

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	127.95	127.88	+0.09	▼1.34
EUR	1.0577	1.0564	▼0.0024	+0.0152
AUD	0.7063	0.7040	▼0.0009	+0.0100
SGD	1.3779	1.3804	▼0.0007	▼0.0125
CNY	6.6743	6.6930	▼0.0195	▼0.0962
INR	77.58	77.55	▼0.18	+0.10
IDR	14646	14652	▼81	+39
MYR	4.3924	4.3892	▼0.0153	▼0.0095
PHP	52.22	52.23	▼0.23	▼0.23
THB	34.34	34.26	▼0.29	▼0.52

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.781%	▼5.6 bp	▼13.7 bp
JPY (10YR)	0.242%	▼0.1 bp	▼0.4 bp
EUR* (10YR)	0.944%	▼0.5 bp	▼0.4 bp
AUD (5YR)	3.000%	▼5.3 bp	▼4.3 bp
SGD (5YR)	2.572%	+0.6 bp	+0.6 bp
CNY (5YR)	2.534%	▼0.1 bp	▼3.8 bp
INR (5YR)	7.177%	+1.5 bp	+5.0 bp
IDR (5YR)	6.599%	▼8.9 bp	▼23.2 bp
MYR (5YR)	3.879%	▼11.2 bp	▼14.3 bp
PHP (5YR)	6.012%	▼0.4 bp	+36.1 bp
THB (5YR)	2.395%	▼15.9 bp	▼23.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,261.90	+0.03%	▼2.90%
N225 (JP)	26,739.03	+1.27%	+1.18%
STOXX 50 (EU)	3,657.03	+0.45%	▼1.25%
ASX (AU)	4,083.84	+1.11%	▼0.37%
STI (SG)	3,240.58	+1.56%	+1.55%
SHCOMP (CN)	3,146.57	+1.60%	+2.02%
SENSEX (IN)	54,326.39	+2.91%	+2.90%
JSE (ID)	6,918.14	+1.39%	+4.85%
KLSE (MY)	1,549.12	▼0.02%	+0.30%
PSE (PH)	6,746.33	+1.30%	+5.76%
SET (TH)	1,622.95	+1.06%	+2.43%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	312.73	▲0.32%	+1.34%
COPPER (LME)	9,451.00	▲0.10%	+2.90%
IRON ORE (CN)	134.36	+2.54%	+2.62%
GOLD	1,846.50	+0.25%	+1.92%
OIL (WTI)	113.23	+0.91%	+2.48%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	127.91	EUR/USD	1.0570
USD/SGD	1.3790	USD/THB	34.37
JPY/SGD	1.0781	USD/MYR	4.386

Forecast

USD/JPY	126.00 - 128.00
EUR/USD	1.0500 - 1.0680
AUD/USD	0.6850 - 0.7100
USD/SGD	1.3740 - 1.3850
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.6500 - 6.7800
USD/INR	77.10 - 78.00
USD/IDR	14600 - 14800
USD/MYR	4.3810 - 4.4200
USD/PHP	51.00 - 52.80
USD/THB	34.00 - 34.80

Today's Direction

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

Growth Concerns Take Precedence

- S&P500 missed officially entering a bear market (down 20% from recent peak to trough) as the index closed relatively unchanged on Friday; NASDAQ was down 0.3% and Dow Jones up 0.03%.
- The calm in US equities was accompanied by a dip in 10 year UST yields to below 2.8%.
- While there were no specific data releases that gave pause for thought, the sullen market mood came from diminishing growth prospects accompanying rapidly aggressive tightening.
- Even though the market reaction suggests some sort of moderation in the Fed rate hiking cycle, this may be overdone given the Fed's unwavering inflation focus.
- The DXY index was also provided some reprieve giving GBP and NZD a boost on Friday; with AUD set to consolidate on gains from a clear election outcome over the weekend.
- The labour party with Anthony Albanese as PM won a resounding victory in Australia's election to oust the Liberal-National coalition and Scott Morrison as PM.
- EUR/USD is looking relatively stable, with ECB looking primed to start raising rates in July.
- Meanwhile, USD/JPY is trading in a relatively range bound manner given lower UST yields.
- Broader growth concerns have kept oil prices trading within a narrow range as well, with WTI prices steady close to USD110/barrel and Brent around USD112-113/barrel.
- Over the weekend, Saudi Arabia confirmed Russia's allegiance to the OPEC+ alliance, putting the US-Saudi relations in focus.
- Steadier oil price and USD gave EM Asia currencies a boost on Friday, which could prove temporary. IDR (more below) and KRW will be in focus ahead of the central bank meetings.

