

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	128.81	128.34	▼1.63	▼1.86
EUR	1.0459	1.0380	▼0.0133	▼0.0162
AUD	0.6891	0.6856	▼0.0082	▼0.0256
SGD	1.3942	1.3963	+0.0067	+0.0117
CNY	6.7839	6.7863	+0.0646	+0.1305
INR	77.48	77.43	+0.18	+1.16
IDR	14598	14597	+39	+100
MYR	4.3913	4.3940	+0.0165	+0.0452
PHP	52.47	52.48	+0.20	+0.09
THB	34.74	34.72	+0.10	+0.65

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.848%	▼7.3 bp	▼18.9 bp
JPY (10YR)	0.248%	+0.0 bp	+1.7 bp
EUR* (10YR)	0.840%	▼14.6 bp	▼20.4 bp
AUD (5YR)	3.100%	▼6.2 bp	▼4.0 bp
SGD (5YR)	2.528%	▼8.5 bp	+5.9 bp
CNY (5YR)	2.575%	▼0.2 bp	▼6.2 bp
INR (5YR)	7.127%	+2.4 bp	▼5.4 bp
IDR (5YR)	6.873%	▼2.9 bp	+55.1 bp
MYR (5YR)	4.105%	▼4.7 bp	+17.8 bp
PHP (5YR)	5.568%	+11.8 bp	+47.6 bp
THB (5YR)	2.667%	▼2.1 bp	+19.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,730.30	▼1.02%	▼3.84%
N225 (JP)	25,748.72	+0.18%	▼3.99%
STOXX 50 (EU)	3,613.43	+2.62%	▼2.25%
ASX (AU)	3,999.79	+1.41%	▼3.52%
STI (SG)	3,165.18	▼0.25%	▼5.34%
SHCOMP (CN)	3,054.99	+0.75%	▼0.42%
SENSEX (IN)	52,930.31	▼0.51%	▼4.98%
JSE (ID)	6,599.84	▼0.05%	▼8.70%
KLSE (MY)	1,538.80	+0.09%	▼2.79%
PSE (PH)	6,532.30	▼1.27%	▼4.90%
SET (TH)	1,584.52	▼0.58%	▼3.58%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	304.06	▲0.27%	▲3.13%
COPPER (LME)	9,103.50	▲2.73%	▲4.30%
IRON ORE (CN)	130.16	▲3.01%	▲10.36%
GOLD	1,821.82	▲1.65%	▲2.95%
OIL (WTI)	106.13	+5.96%	▼1.95%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	128.60	EUR/USD	1.0379
USD/SGD	1.3965	USD/THB	34.75
JPY/SGD	1.0860	USD/MYR	4.388

Forecast

USD/JPY	128.00 - 132.00
EUR/USD	1.0400 - 1.0600
AUD/USD	0.6800 - 0.7060
USD/SGD	1.3860 - 1.3410
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.7200 - 6.8500
USD/INR	77.10 - 77.90
USD/IDR	14530 - 14680
USD/MYR	4.3700 - 4.4000
USD/PHP	52.25 - 52.80
USD/THB	34.55 - 34.90

Today's Direction

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

Control

- As the Senate confirmed Fed Chair Powell's second term, he reiterated his objective to "get inflation under control" and some pain will be required to achieve a soft landing.
 - Notably, both Powell and Daly support 50bps increases at the next two meetings. In particular, Daly would like to see continued tightening financial conditions and "we have made a good start".
 - Powell left his flight path to landing more open, prepared to do more/less if things come in worse/better as such markets look to be on a bumpy ride.
 - While S&P500 and Dow dipped 0.1% and 0.3% and Nasdaq churned out a 0.1% gain, stocks were sent on a volatile ride as indices swung between gains and losses in a 2-3% range.
 - For now, UST bulls get reprieve as yield curve bull steepened (2Y: -7.8bps; 10Y: -6.7bps), though following suit was a -10bps decline in 10Y-breakevens resulting in increase of real yields instead.
 - In FX, the increase in real US yields amid rising risk-off sentiments was at play.
 - JPY hinted at relief and rekindling of safe haven allure to offset real yield impact as USD/JPY slipped to mid-128 as sole standout performer among G10 peers.
 - With risk-off environment growing, EUR fell 1.3% to below 1.04 as multiple ECB's speakers adding support for July rate hike could barely provide a backstop.
 - Down under, AUD dipped 1% towards mid-0.68 as still elevated commodity prices (Brent crude at US\$107/barrel) could not alleviate broader concerns surrounding iron ore demand.
 - Elsewhere in EM-Asia, USD remain in firm control with USD/SGD rose above mid-1.39.
 - Despite GDP growth handily exceeding expectations which puts the BSP in better position to normalise policy rates, the PHP still depreciated as USD/PHP heading towards 52.5. Similarly, even with the BNM's rate hike in mid-week, MYR continued to weaken as USD/MYR heads above 4.39.

