MIZUHO

DAILY MARKET REPORT

27-May-2022 **Friday**

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	126.60	127.12	▼0.20	▼0.67
EUR	1.0688	1.0725	+0.0044	+0.0137
AUD	0.7096	0.7098	+0.0007	+0.0049
SGD	1.3743	1.3731	▼0.0027	▼0.0080
CNY	6.7321	6.7389	+0.0457	+0.0264
INR	77.58	77.58	+0.05	▼0.15
IDR	14613	14633	+0	▼100
MYR	4.3985	4.3940	▼0.0005	▼0.0105
PHP	52.42	52.41	+0.05	▼0.05
THB	34.25	34.20	▼0.03	▼0.36

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.747%	+0.2 bp	▼9.0 bp
JPY (10YR)	0.240%	+2.7 bp	▼0.3 bp
EUR* (10YR)	0.998%	+4.6 bp	+4.9 bp
AUD (5YR)	2.938%	▼0.2 bp	▼11.5 bp
SGD (5YR)	2.455%	+1.7 bp	▼11.1 bp
CNY (5YR)	2.479%	▼4.5 bp	▼5.6 bp
INR (5YR)	7.101%	▼0.3 bp	▼6.1 bp
IDR (5YR)	6.288%	+0.0 bp	▼40.0 bp
MYR (5YR)	3.736%	▼1.7 bp	▼25.5 bp
PHP (5YR)	5.699%	▼12.6 bp	▼31.7 bp
THB (5YR)	2.237%	▼0.6 bp	▼31.7 bp

** German bunds*

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,637.19	+1.61%	+4.43%
N225 (JP)	26,604.84	▼0.27%	+0.77%
STOXX 50 (EU)	3,740.31	+1.72%	+2.74%
ASX (AU)	4,176.59	+0.71%	+3.41%
STI (SG)	3,209.18	+0.93%	+0.58%
SHCOMP (CN)	3,123.11	+0.50%	+0.84%
SENSEX (IN)	54,252.53	+0.94%	+2.77%
JSE (ID)	6,883.50	+0.00%	+0.88%
KLSE (MY)	1,541.15	+0.36%	▼0.53%
PSE (PH)	6,645.52	+0.72%	▼0.22%
SET (TH)	1,633.73	+0.53%	+1.73%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	318.66	+1.30%	+1.57%
COPPER (LME)	9,345.50	▲0.23%	▲1.22%
IRON ORE (CN)	132.47	▲0.65%	+1.10%
GOLD	1,850.63	▲0.15%	+0.48%
OIL (WTI)	114.09	+3.41%	+1.68%

Earnings Relief

- **US equities rallied on the back of solid earnings**, and crucially less gloomy guidance, with Nasdaq leading with a 2.7% surge while S&P500 (+2.0%) and Dow (+1.6%) followed.
- And despite the fact that the five day gains on Wall St now at and above 4% suggests that the meltdown has been snapped, there should be **no mistaking that this is but earnings relief**; and **should not prematurely inspire proclamations of a bull market reboot.**
- *In fact*, **with QT looming** (at $47.5bn/mth starting June, set to be doubled to $95bn/mth), the risk of a bull trap cannot be **dismissed**. Fact is, bear markets are famous for the pockets of relief rallies, and *increasing strains on liquidity into Q3/Q4 may not pass without pain.*
- The FX corollary being USD's decline since mid-May. *"King USD" may not have abdicated yet, much less dethroned;* as EUR is restrained by qualified ECB hawkishness and CNY continues to slide. For now, EUR stalls ahead of 1.08; while AUD (~0.71) and USD/JPY (~127) consolidate.

