

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.66	134.29	▼0.42	+0.32
EUR	1.1059	1.1012	▼0.0050	▼0.0016
AUD	0.6675	0.6693	+0.0022	+0.0062
SGD	1.3282	1.3281	▼0.0022	▼0.0068
CNY	6.9139	6.9113	▼0.0013	▼0.0112
INR	81.75	81.80	▼0.03	▼0.04
IDR	14684	14680	▼5	▼23
MYR	4.4553	4.4552	+0.0000	▼0.0081
PHP	55.36	55.37	▼0.00	▼0.37
THB	33.84	34.03	+0.00	▼0.11

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.379%	+4.3 bp	▼14.2 bp
JPY (10YR)	0.421%	+0.0 bp	▼4.5 bp
EUR* (10YR)	2.190%	▼5.7 bp	▼27.0 bp
AUD (5YR)	3.035%	▼13.7 bp	▼6.7 bp
SGD (5YR)	2.718%	▼5.4 bp	▼7.7 bp
CNY (5YR)	2.602%	▼1.9 bp	▼2.3 bp
INR (5YR)	6.950%	+0.6 bp	▼4.0 bp
IDR (5YR)	6.183%	▼5.5 bp	▼11.4 bp
MYR (5YR)	3.465%	+0.0 bp	+2.6 bp
PHP (5YR)	5.711%	▼14.7 bp	▼15.0 bp
THB (5YR)	2.132%	+0.0 bp	+1.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,127.74	▼0.86%	▼2.06%
N225 (JP)	29,157.95	+0.00%	+2.46%
STOXX 50 (EU)	4,287.03	▼0.54%	▼1.63%
ASX (AU)	4,201.23	▼1.01%	▼1.37%
STI (SG)	3,269.18	+0.22%	▼0.39%
SHCOMP (CN)	3,350.46	+0.82%	+1.97%
SENSEX (IN)	61,749.25	+0.91%	+1.81%
JSE (ID)	6,844.03	+0.46%	▼1.46%
KLSE (MY)	1,425.99	+0.00%	+0.56%
PSE (PH)	6,684.35	+1.18%	+1.53%
SET (TH)	1,533.30	+0.00%	+0.14%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	256.81	+0.10%	▲3.17%
COPPER (LME)	8,474.40	+0.37%	▲1.11%
IRON ORE (CN)	102.77	▲1.66%	▲11.53%
GOLD	2,050.28	+0.55%	+3.14%
OIL (WTI)	68.56	▼0.06%	▼8.29%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	134.18	EUR/USD	1.1023
USD/SGD	1.3276	USD/THB	33.79
JPY/SGD	0.9895	USD/MYR	4.455

Forecast

USD/JPY	133.60 - 135.40
EUR/USD	1.0950 - 1.1080
AUD/USD	0.6650 - 0.6740
USD/SGD	1.3230 - 1.3340
JPY/SGD	0.9771 - 0.9985
USD/CNH	6.9000 - 6.9300
USD/INR	81.50 - 82.00
USD/IDR	14560 - 14750
USD/MYR	4.428 - 4.458
USD/PHP	55.00 - 55.50
USD/THB	33.68 - 33.95

Today's Direction

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

Three Take-aways:

- 1) The ECB's "hawkish flex" was overshadowed by the dial-back to a 25bp hike; EUR slips.
- 2) Spreading stress amongst US regional banks underpins Fed pause; fretting credit tightening.
- 3) Indonesia's relative economic resilience derives from offsetting insulation not immunity.

ECB: Unimpressive Flex

- The ECB stepped down to a 25bp hike (to 3.25% Deposit Rate), the downgraded consensus (from an earlier 50bp base case view); but backed it with a hawkish "flex" from Lagarde that it is "extremely clear" the ECB is "not pausing" and has "more ground to cover".

- But markets were unimpressed with the hawkish flex; instead latching on an underlying sense of smaller and fewer hikes; transitioning to a pause sooner rather than later.

- In particular, drawing tempered hawkish guidance from allusions to borrowing costs now being in "restrictive territory" as "past rate increases are being transmitted forcefully".

