

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	127.28	126.83	▼1.07	▼2.55
EUR	1.0729	1.0736	+0.0045	+0.0186
AUD	0.7101	0.7106	▼0.0003	+0.0077
SGD	1.3730	1.3719	▼0.0015	▼0.0131
CNY	6.6686	6.6537	+0.0040	▼0.0840
INR	77.63	77.59	+0.07	+0.02
IDR	14661	14658	▼16	+8
MYR	4.3883	4.3965	+0.0067	+0.0058
PHP	52.32	52.33	+0.06	▼0.11
THB	34.10	34.15	▼0.03	▼0.37

\*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.751%	▼10.1 bp	▼23.5 bp
JPY (10YR)	0.237%	▼0.3 bp	▼0.9 bp
EUR* (10YR)	0.967%	▼5.0 bp	▼7.9 bp
AUD (5YR)	3.025%	+1.0 bp	▼5.7 bp
SGD (5YR)	2.478%	▼4.4 bp	▼8.4 bp
CNY (5YR)	2.532%	+0.7 bp	▼1.2 bp
INR (5YR)	7.122%	+0.0 bp	▼4.3 bp
IDR (5YR)	6.307%	+6.4 bp	▼46.1 bp
MYR (5YR)	3.795%	▼0.7 bp	▼21.8 bp
PHP (5YR)	5.794%	▼22.5 bp	+0.6 bp
THB (5YR)	2.309%	+1.0 bp	▼33.4 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,928.62	+0.15%	▼2.22%
N225 (JP)	26,748.14	▼0.94%	+0.33%
STOXX 50 (EU)	3,647.56	▼1.64%	▼2.51%
ASX (AU)	4,126.79	▼0.57%	▼0.56%
STI (SG)	3,195.04	▼0.58%	▼0.21%
SHCOMP (CN)	3,070.93	▼2.41%	▼0.74%
SENSEX (IN)	54,052.61	▼0.43%	▼0.49%
JSE (ID)	6,914.14	+1.07%	+4.06%
KLSE (MY)	1,531.30	▼0.73%	▼1.12%
PSE (PH)	6,577.45	▼1.65%	▼0.26%
SET (TH)	1,626.23	▼0.55%	+0.73%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	313.75	▲0.46%	▲0.52%
COPPER (LME)	9,459.00	▲1.35%	+0.78%
IRON ORE (CN)	133.10	▲0.89%	+1.16%
GOLD	1,866.45	+0.69%	+2.83%
OIL (WTI)	109.77	▼0.47%	▼2.34%

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

USD/JPY	126.75	EUR/USD	1.0733
USD/SGD	1.3713	USD/THB	34.11
JPY/SGD	1.0819	USD/MYR	4.398

**Forecast**

USD/JPY	126.00 - 128.30
EUR/USD	1.0600 - 1.0780
AUD/USD	0.6980 - 0.7180
USD/SGD	1.3700 - 1.3850
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.5600 - 6.7100
USD/INR	77.20 - 78.00
USD/IDR	14600 - 14800
USD/MYR	4.3800 - 4.4330
USD/PHP	51.70 - 52.80
USD/THB	34.00 - 34.40

**Today's Direction**

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

**Snapped?**

- Indeed, the easy cheer for equities didn't last long, as the **recovery was snapped** as Snap's profit warning hit tech stocks as the Nasdaq dropped 2.4% while S&P fell 0.8%, though pull back from session lows managed to send the Dow 0.2% higher.

- Yet again, **risk sentiments was certainly snapped** looking at USTs bullish performance, with 2Y yields declining 14.2bps while 10Y yields went 10.1 bps lower as the yield curve steepened.

- Aside from safety needs, the sharper decline in front yields had hints of Atlanta Fed's Bostic thinking of a **pause in the policy trajectory in their Sept meeting**.

- US data release also aligned with these risk sentiments as **new home sales plunged below expectations**. While rising mortgage rates certainly played a part to dampen demand, rising construction cost will look to temper expectations of slowing housing prices.

- In FX, on lower UST yields and underlying streak of risk aversion, JPY and CHF led gains against the USD as the USD/JPY sank below 127.

- On account of lower US yields and firmer policy convergence, EUR's recovery continued as it rose above 1.07 despite both PMIs on manufacturing and services disappointing.

- Down under, AUD stay rather flat near 0.71, weighed down by China worries as Beijing and Shanghai's streak of new Covid cases continued and may precipitate harsher, extended lockdowns.

- Within EM Asia, USD/SGD edged 0.1% down towards 1.37. The **BI kept policy rate unchanged at 3.50%** as expected but it did double down on its liquidity management agenda by **raising the magnitude of Rupiah Reserve Requirement (RRR) hikes**, which will now be hiked incrementally to 9% by September instead of 6.5%, previously.

- That said, one should not easily conflate immediate IDR performance with BI's move which remains a weak backstop, given the overnight softer US yields.

