

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.35	130.45	+0.16	+0.31
EUR	1.0563	1.0529	▼0.0032	+0.0008
AUD	0.6944	0.6938	▼0.0014	▼0.0158
SGD	1.3902	1.3908	+0.0001	+0.0065
CNY	6.7252	6.7347	+0.0039	+0.1262
INR	77.39	77.32	▼0.14	+0.80
IDR	14554	14557	▼1	+60
MYR	4.3833	4.3828	▼0.0017	+0.0290
PHP	52.38	52.38	▼0.12	+0.01
THB	34.58	34.54	▼0.07	+0.03

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	2.991%	▼4.3 bp	+2.0 bp
JPY (10YR)	0.247%	▼0.1 bp	+1.6 bp
EUR* (10YR)	1.000%	▼9.5 bp	+3.5 bp
AUD (5YR)	3.220%	▼3.3 bp	+2.3 bp
SGD (5YR)	2.668%	▼4.0 bp	+27.1 bp
CNY (5YR)	2.569%	▼2.7 bp	▼6.8 bp
INR (5YR)	7.175%	▼9.8 bp	+35.2 bp
IDR (5YR)	6.792%	+19.8 bp	+47.0 bp
MYR (5YR)	4.120%	▼3.4 bp	+21.2 bp
PHP (5YR)	5.405%	+12.5 bp	+31.1 bp
THB (5YR)	2.722%	+5.7 bp	+33.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,160.74	▼0.26%	▼2.92%
N225 (JP)	26,167.10	▼0.58%	▼2.43%
STOXX 50 (EU)	3,554.80	+0.79%	▼5.49%
ASX (AU)	4,002.22	+0.36%	▼4.41%
STI (SG)	3,234.19	▼1.25%	▼3.66%
SHCOMP (CN)	3,035.84	+1.06%	▼0.37%
SENSEX (IN)	54,364.85	▼0.19%	▼4.58%
JSE (ID)	6,819.79	▼1.30%	▼5.66%
KLSE (MY)	1,554.58	+0.35%	▼2.86%
PSE (PH)	6,720.93	▼0.58%	▼0.00%
SET (TH)	1,622.78	+1.14%	▼1.79%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	297.09	▲0.79%	▲3.16%
COPPER (LME)	9,235.75	▲0.05%	▲1.81%
IRON ORE (CN)	130.27	▲1.30%	▲13.60%
GOLD	1,838.27	▲0.86%	▲1.60%
OIL (WTI)	99.76	▼3.23%	▼2.59%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	130.36	EUR/USD	1.0530
USD/SGD	1.3913	USD/THB	34.65
JPY/SGD	1.0673	USD/MYR	4.383

Forecast

USD/JPY	129.30 - 131.60
EUR/USD	1.0470 - 1.0640
AUD/USD	0.6880 - 0.7060
USD/SGD	1.3860 - 1.3970
JPY/SGD	1.1641 - 1.1851
USD/CNH	6.7000 - 6.8030
USD/INR	76.80 - 77.90
USD/IDR	14500 - 14650
USD/MYR	4.3650 - 4.4000
USD/PHP	52.25 - 52.80
USD/THB	34.40 - 34.80

Today's Direction

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

Some Reprieve

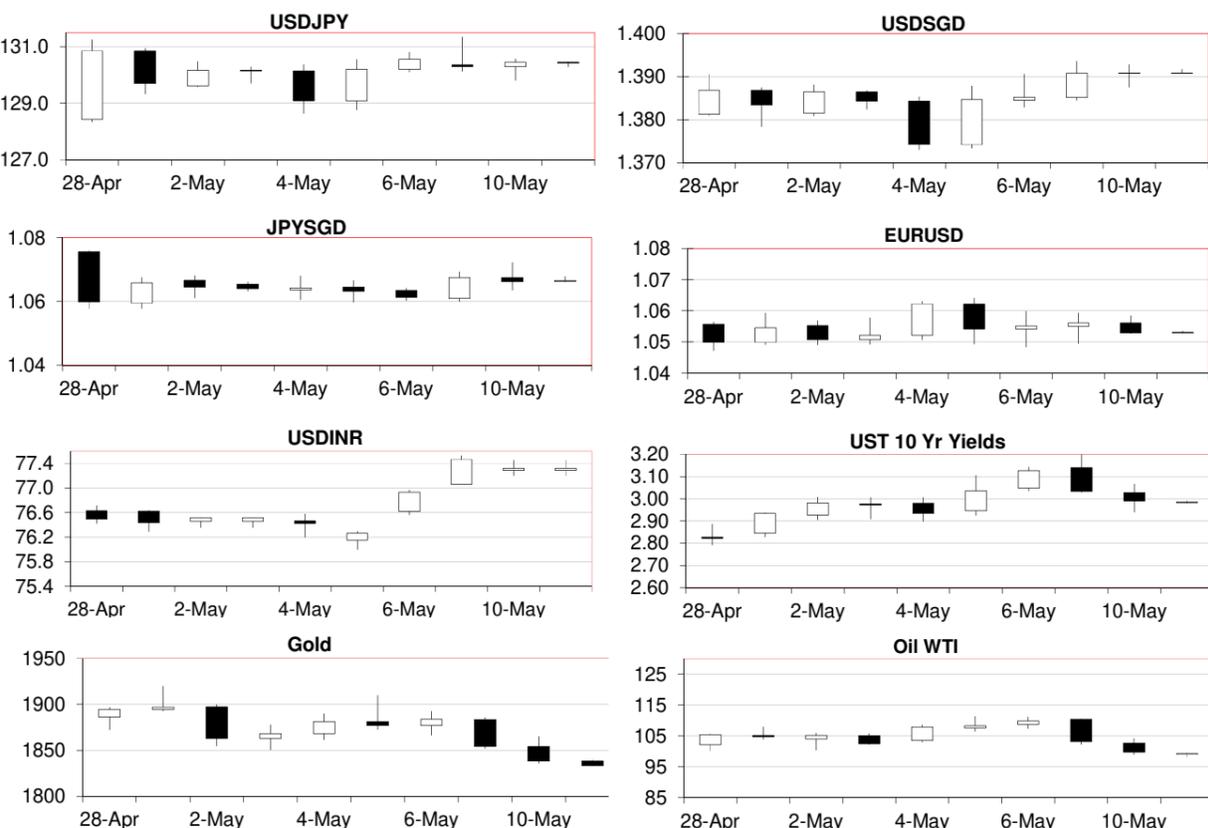
- US equities (S&P500: +0.3%; NASDAQ: +1.0%; Dow Jones: -0.3%) ending relatively flat, even if uneven across indices, would be considered an achievement in these wildly volatile times.
- But to stay this will last is a long shot. Lorreta Mester's comment on not ruling out a 75bp "forever" sent short-end yields higher while longer-end yields moderated leading the UST yield curve to flatten.
- The moderation in longer-term UST yields provided some reprieve for USD/JPY hovering at 130.3 levels but with the strong USD bias sustained most G10 currencies were under pressure.
- Specifically, AUD/USD dropped below 0.695 while EUR/USD was shy of 1.052 levels.
- EUR may come under renewed pressure as the operation of an important gas pipeline in Ukraine through which Russian gas flows into Europe could be disrupted.
- This will also put pressure on natural gas prices and mounting concerns around elevated global inflation. To this end, the April US CPI print, releasing tonight, will be watched closely.
- Another indication of global inflation will be China's April PPI/CPI release this morning.
- Elsewhere in EM Asia, PHP and the equity market sold-off in a knee-jerk reaction to "Bongbong" Marcos winning the Presidential elections; both regained lost ground before close.
- KRW and CNY remained under pressure with IDR, INR and THB trading choppy.
- Gains in MYR were also muted ahead of BNM's meeting today, where we expect an out-of-consensus 25bp rate hike.

