

Jun 02, 2026

Three Take-Aways

- 1) Oil prices were sent soaring on the possibility of stalled US-Iran negotiations amid threats of extended Israeli military operations in South Lebanon.
- 2) Traffic across Hormuz remains muted after the uptick last week. Contentious tolls and lane splitting complicates already tricky navigation.
- 3) Korea CPI printed on the upside with signs of broadening inflation pressures affirming need for BoK rate hike.

MACRO THEME: Splintering

- Stalling of US-Iran negotiations, splintering of US-Israel military objectives and rumored divisions in Iran's leadership underscored the fragility of the Middle East conflict and engendered significant volatility for markets.

- Oil prices were sent soaring with Brent crude prices hovering at US\$95/barrel after testing above US\$97 from lows of US\$90/barrel last Friday.

- The surge in oil prices came on the back of reports that Iran will suspend talks and exchange of documents through mediators as Israel's attacks in Lebanon drew significant protests from Iran's Parliament speaker and lead negotiator Mohammad Bagher Ghalibaf.

- As we had flagged, Israel's military objectives are rather diametrically opposed to the ceasefire terms as well as the draft terms of the MoU and the extent of tolerance would certainly be dependent on the scale of military operation. To be clear, the scale of these operations is broadening with residents in South Lebanon being ordered to leave their homes.

- For now, Trump said that Israel will halt their Beirut offensive after he called Israel PM Netanyahu. Nonetheless, the retention of Israel military in South Lebanon read together with their position to strike terror targets if Hezbollah doesn't cease attacks imply that any skirmishes could easily lead to a re-escalation.

Rapid Pace

- Aside from his call to Netanyahu, US President Trump also posted on social media that talks are continuing at a rapid pace.

- In any case, markets may begin to grow increasingly wary of the extent of such progress given that little has come to fruition. As of this morning, there were already reports of attacks between Hezbollah and Israeli troops.

- On the macro front, US manufacturing expanded at a faster pace with ISM manufacturing at 54 which is the fifth month of expansion with buoyant new orders and higher production levels even as prices paid sub index remain highly elevated at 82.1.

Blockade, Collaboration and Divisions

- Meanwhile, reports of Iranian president Masoud Pezeshkian requesting to step down due to being excluded from decision making by the IGRC has been refuted and said to be rumor mongering.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) ISM Manufacturing/Prices Paid (May)	54.0/82.1	53.2/85.0	52.7/84.6
(US) Construction Spending MoM (Apr)	0.4%	0.1%	0.6%
(EZ) Unemployment Rate (Apr)	6.3%	6.2%	6.3%
(JP) Capital Spending YoY (1Q)	0.0%	4.0%	6.5%
(CH) RatingDog China PMI Mfg (May)	51.8	51.3	52.2
PMI Mfg (AU, IN, KR, PH, TW, VN)			
(IN) Industrial Production YoY (Apr)	4.9%	3.9%	4.1%
(KR) Exports/Imports YoY (May)	53.2%/20.8%	48.5%/21.9%	48.0%/16.7%
Today	Actual	Exp.	Prior
(US) JOLTS Job Openings (Apr)		6866k	6866k
(EZ) CPI/Core YoY (May P)		3.3%/2.4%	3.0%/2.2%
(SG) Purchasing Managers/Elect. Sector Index (May)		--	50.7/51.7
(AU) BoP Current Account Balance (1Q)		-\$23.4b	-\$21.1b
PMI Mfg (ID, MY, TH)			
(ID) CPI/Core YoY (May)		3.0%/2.5%	2.4%/2.4%
(ID) Exports/Imports YoY (Apr)		10.2%/4.5%	-3.1%/1.5%
(KR) CPI/Ex Food and Energy YoY (May)	3.1%/2.5%	2.9%/2.2%	2.6%/2.2%

- It should be evident that any internal fractures would complicate the deteriorating diplomatic situation rather than accelerate progress.

- For now, securing passage across Hormuz remain closely watched with Iranian President stating that Japanese ships will pass through with greater ease and without problems.

- It was reported yesterday that 15 vessels have been allowed by the IGRC to transit the Strait of Hormuz in the past 24 hours. Separately, it was reported that the US military had blocked a merchant ship from reaching an Iranian port over the weekend.

- The IGRC and US military blockade is in fact said to have divided the Strait of Hormuz into different shipping lanes.

- To bypass Iranian detection, ships turn off their Automatic Identification systems and rely on US advice during the transit process and hug closer to the Omani coast.

- On the Iranian front, with the possibility that tolls were being collected, it is perhaps not surprising that the IGRC which had been insistent on reparations on war damages would allow transit.

