

May 05, 2026

Three Take-Aways

1) Stocks fell and Brent Crude surged to above \$114/barrel after Iran struck UAE energy infrastructure and US-Iran forces exchanged fire in the heaviest fighting since the ceasefire, as the US military escorted two vessels through Hormuz under attack.

2) Project Freedom is operational but contested with the broader passage through Hormuz being far from restored, with Treasury Secretary Bessent calling on China and allies to join the escort operation.

3) Indonesia's CPI deceleration in April reflects the unwinding of base effects from electricity tariff rebates. With rupiah vulnerability and elevated oil prices, BI has little reason to interpret this as an easing signal.

MACRO THEME: Ceasefire Under Fire

- US and Iran exchanged fire since the ceasefire took hold around 8 April, as the US military escorted two American-flagged merchant vessels through Hormuz under Project Freedom, with active attack from Iranian drones, missiles, and armed small boats

- US confirmed that it has repelled the attacks pursuing commercial vessels, asserting 'the US military has the clear advantage'. Despite the fighting, US maintained that its assets remain a defensive force, **stopping short of declaring the ceasefire broken.**

- Iran also struck the UAE, firing missiles and drones at multiple parts of the country and an oil tanker owned by UAE's state oil company was struck by Iranian drones outside Hormuz. While its air defense systems intercepted the attacks, an oil terminal in Fujairah was hit, sparking a large fire that injured three people.

- Oil prices surged amid the escalating conflict, and continued sporadic fighting is likely to limit any meaningful relief in oil prices.

Project Freedom: Operational But Unsustainable?

- While Project Freedom is operational, it is **far from a functioning supply restoration mechanism** given the effort required to secure passage is excessively high.

- Such conditions show that this approach is neither efficient nor sustainable, and is unlikely to be a lasting solution.

- Meanwhile, Treasury Secretary Bessent publicly called on China and allies to join the escort operation, urging Beijing to 'step up with some diplomacy and get the Iranians to open the strait'.

Sanctions Defiance Meets Summit Diplomacy

- This ask is ahead of the Xi-Trump summit that is scheduled to take place on 14-15 May in Beijing, amid China's simultaneous directive to defy US sanctions on Iranian oil-linked refiners.

- With China being the largest buyer of Iranian oil, **China's directive signals that it will protect that supply chain**, complicating US' pressure on Iran.

- Additionally, it escalates the risks of secondary sanctions by US,

which could trigger countermeasures from China, potentially broadening spillovers from the conflict

Yields (2Y: +7.4bp; 10Y: +6.8p; 30Y: +5.5bp)

Equities (Nasdaq: -0.2%; S&P500: -0.4%; Dow: -1.1%)

FX (DXY: +0.2%)

- DXY gained following an escalation in the US-Iran conflict, USDJPY continued to see volatility amid intervention threats.

Indonesia April CPI: Base Effects Do Heavy Lifting

- Indonesia's April CPI came in under expectations (+2.4% YoY, +0.1% MoM) and sits comfortably within Bank Indonesia's 1.5–3.5% target band. The **deceleration from March's 3.5% YoY was largely mechanical**, driven by the full dissipation of the low base from last year's electricity tariff rebates (flagged previously), with Electricity, Gas and Other Fuel contributing a decrease of 1.2%-pt to the delta.

- Food prices fell 0.2% MoM as post-Eid demand faded amid the harvest season, offsetting firmer airfares due to the government raising the maximum fuel surcharge cap earlier in April.

- The **benign print is unlikely to provide BI with sufficient cover to ease** with the rupiah under persistent depreciation pressure with an elevated energy import bill. The bar for a cut remains high and rupiah stability considerations will continue to dominate.

- The key upside risk to inflation remains a potential lifting of its subsidised fuel price ceiling amid fiscal pressures, which could push inflation significantly beyond BI's 3.5% upper bound.

Vietnam: Inflation Worries Mount

- Headline inflation continued to accelerate in April to 5.5% YoY from the 4.7% YoY print in March. More worryingly, core inflation rose to 4.7% YoY exceeding the SBV's official target of 4.5%. While higher gas prices were a key direct driver of inflation, **signs of supply chain disruptions and higher transport costs weighing on other CPI components are evident.**

- Specifically, beverages and tobacco saw rising import, production and distribution costs reflecting effects of costlier fuel while even household appliances as well as clothing and footwear saw rising costs of raw materials, labour and transportation. Given shortage of plastics-related materials, such costs pressures are not surprising. With increase in airfares, higher tourism related prices such as tour packages were also observed with demand still buoyant.

- On the trade front, the **trade deficit widened** as a surge in import expenditure on higher spending on crude oil and petroleum products outweighed still firm exports growth.