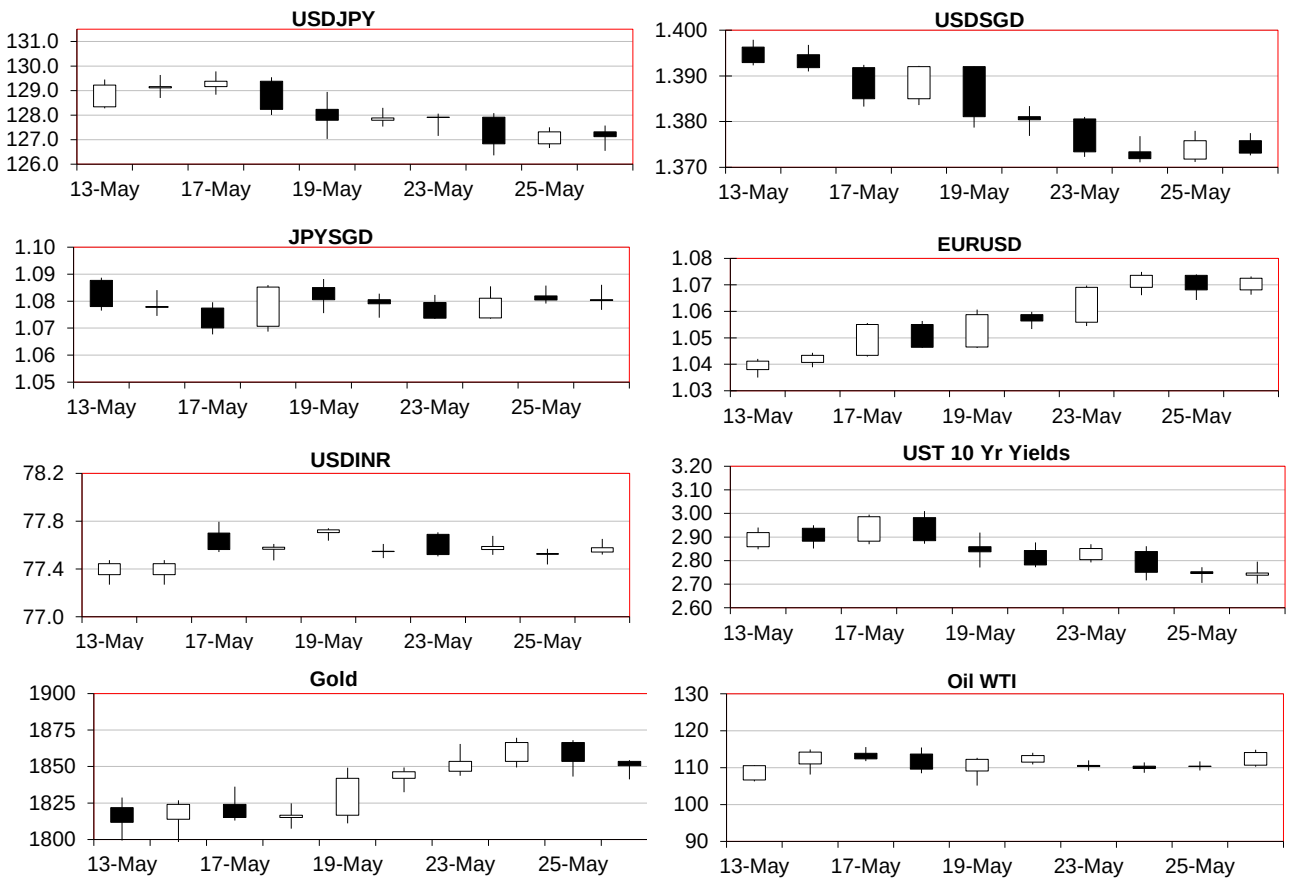
Saving China From Itself

- Premier Li Keqiang's **dire warnings of downside risks to growth**, driven by the **devastation to economic activity from zero-COVID lockdowns**, is **widely considered as a turning point**; whereby *Zero COVID policies have to be balanced against growth trade-offs.*
- Especially **with** Premier Li following up with his **33-point plan to stabilize the economy**.
- To be sure, this should not surprise. **Ahead of the 20th Party Con**gress (Oct/Nov), where President Xi is poised to extend to an third term, **economic stability is not just desirable, but arguably decisive**. And so, **we had anticipated strong stimulus by mid-year**.
- Which is why our 2022 GDP forecast for China is an above-consensus 4.7%, *despite our misgivings about "too little, too late" stimulus measures;* especially with regards to property.
- Admittedly, Premier Li's **directive for local official to better balance COVID controls against economic growth**, which has been cited as key to solving all problems (from employment to livelihood and COVID containment), **paves a path to a promising turnaround.**

