

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	133.13	133.68	+0.07	+1.97
EUR	1.0898	1.0912	+0.0053	▼0.0041
AUD	0.6668	0.6654	+0.0013	▼0.0097
SGD	1.3312	1.3326	▼0.0003	+0.0071
CNY	6.8860	6.8860	+0.0013	+0.0067
INR	82.09	82.13	+0.14	▼0.20
IDR	14886	14883	▼19	▼17
MYR	4.4150	4.4185	+0.0090	+0.0142
PHP	54.90	54.91	+0.49	+0.42
THB	34.23	34.23	▼0.11	+0.02

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.426%	+0.9 bp	+8.8 bp
JPY (10YR)	0.463%	▼0.5 bp	+3.8 bp
EUR* (10YR)	2.311%	+12.8 bp	+6.2 bp
AUD (5YR)	2.963%	+5.4 bp	▼2.8 bp
SGD (5YR)	2.806%	▼3.9 bp	▼10.8 bp
CNY (5YR)	2.657%	▼1.6 bp	▼2.8 bp
INR (5YR)	7.041%	+2.6 bp	▼13.0 bp
IDR (5YR)	6.361%	▼1.7 bp	+0.0 bp
MYR (5YR)	3.521%	+0.0 bp	▼2.7 bp
PHP (5YR)	5.929%	+16.5 bp	+5.5 bp
THB (5YR)	2.085%	▼0.6 bp	▼0.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,684.79	+0.29%	+0.85%
N225 (JP)	27,923.37	+1.05%	▼1.29%
STOXX 50 (EU)	4,333.29	+0.55%	+0.42%
ASX (AU)	4,229.53	+0.61%	+1.78%
STI (SG)	3,297.83	+0.10%	▼0.40%
SHCOMP (CN)	3,313.57	▼0.05%	+0.03%
SENSEX (IN)	60,157.72	+0.52%	+1.78%
JSE (ID)	6,811.31	+0.59%	▼0.32%
KLSE (MY)	1,435.89	+0.54%	+0.44%
PSE (PH)	6,479.63	▼0.14%	+0.12%
SET (TH)	1,597.10	+0.25%	+0.19%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.73	+1.12%	+1.32%
COPPER (LME)	8,851.50	+0.51%	+1.27%
IRON ORE (CN)	121.43	+1.43%	+0.92%
GOLD	2,003.62	+0.61%	▲0.83%
OIL (WTI)	81.53	+2.24%	+1.02%

Three Take-aways:

- 1) Bulls desperate for dovish cues in FOMC Minutes and US CPI may come up short on scrutiny.
- 2) MAS expectations (Fri) are split on complexities of sticky inflation, banking risks and OPEC hawks.
- 3) Our base case for a hold is challenged by a (partial?) re-centring higher; implying SGD volatility.

Saturated Pivot Bets?

- **Ahead of March FOMC Minutes** and **US CPI**, **dovish expectations**, to reinforce an almost imminent end to Fed hikes, **have mounted**. So, despite fairly subdued markets in the run-up to Minutes/CPI, there is every chance of swings one way or another on outcome-expectations gap.

- In particular, **sharper than expected deceleration in CPI**, especially if core services components show signs of easing, **may trigger pivot reflex** (softer yields, USD and a bump up in equities).

- But there is **yet another dimension to latent volatility**. And that specifically refers to belated pullback in optimism if/when **Fed speakers or other data check and restrain "pivot bulls" inclined to get carried away with stretched dovish interpretations** a tad too far.

- Admittedly, a sharp surge in European yields do not appear to square with bets on Fed pivot.

- But this reflects EZ yield catching up after the long Easter break, not fresh hawkish cues.

- Thus, a **softer USD** is **at least partly premised on follow-through of dovish cues; which may fall short on closer scrutiny** as sticky inflation component remain. So amid saturated pivot bets, AUD and SGD struggle for decisive traction (to 0.67/below 1.33). Especially with a softer CNY.

