

Jun 05, 2026

Three Take-Aways

1) Latest US jobless data reveals fresh softness in the labour market, leaving Fed officials prepared to respond in either direction as the outlook evolves.

2) We expect a 25bp rate hike at the upcoming RBI meeting, as it remains critical to counter destabilising pressures from INR depreciation and real return erosion.

3) RBA Governor Bullock reaffirmed the focus on inflation, lending support to the AUD amid favourable rate differentials and commodity tailwinds, despite lingering growth soft spots.

MACRO THEME: Job Worries

- US equities were broadly higher overnight, while Treasury yields moved lower as initial jobless claims rose more than expected.

- Such claims increased to 225,000 in the week ending May 30, the highest since February, though holiday-related distortions may have played a role.

- Other labour indicators also softened, with tech job cuts reaching the highest level in nearly two years amid increased AI adoption, while small-business hiring intentions and labour shortages fell to a six-year low.

- Against this backdrop, San Francisco Fed President Mary Daly noted that economic uncertainty remains high and the Fed is prepared to respond in either direction.

Ongoing Stalemate

- Geopolitical risks remain elevated, with little progress in US-Iran ceasefire talks.

- Although President Trump's claim that negotiations were in their "final" stages, Iran suggested otherwise. Tehran-backed Hezbollah also rejected a US-brokered truce proposal in Lebanon on Thursday.

BoJ to the Rescue?

- USD/JPY continues to hover near the 160 level despite intervention warnings from Japanese officials.

- News reports suggest the BoJ may consider a 25bp rate hike this month and another move later this year.

- However, the yen has shown limited reaction, as markets appear to expect the Takaichi administration to resist near-term tightening and tolerate yen weakness.

- On one hand, persistent inflation could worsen Japan's fiscal outlook and push long-end JGB yields higher. On the other hand, this may prompt the BoJ to slow or pause its bond-buying reduction plans.

RBI: Hiking Defenses

- We expect the RBI to hike their policy rate by 25bp at their upcoming meeting.

- First, the **intensity of recent interventions** to shore up the INR reflect the **need for further support**. While FX reserves appear to be robust at around US\$700bn which is a 60% increase relative to

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Initial Jobless Claims	225k	215k	215k
(EZ) Retail Sales MoM (Apr)	-0.4%	-0.3%	-0.1%
(AU) Trade Balance (Apr)	A\$1791m	A\$1600m	-A\$1841m

Today	Actual	Exp.	Prior
(US) Change in Nonfarm Payrolls (May)		93k	115k
(US) Unemployment Rate (May)		4.3%	4.3%
(EZ) GDP SA QoQ/YoY (1Q T)		0.1%/0.8%	0.1%/0.8%
(JP) Coincident Index/Leading Index CI (Apr P)		117.4/114.5	116.4/114
(JP) Real/Labor Cash Earnings YoY (Apr)	1.9%/3.5%	1.7%/3.1%	1.0%/2.7%
(SG) Retail Sales/Ex Auto YoY (Apr)	4.4%/--	4.8%/3.3%	
(IN) GDP YoY (1Q)		7.3%	7.8%
(IN) RBI Repurchase Rate		5.25%	5.25%
(KR) BoP Current Account Balance (Apr)	\$28292.3m	--	\$37327.1m
(TH) CPI/Core YoY (May)		3.1%/0.9%	2.9%/0.8%
(PH) CPI YoY (May)		7.8%	7.2%
(TW) CPI/Core YoY (May)		2.1%/2.0%	1.7%/1.9%

pre-Covid levels, the import coverage ratio remains flat at around 10-11 months of import expenditures.

- Second, the **current account deficit is likely to widen** to above 2% of GDP even if Brent crude prices maintain in the US\$90-US\$100 range, INR woes are unlikely to abate in the near term even if the depreciation pressures moderate from the March-April.

- Taken together, the authorities are likely to be careful about their usage of FX reserves and allow a rate hike to widen the rates differential with the USTs which has narrowed in recent weeks.

- Third, PMI indicates **buoyancy in both services and manufacturing activity** aligning with strong industrial production in March and exports growth at a staggering 13.8% YoY in April.

- Meanwhile, there is little comfort to be taken in the April CPI print of 3.50% given that **fuel prices have been hiked 4 times in May** thus far.

- Taken together the 8.3% YoY increase in wholesale prices which also saw a sharp uptick of costs of manufactured goods (4.6% YoY) ranging from textiles to chemicals and metals, there is sufficient grounds for a rate hike to anchor inflationary pressures.

