

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.44	140.13	+0.50	+0.79
EUR	1.0684	1.0699	+0.0006	+0.0010
AUD	0.6672	0.6652	▼0.0019	+0.0149
SGD	1.3489	1.3488	+0.0002	▼0.0028
CNY	7.1262	7.1350	+0.0174	+0.0265
INR	82.52	82.55	▼0.06	▼0.18
IDR	14878	14878	+18	▼115
MYR	4.6028	4.5975	▼0.0110	▼0.0155
PHP	56.12	56.11	▼0.13	▼0.07
THB	34.81	34.73	▼0.06	▼0.07

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.795%	+13.5 bp	+15.3 bp
JPY (10YR)	0.427%	+0.1 bp	▼0.9 bp
EUR* (10YR)	2.456%	+8.4 bp	+17.4 bp
AUD (5YR)	3.662%	+4.5 bp	+28.0 bp
SGD (5YR)	2.929%	+1.3 bp	+4.1 bp
CNY (5YR)	2.432%	▼0.2 bp	▼2.1 bp
INR (5YR)	6.921%	+1.3 bp	+0.8 bp
IDR (5YR)	6.005%	▼2.3 bp	▼2.3 bp
MYR (5YR)	3.497%	+0.8 bp	+3.8 bp
PHP (5YR)	5.675%	+0.7 bp	+3.0 bp
THB (5YR)	2.192%	▼0.4 bp	+0.3 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,665.02	+0.27%	+2.30%
N225 (JP)	31,913.74	▼1.82%	+3.32%
STOXX 50 (EU)	4,291.91	▼0.08%	+1.75%
ASX (AU)	4,163.52	▼0.09%	+2.38%
STI (SG)	3,179.58	▼0.33%	+0.66%
SHCOMP (CN)	3,197.76	+0.08%	▼0.21%
SENSEX (IN)	63,142.96	+0.56%	+0.83%
JSE (ID)	6,619.76	+0.01%	▼0.20%
KLSE (MY)	1,378.65	▼0.33%	▼0.61%
PSE (PH)	6,564.70	+1.31%	+1.35%
SET (TH)	1,533.21	+0.31%	▼0.02%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	261.43	+0.29%	+2.99%
COPPER (LME)	8,292.10	▲0.50%	+2.75%
IRON ORE (CN)	109.99	+1.33%	+4.68%
GOLD	1,940.02	▲1.20%	▲1.16%
OIL (WTI)	72.53	+1.10%	+6.52%

**Three Take-aways:**

- 1) BoC unexpectedly shifting back to a hike to snap the pause since March lifts global yields.
- 2) Especially as assessment of "not sufficiently restrictive" challenges notions of pivot all around.
- 3) Coincidentally, that's our point about RBI today: That a pause is not a purge of tightening bias.

**Insufficient**

- **Trepidations that rate hikes thus far are insufficient** (despite being momentous) are exacerbated by evidence that **China's re-opening** is also **insufficient to save the world**.

- The **BoC's 25bp hike** (to 4.75%) **backed by a hawkish view** that monetary policy was "**not sufficiently restrictive**" **jolted unsuspecting markets** (expecting an uneventful pause).

- This **triggered a surge in global yields**, with Canadian 10Y up 16bp at 3.44% and corresponding USTs up 12-13bp to just below 3.8%. Turns out BoC's hike **reverberated well outside of Canada**.

- And that is because, BoC dis-engaging from its pause since March to join the RBA's resumption of hikes, marks a **wider warning of a pause not being an imminent prelude to a pivot**.

- Point being, the idea of **policy still falling short of being "sufficiently restrictive" is not peculiar to the BoC** (or RBA) and has been alluded to by various Fed speakers as well.

- Accordingly, markets are now treating Fed June pause merely as a breather, pricing in more compelling odds of a hike in July. Whereas earlier, markets had been carried away by seductive notions of a prompt pivot descending into sharp cuts in H2.

- Coincidentally, the **idea that a pause does not necessarily purge underlying tightening bias resonates with the RBI's widely expected rate hold today**. Admittedly, agnostic data-dependence is a fairer characterization than an outright hawkish pause (more below).

