

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	127.99	128.43	+1.20	+0.57
EUR	1.0622	1.0557	▼0.0081	▼0.0296
AUD	0.7162	0.7126	+0.0003	▼0.0324
SGD	1.3790	1.3812	+0.0021	+0.0181
CNY	6.5569	6.5606	+0.0040	+0.1414
INR	76.63	76.53	▼0.05	+0.32
IDR	14428	14422	+11	+66
MYR	4.3603	4.3577	+0.0022	+0.0754
PHP	52.13	52.12	▼0.15	▼0.36
THB	34.36	34.32	+0.10	+0.56

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.832%	+11.1 bp	▼0.0 bp
JPY (10YR)	0.246%	+0.1 bp	▼0.7 bp
EUR* (10YR)	0.801%	▼1.4 bp	▼5.6 bp
AUD (5YR)	2.862%	▼1.6 bp	+6.5 bp
SGD (5YR)	2.383%	▼3.1 bp	▼3.6 bp
CNY (5YR)	2.614%	+1.1 bp	+0.6 bp
INR (5YR)	6.784%	+1.6 bp	+1.9 bp
IDR (5YR)	6.287%	▼1.4 bp	+24.0 bp
MYR (5YR)	3.900%	+0.3 bp	+17.1 bp
PHP (5YR)	5.227%	+0.9 bp	+11.7 bp
THB (5YR)	2.280%	▼3.5 bp	+23.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,301.93	+0.19%	▼5.29%
N225 (JP)	26,386.63	▼1.17%	▼3.05%
STOXX 50 (EU)	3,734.64	+0.36%	▼4.16%
ASX (AU)	4,121.70	+0.39%	▼2.70%
STI (SG)	3,320.67	▼0.04%	▼0.44%
SHCOMP (CN)	2,958.28	+2.49%	▼6.12%
SENSEX (IN)	56,819.39	▼0.94%	▼0.38%
JSE (ID)	7,196.76	▼0.49%	▼0.42%
KLSE (MY)	1,585.98	▼0.67%	▼0.49%
PSE (PH)	6,863.91	▼1.66%	▼3.90%
SET (TH)	1,661.89	▼0.42%	▼1.10%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	305.71	+1.01%	▲0.50%
COPPER (LME)	9,866.50	+0.03%	▲3.23%
IRON ORE (CN)	150.52	+0.09%	▲1.99%
GOLD	1,886.10	▲1.02%	▲3.66%
OIL (WTI)	102.02	+0.31%	▼0.71%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	127.27	EUR/USD	1.0644
USD/SGD	1.3781	USD/THB	34.29
JPY/SGD	1.0830	USD/MYR	4.355

Forecast

USD/JPY	127.20 - 129.40
EUR/USD	1.0500 - 1.0640
AUD/USD	0.7070 - 0.7230
USD/SGD	1.3750 - 1.3860
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.5680 - 6.6150
USD/INR	76.30 - 77.50
USD/IDR	14380 - 14550
USD/MYR	4.3480 - 4.3760
USD/PHP	52.00 - 52.60
USD/THB	34.20 - 34.55

Today's Direction

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

Does it Meta?

- US equities turned a corner to finish in positive territory, with futures up, as Meta stocks surged 18% on optimism about upside surprise in new users. But the real question is, whether this really matters for a durable turnaround in otherwise fraught global circumstances.
- Fact is volatility is still high, with the VIX index, also known as the "fear gauge" at 31.6.
- Even if not outright fear, the trepidation is hard to miss with on-going uncertainty from the war in Ukraine; which continues to threaten with more widespread economic pain.
- The most recent iteration of which is the gas supply suspension inflicted on Poland and Bulgaria by Russia triggering a spike in European gas prices; albeit "calming" to ~10% jump.
- This is temporary relief not a resolution. Although the consolation is that there is too much at stake for Russia and Europe (painful energy shock for the former and a crippling earnings shock for the latter) to allow a spiral into mutually assured economic destruction.
- So what matters is how a prolonged conflict will play out. And the lack of assurances about minimal pain has the EUR spiralling down to mid-1.05 as USD bulls reign supreme.
- Arguably, China's assertions of "all out" infrastructure stimulus could have lent to a sense of relief. But what matters is actual, coordinated and sufficiently emphatic boost; which is yet to be seen. Possibly why AUD (stuck at low-0.71) bulls could not exploit Q1 CPI out-run.
- USD/SGD has also popped above 1.38. And for USD/JPY up above 128, BoJ's stance matters!

