

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	129.68	129.16	+0.07	▼1.69
EUR	1.0599	1.0622	+0.0000	+0.0123
AUD	0.7226	0.7252	▼0.0008	+0.0155
SGD	1.3777	1.3739	▼0.0003	▼0.0129
CNY	6.6183	6.6085	+0.0000	▼0.0181
INR	76.22	76.42	+0.00	▼0.07
IDR	14414	14497	+0	+0
MYR	4.3465	4.3450	▼0.0088	▼0.0193
PHP	52.40	52.50	+0.00	+0.24
THB	34.13	34.51	+0.00	+0.05

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.934%	+0.0 bp	+11.2 bp
JPY (10YR)	0.231%	+0.0 bp	+0.1 bp
EUR* (10YR)	0.971%	+0.0 bp	+7.1 bp
AUD (5YR)	3.162%	▼14.4 bp	+30.2 bp
SGD (5YR)	2.491%	+0.0 bp	+9.1 bp
CNY (5YR)	2.637%	+0.0 bp	+0.1 bp
INR (5YR)	7.137%	+0.0 bp	+30.8 bp
IDR (5YR)	6.322%	+0.0 bp	+0.0 bp
MYR (5YR)	3.908%	+0.0 bp	▼0.8 bp
PHP (5YR)	5.086%	+0.0 bp	▼14.5 bp
THB (5YR)	2.386%	+0.0 bp	+10.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,061.06	+0.00%	+0.43%
N225 (JP)	26,818.53	+0.00%	▼0.11%
STOXX 50 (EU)	3,724.99	+0.00%	▼1.38%
ASX (AU)	4,146.05	+0.00%	▼0.48%
STI (SG)	3,349.27	+0.00%	+0.43%
SHCOMP (CN)	3,047.06	+0.00%	+2.41%
SENSEX (IN)	55,669.03	+0.00%	▼3.22%
JSE (ID)	7,228.91	+0.00%	+0.00%
KLSE (MY)	1,600.43	+0.00%	+0.20%
PSE (PH)	6,802.73	+0.00%	▼1.54%
SET (TH)	1,652.29	+0.00%	▼0.93%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	314.27	+0.00%	+2.03%
COPPER (LME)	9,468.00	+0.00%	▲2.35%
IRON ORE (CN)	141.50	▲0.91%	▲6.05%
GOLD	1,895.39	+0.75%	+0.05%
OIL (WTI)	108.20	+0.36%	+2.70%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	130.32	EUR/USD	1.0540
USD/SGD	1.3844	USD/THB	34.31
JPY/SGD	1.0623	USD/MYR	4.351

Forecast

USD/JPY	128.30 - 131.00
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 Force

- Initial relief from asset markets has quickly given way to the hawkish tightening tendencies as the **Fed's force is certainly still strong and looks to remain so**.

- Equities plunged deep as the Nasdaq sank 5% with rich tech valuations increasingly corrected while the S&P500 and Dow dropped 3.6% and 3.1% respectively.

- US treasuries were also battered as 10Y yields surged 10.2bps to head above 3% again while the 2Y yields rose 6.1bp; while the yield curve steepening alludes to QT worries, there will be no comfort (and should not be) from the lack of 'inversion' as growth worries continue to mount.

- While the BoE hiked rates by 25bps and projected that a **technical** recession will be avoided, their **admission** of an output **contraction** in Q4 22 will send chills globally as central bankers contemplate the suffocating trade-off between growth and inflation.

- For now, **USD remains the force to be reckoned with** as G10 currencies were sent lower on rising US yields and hawkish Fed path. NOK's 2.4% decline led losses and **contrasted policy convergence action relative to signalling** (as Norges Bank stood pat but flagged rate raises next month).

- Without policy convergence, USD/JPY was lifted above 130 and looks to stay buoyant.

- EUR declined below mid-1.05 as mere hiking discussions from known ECB hawks such as Holzmann could not provide impetus for EUR bulls against dovish Panetta's stagnating growth warnings.

- Similarly, AUD cratered to below 0.71 as rising energy prices and RBA's policy tightening proved no match for the Fed's twin forces of hikes and QT. Elsewhere, USD/SGD also pushed towards mid-1.38.

- Given **actions being louder (and more forceful) than words**, EM-Asia currencies, economies and central banks are increasingly being put in a precarious position.

