

Global Markets Daily

Dovish ECB Opportunities

ECB Villeroy Dovish

Trading was light with both the US and UK markets closed overnight. ECB's Villeroy sparked a rally in Euro bonds and equities upon saying that the ECB should not rule out successive interest rate cuts at their Jun and Jul meetings. Many other ECB officials have been more circumspect about commenting about successive cuts, with most if not all falling back on the typical caution about data dependence. ECB Chief Economist Lane also interestingly said that the full effects of ECB's tightening have yet to be felt, suggesting that policy lags still had to run their course. Nevertheless, market pricing for a Jun cut rose to 96% (prev: 88%). Despite this, EURUSD remained above the 1.0850 level and DXY closed weaker (-0.16%). This could be taken as evidence that ECB rate cuts need not necessarily lead to EUR weakness, and with market pricing for Fed cuts as hawkish as it is (Jun is at 0%) dovish tilts by the Fed may give rise to further USD weakness.

Broadbent Defends the BOE

BOE Deputy Governor (Monetary Policy) Ben Broadbent retaliated at critics accusing the BOE of failing to control inflation, denouncing claims that BOE's MPC had failed to foresee surging inflation because its members shared similar backgrounds. Broadbent labelled such claims as "absolute tripe". UK inflation has fallen from a peak of 11.1% in 2022 to 2.3% in Apr 2024 as the disinflationary trajectory for the UK remains intact. Broadbent will take part at his last MPC on 20 Jun, where the BOE is now expected by markets to stand pat even though the bank trimmed its inflation forecasts downwards and tilted dovish at its last meeting as Apr inflation was above consensus. Odds of a Jun cut have fallen from 55% last week to about 8% today. We believe that this could be a tad overdone and the Jun BOE meeting is still live. As such, GBP could be primed for a reversal and is susceptible to a swing should the BOE either cut rates or tilt even more dovish in Jun. One suggestion would be to buy EURGBP on dips to express a view that the BOE will turn out more dovish than the market expects. Watch the 0.85 support on EURGBP, a level that has held since 2022.

Data/Events We Watch Today

We watch Apr JP PPI, Apr AU/SK Retail Sales, May US Conference Board Indices and Dallas Fed Manufacturing Activity.

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G10: Events & Market Closure

Date	Ctry	Event
27 May	UK	Market Closure
27 May	US	Market Closure

AXJ: Events & Market Closure

Date	Ctry	Event
NIL	NIL	NIL

FX: Overnight Closing Levels/ % Change					
Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.0859	↑ 0.11	USD/SGD	1.3494	↓ -0.04
GBP/USD	1.2769	↑ 0.25	EUR/SGD	1.4655	↑ 0.08
AUD/USD	0.6654	↑ 0.39	JPY/SGD	0.8603	↑ 0.05
NZD/USD	0.6149	↑ 0.46	GBP/SGD	1.7233	↑ 0.23
USD/JPY	156.88	↓ -0.07	AUD/SGD	0.8979	↑ 0.34
EUR/JPY	170.34	↑ 0.06	NZD/SGD	0.8298	↑ 0.42
USD/CHF	0.9137	↓ -0.11	CHF/SGD	1.4768	↑ 0.07
USD/CAD	1.3633	↓ -0.23	CAD/SGD	0.9898	↑ 0.19
USD/MYR	4.6965	↓ -0.32	SGD/MYR	3.4816	↓ -0.21
USD/THB	36.625	↓ -0.16	SGD/IDR	11910.46	↑ 0.37
USD/IDR	16065	↑ 0.45	SGD/PHP	43.0614	↓ -0.02
USD/PHP	58.12	↓ -0.13	SGD/CNY	5.371	↑ 0.11

Implied USD/SGD Estimates at, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.3429	1.3703	1.3977

G10 Currencies

- **DXY Index - Two-way Risks within 104-105.** The DXY index softened further and was last seen around 104.60 while US markets were out for memorial day. The 104-105 range continues to remain intact. The greenback has been giving back gains ahead of the next key data - PCE core deflator. We continue to look for the DXY index to remain supported on dips. Focus remains on inflation trajectory given that Fed officials now look for inflation to ease slowly into 2025. Conf. Board Consumer confidence for May is due could be key data to watch tonight. Soft or softer data could potentially weigh on the greenback more as markets continue to remain data-dependent. Fed Mester, Bowman, Kashkari, Cook, Daly and Williams will speak today. Fed speaks tend to provide some support for the USD and USD rates recently. However, with Fed Fund Futures already pricing less than two hikes for 2024, it is hard to imagine much more room for USD and UST yields to rise. 2Y10Y differential remains rather inverted at -48bps. We continue to look for the DXY index to remain consolidative with 105-figure still a resistance before the next at 105.80. Support at 104.40 before 104.00 and then at 103.20. Two-way risk seen for this index. Data-wise, FHFC house price index for Mar is due on Tue, along with Conf. board consumer confidence (May) Wed has Richmond Fed Mfg index (May) and Beige Book. Thu has 1Q S GDP print. Fri has personal income, spending and PCE deflator (Apr).
- **EURUSD - Higher in spite of dovish ECB speak.** EURUSD was last seen higher at 1.0867 levels this morning, in spite of dovish comments from ECB Villeroy that the ECB should not rule out successive interest rate cuts at their Jun and Jul meetings. Key resistance is seen around 1.0900. A break above this figure could invigorate EUR bulls and current levels present two-way risks with a resumption of the earlier bearish retracement possible. Key support to watch is the 1.0800 figure (midpoint of 1.0790 200dma and 1.0810 100dma levels). The USD decline remains a bumpy one but if we focus on the Eurozone, recent PMI data from US and EC is evidence that suggests both Eurozone growth bottoming and US exceptionalism fading narratives, which we consider to be important medium term drivers, continue to be at play. Meanwhile, when it comes to ECB policy decisions, Lagarde continued to insist that cuts were still data dependent and importantly highlighted that ECB cuts are not Fed dependent. One cannot help but think that while this may be the case, the implications for the EUR and the Eurozone economy if the ECB does cut in advance of the Fed should be part of policymakers' ruminations. Lagarde suggested that Germany could have turned a corner after major negative shocks, which is supportive of our bottoming narrative. We think buying EURGBP on dips would be a great way to express a view of further dovishness in the BOE with Jun ECB cuts almost fully priced in and BOE having further room to go. Watch 0.85 support on EURGBP as a key level that has held since 2022. Data this week includes Apr ECB 1Y/3Y CPI expectations (Tue), Apr EC Money Supply (Wed), May EC Consumer/Services/Industrial/Consumer Confidence indices, Apr EC Unemployment Rate (Thu), and May EC CPI inflation (Fri).
- **GBPUSD - Higher, Bearish Retracement on cards.** GBPUSD was last seen higher at 1.2772 levels and continues to outperform its peers. Cable moved higher earlier on firmer than expected UK inflation, and market has pared back on the chances of a BOE rate cut, with odds of a Jun cut falling from some 55% last week to about 8% today. However, we expect the Jun BOE meeting to be live given their earlier dovish tilt and downward revisions in inflation forecasts. This single print could be very much transitory and market appears to be pricing in a far too hawkish BOE now. We think buying EURGBP on dips would be a great way to express a view of further dovishness in the BOE with Jun ECB cuts almost fully priced in and BOE having further room to go. Resistances are at 1.2800 and 1.2850, while supports are at 1.2750 and 1.2700. A rising wedge formed earlier

