

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.23	133.79	+1.21	+1.63
EUR	1.1067	1.0992	▼0.0054	+0.0087
AUD	0.6778	0.6707	▼0.0075	+0.0035
SGD	1.3248	1.3301	+0.0080	+0.0003
CNY	6.8430	6.8691	+0.0015	+0.0012
INR	81.86	81.86	+0.00	▼0.04
IDR	14704	14700	▼51	▼213
MYR	4.3974	4.4012	+0.0002	▼0.0003
PHP	55.21	55.21	▼0.06	+0.80
THB	34.04	34.25	+0.00	+0.18

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.513%	+6.8 bp	+12.2 bp
JPY (10YR)	0.475%	+0.4 bp	+0.5 bp
EUR* (10YR)	2.440%	+6.8 bp	+25.7 bp
AUD (5YR)	3.044%	+2.0 bp	+13.5 bp
SGD (5YR)	2.801%	+2.6 bp	▼2.0 bp
CNY (5YR)	2.670%	+1.1 bp	▼1.4 bp
INR (5YR)	7.059%	+0.0 bp	+5.1 bp
IDR (5YR)	6.364%	+1.4 bp	+2.2 bp
MYR (5YR)	3.486%	▼0.8 bp	▼1.9 bp
PHP (5YR)	5.912%	+0.4 bp	+15.0 bp
THB (5YR)	2.083%	+0.0 bp	+0.2 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,886.47	▼0.42%	+1.20%
N225 (JP)	28,493.47	+1.20%	+3.54%
STOXX 50 (EU)	4,390.75	+0.63%	+1.89%
ASX (AU)	4,278.54	+0.44%	+1.78%
STI (SG)	3,302.66	+0.25%	+0.07%
SHCOMP (CN)	3,338.15	+0.60%	+0.32%
SENSEX (IN)	60,431.00	+0.00%	+1.00%
JSE (ID)	6,818.57	+0.49%	+0.38%
KLSE (MY)	1,435.13	+0.06%	+0.57%
PSE (PH)	6,481.91	+0.51%	▼0.10%
SET (TH)	1,592.67	+0.00%	+0.99%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.22	+0.23%	+1.55%
COPPER (LME)	9,030.25	▲0.39%	+2.54%
IRON ORE (CN)	119.41	+0.03%	+0.77%
GOLD	2,004.17	▲1.77%	▲0.19%
OIL (WTI)	82.52	+0.44%	+2.26%

### Three Take-aways:

- 1) Surging inflation expectations sent UST yields higher and strengthened the USD.
- 2) Disappointing retail sales add to mounting growth worries as US equities slip.
- 3) Bank Indonesia to hold policy rates on the back of easing inflation and IDR outperformance.

### Great Expectations

- **Surging inflation expectations** (from the University of Michigan survey last Friday) **sent front end 2Y UST yields rising an emphatic 13.1bps**. Specifically, 1 year ahead inflation expectations was up from 3.7% to 4.6%. 10Y UST yields had a relatively milder increase at 6.8bps alongside growth risks highlighted by a **disappointing retail sales contraction** which came in even worse than expected.

- Faced with prospects of poorer growth and tighter policy, US equities slipped across the board.

- **Backed by higher UST yields, USD regain ground against all G10 peers**. While EUR slipped back below 1.10, the Antipodeans and the JPY were at the bottom of the pile.

- The irony of the sticky oil prices with Brent crude hovering above US\$85 is certainly not lost as it is **unable to impart AUD rallies nor is it able to provide any JPY relief** with the AUD slipping towards 67 cents while the USD/JPY look to test 134.

- Certainly, these data (sticky oil prices, rising inflation expectations and slipping growth) ought to have **Fed Governor Waller** worried as he **urged more tightening** and stated that the would welcome moderating demand and inflation moving meaningfully towards 2%.

- While the recent jobless claims and poor retail sales may signal the former, the latter is certainly found wanting. In fact, a prolonged sticky actual inflation prints together with elevated inflation expectations **exacerbates the risks of two-way policy mistakes especially if excessive expectations are placed on survey responses**.

