

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.11	129.09	▼1.05	+0.66
EUR	1.0524	1.0622	+0.0101	+0.0065
AUD	0.7107	0.7260	+0.0164	+0.0134
SGD	1.3828	1.3742	▼0.0101	▼0.0070
CNY	6.6085	6.6085	+0.0000	+0.0479
INR	76.42	76.42	▼0.09	▼0.11
IDR	14460	14497	+0	+75
MYR	4.3537	4.3538	+0.0000	▼0.0039
PHP	52.50	52.50	+0.12	+0.38
THB	34.35	34.51	+0.00	+0.19

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.934%	▼3.7 bp	+10.3 bp
JPY (10YR)	0.231%	+0.0 bp	▼1.5 bp
EUR* (10YR)	0.971%	+0.6 bp	+17.0 bp
AUD (5YR)	3.306%	+10.9 bp	+44.4 bp
SGD (5YR)	2.491%	+9.4 bp	+10.8 bp
CNY (5YR)	2.637%	+0.0 bp	+2.3 bp
INR (5YR)	7.137%	+31.4 bp	+35.3 bp
IDR (5YR)	6.322%	+0.0 bp	+3.5 bp
MYR (5YR)	3.908%	+0.0 bp	+0.8 bp
PHP (5YR)	5.086%	▼0.8 bp	▼14.1 bp
THB (5YR)	2.386%	+0.0 bp	+10.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,061.06	+2.81%	+2.28%
N225 (JP)	26,818.53	+0.00%	+1.64%
STOXX 50 (EU)	3,724.99	▼0.96%	▼0.26%
ASX (AU)	4,146.05	▼0.97%	+0.59%
STI (SG)	3,349.27	▼0.23%	+0.86%
SHCOMP (CN)	3,047.06	+0.00%	+3.00%
SENSEX (IN)	55,669.03	▼2.29%	▼2.02%
JSE (ID)	7,228.91	+0.00%	+0.45%
KLSE (MY)	1,600.43	+0.00%	+0.91%
PSE (PH)	6,802.73	+1.21%	▼0.89%
SET (TH)	1,652.29	+0.00%	▼0.58%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	314.27	+2.44%	+2.80%
COPPER (LME)	9,468.00	+0.66%	▲4.04%
IRON ORE (CN)	142.80	▲5.29%	▲5.13%
GOLD	1,881.22	+0.70%	▲0.26%
OIL (WTI)	107.81	+5.27%	+5.68%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	129.23	EUR/USD	1.0621
USD/SGD	1.3743	USD/THB	34.06
JPY/SGD	1.0635	USD/MYR	4.353

Forecast

USD/JPY	128.30 - 130.80
EUR/USD	1.0480 - 1.0640
AUD/USD	0.7030 - 0.7280
USD/SGD	1.3720 - 1.3900
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.6190 - 6.6950
USD/INR	76.00 - 77.00
USD/IDR	14400 - 14600
USD/MYR	4.3200 - 4.3750
USD/PHP	52.00 - 52.90
USD/THB	34.00 - 35.00

Today's Direction

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

Fed to Go With 50bp At A Go But Not More

- It was the push back on a 75bp hike from the US Fed Chair Powell that set the market rally in motion: US equities closed higher (S&P: +3.0%; NASDAQ: +3.2%; Dow Jones: +2.8%); USTs rallied with yields on the 2-yr falling from 2.8% to 2.65% levels; and the DXY index gave up some recent gains.

- The market reaction, mainly underscoring a repricing from the aggressive rate hikes built in, does not take away from the hawkish Fed intentions.

- Our view of a 'Kokomo Fed' (getting there faster and then slowing down) was validated with Powell stating that 50bp hikes at the next two meetings were likely before scaling back to a quantum of 25bp at subsequent meetings until inflation showed signs of cooling.

- In terms of the balance sheet, the holding of Treasuries and MBS will be reduced by a combined pace of USD47.5bn in June, before ramping up to USD95bn over three months.

