

May 15, 2026

## Three Take-Aways

- 1) **Upbeat Trump–Xi talks improved the trade tone, while the Fed signaled no rush to cut and kept policy mildly restrictive.**
- 2) **PBoC is tightening control to prevent overly loose liquidity.**
- 3) **Masu’s hawkish pivot potentially puts the BoJ one vote away from a June hike majority.**

## MACRO THEME: US-China Summit: Upbeat, with Caveats

- President Trump opened a two-day summit with President Xi and **invited Xi to visit the White House on Sept. 24.**

- On the commercial front, Trump said Xi agreed **China would order 200 Boeing jets**, potentially the first major China purchase of US-made commercial aircraft in nearly a decade. In agriculture, China appeared to **renew import licenses for hundreds of US beef plants**, but Reuters reported clearances were later halted and some registrations reverted to “expired,” highlighting execution risk.

- Geopolitically, the White House said both leaders agreed the **Strait of Hormuz should remain open**, while Trump said Xi **pledged China would not provide military equipment to Iran**. At the same time, Xi issued a firm warning that missteps on **Taiwan could lead to “clashes and even conflicts,”** highlighting persistent geopolitical tail risks despite the otherwise cordial summit tone.

## Fed in No Hurry to Ease

- Fed officials struck a consistently hawkish tone. New York Fed President Williams said **policy is “in a good place”** and “I don’t see that there’s any reason to raise rates right now, or lower rates,” noting limited labour-driven inflation but flagging early signs of supply chain strain. Kansas City Fed’s Schmid warned “continued inflation [is] the most pressing risk... **still too high,**” while Governor Barr called inflation the “**overwhelming risk**” despite a “booming” economy.

- Overall, Fed messaging suggests **no urgency to cut rates**, with policy remaining mildly restrictive. With **inflation still the primary concern** and supply chain pressures re-emerging, the Fed is prioritizing price stability over growth.

## PBoC: Attentive to Overly Loose Liquidity Conditions

- The PBoC’s latest Monetary Policy Report marks a notable shift in communication, explicitly stating its intention to “**guide the overnight rate to stay around the policy rate**”.

- Since July 2024, **the PBoC has operated within a corridor system**, with the floor and ceiling set at 20bp below and 50bp above the policy rate, currently at 1.9% and 1.2%, respectively. The overnight repo rate, currently around 1.2%, sits close to the lower bound of the PBoC’s established interest rate corridor.

- Against this framework, **the latest guidance should be seen as a technical adjustment** aimed at **preserving the integrity of the corridor**. In practice, this suggests the central bank **remains focused on preventing excessive liquidity easing rather than shifting toward a broader tightening stance.**

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Initial Jobless Claims	211k	205k	200k
(US) Retail Sales Adv./Ex Auto and Gas MoM (Apr)		0.5%/0.3%	1.7%/0.6%
(IN) Wholesale Prices YoY (Apr)	8.3%	5.5%	3.9%

Today	Actual	Exp.	Prior
(US) Empire Manufacturing (May)		7.3	11.0
(US) Industrial Production MoM (Apr)		0.3%	-0.5%
(JP) Machine Tool Orders YoY (Apr P)		--	28.0%
(JP) PPI YoY (Apr)	4.9%	3.0%	2.6%
(MY) BoP Current Account Balance MYR (1Q)		16.7b	2.0b
(MY) GDP YoY / SA QoQ (1Q F)		5.3%/0.3%	5.3%/0.8%
(CH) BoP Current Account Balance (1Q P)		--	\$243.8b
(IN) Unemployment Rate (Apr)		--	5.1%
(IN) Exports / Imports YoY (Apr)		--	-7.4%/-6.5%
(PH) Overseas Cash Remittances YoY (Mar)		2.5%	2.6%

## Bank of Japan: Dove Takes Flight

- BoJ board member **Kazuyuki Masu** delivered a notably hawkish speech yesterday, calling for **interest rates to be raised “at the earliest stage possible”**. The remarks carry particular weight given Masu’s reputation as a policy dove. Critically, **he framed the BoJ’s mandate as capping underlying inflation below 2%, not merely reaching it**, which is an important nuance for the policy path.

- The implication is important for the MPM voting dynamics. If Masu joins the three previous dissenters, the vote split narrows to 5–4, leaving just one more vote needed for a hike majority.

- **Junko Koeda now becomes a key swing vote.** Although generally perceived as more hawkish than Masu, she **supported a hold in April**. Her upcoming speech on May 21 will therefore be critical. **A shift from Koeda** would likely secure a June hike majority.

- With a traditionally dovish member like Masu turning more hawkish, the **centre of gravity in the BoJ board may be shifting toward tightening**. This raises the likelihood of a **June hike**, particularly given the limited effectiveness of recent FX interventions in supporting the yen.