and a bearish retracement could be on the cards. Data this week includes May BRC Shop Price Index, CBI Sales (Tue), May Llyods Business Barometer, Nationwide House Price Indices and Apr Money Supply (Fri).

- **USDCHF - Lower.** USDCHF trades lower at 0.9129 levels this morning. This pair seems to be settling within the range of 0.9040-0.9150. A break of the lower bound (marked by 50-dma) opens the way towards 0.8900-support. Resistance at 0.9200. Earlier upside surprise to Apr CPI inflation could jeopardize the rate cut narrative for Switzerland, although we think balance of risks remain tilted to the upside for the USDCHF beyond the near-term as CHF remains susceptible to weakening with SNB being the first among global central banks to cut. CPI print could also be a one-off surprise to the upside. SNB also raised reserve requirement for domestic banks from 2.5% to 4% which would in turn lower outlays for the central banks to banks from interest expenses on their deposits. Key downside risk for USDCHF pair would be safe-haven flows where in a risk off we would expect CHF to outperform USD, although there could well be a cap to the downside as USD also has some safe-haven appeal. Specifically, CHF had been better supported on the escalation of tensions between Iran and Israel but that seems to be waning. Funding costs for CHF remain favourable for carry trades and with BOJ possibly on a tightening bias and SNB on an easing bias, further weakness could arise should CHF become the funding currency of choice. There is evidence that SNB could be concerned about the strength of the CHF and would rather ease rates than intervene excessively and increase the size of their already large balance sheet. Regardless, focus right now could be on EURCHF parity, last at 0.9922. Week ahead has May UBS Survey Expectations (Wed), Apr Exports/Imports, May KOF Leading Indicator, 1Q GDP (Thu) and Apr Retail Sales (Fri).
- **USDJPY - Steady, cautious of upside risk.** The pair was last seen at 156.82. There was though some comments from BOJ officials that appeared to lean hawkish. BOJ Governor Ueda hinted at the potential for further interest rate increases as he stated, “thus far, we have made progress in moving away from zero and lifting inflation expectations, but we must now re-anchor them, this time at the 2% target.” His deputy Shinichi Uchida also mentioned, “whilst we still have a big challenge to anchor the inflation expectations to 2%, the end of our battle is in sight.” Regardless, there was still plenty of caution on the part of the BOJ as Ueda himself stated that they face challenges that are “uniquely difficult” for them, compared to other central banks. Despite these comments and a stronger cable overnight (guiding the DXY lower) and lower UST yields, USDJPY looks to remain under upside pressure as it did not move any lower and instead continued to test the 157.00 resistance. Suzuki this morning also mentioned that they are strongly concern about the negative aspects of the weak yen. We continue to reiterate that we see upside risk with the possibility that it could move up closer to test the 160.00 level in the near term. Markets look they will keep testing the resolve of the BOJ to tolerate the currency weakness. In the medium term, it is difficult to see how the carry funding attractiveness of the JPY can be eroded given that the BOJ is likely to be slow tightening whilst the Fed on the other end may only gradually ease rates. Back on the chart, resistance is at 157.00, 160.00 and 165.00. Support is at 152.00 and 150.00. Meanwhile, economic data out over the last two days was mixed as the Mar F leading index was stronger than the prior reading at 112.2 (prior. 111.4) although the Mar F coincident index was marginally lower at 113.6 (prior. 113.9). Apr PPI services was higher at 2.8% YoY (Mar. 2.4% YoY), which is some reflection in the underlying demand services. Regardless, overall, the economy is still fragile and makes the BOJ’s task of tightening complex. Remaining key data releases this week include malaysMay consumer confidence index (Wed), Apr jobless rates and job-to-applicant ratio (Fri), May Tokyo CPI

(Fri), Apr dept store, supermarket sales (Fri), Apr P IP (Fri), Apr retail sales (Fri) and Apr housing starts (Fri).

