

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.01	135.10	+0.30	▼2.40
EUR	1.1050	1.1004	▼0.0015	+0.0028
AUD	0.6782	0.6782	+0.0033	+0.0152
SGD	1.3245	1.3245	▼0.0013	▼0.0118
CNY	6.9151	6.9142	+0.0048	+0.0016
INR	81.78	81.80	+0.00	▼0.03
IDR	14709	14700	+25	+30
MYR	4.4378	4.4370	+0.0007	▼0.0252
PHP	55.28	55.27	▼0.04	▼0.09
THB	33.88	33.80	▼0.23	▼0.34

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.507%	+7.0 bp	▼6.1 bp
JPY (10YR)	0.418%	▼0.3 bp	+1.1 bp
EUR* (10YR)	2.319%	+2.8 bp	+0.6 bp
AUD (5YR)	3.125%	+10.0 bp	+3.9 bp
SGD (5YR)	2.685%	+1.5 bp	▼13.2 bp
CNY (5YR)	2.587%	+1.2 bp	▼3.4 bp
INR (5YR)	6.985%	+3.5 bp	▼1.4 bp
IDR (5YR)	6.207%	▼0.1 bp	▼7.2 bp
MYR (5YR)	3.445%	+0.0 bp	▼0.5 bp
PHP (5YR)	5.642%	▼2.9 bp	▼21.8 bp
THB (5YR)	2.124%	▼0.8 bp	▼2.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,618.69	▼0.17%	▼1.27%
N225 (JP)	28,949.88	▼0.71%	▼0.60%
STOXX 50 (EU)	4,348.65	+0.19%	▼0.24%
ASX (AU)	4,242.40	+0.00%	▼0.97%
STI (SG)	3,257.66	▼0.27%	▼0.39%
SHCOMP (CN)	3,395.00	+1.81%	+2.16%
SENSEX (IN)	61,764.25	+1.16%	+1.07%
JSE (ID)	6,769.63	▼0.27%	▼2.11%
KLSE (MY)	1,433.74	+0.19%	+1.26%
PSE (PH)	6,600.74	▼1.27%	▼0.37%
SET (TH)	1,562.25	+1.89%	+2.17%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.00	+0.92%	▲0.87%
COPPER (LME)	8,560.25	+0.00%	▲0.20%
IRON ORE (CN)	107.73	+5.28%	+3.29%
GOLD	2,021.16	+0.22%	+1.95%
OIL (WTI)	73.16	+2.55%	▼3.30%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	135.08	EUR/USD	1.0996
USD/SGD	1.3253	USD/THB	33.82
JPY/SGD	0.9812	USD/MYR	4.437

Forecast

USD/JPY	134.00 - 135.40
EUR/USD	1.0930 - 1.1070
AUD/USD	0.6720 - 0.6830
USD/SGD	1.3220 - 1.3300
JPY/SGD	0.9764 - 0.9925
USD/CNH	6.9100 - 6.9350
USD/INR	81.60 - 82.00
USD/IDR	14620 - 14780
USD/MYR	4.430 - 4.448
USD/PHP	55.20 - 55.60
USD/THB	33.70 - 33.95

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	7	1

Three Take-aways:

- 1) US Senior Officer Loan Survey's mild tightening assuages concerns of a credit crunch.
- 2) But caution remains as credit demand wanes and US regional banks' impact may be lagged.
- 3) Australia's Budget to enjoy commodities, migration and employment boost; could buoy AUD.

Borrowed Relief?

- It appears that markets found **partial relief from the absence of brutal credit crunch** that was feared to follow the cascade of US regional banks failures/pressures. **But** this "borrowed relief" is hollow consolation in a high rates environment, reining in unadulterated optimism.

- Fact is, **despite only mild tightening in lending** (thereby assuaging concerns of a more brutal credit crunch) **in the US Senior Loan Officer Survey, credit demand had waned considerably**, reflecting pre-existing economic headwinds and demand-side crimp from elevated rates.

- Point being, even without an adverse shock to credit supply from the on-going US regional bank shake down, the Fed's aggressive tightening path is already dampening credit demand.

