

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 127.15 | 127.32 | +0.49 | ▼0.91 |
| EUR | 1.0684 | 1.0681 | ▼0.0055 | +0.0217 |
| AUD | 0.7093 | 0.7091 | ▼0.0015 | +0.0136 |
| SGD | 1.3745 | 1.3758 | +0.0039 | ▼0.0162 |
| CNY | 6.6704 | 6.6932 | +0.0395 | ▼0.0610 |
| INR | 77.52 | 77.53 | ▼0.06 | ▼0.06 |
| IDR | 14618 | 14633 | ▼25 | ▼55 |
| MYR | 4.3925 | 4.3945 | ▼0.0020 | ▼0.0028 |
| PHP | 52.36 | 52.36 | +0.03 | ▼0.10 |
| THB | 34.22 | 34.23 | +0.08 | ▼0.38 |

*compared with previous day CLOSE(NY)

| Govt Bond Yields | CLOSE | Daily Δ | Wkly Δ |
|------------------|--------|---------|----------|
| USD (10YR) | 2.745% | ▼0.5 bp | ▼13.9 bp |
| JPY (10YR) | 0.213% | ▼2.4 bp | ▼3.2 bp |
| EUR* (10YR) | 0.952% | ▼1.5 bp | ▼7.8 bp |
| AUD (5YR) | 2.940% | ▼8.5 bp | ▼17.2 bp |
| SGD (5YR) | 2.438% | ▼4.0 bp | ▼14.8 bp |
| CNY (5YR) | 2.524% | ▼0.8 bp | ▼0.7 bp |
| INR (5YR) | 7.104% | ▼1.8 bp | ▼4.6 bp |
| IDR (5YR) | 6.288% | ▼1.9 bp | ▼40.8 bp |
| MYR (5YR) | 3.753% | ▼4.2 bp | ▼28.7 bp |
| PHP (5YR) | 5.825% | +3.1 bp | ▼21.0 bp |
| THB (5YR) | 2.243% | ▼6.6 bp | ▼33.3 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 32,120.28 | +0.60% | +2.00% |
| N225 (JP) | 26,677.80 | ▼0.26% | ▼0.87% |
| STOXX 50 (EU) | 3,677.10 | +0.81% | ▼0.37% |
| ASX (AU) | 4,147.08 | +0.49% | +0.89% |
| STI (SG) | 3,179.58 | ▼0.48% | ▼1.42% |
| SHCOMP (CN) | 3,107.46 | +1.19% | +0.70% |
| SENSEX (IN) | 53,749.26 | ▼0.56% | ▼0.85% |
| JSE (ID) | 6,883.50 | ▼0.44% | +1.33% |
| KLSE (MY) | 1,535.56 | +0.28% | ▼1.24% |
| PSE (PH) | 6,597.76 | +0.31% | ▼1.93% |
| SET (TH) | 1,625.18 | ▼0.06% | +0.30% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB | 314.57 | +0.26% | +1.68% |
| COPPER (LME) | 9,367.00 | ▲0.97% | +1.26% |
| IRON ORE (CN) | 133.34 | +0.18% | +2.63% |
| GOLD | 1,853.46 | ▲0.70% | +2.03% |
| OIL (WTI) | 110.33 | +0.51% | +0.68% |

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 | #N/A N/A |

Forecast

| | | | |
|---------|--------|---|--------|
| USD/JPY | 126.70 | - | 128.20 |
| EUR/USD | 1.0670 | - | 1.0760 |
| AUD/USD | 0.7040 | - | 0.7170 |
| USD/SGD | 1.3690 | - | 1.3800 |
| JPY/SGD | 1.1641 | - | 1.1851 |
| USD/CNH | 6.6850 | - | 6.7280 |
| USD/INR | 77.30 | - | 77.70 |
| USD/IDR | 14580 | - | 14700 |
| USD/MYR | 4.3830 | - | 4.4080 |
| USD/PHP | 52.10 | - | 52.50 |
| USD/THB | 34.05 | - | 34.40 |

Today's Direction

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

FOMC "Kokomo" Minutes?