- Industrial activity stayed very robust in April despite the disruptions, expanding 9.2% YoY. Demand ranging from food and beverage products, apparel to computer, electronic and optical products continue to grow.

- All in, inflationary pressures juxtaposed with resilient growth implies that an SBV rate hike could come in the event of a slippage in the VND especially with USDVND now trading within 20-30bps of the upper limit.

FX OUTLOOK

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Factory Orders (Mar)	1.5%	0.6%	0.0%
(EZ) Sentix Investor Confidence (May)	-16.4	-22.0	-19.2
PMI Mfg (ID, KR, MY, PH, TW VN) (Apr)			
(ID) Exports/Imports YoY (Mar)	-3.1%/1.5%	0.6%/10.6%	1.0%/10.9%
(ID) CPI/Core YoY (Apr)	2.4%/2.4%	2.7%/2.5%	3.5%/2.5%

Today	Actual	Exp.	Prior
(US) JOLTS Job Openings (Mar)		6700k	6882k
(US) Trade Balance (Mar)		-\$59.7b	-\$57.3b
(US) ISM Services Index/Prices Paid (Apr)		53.9/73.0	54.0/70.7
(US) New Home Sales MoM (Mar)		--	-17.6%
(SG) Retail Sales/Ex Auto YoY (Mar)		--	8.3%/11.2%
(AU) RBA Cash Rate Target		4.35%	4.10%
(ID) GDP YoY/QoQ (1Q)		5.4%/1.0%	5.4%/0.9%
(PH) CPI YoY (Apr)		5.6%	4.1%

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.24	157.20	+0.15%	156.00 - 158.50
EURUSD	1.1691	1.1692	▼0.26%	1.1600 - 1.1750
GBPUSD	1.3532	1.3531	▼0.38%	1.3400 - 1.3600
AUDUSD	0.7167	0.7168	▼0.49%	0.7100 - 0.7230
DXY	98.4	--	+0.22%	98.0 - 99.5
USDCNY	6.8281	--	+0.00%	6.7800 - 6.9000
USDCNH	6.8309	6.8315	▼0.00%	6.7800 - 6.9000
USDHKD	7.8327	7.8333	▼0.03%	7.8150 - 7.8500
USDSGD	1.2769	1.2769	+0.32%	1.2680 - 1.2860
USDKRW	1474	1479	+0.00%	1470 - 1490
USDTWD	31.63	--	▼0.13%	31.30 - 31.80
USDINR	95.09	--	+0.18%	94.50 - 95.70
USDIDR	17380	--	+0.16%	17250 - 17500
USDMYR	3.956	3.9602	▼0.39%	3.930 - 3.990
USDPHP	61.57	--	+0.15%	61.00 - 62.20
USDTHB	32.60	32.74	+0.00%	32.4 - 33.1
USDVND	26341	26344	▼0.06%	26180 - 26500

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.954	4.439	7.4	6.8
JGB (JP)	1.380	2.504	0.1	0.0
Bunds (GE)	2.727	3.086	8.7	5.1
Gilts (UK)	4.414	4.963	0.0	0.0
AGB (AU)	4.688	4.980	-3.7	-3.9
SGS (SG)	1.519	2.079	-0.9	-1.0
CGB (CN)	1.265	1.748	0.0	0.0
KGB (KR)	3.480	3.935	0.0	0.0
SDL (IN)	6.294	7.019	8.3	0.4

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7200.75	-29.37	▼0.41%
Nasdaq (US)	25067.8	-46.64	▼0.19%
DJIA (US)	48941.9	-557.37	▼1.13%
N225 (JP)	59513.12	0.00	+0.00%
STOXX50 (EU)	5763.61	-117.90	▼2.00%

