

May 19, 2026

Three Take-Aways

1) Trump called off a planned Tuesday attack on Iran in hopes of advancing negotiations to end the conflict.

2) China's April activity data disappointed, underscoring ongoing softness in domestic demand amid a pullback in government support, while AI-related demand remains a bright spot.

3) Bank Indonesia is likely to hike its policy rate by 25 bps, prioritising rupiah stability amid still robust growth.

MACRO THEME: Called Off, for Now

- US equities rebounded in the final hour of trading after President Trump said he had called off a planned attack on Iran on Tuesday.

- According to Trump, the decision followed requests from several Middle Eastern nations, including Qatar, Saudi Arabia, and the United Arab Emirates, as "serious negotiations are now taking place" toward a deal to end the conflict.

- Trump also warned he had instructed senior military officials "to be prepared to go forward with a full, large-scale assault on Iran" if no acceptable agreement is reached, though he did not set a deadline.

- Additionally, the US issued a new waiver allowing the sale of Russian oil and petrol products already loaded on tankers.

Extra Budget

- Japanese Prime Minister Takaichi called for an extra budget in response to rising commodity prices amid the ongoing Middle East conflict, confirming market expectations that had been building over the past week.

- Prior to this, Takaichi and Finance Minister Satsuki Katayama had for weeks denied the need for additional funding or fresh bond issuance.

- That said, markets increasingly view such measures as almost inevitable, given the depletion of funds available for relief programs, pushing super-long JGB yields to fresh record highs.

Yields (2Y: -2.6bp; 10Y: -0.6bp; 30Y: +0.6bp)

Equities (Nasdaq: -0.5%; S&P500: -0.1%; Dow: +0.3%)

FX (DXY: -0.1%)

China: April Misses

- China's April activity data came in materially below market expectations, underscoring renewed weakness in domestic demand following a pullback in government support.

- **Industrial value-added growth** slowed to a near three-year low of 4.1% YoY, weighed down by the mining and chemical sectors amid oil supply disruptions.

- Meanwhile, **high-tech manufacturing remained a bright spot**, supported by AI-related demand, with growth in electronic equipment accelerating to a two-year high of 15.6% YoY.

- **Retail sales** also disappointed, rising only 0.2% YoY, as discretionary consumption weakened sharply.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(TH) GDP YoY/SA QoQ (1Q)	2.8%/0.7%	2.3%/0.3%	2.5%/1.9%
(CH) Industrial Production/Retail Sales YoY	4.1%/0.2%	6.0%/2.0%	5.7%/1.7%
(CH) Surveyed Jobless Rate (Apr)	5.2%	5.3%	5.4%
(CH) New/Used Home Prices MoM (Apr)	-0.2%/-0.2%	--	-0.2%/-0.2%
(SG) Non-oil Domestic/Electronics Exports	24.5%/66.7%	11.7%/--	15.3%/74.0%
Today	Actual	Exp.	Prior
(US) Pending Home Sales MoM (Apr)		1.0%	1.5%
(EZ) Trade Balance SA (Mar)		--	7.0b
(JP) GDP SA QoQ (1Q P)	0.5%	0.4%	0.3%
(JP) Tertiary Industry Index MoM (Mar)		-0.5%	-0.4%
(AU) RBA Minutes of May Policy Meeting			
(MY) CPI YoY (Apr)		1.9%	1.7%
(PH) BoP Overall (Apr)		--	-\$2600r

- Sales of home appliances, furniture, decoration materials, and autos all posted double-digit declines, as the boost from trade-in subsidies started to fade. Jewelry and petroleum sales also fell notably, despite higher prices.

- Investment data were similarly weak, with **fixed asset investment** declined 1.6% YoY YTD, reversing the 1.7% gain recorded in Q1.

- The weakness was driven not only by a deeper contraction in private investment but also by a sharp slowdown in public-led investment, which eased to 2.5% YoY YTD from 7.1% in Q1, implying a significant YoY decline in April alone.

- **Property investment** remained subdued, falling 20% YoY in April, worse than the 11.2% decline in Q1. This aligns with weak credit data, as bank lending to the non-financial sector saw a net contraction of RMB382bn in April, despite resilient government bond financing.

- On a less pessimistic note, **property sales** declined 7.6% YoY in April, marking the slowest pace in nearly a year.

Bank Indonesia: Defending the Rupiah

- We expect **Bank Indonesia to hike its policy rate by 25 bps**, prioritising rupiah stability amid still robust growth. The IDR has been amongst the worst-performing currencies in Asia since the onset of the US-Iran conflict, depreciating to successive record levels against the USD despite intensified FX intervention, government bond purchases in the secondary market and lower caps on domestic purchases of USD.

