

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 133.54 | 132.46 | ▼0.40 | +0.89 |
| EUR | 1.0838 | 1.0899 | +0.0060 | +0.0101 |
| AUD | 0.6696 | 0.6786 | +0.0101 | +0.0135 |
| SGD | 1.3325 | 1.3270 | ▼0.0039 | ▼0.0043 |
| CNY | 6.8894 | 6.8777 | +0.0041 | ▼0.0043 |
| INR | 82.37 | 82.33 | +0.15 | ▼0.04 |
| IDR | 14975 | 14970 | ▼25 | ▼190 |
| MYR | 4.4209 | 4.4180 | +0.0028 | ▼0.0010 |
| PHP | 54.75 | 54.74 | +0.37 | +0.45 |
| THB | 34.41 | 34.39 | +0.20 | ▼0.05 |

*compared with previous day CLOSE(NY)

| Yields | CLOSE | Daily Δ | Wkly Δ |
|-------------|--------|---------|----------|
| USD (10YR) | 3.411% | ▼5.6 bp | ▼11.9 bp |
| JPY (10YR) | 0.391% | +4.0 bp | +7.1 bp |
| EUR* (10YR) | 2.255% | ▼3.7 bp | +2.8 bp |
| AUD (5YR) | 3.074% | +2.9 bp | +14.9 bp |
| SGD (5YR) | 2.935% | +0.0 bp | +11.8 bp |
| CNY (5YR) | 2.683% | +0.4 bp | +0.6 bp |
| INR (5YR) | 7.171% | +0.3 bp | +1.0 bp |
| IDR (5YR) | 6.381% | ▼0.7 bp | ▼0.6 bp |
| MYR (5YR) | 3.546% | +0.7 bp | +6.7 bp |
| PHP (5YR) | 5.894% | +9.9 bp | +0.7 bp |
| THB (5YR) | 2.060% | +1.3 bp | +15.5 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 33,601.15 | +0.98% | +3.60% |
| N225 (JP) | 28,188.15 | +0.52% | +2.59% |
| STOXX 50 (EU) | 4,311.05 | ▼0.09% | +3.52% |
| ASX (AU) | 4,175.71 | +0.43% | +2.57% |
| STI (SG) | 3,281.08 | +0.68% | +1.30% |
| SHCOMP (CN) | 3,296.40 | +0.72% | +1.38% |
| SENSEX (IN) | 59,106.44 | +0.19% | +2.52% |
| JSE (ID) | 6,827.18 | +0.32% | +1.76% |
| KLSE (MY) | 1,433.39 | +0.76% | +2.63% |
| PSE (PH) | 6,529.99 | +0.47% | ▼0.99% |
| SET (TH) | 1,600.37 | ▼0.55% | +0.44% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|---------|
| CRB | 271.34 | +1.35% | +3.44% |
| COPPER (LME) | 8,917.00 | ▲0.96% | ▲0.38% |
| IRON ORE (CN) | 122.27 | ▲3.77% | ▲3.24% |
| GOLD | 1,984.65 | +0.78% | +1.43% |
| OIL (WTI) | 80.42 | +6.28% | +10.45% |

TODAY'S COMMENTS & FORECAST
Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 132.32 | EUR/USD | 1.0908 |
| USD/SGD | 1.3267 | USD/THB | 34.22 |
| JPY/SGD | 1.0027 | USD/MYR | 4.418 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 131.60 - 134.00 |
| EUR/USD | 1.0800 - 1.0920 |
| AUD/USD | 0.6630 - 0.6820 |
| USD/SGD | 1.3260 - 1.3340 |
| JPY/SGD | 0.9896 - 1.0137 |
| USD/CNH | 6.8700 - 6.9060 |
| USD/INR | 82.10 - 82.60 |
| USD/IDR | 14950 - 15100 |
| USD/MYR | 4.406 - 4.440 |
| USD/PHP | 54.40 - 54.80 |
| USD/THB | 34.20 - 34.55 |

Today's Direction

| | Bull | Bear |
|---------|------|------|
| USD/SGD | 3 | 6 |
| USD/JPY | 3 | 6 |

Three Take-aways:

- Higher oil prices differentiated FX gains against softer USD as commodity currencies outperform.
- Softer UST yields underscore poor ISM; 2 way volatility watch alongside risk of prolonged tightening.
- EM Asia may find little relief in backdate headline inflation print as policy discomfort grows.