- Especially in the context of credit constriction conveyed in ECB's own bank lending surveys.

- Accordingly, EZ yields fell back in bull flattening fashion (with 2Y Bund: -17bp to 2.45%; 10Y: -6bp to 2.19%). Correspondingly, EUR lost a good deal of its pre- ECB traction (testing 1.11) to slip back towards 1.10; and that is despite the USD not getting much love from the FOMC.

- Softer yields on both sides of the Atlantic from FOMC and ECB triggers have left the JPY on a much firmer footing (testing 134 support), erasing almost all of the post-BoJ losses. Slide in USD/JPY and EUR/JPY is now suggestive of (directionally) dovish convergence.

- Unsurprisingly, AUD has regained some traction to 0.67 on relatively more hawkish RBA; more so ahead of statement of monetary policy that could have less unimpressive hawkish flex.

- Meanwhile, SGD (sub-1.33) strength arguably reflects perceived refuge from US regional bank woes; as Western Alliance, PacWest and First Horizon meltdown trigger trading halts.

Of Fed & Fret

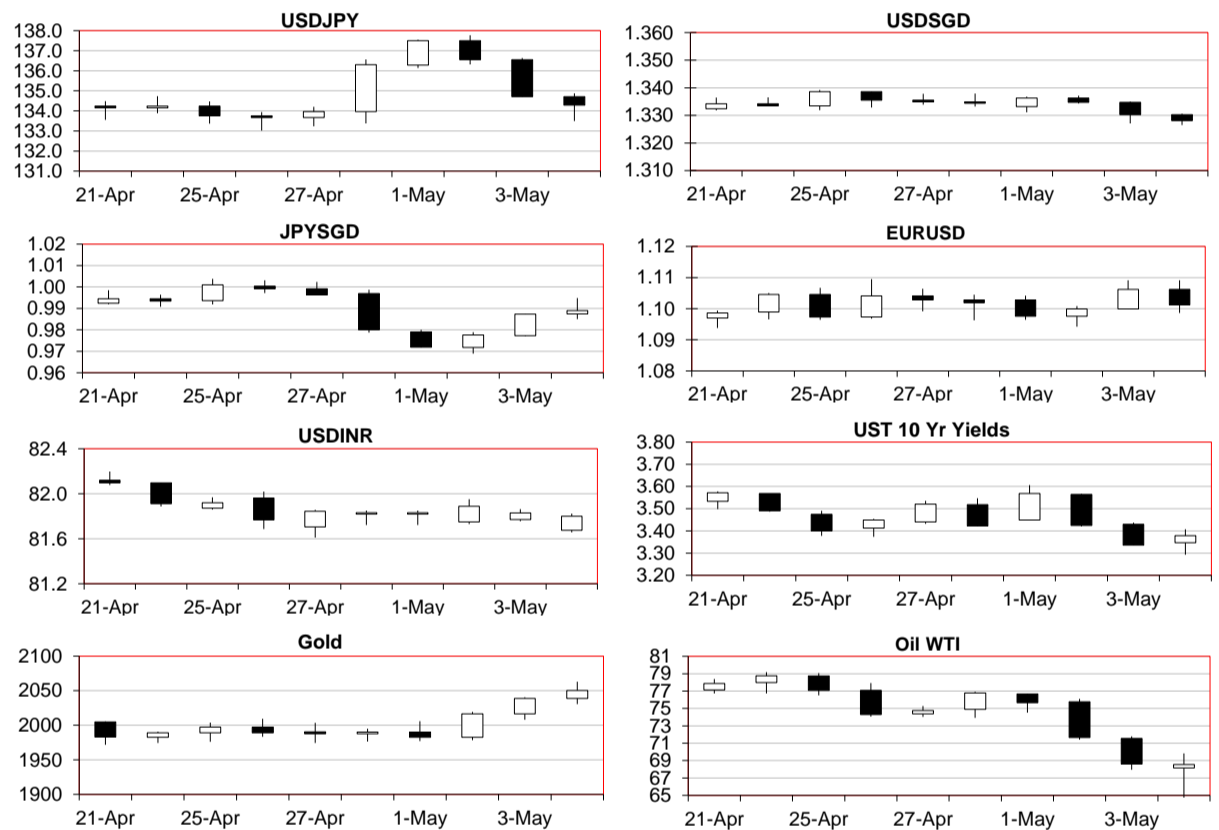
- Stealing the ECB's thunder was the unremitting, whack-a-mole type of worries emanating from US regional banks; obviously unappeased by JP Morgan's "rescue" of First Republic. Western Alliance, PacWest and First Horizon are merely the names that assumed this round.

