

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.69	151.70	+0.14	+0.37
EUR	1.0771	1.0836	+0.0066	+0.0008
AUD	0.6509	0.6565	+0.0047	+0.0030
SGD	1.3518	1.3481	▼0.0034	+0.0005
CNY	7.2358	7.2332	+0.0006	+0.0072
INR	83.43	83.43	+0.05	+0.05
IDR	15926	15920	+23	+65
MYR	4.7539	4.7560	+0.0035	+0.0215
PHP	56.45	56.45	+0.11	+0.23
THB	36.70	36.71	+0.07	+0.29

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.347%	▼0.2 bp	+15.7 bp
JPY (10YR)	0.796%	+4.7 bp	+7.1 bp
EUR* (10YR)	2.395%	▼0.5 bp	+10.3 bp
AUD (5YR)	3.779%	+6.2 bp	+13.5 bp
SGD (5YR)	3.131%	+4.6 bp	+7.9 bp
CNY (5YR)	2.177%	▼1.1 bp	▼1.8 bp
INR (5YR)	7.089%	▼0.7 bp	▼1.1 bp
IDR (5YR)	6.598%	+0.5 bp	▼3.2 bp
MYR (5YR)	3.671%	+0.5 bp	+8.9 bp
PHP (5YR)	6.189%	+2.0 bp	+12.4 bp
THB (5YR)	2.265%	+2.1 bp	+1.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,127.14	▼0.11%	▼1.59%
N225 (JP)	39,451.85	▼0.97%	▼3.22%
STOXX 50 (EU)	5,069.25	+0.54%	▼0.25%
ASX (AU)	4,326.83	+0.05%	+0.02%
STI (SG)	3,222.66	▼0.77%	▼0.89%
SHCOMP (CN)	3,069.30	▼0.18%	+2.54%
SENSEX (IN)	73,876.82	▼0.04%	+1.21%
JSE (ID)	7,166.84	▼0.97%	▼1.96%
KLSE (MY)	1,537.01	▼0.71%	+0.42%
PSE (PH)	6,863.82	▼1.39%	▼0.58%
SET (TH)	1,375.69	▼0.27%	▼0.37%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	295.20	+0.33%	+2.94%
COPPER (LME)	9,150.56	+2.95%	+4.64%
IRON ORE (CN)	100.34	▲1.96%	▲8.34%
GOLD	2,300.00	+0.85%	+4.79%
OIL (WTI)	85.43	+0.33%	+5.02%

## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	151.58	EUR/USD	1.0838
USD/SGD	1.3480	USD/THB	36.62
JPY/SGD	0.8893	USD/MYR	4.740

### Forecast

USD/JPY	150.40 - 151.60
EUR/USD	1.0800 - 1.0920
AUD/USD	0.6540 - 0.6640
USD/SGD	1.3410 - 1.3560
JPY/SGD	0.8846 - 0.9016
USD/CNH	7.2200 - 7.2600
USD/INR	83.40 - 83.70
USD/IDR	15850 - 15950
USD/MYR	4.725 - 4.760
USD/PHP	56.30 - 56.70
USD/THB	36.55 - 36.90

### Today's Direction

	Bull	Bear
USD/SGD	0	7
USD/JPY	0	7

### Three Take-Aways:

- 1) Risk-off mood on Middle East tensions saw US equities sell-off and UST yields fall.
- 2) Fed Hawks unlikely to have it on elevated real rates and cooling economic activity/wage pressures.
- 3) RBI set to hold on upside inflation and INR stability risks as real rates have only briefly turned restrictive.

### Geopolitical Flares

- **US equities sold off** (S&P: -1.2%; Dow/Nasdaq: -1.4%) on **escalation in Middle East tensions**. Israeli PM Netanyahu said Israel will operate against Iran and its proxies, which have acted against it for years; while President Biden premised continued war support on new civilian protection measures, a shift in US position. **Brent Oil** surged +1.5% to >\$91bbl on concerns of spillovers.