- Meanwhile, the projection of the BoC's renewed tightening on Fed expectations have reined in USD/CAD pullback below mid-1.33. The USD is also backstopped in a tighter range.

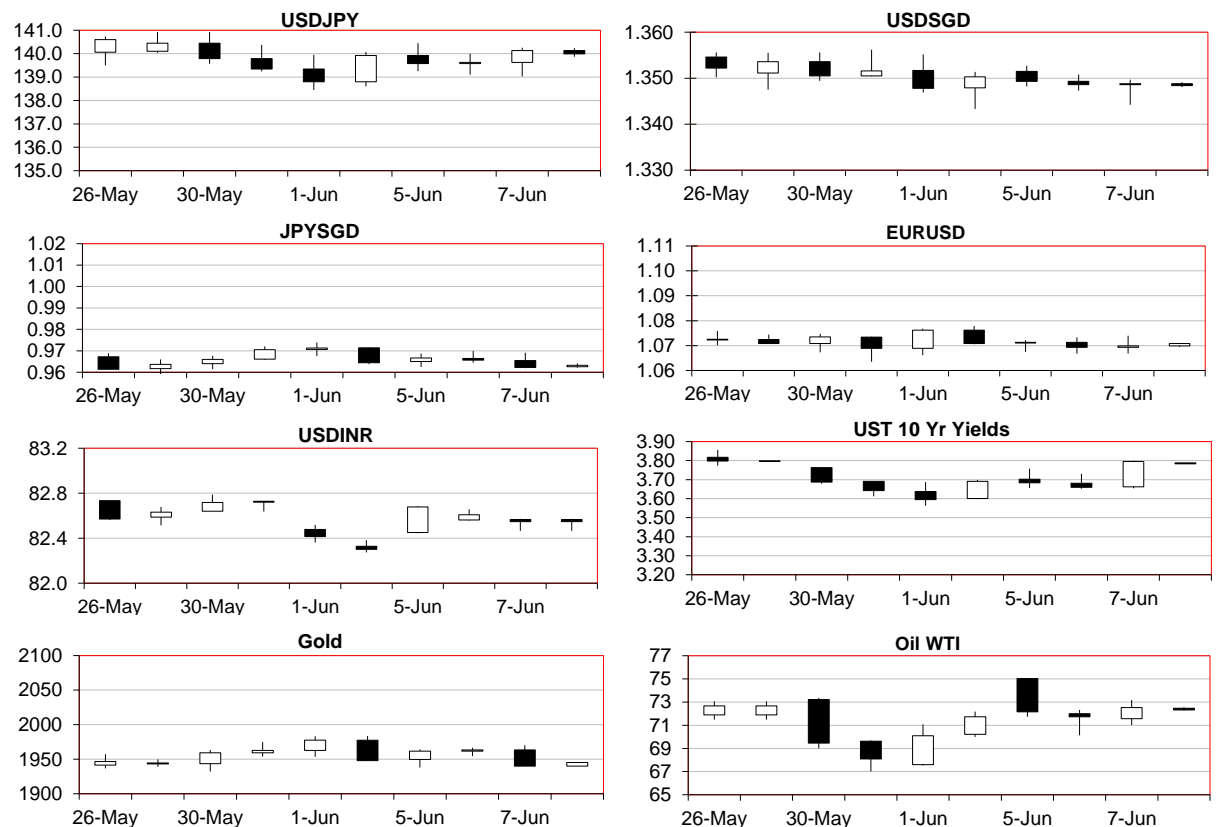
- But this does not dispel weakness in EM Asia FX. For one JPY has slid (USD/JPY testing 140) on higher yields and upward Q1 GDP revisions hollowed out by inventory building. What's more, China's larger than expected exports tumble hitting CNH hard may also dampen AXJ.

**Why the RBI May Pause, But Not Imminently Pivot**

- The **RBI is likely to exploit the sustained pullback in inflation in the context of significant hikes since last year to pause** at the meeting this week (8th June, Thu).