- The FOMC Minutes appear to support our view of "Kokomo" aspirations for the Fed that is aiming to "get there fast ... and then take it slow". And this sense of purpose has ostensibly provided relief, if not lent support, to equities (S&P500: +1.0%; Ndaq: +1.5%).
 - And this was reflected in the measured dip in UST yields as well (10Y: -0.5bp; 2Y: -2.2bp).
 - Specifically, "many members" deemed that "expediting the removal of policy accommodation would leave the committee well positioned later this year to assess the effects of policy firming and the extent to which economic developments warranted policy adjustments".
 - In other words, the ramped-up 50bps hikes in June and July, which "most participants judged ... appropriate", could potentially pave way for strategic pause further out.
 - Crucially, this also reflects the "stitch in time" approach driving front-loaded tightening.
 - The caveat though is data dependence. Particularly as the Minutes revealed worries of tight job market, involving elevated job openings and quit rates, which inadvertently introduce wage-price spiral risks to unhinge expectations despite signs of peaking CPI.
 - Across the Atlantic, the ECB also alluded to rate hikes sooner rather than later.
 - To be precise, this appears to be for a cumulative ~50bps rate hikes in July and/or September. But insofar that this was couched more as a calibration "out of negative (rates)" rather than a rate hike cycle set in motion, it appears to have been overshadowed by the Fed.
 - Resulting in an oddly stronger USD despite "Kokomo" Minutes relief; with EUR struggling with traction above 1.07 and AUD equivocating at 0.71, with a lack of follow-through to 0.72.
 - Likewise USD/SGD dips below mid-1.37 being checked (amid softer CNH as well) and USD/JPY backstopped at mid-127 between softer UST yields and a firmer USD.

Beware QT

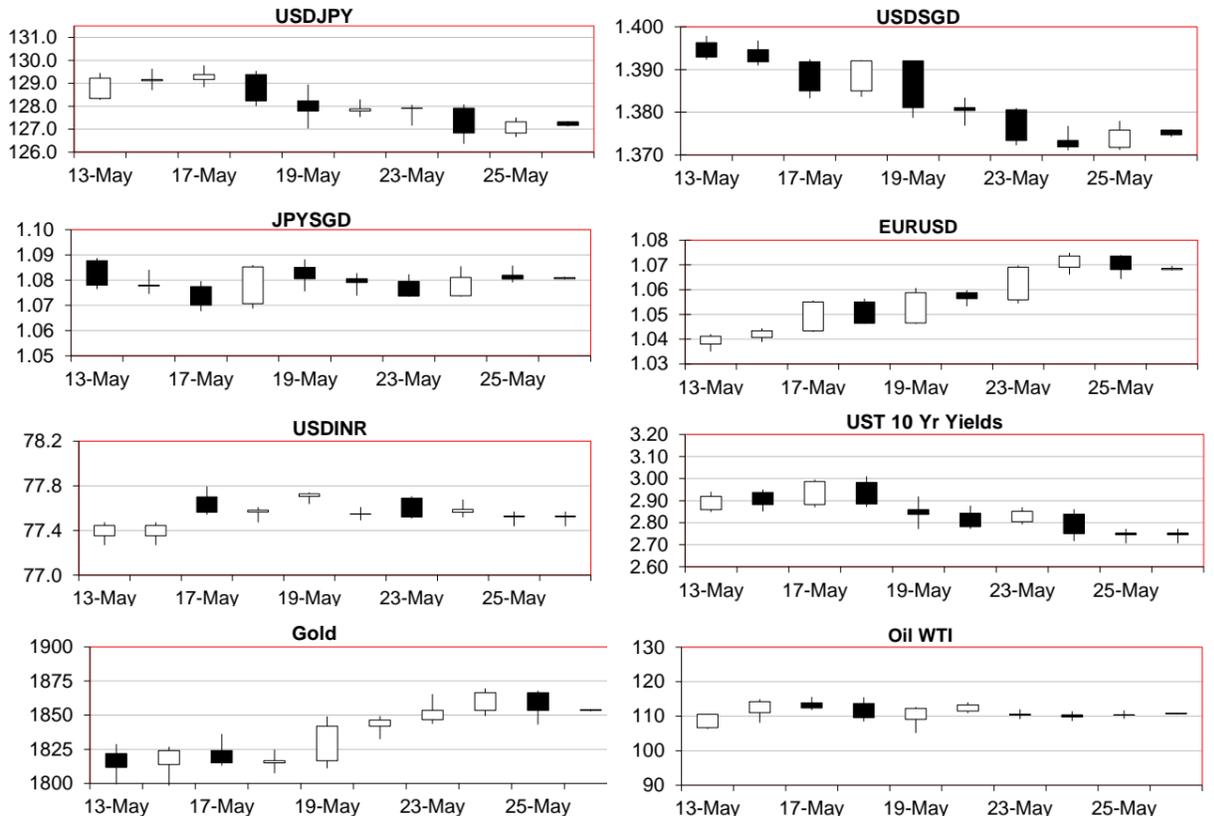
- Admittedly, FOMC Minutes have also flagged caution with regards to the dampening effects of QT (balance sheet runoff), citing that "several participants noted potential for unanticipated effects on financial market conditions".