MAS (14th April): Constrained Options & Compromised Outcomes

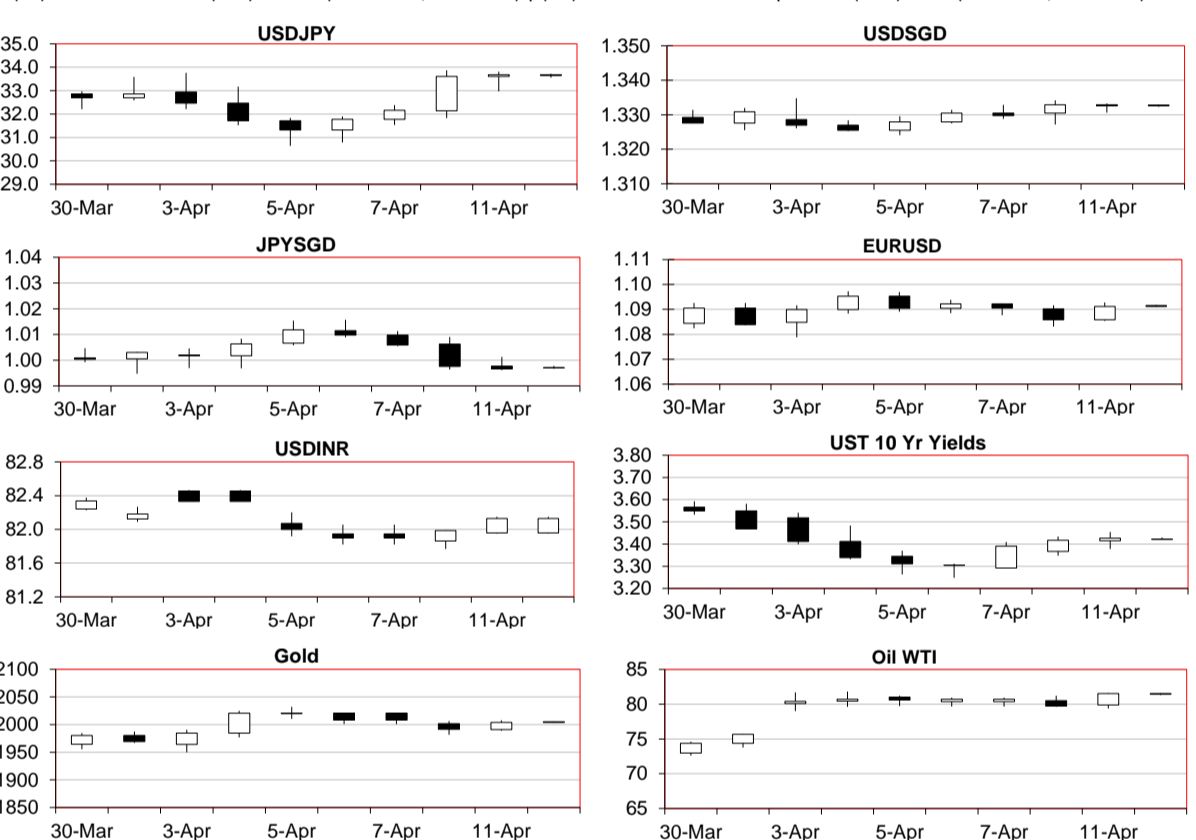
- Our earlier **base case for MAS to hold** (on Friday) is now **seriously challenged, albeit with little clarity**; amid **conflicting externalities** (inflation vs. adverse external demand shocks).

- To be sure, with the **MAS having aggressively front-loaded tightening elevated** (~14-yr high) and **sticky inflation** alone don't demand tightening. But **cruel juxtaposition of potential oil shock** (OPEC's supply cut/geo-politics) and **mounting recession risks** complicate policy calculus.