- **AUDUSD - Continue to Buy Dips.** AUDUSD was last seen around 0.6630. **AUDUSD - Continue to Buy Dips.** AUDUSD was last seen around 0.6670. This pair continues to edge higher, a function of a broadly softer USD in anticipation for weaker US PCE core deflator due this Fri. This pair is likely to remain somewhat supported with moves likely to remain within 0.6560-0.6670 range. Momentum remains bearish bias. Two-way trade likely within the 0.6560-0.6670 range. A break of the upper bound could mean further bullish extension of the AUDUSD pairing. We continue to stay constructive on the AUD as RBA remained most reluctant to cut rates amongst most peers and as such we see potential divergence for RBA-Fed policy in the favour of the AUD. Resilient base metal demand (iron ore, copper) amid electronics recovery and AI drive could also bring terms of trade gains for the AUD. We prefer to buy the AUD on dips. China remains a question mark for the AUD as recent Apr data continue to paint a picture of weak demand and the real estate is still unable to stabilize there. Week ahead has Apr Westpac leading index for Apr, **CPI for Apr on Wed.** Thu has 1Q private capex. Apr building approvals.
- **NZDUSD - Gains to Slow.** NZDUSD continued to march higher and was last seen around 0.6165, lifted by the broader USD decline as well as the hawkish RBNZ decision recently. Rate cut expectations have pared from around 50bps for this year to around 25bps. Fundamentally, NZD continues to be lifted by the improvement in trade position with 12mth rolling trade deficit around NZD10.11bn for Apr. It has been narrowing since the mid of 2023 at -NZD17bn. Recent dairy auction has also been supportive with clearing auction price up +3.3% on 21 May. The next auction is on 4th Jun. At home, RBNZ has confirmed it will apply new restrictions on mortgage lending in a bid to reduce potential financial instability stemming from high household debt and rising home prices. Debt-to-income ratios will take effect on 1 Jul and banks can only lend up to 20% of residential loans to owner occupiers with ratio over 6, and to investors with the ratio over 7. Key resistance is seen at 0.6165, being tested as we write. Spot last at 0.6165. Support at 0.6106 before 0.6050 (200-dma). We see sideways trades within the 0.6040-0.6165 range for now. Despite the bullish price action this morning, stochastics and MACD suggest waning momentum. Week ahead has ANZ activity outlook for May on Wed. Thu building permits (Apr).
- **AUDNZD - 1.09-Support Intact.** This cross was last seen around 1.0809, finding support at 1.0800 (200-dma). The move lower was due to catch-up action of the NZD after RBNZ turned out to be more hawkish than expected. The RBNZ-RBA policy trajectory is now perceived to have converged to some extent. We see potential for two-way trades within 1.0800-1.0920 range.
- **USDCAD - Prefer to Long.** USDCAD was last seen around 1.3627. We continue to expect CAD to remain on the backfoot vs. other non-USD currencies amid hints of easing from BoC's summary of deliberations for the decision on 10 Apr. Headline CPI slowed to 2.7% in Apr from 2.9% in the month prior. This comes, in line with BoC's CPI outlook for the year as most Governing Council members had looked for CPI to "bounce around 3% over the next few months, before easing to 2.5% in the second part of the year" at the Apr meeting. Along with the weaker Apr CPI, moderating wage growth (4.8%/y, steadily rising jobless rate (6.1%) , a rate cut on 5 Jun remains most probable. Rate cut is fairly priced at this point and there is a risk that BoC may want to sound cautious of consecutive rate cuts since the easing of wage growth is rather gradual, recent prelim. retail sales for Apr suggest that household spending is not as weak as what the 1Q data suggests. USDCAD to take the broader USD cues in the near-term.

Close trade with no loss/gains. Rising trend channel at risk at this point. Support at 1.3570 before 1.3540. Resistance at 1.3730. Week ahead has industrial product price for Apr on Tue, CFIB business barometer for May on Wed, Mar GDP.

- **Gold (XAU/USD) - *Elevated*.** Gold has been edging higher and was last seen at 2354. This was in spite of higher UST yields. We reckon the gold demand continued to be fueled by the geopolitical risks that is harder to capture in other asset class. Gold remains an asset for risk diversification at an environment of somewhat healthy risk appetite still where equities continue to rise but remain a tad vulnerable to geopolitical shifts and trade/foreign policy changes while bonds are sandwiched between rate cut expectations and higher-for-longer narrative. Break above the 2431.52-resistance opens the way towards 2510. Supports at 2317 (50-dma). We see two-way risks at this point but gold to retain its elevation.

Asia ex Japan Currencies

SGDNEER trades around +1.58% from the implied mid-point of 1.3703 with the top estimated at 1.3429 and the floor at 1.3977.

- **USDSGD - Steady.** USDSGD was slightly lower at 1.3487 levels in line with DXY coming off. SGDNEER was at 1.58% above the mid-point of the policy band. Asian currencies have been under more pressure than their G10 counterparts have, and the SGD has not been an exception to this although its resilience is intact. MAS stood pat on its policy parameters as widely expected, continuing to emphasize that current policy settings remain appropriate for achieving medium term price stability. We think SGD and SGDNEER should remain supported by the positive appreciation stance (assumed 1.5% p.a.). MAS appears to be in no hurry to ease, especially not when growth and inflation outcomes are essentially in line with their expectations. MAS' Chief Economist Edward Robinson also said in a recent speech that his assessment is that the cyclical neutral path of the S\$NEER (what would in interest rate regimes be denoted as R^*) would be some positive rate of appreciation. In the same speech, Robinson also suggests that an exchange rate regime is also different from an interest rate regime in that attainment of the inflation target in the latter is likely to induce a reduction in interest rates. For an exchange rate regime like Singapore's, the cyclical neutral path being at some positive rate of appreciation would allow the exchange rate to follow a trend -stationary path in line with changing relative resources costs and relative productivity differentials as it converges to a natural steady state level. In other words, MAS may not be able to ease as easily as an interest rate regime would be even if inflation targets have been met. We think that the SGDNEER outperformance could taper as Fed cuts come in, although it should still stay supported. In the medium -term, we remain positive on the SGD given robust macro fundamentals and a monetary policy that has an appreciating currency as a default stance. Resistance at 1.3500 and 1.3600. Supports are 1.3400 and 1.3300. Last Fri, Apr Industrial Production data showed some drags from chips and pharmaceuticals, although output increased sequentially. Our economists expect gradual manufacturing recovery and maintain 2024 GDP forecast at 2.4%. Key data release this week is Apr Money Supply (Fri).
- **SGDMYR - Steady.** SGDMYR was lower this morning at 3.4792 levels, breaking of the key 3.48 support could lead to further downside, but we would also be wary off false breakouts. Both the SGD and MYR had strengthened against the USD, with the latter outperforming slightly. Risks for the cross are two-way at this point. Supports at 3.45 and 3.42 levels. Resistances at 3.48 and 3.50 levels.
- **USDMYR - Lower.** Pair was last seen at 4.6925 as it fell in line with a decline in the DXY as the cable climbed overnight. External factors continue to be the main drivers of the pair especially those related to the USD and China. Meanwhile, the criteria for the Budi Madani Subsidy Aid Programme (Budi) related to diesel subsidies has been unveiled. MOF has said that to be eligible, applicants must be a Malaysian, own non-luxury diesel-based personal vehicles under 10 years old, active road tax registered with the JPJ, and have an annual individual or joint income of RM100,000 or below. Registration for the program will open today. PM Anwar had earlier announced that diesel would be rationalized with a targeted program to be launched. Back on the chart, support is at 4.6800 and 4.6500. Resistance stands around 4.7500 and 4.8000. There are no key data releases this week.
- **USDCNH - Two-way Trades Continue.** USDCNH was last seen around 7.2580. USDCNY was fixed higher at 7.1101 vs. prev. 7.1091. For most episodes in history, the PBoC was able to keep the yuan stable until market

