

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 139.32 | 139.63 | +0.05 | ▼0.16 |
| EUR | 1.0714 | 1.0693 | ▼0.0020 | ▼0.0042 |
| AUD | 0.6663 | 0.6671 | +0.0054 | +0.0154 |
| SGD | 1.3488 | 1.3486 | ▼0.0007 | ▼0.0019 |
| CNY | 7.1187 | 7.1176 | +0.0153 | +0.0377 |
| INR | 82.61 | 82.61 | ▼0.07 | ▼0.11 |
| IDR | 14853 | 14860 | ▼30 | ▼125 |
| MYR | 4.6016 | 4.6085 | +0.0320 | +0.0060 |
| PHP | 56.24 | 56.23 | ▼0.00 | ▼0.08 |
| THB | 34.77 | 34.79 | +0.25 | +0.01 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|---------|----------|
| USD (10YR) | 3.660% | ▼2.3 bp | ▼2.6 bp |
| JPY (10YR) | 0.426% | ▼0.8 bp | ▼0.9 bp |
| EUR* (10YR) | 2.372% | ▼0.9 bp | +3.0 bp |
| AUD (5YR) | 3.617% | +4.9 bp | +16.7 bp |
| SGD (5YR) | 2.916% | ▼3.5 bp | ▼2.7 bp |
| CNY (5YR) | 2.434% | ▼1.1 bp | ▼4.3 bp |
| INR (5YR) | 6.908% | ▼1.1 bp | ▼4.1 bp |
| IDR (5YR) | 6.028% | ▼2.3 bp | ▼3.3 bp |
| MYR (5YR) | 3.489% | +2.4 bp | +0.9 bp |
| PHP (5YR) | 5.668% | +8.1 bp | +0.8 bp |
| THB (5YR) | 2.195% | +0.3 bp | ▼2.4 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 33,573.28 | +0.03% | +1.61% |
| N225 (JP) | 32,506.78 | +0.90% | +3.76% |
| STOXX 50 (EU) | 4,295.22 | +0.05% | +0.08% |
| ASX (AU) | 4,167.20 | +0.39% | +1.52% |
| STI (SG) | 3,190.11 | +0.03% | +0.08% |
| SHCOMP (CN) | 3,195.34 | ▼1.15% | ▼0.90% |
| SENSEX (IN) | 62,792.88 | +0.01% | ▼0.28% |
| JSE (ID) | 6,618.92 | ▼0.22% | ▼0.26% |
| KLSE (MY) | 1,383.17 | +0.14% | ▼0.98% |
| PSE (PH) | 6,479.93 | ▼0.64% | ▼0.47% |
| SET (TH) | 1,528.54 | ▼0.17% | ▼0.41% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB | 260.68 | +0.09% | +2.03% |
| COPPER (LME) | 8,334.00 | +0.04% | +2.85% |
| IRON ORE (CN) | 108.55 | +1.03% | +3.21% |
| GOLD | 1,963.52 | +0.08% | +0.21% |
| OIL (WTI) | 71.74 | ▼0.57% | +3.28% |

Three Take-aways:

- 1) World Bank sees growth risks into 2024 with upgrade of 2023 growth and downgrade of 2024.
- 2) RBA hiked by 25bp and flagged more hikes while AUD's restrained rise reflect subdued commodity.
- 3) Global goods to services rebalancing may pose more policy risks and masks recession risks.

Kicking the Can

- While the World Bank's upgrade to 2023 growth forecast from previously estimated 1.7% to the current 2.1% has invited optimism in some quarters, this resembles a "kicking the can" down the road when read in conjunction with a **downgrade of 2024 growth** from 2.7% to 2.4%.

- What's more, by the World Bank's own admission, the **primary driver of upgrades stemmed from stronger than expected Q1 growth outturns**. That said, it remains to be seen if the services support is a silver lining or end up a red herring. (See more below)

- At this juncture, markets looked rather cautious. While US equities edged higher with the Nasdaq and S&P 500 up 0.4% and 0.2% respectively (Dow was flat), tinge of caution is retained as **durable new highs remain elusive**.