- All in, even though a rate hike is unlikely to reverse the tide of INR depreciation pressures, it is still critical to add further backstop to prevent destabilising dynamics due to INR depreciation and real return erosion from setting in.

Australia: Accentuated Growth and Inflation Risks

- RBA Governor Bullock's testimony yesterday affirmed their on-going focus on inflation.

- Crucially, she reminded that **the hikes do not affect the near-term inflation prints** but serve to contain longer term second round effects.

- The current set of inflation was characterised as "too high" even as she espoused progress via the housing channel where conditions are said to have eased.

- With Q1 GDP release lower than expected with some underlying soft spots, **markets may remain cautious about pricing beyond one more hike in Q3**.

- Household consumption grew 0.5% led by essential spending while discretionary spending was flat, reflecting expenditure switching effects.

- While the drag from imports due to automatic data exporting equipment was well flagged, it is perhaps more notable that **exports of services declined 2.1% on weakness in education and personal travel**.

- Meanwhile, trade surplus for April improved on the back of higher demand for iron ore, coal and natural gas.

- On balance, the AUD remains backstopped by favour rate differentials and commodity tailwinds even as growth soft spots emerge to restrain bullish rallies for now.

Yields (2Y: -3.8bp; 10Y: -2.1bp; 30Y: -1.8bp)

Equities (Nasdaq: -0.1%; S&P500: +0.4%; Dow: +1.7%)

FX (DXY: -0.1%)

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	160.02	160.00	▼0.03%	158.70 - 161.00
EURUSD	1.1611	1.1613	+0.12%	1.1550 - 1.1680
GBPUSD	1.3424	1.3423	+0.04%	1.3350 - 1.3550
AUDUSD	0.7134	0.7131	+0.07%	0.7120 - 0.7230
DX	99.4	--	▼0.12%	98.7 - 99.8
USDCNY	6.7746	--	▼0.06%	6.7400 - 6.8200
USDCNH	6.7769	6.7770	▼0.05%	6.7400 - 6.8200
USDHKD	7.8344	7.8343	▼0.03%	7.8150 - 7.8500
USDSGD	1.2846	1.2848	+0.09%	1.2730 - 1.2900
USDKRW	1535	1533	+0.00%	1505 - 1530
USDTWD	31.47	--	+0.12%	31.30 - 31.70
USDINR	95.79	--	+0.09%	94.50 - 96.20
USDIDR	18033	--	+0.46%	17700 - 18100
USDMYR	4.012	4.0170	+0.34%	3.950 - 4.020
USDPHP	61.62	--	▼0.20%	61.20 - 62.20
USDTHB	32.66	32.69	+0.29%	32.4 - 33.0
USDVND	26335	26335	▼0.03%	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)	4.045	4.475	-3.8	-2.1
JGB (JP)	1.409	2.660	1.1	3.0
Bunds (GE)	2.659	3.021	-0.9	-1.3
Gilts (UK)	4.331	4.898	-3.8	-3.3
AGB (AU)	4.603	4.918	0.1	0.6
SGS (SG)	1.573	2.073	5.1	3.6
CGB (CN)	1.229	1.707	0.2	-0.2
KGB (KR)	3.800	4.237	11.6	10.9
SDL (IN)	6.326	6.991	5.9	-3.3

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7584.31	30.63	+0.41%
Nasdaq (US)	26830.96	-23.01	▼0.09%
DJIA (US)	51561.93	874.86	+1.73%
N225 (JP)	67470.69	-931.44	▼1.36%
STOXX50 (EU)	6103.33	49.76	+0.82%