- What's more, the absence of a credit supply crunch may be due to lags lending activity (and masked by independently softening demand) rather than a clear bill of banking health.

- Arguably, **worry persists; not despite, but because of, seeming relief from a "just" a mild tightening in lending**, as this "borrowed relief" **may ironically provide cover for Fed hawks to be less impeded by banking concerns**. Goldilocks is conspicuously missing in this catch-22.

- Tellingly, UST yields climbed in bear steepening fashion, with the 9-10bp surge at the front-end lifting 2Y back (albeit just a smidge) above 4% (10Y: +7bp to 3.51%).

- USD is backstopped off lows as slump in German IP dampened EUR back below 1.10; USD/JPY is propped up above 135 on firmer yields, while pre-Budget AUD is defiantly buoyed near 0.68.

Australia Budget: Of Relief & Resources

- **Australia's Budget** today is poised to deliver a **volley of cyclical positives** for the economy; although some of the structural impediments are merely masked, not negated.

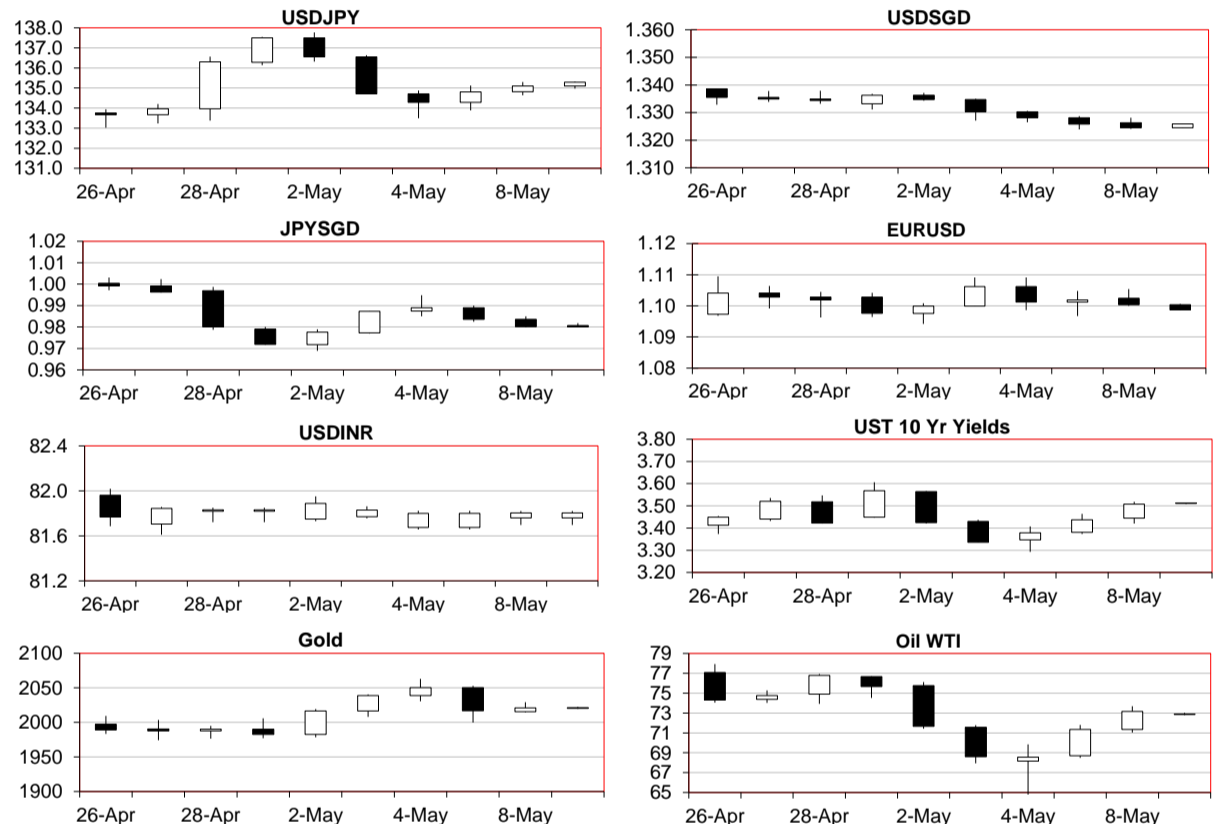
- **Economic resilience helped by resource sector tailwinds providing necessary revenue boost means critical economic relief** (e.g. cost of living package) from reallocation.

