

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	137.59	136.55	▼0.95	+2.79
EUR	1.0986	1.0999	+0.0023	+0.0026
AUD	0.6702	0.6663	+0.0033	+0.0037
SGD	1.3355	1.3347	▼0.0016	▼0.0039
CNY	6.9181	6.9126	+0.0000	▼0.0200
INR	81.84	81.89	+0.06	▼0.03
IDR	14714	14705	+35	▼140
MYR	4.4605	4.4640	+0.0018	+0.0140
PHP	55.34	55.36	+0.00	▼0.18
THB	34.20	34.21	+0.06	▼0.18

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.424%	▼14.4 bp	+2.4 bp
JPY (10YR)	0.421%	+1.4 bp	▼5.8 bp
EUR* (10YR)	2.258%	▼5.5 bp	▼12.6 bp
AUD (5YR)	3.231%	+14.5 bp	+2.5 bp
SGD (5YR)	2.848%	+3.1 bp	+0.1 bp
CNY (5YR)	2.621%	+0.0 bp	▼4.1 bp
INR (5YR)	7.000%	+0.1 bp	▼1.3 bp
IDR (5YR)	6.267%	▼1.2 bp	▼14.5 bp
MYR (5YR)	3.450%	+0.0 bp	+2.6 bp
PHP (5YR)	5.881%	+2.1 bp	+2.4 bp
THB (5YR)	2.145%	▼0.4 bp	+6.2 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,684.53	▼1.08%	+0.46%
N225 (JP)	29,157.95	+0.12%	+1.88%
STOXX 50 (EU)	4,294.85	▼1.48%	▼1.90%
ASX (AU)	4,235.67	▼1.12%	▼1.17%
STI (SG)	3,281.99	+0.35%	▼0.44%
SHCOMP (CN)	3,323.28	+0.00%	+1.79%
SENSEX (IN)	61,354.71	+0.40%	+2.04%
JSE (ID)	6,863.30	▼0.76%	+0.61%
KLSE (MY)	1,426.11	+0.72%	+0.06%
PSE (PH)	6,672.69	+0.72%	+1.20%
SET (TH)	1,528.43	▼0.05%	▼0.76%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	260.64	▲2.13%	▲3.03%
COPPER (LME)	8,490.00	▲1.01%	▲0.19%
IRON ORE (CN)	105.09	+0.76%	▲9.41%
GOLD	2,016.68	+1.72%	+0.97%
OIL (WTI)	71.66	▼5.29%	▼7.02%

### Three Take-aways:

- 1) Banking risks surged to the fore sinking equities and yields; but inspire H2 Fed pivot bets.
- 2) Our contrarian RBA hike call was more than validated. BNM though is likely to hold steady.
- 3) FOMC: 25bp hike a given. But raging debate about sharp cuts from H2 elevates latent volatility

### Banking Risks: Of Soft & Sweet Spots

- Renewed concerns about banking sector risks ruled the roost on both sides of the Atlantic; as sharp sell-off in a raft of US regional banks conspired with the fastest pace of credit tightening in the ECB's Bank Lending Survey (BLS) since the EZ debt crisis.
- This sank equities in Europe (EuroStoxx: -1.5%) and on Wall St (S&P500: -1.2%) and triggered a sharp, front-end led, drop in UST yields (2Y: -18bp to 3.96%; 10Y: -14bp to 3.42%).
- Beneath headline banking "risk off" is a more nuanced view of sweet spots betting on reined in policy tightening (Fed and ECB) mitigating soft spots derived from fears of financial wobbles spinning out into a full-blown crisis. The data parallel resonated in soft(er) spots in US JOLTS (jobs) data perverted into "sweet spot" Fed pivot rate cut bets (75-100bp by Jan 2024).
- Clearly though, tensions between soft and sweet spots persist; restraining pre-FOMC USD pullback (from a 3-week peak) despite a resoundingly sharp thud from a drop in UST yields.
- This checked EUR gains above 1.10; in line with a measured slip in USD/SGD below mid-1.33.
- In fact, USD/JPY slide from mid-137 to mid-136 should be appreciated in the context of sharp narrowing of UST-JGB spreads, trimming an exaggerated and extended post-BoJ surge from 134.
- Likewise AUD's post-RBA "surprise hike" gains (to 0.67) actually moderated overnight.

