

May 06, 2026

## Three Take-Aways

1) Market optimism rises as both the US and Iran have signaled progress in their negotiations, particularly with Iranian officials traveling to China ahead of the Trump-Xi summit next week.

2) Philippines' inflation overshot, led by a sharper-than-expected energy shock amid the country's heavy reliance on diesel, likely prompting a more aggressive policy response from the BSP.

3) Philippines' Q1 GDP growth likely undershot 3.5% YoY, with indicators pointing to continued softness. The tightening cycle may further dampen the recovery and limit support on the PHP.

## MACRO THEME: Growing Optimism

- US Treasury yields edged lower overnight, led by the 30-year maturity, while US equities rebounded on growing optimism over potential progress in US-Iran talks.

- Both US Defense Secretary Pete Hegseth and Iranian Foreign Minister Abbas Araghchi indicated that the ceasefire remains intact and that negotiations are continuing to make headway.

- Adding to the intrigue, Araghchi is set to travel to China today to meet his counterpart, Wang Yi, just one week ahead of President Trump's planned visit to China on 14-15 May.

- At the same time, Trump noted that Iran would be a key topic of discussion with President Xi Jinping during that trip.

- Further buoying the sentiment, Trump remarked after market close that "great progress has been made" toward a final agreement with Iran, adding that he would temporarily pause efforts to secure shipping through the Strait of Hormuz to allow space for the deal to be finalized.

- Movements in oil prices have been relatively muted after Trump's latest announcement.

- On the domestic front, the US ISM Services Prices Paid Index maintain unchanged at 70.7 in April.

- While this is below market expectations and lower than its manufacturing counterpart (84.6), such levels are still consistent with building inflationary pressure over the next couple of months.

## RBA: Risks on Both Sides

- The RBA's decision to raise rates came as little surprise to markets.

- While the Board maintained a somewhat hawkish tone in its statement, Governor Bullock's post-meeting remarks softened that stance.

- She noted that, at the current level of interest rates, the Board needs to carefully balance risks on both sides of the inflation outlook going forward.

- Markets are now pricing in another rate hike in September, broadly in line with our expectation for one additional hike in Q3, as inflationary pressures are likely to broaden, supported by tight labor market conditions and the prospect of a prolonged period of elevated oil prices.

**Yields (2Y: -1.1bp; 10Y: -1.4p; 30Y: -2.7bp)**

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) JOLTS Job Openings (Mar)	6866k	6850k	6882k
(US) Trade Balance (Mar)	-\$60.3b	-\$61.0b	-\$57.3b
(US) ISM Services Index/Prices Paid (Apr)	53.6/70.7	53.9/73.0	54.0/70.7
(US) New Home Sales MoM (Mar)	8.9%	7.9%	-17.6%
(SG) Retail Sales/Ex Auto YoY (Mar)	4.8%/3.3%	3.8%/--	8.3%/11.2%
<b>(AU) RBA Cash Rate Target</b>	<b>4.35%</b>	<b>4.35%</b>	<b>4.10%</b>
<b>(ID) GDP YoY/QoQ (1Q)</b>	<b>5.6%/0.8%</b>	<b>5.4%/1.0%</b>	<b>5.4%/0.9%</b>
<b>(PH) CPI YoY (Apr)</b>	<b>7.2%</b>	<b>5.5%</b>	<b>4.1%</b>
Today	Actual	Exp.	Prior
(US) ADP Employment Change (Apr)		--	62k
(EZ) PPI YoY (Mar)		--	-3.0%
(CH) RatingDog China PMI Services (Apr)		52.0	52.1
<b>(KR) CPI/Ex Food and Energy YoY (Apr)</b>	<b>2.6%/2.2%</b>	<b>2.6%/2.2%</b>	<b>2.2%/2.2%</b>
<b>(TH) CPI/Core YoY (Apr)</b>		<b>2.2%/0.6%</b>	<b>-0.1%/0.6%</b>
(PH) Unemployment Rate (Mar)		--	5.1%

**Equities (Nasdaq: +1.0%; S&P500: +0.8%; Dow: +0.7%)**

**FX (DXY: +0.1%)**

## Philippines: Elevated Inflation Requires Aggressive Tightening

- Philippines' April CPI surged beyond expectations to 7.2% YoY and 2.6% MoM, significantly exceeding projections even after accounting for the energy shock.

- The YoY inflation spike was mainly driven by Food (+2.3%-pt), Transport (+1.9%-pt) and Housing and Utilities (+1.7%-pt).

- Compared to the energy shock from the 2022 Russia-Ukraine conflict, the current acceleration in inflation appears sharper and more rapid.

- A key factor is likely **higher diesel prices, which disproportionately impact transport costs** given its heavy reliance on vehicles that run on diesel for its public transport system, such as jeepneys and buses.