OVERNIGHT RESULTS

(AU) Building Approvals MoM (Mar): -0.1% (Mkt: 3.0%; Feb: 3.9%) | (PH) Unemployment Rate (Mar): 4.7% (Feb: 4.8%)

(EU) Retail Sales MoM (Mar): -0.1% (Mkt: -0.1%; Feb: -0.1%) | (US) Wholesale Inventories MoM (Mar F): 0.1% (Prelim: 0.1%)

Past Two Weeks Movement



- A solid job market helping to fill coffers could **potentially avert a deficit** this time.

- **But** the **cyclical revenue boost from commodities** should **not** be assumed as a **constant**.

- Even with the **Petroleum Resources Rent** (projected to raise A\$2.4bn through 2027), budget gaps may surface as a **corresponding A\$14.6bn "Cost of Living Package"** and wider social support measures exert sustained fiscal pressures; and more acutely during softer commodity phases.

- As such, **further tax measures down the road** cannot be ruled out if one were to **kick the tyres on structural resources required to ensure that sufficient relief** is spread.

- Possibly more so, if the surge in immigration (padding coffers via both income and investment channels) is expected to wane once pent-up, post-COVID inflows normalize.

- Nonetheless, from a **cyclical standpoint**, Australia's **fiscal position is in a sweet spot**; given the **confluence of supportive commodity tailwinds, solid employment and immigration**.

- A **likely surplus through the year ending June 2023**, is admittedly an aberration, not trend.

- But with **gradual, not sharp, slip back to a deficit** in the coming year or two (ending June 2024 and June 2025) will possibly provide **buffer from gradual phase out from "twin surplus" for now**.

- What ought to be monitored closely are, **how the interest rate and commodity cycles evolve in coming months**; as these are **critical determinants of resources** (commodity revenues versus financing burden) **to provide necessary relief** from economic headwinds.

- Equally, the knock-on impact on asset markets also cannot be ignored.

- In any case, the **Budget** today is **likely to produce spill-over positive impact on AUD**, given the cyclical sweet spot; barring an overriding bullish USD and/or commodity pullback, that is.

FX Daily Outlook

- EUR/USD: Consolidation on either side of 1.10; as caution tempers upside.

- USD/JPY: Traction around 135 may be shallow for now; in consolidation mode.

- USD/SGD: Momentum to break below mid-1.32 to 1.32-figure requires CNH rallies or USDF slump.

- AUD/USD: Budget boost may set the stage for 0.68 to be tested again; barring commodities flag.

TODAY'S EVENTS

(JP) Household Spending/Labour Cash Earnings YoY (Mar): -1.9%/0.8% (Mkt: 0.8%/1.0%; Feb: 1.6%/0.8%)

(JP) Real Cash Earnings YoY (Mar): -2.9% (Mkt: -2.4%; Feb: -2.9%) | (AU) Household Spending YoY (Apr): 3.7% (Mar: 3.9%)

(PH) Trade bal (Mar): (Mkt: -\$4.40bn; Feb: -3.88bn) | (AU) Retail Sales ex-Inflation QoQ (Q1): (Mkt: -0.6%; Q4: -0.2%)

(MY) Ind Pdn YoY (Mar): (Mkt: 0.7%; Feb: 3.6%) | (CH) Trade Balance (Apr): (Mkt: \$71.25b; Mar: \$88.19b) | (US) NFIB Small Business Optimism (Apr): (Mkt: 89.7; Mar: 90.1) | **Australia Budget** | **ECB's Lane, Vasle, Vujcic & Schnabel speak** | **Fed's Williams speaks**

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