

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.32	147.68	+0.73	▼2.37
EUR	1.0932	1.0927	+0.0001	+0.0070
AUD	0.6619	0.6606	▼0.0008	+0.0103
SGD	1.3306	1.3323	+0.0019	▼0.0105
CNY	7.1751	7.1826	+0.0012	▼0.0139
INR	82.75	82.78	+0.01	▼0.12
IDR	15597	15590	+0	▼179
MYR	4.6784	4.6782	▼0.0036	▼0.0570
PHP	55.32	55.32	▼0.06	▼0.65
THB	35.53	35.57	+0.18	▼0.24

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.151%	+5.2 bp	▼0.2 bp
JPY (10YR)	0.770%	+1.1 bp	+6.3 bp
EUR* (10YR)	2.330%	+2.7 bp	+0.7 bp
AUD (5YR)	3.621%	+0.0 bp	▼10.4 bp
SGD (5YR)	2.970%	+3.2 bp	▼3.6 bp
CNY (5YR)	2.265%	+3.7 bp	+3.7 bp
INR (5YR)	7.050%	+0.9 bp	▼3.1 bp
IDR (5YR)	6.483%	+0.0 bp	▼3.8 bp
MYR (5YR)	3.551%	+0.1 bp	▼1.8 bp
PHP (5YR)	6.086%	+0.2 bp	+0.6 bp
THB (5YR)	2.192%	▼0.1 bp	▼5.3 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,005.49	+0.61%	+1.09%
N225 (JP)	38,797.51	▼0.06%	▼3.24%
STOXX 50 (EU)	4,983.20	+1.07%	+1.84%
ASX (AU)	4,233.33	+0.89%	+1.34%
STI (SG)	3,141.47	+0.10%	+1.11%
SHCOMP (CN)	3,055.94	▼0.41%	+0.27%
SENSEX (IN)	73,667.96	+0.22%	▼0.01%
JSE (ID)	7,381.91	+0.00%	+1.86%
KLSE (MY)	1,554.56	+0.64%	+1.14%
PSE (PH)	6,879.59	+0.11%	▼0.37%
SET (TH)	1,379.63	▼0.04%	+1.50%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	278.32	+0.12%	+0.90%
COPPER (LME)	8,560.70	+0.01%	+1.90%
IRON ORE (CN)	112.39	+0.94%	▲3.16%
GOLD	2,158.34	▲1.12%	+1.42%
OIL (WTI)	77.56	▼0.47%	▼0.75%

### Three Take-Aways:

- 1) US: Underlying CPI momentum remained inconveniently elevated, with notable services stickiness.
- 2) But this is nowhere close to an insidious non-starter for Fed cuts: which are modestly delayed, not denied.
- 3) Nevertheless, the cost to "inconvenience" may show up as higher EM FX risk premium/policy constraints.

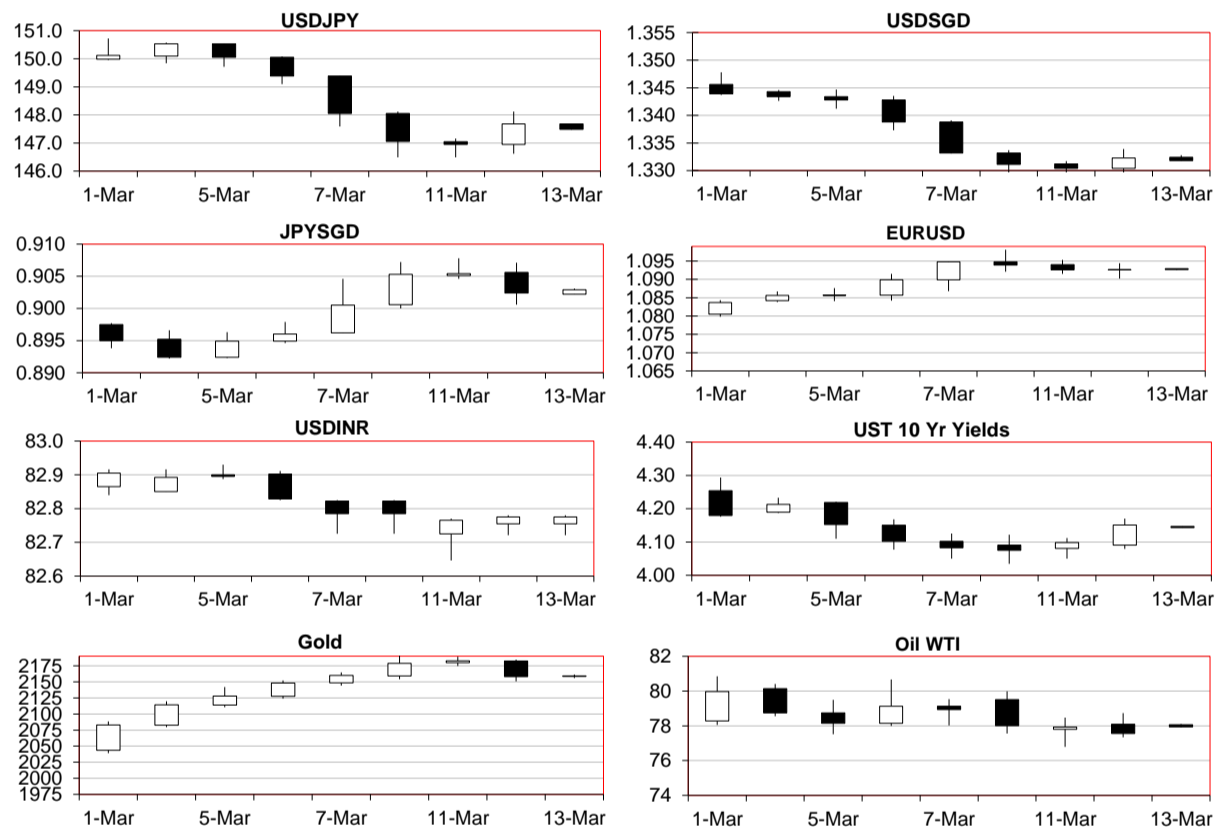
### Inflation: Inconvenient, Not Insidious