environment shifts in the favour of the yuan. For that to happen this time, Fed needs to start cutting rates. However, even if that were to happen, a gradual easing cycle could mean limited gains for the yuan. Yuan sentiment would be more sustainably boosted if China is able to stabilize the housing market at home and concomitantly lift private consumption. That is something that is hard to bet on right now even as there are signs of the recent property measures have gained traction - downpayment ratios (20% for first homes, 30-35% for second) were cut in Shanghai. Other major cities are expected to follow along with easing purchasing curbs for non-residents. It is hard to tell whether there is enough financial support set aside to sufficiently absorb the excess supply of housing inventory to engineer a bottom for the home prices. Consumers may not be confident enough to purchase new homes unless they are sure that home prices will not continue to fall. As we have mentioned for USDCNH, **two-way trades are likely to continue within 7.20-7.26 for the USDCNH**. For this week, mfg PMI and non-mfg for May are due on Fri.

- **1M USDKRW NDF - Lower.** 1M USDKRW NDF was last seen lower at 1359.95 levels this morning, in line with broader USD weakness. BOK has had a tendency to hold for an extended period before pivoting to a cut. We see resistances at 1380 and 1400. Supports are at 1340 and 1320. Longer term we watch trade data for a possible bottoming of the chip/general trade cycle and AI exuberance, which could buoy the KRW. Risks for the KRW include issues with debt mainly related to the property sector, although at this stage signs do not point to wider contagion that could weigh on the KRW in line with BOK assessment. Upside risks for the KRW also exist if KGBs are included in the FTSE Russell WGBI, although it seems like Sep 2024 is the earliest possible inclusion date. Data releases include Apr Retail Sales (Tue), Apr Cyclical Leading Index and Apr Industrial Production ((Fri).
- **1M USDINR NDF - Steady.** 1M USDINR NDF remained steady at 83.21 levels. Pair should hold within a tight range of 83.00 to 84.00. Statistical bulletin showed that RBI bought a net of US\$8.56b in spot in Feb (Jan: US\$1.95b). Meanwhile net outstanding forward book remained largely stable at US\$9.69b in Feb (Jan: US\$9.97b). Spot purchases increasing is in line with RBI interventions increasing, or them having to lean more heavily against the wind, in the month of Feb, which was a month where the USD traded broadly weaker. RBI earlier stood pat and maintained its hawkish stance, voting 5-1 in favour of accommodation withdrawal. For now, RBI look likely to remain on hawkish hold. However, given their preference to lean against the wind, RBI should continue to build up FX reserves amid tailwinds for the INR. Our medium term INR view remains largely positive as we see growth and inflation dynamics remaining supportive for the INR although once again RBI leaning against the wind could cap gains. India has been an economic bright spark relative to the rest of the region, and we look to see if this can continue. Key data releases this week include Apr Fiscal Deficit YTD, Apr Eight Infrastructure Industries, 1Q24 GDP, 2024 GDP Annual Estimate and 24 May Foreign Exchange Reserves (Fri).
- **1M USDIDR NDF - Higher, cautious.** Pair was last seen at 16088 as it moved higher yesterday although it was steady this morning. This was even as the DXY and the UST yields were lower. We stay cautious on the pair, being wary of upside risks given the that any Fed easing may be slow as US data may only gradually cool. Domestically, there are fiscal concerns related given Prabowo's ambitious economic plans. Meanwhile, Indonesia state budget in Apr was in a surplus of 75.7tn rupiah or equivalent to 0.33% of GDP. Back on the chart, resistance is at 16250 and 16500. Support is at 16000, 15857 (100-dma) and 15683. There are no remaining key data releases this week.

