

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	126.64	126.99	+0.53	+1.62
EUR	1.0792	1.0782	▼0.0028	▼0.0102
AUD	0.7367	0.7349	▼0.0046	▼0.0068
SGD	1.3617	1.3619	+0.0049	▼0.0032
CNY	6.3720	6.3671	▼0.0044	▼0.0029
INR	76.36	76.26	+0.08	+0.30
IDR	14356	14354	+10	▼12
MYR	4.2565	4.2555	+0.0200	+0.0245
PHP	52.26	52.27	+0.23	+0.22
THB	33.66	33.67	+0.09	+0.09

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.853%	+2.5 bp	+7.3 bp
JPY (10YR)	0.245%	+0.4 bp	+0.4 bp
EUR* (10YR)	0.842%	+0.0 bp	+2.6 bp
AUD (5YR)	2.625%	+0.0 bp	▼12.5 bp
SGD (5YR)	2.412%	+9.1 bp	▼6.7 bp
CNY (5YR)	2.568%	+3.6 bp	+6.0 bp
INR (5YR)	6.788%	▼4.8 bp	+10.0 bp
IDR (5YR)	5.943%	+6.5 bp	+15.2 bp
MYR (5YR)	3.599%	+2.6 bp	+8.6 bp
PHP (5YR)	5.106%	+1.0 bp	+2.4 bp
THB (5YR)	1.968%	+14.3 bp	+23.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,411.69	▼0.11%	+0.30%
N225 (JP)	26,799.71	▼1.08%	▼0.08%
STOXX 50 (EU)	3,848.68	+0.00%	+0.24%
ASX (AU)	4,232.12	+0.00%	▼0.01%
STI (SG)	3,303.07	▼0.98%	▼1.80%
SHCOMP (CN)	3,195.52	▼0.49%	+0.90%
SENSEX (IN)	57,166.74	▼2.01%	▼3.05%
JSE (ID)	7,275.29	+0.55%	+0.99%
KLSE (MY)	1,581.14	▼0.50%	▼1.46%
PSE (PH)	6,996.11	+0.16%	+0.11%
SET (TH)	1,668.06	▼0.38%	▼0.62%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	315.95	+1.29%	+7.04%
COPPER (LME)	10,297.50	+0.00%	+1.14%
IRON ORE (CN)	155.18	▲0.59%	+1.31%
GOLD	1,978.91	+0.03%	+1.30%
OIL (WTI)	108.21	+1.18%	+14.76%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	127.12	EUR/USD	1.0781
USD/SGD	1.3616	USD/THB	33.71
JPY/SGD	1.0711	USD/MYR	4.256

Forecast

USD/JPY	125.30 - 127.50
EUR/USD	1.0720 - 1.0850
AUD/USD	0.7300 - 0.7450
USD/SGD	1.3520 - 1.3630
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.3700 - 6.3980
USD/INR	76.00 - 76.60
USD/IDR	14340 - 14400
USD/MYR	4.2200 - 4.2620
USD/PHP	51.85 - 52.50
USD/THB	33.45 - 33.80

Today's Direction

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

Base

- Fed's Bullard kicked off the week's speakers with a repeated emphasis on his hawkish take of a 3.5% neutral rate while seeding consideration of 75bps hike but adding it is not his base case.
 - For USTs, his hawkish stance forms a base rather than fresh impetus, 2Y yields slipped a very modest 0.6bps while 10Y yields rose a mild 2.5bps alongside continued rise in energy prices.
 - Brent crude prices went up 1.3% as Russian forces are sent to establish a stronger base in eastern Ukraine while Libyan unrest added to worries of supply shortages.
 - With thin market trading, caution should be applied to seeing mild dips in equities (Nasdaq: -0.1%; S&P500: -0.02%; Dow: -0.1%) as establishing base for recovery.
 - While US yields did not stage a rally, the high base of yields (10Y yields at 2.85%. last seen 2018) meant that allure of USD continued with DXY crossing 100.8 as G10 peers deferred.
 - Consequently, USD/JPY broke 127 as BoJ Governor Kuroda balanced his warnings of sharp JPY increases with his take on a weaker JPY being supportive of the economy on aggregate and the current economic environment is no basis for discussion of exit plans for monetary easing.
 - With rising geo-political tensions and Fed-ECB divergence now clearer (after ECB's decision last week), EUR fell 0.3% to upper half of mid-1.07 as base for consolidation remains elusive.
 - AUD fell towards mid-0.75 as domestic political uncertainty and worries of slower China growth (Q1 growth upside looks to become a base to fall off rather than launch higher) overwhelmed the pull of higher commodity prices.
 - Elsewhere, USD/SGD was also pulled to above 1.36 while IDR's focus turn to BI's meeting today.