What are the BoJ's Options?

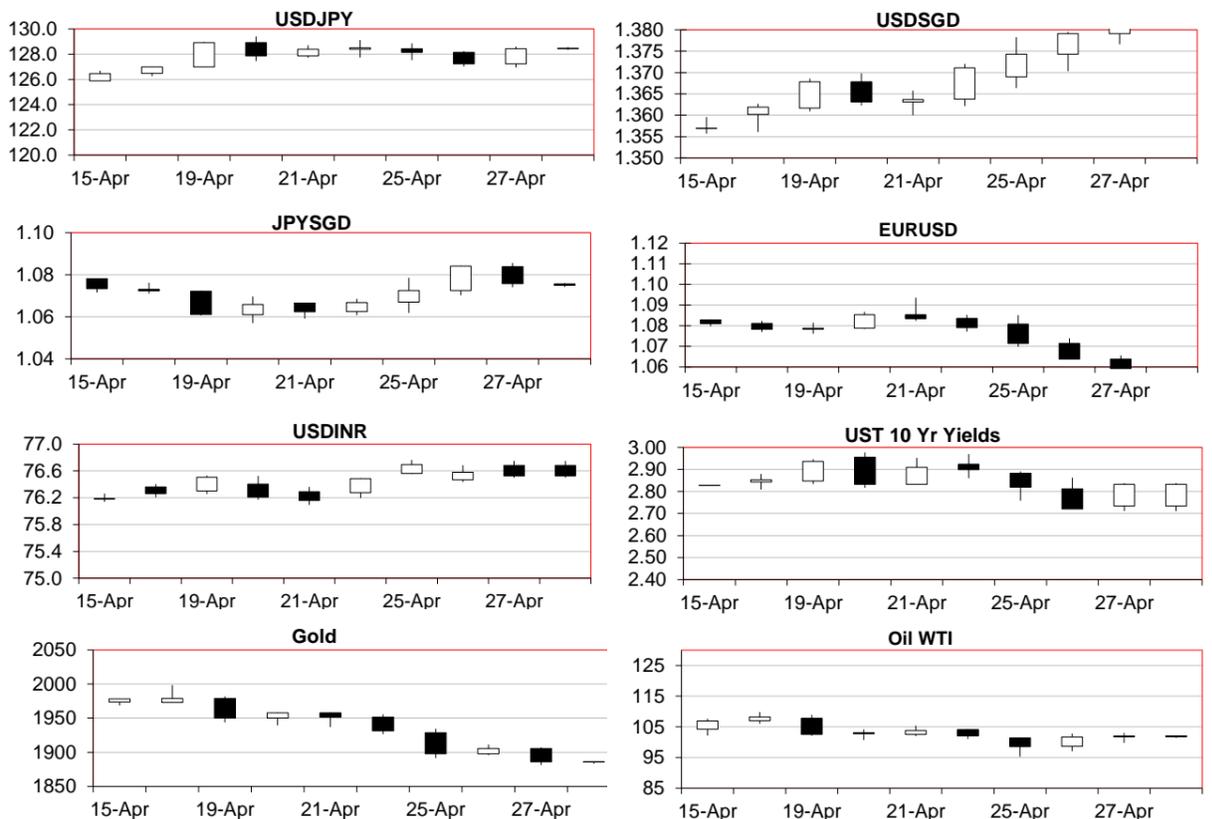
- The overwhelming consensus, it appears, is for the BoJ to sit on its hands at this juncture and reiterate that its commitment to policy accommodation is unwavering.
- But a sharply weaker JPY, from the stark policy divergence (from an aggressively hawkish Fed), is the inconvenient elephant in the room; revealing policy dilemma from the unintended consequence of JPY weakness amplifying pain from imported inflation.
- Fact is, with JPY plunging ~10% YTD (from ~115 to 128-129 levels) geo-political price shocks from sharply higher imported energy and wider commodities are amplified.