- **1M USDPHP NDF - Lower, upside risk, cautious.** The pair traded at 58.03 as it traded a bit lower compared to yesterday's levels amid a decline in the DXY and UST yields. We stay cautious on the pair, being wary of upside risks given the that any Fed easing may be slow as US data may only gradually cool. At the same time, the BSP's dovish tilt is also doing no favors for the PHP. There was more talk of BSP rate easing yesterday as the Finance Secretary Ralph Recto said that the BSP may deliver 150bps of cuts through to 2025 to boost the economy as he claims inflation is manageable. He also said that the BSP may cut its rate in 3Q 2024. He also said that he "don't expect interest rates to go any higher". Even though the 1M NDF did not move any higher amid such comments, it is though overall keeping the pair trading at an elevated level. Back on the chart, resistance is at 59.00 and 59.56. Support is at 57.00, and 56.45 (between 100-dma and 200-dma). Remaining key data releases this week include Apr bank lending (Fri) and M3 money supply (Fri).
- **USDTHB - Lower, upside risk, cautious.** Pair was last seen at 36.58 as it traded slightly lower from yesterday's close. A decline in the DXY, UST yields together with a climb in gold looks to have given the THB support. Fin Min Pichai Chunhavajira said that the government is looking to provide more support to the economy as they plan stimulus measures to boost manufacturing and extending loan guarantees for small- and medium enterprises to help lift potential growth rate to over 3.5% annually. Thailand's 1Q GDP growth stood only at 1.5% YoY. Pichai said, "our growth rate is lower than neighbours and this shows that our economy has problems." He also talked about MOF and BOT will also look to review the inflation target range of 1-3% as he saw it as too low. This could imply that the pressure on the BOT to ease has not yet dissipated as we had warned and this can risk weighing on the THB. We are also keeping a closely eye on how the fiscal situation evolves for the country. There was a meeting of the economic cabinet chaired by PM Srettha Thavisin and was also attended by the BOT Governor Sethaput Suthiwartnarueput. Back on the chart, resistance is at 37.07 and 38.47 (around 2022 high). Support is at 36.50 (50-dma) with the next level after that at 35.85 (between the 100-dma and 200-dma) and 35.41. Remaining key data releases this week include Apr ISIC mfg production index and capacity utilization (Thurs), Apr BoP CA/overall balance (Fri), 24 May gross international reserves/forward contracts (Fri) and Apr trade data (Fri).
- **USDVND - Hugging the Key Resistance.** Pair was last seen around 25450, hugging the resistance level thereabouts. SBV had been commenting on its plan to sell USD in order to support the VND. This came after the SBV also raised the reverse repo rate to 4.5% on 22 May (last Wed), following a 25bps hike of the repo rate for Apr 2023. VND650bn of 28-day T-bills were issued at 4% last Wed. This was seen as an attempt to raise the interbank interest rate in order to prop up the VND. The Higher-interest-rates-for-longer narrative continues to weigh on the VND. AT home, SBV clarified that the rumours on changes in the exchange rate management is "inaccurate and inconsistent with the government's goal for market and macro-economic stability". He said that VND weakness is due to the USD strength and importers' demand for USD in the domestic market. Back on the USDVND chart, next resistance at 25691. Support at 25330 before 25200. For the rest of the week, May CPI, industrial production, retail sales and trade are due on Wed.

Malaysia Fixed Income

Rates Indicators

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR ML 5/27	3.58	3.57	-1
5YR MO 8/29	3.70	*3.69/68	Not traded
7YR MS 4/31	3.84	3.83	-1
10YR MT 11/33	3.91	3.90	-1
15YR MS 4/39	4.02	*4.03/99	Not traded
20YR MX 5/44	4.13	4.12	-1
30YR MZ 3/53	4.22	4.22	Unchanged
IRS			
6-months	3.62	3.62	-
9-months	3.60	3.60	-
1-year	3.61	3.61	-
3-year	3.62	3.61	-1
5-year	3.70	3.69	-1
7-year	3.79	3.79	-
10-year	3.92	3.91	-1

Source: Maybank

*Indicative levels

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- Lacking fresh catalyst, local government bond market started the week quiet with little trading interest, except for small pockets of activity in select bonds. Overall liquidity remained thin, with yields flat to 1bp lower. 7y MGS 4/31 reopening auction was announced, offering MYR5b for tender. The WI levels closed at 3.86/83%.
- Slow start to the week for MYR IRS with UK and US markets closed. Only 5y IRS was traded at 3.69%, while other rates remained within a +/-1bp range. 3M KLIBOR stayed unchanged at 3.59%.
- PDS market was also quiet. In the GG space, Danainfra long-tenor bonds traded mixed within a +/-3bps range, while PR1MA Corp 2025 traded 1bp lower with MYR30m exchanged. Among AAA names, Cagamas and PASB spreads widened by 2-8bps, while Petroleum Sarawak's spread narrowed by 4bps. AA-rated SP Setia traded 2-3bps lower. AA3 Edra Energy 1/25 spread tightened by 1bp for MYR10m. The rest of the curve remained relatively unchanged.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	3.45	3.46	+1
5YR	3.27	3.28	+1
10YR	3.29	3.29	-
15YR	3.27	3.27	-
20YR	3.27	3.26	-1
30YR	3.27	3.22	-5

Source: MAS (Bid Yields)

- DM government bonds largely traded sideways into the weekend as major markets the US and UK are closed on Monday for public holidays. SGS curve flattened as front end yields rose by 1bp along the 2y5y, 10y-15y yields remained flat, while ultra-long 20y yield decreased 1bp and the 30y outperformed with yield down 5bp to 3.22%, below the 20y level.

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Latest Day's Close	Change
3YR	6.77	6.78	0.01
4YR	6.82	6.83	0.01
5YR	6.84	6.89	0.05
7YR	6.91	6.92	0.01
10YR	6.89	6.89	(0.00)
12YR	6.95	6.96	0.01
16YR	6.99	7.00	0.01

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* Source: Bloomberg, Maybank Indonesia