- **Elevated rice prices** (+13.7% YoY) added to inflation woes following earlier import restrictions to protect local farmers.

- While BSP had likely intended a measured pace of tightening given the earlier 25 bps hike in April, **this upside inflation surprise will likely force a more aggressive response**. It will likely need to hike its policy rate by 50-100 bps (instead of additional 25 bps) to reach 5.5%.

- While this could be a conservative estimate given the previous water mark of 6.5% in 2024, it **reflects the need for the BSP to balance against risks to an already fragile economic recovery**.

- **PHP depreciation pressure remains given the weaker growth backdrop going into this cycle**, with aggressive tightening potentially weighing further on domestic demand and sentiment.

## Philippines GDP Preview: Tentative Rebound, Downside Risks Loom

- We expect Philippines Q1 GDP to print around 3.5% YoY, a modest recovery from Q4's 3.0%.

- However, with majority of indicators pointing to continued softness, risks are skewed to the downside.

- Agriculture should provide a modest lift on favourable weather, while industry recovery remains tentative amid softening manufacturing PMIs and flat manufacturing Net Sales Volume (+0.2% YoY).

- The Services sector also face headwinds, with both Services, Wholesale & Retail PMIs below the expansion threshold, signalling contraction in domestic-oriented activity and continued softness in household spending.

- Additionally, government spending is likely to provide only incremental support as fiscal expenditures (excluding net lending, equities, interest and subsidy) begin to normalise post-scandal, although Q1 data points to only a nascent recovery (+0.9% YoY).

- On the policy front, BSP hiked 25bps in late April and signalled further hikes, a tightening cycle that is likely to weigh on an already fragile recovery.

- A soft GDP print offers little support for the PHP, with the USDPHP likely to drift higher above 60 amid twin deficits and elevated oil import costs.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	157.88	157.70	+0.41%	156.00	- 158.50
EURUSD	1.1693	1.1715	+0.02%	1.1600	- 1.1750
GBPUSD	1.3541	1.3569	+0.07%	1.3400	- 1.3600
AUDUSD	0.7183	0.7204	+0.22%	0.7100	- 0.7230
DXY	98.4	--	+0.07%	98.0	- 99.5
USDCNY	6.8281	--	+0.00%	6.7800	- 6.9000
USDCNH	6.8276	6.8230	▼0.05%	6.7800	- 6.9000
USDHKD	7.8360	7.8359	+0.04%	7.8150	- 7.8500
USDSGD	1.2754	1.2742	▼0.12%	1.2680	- 1.2860
USDKRW	1462	1479	+0.00%	1470	- 1490
USDTWD	31.62	--	▼0.04%	31.30	- 31.80
USDINR	95.29	--	+0.21%	94.50	- 95.70
USDIDR	17425	--	+0.26%	17250	- 17500
USDMYR	3.961	3.9583	+0.13%	3.930	- 3.990
USDPHP	61.56	--	▼0.01%	61.00	- 62.20
USDTHB	32.72	32.44	+0.36%	32.4	- 33.1
USDVND	26331	26332	▼0.04%	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)	3.943	4.425	-1.1	-1.4
JGB (JP)	1.380	2.504	0.1	0.0
Bunds (GE)	2.672	3.062	-5.4	-2.4
Gilts (UK)	4.517	5.061	10.3	9.7
AGB (AU)	4.666	4.971	-2.2	-0.9
SGS (SG)	1.546	2.100	2.4	2.1
CGB (CN)	1.265	1.748	0.0	0.0
KGB (KR)	3.516	3.928	0.0	0.0
SDL (IN)	6.263	7.018	-3.1	-0.1

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7259.22	58.47	+0.81%
Nasdaq (US)	25326.13	258.33	+1.03%
DJIA (US)	49298.25	356.35	+0.73%
N225 (JP)	59513.12	0.00	+0.00%
STOXX50 (EU)	5869.63	106.02	+1.84%