### Why the BNM Unlikely to Do a RBA

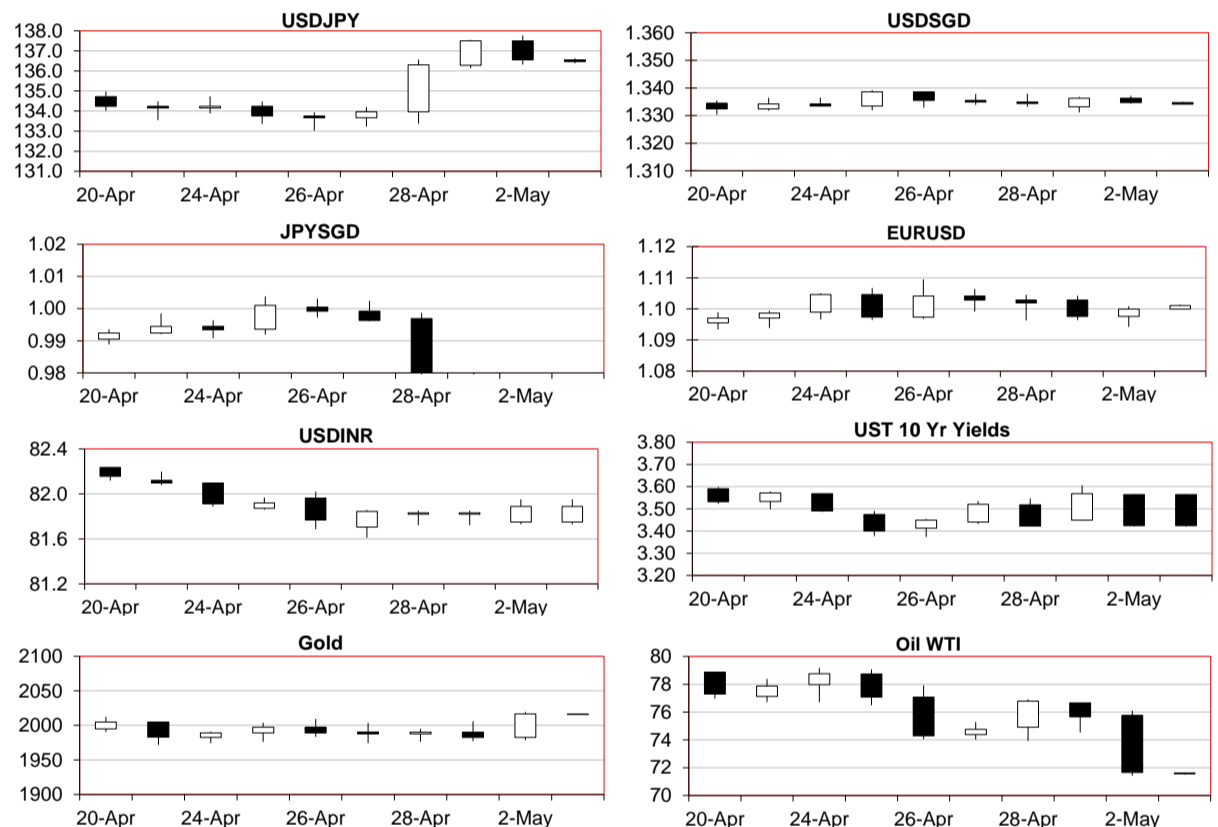
- The RBA's "surprise" hike was not a surprise to us. In fact, RBA executed a 25bp hike (to 3.85%) exceeding our call for a measured 15bp (to 3.75%). Crucially, the RBA expressly suggested scope for more tightening amid inconveniently elevated services inflation and a tight job market; all of which water down premature relief from easing headline CPI.
- The BNM has parallels insofar as it ruling out scope for tightening may be premature. But the bar for a hike is appreciably higher given comparatively diminished second-round risks

