

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.04	134.47	+0.68	+0.86
EUR	1.0994	1.0926	▼0.0066	+0.0067
AUD	0.6706	0.6701	▼0.0006	+0.0060
SGD	1.3309	1.3342	+0.0041	+0.0013
CNY	6.8682	6.8799	+0.0108	▼0.0048
INR	81.91	81.97	+0.12	▼0.01
IDR	14784	14790	+90	▼112
MYR	4.4180	4.4225	+0.0213	+0.0130
PHP	55.84	55.85	+0.64	+1.44
THB	34.32	34.36	+0.11	+0.02

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.600%	+8.8 bp	+18.4 bp
JPY (10YR)	0.485%	+1.0 bp	+1.7 bp
EUR* (10YR)	2.473%	+3.3 bp	+29.0 bp
AUD (5YR)	3.082%	+3.8 bp	+17.3 bp
SGD (5YR)	2.828%	+2.7 bp	▼1.7 bp
CNY (5YR)	2.680%	+1.0 bp	+0.7 bp
INR (5YR)	7.078%	+1.9 bp	+6.3 bp
IDR (5YR)	6.381%	+1.7 bp	+0.3 bp
MYR (5YR)	3.498%	+1.2 bp	▼2.3 bp
PHP (5YR)	5.907%	▼0.5 bp	+14.3 bp
THB (5YR)	2.099%	+1.6 bp	+0.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,987.18	+0.30%	+1.19%
N225 (JP)	28,514.78	+0.07%	+3.19%
STOXX 50 (EU)	4,367.61	▼0.53%	+1.35%
ASX (AU)	4,283.51	+0.12%	+1.89%
STI (SG)	3,319.26	+0.50%	+0.75%
SHCOMP (CN)	3,385.61	+1.42%	+2.12%
SENSEX (IN)	59,910.75	▼0.86%	+0.11%
JSE (ID)	6,787.58	▼0.45%	+0.24%
KLSE (MY)	1,434.90	▼0.02%	+0.47%
PSE (PH)	6,505.62	+0.37%	+0.26%
SET (TH)	1,600.41	+0.49%	+0.46%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.81	+0.21%	+1.89%
COPPER (LME)	8,962.95	▲0.75%	+1.77%
IRON ORE (CN)	119.48	+0.06%	▲0.20%
GOLD	1,995.19	▲0.45%	+0.19%
OIL (WTI)	80.83	▼2.05%	+1.37%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	134.45	EUR/USD	1.0925
USD/SGD	1.3341	USD/THB	34.49
JPY/SGD	0.9923	USD/MYR	4.411

Forecast

USD/JPY	133.40 - 135.10
EUR/USD	1.0870 - 1.1020
AUD/USD	0.6640 - 0.6780
USD/SGD	1.3280 - 1.3370
JPY/SGD	0.9830 - 1.0022
USD/CNH	6.8680 - 6.8980
USD/INR	81.80 - 82.30
USD/IDR	14650 - 14900
USD/MYR	4.403 - 4.436
USD/PHP	55.45 - 56.00
USD/THB	34.35 - 34.65

Today's Direction

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

Three Take-aways:

- 1) Fed re-pricing remains subdued; as bets on 25bp hike in H1 are offset by 75bp cut by early-2024.
- 2) A firmer USD is a subtle discomfort, but not enough to sway Bank Indonesia's hold today.
- 3) China's Q1 GDP bounce is low-hanging fruit from base and stimulus/re-opening; restraints remain.

