

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.74	138.92	▼1.21	+0.12
EUR	1.0712	1.0782	+0.0083	+0.0020
AUD	0.6682	0.6716	+0.0064	+0.0145
SGD	1.3476	1.3427	▼0.0061	▼0.0051
CNY	7.1317	7.1118	▼0.0232	+0.0142
INR	82.55	82.57	+0.02	+0.16
IDR	14895	14895	+17	▼98
MYR	4.6211	4.6210	+0.0235	+0.0073
PHP	56.13	56.12	+0.02	▼0.15
THB	34.86	34.82	+0.09	+0.02

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.718%	▼7.7 bp	+12.3 bp
JPY (10YR)	0.438%	+1.1 bp	+1.4 bp
EUR* (10YR)	2.402%	▼5.4 bp	+15.3 bp
AUD (5YR)	3.845%	+18.3 bp	+45.7 bp
SGD (5YR)	2.994%	+6.5 bp	+8.4 bp
CNY (5YR)	2.443%	+1.1 bp	+1.7 bp
INR (5YR)	6.975%	+5.4 bp	+6.9 bp
IDR (5YR)	5.989%	▼1.6 bp	▼3.9 bp
MYR (5YR)	3.524%	+2.7 bp	+4.9 bp
PHP (5YR)	5.675%	+0.0 bp	+7.1 bp
THB (5YR)	2.205%	+1.3 bp	+1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,833.61	+0.50%	+2.34%
N225 (JP)	31,641.27	▼0.85%	+1.58%
STOXX 50 (EU)	4,297.68	+0.13%	+0.94%
ASX (AU)	4,150.90	▼0.30%	+1.47%
STI (SG)	3,186.61	+0.22%	+0.64%
SHCOMP (CN)	3,213.59	+0.49%	+0.28%
SENSEX (IN)	62,848.64	▼0.47%	+0.67%
JSE (ID)	6,666.33	+0.70%	+0.50%
KLSE (MY)	1,374.64	▼0.29%	▼0.61%
PSE (PH)	6,539.36	▼0.39%	+1.69%
SET (TH)	1,559.50	+1.71%	+2.50%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.32	+0.34%	+1.92%
COPPER (LME)	8,336.00	+0.53%	+1.17%
IRON ORE (CN)	111.82	+1.66%	+6.90%
GOLD	1,965.46	+1.31%	▲0.61%
OIL (WTI)	71.29	▼1.71%	+1.70%

Three Take-aways:

- 1) Jump in jobless claims alongside drop in oil instigates some degree of Fed pivot cheer.
- 2) Speculation of US-Iran deal points to volatility before clarity and softer prices
- 3) BSP's reserve requirement cut is a delicate balance for PHP risks; pivots on sterilization.

Re-Claiming Fed Pivot Cheer?

- "Fed pivot cheer" made a flashy (re-)entrance, and there was no mistaking the hallmarks:
- Equities rallied led by Nasdaq in distinctive fashion with tech most sensitive to Fed policy;
- UST yields pulled back across the curve (although a not most pronounced at the 2Y) and;
- USD fumbled sliding conspicuously (albeit not alarmingly).
- Turns out, "Fed pivot" bets were reclaimed on a jump in jobless claims (to 261K from 233K); especially against a backdrop of mixed jobs data with softer wage inflation.
- To be sure, expectations for a near-term hike are merely whittled down, not abandoned; given some 80% odds of a 25bp hike by the July FOMC.
- But odds of 50bp of cuts by end-2023/early-2024 have hardened, reflecting rejuvenated markets bets that lagged jobs weakness will set the stage for a reversal of the Fed's stance.
- The logic behind the Fed's policy calculus is not flawed per se. But greater sensitivity to softer jobs is assumed versus the Fed's revealed tolerance for jobs-inflation trade-off.
- What this means is that there could be scope for more mid-/Q3 2023 UST yield and USD volatility in store if rolling Fed guidance continue to disappoint more eager pivot bets.
- Admittedly, softer oil (lower inflation implications) on optimism about US-Iran deal, which will introduce more Iranian supply in global oil markets, leans into Fed pivot bets.

