

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%

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

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.

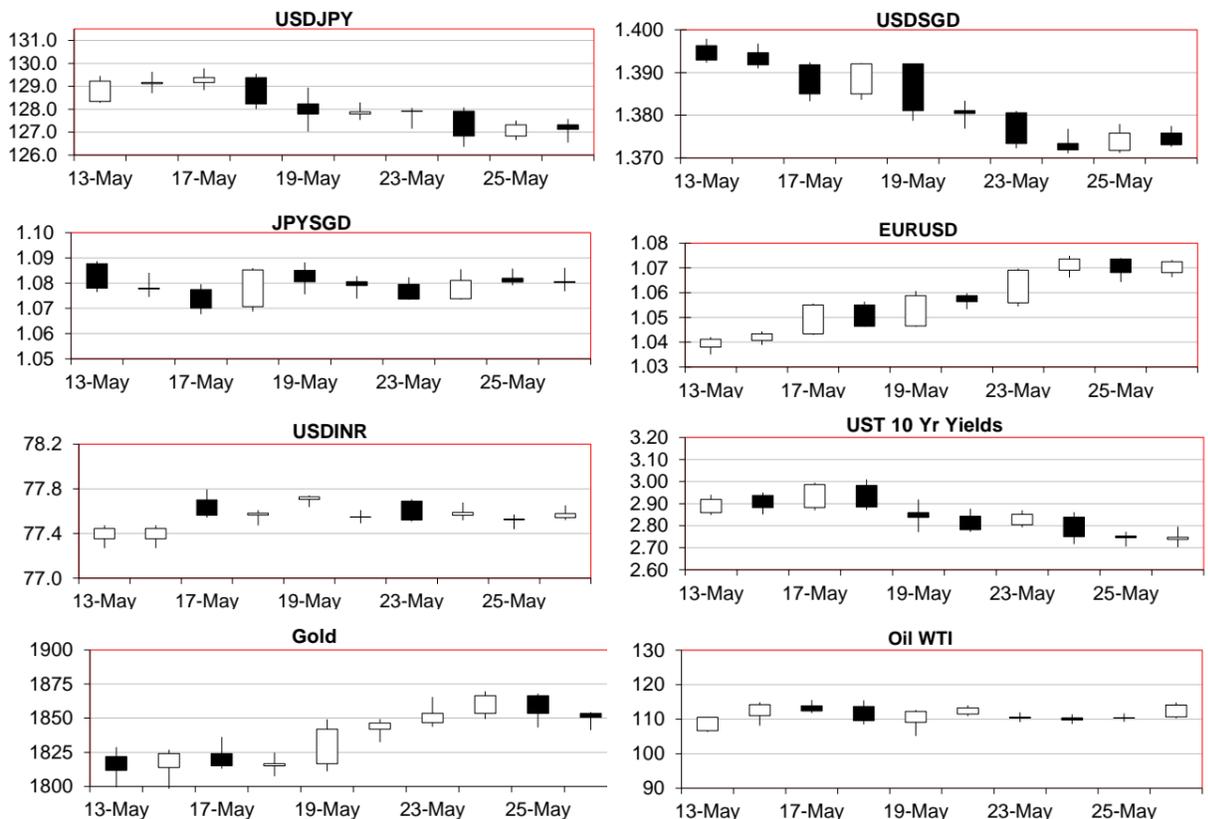
Saving China From Itself

- 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 Congress (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 \*



- 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

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