Measured, Not Manic

- **Firmer US data** (Empire Mfg rebound and NAHB uptick) were an *excuse, not decisive drivers*, for **reinstating a further rate - literally one more** - in Fed Funds rate pricing for H1.
 - Whereas, **limited banking sector impact from SVB** (as inferred from Q1 earnings) probably did the **heavy-lifting by quelling financial stability risks**; negating bets on a premature Fed pivot.
 - In any case, this "hawkish" shift is identified as catalyst for USD pick-up amid further upside in UST yields (8-10bps), led by the front-end; albeit more muted than Friday's "Fed" bear flattening.
 - But for perspective, this **hawkish re-calibration of Fed expectations measured**; and likely **correcting for overdone manic dovish bets** earlier in April.
 - Fact is, **from almost completely dismissing prospects of any tightening, to conceding one more hike in H1 is not exceptionally hawkish**. Crucially, **overturning this by pricing with -75bps of cuts by early-2024, is still a distinct pivot bet** that declares Fed policy mistake.
 - With this context, it is clear that **uplift in UST yields and USD traction are not premised on properly ardent hawkish assumptions**; and in fact short of the Fed's "higher for longer".
 - Which in turn suggests that one-way peak USD bets looking for opportunities to creep back in, will not enjoy exclusivity of the FX narrative. Instead, two-way volatility will. Sub-1.10 EUR remains the base case; as does viability of 135 USD/JPY test and USD/SGD around 1.34.
 - Bank Indonesia will nevertheless find sufficient comfort/IDR stability to stay on hold for now.

China (Q1) GDP: Low Hanging Fruit

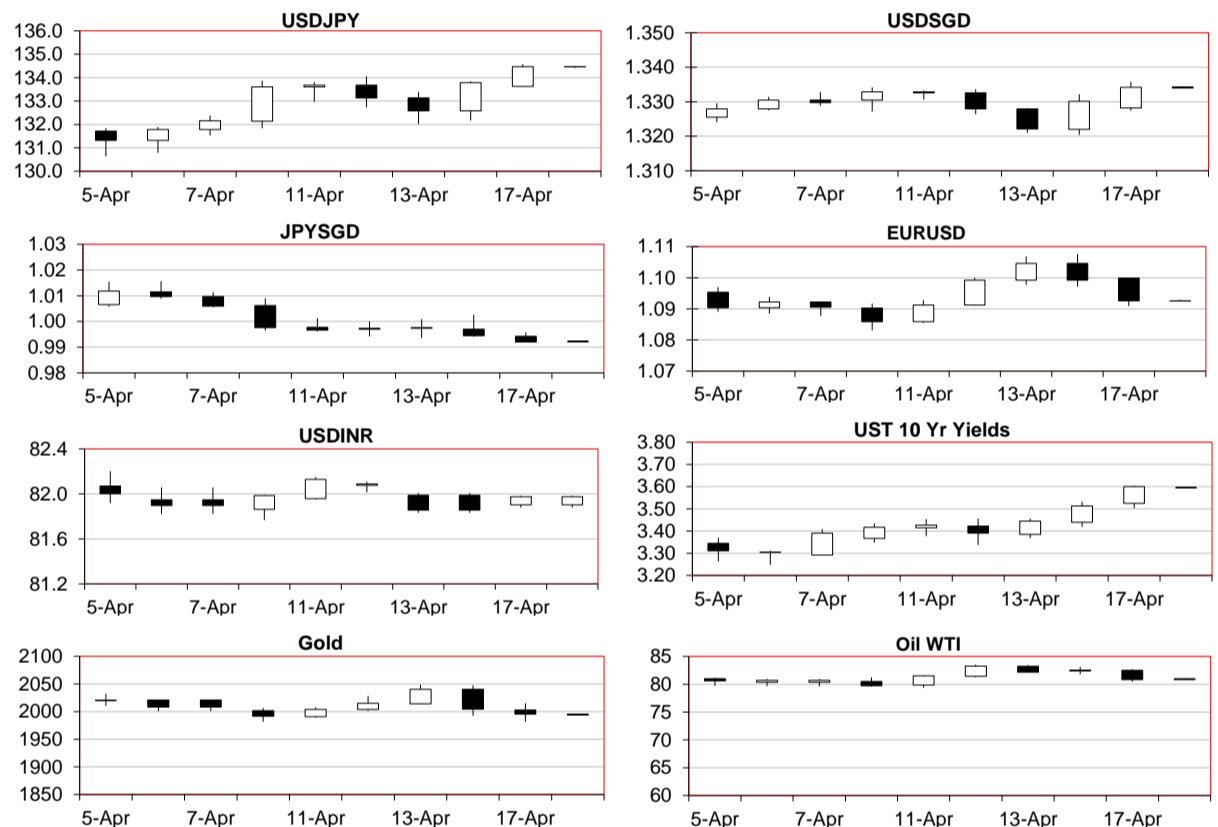
- The **expected acceleration to ~4% for Q1 GDP** (from cub-3% in Q4) on re-opening boost to momentum alongside the stimulus measures unleashed **is the low-hanging fruit**. But this **neither distracts from doubts around sustained growth recovery** back above 5% **nor does it adequately confirm recovery in private sector confidence** critical to inspire a virtuous growth cycle.