- Most Indonesian government bonds weakened on the first trading day after the long weekend holiday (27 May-24). It seemed that investors still had short term investment orientation before various macroeconomic data announcements, especially from the United States. On the domestic side, however, we saw a consistent solid development on Indonesian fundamental condition. This condition is the point plus/advantage for Indonesian investment side. Investors, hence, can apply “buy on weakness” strategy for investing in Indonesian financial market as the global market is on negative sentiment environment. Yesterday, we received a sound development on both Indonesian fiscal and monetary conditions.
- Indonesian government stated that its fiscal budget surplus increased from Rp8.1 trillion in 3M24 to Rp75.7 trillion in 4M24. Apart from that, the primary balance also still recorded a surplus of IDR 237.1 trillion. The primary balance is total state income minus state expenditure excluding debt interest payments. A significant increase on Indonesian budget surplus occurred after the end of peak spending period in 1Q24 for the spending budgets of the election, the poor people's social transfer, and the special payment for the State Apparatus to celebrate the long Eid holiday. Since Apr-24, the government came back realizing normal spending budget again, with a solid position of national revenues that came from stronger income receipts from the commodities exports' side due to solid national trade surplus during global appreciation of US\$. A hefty position of Indonesian fiscal surplus gives an advantageous position for Indonesia to manage its debt financing with an efficient cost. The government can also be more cautious to absorb investors' incoming bids by awarding relatively fair bonds' yields at each debt auction. For this year, we expect Indonesian government to realize lower yields of the government bonds since Jul-24 after receiving clear signal from indication of loosening policy rates by major central banks. The yield of 10Y government bonds is expected to reach around 6.62% at the end of this year. The government is expected to book the budget deficit by 2.25% of GDP this year. We believe the government to begin recording a budget deficit after realizing full payment for the energy subsidy in Oct-24. Other significant amounts that will be spent by the government on its State Expenditure Budget are the social assistance program, the national infrastructure program, and the regional election program.
- On details, Total State Revenue by Rp924.9 trillion in 4M24 is still higher than Total State Spending by Rp849 trillion. Total State Spending grew by 10.9% YoY to Rp849 trillion in 4M24 or 25.5% of the 2024 APBN ceiling of Rp3,325.1 trillion. The government detailed that central government spending grew by 13.2% YoY to Rp591.7 trillion in 4M24. Ministries and institutions (K/L) spending until 30 Ap-24 was

realized at Rp304.2 trillion, growing at a high rate of 18.0% on an annual basis.

- The increase in K/L spending was mainly influenced by payments for National Health Insurance (JKN) and Healthy Indonesia Cards (KIS), distribution of various social assistance programs, infrastructure program, and support for the implementation of elections. Meanwhile, realized non-K/L spending grew by 8.5% YoY to Rp287.6 trillion in 4M24. The realization of non-K/L expenditure was mainly driven by the realization of energy subsidies and payment of pension benefits. Furthermore, transfers to regions grew by 5.9% YoY to Rp257.5 trillion in 4M24.
- Meanwhile, Bank Indonesia announced that economic liquidity or broad money circulation (M2) grew slower from 7.2% YoY in Mar-24 to be 6.9% YoY during the long holiday season and hefty money outflow in the capital market in Apr-24. Total M2 reached IDR 8,928 trillion in Apr-24. This development was driven by growth in narrow money supply (M1) of 5.5% YoY and quasi money of 8.5% YoY. The development of M2 in April 2024 was mainly influenced by developments in credit distribution and net claims to the Central Government. Credit distribution still booked stronger growth from 11.9% YoY in Mar-24 to 12.3% YoY in Apr-24. Net claims to the Central Government also grew stronger from 17.9% YoY in Mar-24 to 25.8% YoY in Apr-24. Then, net foreign assets contracted by 1.1% YoY in Apr-24. Total forex savings dropped by 3.7% in Apr-24.
- Today, Indonesian government will hold its conventional bond auction with Rp22 trillion of indicative target and Rp33 trillion of maximum target of absorption. Eight series of government bonds that will be offered on today's auction are SPN03240828 (New Issuance), SPN12250529 (New Issuance), FR0101 (Reopening), FRSDG001 (Reopening), FR0100 (Reopening), FR0098 (Reopening), FR0097 (Reopening), and FR0102 (Reopening). We expect investors' interest to participate this auction to be high after seeing recent resurgence expectation for more than one of cutting policy rate by the Fed this year. Moreover, on the domestic side, Indonesian fundamental side continues performing solid condition. For this auction, we expect investors' incoming bids to reach at least Rp50 trillion with most investors' bids preferences for FR0100, FR0101, and FRSDG001. FRSDG001 is the first Sustainable Development Goals series that been offered by the government on the conventional bond auction. This series will give 7.37500% of annual coupon rate until 15 Oct-30.