OVERNIGHT RESULTS

(SG) Industrial Pdtn YoY (Apr): 6.2% (Mkt: 4.3%; Mar: 5.1%) | (US) Kansas City Fed Mfg Activity (May): 23 (Mkt: 18; Apr: 25)
(US) GDP/Personal Consumption Annualized QoQ (Q1 S): -1.5%/3.1% (Mkt: -1.3%/2.8%;Prelim: -1.4%/2.7%)
(US) Initial Jobless Claims (21-May):210K (Mkt: 215K; Prev Wk: 218K)

*** Past Two Weeks Movement ***



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	127.16	EUR/USD	1.0687
USD/SGD	1.3747	USD/THB	34.26
JPY/SGD	1.0811	USD/MYR	4.397

Forecast

USD/JPY	126.50	-	127.60
EUR/USD	1.0680	-	1.0780
AUD/USD	0.7050	-	0.7170
USD/SGD	1.3670	-	1.3780
JPY/SGD	1.1641	-	1.1851
USD/CNH	6.7250	-	6.7850
USD/INR	77.30	-	77.70
USD/IDR	14550	-	14660
USD/MYR	4.3830	-	4.4080
USD/PHP	52.20	-	52.60
USD/THB	34.10	-	34.40

Today's Direction

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

- Especially **with specific instructions from Premier Li trained on ensuring that a virtuous cycle of (supply-side) activity-employment-demand is restored.**
- In particular, by ensuring that i) job market slack is not allowed to result in hysteresis by urgently resuming economic activity; ii) supply-side impediments are not allowed to entrench; iii) an energy crunch is averted by allowing coal mines to stay in operation so long as safety requirements are met; iv) local government finances are restored along with economic activity resumption, and; v) food security is not compromised by COVID lockdowns.
- These are **compelling, specific and actionable plans to revive activity** from what appears to have been a eerie standstill during the worst of the COVID lockdowns. ***But*** trouble is, this is an **attempt at pain relief from, but not quite a panacea for, self-inflicted harm**.
- Fact is, much of China's pain was a result of hard-line policies and campaigns; such as **unrelenting zero COVID stance** and **"Common Prosperity"**, which has seen a harsh regulatory crackdown in the tech sector, education and pain in the property sector.
- And **given how deep the confidence deficit may run** from these brutal and shocking blows to the economy, reviving growth and animal spirits on the **old playbook favourites such as infrastructure boost may not quite accomplish the ambitious "around 5.5%" growth target.**
- **More worryingly**, it **may not quite deliver self-sustaining economic momentum**; once incentives for household consumption start to fade.
- The upshot is that Beijing may find that **saving China from itself** may be **more daunting than imagined.** As Charles Dickens said, "*We forge the chains we wear in life*".

FX Daily Outlook

- EUR/USD: Backstopped by some USD give, but advance above 1.08 may be stifled.
- USD/JPY: Support from UST yields and perhaps equities to keep dips fairly shallow ~mid-1.26.
- USD/SGD: Sharp CNH decline may continue to frustrate pullback below 1.37.
- AUD/USD: Despite a softer USD and relief rallies, China caution restrains ahead of 0.72.

TODAY'S EVENTS

(JP) Tokyo CPI/Ex-Food & Energy YoY (Apr): 2.4%/0.9% (Mkt: 2.5%/0.9%; Mar: 2.5%/0.8%)
(CH) Industrial Profits YTD YoY (Apr) (Mar: 8.5%): | (AU) Retail Sales MoM (Apr): (Mkt: 1.0%; Mar: 1.6%)
(TH) Exports/Imports YoY (Apr): (Mkt: 14.6%/19.5%; Prelim: 19.5%/18.0%) | **(US) U. of Michigan Sentiments (May F): (Prelim: 59.1)**
(US) Trade Bal (Apr): (Mkt: -$114.8b; Mar: -$127.1b) | **(US) PCE/Core Deflator YoY (Apr): (Mkt: 6.2%/4.9%; Mar: 6.6%/5.2%)**
(US) Personal Income/Spending MoM (Apr): (Mkt: 0.5%/0.7%; Mar: 0.5%/1.1%) | Central banks: ECB's Lane speaks