Bank Negara Malaysia: Time For Lift-Off

- For BNM, we believe it is a coin toss between initiating rate hikes at its 11 May meeting or 6 July meeting. We expect the scales to tip in favour of the earlier meeting.
- The US Fed's aggressive rate hiking calendar suggests that by June it would have hiked its policy rate by another 50bp, adding to 75bp from March to May, significantly narrowing Malaysia's interest rate differentials to the US.

OVERNIGHT RESULTS

(AU) Retail Sales Ex-Inflation QoQ (Q1): 1.2% (Mkt: 1.0%; Q4: 8.2%) | (TH) Consumer Confidence Economic (Apr): 34.6 (Mar: 35.9) | (MY) Industrial Pdn YoY (Mar): 5.1% (Mkt: 4.8%; Feb: 3.9%) | (GE) ZEW Survey (May): -34.3 (Mkt: -43.5; Apr: -41.0) | (Central Banks): Fed's Williams & Barkin speak | ECB's Villeroy speaks

*** Past Two Weeks Movement ***


- This exposes Malaysia to volatile capital outflows and MYR depreciation. Indeed, MYR has already depreciated more than regional peers against the USD since the Fed started its rate hiking cycle in March. The depreciation is also apparent in REER terms.
- Although the current account surplus mitigates macro stability risks, currency depreciation considerations, particularly in light of tightening global liquidity will be of concern to BNM.
- Furthermore, economic growth is poised to accelerate in Q2 and Q3 as the benefit from higher global commodity prices coincides with a further easing of social restrictions and the re-opening of borders ushering much needed tourist arrivals.
- Palm oil exports may get an additional boost as importers such as India and China look to substitute Indonesia's palm oil supply with its Malaysian counterpart.
- Additionally, government revenues will benefit from higher global commodity prices, providing some fiscal buffer to support the economic recovery, if necessary.
- These factors collectively will give BNM enough confidence that the economic recovery will be able to withstand tighter domestic monetary policy.
- Importantly, we believe BNM will not defer to headline inflation, which has eased in recent months largely on base effects and suppressed price pressures from fuel and food subsidies.
- Instead, it will largely focus on core inflation pressures, which have been building recently.
- As such, we expect BNM would prefer to start the process of raising rates sooner and cumulatively raise rates by 75bp this year.

FX Daily Outlook

- EUR/USD: Traction above 1.05 contingent on US CPI tonight being sufficiently low.
- USD/JPY: Decline in long term UST yields dampening trades for now; upside bias remains.
- USD/SGD: Consolidation around low-1.39 as EUR and CNH cues are watched carefully.
- AUD/USD: USD strength and softer oil to weigh on pair; watch 0.69.

TODAY'S EVENTS

(CH) PPI/CPI YoY (Apr): (Mkt: 7.8%/1.8%; Mar: 8.3%/1.5%) | (KR) Unemployment rate SA (Apr): (Mar: 2.7%) | (US) CPI YoY/MoM (Apr): (Mkt: 8.1%/0.2%; Mar: 8.5%/1.2%) | (US) CPI Ex Food & Energy YoY/MoM (Apr): (Mkt: 6.0%/0.4%; Mar: 6.5%/1.2%) | (JP) BoP Current Account Balance (Mar): (Mkt: ¥1764.8b; Feb: ¥1648.3b) | (JP) Eco Watchers Outlook SA/Current SA (Apr): (Mkt: 51.0/51.0; Mar: 50.1/47.8) | (Central Banks): Bank Negara Malaysia

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