

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	139.52	139.60	+0.20	+0.02
EUR	1.0770	1.0757	+0.0008	+0.0044
AUD	0.6762	0.6751	+0.0009	+0.0134
SGD	1.3419	1.3436	+0.0002	▼0.0057
CNY	7.1420	7.1464	+0.0159	+0.0441
INR	82.46	82.43	▼0.03	▼0.25
IDR	14863	14865	+25	▼25
MYR	4.6188	4.6198	+0.0055	+0.0433
PHP	56.06	56.04	+0.00	▼0.20
THB	34.57	34.60	▼0.02	+0.06

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.736%	▼0.4 bp	+5.2 bp
JPY (10YR)	0.431%	+0.4 bp	▼0.3 bp
EUR* (10YR)	2.388%	+1.1 bp	+0.7 bp
AUD (5YR)	3.793%	▼0.1 bp	+22.5 bp
SGD (5YR)	2.994%	+0.0 bp	+4.3 bp
CNY (5YR)	2.429%	+0.3 bp	▼1.6 bp
INR (5YR)	6.951%	▼2.2 bp	+3.2 bp
IDR (5YR)	5.952%	▼0.8 bp	▼9.9 bp
MYR (5YR)	3.534%	+0.8 bp	+6.9 bp
PHP (5YR)	5.676%	+0.1 bp	+8.9 bp
THB (5YR)	2.216%	+0.0 bp	+2.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,066.33	+0.56%	+1.50%
N225 (JP)	32,434.00	+0.52%	+0.67%
STOXX 50 (EU)	4,316.49	+0.62%	+0.54%
ASX (AU)	4,140.42	+0.17%	▼0.25%
STI (SG)	3,196.07	+0.29%	+0.22%
SHCOMP (CN)	3,228.83	▼0.08%	▼0.11%
SENSEX (IN)	62,724.71	+0.16%	▼0.10%
JSE (ID)	6,722.37	+0.42%	+1.34%
KLSE (MY)	1,386.77	+0.78%	+0.40%
PSE (PH)	6,507.15	+0.00%	▼0.22%
SET (TH)	1,551.41	▼0.24%	+1.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	256.94	▲1.38%	▲1.34%
COPPER (LME)	8,282.00	▲0.80%	▲0.59%
IRON ORE (CN)	111.13	▲2.30%	+3.43%
GOLD	1,957.84	▲0.17%	▲0.20%
OIL (WTI)	67.12	▼4.35%	▼6.97%

Three Take-aways:

- 1) Lower inflation expectations from NY Fed survey lent optimism to equities rally.
- 2) Optimism is not unequivocal as USTs and USD remain wary ahead of US CPI.
- 3) Relatively elevated inflation may set the CBC for another calibrated 12.5bp hike on Thursday.

It is about the Future

- New York Fed's latest consumer expectations survey showed that 1-year ahead inflation expectations declined by 0.3%-point to 4.1% and respondents are less uncertain about future inflation outcomes. Job security measures which is the perceived probability of losing one's job decreasing bodes well for longer term spending may pose a dilemma for policy makers.
- Unsurprisingly, these imparted optimism helped to fuel another rally for tech charged US equities (Nasdaq: +1.5%; S&P500: +0.9%; Dow: +0.6%).
- Nonetheless, markets sentiments were not unequivocally upbeat as US treasuries bulls remain restrained with UST 2Y and 10Y yields edging down a mild 1.9bp and 0.4bp respectively.
- Afterall, with actual May US CPI inflation print tonight, updating of one's priors is par for the course. Headline disinflation will have to contend with sticky core inflation led by services.
- To be sure, the 3.9% decline in Brent Crude prices to below US\$72/barrel would also have triggered hopes for keeping headline inflation ahead low.
- On balance, amid two way volatility displayed by the DXY, the Greenback ended rather firm.
- While the EUR hovers above mid-1.07, USD/JPY stayed closer to mid-139. Despite the sharp commodity price drop, AUD retained traction around mid-67 cents.
- In EM-Asia, USD/SGD remained rather flat alongside persisting CNH weakness.
- Elsewhere, India's headline inflation declining will certainly not trigger RBI pivot whereas industrial production exceeding expectation may affirm their hawkish inclinations.