- That said, **market pricing has yet to fully adjust**: implied probabilities for a June move remain broadly steady at 70%, suggesting investors are still awaiting confirmation from additional board members before repricing more decisively.

**Yields (2Y: +3.9bp; 10Y: +1.4bp; 30Y: -0.8bp)**

**Equities (Nasdaq: +0.9%; S&P500: +0.8%; Dow: +0.8%)**

**FX (DXY: +0.3%)**

## Korea: Streaks, Strikes and Hikes

- Despite a stellar run-up in the KOSPI (20% MTD), the KRW has underperformed in May.

- The KRW weakness was in part due to foreign outflows from equities which also reflects the domestic skew of the stock market rally.

- KRW softness was exacerbated by higher oil prices and rising UST yields from the lack of resolution on the US-Iran war added further drags on the KRW.

- To be clear, equities are not the only asset seeing soaring prices in Korea as housing price growth in Seoul show little signs of slowing.

- In turn, a continued leverage/debt accumulation on both housing and equities front may draw scrutiny of BoK Governor Shin especially considering his macro-financial stability expertise.

- While strikes in Korea may be hogging headlines on its consequent impact on the critical semiconductor industry, it also somewhat reflects an underlying buoyancy in wage-bargaining powers consistent with firm economic growth.

- Consequently, rates hikes are becoming a more credible scenario even in mid-2026 especially amid pipeline inflation pressures.

- All in, record streaks in equities and housing may need to confront both strikes and hikes.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	158.37	158.36	+0.32%	156.90 - 159.00
EURUSD	1.1669	1.1662	▼0.36%	1.1630 - 1.1800
GBPUSD	1.3403	1.3391	▼0.89%	1.3400 - 1.3600
AUDUSD	0.7221	0.7215	▼0.51%	0.7200 - 0.7320
DXY	98.8	--	+0.30%	97.9 - 99.3
USDCNY	6.7872	--	▼0.05%	6.7600 - 6.8300
USDCNH	6.7867	6.7883	▼0.01%	6.7600 - 6.8300
USDHKD	7.8326	7.8326	+0.03%	7.8150 - 7.8500
USDSGD	1.2760	1.2765	+0.26%	1.2660 - 1.2800
USDKRW	1496	1493	+0.00%	1480 - 1505
USDTWD	31.51	--	▼0.02%	31.30 - 31.75
USDINR	95.77	--	+0.06%	95.20 - 96.30
USDIDR	17465	--	+0.00%	17350 - 17600
USDMYR	3.931	3.9332	+0.01%	3.900 - 3.950
USDPHP	61.64	--	+0.41%	60.90 - 62.00
USDTHB	32.33	32.44	▼0.07%	32.1 - 32.6
USDVND	26345	26347	▼0.01%	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)	4.020	4.483	3.9	1.4
JGB (JP)	1.392	2.623	0.7	4.3
Bunds (GE)	2.649	3.042	-5.8	-5.7
Gilts (UK)	4.425	4.993	-5.7	-7.1
AGB (AU)	4.703	5.018	-3.9	-4.4
SGS (SG)	1.552	2.060	0.2	1.3
CGB (CN)	1.267	1.750	-0.1	0.5
KGB (KR)	3.530	4.090	2.3	4.8
SDL (IN)	6.241	7.020	7.7	-2.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7501.24	56.99	+0.77%
Nasdaq (US)	26635.22	232.88	+0.88%
DJIA (US)	50063.46	370.26	+0.75%
N225 (JP)	62654.05	-618.06	▼0.98%
STOXX50 (EU)	5934.96	73.89	+1.26%