- In fact, Qatar's deputy Prime Minister flagged the possibility of short term charges used for mine clearing or similar purposes can be considered even as they upheld the importance of freedom of navigation.

Post Korea CPI: Broadening Inflation

- This morning, Korea's CPI came in above market expectations with headline inflation at 3.1% YoY for May, accelerating from April's 2.6% YoY with core inflation also rising to 2.5% YoY from 2.2% in April.

- There are signs of broadening inflation with the likes of clothing and shoes, furnishing, recreation and culture displaying acceleration in the pace of MoM prices increases.

- As such, this print affirms markets which are already pricing in a July rate hike. With the energy price pressures far from abating and ongoing issues ranging from fertilisers to higher temperatures, disinflation prospects do not appear to be forthcoming in the months ahead.

- With the BoK rate hike already widely expected, the KRW is likely to wobble on softer risk sentiments with the Middle East conflict weighing on the AI semiconductor cycle.

Yields (2Y: +2.9bp; 10Y: +1.7bp; 30Y: -0.3bp)

Equities (Nasdaq: +0.4%; S&P500: +0.3%; Dow: +0.1%)

- Even as all major indices ended in the green, only two sub-sectors (information and technology as well as the energy sector) gained while all other sectors in the S&P 500 slipped.

FX (DXY: +0.3%)

- USD remains buoyant. USDJPY buoyed above mid-159.

- EUR slipped towards 1.16 while the USD/SGD rose towards 1.28.

- The likes of the IDR and PHP may continue on the backfoot while we watch for political risks potentially weighing on the MYR on state election developments.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	159.66	159.65	+0.24%	158.20 - 161.00
EURUSD	1.1631	1.1635	▼0.24%	1.1550 - 1.1680
GBPUSD	1.3454	1.3460	▼0.01%	1.3350 - 1.3550
AUDUSD	0.7159	0.7164	▼0.36%	0.7100 - 0.7200
DXY	99.2	--	+0.26%	98.4 - 99.6
USDCNY	6.7670	--	+0.01%	6.7600 - 6.8300
USDCNH	6.7653	6.7639	+0.03%	6.7600 - 6.8300
USDHKD	7.8376	7.8373	+0.01%	7.8150 - 7.8500
USDSGD	1.2788	1.2784	+0.17%	1.2710 - 1.2850
USDKRW	1516	1513	+0.00%	1495 - 1530
USDTWD	31.37	--	+0.03%	31.30 - 31.70
USDINR	95.00	--	▼0.00%	94.50 - 96.00
USDIDR	17874	--	+0.00%	17700 - 18000
USDMYR	3.965	3.9645	+0.00%	3.940 - 3.980
USDPHP	61.74	--	+0.23%	61.00 - 62.50
USDTHB	32.54	32.60	+0.00%	32.3 - 33.0
USDVND	26319	26319	+0.02%	26200 - 26550

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.034	4.454	2.9	1.7
JGB (JP)	1.393	2.675	3.3	1.6
Bunds (GE)	2.625	3.002	9.9	6.5
Gilts (UK)	4.323	4.898	11.4	8.6
AGB (AU)	4.561	4.882	3.8	5.1
SGS (SG)	1.504	2.016	-0.1	0.0
CGB (CN)	1.220	1.701	-0.2	-0.9
KGB (KR)	3.711	4.177	9.2	9.9
SDL (IN)	6.323	7.018	3.3	1.4

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7599.96	19.90	+0.26%
Nasdaq (US)	27086.81	114.19	+0.42%
DJIA (US)	51078.88	46.42	+0.09%
N225 (JP)	66934.33	604.83	+0.91%
STOXX50 (EU)	6034.95	-15.59	▼0.26%