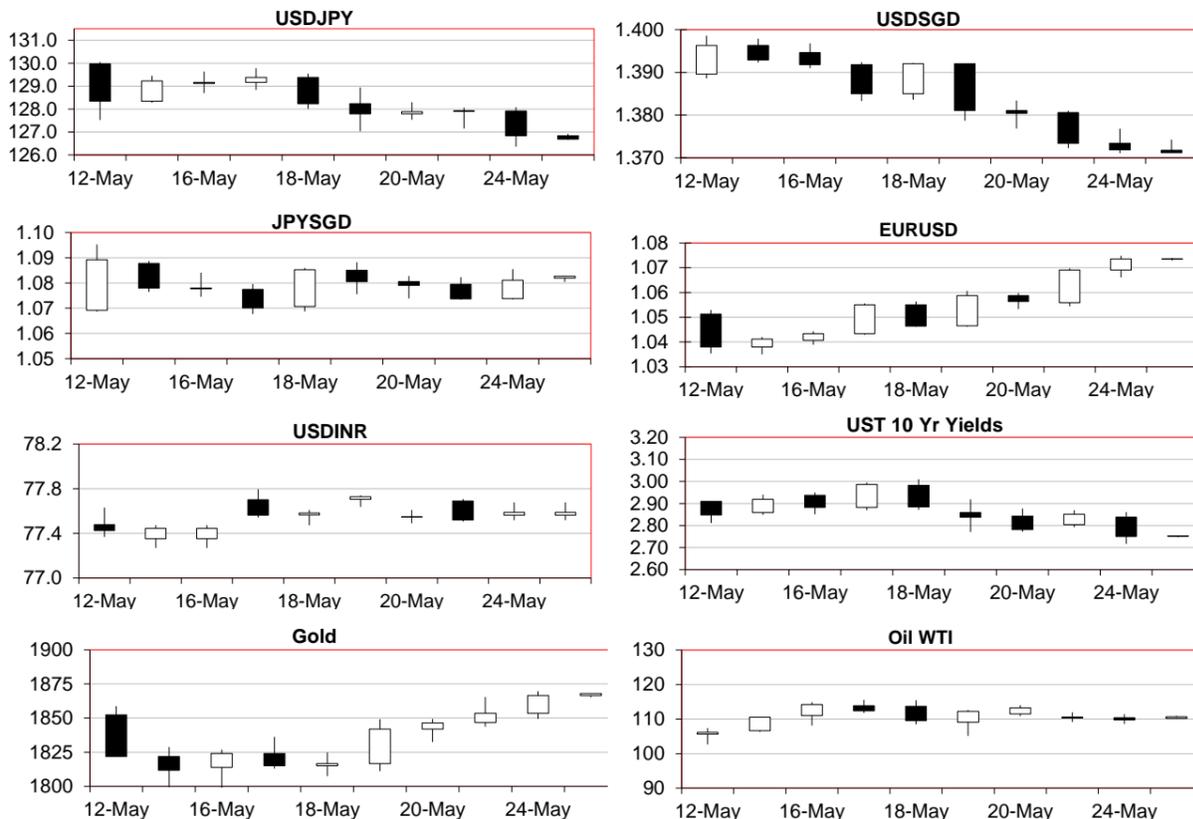
**Thailand: Fiscal Hurdles**

- Thailand authorities agreed to continue **capping diesel prices at 32 baht/litre** (reviewed on a weekly basis) and a **larger reduction in diesel excise tax (till Jul)** from a previous 3 baht cut to 5.

**OVERNIGHT RESULTS**

(US) New Home Sales (Apr): 591k (Mkt: 750k; Mar: 763k) | (US) Richmond Fed Manufact. Index (May): -9 (Mkt: 10; Apr:14) |

(EZ) Manufacturing/Services PMI (May P): 54.4/56.3 (Mkt: 54.7/57.4; Apr: 59.2/57.7) |

**\* Past Two Weeks Movement \***


- In the background, the state oil fund is aiming to conclude **negotiations to obtain loans from commercial banks in the coming weeks** in order to maintain the diesel price ceiling.

- The diesel price ceiling continues to represent a slippery issue that **straddles both fiscal policy and inflation trade-off**, which pertains to valiant efforts to balance subsidies (to keep a lid on prices) and fiscal capacity.

- First, it is certainly not in doubt that these moves **prevent erosion of household's purchasing power and consequent demand destruction alongside social unrest**.

- While the lower excise tax implies that the state oil fund consequently provides less subsidy, these are **simply categorical changes which cannot escape the wider fiscal equivalence** and do not derail the path of public debt creeping up.

- Thus far, overall public debt to GDP has expectedly risen 2%pts and the authorities expect this will continue rising to 62.6%. Our estimates point to a slightly higher estimate of 63% debt to GDP ratio if the price ceiling of 32 baht persist.

- Currently, the uptick in public debt stems from both lower revenue collection as economic activity recovers mildly alongside higher expenditure needs.

- The silver lining is that the debt ceiling has enough to give and so buying time with fiscal levers may offer the "path of least harm" to ride out the global storm as a fuller tourism recovery - now likely delayed by China's prolonged Zero-COVID policy - is awaited.

For more details, click [here](#) for fiscal overview in Mizuho Flash - Thailand Fiscal Updates: Hurdles

**FX Daily Outlook**

- EUR/USD: Questions may be asked on durability above mid-1.07 given lack of fresh impetuous.

- USD/JPY: 126 test possible but downside consolidation at mid-126 is base with policy divergence.

- USD/SGD: China worries may temper downside bias and allow hover abover 1.37.

- AUD/USD: Breakthrough above mid-0.71 too higher a bar without China lifting lockdowns.

**TODAY'S EVENTS**

(SI) GDP YoY (1Q F): 3.7% (Mkt: 3.7%; Prev: 3.4%) | (JP) Leading Index CI/Coincident Index (Mar F): (Prev: 101/97) |

(MY) CPI YoY (Apr): (Mkt: 2.3%; Prev: 2.2%) | (US) Durable Goods/Non-def Ex Air Orders (Apr P): (Mkt: 0.6% /-- ) |

Central banks: ECB's Lagarde, Panetta, Knot, Lane Speaks

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