OVERNIGHT RESULTS

(AU) CPI/Trimmed Mean YoY (Q1): 5.1%/3.7% (Mkt: 4.6%/3.4%; Q4: 3.5%/2.6%)

(CH) Industrial Profits YTD YoY (Mar): 8.5% (Feb: 5.0%) | (US) Pending Homes Sales MoM (Mar): -1.2% (Mkt: -1.0%; Feb: -4.0%)

Past Two Weeks Movement



- Trouble is, this is not merely a one-dimensional threat to unmoor inflation expectations, but also poses the danger that demand will be depressed as a result of eroded spending power.
- The BoJ's clarification to this sharpened policy trade off is that cost shocks devoid of demand-pull inflation ought not to invoke policy normalization.
- But doing absolutely nothing may be increasingly uncomfortable and potentially untenable.
- Which begs the question of what exactly are the BoJ's (sub-optimal) options.
- Policy Rate: One tempting option is to restore 0% or marginally positive (0.10%) policy rate given negative rates have been more a bane than a blessing; inadvertently counter-productive to a sustained recovery. But such a "hike" this move will need to be complemented with nuanced yet clear messaging of a one-off calibration, not a hiking cycle.
- YCC: Expanding the YCC target range, albeit symmetrically (e.g. from -0.25% to +0.50%) to soften the impact from rising UST yields, but without inadvertently suggesting tightening.
- Another YCC option is to shift the existing target slightly to a shorter tenor or target a range of tenor. However policy efficacy may be compromised even if technical viability is not.
- JPY: To be sure, sustained and direct BoJ intervention is unlikely. Certainly not based on some "line in the sand" (although 130 USD/JPY appears to be a psychological worry).
- But the BoJ may be increasingly inclined to convey that overall monetary conditions (including weak JPY accommodation) will factor into calibrating QQE/YCC.
- All said, the BoJ has options consider. But unfortunately, no real solutions to seize upon.

FX Daily Outlook

- EUR/USD: Looks sets for 1.05-1.06 consolidation so long as gas supply concerns are stemmed.
- USD/JPY: Potential for volatility around BoJ; JPY could rebound on intervention risks.
- USD/SGD: Further CNY and EUR slippage could see 1.38-1.39 entrench.
- AUD/USD: Stuck at the soft side of 0.71-0.72 as bullish USD dominates and China risks linger.

TODAY'S EVENTS

(JP) Industrial Pdtm MoM (Mar P): 0.3% (Mkt: 0.5%; Feb: 2.0%) | (JP) Retail Sales MoM (Mar): 2.0% (Mkt: 1.0%; Feb: -0.9%)
 (SG) Unemployment Rate (Q1): (Mkt: 2.1%; Q4: 2.4%) | (TH) Manufacturing Pdtm YoY (Mar): (Mkt: 2.0%; Feb: 2.8%)
 (EZ) Consumer Confidence (Apr F): (Prelim: -16.9) | (US) GDP Annualized QoQ (Q1 A): (Mkt: 1.1%; Q4: 6.9%)
 (US) Personal Consumption QoQ (Q1 A): (Mkt: 3.5%; Q4: 2.5%) | (US) Kansas City Fed Mfg (Apr): (Mkt: 35; Mar: 37)
 (Central Banks): BoJ Policy Meeting | ECB's Guindos speaks | ECB Publishes Bulletin

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