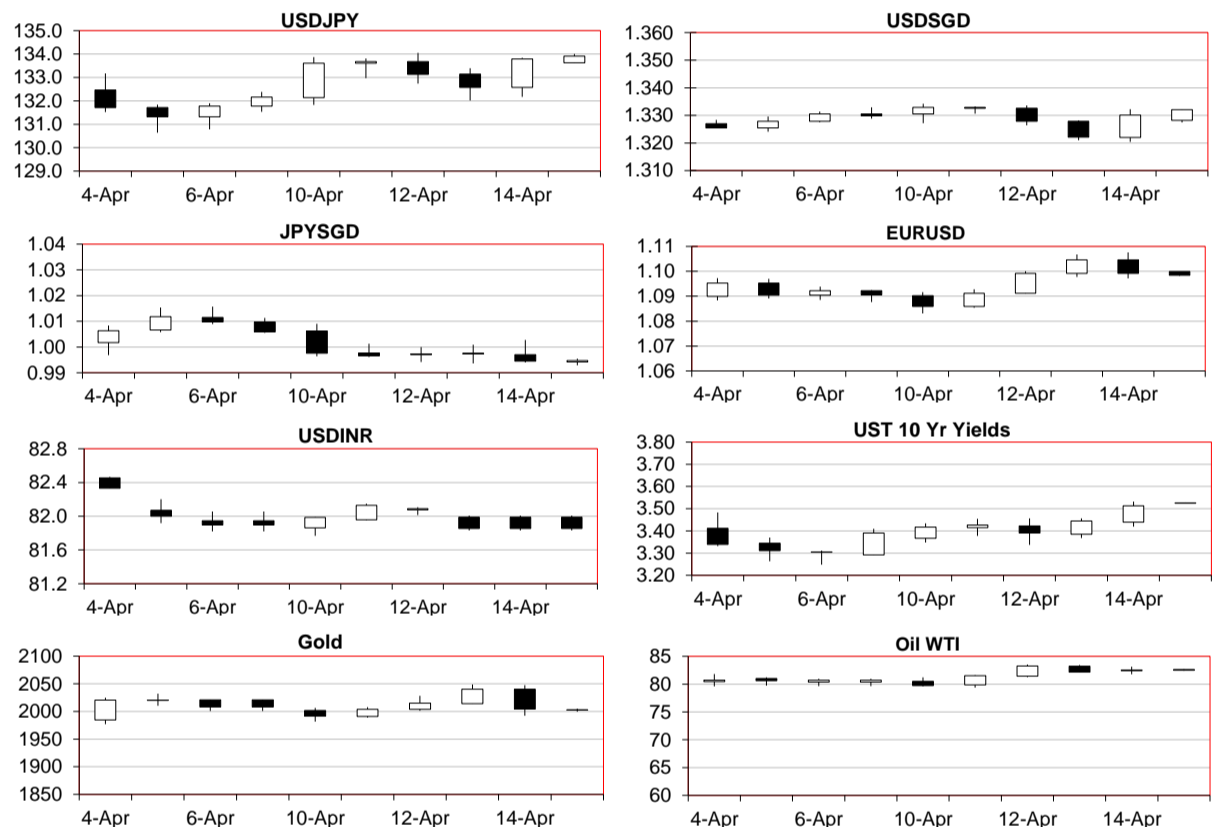
### Bank Indonesia: Holding the Fort

- Bank Indonesia is expected to **keep policy rate on hold at 5.75%** as core inflation at 2.9% in March is now well-within the BI's 2-4% target range.

### OVERNIGHT RESULTS

(US) Retail Sales/Ex-Auto&Gas MoM (Mar): -1.0%/-0.3% (Mkt: -0.5%/-0.6%; Feb: -0.4%/0.0%) | (US) UoM Sentiments (Apr P): 63.5 (Mkt: 62.1; Mar: 62.0) | (US) UoM Inflation Expectations 1Y/5-10Y YoY (Apr P): 4.6%/2.9% (Mkt: 3.7%/2.9%)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	133.98	EUR/USD	1.0984
USD/SGD	1.3318	USD/THB	34.35
JPY/SGD	0.9941	USD/MYR	4.417

### Forecast

USD/JPY	132.50 - 134.50
EUR/USD	1.0920 - 1.1080
AUD/USD	0.6600 - 0.6830
USD/SGD	1.3240 - 1.3350
JPY/SGD	0.9844 - 1.0075
USD/CNH	6.8600 - 6.8950
USD/INR	81.75 - 82.30
USD/IDR	14650 - 14900
USD/MYR	4.375 - 4.415
USD/PHP	55.00 - 55.50
USD/THB	34.10 - 34.45

### Today's Direction

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

- Since BI's previous meeting on 16 March which held rates, the IDR being the regional outperformer will partially allay fears of FX stability being upset by their decision to hold rates.

- Clearly, **healthy trade balances backed by still strong coal export demand** provided fundamental IDR support.

- Policy-wise, with the aim of boosting FX buffers by encouraging FX inflows, Bank Indonesia has continued to utilise their Operation Twist and also rolled out a new facility since the start of March which is **a term deposit for exporters' foreign proceeds (with tenors from 1, 3 and 6 months)**. While the latter is still in its infancy as deposit amounts are still a small fraction of trade balances (**6.9% in March**), there are **initial signs of willingness to place longer tenor 3 month deposits**.

- Given the rather **competitive yields**, further increments in export revenue deposit inflows will be expected. While the **non-mandatory nature** of the facility may not incite strong inflows, **market driven mechanisms allow exporters to better manage cashflows** rather than foster unnatural lumpy deposits and withdrawals.

- Combined with efforts from operation twist to sell shorter end government bonds to boost yield, these tools employed by BI **continues to provide peripheral support for the IDR** alongside the main policy tool of interest rates.

- Looking ahead, with the on-going dis-inflation process backing up Bank Indonesia, they will hold onto policy rates, barring unforeseen financial shocks.

### FX Daily Outlook

- EUR/USD: With US inflation expectations being pondered, 1.10 consolidation looking likely.
- USD/JPY: Durability above 134 questioned though buoyancy above mid-132 not in doubt.
- USD/SGD: MAS hold provides bounce off mid-1.32 as higher UST yields pull.
- AUD/USD: Dismal performances speak to inability to venture far above 0.68.

### TODAY'S EVENTS

(SG) Non Oil Domestic Exports YoY (Mar): -8.3% (Mkt: -18.2%; FebL -15.6%) | (SG) Electronics Exports YoY (Mar): -22.3 (Feb: -26.5%) | (IN) Wholesale Prices YoY (Mar): (Mkt:-1.6%; 3.95) | (ID) Trade Balance (Mar): (Mkt: \$4437m; Feb:\$5480m) |

(US) Empire Manufacturing (Apr): (Mkt: -18.0; Mar: -24.6)

Central Banks: ECB's Lagarde Speaks

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