- Powell conceded that "there may be some pain associated" with controlling inflation.

- Cutting it in most ways, the current market rally especially for FX (G10 and EM Asia) looks to be short-lived, with global central banks joining in the rate hiking band wagon.

- The most recent to jump on that wagon is the Reserve Bank of India.

RBI Bites the Rate Hike Bullet

- In an off-cycle move yesterday (4th May), the RBI hiked the policy repo rate by 40bps to 4.40% alongside a 50bps lift in the cash reserve requirement (CRR) to 4.50%.

- In tandem with the 40bp repo hike, the standing deposit facility (SDF) has been lifted to 4.15% and the marginal standing facility (MSF) is bumped up to 4.65%.

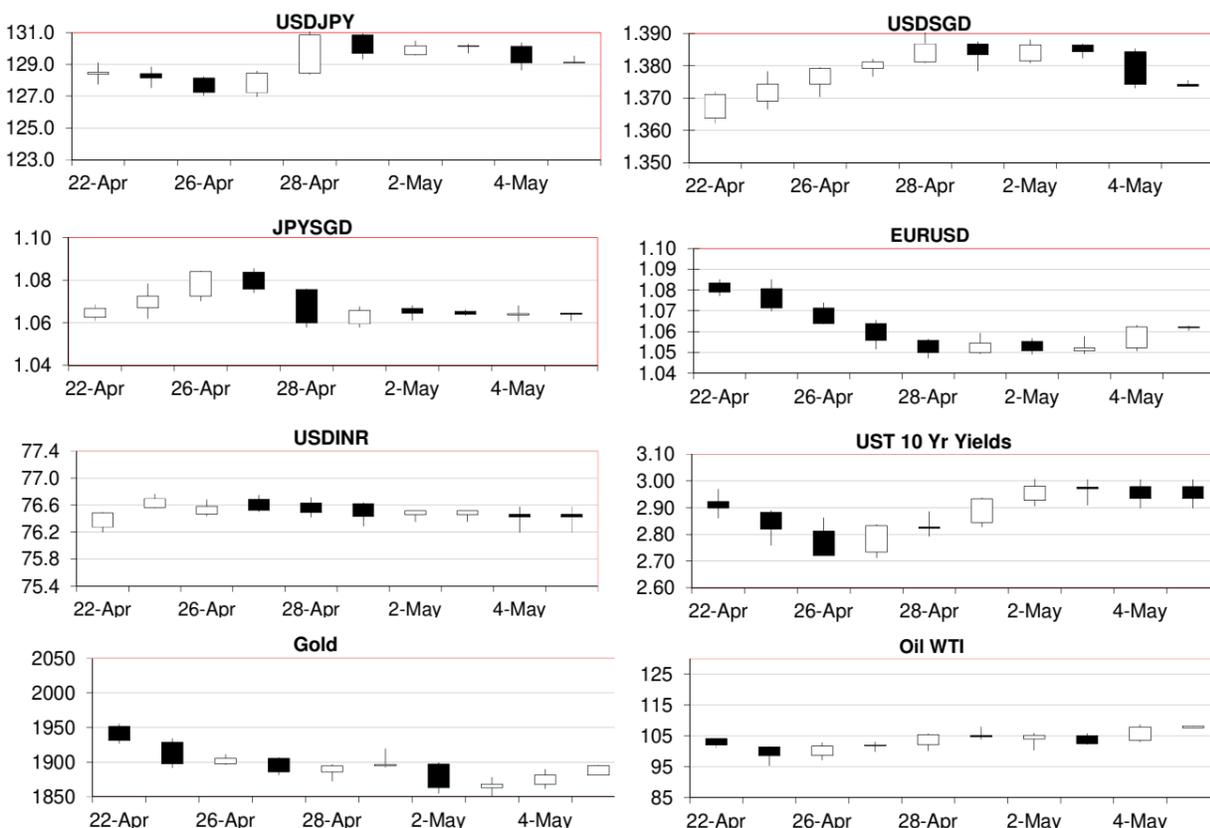
- This is an unequivocal hawkish shift compared to April, when the RBI equivocated. Especially as the RBI braces for "volatility spillovers" set to emerge from an aggressively hawkish Fed.

