 0.6% which S&P500 and Nasdaq dropped 0.2 and 0.1%.

- A softer USD ensued with USD/JPY falling to mid-139. Amid the backdrop of declining investor confidence, EUR remains unable to make much headway as it floats just above 1.07 even with ECB President Lagarde stressing the need for another rate hike just ahead of their meeting next week.

- In the region, USD/SGD slipped below 1.35 while AUD edged up to 66 cents. While Brent crude prices being unable to rally past initial jump post-OPEC+ provide relief for oil importers, the fundamental lack in demand reflecting subdued global growth alongside China's services PMI upside which provided little boost to CNH ought to worry EM-Asia FX.

**OVERNIGHT RESULTS**

(CH) Caixin Services PMI (May): 57.1 (Mkt: 55.2; Apr: 56.4) | (ID) CPI/Core YoY (May): 4.0%/2.7% (Mkt: 4.2%/2.8%; Apr: 4.3%/2.8%) | (SG) Retail Sales/Ex-Auto (Apr): 3.6%/4.2% (Mar: 4.5%/4.1%) | (EZ) Sentix Investor Confidence (Jun): -17.0 (Mkt: -15.1; May: -13.1) | (EZ) PPI YoY (Apr): 1.0% (Mkt: 1.5%; Mar: 5.9%; Revised: 5.5%) | (US) Durable Good/Non-def Ex Air Orders (Apr F): 1.1%/1.3% (Mkt: 1.1%/1.1%; Prelim: 1.1%/1.4%) | (US) ISM Services Index (May): 50.3 (Mkt 52.4; Apr: 51.9)

**\* Past Two Weeks Movement \***

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

USD/JPY	139.39	EUR/USD	1.0712
USD/SGD	1.3494	USD/THB	34.76
JPY/SGD	0.9681	USD/MYR	4.575

**Forecast**

USD/JPY	138.80 - 140.80
EUR/USD	1.0630 - 1.0750
AUD/USD	0.6440 - 0.6670
USD/SGD	1.3480 - 1.3570
JPY/SGD	0.9574 - 0.9777
USD/CNH	7.0900 - 7.1380
USD/INR	82.50 - 82.95
USD/IDR	14850 - 15080
USD/MYR	4.560 - 4.638
USD/PHP	56.00 - 56.40
USD/THB	34.40 - 34.88

**Today's Direction**

	Bull	Bear
USD/SGD	4	2
USD/JPY	3	3

**Australia Q1 GDP: A Milder Pace**

- Down Under, Q1 GDP print (release tomorrow) is expected to slow further from Q4's 2.7% YoY growth. Specifically, signs point to sequential expansion below the previous pace of 0.5% QoQ.

- On the business front, growth in operating profits in Q1 slowed below expectations.

- While private consumption might show headline strength, it is more likely that the consequent impact on overall economic activity is more subdued given that some of it ought to experience subtraction as it accrues to import spending from substantial outbound abroad.

- A second consecutive quarter of retail sales contraction also speaks to erosion of household budgets from persistently negative real wage growth.

- Meanwhile, new loan commitments to housing plunging 29% from a year ago while building approvals in April slipped 2.6% YoY.

- These indicators point to the likelihood of construction activity that ought to remain lacklustre with attendant spillovers onto the real estate services and banking sector.

- The latter though ought to have still benefitted from higher net interest margins in Q1.

- Nonetheless, given signs of household stresses, uptick in NPLs may be on the cards.

- Amid resilient labour markets, we expect Q1 growth to hold up near pre-pandemic trends (2013-2019 average: 2.4%) with the balance of growth risks ahead tilted to the downside.

- All in, this backward looking indicator may not yet be a convincing restraint on the RBA who remains challenged by elevated inflationary pressures.

**FX Daily Outlook**

- EUR/USD: Inability to lift above mid-1.07 as ECB rate expectations baked in amid growth risks.

- USD/JPY: While UST yields slips, 139 buoyancy ought to be retained.

- USD/SGD: With CNH providing little SGD support, pair may allow consolidation on both sides of 1.35.

- AUD/USD: RBA decision incites volatility though rallies above 67 cents restrained.

**TODAY'S EVENTS**

(JP) Labor/Real Cash Earnings YoY (Apr): (Mkt: 1.8%/-2.0%; Mar: 1.3%/-2.3%)

(AU) BoP Current Account Balance (1Q): (Mkt: A\$15.0b; Feb: A\$14.1b) | (TH) CPI/Core YoY (May): (Mkt: 1.6%/1.6%; Apr: 2.7%/1.7%)

(PH) CPI YoY (May): (Mkt: 6.1%; Apr: 6.6%) | (TW) CPI/ Core YoY (May): (Mkt: 2.3%/2.7%; Apr: 2.4%/2.7%)

(EZ) Retail Sales YoY (Apr): (Mkt: -3.0%; -Mar: 3.8%)

Central Banks: RBA Monetary Policy Decision

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