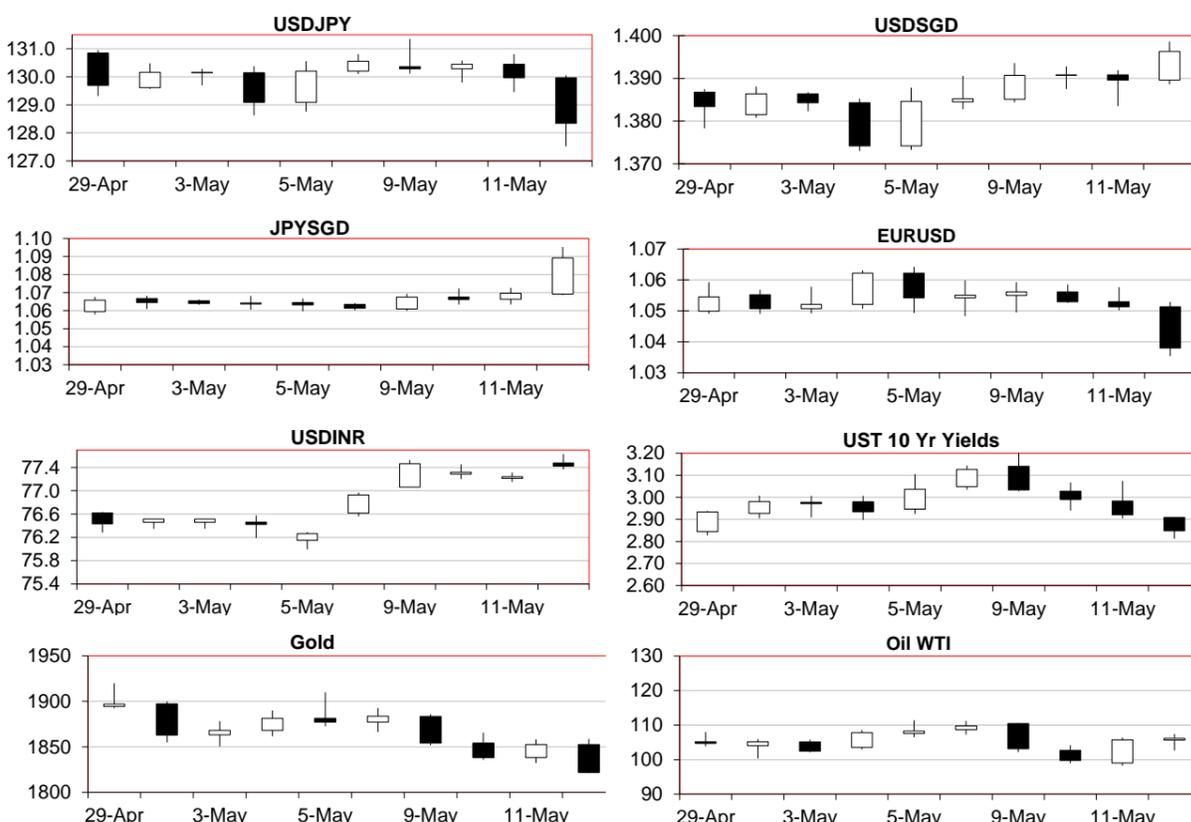
Korea's Headwinds

- KRW has declined 7.7% YTD against USD, despite the BoK's region leading calibration of monetary policy with 4 hikes of 25bps thus far to take base rate to 1.50%, last seen in pre-Covid July 2019.

OVERNIGHT RESULTS

(JP) Eco Watchers Outlook SA (Apr): (Mkt: 50.1/47.8) | (IN) CPI YoY (Apr): (Mkt: 7.4%; Mar: 7.0%) | (IN) Industrial Production YoY (Mar): 1.9% (Mkt: 1.3%; Feb: 1.7%) | (PH) GDP YoY (1Q): 8.3% (Mkt: 6.8%; 4Q: 7.8%) | (US) Initial Jobless Claims: 203k (Mkt: 192k; Prev: 200k) | (US) PPI/Ex-Food & Energy YoY (Apr): 11.0%/8.8% (Mkt: 10.7%/8.9%; Mar: 11.2%/9.2%)

* Past Two Weeks Movement *



- The magnitude of decline embodies a confluence of factors domestically and externally.
 - First, repeated warnings from China, their largest trading partner, on slowing growth will dent prospects on external demand holding up Korea's growth.
 - Second, supply chain and trade disruptions will hurt the economy broadly and also deeply for specific sectors. With 9% of fuels sourced from Russia and their reliance on energy imports, industries will be hit with higher energy costs while pricey utilities nib at household budgets.
 - As Korea imports 46% of their palm oil from Indonesia, their palm oil export ban will impact industries and goods ranging from Ramyeon (instant noodles) to cosmetics, shrinking margins and raising consumer prices.
 - While overall current account remains in a surplus, goods balance has declined on surging import costs while services account is bolstered by an upturn in transport balance from freight.
 - Third, President Yoon's supplementary budget proposal to the National Assembly today is estimated at 2.9% of GDP with nearly half consisting of cash transfers to self-employed persons, while admirably funded from excess tax revenues (instead of debt), will still add to price pressures.
 - Lastly, rising inflation has eroded real asset returns and outpaced the BoK's rate hike. Conservatively, at best, rate hikes of 100bps thus far has barely exceed inflation expectations which has increased 80bps to 3.1% in April 22 from 2.3% in July 21.
 - These factors put the BoK on course to continue calibrating policy rates as real policy rates remain excessively negative and accommodative.

FX Daily Outlook

- EUR/USD: Consolidation above 1.04 as markets weigh ECB July hikes.
 - USD/JPY: Risk-off sentiments may start to check the pair below 130.
 - USD/SGD: Mid-1.39 looks to solidify especially if China lockdowns lifting eludes.
 - AUD/USD: Consolidation below 0.69 may continue as RBA-commodity bulls tempted.

TODAY'S EVENTS

(MY) GDP YoY (1Q): (Mkt: 4.0%; 4Q: 6.6%) | (IN) Trade Balance (Apr): (Mkt: -\$20b; Mar: -\$18.5b)
 (US) U. of. Mich. Sentiment (May P): (Mkt: 63.8; Apr: 65.2) | (EZ) Industrial Production WSA YoY (Mar): (Mkt: 0.5%; 2.0%)
 (Central Banks): ECB's De Cos and Schnabel Speaks | Fed's Mester Speaks

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