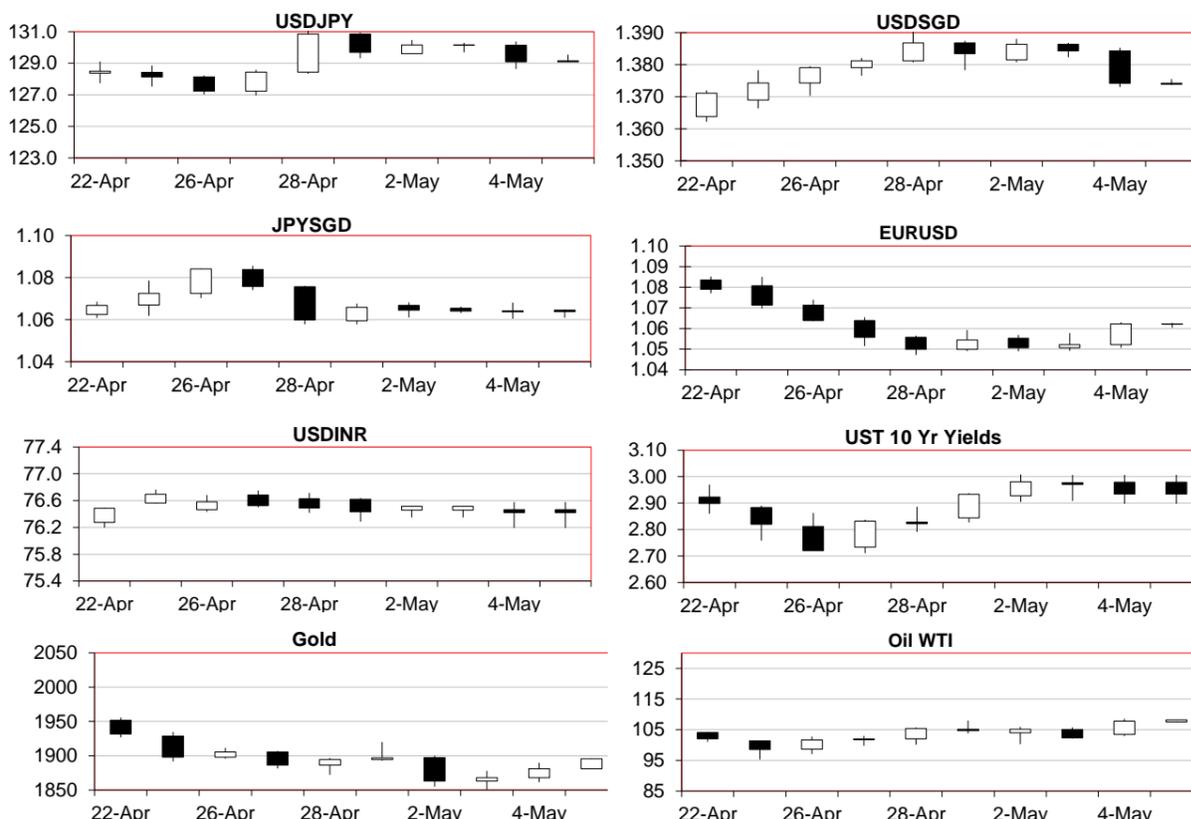
Thailand CPI: Elevated and Persistent Worries

- April headline inflation has printed at 4.7% YoY, a step down from 5.7% in March, in part due to **favourable base effects** while food prices rose and transportation cost remain elevated.

- Rising **global food prices and diesel price ceiling's gradual rise** will edge Q2 inflation higher.

OVERNIGHT RESULTS

(CH) Caixin China PMI Services (Apr): 36.2 (Mkt: 41; Mar: 42) | (SG) Retail Sales/Ex Auto YoY (Mar): 8.7%/13.4% (Feb: -3.4%/-1.8%) | (AU) Trade Balance (Mar): A\$9.3b (Mar: A\$7.5b) | (TH) CPI/Core YoY (Apr): 4.7%/2.0% (Mkt: 4.8%/2.0%; Mar: 5.7%/2.0%) | (PH) CPI YoY (Apr): 4.9% (Mkt: 4.5%; Mar: 4.0%) | (US) Initial Jobless Claims (30 Apr): 200k (Prev: 180k)

*** Past Two Weeks Movement ***


- **Core inflation persisting at 2% YoY** underlies the simmering price pressures. The issue of **persistence being that adaptive expectations** (behaviour based on past expectations) will increasingly nudge and anchor household's inflation expectations higher and challenge the BoT.

- In addition, with headline inflation target at 1-3%, BoT's assessment of **headline inflation averaging 4.1% over the next 12 months** necessitated their **earlier open letter to the MoF**.

- In which, the BoT reinforced its view that **higher headline inflation was attributable to supply side factors** such as the surge in global energy, feed, fertilizer prices and the swine flu.

- Essentially, the **letter stuck to a dovish disposition** on an absence of demand side pressures, anchored inflation expectations with **no signs of second round effects** and continued emphasis on **supporting economic growth over price stability and financial stability**.

- Interestingly, allusion to monetary policy "**transmission lag of at least one year**" was framed as justification for looking through temporary supply-side pressures. But growth recovery further out means this "**transmission lag**" cuts both ways; leaving policy open-ended.

- Notably, "**lags**" require **immediate, pre-emptive response to address "second round" hints**.

- While economic recovery is incomplete, **GDP will head above pre-COVID by H2 2022** using BoT's estimate; validating our base case for a **gentle start to normalisation in Q3**.

- Such a **calibrated approach to normalisation** is mindful of debt servicing burdens of (households and corporates) amid expiring fiscal buffers (e.g. diesel price ceiling) that may have far-reaching impact; yet wary of financial stability and imported inflation challenges from THB drop.

FX Daily Outlook

- EUR/USD: Testing 1.06 to remain weak as growth concerns mount and policy differentials.

- USD/JPY: Higher US yields look to sustain the pair above 130.

- USD/SGD: Consolidation above 1.38 as regional peers look to cede ground to USD.

- AUD/USD: Pair may find base at 0.71 though likely dips towards 0.70 on China concerns.

TODAY'S EVENTS

(PH) Trade Balance (Mar): (Mkt: -\$4433m; Feb: -\$3529m) | (PH) Unemployment Rate (Mar): (Feb: 6.4%)
 (US) Change in Non-farm Payrolls (Apr): (Mkt: 380k; Mar: 431k) | (US) Unemployment Rate (Apr): (Mkt: 3.5%; Mar: 3.6%)
 (Central Banks): ECB's Villeroy and Rehn Speaks

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