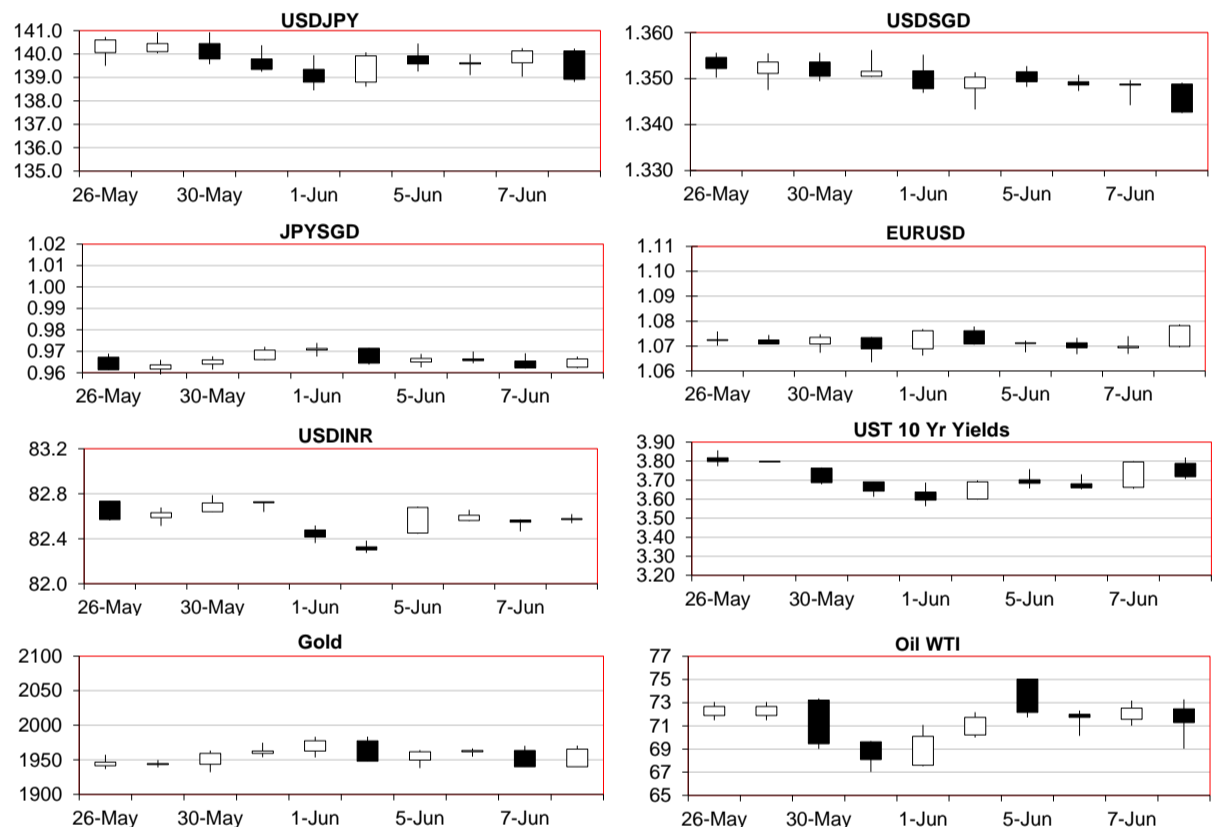
Oil: Will Iran Tease or Taunt?

- Hope of a US-Iran deal within grasp is one thing. But guarantee of a quick and unencumbered passage of such a complex, layered deal is quite another. And the complexity of such a deal and the attendant impact on the oil market is even more fraught given Saudi's agitations.
- The key question is whether prospects of a US-Iran deal will merely tease hopes of oil price (supply) relief, but fall through; or credibly taunt Saudi's supply threats if it gets inked.

