

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	154.90	155.35	+0.52	+0.96
EUR	1.0688	1.0699	▼0.0002	+0.0026
AUD	0.6506	0.6498	+0.0011	+0.0063
SGD	1.3606	1.3620	+0.0006	+0.0015
CNY	7.2458	7.2460	+0.0008	+0.0074
INR	83.30	83.32	▼0.02	▼0.22
IDR	16155	16154	▼66	▼66
MYR	4.7780	4.7773	▼0.0030	▼0.0157
PHP	57.54	57.56	+0.05	+0.37
THB	37.01	37.02	▼0.04	+0.24

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.642%	+4.1 bp	+5.4 bp
JPY (10YR)	0.905%	+1.6 bp	+2.2 bp
EUR* (10YR)	2.588%	+8.6 bp	+12.3 bp
AUD (5YR)	4.093%	+17.8 bp	+7.3 bp
SGD (5YR)	3.327%	▼1.6 bp	▼1.7 bp
CNY (5YR)	2.100%	+3.2 bp	▼1.8 bp
INR (5YR)	7.182%	+1.0 bp	▼1.0 bp
IDR (5YR)	7.040%	+1.4 bp	+9.0 bp
MYR (5YR)	3.759%	+0.3 bp	▼1.0 bp
PHP (5YR)	6.768%	▼0.8 bp	+0.0 bp
THB (5YR)	2.511%	+1.4 bp	▼1.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,460.92	▼0.11%	+1.87%
N225 (JP)	38,460.08	+2.42%	+1.31%
STOXX 50 (EU)	4,989.88	▼0.37%	+1.54%
ASX (AU)	4,374.06	▼0.11%	+2.36%
STI (SG)	3,293.13	+0.62%	+4.39%
SHCOMP (CN)	3,044.82	+0.76%	▼0.86%
SENSEX (IN)	73,852.94	+0.16%	+1.25%
JSE (ID)	7,174.53	+0.90%	+0.61%
KLSE (MY)	1,571.48	+0.63%	+2.02%
PSE (PH)	6,572.75	+1.01%	+1.90%
SET (TH)	1,361.10	+0.27%	▼0.43%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	297.09	▲0.15%	+0.90%
COPPER (LME)	9,654.83	+0.55%	+1.74%
IRON ORE (CN)	111.09	+1.15%	+0.61%
GOLD	2,316.17	▲0.25%	▲1.90%
OIL (WTI)	82.81	▼0.66%	+0.15%

Three Take-Aways:

- 1) Caution as Meta's downbeat outlook piles into pre-existing Fed and geo-political risks.
- 2) JPY at over 30-year lows highlight intervention risks, not forced BoJ tightening.
- 3) BoJ recognizes sharp two-way JPY risks on a longer horizon.

Cover & Caution

- Meta's not-so-upbeat outlook sent markets for cover after hours. While US equities ended fractionally on (up or down) either side, futures are firmly in the red. This reflex for **cover** ("risk off") amid caution about earnings **leans into pre-existing caution, if not misgivings**, about extending "risk on" rallies despite gathering clouds amid; i) perceptions of Fed pivot deferred, and; ii) heightened geo-political risks.

- Consequently, EM Asia risks sentiments are likely to be compromised, with attendant risk of soft spots in FX; validating Bank Indonesia's 25bp hike to shore up the IDR. Meanwhile CNH downside risks loom large and JPY pressured at the lowest levels in over three decades exacerbates AXJ shudders. Although the BoJ will not be intimidated.