- As we stated in our week ahead "First Republic is not the first bank failure, (nor) ... the last".

OVERNIGHT RESULTS

(AU) Trade Bal (Mar): A\$15.3b (Mkt:A\$13.0b; Feb: A\$13.9b) | (CH) PMI - Mfg (Apr): 49.5 (Mkt: 50.0; Mar: 50.0)

(EZ) PPI YoY (Mar): (Mkt: 5.0%; 13.2%) | (US) Initial Jobless Claims (29 Apr): 242K (Mkt: 240K; Prev: 229K)

Past Two Weeks Movement


- Especially as investors "fret ... stresses from elevated rates and commercial real estate fragilities" bearing down on US regional banks. Clearly, complacency about strains being isolated is not an option; as inter-connectedness of fractional banking unearths contagion risks.

- And even if prompt policy response succeeds in drawing a line under this bout of banking stress, the Fed has reasons to fret. Specifically worry about second-order credit tightening impact, which has arguably supplanted inflation as the main policy swing/inflection factor from hereon.

- This cements Fed pause view, but imminent pivot bets may be contested yet.

Indonesia Q1 GDP: "Borrowed" Resilience

- Indonesia's Q1 2023 GDP growth is likely to sustain a near-5% clip aided by underlying, "borrowed" resilience; as fortuitous shifts in growth drivers provide buffer from external drag.

- Point being, even as commodity tailwinds fade amid gathering external headwinds, softened oil import burden and tourism-bolstered consumption provide offset. Specifically, waning demand for non-oil & gas exports was offset by softer net energy imports; helped by falling oil prices.

- Moreover, household consumption indicators remain resilient as retail sales continue expanding albeit at a slower pace; with motorvehicle sales are still up 7% YoY in Q1.

- Meanwhile, fiscal policy consolidation to meet the 3% deficit rule, has enjoyed some relief from softer global crude prices (being a net crude importer); implying that government's non-subsidy expenditure are less likely to drag; given easing subsidy-spending trade-offs.

- Softening inflation also assisted in purchasing power holding up.

- The upshot is that Indonesia, while not immune to global headwinds, has compensatory offset.

FX Daily Outlook

- EUR/USD: Post-ECB consolidation lower in the 1.10+ range rather than 1.11 aspirations.

- USD/JPY: Softer US/EZ yields after pause bets on Fed & ECB dragging with sub-134 target.

- USD/SGD: Sub-1.33 in sympathy with USD/JPY influence and US banking woes.

- AUD/USD: 0.67 a test on relative RBA traction; unlikely 0.68 follow-through as commodities waver.

TODAY'S EVENTS

(PH) CPI YoY (Apr): (Mkt: 7.0%; Feb: 7.6%) | (CH) Caixin PMI - Svcs/Comp. (Apr): (Mar: 547.8/54.5)

(ID) GDP YoY (Q1): (Mkt: 5.0%; Q4: 5.0%) | (SG) Retail Sales/Ex-Auto YoY (Mar): (Mkt: -1.1%/--; Feb: 12.7%/3.9%)

(EZ) Retail Sales MoM (Mar): (Mkt: -0.2%; Feb: -0.8%) | (US) NFP/Unemployment rate (Apr): (Mkt: 185K/3.5%; Mar: 236K/3.5%)

(US) Avg Hourly Earnings MoM/YoY (Apr): (Mkt: 0.3%/4.2%; Mar: 0.3%/4.2%)

Central Banks: RBA Statement of Monetary Policy | ECB's Elderson speaks | Fed's Bullard & Cook speak

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