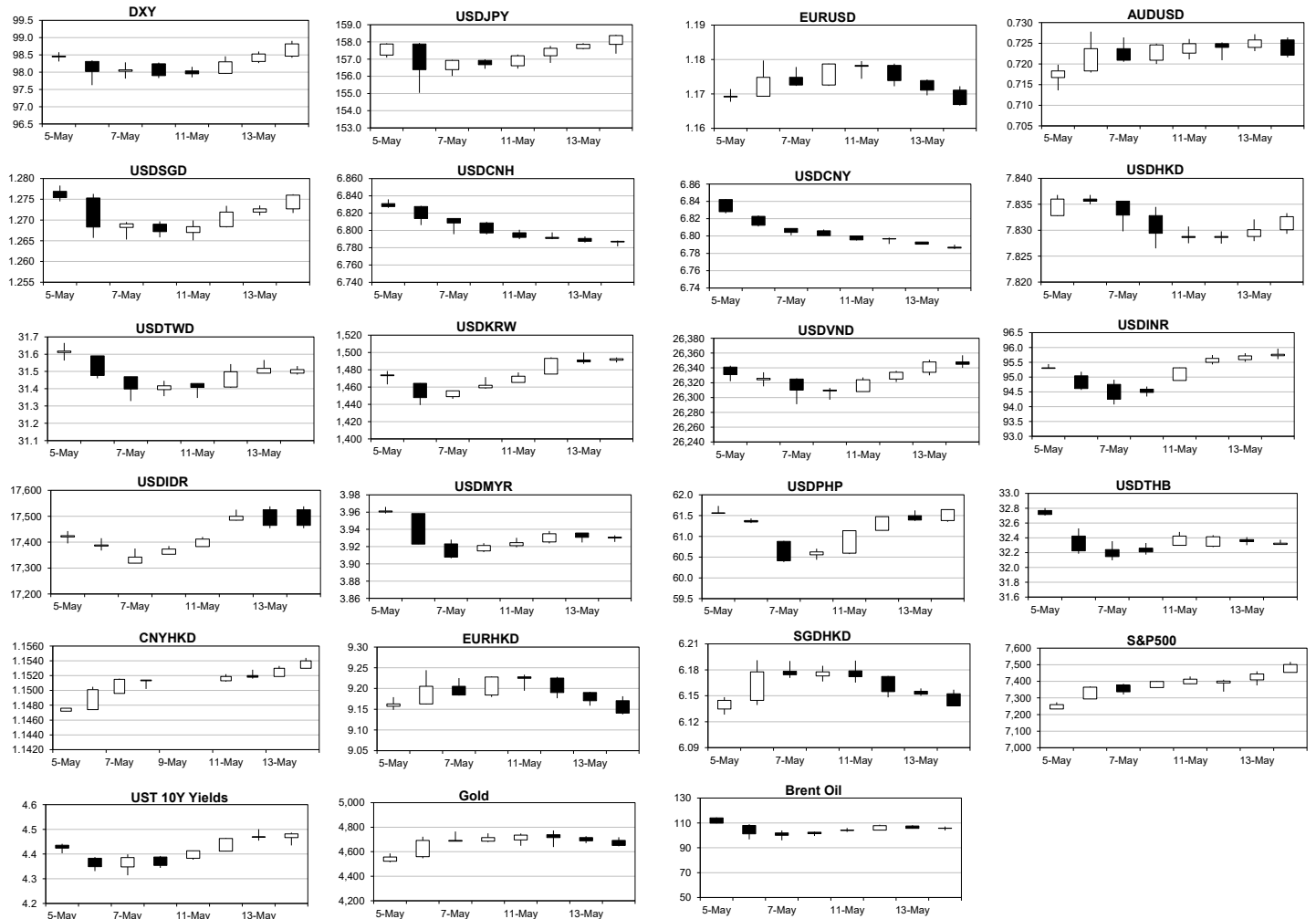
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,894.74	-214.74	▼1.52%
IRON ORE (CN)	111.23	-0.11	▼0.22%
GOLD	4,651.98	-36.78	▼0.78%
SILVER	83.53	0.03	+1.05%
OIL (BRENT)	105.72	0.09	+0.09%
OIL (WTI)	101.17	0.15	+0.15%
NATURAL GAS	2.89	-4.03	▼4.60%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.8	184.68	▼0.04%
GBP/JPY	212.258	212.06	▼0.58%
JPY/SGD (100yen)	0.8056	0.8061	▼0.06%
JPY/HKD (100yen)	4.9452	4.9461	▼0.29%
CNH/JPY	23.306	23.332	+0.25%
CNH/HKD	1.154	1.154	+0.09%
EUR/GBP	0.87075	0.87088	+0.53%
AUD/NZD	1.2213	1.2223	▼0.11%
EUR/CNH	7.9201	7.9165	▼0.35%
GBP/CNH	9.0962	9.0902	▼0.90%
CNY/HKD	1.154	1.154	+0.09%
EUR/HKD	9.1407	9.1344	▼0.33%
SGD/HKD	6.1383	6.136	▼0.22%

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

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5570.37	30.52	+0.55%
STI (SG)	4995.94	-8.02	▼0.16%
SHCOMP (CN)	4177.917	-64.65	▼1.52%
SZCOMP (CN)	2886.993	-62.08	▼2.11%
HSI (HK)	26389.04	0.60	+0.00%
SENSEX (IN)	75398.72	789.74	+1.06%
JSE (ID)	6723.32	0.00	+0.00%
KLSE (MY)	1745.58	-0.73	▼0.04%
PSE (PH)	6015.03	68.25	+1.15%
SET (TH)	1539.12	21.86	+1.44%
VNINDEX (VN)	1925.46	0.01	+1.43%

## CHARTS



## RESEARCH TEAM

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

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