JPY: Intervention & Intimidation

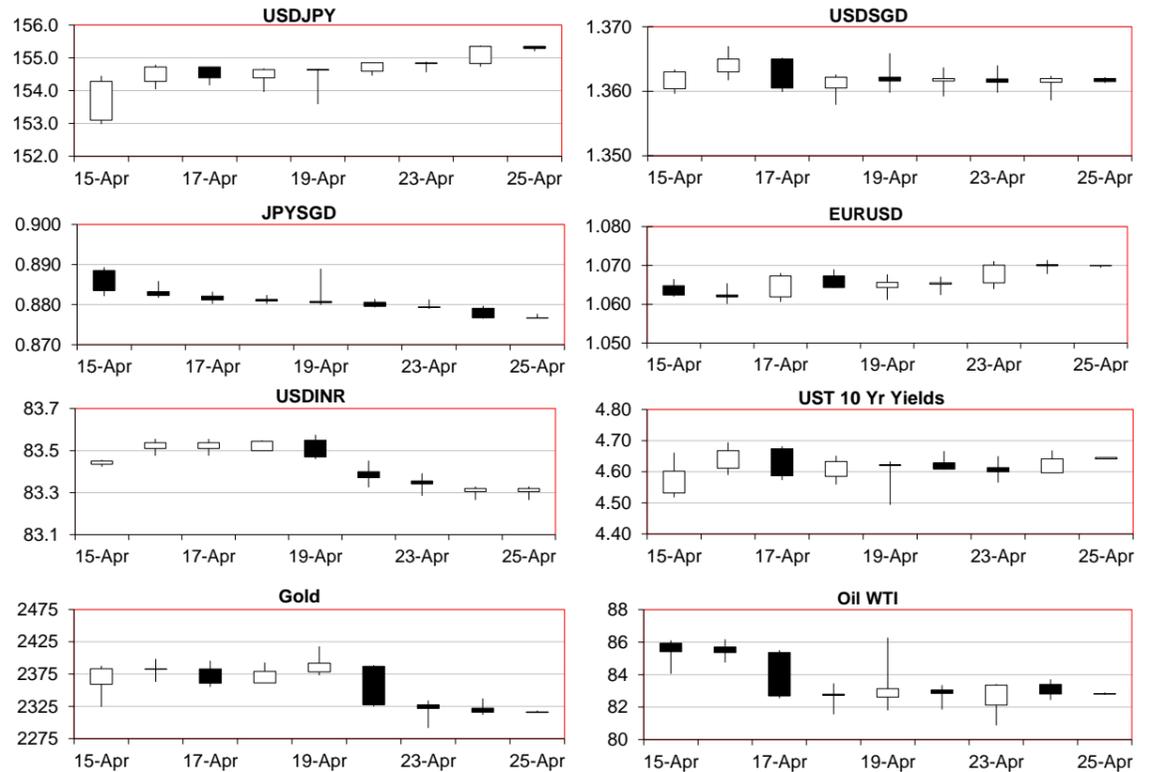
- Here's the deal. **JPY bears on a rampage pre-BoJ will not intimidate policy** (into hasty tightening). **Instead, will invoke JPY intervention risks.** For the record, heading into tomorrow's policy decision, **exceptional JPY weakness** (USD/JPY above 155) is the agitated elephant in the room for the BoJ. Admittedly, **surging USD/JPY, fuelled by a rise in UST yields, partly concedes perceptions of a more hawkish Fed, with "pivot" that is deferred and dampened.**

- However, there is **no denying a near-3% JPY drop since the last BoJ meeting (19th Mar) that broadly under-performs G10 and EM Asia FX, suggests BoJ culpability.** Not since early-1990 has the JPY been this weak, **ostensibly upping pressures for BoJ response.** Crucially, **unrelenting and irreverent JPY weakness** challenges, if not outright **snubs, BoJ tightening in March as a "dovish hike".** Nonetheless, **despite a three-decade record low, JPY is a policy constraint, not catalyst.**

- And so, the **BoJ's justifiable dovish restraint, given legitimate doubts about the durability of a virtuous and sustained demand-pull cycle, may be communicated more tactfully but not discarded hastily.** Instead, BoJ may **lean into emphatic jawboning/ intervention by the MoF with flexible bond purchase signals to shore up JPY** (and squeeze out speculators).