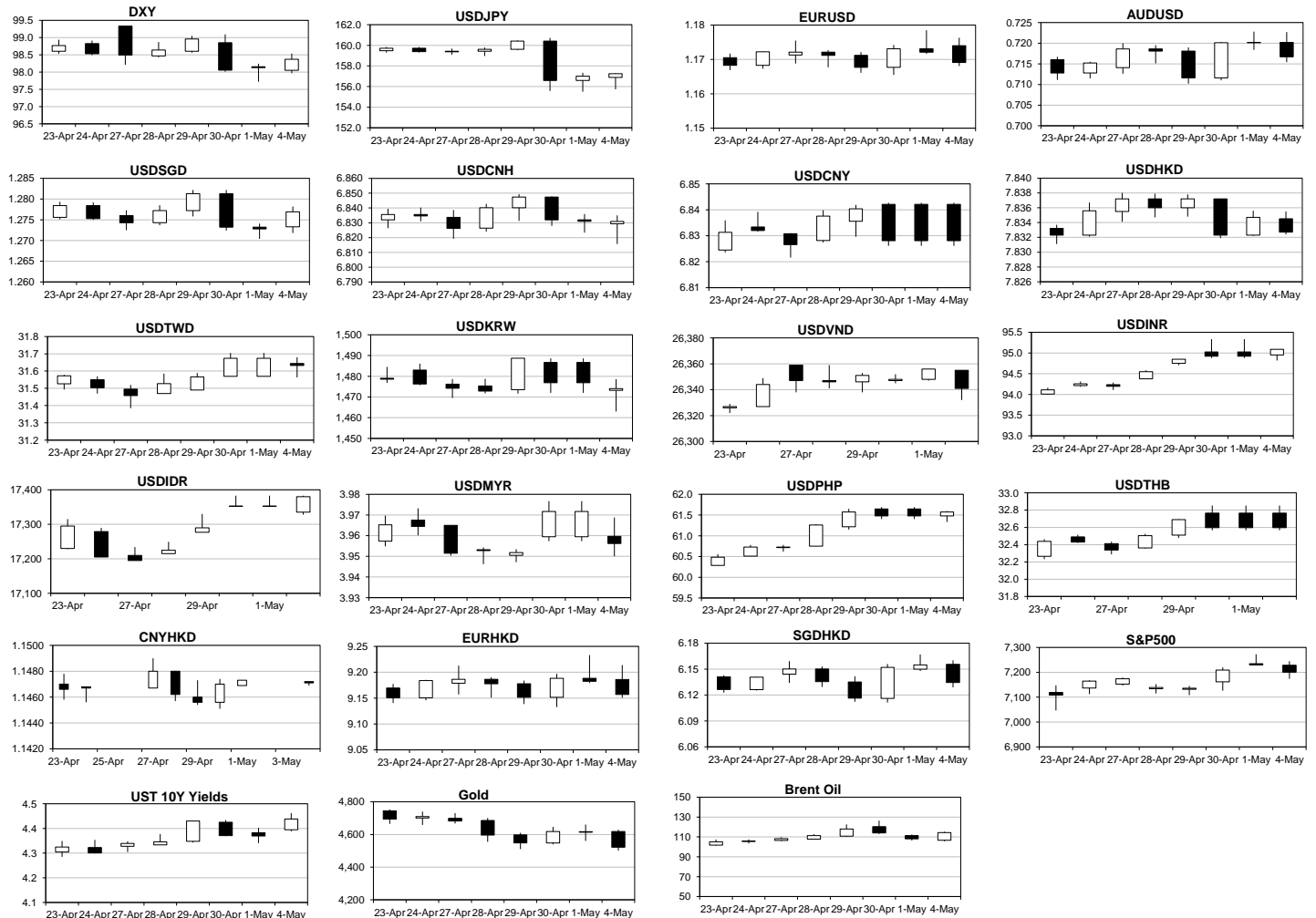
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	12,916.40	0.00	+0.00%
IRON ORE (CN)	108.96	1.71	+0.57%
GOLD	4,521.91	-92.30	▼2.00%
SILVER	72.77	0.09	+3.13%
OIL (BRENT)	114.44	6.27	+5.80%
OIL (WTI)	106.42	4.48	+4.39%
NATURAL GAS	2.87	-2.60	▼3.44%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	183.86	183.81	▼0.16%
GBP/JPY	212.762	212.707	▼0.28%
JPY/SGD (100yen)	0.8119	0.8122	+0.20%
JPY/HKD (100yen)	4.9806	4.9828	▼0.13%
CNH/JPY	23.01	23.021	+0.50%
CNH/HKD	1.1471	1.1471	▼0.02%
EUR/GBP	0.86411	0.86409	+0.09%
AUD/NZD	1.2205	1.2207	▼0.03%
EUR/CNH	7.986	7.9874	▼0.23%
GBP/CNH	9.2436	9.2437	▼0.32%
CNY/HKD	1.1471	1.1471	▼0.02%
EUR/HKD	9.1572	9.1587	▼0.28%
SGD/HKD	6.1345	6.1346	▼0.33%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5557.81	0.00	+0.00%
STI (SG)	4924.31	11.62	+0.24%
SHCOMP (CN)	4112.159	0.00	+0.00%
SZCOMP (CN)	2776.227	0.00	+0.00%
HSI (HK)	26095.88	319.35	+1.24%
SENSEX (IN)	77269.4	355.90	+0.46%
JSE (ID)	6971.953	15.15	+0.22%
KLSE (MY)	1739.77	17.75	+1.03%
PSE (PH)	5942.16	108.52	+1.86%
SET (TH)	1493.69	0.00	+0.00%
VNINDEX (VN)	1854.06	0.00	▼0.00%

CHARTS



RESEARCH TEAM

Vishnu Varathan | Serena Zhou | Tan Boon Heng | Johnny Wong | Ng Jing Wen

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