- Yes, **US inflation** was **stickier**, and **more obviously so in the core**, with unexpected hot spots.
- **Parsing the details** though, the reality is of **slower decline in price pressures** is **inconvenient to argue for an earlier (May) rate cut**.
- Whereas, it is **not an insidious departure from the broader dis-inflation theme**. Crucially, it **does not blow a mid-2024 rate cut out of the water**. Admittedly, apart from the slower than expected YoY core deceleration to 3.8%, there are **two particular sticking points**.
- **First**, the **momentum in core CPI** appears uncomfortably hot at 0.4% MoM and 4.2% in 3-month annualized terms.
- **Second**, multiple measures of **underlying services inflation** are **inconveniently stubborn and elevated**, underpinning **wage-price risks amid solid jobs**. But **none of these inconveniences pose elevated challenge for the Fed to dial-back** from exceptional policy restriction.
- For one, **underlying inflation decline is intact**. Despite bumpiness in the path, the direction of travel is consistent with **sustaining sufficient dis-inflation**.
- Especially given that some of the "stickiness" stems from quirks that ought to wash out rather than entrench; such as used car prices. Also, **bottom-up evidence such as rentals point to sustained**, even if slower than expected, **moderation**. In fact, in-coming evidence square with CPI converging with more emphatic dis-inflation in core PCE (the Fed's preferred inflation measure).
- Finally, even with bumpier "last mile" dis-inflation the Fed has a lot of scope to cut given **exceptionally restrictive policy settings**. With **Fed Chair Powell guidance of 0.5% real neutral rates**, current settings of 1-2% real rates depending on the preferred inflation measure.

### OVERNIGHT RESULTS

(PH) Trade Balance (Jan): -\$4221m (Mkt: -\$4695m; Dec: -\$4013m) | (MY) Industrial Production YoY (Jan): 4.3% (Mkt: 2.0%; -0.1%)  
(IN) CPI YoY (Feb): 5.1% (Mkt: 5.0%; 5.1%) | (IN) Industrial Production YoY (Jan): 3.8% (Mkt: 4.1%; Dec: 3.8%)  
(US) CPI/Core YoY (Feb): 3.2%/3.8% (Mkt: 3.1%/3.7%; Jan: 3.1%/3.9%)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	147.64	EUR/USD	1.0927
USD/SGD	1.3323	USD/THB	35.74
JPY/SGD	0.9024	USD/MYR	4.684

### Forecast

USD/JPY	146.00 - 148.00
EUR/USD	1.0880 - 1.0970
AUD/USD	0.6590 - 0.6670
USD/SGD	1.3300 - 1.3340
JPY/SGD	0.8986 - 0.9137
USD/CNH	7.1700 - 7.2100
USD/INR	82.60 - 82.80
USD/IDR	15550 - 15620
USD/MYR	4.670 - 4.710
USD/PHP	55.20 - 55.60
USD/THB	35.30 - 35.70

### Today's Direction

	Bull	Bear
USD/SGD	0	4
USD/JPY	1	3

- All that is required to exercise 50-150bp of cuts even at currently sticky inflation is evidence that demand-pull/expectations dynamics are easing.

- As Powell said, he does not even need inflation data to improve. Just more of the same is the bar to initiate cuts.

- This **explains why equities have shrugged off inconveniently hot and sticky inflation** to rally (S&P: up 1.1%; Nasdaq: 1.5%).

- Whereas, the **mild 4-5bp bear flattening in the UST yield curve acknowledges, albeit not alarmed** by, inconvenient points of inflation stickiness.

- **USD has ticked up modestly**, but gains are moderating; alongside mild knock back in EUR (below mid-1.09), AUD (0.66+ traction challenged)

### Cost to Inconvenience

- **But relief** about inconvenient US inflation not in any way being an insidious show-stopper for Fed cuts **has limits**. Notably, prospects of **delayed Fed rate cuts** means **"higher for longer" imposition on central banks elsewhere**.

- And **especially for EMs** (including EM Asia), where **front-running Fed rate cuts come at a cost of macro- and FX-stability**. That is to say, there is a **cost to inconvenient(ly sticky) US inflation**.

- Although it may be felt **more acutely** outside of the US (including in Asia); **showing up as higher risk premium**. In turn, this may **limit the extent to which EM Asia FX might be able to exploit the broader "pivot bearish USD" narrative**.

### FX Daily Outlook

- EUR/USD: Hot US CPI impede road to 1.10 as consolidation below mid-1.09 is base case
- USD/JPY: Ueda pushback setup buoyancy above 146 while opportunistic JPY bulls hover at 148.
- USD/SGD: US CPI stickiness alongside China corporate woes set to backstop 1.33.
- AUD/USD: China tariff relief may not offset fundamental growth worries, AUD sideways.

### TODAY'S EVENTS

(KR) Unemployment Rate SA (Feb): 2.6% (Mkt: 3.0%; Jan: 3.0%)  
(EZ) Industrial Production WDA YoY (Jan): (Mkt: -3.0%; Dec: 1.2%)

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