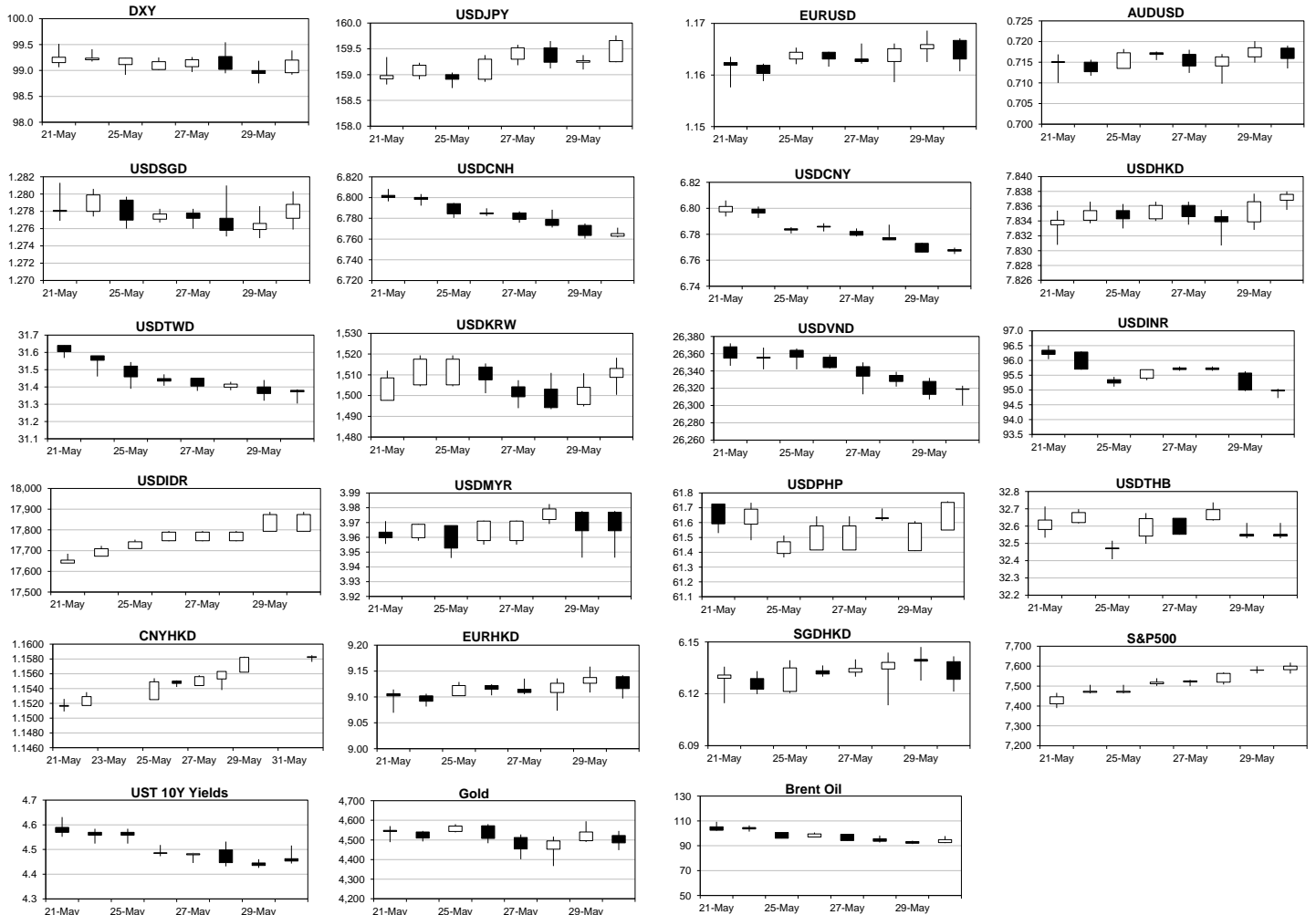
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,808.12	208.41	+1.53%
IRON ORE (CN)	104.75	-4.34	▼3.74%
GOLD	4,484.98	-55.28	▼1.22%
SILVER	74.84	-0.11	▼3.37%
OIL (BRENT)	94.98	2.93	+3.18%
OIL (WTI)	92.16	4.80	+5.49%
NATURAL GAS	3.18	-0.46	▼0.61%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.7	185.75	+0.02%
GBP/JPY	214.808	214.874	+0.24%
JPY/SGD (100yen)	0.8009	0.8008	▼0.07%
JPY/HKD (100yen)	4.9086	4.9092	▼0.24%
CNH/JPY	23.608	23.593	+0.31%
CNH/HKD	1.1583	1.1582	+0.01%
EUR/GBP	0.86448	0.86445	▼0.24%
AUD/NZD	1.2067	1.207	+0.58%
EUR/CNH	7.8694	7.8698	▼0.24%
GBP/CNH	9.1023	9.1039	▼0.00%
CNY/HKD	1.1583	1.1582	+0.01%
EUR/HKD	9.1161	9.1187	▼0.24%
SGD/HKD	6.1284	6.1306	▼0.17%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5565.77	-38.26	▼0.68%
STI (SG)	5037.86	0.00	+0.00%
SHCOMP (CN)	4057.74	-10.83	▼0.27%
SZCOMP (CN)	2783.826	-21.80	▼0.78%
HSI (HK)	25398.18	215.79	+0.86%
SENSEX (IN)	74267.34	-508.40	▼0.68%
JSE (ID)	6127.381	0.00	+0.00%
KLSE (MY)	1683.07	0.00	+0.00%
PSE (PH)	5799.32	30.56	+0.53%
SET (TH)	1568.37	0.00	+0.00%
VNINDEX (VN)	1844.54	-0.01	▼1.02%

CHARTS



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