

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	133.33	134.16	+1.00	+2.76
EUR	1.0710	1.0689	▼0.0049	▼0.0023
AUD	0.6905	0.6903	▼0.0083	▼0.0022
SGD	1.3346	1.3359	+0.0075	+0.0098
CNY	6.8461	6.8550	+0.0271	+0.0629
INR	82.81	82.80	+0.04	+0.31
IDR	15203	15204	+44	+104
MYR	4.3907	4.3923	+0.0451	+0.0940
PHP	55.18	55.19	+0.33	+0.37
THB	34.25	34.31	+0.51	+0.84

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.805%	+6.1 bp	+19.5 bp
JPY (10YR)	0.507%	▼0.3 bp	+0.7 bp
EUR* (10YR)	2.475%	+3.7 bp	+11.2 bp
AUD (5YR)	3.544%	+0.5 bp	+17.0 bp
SGD (5YR)	3.041%	+6.4 bp	+18.0 bp
CNY (5YR)	2.682%	+0.0 bp	▼0.9 bp
INR (5YR)	7.292%	▼2.4 bp	+5.6 bp
IDR (5YR)	6.423%	+1.3 bp	+6.3 bp
MYR (5YR)	3.617%	+2.6 bp	+12.2 bp
PHP (5YR)	5.931%	▼4.9 bp	▼13.4 bp
THB (5YR)	2.140%	+2.4 bp	+7.6 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,128.05	+0.11%	+0.53%
N225 (JP)	27,501.86	▼0.37%	▼0.38%
STOXX 50 (EU)	4,280.04	+0.97%	+1.68%
ASX (AU)	4,369.80	+0.57%	+1.09%
STI (SG)	3,280.82	▼1.13%	▼3.18%
SHCOMP (CN)	3,280.49	▼0.39%	+1.50%
SENSEX (IN)	61,275.09	+0.40%	+1.01%
JSE (ID)	6,914.54	▼0.39%	▼0.37%
KLSE (MY)	1,488.19	+0.28%	+1.19%
PSE (PH)	6,822.09	+0.45%	▼1.46%
SET (TH)	1,647.39	▼0.32%	▼1.37%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.38	▲1.16%	▲0.20%
COPPER (LME)	8,826.75	▲1.06%	▲0.42%
IRON ORE (CN)	124.42	+0.30%	+1.40%
GOLD	1,836.01	▲0.99%	▲2.11%
OIL (WTI)	78.59	▼0.59%	+0.15%

**Three Take-aways:**

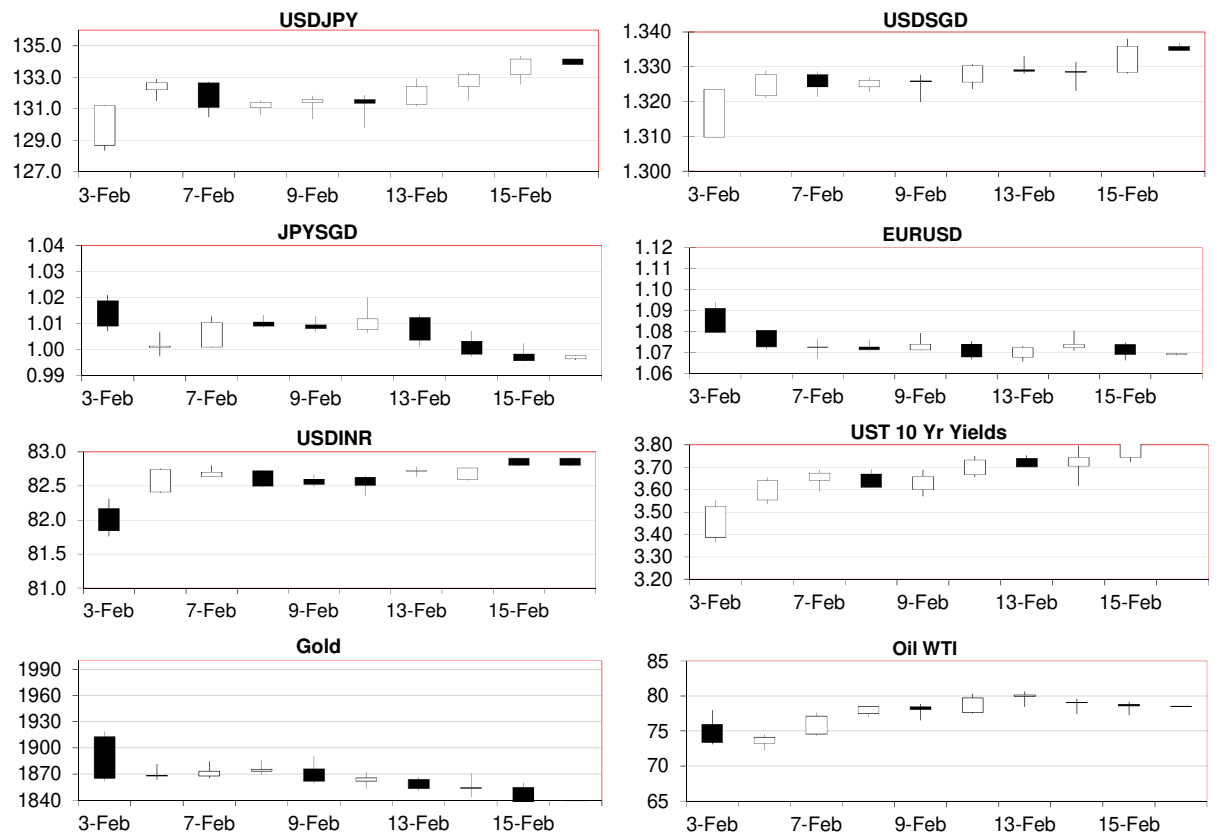
- Recent US data has shown that the Fed still has its task cut out;
- Vindicating the Fed's "higher for longer" rates, markets gradually converging on the Fed's view.
- BI and BSP will diverge in rate action today; BSP hike by 50bp while BI stays on hold.