Ramifications from OPEC+

- Clearly, following OPEC+ decision to cut production, the sharp spike in oil prices sending **Brent crude prices up 6.3%** to approach US\$85/barrel is seeing **ramifications across markets**.

- In FX, while the USD lost ground against all G10 peers, **commodity related currencies were outperformers** as NOK and AUD led gains. The latter soared above mid-0.67 and may test 0.68 with backdated inflation prints providing cause but not conviction to pause.

- Meanwhile, the likes of EUR and JPY chalked milder gains on the tailwinds of softer UST yields (2Y: -6.2bp; 10Y: -5.6bp). Specifically, EUR has re-taken 1.09 while USD/JPY slipped back below mid-132.

- Notably, EUR was also backed by hawkish ECB's Holzmann declaration of a 50bp hike being on the cards in May. Range of recent ECB comments reminds of the diversity within the governing council.

- As for the FED, St Louis Fed President Bullard espoused the **increased difficulty of taming inflation** as a result of the oil shock as he remained cautious around the implication for rates.

- Nonetheless, with intensifying policy trade-offs a base case, **chances of prolonging elevated rates are notched up**. That said, the softer UST yields is telling of the two way volatility as growth risks emanated from the disappointing ISM data.

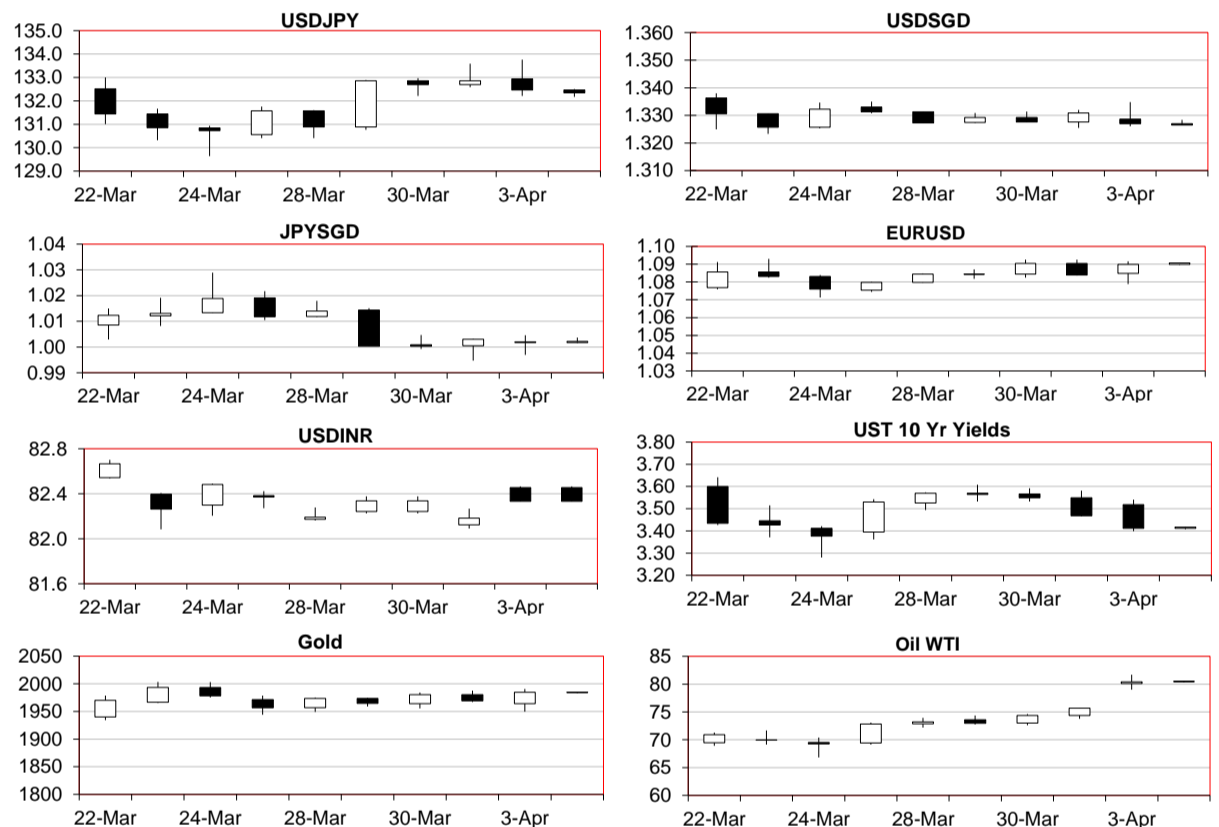
- US equities also epitomise the energy related gains as the Dow was up 1% of from oil-related industries while the S&P500 posted milder gains of 0.4%. With only worries of higher rates denting valuations, the tech heavy Nasdaq was left behind as it fell 0.3%.