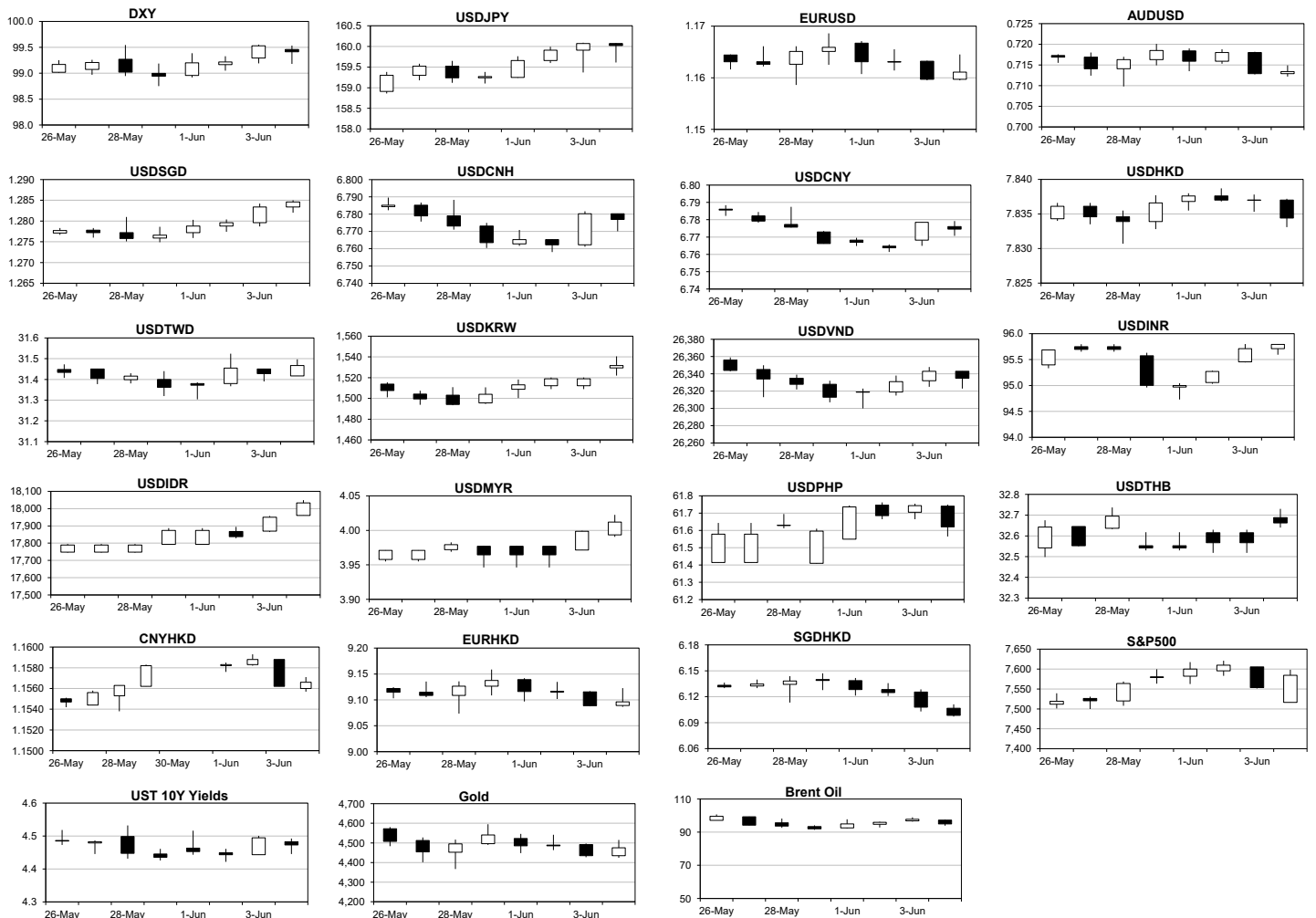
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,920.49	118.12	+0.86%
IRON ORE (CN)	101.61	-7.14	▼2.03%
GOLD	4,474.80	39.99	+0.90%
SILVER	73.88	0.12	+3.80%
OIL (BRENT)	95.03	-2.78	▼2.84%
OIL (WTI)	93.04	-2.98	▼3.10%
NATURAL GAS	3.34	1.17	+1.61%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.8	185.79	+0.10%
GBP/JPY	214.817	214.761	+0.03%
JPY/SGD (100yen)	0.8027	0.803	+0.15%
JPY/HKD (100yen)	4.8956	4.8966	+0.00%
CNH/JPY	23.624	23.618	+0.06%
CNH/HKD	1.1566	1.1565	+0.03%
EUR/GBP	0.86485	0.86512	+0.06%
AUD/NZD	1.2157	1.2149	▼0.04%
EUR/CNH	7.8684	7.8698	+0.07%
GBP/CNH	9.0971	9.0968	▼0.00%
CNY/HKD	1.1566	1.1565	+0.03%
EUR/HKD	9.0962	9.0976	+0.08%
SGD/HKD	6.0985	6.0977	▼0.15%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5576.71	16.23	+0.29%
STI (SG)	5067.53	-70.71	▼1.38%
SHCOMP (CN)	4057.781	-26.19	▼0.64%
SZCOMP (CN)	2801.25	-11.67	▼0.41%
HSI (HK)	25253.4	-379.81	▼1.48%
SENSEX (IN)	74360.01	13.84	+0.02%
JSE (ID)	5839.785	-101.28	▼1.70%
KLSE (MY)	1683.26	10.52	+0.63%
PSE (PH)	5911.93	-41.24	▼0.69%
SET (TH)	1594.79	6.73	+0.42%
VNINDEX (VN)	1831.55	0.01	+0.69%

CHARTS



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