- Similar sights of caution as UST yield curve flattened with 2Y UST yields are up marginally by 1.3bp while 10Y yields dropped 2.3bp. Shorter end yields backed up by **prospects of higher for longer rates while lower long end yields reflect restrained risks sentiments**.

- In FX, the tone of a **firm Greenback** remains with the EUR struggling to surface above 1.07 amid continued retail sales contraction while the USD/JPY is flat around mid-139.

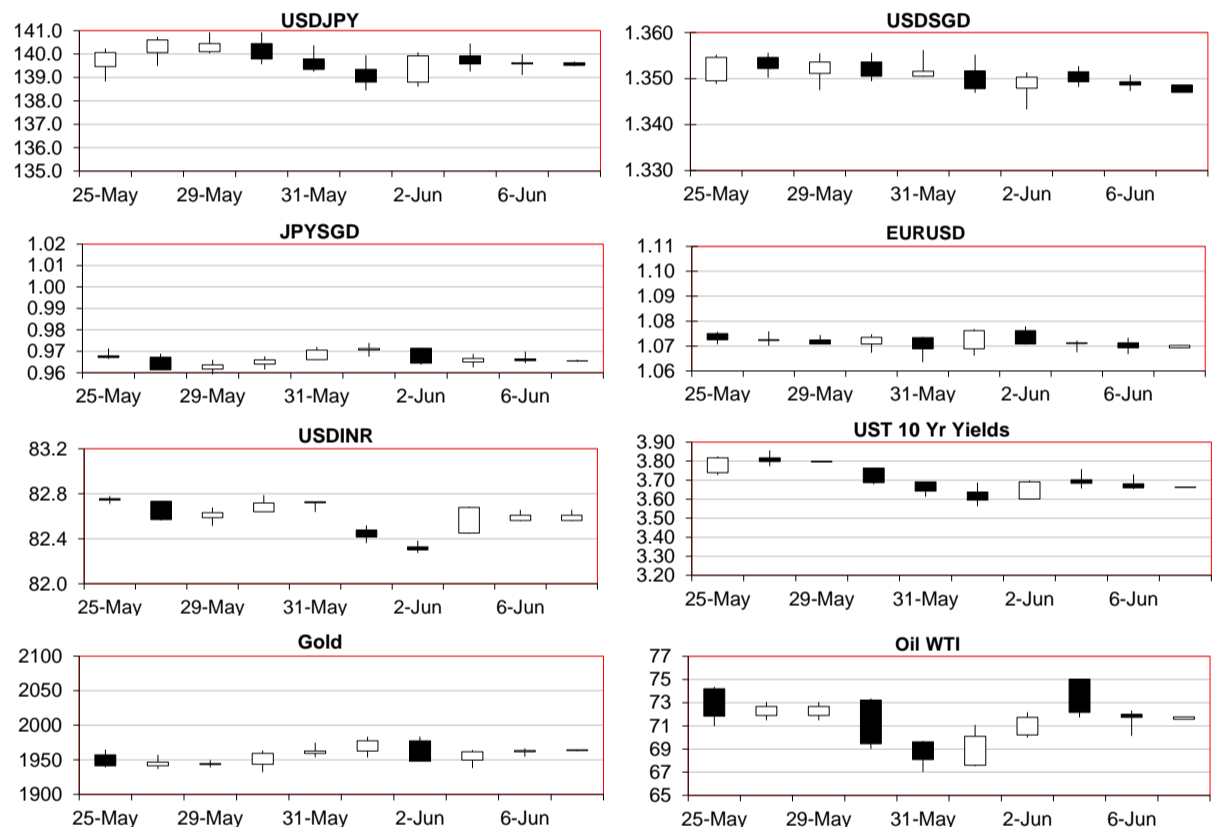
- Nonetheless, the Anitopdeans gained amid the RBA raising rates by 25 bp as we had earlier warned of the strong tendency to hike in normal steps to tackle troubling inflation outlook.