MYR Bonds Trades Details

MGS & GII	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low	
MGS 3/2019 3.478% 14.06.2024	3.478%	14-Jun-24	725	3.277	3.288	3.106	
MGS 1/2014 4.181% 15.07.2024	4.181%	15-Jul-24	150	3.214	3.221	3.214	
MGS 2/2017 4.059% 30.09.2024	4.059%	30-Sep-24	271	3.256	3.262	3.232	
MGS 1/2015 3.955% 15.09.2025	3.955%	15-Sep-25	115	3.387	3.396	3.387	
MGS 3/2011 4.392% 15.04.2026	4.392%	15-Apr-26	10	3.432	3.432	3.432	
MGS 1/2019 3.906% 15.07.2026	3.906%	15-Jul-26	30	3.511	3.516	3.511	
MGS 3/2007 3.502% 31.05.2027	3.502%	31-May-27	185	3.573	3.58	3.562	
MGS 5/2013 3.733% 15.06.2028	3.733%	15-Jun-28	6	3.682	3.682	3.682	
MGS 2/2019 3.885% 15.08.2029	3.885%	15-Aug-29	30	3.689	3.689	3.689	
MGS 3/2010 4.498% 15.04.2030	4.498%	15-Apr-30	20	3.799	3.799	3.799	
MGS 2/2020 2.632% 15.04.2031	2.632%	15-Apr-31	40	3.832	3.841	3.832	
MGS 4/2011 4.232% 30.06.2031	4.232%	30-Jun-31	10	3.85	3.85	3.85	
MGS 1/2022 3.582% 15.07.2032	3.582%	15-Jul-32	30	3.888	3.888	3.882	
MGS 3/2018 4.642% 07.11.2033	4.642%	7-Nov-33	70	3.9	3.9	3.89	
MGS 4/2015 4.254% 31.05.2035	4.254%	31-May-35	2	3.96	3.96	3.96	
MGS 4/2018 4.893% 08.06.2038	4.893%	8-Jun-38	2	4.015	4.024	4.015	
MGS 5/2019 3.757% 22.05.2040	3.757%	22-May-40	1	4.058	4.058	4.058	
MGS 2/2024 4.180% 16.05.2044	4.180%	16-May-44	44	4.127	4.127	4.119	
MGS 1/2020 4.065% 15.06.2050	4.065%	15-Jun-50	31	4.189	4.25	4.093	
MGS 1/2023 4.457% 31.03.2053	4.457%	31-Mar-53	3	4.169	4.217	4.169	
GII MURABAHAH 4/2015 3.990% 15.10.2025	3.990%	15-Oct-25	45	3.397	3.397	3.391	
GII MURABAHAH 3/2019 3.726% 31.03.2026	3.726%	31-Mar-26	30	3.509	3.509	3.509	
GII MURABAHAH 3/2016 4.070% 30.09.2026	4.070%	30-Sep-26	20	3.525	3.525	3.525	
GII MURABAHAH 1/2023 3.599% 31.07.2028	3.599%	31-Jul-28	20	3.681	3.681	3.681	
GII MURABAHAH 9/2013 06.12.2028	4.943%	6-Dec-28	50	3.693	3.693	3.691	
GII MURABAHAH 6/2019 4.119% 30.11.2034	4.119%	30-Nov-34	20	3.9	3.9	3.9	
SUSTAINABILITY GII 3/2022 4.662% 31.03.2038	4.662%	31-Mar-38	10	4.021	4.021	4.021	
GII MURABAHAH 2/2019 4.467% 15.09.2039	4.467%	15-Sep-39	14	4.02	4.02	4.02	
GII MURABAHAH 2/2021 4.417% 30.09.2041	4.417%	30-Sep-41	1	3.96	3.97	3.96	
GII MURABAHAH 4/2017 4.895% 08.05.2047	4.895%	8-May-47	40	4.203	4.208	4.1	
GII MURABAHAH 5/2019 4.638% 15.11.2049	4.638%	15-Nov-49	20	4.215	4.215	4.215	
GII MURABAHAH 2/2022 5.357% 15.05.2052	5.357%	15-May-52	70	4.26	4.26	4.256	
GII MURABAHAH 1/2024 4.280% 23.03.2054	4.280%	23-Mar-54	20	4.256	4.256	4.256	
Total			2,135				
PDS	Rating	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
DANAINFRA IMTN 4.330% 15.11.2024 - Tranche No 68	GG	4.330%	15-Nov-24	50	3.374	3.374	3.374
PR1MA IMTN 2.380% 30.07.2025	GG	2.380%	30-Jul-25	30	3.55	3.55	3.55
PRASARANA IMTN 4.47% 26.02.2026 - Series 8	GG	4.470%	26-Feb-26	1	3.573	3.579	3.573
PASB IMTN (GG) 4.40% 17.06.2026 - Issue No. 26	GG	4.400%	17-Jun-26	4	3.588	3.593	3.588
SME BANK IMTN 3.300% 23.04.2027	GG	3.300%	23-Apr-27	5	3.68	3.684	3.68
PRASARANA IMTN 4.64% 22.03.2030 - Series 3	GG	4.640%	22-Mar-30	10	3.809	3.811	3.809
DANAINFRA IMTN 3.910% 06.06.2031	GG	3.910%	6-Jun-31	40	3.889	3.892	3.889
MRL IMTN 3.580% 06.07.2035	GG	3.580%	6-Jul-35	10	3.99	3.991	3.99
DANAINFRA IMTN 4.720% 01.04.2043 - Tranche No 89	GG	4.720%	1-Apr-43	10	4.162	4.164	4.162
LPPSA IMTN 5.220% 17.04.2047 - Tranche No 12	GG	5.220%	17-Apr-47	5	4.209	4.209	4.209