OVERNIGHT RESULTS

(IN) Wholesale Prices YoY (Mar): 1.3% (Mkt: 1.6%; 3.9%)

(US) Empire Manufacturing (Apr): 10.8 (Mkt: -18.0; Mar: -24.6) | (US) NAHB Housing Index (Apr): 45 (Mkt: 45; Mar: 43)

* Past Two Weeks Movement *



- **Flagging industrial profits**, while admittedly typically volatile and is further distorted by base effects now, is nevertheless **rather telling evidence of underlying weakness in China's "organic" growth momentum** from the *industrial sector*;
 - which in China's case, is still a **key source of employment and determinant of growth multiplier**.
 - Crucially, the **conspicuous shortfall in front-loaded recovery (usually evident in February's industrial profits vis-a-vis full-year)** reinforces worries of sputtering boost.
 - Especially considering a sharp 180-degree pivot to growth stimulus alongside re-opening pent-up demand boost, which in concert should have provided a far more emphatic leg-up to growth if indeed the underlying demand drivers were solid.
 - Upshot being, as we have outlined before, our **nagging misgivings about China's growth prospects** are motivated by an **"acute cognisance of pre-existing constraints on the economy"** comprising risks from;

- i) **elevated leverage** (constraining ability/willingness for aggressive credit-driven growth);
- ii) **confidence deficit** (that remains a bugbear limiting growth multipliers) **and**;
- iii) **intensifying geo-political headwinds** (that directly impact industry).

- And so, the **pick-up in China's Q1 GDP/March activity data** should be appreciated **as low-hanging fruits rather than an indication of rich pickings down the road**.

- Whereas the MAS' allusion to **"intensifying risks to growth"** is arguably a far more pertinent view of the road ahead.

FX Daily Outlook

- EUR/USD: Higher UST yields and reinstating H1 Fed hikes dampens EUR ahead of 1.10.
- USD/JPY: Further upside in UST yields could set the stage for 135.
- USD/SGD: Post-MAs buoyancy being reinforced by hawkish Fed views; 1.33-1.34 consolidation.
- AUD/USD: Struggling for decisive 0.67+ traction; China boost watched for triggers either way.

TODAY'S EVENTS

(CH) GDP YoY/QoQ (Q1): (Mkt: 4.0%/2.0%; Q4: 2.9%/0.0%) | (CH) Industrial Pdn YTD YoY (Mar): (Mkt: 3.5%; Jan-Feb: 2.4%)
 (CH) Retail Sales YTD YoY (Mar): (Mkt: 3.7%; Jan-Feb: 3.5%) | (CH) FAI/Property Investments YTD YoY (Mar): (Mkt: 5.7%/-4.7%)
 (GE) ZEW Survey Expectations/Current (Apr): (Mkt: 15.6/-40.0; Mar: 13.0/-46.5) | (EZ) Trade Bal (Feb): (Mkt: -€30.6b)
 (US) Housing Starts/Building Permits (Mar): (Mkt: 1400K/1450K; Feb: 1450K/1550K)

Central Banks: Bank Indonesia Policy | RBA Minutes

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