**Consumer Resilience, Market Deference**

- Recent US data has shown that the Fed still has its task cut out. The rise in January CPI on a MoM basis underscored the persistence of inflation while the jump in retail sales (3% MoM in January from -1.1% in December) reflects the resilience of the consumer.
- Businesses are also more upbeat as suggested by the improvement in the Empire State index on current business conditions rising to -5.8 in February from -32.9 in January.
- These have vindicated the Fed's insistence around "higher for longer" rates, with markets gradually converging on the Fed's view.
- The move higher in the DXY index and UST yields, as seen on Wednesday, seems like a logical reaction to this expectation realignment;
- while the whipsawing of equities (to end marginally higher) underscores the volatility associated with the process.
- JPY is bearing the brunt of the volatility, with USD/JPY hitting up against 134-134.5 levels; at the other end, hawkish statements from ECB President Lagarde has supported EUR/USD but the risks are to the downside.
- For EM Asia FX, the risk is uniformly one way for a weaker local currency. KRW has been hit hard followed by THB, MYR and PHP; mobilising the already embattled Bangko Sentral ng Pilipinas.
- CNY/CNH are faced with their own internal battles as the effect of re-opening is stacked up against the structural constraints weighing down on growth.
- IDR, SGD and INR have contained losses versus USD; for Bank Indonesia, this may be reason enough to eke out a pause at its meeting today (more below).

**OVERNIGHT RESULTS**

(ID) Trade Balance (Jan): \$3870m (Mkt: \$3250m; Dec:\$3890m) | (EZ) Industrial Production WDA YoY (Dec): -1.7% (Mkt: -0.7%; Nov: 2.0%) | (US) Industrial Production MoM (Jan): 0.0% (Mkt: 0.5%; Dec: -0.7%) | (US) Retail sales Advance MoM/Ex Auto and Gas (Jan):3.0%/2.6% (Mkt: 2.0%/0.9%; Dec: -1.1%/-0.7%) | (US) Empire Manufacturing (Feb): -5.8 (Mkt: -18.0; Jan: -32.9)

**\* Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	133.92	EUR/USD	1.0692
USD/SGD	1.3355	USD/THB	34.29
JPY/SGD	0.9972	USD/MYR	4.418

**Forecast**

USD/JPY	133.00 - 134.60
EUR/USD	1.0640 - 1.0800
AUD/USD	0.6860 - 0.7040
USD/SGD	1.3240 - 1.3370
JPY/SGD	0.9837 - 1.0053
USD/CNH	6.8400 - 6.8700
USD/INR	82.40 - 83.00
USD/IDR	15100 - 15300
USD/MYR	4.350 - 4.450
USD/PHP	54.40 - 55.80
USD/THB	33.60 - 34.70

**Today's Direction**

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

**BSP & BI: Justified Divergence**

- Divergent inflation trajectories set up for divergent policy actions by BSP and BI.
- For BSP, the jump in headline CPI to 8.7% YoY in Jan (Dec: 8.1%) suggests the Philippines is dealing with far stickier inflation than its regional peers.
- This means BSP hiking again by 50bp, similar to its 15 December meeting, is warranted.
- Rising food prices worsened by PHP depreciation, slower pass through from lower global oil prices onto retail fuel prices, tight labour market conditions and higher water bills have exacerbated the stickiness of inflation.
- Admittedly, monetary policy works with a lag of 6-9 months, implying that the impact of the cumulative 350bp in rate hikes will only start to show effect late in Q1 2023.
- Even so, BSP is not afforded the luxury of taking a step back on rate hikes given elevated and more rising, price pressures.
- By contrast, BI staying on hold at its 16 February meeting is justified by a compendium of factors starting with weakening growth and easing price pressures.
- Q4 GDP growth slowed to 5.0% YoY from 5.7% in Q3 led by easing domestic demand, a clear sign that a growth slowdown engineered by tighter monetary policy is showing impact.
- Importantly, inflationary pressures have started to abate as underscored by headline and core inflation easing in January.
- But BI will do well to keep policy open-ended and data dependent, especially given a reversion of USD strength.

**FX Daily Outlook**

- EUR/USD: Hawkish statements by ECB has led EUR to hold its own versus USD, but only just.
- USD/JPY: UST volatility induced JPY weakness to abate once Fed expectations have stabilised.
- USD/SGD: Deference to USD strength is obvious, but backstopped by credible MAS policy.
- AUD/USD: RBA's inclinations for further hikes provides AUD with much needed support.

**TODAY'S EVENTS**

 (AU) Employment CHange/Unemp. Rate (Jan): -11.5k/ 3.7% (Mkt: 20.0k/3.5%; Dec: -14.6k/3.5%) | (US) Housing Starts/Building Permits (Jan): (Mkt: '1350k/1350k; Dec: '1350k/1350k) | (US) Initial Jobless Claims: (Mkt: 200k; Prev Wk: 196k) | (US) PPI Final/Ex Food Energy, Trade YoY (Jan): (Mkt: '5.4%/3.9%; Dec: '6.2%/4.6%) | (US) Philadelphia Fed Business Outlook (Feb): (Mkt: -7.4; Jan: -8.9) | (CH) New Home Prices MoM (Jan) | **Central Banks: Fed's Mester Speaks**

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