OVERNIGHT RESULTS

(AU) CPI YoY (Mar/1Q): 3.4%/3.5% (Mkt: 3.4%/3.5%; Feb/4Q: 3.4%/4.1%) | (US) Durable Goods Orders/Nondef Ex Air (Mar P): 2.6%/0.2% (Mkt: 2.5%/0.2%) | (US) Personal Consumption Expenditures (Mar P): 0.3%/0.3% (Mkt: 0.3%/0.3%) | (US) Business Climate/Expectations (Apr): 89.4/89.9 (Mkt: 88.8/88.9; Mar: 87.9/87.7)


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	155.27	EUR/USD	1.0699
USD/SGD	1.3617	USD/THB	37.08
JPY/SGD	0.8769	USD/MYR	4.781

Forecast

USD/JPY	154.30 - 155.80
EUR/USD	1.0660 - 1.0750
AUD/USD	0.6460 - 0.6570
USD/SGD	1.3570 - 1.3650
JPY/SGD	0.8710 - 0.8846
USD/CNH	7.2550 - 7.2850
USD/INR	83.00 - 83.40
USD/IDR	16000 - 16300
USD/MYR	4.760 - 4.787
USD/PHP	57.30 - 57.80
USD/THB	36.90 - 37.15

Today's Direction

	Bull	Bear
USD/SGD	4	2
USD/JPY	2	4

Why the (JPY) Tail Won't Wag the (Policy) Dog

- What the **BoJ won't do**, is to **pander to markets with a put on hawkish flex just to intimidate JPY bears.** For **one**, allowing FX market volatility, which is amplified by Fed pivot shifts, to dictate monetary policy (meant for stability) risks the loss of credibility; with longer term damage to policy that will be costly to reclaim.

- **Second, a hawkish oversteer in response to current record JPY weakness sets the stage for the exact opposite problem of extremely outsized upside JPY volatility, when the global easing cycle begins** (even if belatedly so). And to be absolutely clear, **sharp JPY appreciation is just as bad, or worse.** Especially, but not exclusively, for exporters, who will almost be surely be hurt by exports headwinds. Point being, **JPY boost for exporters' earnings** have long been **tied back to equity market buoyancy and local suppliers**, with a long reach into the Japanese economy. Notably, abrupt JPY weakness could also adversely shock the recovery in **tourism revenues**; which have become an increasingly important fillip for the Japanese economy.

- **Finally, excessive and abrupt JPY strength** can easily extinguish nascent recovery wage gains that imperative to restoring demand-pull inflation recovery. Putting aside unhelpful pick-up in imported prices, the real danger is that the **wider, adverse income multiplier effects**, associated with the interaction of exports, local supply chains and tourism, could easily setback the trend of wage gains. And so, the **BoJ must position for the policy-induced** (including relative global policy divergence) **JPY risks over the next 6-18 months**, and not misguidedly panic and concede policy control to JPY speculators.

- Simply put, **the FX tail will not be allowed to wag the dog.**

FX Daily Outlook

- EUR/USD: Move higher above 1.07 on possibly more measured ECB rate cuts post-June.
- USD/JPY: Heightened intervention risks restrains rallies above mid-155.
- USD/SGD: Weaker CNH sees sustained buoyancy above 1.36.
- AUD/USD: Hover at around 65 cents as strong domestic inflation and weak CNH tussles.

TODAY'S EVENTS

(KR) GDP YoY/SA QoQ (1Q A): 3.4%/1.3% (Mkt: 2.5%/0.6%; 4Q: 2.2%/0.6%) | (MY) CPI YoY (Mar): (Mkt: 2.0%; Feb: 1.8%) | (US) Initial Jobless Claims: (Mkt: 215k; prev: 212k) | (US) GDP Annualized QoQ (1Q A): (Mkt: 2.5%; 4Q: 3.4%) | (US) Personal Consumption (1Q A): (Mkt: 3.0%; 4Q: 3.3%) | (US) Wholesale Inventories MoM (Mar P): (Mkt: 0.3%; Feb: 0.5%) | (US) Kansas City Fed Mfg Activity (Apr): (Mkt: -5; Mar: -7)

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