- **UST yields fell on haven demand** (2Y: -2.5bps; 10Y: -3.8bps), with **hawkish comments by Fed officials also denting markets** (see below).

- **AUD** tested 66 cents, as upbeat services PMI added concerns to lingering price pressures. **EUR** was supported around mid-1.08 by cautious notes in ECB minutes on the effects of wage-profits-productivity on inflation. **USD/JPY** broke below mid-151 while **USD/SGD** buoyed above mid-1.34.

### The Hawks Have It?

- There appears to be some consternation around suggestions by Fed's Kashkari that rate cuts may not be needed at all (this year). To be precise, Fed's Kashkari commented that he would "question" the need for cuts if inflation "continue(s) ... moving sideways". So **do markets have to be gravely concerned that the hawks have it** (i.e. no rate cuts for 2024, assuming a "no landing" scenario)?

- We think not. Context is critical. And here are **three reasons to rein in worries about hawks hijacking the policy agenda**.

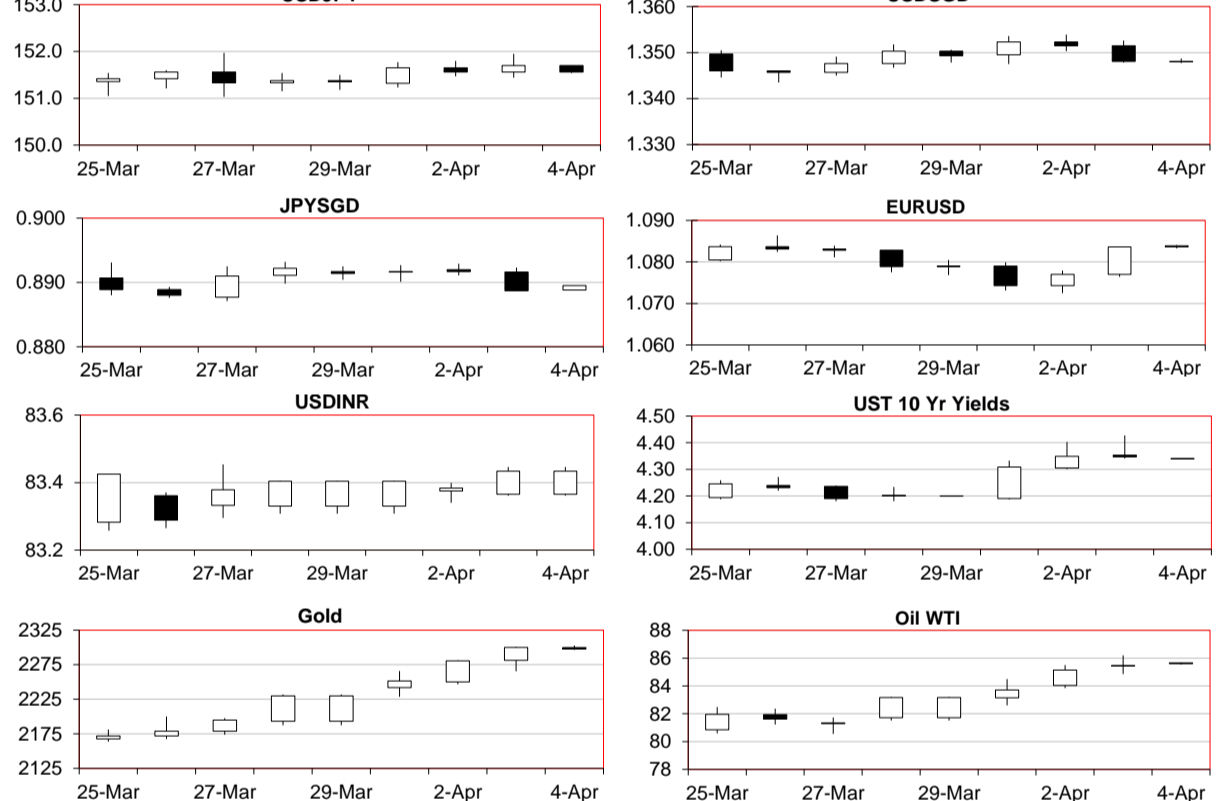
- **First, Kashkari, a known uber hawk, is not voting**. So worries of a wider spectrum of FOMC views being skewed to the hawkish extreme may be overdone;