OVERNIGHT RESULTS

(US) Initial Jobless Claims: 261K (Mkt: 235k; 233k) | (JP) Eco Watchers Survey/Outlook (May): 55.0/54.4 (Mkt: 55.0/56.1; Apr: 54.6/55.7)

* Past Two Weeks Movement: (USDJPY) 139.74 (Mkt: 138.92; 139.74) | (EURUSD) 1.0712 (Mkt: 1.0782; 1.0712) | (USDINR) 82.55 (Mkt: 82.57; 82.55) | (AUDUSD) 0.6682 (Mkt: 0.6716; 0.6682) | (NZDUSD) 0.6142 (Mkt: 0.6142; 0.6142) | (SGDUSD) 1.3476 (Mkt: 1.3427; 1.3476) | (CNYUSD) 7.1317 (Mkt: 7.1118; 7.1317) | (IDRUSD) 14895 (Mkt: 14895; 14895) | (MYRUSD) 4.6211 (Mkt: 4.6210; 4.6211) | (PHPUSD) 56.13 (Mkt: 56.12; 56.13) | (THBUSD) 34.86 (Mkt: 34.82; 34.86) | (EZ) GDP QoQ (1Q F): 0.7% (Mkt: 0.5%; Prelim: 0.4%)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	138.87	EUR/USD	1.0782
USD/SGD	1.3429	USD/THB	34.62
JPY/SGD	0.9670	USD/MYR	4.605

Forecast

USD/JPY	138.60	-	140.00
EUR/USD	1.0720	-	1.0810
AUD/USD	0.6870	-	0.6770
USD/SGD	1.3400	-	1.3490
JPY/SGD	0.9571	-	0.9733
USD/CNH	7.1080	-	7.1550
USD/INR	82.35	-	82.75
USD/IDR	14800	-	14960
USD/MYR	4.596	-	4.628
USD/PHP	55.85	-	56.25
USD/THB	34.50	-	34.80

Today's Direction

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

- It is too early to tell. And recent enough history informs us that it may be best not to jump the gun on deal optimism given the many hurdles. And there is an additional risk involved.

- That is, trying to secure Iranian barrels end up staring down the barrel of an antagonized, gun-slinging Saudi that is worryingly ready to pull the trigger on further supply cuts.

- Having already put through a unilateral 1MBpD cut (for July), rhetoric appears to suggest that Saudi wants to double down, not dial back, on its threat.

- To be sure, the trajectory of Oil retains downside bias; especially against the backdrop of gather global demand headwinds. But for now, Saudi's ability to hold supply ransom will incite upside volatility. And so, two-way volatility with more (Saudi-led) OPEC sabre-rattling is par for the course before a more sustained softening and stabilization of prices come through later.

BSP's Reserve Ratio Cuts: Taunt?

- The BSP announced significant reserve requirement cuts (RRR), but assured this was not a change in (tight) monetary policy stance. We concur, but with caveats.

- For the record, RRR for large banks, RRR was cut 250bp (to 9.5%) and for thrift banks by 100bp (to 2.0%). Looking simplistically at the total deposits in the system, this might result in up to PHP400bn of additional liquidity that could be unleashed (although perhaps less in practice).

- And to be sure, this additional liquidity in theory has potential to be inflationary. And so, there are two caveats that apply to RRR cut not augmenting policy stance. One, sterilization mops up excess liquidity (only allowing targeted credit growth). Two, RRR cut is framed as cementing resolve, if not raising the bar, to not loosen policy. PHP risks otherwise.

FX Daily Outlook

- EUR/USD: Gunning for 1.08 not outlandish, but trades likely to be nimble into FOMC.

- USD/JPY: 140+ aspirations hijacked by softer UST yields and USD pullback; mid-138 to mid-139.

- USD/SGD: Riding USD slump below mid-1.34, but limited CNH gains impede extent of SGD jump.

- AUD/USD: RBA hawks alongside Fed pivot bets has now endowed some traction around 0.67.

TODAY'S EVENTS

(KR) Current Account (Apr): -\$792.6 (Mar: \$158.1m) | (CH) CPI/PPI YoY (May): (Mkt: 0.2%/-4.3%; Apr: 0.1%/-3.6%) |

(MY) Industrial Production YoY (Apr): (Mkt: 2.0%; Mar: 3.1%) | (PH) Trade Balance (Apr): (Mkt: -\$4700m; Mar: -\$4928m) |

(PH) Unemployment Rate (Apr): (Mar: 4.7%)

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.