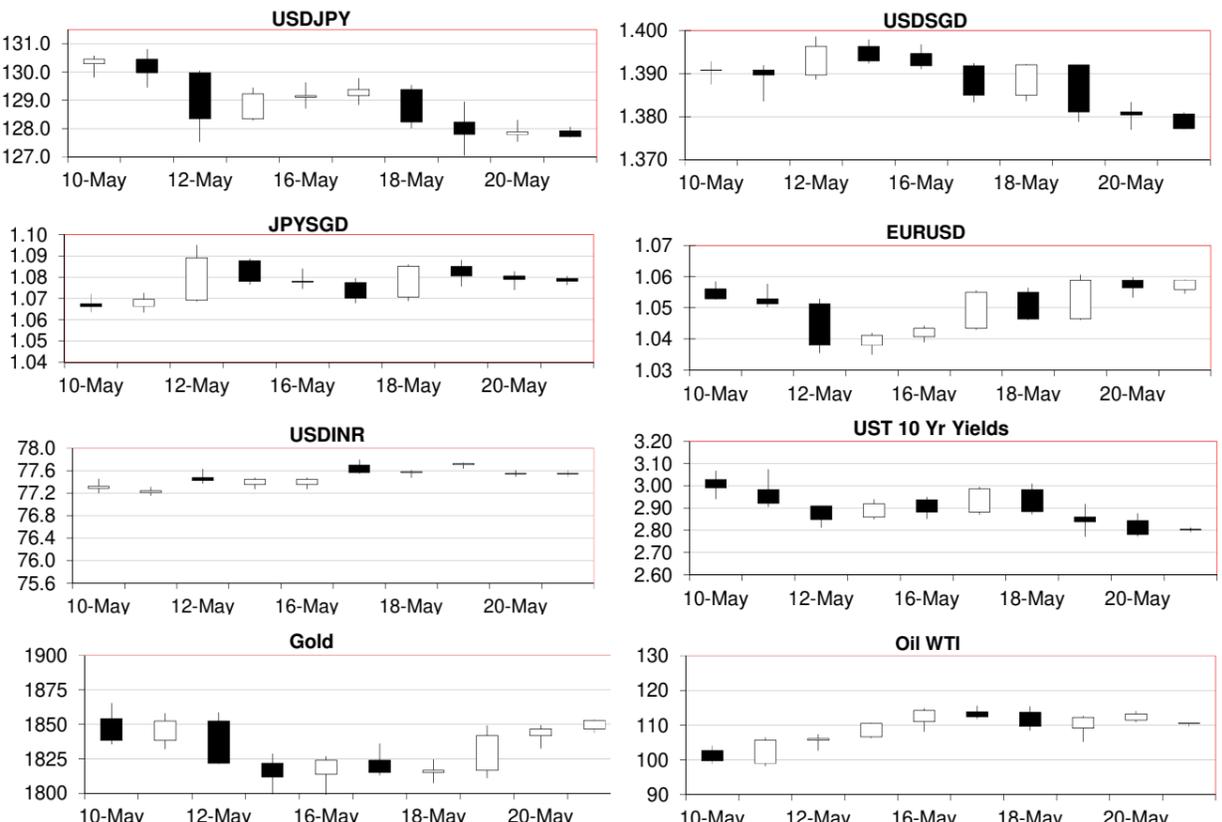
Indonesia: Growth Pains

- The authorities (government and central bank) are clear that the focus of policy is on supporting the incipient, fragile economic recovery. But this focus is now coming at a cost.
- The Jokowi administration's credibility has been hurt with its flip-flopping on the palm oil embargo. The ban, which lasted less than month from 28 April to 23 May, did little to lift domestic cooking oil supplies and bringing down prices convincingly.

OVERNIGHT RESULTS

(CH) 1-Yr/5Yr Loan Prime Rate: (Mkt: 3.65%/4.58%; Apr: 3.70%/4.60%) | (ID) BOP Current Account Balance (1Q): (Mkt: \$918m; 4Q:\$1400m) | (EZ) Consumer Confidence (May A): (Mkt: -21.5; Mar: -22.0%) | Central Banks: ECB's de Cos Speaks

* Past Two Weeks Movement *



- While the lifting of the palm oil ban will bring some relief not just to global commodity markets but also to domestic farmers, who protested the ban, it has set a precedence for hurtful protectionist policies. This is to say a repeat of such policies cannot be ruled out.
- At the same time, the government has decided against raising most retail fuel or electricity prices (with electricity prices only for a certain segment allowed to be adjusted upwards).
- It has instead approved an increase of 0.4% of GDP to the energy subsidy budget, on top of an incremental 1.5% of GDP compensation to Pertamina and PLN.
- This pegs the 2022 fiscal deficit at 4.5% of GDP versus a budgeted deficit of 4.9% of GDP; there is an additional 2.3% of GDP in revenues from the commodity price windfall.
- However, this constitutes a missed opportunity to further rationalise on atleast some aspects of subsidy spending. As such, the 'twin deficit' situation will sustain with the government foregoing a chance to expedite fiscal consolidation and return to the previous 3% of GDP fiscal deficit limit sooner.
- The artificially depressed domestic fuel prices will give BI some space to navigate but its increasingly divergent stance compared to regional peers and the widening Fed-BI interest rate differentials will put pressure on IDR.
- Admittedly, the uptrend in USD/IDR was backstopped last week by a lower 2022 bond issuance projection and positive sentiment around lifting of the palm oil price embargo.
- But bouts of sharp and sustained IDR depreciation cannot be ruled out given the more fundamental outlook.

FX Daily Outlook

- EUR/USD: ECB's near confirmation around a July rate hike has given EUR a boost.
- USD/JPY: Some volatility may return as Fed's aggressive rate hiking cycle remains intact.
- USD/SGD: Broader global growth worries may give SGD a breather, with mid-1.37 in sight.
- AUD/USD: A supportive election result as USD demand wanes slightly clear coast for 71 cents.

TODAY'S EVENTS

(SG) CPI/Core YoY (Apr): (Mkt: 5.5%/3.4%; Mar: 5.4%/2.9%) | (PH) BOP Balance (Apr): (Mar:\$754m) | (TH) Customs Trade Balance (Apr): (Mkt: -\$642m; Mar: \$1.54b) | (US) Chicago Fed Nat Activity Index (Apr): (Mar: 0.44) | (GE) IFO Current Assessment/Business Climate (May): (Mkt: 97.3/91.0; Apr: 97.2/91.8) | (GE) IFO Expectations (May): (Mkt: 85.5; Apr: 86.7)

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