- **Second, even for Kashkari, a hawkish lurch (to no cuts) is conditional on a hot job market coinciding with "a (growth) run rate that's very attractive"**. And this is far from an unchallenged outcome. Already there are distinct signs of cooling in economic activity and conditions for sustained wage pressures.

- **Finally, policy restraint is not exclusively a function of amplitude** (how high rates are) but is **crucially a product of time** (how long rates have been high) **as well**.

### Overnight Moves

(US) Trade Balance (Feb): -\$68.9 (Mkt: -\$67.6b; Jan: -\$67.6b) | (US) Initial Jobless Claims: 221k (Mkt: 214k; prev: 212k)



- With rates at 5.25-5.50% since July'23, the bar for a few cuts may be lower than is appreciated. Especially as real rates effectively around 225-250bp (on sub-3% core PCE) provide comfortable room to cut and still leave real rates restrictive (assuming real neutral rate of 0.50%).

### RBI: Improved Position, Not Inflection Point

- We expect RBI to stand pat at its meeting today. While **softer inflation across a spectrum of measures, including headline and core, is welcome relief for the RBI, but the RBI's improved (policy) position is not to be confused for an inflection point**. Three compelling reasons why.

- **First, despite encouragingly sustained CPI decline, upside inflation volatility remains a distinct risk**. Energy inflation is also exceptionally, and unsustainably low/negative; and unlikely to be a durable inflation dampener. This warns of some pick-up in inflationary pressures later, which **counsels against excessive confidence in over-estimating the resultant policy space**.

- **Second, while real rates have turned considerably restrictive (above neutral), this is not broadly the case**. And is **relatively brief** compared to exceptional accommodation earlier, so the RBI may need to commit to "higher (than neutral) for longer".

- **Finally, on a real rate spread (vs. US), the RBI is still at a significant dis-advantage**. And **with Fed pivot expectations pushed out, and potentially even diminished, implied rupee stability risks effectively tie the RBI's hands for now**. Especially **as the costs of rupee stabilization after-the-fact (of destablization) threaten to be prohibitively costly**. Whereas the benefits for an economy that has out-performed expectations is not compelling.

### FX Daily Outlook

- EUR/USD: Concerns on inflation on higher oil could support rally above mid-1.08.
- USD/JPY: Risk-off mood could test mid-150 levels on haven flows.
- USD/SGD: Geo-political tensions tempers SGD strength below mid-1.34.
- AUD/USD: Backstop at mid-65 cents as higher oil and risk-off tussles.

### TODAY'S EVENTS

(KR) BoP Current Account Balance (Feb): \$6858.3m (Jan: \$3045.7m) | (AU) Trade Balance (Feb): A\$7328 (Mkt: A\$10.5b; Jan: A\$10.1b) | (SG) Retail Sales/Ex Auto YoY (Feb): (Mkt: 1.7%/-; Jan: 1.3%/-2.1%) | (TH) CPI/Core YoY (Mar): (Mkt: -0.4%/0.4%; Feb: -0.8%/0.4%) | (PH) CPI YoY (Mar): (Mkt: 3.8%; Feb: 3.4%) | (US) NFP/Unemployment rate (Mar): (Mkt: 200k/3.8%; Feb: 275k/3.9%) | (EZ) Retail Sales MoM (Feb): (Mkt: -0.3%; Jan: 0.1%)

Central Bank Policy: RBI Repurchase Rate

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