DANAINFRA IMTN 5.350% 15.11.2047 - Tranche No 72	GG	5.350%	15-Nov-47	5	4.214	4.214	4.214
DANAINFRA IMTN 4.820% 01.04.2048 - Tranche No 90	GG	4.820%	1-Apr-48	5	4.219	4.219	4.219
CAGAMAS MTN 3.840% 01.7.2024	AAA	3.840%	1-Jul-24	20	3.587	3.587	3.587
CAGAMAS MTN 5.52% 17.7.2024	AAA	5.520%	17-Jul-24	15	3.552	3.552	3.552
DANUM IMTN 3.070% 21.02.2025 - Tranche 4	AAA (S)	3.070%	21-Feb-25	25	3.63	3.63	3.63
CAGAMAS IMTN 3.970% 05.10.2026	AAA	3.970%	5-Oct-26	35	3.671	3.671	3.671
JOHORCORP IMTN 4.720% 11.06.2027	AAA	4.720%	11-Jun-27	1	4.013	4.03	4.013
CAGAMAS IMTN 4.620% 04.11.2027	AAA	4.620%	4-Nov-27	20	3.761	3.761	3.745
PSEP IMTN 4.310% 22.02.2028 (Tr3 Sr1)	AAA	4.310%	22-Feb-28	20	3.867	3.873	3.867
AIR SELANGOR IMTN T3 S1 SRI SUKUK KAS 26.07.2029	AAA	4.730%	26-Jul-29	20	3.869	3.873	3.869
PSEP IMTN 4.540% 22.02.2030 (Tr3 Sr2)	AAA	4.540%	22-Feb-30	40	3.913	3.916	3.913
AIR SELANGOR IMTN T1 S4 3.590% 23.12.2030	AAA	3.590%	23-Dec-30	20	3.938	3.942	3.938
PSEP IMTN 4.100% 19.03.2031	AAA	4.100%	19-Mar-31	5	3.969	3.969	3.969
PASB IMTN 4.220% 25.02.2032 - Issue No. 38	AAA	4.220%	25-Feb-32	10	3.947	3.962	3.947
AIR SELANGOR IMTN T5S2 SRI SUKUK KAS 19.04.2038	AAA	4.890%	19-Apr-38	10	4.109	4.111	4.109
TENAGA IMTN 5.570% 28.06.2047	AAA	5.570%	28-Jun-47	10	4.26	4.266	4.26
SABAHDEV MTN 1826D 11.5.2027 - Tranche 4 Series 2	AA1	5.000%	11-May-27	1	3.921	4.673	3.921
GENTING RMTN MTN 3653D 08.11.2029 - Tranche 1	AA1 (S)	4.180%	8-Nov-29	1	4.84	5.144	4.84
CCB IMTN 4.130% 31.03.2026 (Tranche 3)	AA IS	4.130%	31-Mar-26	10	4.416	4.425	4.416
BUMITAMA IMTN 4.200% 22.07.2026	AA2	4.200%	22-Jul-26	10	3.836	3.851	3.836
IMTIAZ II IMTN 3.900% 19.04.2028	AA2 (S)	3.900%	19-Apr-28	20	3.961	3.961	3.961
S P SETIA IMTN 4.300% 23.06.2028	AA IS	4.300%	23-Jun-28	20	3.948	3.953	3.948
S P SETIA IMTN 4.410% 23.06.2028	AA IS	4.410%	23-Jun-28	20	3.947	3.953	3.947
EDRA ENERGY IMTN 5.790% 03.01.2025 - Tranche No 7	AA3	5.790%	3-Jan-25	10	3.792	3.8	3.792
SPG IMTN 4.970% 30.10.2026	AA- IS AA- IS	4.970%	30-Oct-26	10	3.847	3.853	3.847
EWCB IMTN01 5.690% 29.10.2027	(CG)	5.690%	29-Oct-27	1	4.962	4.962	4.962
AMBANK MTN 3653D 12.10.2032	AA3	5.200%	12-Oct-32	1	4.001	4.001	4.001
DIALOG PERPETUAL SUKUK WAKALAH TRANCHE NO. 1	A1	4.150%	15-Nov-20	1	4.915	4.915	4.915
IJM LAND 4.730% PERPETUAL SUKUK MUSHARAKAH -S2							
T3	A2 (S)	4.730%	17-Mar-19	3	4.905	4.912	4.905
TROPICANA 7.000% PERPETUAL SUKUK MUSHARAKAH -							
T1	A- IS	7.000%	25-Sep-19	1	4.921	4.921	4.921
Total				534			

Sources: BPAM

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.0884	157.23	0.6686	1.2808	7.2664	0.6179	171.1600	104.8453
R1	1.0871	157.06	0.6670	1.2788	7.2627	0.6164	170.7500	104.6157
Current	1.0868	156.83	0.6660	1.2775	7.2595	0.6160	170.4400	104.4370
S1	1.0842	156.69	0.6628	1.2739	7.2547	0.6124	169.6800	104.0077
S2	1.0826	156.49	0.6602	1.2710	7.2504	0.6099	169.0200	103.6293
	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3517	4.7181	16110	58.2187	36.7957	1.4678	0.6510	3.4966
R1	1.3506	4.7073	16088	58.1693	36.7103	1.4666	0.6496	3.4891
Current	1.3483	4.6925	16078	58.0290	36.5910	1.4654	0.6487	3.4806
S1	1.3483	4.6911	16034	58.0673	36.5403	1.4636	0.6476	3.4774
S2	1.3471	4.6857	16002	58.0147	36.4557	1.4618	0.6469	3.4732

*Values calculated based on pivots, a formula that projects support/resistance for the day.

Equity Indices and Key Commodities

	Value	% Change
Dow	39,069.59	0.01
Nasdaq	16,920.79	1.10
Nikkei 225	38,900.02	0.66
FTSE	8,317.59	-0.26
Australia ASX 200	7,788.31	0.79
Singapore Straits Times	3,318.45	0.06
Kuala Lumpur Composite	1,618.27	-0.07
Jakarta Composite	7,176.42	-0.64
Philippines Composite	6,571.60	-0.73
Taiwan TAIEX	21,803.77	1.11
Korea KOSPI	2,722.99	1.32
Shanghai Comp Index	3,124.04	1.14
Hong Kong Hang Seng	18,827.35	1.17
India Sensex	75,390.50	-0.03
Nymex Crude Oil WTI	77.72	1.11
Comex Gold	2,356.90	-0.12
Reuters CRB Index	294.28	0.17
MBB KL	9.99	0.10

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	4.0500	Jul-24	Neutral
BNM O/N Policy Rate	3.00	11/7/2024	Neutral
BI 7-Day Reverse Repo Rate	6.25	20/6/2024	Neutral
BOT 1-Day Repo	2.50	12/6/2024	Neutral
BSP O/N Reverse Repo	6.50	27/6/2024	Neutral
CBC Discount Rate	2.00	13/6/2024	Neutral
HKMA Base Rate	5.75	-	Neutral
PBOC 1Y Loan Prime Rate	3.45	-	Easing
RBI Repo Rate	6.50	7/6/2024	Neutral
BOK Base Rate	3.50	11/7/2024	Neutral
Fed Funds Target Rate	5.50	13/6/2024	Neutral
ECB Deposit Facility Rate	4.00	6/6/2024	Neutral
BOE Official Bank Rate	5.25	20/6/2024	Neutral
RBA Cash Rate Target	4.35	18/6/2024	Neutral
RBNZ Official Cash Rate	5.50	10/7/2024	Neutral
BOJ Rate (Lower bound)	0.00	14/6/2024	Tightening
BoC O/N Rate	5.00	5/6/2024	Neutral

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