

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	154.48	154.64	+0.00	+1.41
EUR	1.0657	1.0656	+0.0013	+0.0013
AUD	0.6423	0.6418	▼0.0003	▼0.0049
SGD	1.3616	1.3616	▼0.0006	+0.0002
CNY	7.2407	7.2393	+0.0006	+0.0020
INR	83.52	83.47	▼0.07	+0.05
IDR	16280	16255	+80	+410
MYR	4.7837	4.7832	▼0.0023	+0.0127
PHP	57.60	57.63	+0.43	+1.09
THB	36.87	36.86	+0.09	+0.26

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.621%	▼1.2 bp	+9.9 bp
JPY (10YR)	0.851%	▼1.8 bp	▼0.4 bp
EUR* (10YR)	2.500%	+0.3 bp	+14.1 bp
AUD (5YR)	3.896%	▼3.6 bp	▼1.9 bp
SGD (5YR)	3.295%	▼1.8 bp	+1.2 bp
CNY (5YR)	2.097%	▼1.4 bp	▼0.8 bp
INR (5YR)	7.245%	+4.8 bp	+7.0 bp
IDR (5YR)	7.022%	+11.7 bp	+44.3 bp
MYR (5YR)	3.750%	▼0.1 bp	+2.6 bp
PHP (5YR)	6.802%	+9.9 bp	+25.7 bp
THB (5YR)	2.472%	▼0.2 bp	+10.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,986.40	+0.56%	+0.01%
N225 (JP)	37,068.35	▼2.66%	▼6.21%
STOXX 50 (EU)	4,918.09	▼0.37%	▼0.75%
ASX (AU)	4,296.41	+0.15%	▼1.31%
STI (SG)	3,176.51	▼0.35%	▼1.26%
SHCOMP (CN)	3,065.26	▼0.29%	+1.52%
SENSEX (IN)	73,088.33	+0.83%	▼1.56%
JSE (ID)	7,087.32	▼1.11%	▼2.74%
KLSE (MY)	1,547.57	+0.18%	▼0.22%
PSE (PH)	6,443.00	▼1.23%	▼3.25%
SET (TH)	1,332.08	▼2.13%	▼4.60%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	298.15	+0.86%	+0.09%
COPPER (LME)	9,797.24	+1.50%	+4.97%
IRON ORE (CN)	110.89	▲0.26%	+2.21%
GOLD	2,391.93	+0.54%	+2.03%
OIL (WTI)	83.14	+0.50%	▼2.94%

Three Take-Aways:

- 1) Brief risk-off episode Friday morning calls for vigilance on further geo-political flares in Middle East.
- 2) Hawkish leanings in FedSpeak further dents risk sentiments.
- 3) Inflation dynamics poses FX risks to EM-Asia (via real-rate differentials) even as Fed remain "static".

Vigilance

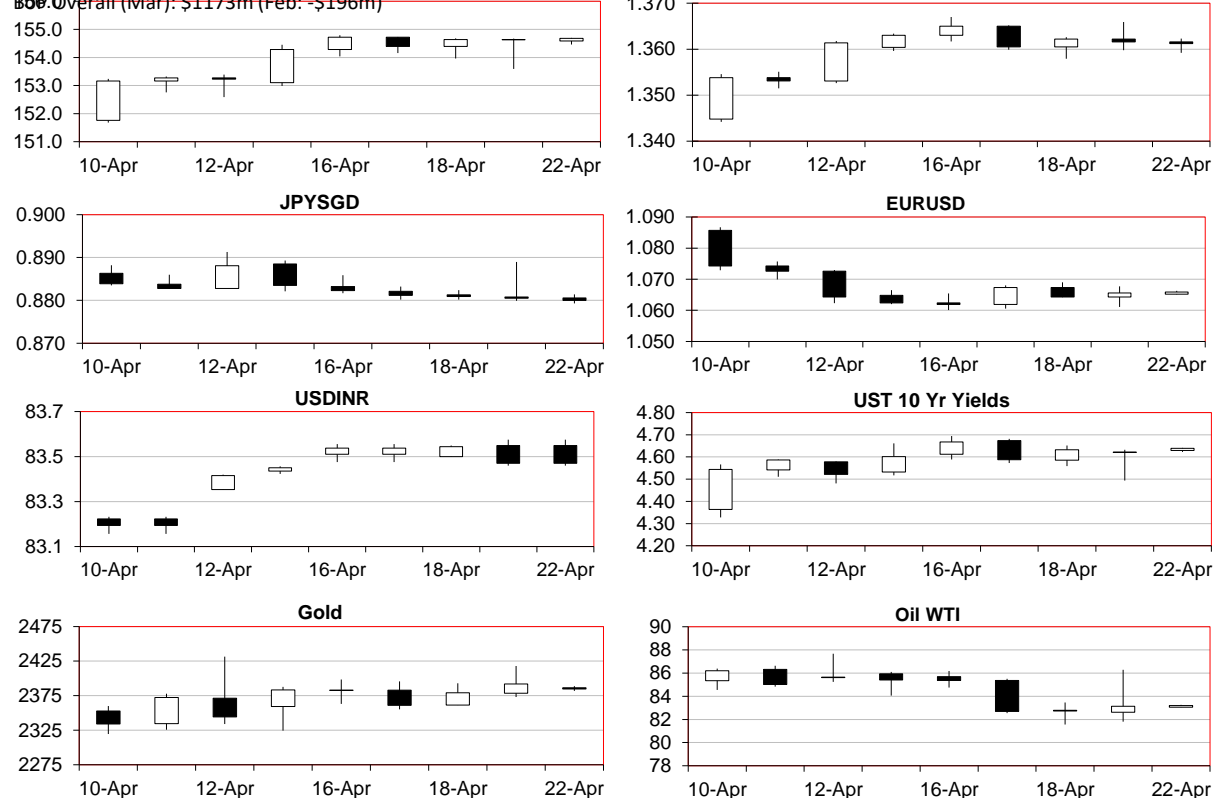
- **Vigilance** to further surprises to developments in Middle East, as well as a **slow and bumpy US disinflation process** towards Fed's goal of 2%, would likely persist in coming weeks.
- Afterall, Israel's retaliatory strike on Iran rattled markets early Friday morning, briefly sent Brent Oil above \$90/bbl even as Iran's subsequent comments that it has no plan to retaliate immediately likely soothed nerves with Brent Oil paring back gains to \$87/bbl levels. Nonetheless, Iran's characterisation of Israel's attack as "failed", suggests restraint from Israel of what could have otherwise been a full-blown offensive move.
- **Haven demand** also saw 2Y UST yield initially falling 10bps on news of the attack before moving higher over the day to close unchanged. 10Y UST yield closed -1.2bps lower.
- Meanwhile, S&P500 marked its sixth consecutive day of decline (-0.9%) with tech counters selling off (Nasdaq: -2.1%) amid **continued hawkish leanings in FedSpeak**.
- Fed Goolsbee commented that the Fed had to "recalibrate", noting that three months of inflation data (while a noisy series) could not be dismissed, and alludes to a "stalled" disinflation process.
- In further signs that that a **hike might, at the very least, be at the back of policy makers' mind**, Goolsbee expressed uncertainty if inflation is a sign of overheating and how restrictive policy needs to be. Even as Fed Barkin's observed that the US economy is not showing signs of overheating, and the Fed has no need to adopt a hiking bias, the mere mention of hikes suggest that it could be a considered possibility.
- **USD/JPY** briefly dipped below 154 handle on Middle East-inspired haven flow, before moving back to trade around mid-154. levels. **EUR** oscillated around mid-1.06 levels while **AUD** broadly traded above 64 cents.
- Elsewhere, **USD/SGD** traded above 1.36 for most of the session.