- These measures serve as modest stabilisation tools rather than address the underlying drag on IDR due to fiscal concerns. With the pace of IDR depreciation coming in line with historical episodes of tightening to ensure IDR stability, we expect **BI to deploy a rate hike at their upcoming meeting**, especially as stronger than expected Q1 GDP growth offers some policy space.

- While Q1 GDP growth printed at 5.6% YoY, this was driven in part by an outsized contribution from government consumption at 1.3%-pt (vs ~0.3%-pt historically for Q1), likely reflecting the full rollout of the Free Nutritious Meals programme. Despite the upside, we expect growth to moderate to around 5% for the rest of 2026.

- For one, fiscal support is unlikely to be sustained with the deficit already at 0.9% GDP in March (vs 3.0% cap). Authorities have already scaled back its Free Meals programme in April to 5 days (from 6 days) a week to ease fiscal pressures. Second, household consumption is likely to soften with amid weak consumer confidence.

- Admittedly, inflation outlook is a benign one which may remain within BI's upper bound of 3.5%.

- April headline eased to 2.4% YoY due to base effects. Inflation should remain benign in May due to the harvest season, before picking up in June. That said, **a pre-emptive hike could help anchor expectations amid rising pipeline pressures**, as reflected in PPI and wholesale prices across key sectors. To be clear, even with a rate hike, the IDR is likely to remain under pressure near historic lows, particularly as growth moderate in the near term, unless fiscal concerns ease.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	158.82	158.87	+0.05%	156.90 - 160.00
EURUSD	1.1656	1.1655	+0.27%	1.1550 - 1.1700
GBPUSD	1.3434	1.3432	+0.81%	1.3250 - 1.3500
AUDUSD	0.7168	0.7171	+0.25%	0.7100 - 0.7220
DXY	99.2	--	▼0.09%	97.9 - 99.3
USDCNY	6.8001	--	▼0.18%	6.7600 - 6.8300
USDCNH	6.7993	6.7989	▼0.21%	6.7600 - 6.8300
USDHKD	7.8304	7.8306	▼0.01%	7.8150 - 7.8500
USDSGD	1.2787	1.2784	▼0.14%	1.2700 - 1.2880
USDKRW	1499	1493	+0.00%	1480 - 1505
USDTHW	31.56	--	+0.03%	31.30 - 31.75
USDINR	96.36	--	+0.40%	95.20 - 96.30
USDIDR	17656	--	+1.09%	17350 - 17600
USDMYR	3.975	3.9703	+0.45%	3.900 - 4.000
USDPHP	61.74	--	+0.02%	60.90 - 62.20
USDTHB	32.64	32.52	▼0.04%	32.1 - 33.0
USDVND	26357	26353	+0.02%	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)	4.046	4.588	-2.6	-0.6
JGB (JP)	1.408	2.725	0.1	1.8
Bunds (GE)	2.706	3.147	-2.9	-1.9
Gilts (UK)	4.473	5.098	-7.7	-7.4
AGB (AU)	4.751	5.114	0.5	4.2
SGS (SG)	1.639	2.174	4.8	5.2
CGB (CN)	1.260	1.750	-0.6	-0.6
KGB (KR)	3.605	4.237	-0.2	2.0
SDL (IN)	6.371	7.131	0.1	6.7

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7403.05	-5.45	▼0.07%
Nasdaq (US)	26090.73	-134.41	▼0.51%
DJIA (US)	49686.12	159.95	+0.32%
N225 (JP)	60815.95	-593.34	▼0.97%
STOXX50 (EU)	5849	21.24	+0.36%