- Which necessarily requires **compromised policy action, derived from four constrained policy options**, that minimizes risks associated with the inherent and accentuated policy dilemma:

OVERNIGHT RESULTS

(PH) Trade Bal (Feb): -\$3.88b (Mkt: -\$5.0b; Jan: -\$5.73b) | (TH) Consumer Confidence Economic (Mar): 48.0 (Feb: 46.8)
(CH) CPI/PPI YoY (Mar): 0.7%/-2.5% (Mkt: 1.0%/-2.5%; Feb: 1.0%/-1.4%) | (MY) Ind Pdtm YoY (Feb): 3.6% (Mkt: 2.5%; Jan: 1.8%)
(EU) Retail Sales MoM (Mar): 0.8% (Mkt: 0.8%; Jan: 0.8%) | (US) NFIB Small Business Optimism (Mar): 90.1 (Mkt: 89.8; Feb: 90.9)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	133.60	EUR/USD	1.0917
USD/SGD	1.3325	USD/THB	34.27
JPY/SGD	0.9974	USD/MYR	4.417

Forecast

USD/JPY	132.60	-	134.20
EUR/USD	1.0850	-	1.0980
AUD/USD	0.6600	-	0.6710
USD/SGD	1.3260	-	1.3360
JPY/SGD	0.9881	-	1.0075
USD/CNH	6.8840	-	6.9080
USD/INR	81.90	-	82.40
USD/IDR	14820	-	14960
USD/MYR	4.402	-	4.432
USD/PHP	54.60	-	55.20
USD/THB	34.15	-	34.50

Today's Direction

	Bull	:	Bear
USD/SGD	6	:	1
USD/JPY	6	:	1

Option 1 - Hold: Deliberate inaction to hold will check downside economic risks without undoing prior inflation anchoring. Although it may not proactively tackle fresh cost shocks.

Option 2 - Calibrated, Partial Re-Centring: Re-centring the mid-point higher, but below, prevailing S\$NEER provides additional inflation buffer, while being relatively less aggressive.

Option 3 - Unrestrained Re-Centring: Re-centring the S\$NEER to prevailing S\$NEER level provides maximum inflation buffer, but at the highest cost to growth; especially amid adverse shocks.

Option 4 - Wider Bands: Admittedly, controversial. This is meant to temporarily accommodate higher volatility, not impose durable hawkish/dovish slant. Nevertheless, it is likely to effectively be temporarily hawkish without credibility damage when revoked.

- But credibly communicating policy intent is a challenge that undermines the viability of 'Option 4 - Widening Bands'. Hence, we "only" ascribe a 15% probability to this while retaining a hold (Option 1: 40%) as the most likely discrete outcome amid growing headwinds to growth.

- But that said, the likelihood of measured tightening via mid-point re-centring higher simply cannot be dismissed with a combined 45% probability [Option 2: 25% | Option 3: 20%].

- More complex calculus of various discrete policy options suggest potential for greater S\$NEER/SGD volatility on MAS policy decision. Ironically, our (discrete) preference for a hold is at odds with a greater combined probability of measured S\$NEER/SGD appreciation bias.

- In any case binary SGD outcomes (either jumping on mid-point re-centring or slipping on a hold) are accentuated by split bets; and unfortunately "winning" outcomes are precious few.

FX Daily Outlook

- EUR/USD: Post-Easter rally in EZ yields has inspired 1.09+ rebound; but lacks 1.10 follow-through.
- USD/JPY: Buoyed above 133 by BoJ and firmer UST yields despite broadly softer USD overnight.
- USD/SGD: Back-footed JPY and CNH slip impeding dips below 1.33 for now; MAS volatility watched.
- AUD/USD: Buoyant oil is fails to boost to (and) past 0.67; consolidation around mid-0.66.

TODAY'S EVENTS

(KR) Unemployment Rate (Mar): 2.7% (Mkt: 2.8%; Feb: 2.6%) | (JP) PPI YoY (Mar): 7.2% (Mkt: 7.1%; Feb: 8.2%)
(JP) Core Machine Orders MoM/YoY (Feb): -4.5%/9.8% (Mkt: -6.3%/4.6%; Jan: 9.5%/4.5%)
(IN) CPI YoY (Mar): (Mkt: 5.7%; Feb: 6.4%) | (IN) Industrial Pdtm YoY (Feb): (Mkt: 5.0%; Jan: 5.2%)
(US) CPI/Core YoY (Mar): (Mkt: 5.1%/5.6%; Feb: 6.0%/5.5%) | (US) Real Avg Hourly Earnings YoY (Mar): (Mkt: Feb: -1.3%)
Central Banks: FOMC Minutes | Fed's Harker, Kashkari & Daly speak | ECB's Guindos, De Cos & Villeroy speak

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