- RBA governor Lowe has signalled the **need for further hikes** citing growing worries of unanchored inflation expectations. While AUD rose 0.9% to approach 67 cents, this rise by most counts looks an impeded rally considering the extent of hawkish signals and is a bugging reflection of subdued global demand as Brent crude prices are now restrained around US\$76/barrel.

OVERNIGHT RESULTS

(AU) BoP Current Account Balance (1Q): A\$12.3b (Mkt: A\$15.0b; Feb: A\$11.7b) | (TH) CPI/Core YoY (May): 0.5%/1.6% (Mkt: 1.6%/1.6%; Apr: 2.7%/1.7%) | (PH) CPI YoY (May): 6.1% (Mkt: 6.1%; Apr: 6.6%) | (TW) CPI/ Core YoY (May): 2.0%/2.6% (Mkt: 2.3%/ --; Apr: 2.4%/2.7%) | (EZ) Retail Sales YoY (Apr): -2.6% (Mkt: -3.0%; -Mar: 3.8%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 139.53 | EUR/USD | 1.0698 |
| USD/SGD | 1.3477 | USD/THB | 34.76 |
| JPY/SGD | 0.9659 | USD/MYR | 4.605 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 138.80 - 140.80 |
| EUR/USD | 1.0630 - 1.0750 |
| AUD/USD | 0.6500 - 0.6700 |
| USD/SGD | 1.3480 - 1.3570 |
| JPY/SGD | 0.9574 - 0.9777 |
| USD/CNH | 7.1000 - 7.1380 |
| USD/INR | 82.50 - 82.95 |
| USD/IDR | 14830 - 15080 |
| USD/MYR | 4.570 - 4.638 |
| USD/PHP | 56.10 - 56.40 |
| USD/THB | 34.60 - 34.88 |

Today's Direction

| | Bull | Bear |
|---------|------|------|
| USD/SGD | 4 | 5 |
| USD/JPY | 5 | 4 |

Global Demand: Silver Lining or Red Herring

- The stark divergence in manufacturing and services PMI reflecting global **goods-to-services consumption re-balancing may be framed as a "silver lining"**;

- with services expected to backstop aggregate demand and buy time for manufacturing recovery **- But the risk is that stellar services is a red herring hides recession risks in plain sight**.

- Especially as **eroding savings, high inflation, fiscal consolidation, tighter monetary policy and heightened geo-economic uncertainties** flag significant likelihood of **fading consumption boost**.

- **Sharply higher global interest rates**, led by the Fed's fastest pace and greatest amplitude of post-Volcker hikes rate hikes, could hollow out perceived consumer resilience that is **exaggerated** by China's re-opening and the goods-to-services migration of demand.

- And even more **acutely so if lagged credit tightening starts to bite more emphatically** into aggregate demand. At the very least, this risks persistent, uneven economic activity, with lagged services rebound out-running the manufacturing downturn, **exacerbating pre-existing policy complexity and conundrums**.

- Critically, the dangers of **potential confidence-sapping dynamics** with far more pernicious demand shocks render unchecked optimism" as the hollow **"house full of condiment and no food"**. Despite partial tourism offset, **EM Asia's goods exports reliance hobble unchecked bullishness**.

FX Daily Outlook

- EUR/USD: Sideways trading to continue as the EUR continues being restrained by UST yields.
- USD/JPY: While limited UST yield upside restrain rallies, sub-139 slips look unlikely.
- USD/SGD: Further slippage to mid-1.34 on unlikely CNH rallies. Buonces rather than slides.
- AUD/USD: While testing 67 cents is on the cards, oil is a strong restrain.

TODAY'S EVENTS

(JP) Leading Index CI/Coincident Index (Apr P): (Mkt: 98.2/99.0) | (CH) Trade Balance (May): (Mkt: \$95.5b; A\$90.2b) |

(AU) GDP YoY (1Q): (Mkt: 2.4%; 2.7%) | (TW) Trade Balance (May): (Mkt: \$4.9b; \$6.7b) |

(US) Trade Balance (Apr): (Mkt: -\$75.8b, -\$64.2b)

Central Bank: RBA's Lowe-Speech

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