**OVERNIGHT RESULTS**

(AU) GDP YoY (1Q): 2.3% (Mkt: 2.4%; 4Q: 2.7% Revised: 2.6%) | (CH) Exports/Imports YoY (May): -7.5%/-4.5% (Mkt: -1.8%/-8.0%)

**Past Two Weeks Movement**

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

USD/JPY	139.90	EUR/USD	1.0707
USD/SGD	1.3485	USD/THB	34.84
JPY/SGD	0.9639	USD/MYR	4.605

**Forecast**

USD/JPY	139.40 - 140.80
EUR/USD	1.0670 - 1.0750
AUD/USD	0.6610 - 0.6700
USD/SGD	1.3460 - 1.3550
JPY/SGD	0.9560 - 0.9720
USD/CNH	7.1220 - 7.1600
USD/INR	82.40 - 82.88
USD/IDR	14830 - 15080
USD/MYR	4.596 - 4.628
USD/PHP	56.00 - 56.38
USD/THB	34.73 - 34.98

**Today's Direction**

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

- Specifically, on account of the **compelling optics of sub-5% inflation** as April's CPI decelerated sharply to 4.7% (from 5.7% in March), down more than 3%-pts from 7.8% in April 2022.

- Especially taken alongside the **emphatic tightening course**, with **250bp of hikes (to 6.50%)** under its belt since May last year; that may be deemed as inflation-taming job mostly done.

- The upshot is that **a pause at this meeting is due**; and could arguably be further strengthened by notions of a corresponding Fed pause at the June FOMC.

- And to be sure, **Q1 GDP out-run** (at 6.1%) is **not an unequivocal trigger to keep at hikes**.

- In particular insofar that **growth was overstated in the headlines**, mixed in the details, and most importantly not without fragilities ahead amid gathering global headwinds.

- Nonetheless, and all said, the **decision for the June meeting for the RBI is between a measured 25bp hike (20% odds) and a pause (80% odds); rather than a sharp pivot to cuts**.

- And to be sure, a decision in favour of a pause does not negate further tightening just yet.

- For a start, **some of the inflation pullback is "windfall"** and **low-hanging dynamics** rather than concrete evidence of a durable pullback in underlying inflation momentum/expectations.

- What's more, as a conspiracy of pipeline inflation risks (El Nino for one) and lingering rupee/macro-stability concerns underpin the tilt of policy cost-benefits slightly in favour of more tightening; even if that is a high-cost hike that trades off growth in return for stability.

- All said, the coincidence of sustained softening in inflation and runway of hikes allow for a **pause in June; but this is still far from an unequivocal pivot to easing**.

**FX Daily Outlook**

- EUR/USD: Sideways -1.07 as hawkish Fed expectations at the margin contend with ECB hike views.

- USD/JPY: Buoyant UST yields probing 140' although BoJ caution may rein in excessive upside.

- USD/SGD: Softer CNH after China exports disappointment to stifle downside to mid-1.34.

- AUD/USD: RBA hawks notwithstanding, CNH bears caution against extending rallies to 0.67-0.68.

**TODAY'S EVENTS**

(JP) Trade Bal/Current Account (Apr): -¥113.1b/¥1899.6b (Mkt: -¥275.5b/¥1650.0b; Mar: -¥454.4b/¥2278.1b)

(JP) GDP Annualized SA QoQ (1Q F): 2.7% (Mkt: 1.9%; Prelim: 1.6%) | (JP) GDP Deflator YoY (1Q F): 2.0% (Prelim: 2.0%)

(JP) Eco Watchers Survey/Outlook (May): (Mkt: 55.0/56.1; Apr: 54.6/55.7) | (AU) Trade Bal (Apr): (Mkt: A\$13.7b; Mar: A\$15.3b)

 (EZ) GDP SA YoY (1Q F): (Prelim: 1.3%) | (US) Initial Jobless Claims: (Mkt: 237k; 232k) | (US) Wholesale Inventories MoM (Apr F): (Mkt: -0.2%; Apr P: -0.2%) | **Central Banks: RBI Monetary Policy Decision**

**Important Information**

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.