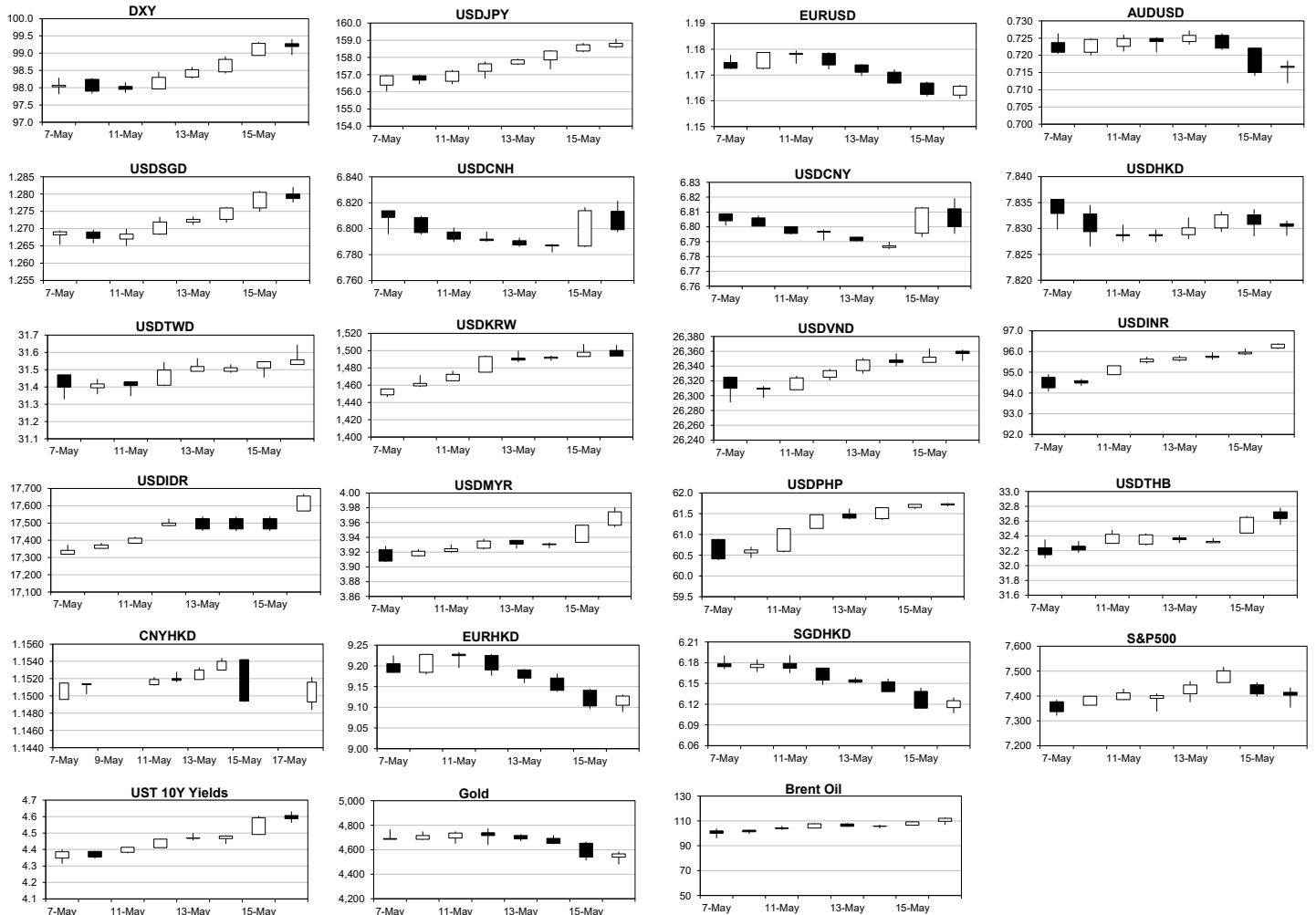
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,532.18	29.07	+0.22%
IRON ORE (CN)	110.00	-1.91	▼0.45%
GOLD	4,566.67	26.59	+0.59%
SILVER	77.72	0.06	+2.16%
OIL (BRENT)	112.10	2.84	+2.60%
OIL (WTI)	108.66	3.24	+3.07%
NATURAL GAS	3.02	1.73	+2.27%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.11	185.16	+0.31%
GBP/JPY	213.36	213.387	+0.86%
JPY/SGD (100yen)	0.8048	0.8047	▼0.21%
JPY/HKD (100yen)	4.9295	4.9291	▼0.05%
CNH/JPY	23.392	23.363	+0.41%
CNH/HKD	1.1516	1.1516	+0.19%
EUR/GBP	0.86766	0.8677	▼0.55%
AUD/NZD	1.2201	1.2208	▼0.34%
EUR/CNH	7.9265	7.9241	+0.05%
GBP/CNH	9.1333	9.1323	+0.59%
CNY/HKD	1.1516	1.1516	+0.19%
EUR/HKD	9.1269	9.1266	+0.26%
SGD/HKD	6.125	6.1253	+0.17%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5541.24	61.46	+1.12%
STI (SG)	4996.75	7.67	+0.15%
SHCOMP (CN)	4131.528	-3.86	▼0.09%
SZCOMP (CN)	2862.436	0.97	+0.03%
HSI (HK)	25675.18	-287.55	▼1.11%
SENSEX (IN)	75315.04	77.05	+0.10%
JSE (ID)	6599.24	-124.08	▼1.85%
KLSE (MY)	1727.71	-12.51	▼0.72%
PSE (PH)	5941.52	-35.25	▼0.59%
SET (TH)	1517.74	-0.21	▼0.01%
VNINDEX (VN)	1927.94	0.00	+0.33%

CHARTS



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