EM-Asia Inflation & Policy Discomfort

- Even as EM-Asia central banks bank on **declining headline inflation prints this week to provide much-needed respite**, sticky core may be a bugbear and back-dated nature act as dampener. Across the region, it is evident that **inflation outcomes have justifiably dictated hawkish EM-Asia policy thus far**.

OVERNIGHT RESULTS

(AU) Building Approvals MoM (Feb): 4.0% (Mkt: 10.0%; Jan: -27.6%) | (ID) CPI/Core YoY (Mar): 5.0%/2.9% (Mkt: 5.1%/3.0%; 5.5%; 3.1%) | (SG) Electronics Sector Index/Purchasing Managers Index (Mar): 49.4/49.9 (Mkt: 49.3/50.0) | (US) ISM Mfg/Prices Paid (Mar): (Mkt: 47.5/51.1; Feb: 47.7/51.3)

Past Two Weeks Movement *


- Nonetheless, **sharpening trade-off** between price stability and increasing strains on growth from rates elevated at multi-year highs is imposing **palpable policy discomfort**.

- Leading rate hikes, the **BSP's** has more than reversed its combined "trade war" and COVID cuts now with 425bps of rate hikes to date; with policy rates at the highest since **2007**.

- Similarly, the **BoK's** 300bps of hikes took their policy rate to highs of late **2008**.

- The **MAS** with an **unprecedented volley of three slope re-centring and three slope increments** since October 21 (and into 2022 with two off-cycle moves to supplement bi-annual meetings) speaks to Singapore's uncompromising assault on exceptionally elevated inflation.

- **BI** is more measured, **only just reverting to pre-COVID rates** with the benefit of core inflation being within target; but questions around fiscal share of inflation containment do bother.

- As for **Malaysia**, the **BNM** has arguably staved off undoing all of the trade war and COVID cuts only because of significant inflation relief from **fuel subsidies and price controls** (e.g. poultry).

- The **SBV** is **either bucking or poised to set the trend**; being the first to cut policy rates in the region. Effective yesterday, the SBV has eased access to liquidity and credit further out the credit curve with a 50bp Refinancing rate cut to complement earlier 100bp Re-discount cut. (Click here to see Mizuho Flash: The SBV's Gambit to Widen Liquidity/Credit Cushion for details)

- The upshot is that a **cruel dilemma of sticky inflation and mounting growth risks** will torment EM Asia central banks policy calculus; especially with the complexity and opacity of external macro-stability risks.

FX Daily Outlook

- EUR/USD: Durability to sustain above 1.09 will again be put to the test as UST yields look to bounce.
- USD/JPY: Energy prices will backstop sub-132 slips barring sharp plunge in JOLTs to lower UST yields.
- USD/SGD: Consolidation rather than further slips as regional peers ponder current account hit.
- AUD/USD: 0.68 to tested if RBA act on pipeline inflation risks if not, plunge to 0.67 on the cards.

TODAY'S EVENTS

(KR) CPI YoY(Mar): 4.2%(Mkt: 4.3%; Feb: 4.8%)

(US) Jolt Job Openings (Feb): (Mkt: 10500k; Jan: 10824k) | (US) Durable Goods Orders/Non-def Ex Air (Feb F): (Mkt: -1.0%/--; Prelim: -1.0%/0.2%)

Central Banks: **RBA Monetary Policy Decision**

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