OVERNIGHT RESULTS

(Central Banks) FOMC decided to hike by 50bp; RBI hiked the repo rate by 40bp and CRR by 50bp

(AU) Retail Sales MoM (Mar): 1.6% (Mkt: 0.5%; Feb: 1.8%) | (AU) Retail Sales Ex-Inflation QoQ (Q1): (Mkt: 1.0%; Q4: 8.2%)

(SG) PMI - Mfg/Electronics (Apr): 50.3/50.7 (Mkt: 50.0/-; Mar: 50.1/50.4) | (EZ) PMI-Services/Composite (Apr F): 57.7/55.8 (Prelim: Mar: 57.7/55.8) | (EZ) Retail Sales MoM (Mar): -0.4% (Mkt: -0.3%; Feb: 0.4%) | (US) ADP Emp. Chg (Apr): 247K (Mkt: 383K; Mar: 455K) | (US) ISM Services (Apr): 57.1 (Mkt: 58.5; Mar: 58.3) | (US) Trade Balance (Mar): -\$109.8B (Mkt: -\$107.1b; Feb: -\$89.2b)

*** Past Two Weeks Movement ***


- The upshot is that while policy setting may remain accommodative as of this point, identifying inflation as the greater risk alongside mounting external threats to macro-stability, means that policy will most likely have to be tightened significantly more in coming months.

- We expect another 110bp of tightening to 5.50% by year-end as our base case; as the RBI looks to adopt the path of least pain rather than an unbridled hawkish charge.

Philippines: April CPI To Justify June Hike?

- Following BSP Governor Diokno's recent comment, that a rate hike in June was on the table, April CPI is now under scrutiny; to assess if it is the catalyst. We expect headline CPI accelerated from 4.0% in March (Mizuho: 4.3%), breaching BSP's 2-4% inflation target.

- This breach has occurred before and was not enough to move the needle for BSP. The difference this time will be fast building signs of second-round effects manifesting in higher core inflation and inflation expectations.

- A solid Q1 GDP print, of "around 6-7%" according to Governor Diokno, will corroborate economic momentum able to withstand gradual normalization policy.

- After emphatically stating that rate hikes would be considered only in H2 2022 (and initially only in Q4), the Governor's latest statements mark an obvious shift in tone to hawkish.

- This shift is something we had expected, given the gamut of factors weighing against BSP's previously more neutral tone, including building domestic and global price pressures, an overtly hawkish US Fed and a depreciating currency (PHP).

- We remain comfortable with our forecast for a cumulative 75bp in rate hikes this year.

- The risk is now for BSP to do more in terms of rate hikes and not less. This, however, will be data dependent with sharp upside surprises on growth and inflation being the main triggers.

FX Daily Outlook

- EUR/USD: Holding above 1.06 unlikely on geopolitics, high commodity prices and rising inflation.

- USD/JPY: UST yield dip providing some respite to JPY; but no fundamental catalyst to sustain.

- USD/SGD: 1.37 levels on the cards but weakness in CNY/CNH may dampen.

- AUD/USD: Mid-72 levels supported by hawkish RBA and repricing of Fed expectations.

TODAY'S EVENTS

(CH) Caixin China PMI Services (Apr): (Mkt: 41; Mar: 42) | (SG) Retail Sales/Ex Auto YoY (Mar): (Feb: -3.4%/-1.8%) | (AU) Trade Balance (Mar): (Mar: A\$7.5b) | (TH) CPI/Core YoY (Apr): (Mkt: 4.7%/2.0%; Mar: 5.7%/2.0%) | (PH) CPI YoY (Apr): (Mkt: 4.5%; Mar: 4.0%) | (US) Initial Jobless Claims (30 Apr): (Prev: 180k)

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