### OVERNIGHT RESULTS

(ID) CPI/Core YoY (Apr): 4.3%/2.8% (Mkt: 4.4%/2.9%; Mar: 5.0%; 2.9%)

(US) JOLTS Job Openings (Mar): 9.59m (Mkt: 9.74m; Feb: 9.97m)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	137.53	EUR/USD	1.0968
USD/SGD	1.3368	USD/THB	34.21
JPY/SGD	0.9719	USD/MYR	4.461

### Forecast

USD/JPY	135.30 - 137.40
EUR/USD	1.0960 - 1.1100
AUD/USD	0.6620 - 0.6700
USD/SGD	1.3300 - 1.3380
JPY/SGD	0.9680 - 0.9889
USD/CNH	6.9230 - 6.9550
USD/INR	81.70 - 82.15
USD/IDR	14630 - 14800
USD/MYR	4.450 - 4.468
USD/PHP	55.20 - 55.80
USD/THB	33.90 - 34.28

### Today's Direction

	Bull	Bear
USD/SGD	0	7
USD/JPY	1	6

### FOMC: A Contemplative Hike

- At today's FOMC, a 25bp hike is virtually a shoo-in; as is being priced in by the Fed Funds Futures (over 85% probability of a 25bp hike at the point of writing).
- But the hike will be a contemplative one that acknowledges heightened two-way risks and narrower path to a soft-landing; necessitating greater consideration and delicate calibration.
- For the record, hotter-than-expected core PCE reveal pre-FOMC definitely doubles down on the view that it may be premature to suspend the tightening cycle imminently.
- And to be fair, the Fed itself is not equivocating on its commitment to at least one more hike; unlike what exceptionally volatile market pricing might lead us to conclude.
- Fact is, while "Powell & Co" are undeniably cognizant of inadvertent (credit) tightening from banking sector risks, the Fed is not unduly fearful; certainly not to the point of paralysis.
- Instead, the Fed has thus far made at attempt at quantifying the expected credit tightening from banking sector turbulence to be equivalent to some 25bp of rate hike. Accordingly, where the Fed had earlier desired rates above 5.50%, it ought to now stop short ahead of 5.50%.
- Consequently, this leaves the Fed with 25-50bp of hikes on the table (including today's FOMC).
- Of this May's 25bp hike is a given, whereas the option of a 25bp June hike is subject to a significantly higher bar; that would require not just economic/job market resilience alongside exceptionally elevated inflation, but also a good measure of financial/banking stability.

### FX Daily Outlook

- EUR/USD: Softer BLS may restrain pre-FOMC EUR gains towards 1.11 despite UST yield knock-back.
- USD/JPY: Dragged by sharp drop in UST-JGB spreads; but sub-136 to 135 challenged.
- USD/SGD: Pullback limited by pre-FOMC restraint and CNH caution amid Golden Week.
- AUD/USD: RBA boost above 0.67 fades pre-FOMC; upside tests on a short leash amid softer oil.

### TODAY'S EVENTS

(AU) PMI - Svcs/Comp. (Apr): 53.7/53.0 (Prelim: 52.6/52.2) | (AU) Retail Sales MoM (Mar): (Mkt: 0.2%; Feb: 0.2%)  
 (TH) CPI/Core YoY (Apr): (Mkt: 2.7%/1.7%; Mar: 2.8%/1.8%) | (SG) PMI - Mfg/Electronics (Apr): (Mar: 49.9/49.4) |  
 (IN) PMI - Svcs/Comp. (Apr): (Mar: 57.8/58.4) | (EZ) Unemployment rate (Mar): (Mkt: 6.6%; Feb: 6.6%)  
 (US) ADP Chg (Apr): (Mkt: 148K; Mar: 145K) | (US) ISM Services/Prices Paid (Apr): (Mkt: 51.8/-; Mar: 51.2/59.5)  
 Central Banks: FOMC Decision | BNM Decision

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