Currency Risks for EM Asia Central Banks

- A **"patient" Fed is not a "static" policy risk** for other EM Asia central banks.

OVERNIGHT WORKS MOVEMENT*

(MY) GDP YoY (1Q A): 3.9% (Mkt: 3.9%; 4Q: 3.0%) | (MY) Exports/Imports YoY (Mar): -0.8%/12.5% (Mkt: -2.9%/6.0%; Feb: -0.8%/4.7%) | (PH) Overall (Mar): \$1173m (Feb: \$196m)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	154.64	EUR/USD	1.0658
USD/SGD	1.3614	USD/THB	36.89
JPY/SGD	0.8804	USD/MYR	4.783

Forecast

USD/JPY	154.00 - 155.00
EUR/USD	1.0600 - 1.0700
AUD/USD	0.6370 - 0.6480
USD/SGD	1.3560 - 1.3670
JPY/SGD	0.8748 - 0.8877
USD/CNH	7.2300 - 7.2600
USD/INR	83.40 - 83.70
USD/IDR	15950 - 16350
USD/MYR	4.770 - 4.820
USD/PHP	57.30 - 57.80
USD/THB	36.60 - 37.10

Today's Direction

	Bull	Bear
USD/SGD	4	0
USD/JPY	3	1

- Even if nominal policy rate spreads (vs Fed) are unchanged, **real policy spreads, which are determined in tandem with evolving inflation differential drive monetary policy risks.**

- Crucially, ensuring sufficient restraint in **overall monetary conditions, entailing FX shifts over and above relative interest rate inflation shifts**, is necessary to for broader macro (not just inflation) stability.

- **Sharp depreciation pressures in the currency up the ante for policy-makers** to ensure sufficient monetary policy restraint. Especially **as adverse feedback loop between high inflation and a depreciation pressures** require timely policy backstop to avert an adverse policy spiral.

- To that end, **sustained and sharp depreciation pressures in the VND, IDR, KRW, THB and TWD** arguably bring the adequacy of EM Asia policy tightening thus far into sharp relief. This validates the CBC's unexpected (but not unwarranted) rate hike in Q1. Which then squarely puts the **SBV, BI, BoK and BoT in the hot seat**. Although some are **hotter than others**.

- Considered holistically, **relative inflation dynamics provide room for the BoK and BoT to hold off**. In fact, **economic risks may tip BoT to a cut**. But **SBV and BI face acute pressures for policy response**. Which is why we now call for BI to hike (on 24 Apr) as a measured 25bp will deliver greater benefits from backstop than stress. Further stress on the IDR though remains a distinct risk regardless. **In contrast, Vietnam face sharper trade-offs given real estate/banking stress amid fragile recovery**. And so, **FX intervention and wider FX controls** will be the first port of call. And to be sure, pressures for, and risks of, regulatory tightening on FX will remain.

FX Daily Outlook

- EUR/USD: ECB continued talk of June cuts rein in rallies above 1.07.
- USD/JPY: Geo-political concerns could restrain rallies above 155.
- USD/SGD: Dips below 1.36 may not be sustained on weaker CNH.
- AUD/USD: Weaker CNH restrain rallies above mid-64 cents.

TODAY'S EVENTS

(ID) Exports/Imports YoY (Mar): (Mkt: -10.9%/-6.0%; Feb: -9.5%/15.8%) | (TW) Unemployment Rate (Mar): (Feb: 3.4%) | (US) Chicago Fed Nat Activity Index (Mar): (Feb: 5.0%) | (EZ) Consumer Confidence (Apr P): (Mar: -14.9)

Central Bank Policy Decision: China 1Y/5Y Loan Prime Rate

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