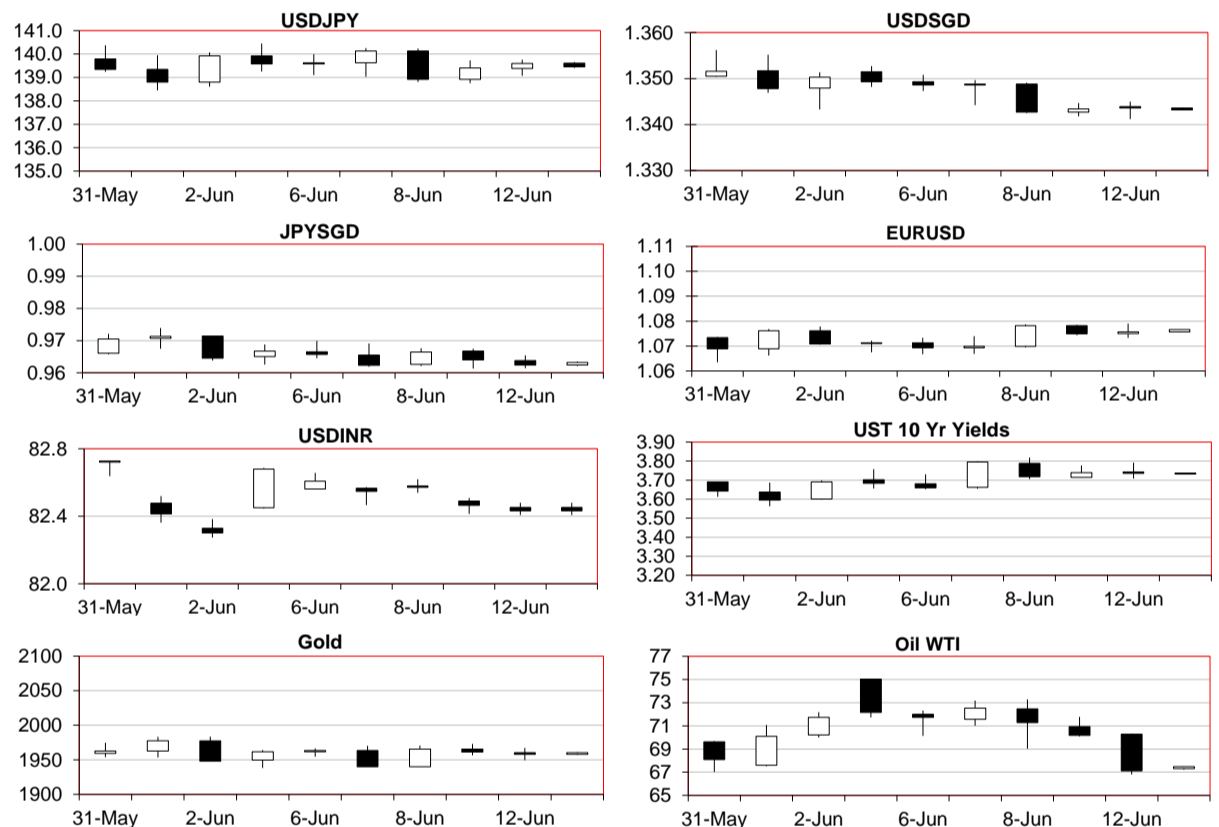
CBC: Calibrated Hike

- We expect the CBC to take another calibrated step of 12.5bp at their 15 June meeting to raise rates to 2.0% as they attempt to quell inflationary pressures which remains uncomfortably elevated.

OVERNIGHT RESULTS

(JP) Machine Tool Orders YoY (May P): -22.2% (Apr: -14.4%) | (ID) Consumer Confidence Index (May): 128.3 (Apr: 126.1) | (IN) CPI YoY (May): 4.3% (Mkt: 4.31%; Apr: 4.7%) | (IN) Industrial Production YoY (Apr): 4.2% (Mkt: 0.9%; Mar: 1.7%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	139.46	EUR/USD	1.0763
USD/SGD	1.3434	USD/THB	34.64
JPY/SGD	0.9633	USD/MYR	4.622

Forecast

USD/JPY	138.60 - 140.50
EUR/USD	1.0730 - 1.0820
AUD/USD	0.6720 - 0.6820
USD/SGD	1.3400 - 1.3490
JPY/SGD	0.9537 - 0.9733
USD/CNH	7.1300 - 7.1700
USD/INR	82.35 - 82.75
USD/IDR	14800 - 14960
USD/MYR	4.610 - 4.630
USD/PHP	55.90 - 56.25
USD/THB	34.53 - 34.80

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	4	4

- The calibrated step takes into account an abundance of growth headwinds as well as the need to curb pervasive inflation.

- Taiwan's manufacturing PMIs continues to decline and remain entrenched in contractionary territory alongside slumping industrial the production which drop 22.9% YoY in April.

- The 2.9% contraction for Q1 GDP from a year ago certainly reflects the dire state of economic activity for externally oriented sectors as net exports posted a severe drag on growth.

- Despite these growth concerns, low and declining unemployment rates point to a tight labour market supporting underlying core inflation pressures.

- Afterall, core inflation has exceeded headline inflation for 5 consecutive months.

- The pervasiveness of inflation within the CPI basket also ought to worry the CBC as the risk of unanchored inflation expectation rises. Specifically, 48 out of 62 items in the CPI basket exceed their historical average with 36 items having inflation rates above 2%.

- What's more given that much lower frequency of meetings for the CBC with the next meeting in September, the tendency is skewed towards leaning against upside inflationary risks.

- While the balance of risks back our case to call for a well calibrated 12.5bp hike, the persistently negative real rates implies that a 25bp increase cannot be fully ruled out considering the 3 month lag in meeting frequency and the ease of displaying nimbleness for policy pivots in H2 2022 should growth outturns take a sharp plunge. As for the TWD, durable recovery will inevitably await semiconductor turnaround rather than rely on monetary policy.

FX Daily Outlook

- EUR/USD: US CPI disinflation may not be sufficient to incite durable rallies past 1.08.
- USD/JPY: 140 buoyancy to be imparted on US CPI beat while disappointment allows sub-139.
- USD/SGD: Follow UST yield gyration as CNH weakness allow buoyancy off 1.34.
- AUD/USD: Mid-67 cents consolidation still the course as RBA hawkishness backstops.

TODAY'S EVENTS

(JP) BSI Large All Industry/Mfg QoQ (2Q): 2.7/-0.4 (1Q: -3.0/-10.5) |

(US) CPI/Core YoY (May): (Mkt: 4.1%/5.2%; Apr: 4.9%/5.5%) |

(US) Real Avg Hourly Earning Yoy (May): (Apr: -1.1%) |

(GE) ZEW Survey Expectations/Current (Jun): (Mkt: -13.1/-42.0; May: -10.7/-34.8)

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