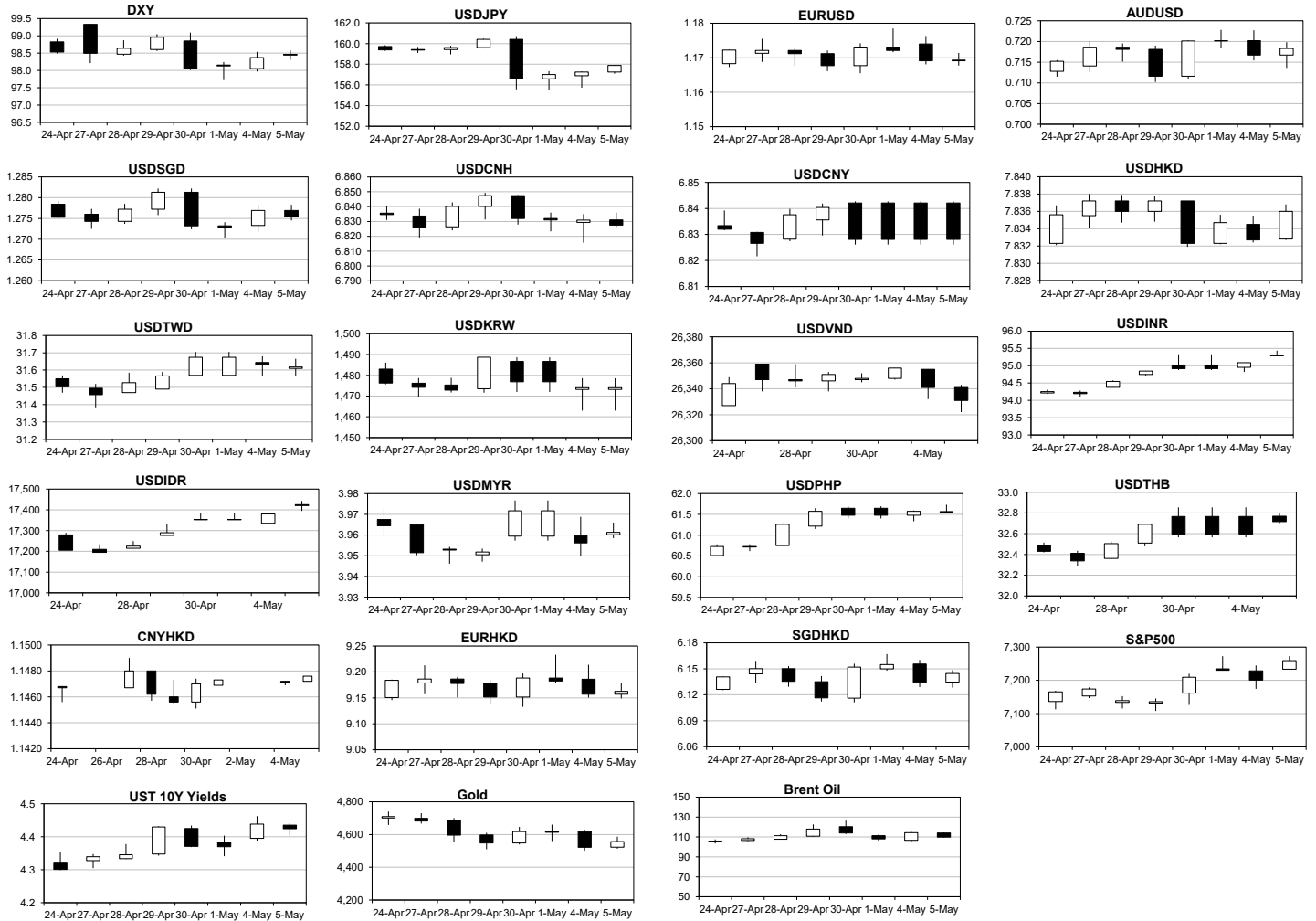
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,059.15	142.75	+1.11%
IRON ORE (CN)	109.14	2.04	+0.17%
GOLD	4,556.92	35.01	+0.77%
SILVER	72.85	-0.08	▼2.76%
OIL (BRENT)	109.87	-4.57	▼3.99%
OIL (WTI)	102.27	-4.15	▼3.90%
NATURAL GAS	2.79	0.08	+0.11%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.62	184.74	+0.41%
GBP/JPY	213.784	213.968	+0.48%
JPY/SGD (100yen)	0.8076	0.808	▼0.53%
JPY/HKD (100yen)	4.9627	4.969	▼0.36%
CNH/JPY	23.096	23.092	+0.37%
CNH/HKD	1.1476	1.1474	+0.04%
EUR/GBP	0.86352	0.8634	▼0.07%
AUD/NZD	1.2202	1.2206	▼0.02%
EUR/CNH	7.9831	7.9931	▼0.04%
GBP/CNH	9.2441	9.2578	+0.01%
CNY/HKD	1.1476	1.1474	+0.04%
EUR/HKD	9.1626	9.1798	+0.06%
SGD/HKD	6.1446	6.1497	+0.16%

\*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5486.96	-70.85	▼1.27%
STI (SG)	4920.61	-3.70	▼0.08%
SHCOMP (CN)	4112.159	0.00	+0.00%
SZCOMP (CN)	2776.227	0.00	+0.00%
HSI (HK)	25898.61	-197.27	▼0.76%
SENSEX (IN)	77017.79	-251.61	▼0.33%
JSE (ID)	7057.106	85.15	+1.22%
KLSE (MY)	1747.43	7.66	+0.44%
PSE (PH)	5898.08	-44.08	▼0.74%
SET (TH)	1490.1	-3.59	▼0.24%
VNINDEX (VN)	1874.85	0.01	+1.12%

## CHARTS



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