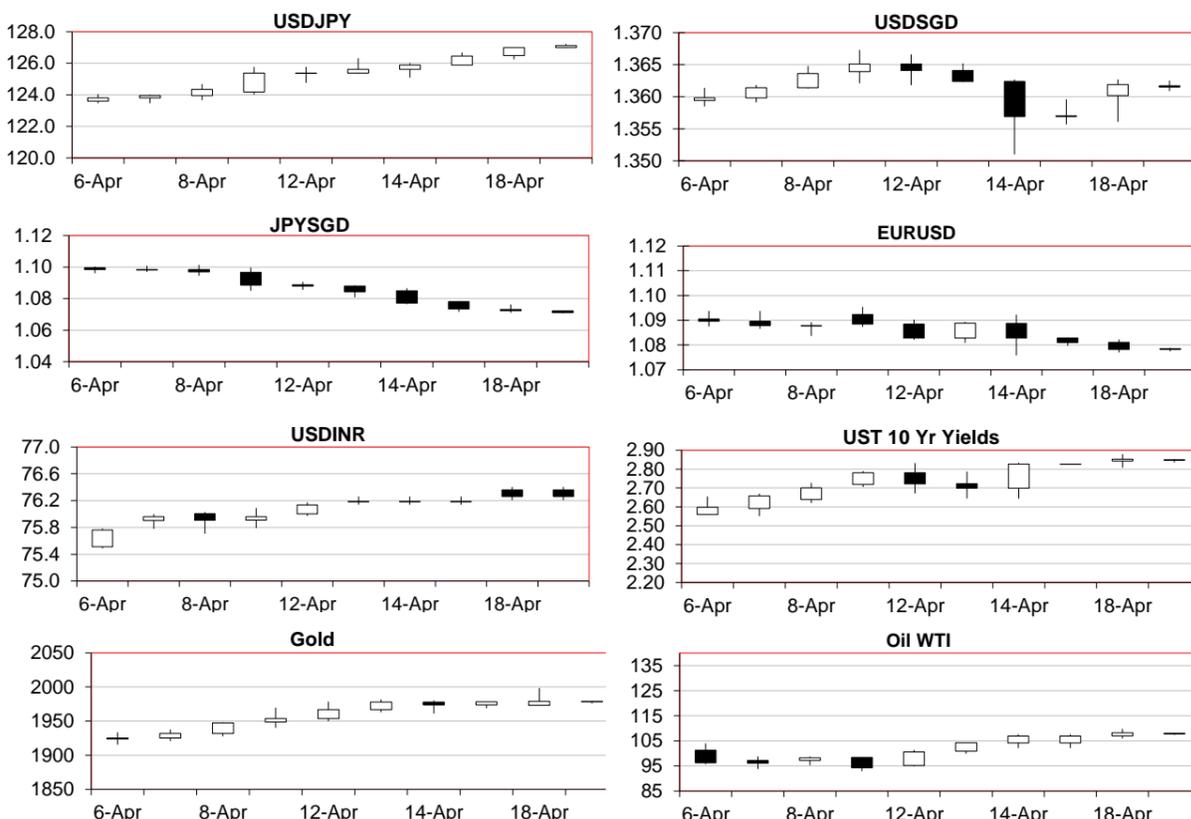
Bank Indonesia: Rising to the Challenge? Not Just Yet

- BI is expected to maintain its policy rate at 3.50% at its 19 April meeting; with Governor Perry Warjiyo indicating a preference in addressing the loose liquidity in the banking system before shifting gears to rate hikes.

OVERNIGHT RESULTS

(CH) GDP YoY (Q1): 4.8% (Mkt: 4.3%; Q4: 4.0%) | (CH) Fixed Assets Ex Rural YTD YoY (Mar): 9.3% (Mkt: 8.4%; Feb: 12.2%) | (CH) Industrial Production YoY (Mar): 5.0% (Mkt: 4%; Feb: 4.3%) | (CH) Retail Sales YoY (Mar): -3.5% (Mkt: -3.0%; Feb: 1.7%) | (ID) Trade Balance (Mar): USD4.5bn (Mkt: USD3.0bn; Feb: USD3.8bn) | (MA) Trade Balance (Mar): MYR26.7b (Mkt: MYR22.1b; Feb: MYR19.8b) | (IN) WPI YoY (Mar): 14.6% (Mkt: 13.3%; Feb: 13.1%) | (PH) Cash Remittances (Feb): 1.3% (Mkt: 3.6%; Jan: 2.5%)

* Past Two Weeks Movement *



- To that end, the Rupiah Reserve Requirement (RRR) hikes (announced in Jan) and implemented from Mar-Sep of a cumulative 300bp remain an important tool. For outright policy rate hikes, a pre-committed timeline by BI suggests that these will only commence from Q3.

- Given the volatile market and inflation backdrop, such pre-commitments expose BI to falling 'behind the curve' and exacerbating vulnerabilities around IDR and macrostability. The very same concerns that BI has repeatedly maintained that it will shield against.

- With domestic inflationary pressures on the rise, from higher retail fuel prices (for some categories of fuel), a VAT rise (effective from 1 April), potential electricity rate hikes and temporary food price increases on account of Ramadan and the Eid holidays, BI may be pushed to advance its rate hike timeline into Q2 (as is our base case). We expect that they may indicate as early as in today's meeting.

- The issue for BI is that the growth outlook is looking worse for wear as tailwinds from higher commodity prices fade. Notwithstanding, fewer social restrictions and the resumption of tourism activities will provide buffer enough to safeguard against a reversal of the nascent recovery.

- At any rate, BI's challenge is clear: it is biting the bullet on rate hikes against a backdrop of higher inflation, tighter global liquidity and unambiguously hawkish global central banks (MAS and BoK last week) while (ideally) keeping the nascent growth recovery intact.

- From the looks of it, BI still wants some runway to rise to the challenge. Even so, we assign a non-negligible 40% probability that BI will surprise with a 25bp hike at this meeting.

FX Daily Outlook

- EUR/USD: Russian-Ukraine conflict heating up again will see the pair stay below 1.08.
- USD/JPY: Consolidation around both sides of 127 as US yields attempt to stay elevated.
- USD/SGD: Building base around 1.36 as USD/Fed allure exceeds MAS tightening.
- AUD/USD: Rallies to 74 cents remain weak as domestic and external uncertainties abound.

TODAY'S EVENTS

(JP) Industrial Production YoY (Feb F): (Prelim: 0.2%) | (Central Banks): Bank Indonesia Policy Meeting | RBA Minutes

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