OVERNIGHT RESULTS

(JP) Leading/Coincident Index (Mar F): 100.8/97.5 (Prelim: 101.0/97.0) | (MY) CPI YoY (Apr): 2.3% (Mkt: 2.3%; Mar: 2.2%)

(US) Durable Goods/Non-def Ex Air Orders (Apr P): 0.4%/0.3% (Mkt: 0.6% /0.5%; Mar: 0.6%/1.1%)

* Past Two Weeks Movement



- But this stops well short of dialing back the record pace of QT that the Fed has laid out.
 - Specifically starting with \$47.5bn (\$30bn of USTs; \$17.5bn of MBS) of balance sheet run-off starting in June, and doubling that to \$95bn/mth (\$60bn of USTs; \$35bn of MBS) by September.
 - Which is to say, markets will still have to brace for a double whammy of rapid rate hikes (100-125bp) and a reduction in USD supply (~\$237.5bn) between June and September.
 - Typically, tightening by simultaneously lifting the price of USD and reducing its supply results in adverse impact on asset valuations. But this is not merely a reactive liquidity phenomenon. Rather, it is a fundamental re-pricing. Here's why.
 - The so called "risk free rate" is lifted by Fed rate hikes, while QT begins to reinstate term premium (which was earlier compressed by QE) as well as credit/risk premium.
 - In which case, the coming months are ripe for a re-pricing of assets across the board (as the risk-free discount rate rises sharply, suppressing discounted cash-flows), with a further shake-down in risk assets as term and credit premia start to feature prominently.
 - And so the sunny aspects of "Kokomo" Minutes do not distract from QT storm clouds.

BoK Hikes Amid Inflation Focus

- BoK hawks have swooped in again with a 25bp hike to 1.75%; with 125bp of hikes since last August. BoK flexed hawkish, committing to place more focus on inflation (raising 2022 CPI forecast to 4.5% from 3.1%) whilst saying it expects the recovery to continue.
 - Timing of further adjustments, the BoK says, will depend on growth-inflation outcomes.

FX Daily Outlook

- EUR/USD: ECB hikes to backstop, but fall short of fresh rallies to 1.08 for now.
 - USD/JPY: While softer UST yields dampen, a firmer USD stalls sub-127 pullback.
 - USD/SGD: A softer CNH will frustrate sub-1.37 tendencies.
 - AUD/USD: Lingering China concerns and softer industrial metals forestall 0.72 upside.

TODAY'S EVENTS

(JP) PPI Services YoY (Apr): 1.7% (Mkt: 1.5%; Mar: 1.3%) | (AU) Private Capex QoQ (Q1): -0.3% (Mkt: 1.5%; Q4: 2.3%)

(SG) Industrial Pdtm YoY (Apr): (Mkt: 4.3%; Mar: 3.4%) | (US) Kansas City Fed Mfg Activity (May): (Mkt: 18; Apr: 25)

(US) GDP/Personal Consumption Annualized QoQ (Q1 S): (Mkt: -1.3%/2.8%; Prelim: -1.4%/2.7%)

(US) Initial Jobless Claims (21-May): (Mkt: 215K; Prev Wk: 218K) | (US) Pending Home Sales MoM (Apr): (Mkt: -2.0%; Mar: -1.2%)

Central banks: BoK Policy Decision | ECB's de Cos speaks at Spanish Parliament

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