

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.84	136.48	+1.78	+2.33
EUR	1.0591	1.0548	▼0.0048	▼0.0147
AUD	0.6795	0.6726	▼0.0082	▼0.0153
SGD	1.3443	1.3506	+0.0079	+0.0142
CNY	6.9363	6.9601	+0.0520	+0.0915
INR	82.78	82.75	+0.01	▼0.08
IDR	15222	15225	+35	+22
MYR	4.4365	4.4353	+0.0013	+0.0003
PHP	55.00	54.90	+0.00	▼0.35
THB	34.89	34.81	+0.13	+0.21

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.943%	+6.6 bp	+12.8 bp
JPY (10YR)	0.504%	▼0.2 bp	▼0.3 bp
EUR* (10YR)	2.537%	+5.9 bp	+9.7 bp
AUD (5YR)	3.641%	▼3.9 bp	+5.0 bp
SGD (5YR)	3.237%	+8.7 bp	+12.6 bp
CNY (5YR)	2.723%	+0.3 bp	+4.5 bp
INR (5YR)	7.387%	+0.8 bp	+4.4 bp
IDR (5YR)	6.494%	+0.4 bp	+12.1 bp
MYR (5YR)	3.619%	▼0.3 bp	+0.1 bp
PHP (5YR)	5.950%	+0.1 bp	▼4.8 bp
THB (5YR)	2.145%	▼2.4 bp	▼0.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,816.92	▼1.02%	▼2.99%
N225 (JP)	27,453.48	+1.29%	▼0.22%
STOXX 50 (EU)	4,178.82	▼1.86%	▼2.25%
ASX (AU)	4,299.29	▼0.38%	▼1.63%
STI (SG)	3,282.30	+0.53%	▼1.38%
SHCOMP (CN)	3,267.16	▼0.62%	+1.34%
SENSEX (IN)	59,463.93	▼0.24%	▼2.52%
JSE (ID)	6,856.58	+0.25%	▼0.57%
KLSE (MY)	1,456.80	▼0.06%	▼1.36%
PSE (PH)	6,685.90	+0.00%	▼1.37%
SET (TH)	1,634.02	▼1.12%	▼1.07%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.15	+0.08%	▲0.16%
COPPER (LME)	8,689.00	▲2.21%	▲2.92%
IRON ORE (CN)	126.13	▲0.50%	+0.46%
GOLD	1,811.04	▲0.62%	▲1.70%
OIL (WTI)	76.32	+1.23%	▼0.03%

Three Take-aways:

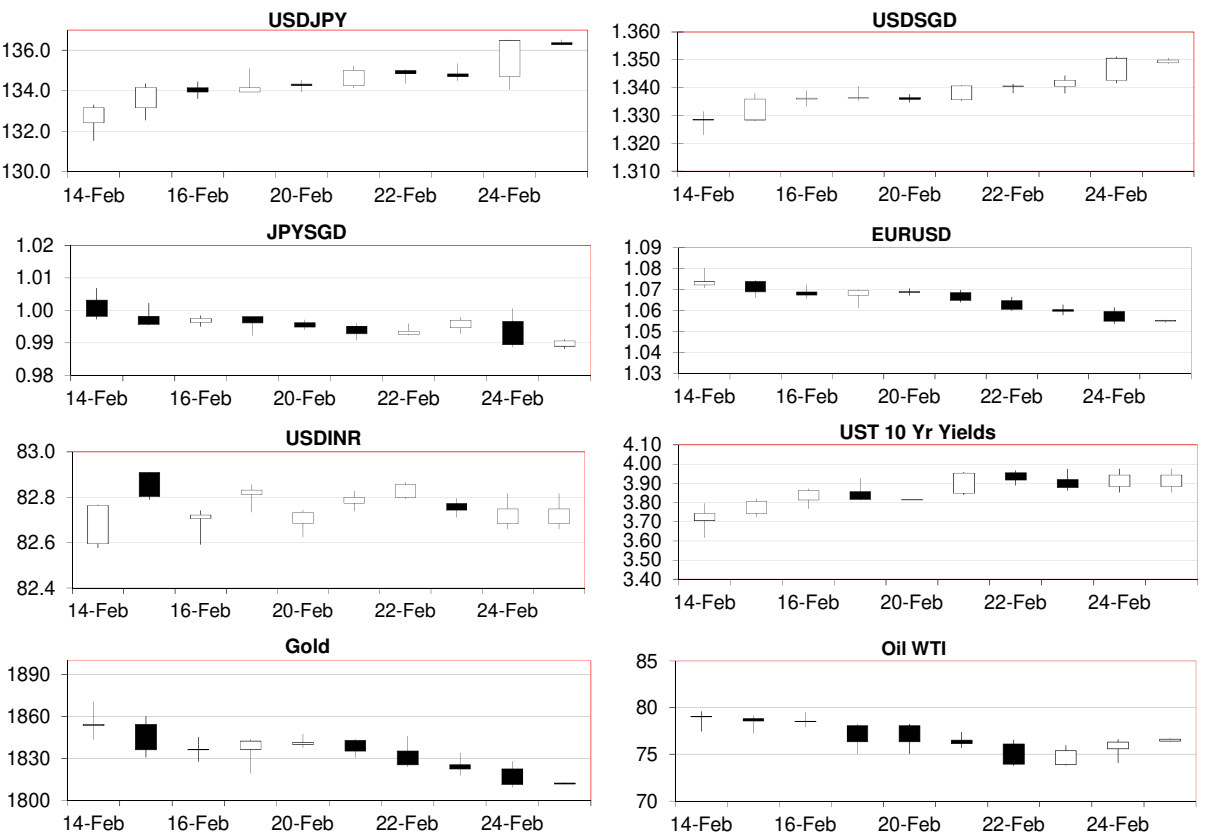
- 1) Bringing down inflation (in the US and/or elsewhere) is clearly proving to be a non-linear process.
- 2) The rise in US PCE and core PCE data on Friday underscored as much, heightening risk aversion.
- 3) Risk assets will come under pressure on Monday with USD and UST yields likely rising further.

Reality Check

- It is becoming increasingly apparent that inflation, and associated inflation expectations and wage pressures, will not decline in a predictable linear manner (whether in the US or elsewhere).
- The rise in the US headline PCE deflator proved as much. It increased 5.4% YoY in January from an upwardly revised 5.3% in December, translating to 0.6% MoM from 0.2% in December. Core PCE also rose to 4.7% YoY from 4.6% in December.
- With this, the market continued to realign Fed fund expectations, clearly pricing in three incremental 25bp hikes at the next 3 meetings with a higher peak rate of 5.4%. There is a rising risk of a 50bp hike at the Fed's March meeting.
- Risk aversion set into US markets on Friday with equities falling (S&P: -1.05%; NASDAQ: -1.69%; Dow: -1.02%), UST yields rising led by the front end (2yr up 10bp; 3yr up 12bp; 10yr: 6bp) and the DXY gaining 0.7%, closing higher for a sixth consecutive week.
- In addition, geo-political tensions and associated policies including the imposition by the US of a 200% import tariff on Russian aluminum and aluminum products made in the country, effective March 10 and April 10, respectively, further dampened sentiment.
- Early trading on Monday suggests that risk aversion has been brought forward to Asian markets. On the FX side, USD/JPY is heading towards mid-136 levels; AUD/USD hovering at 0.6733 levels and EUR/USD at mid-1.05 levels.
- EM Asia FX will likely remain under pressure from rising UST yields and a strong USD bias.
 - MYR may come under pressure as Friday's 2023 budget announcement was a mixed bag;
 - KRW and CNY/CNH will remain under pressure while
 - IDR may stand to benefit if February CPI (out on 1 March) turns out lower compared to consensus (more below).

OVERNIGHT RESULTS

(US) U. of Mich. 1 Yr/5-10Yr Inflation (Feb F): 4.1%/2.9% (Prev: 4.2%/4.9%) | (US) PCE/Core PCE Deflator YoY (Jan): 5.4%/4.7% (Mkt: 5.0%/4.6%) | (US) Fed Funds Rate (Jan): 4.75% (Mkt: 4.75%) | (UK) CPI (Jan): 5.1% (Mkt: 5.1%) | (NZ) CPI (Jan): 4.7% (Mkt: 4.7%) | (Man): 3.7% (Mkt: 3.7%; Dec: 3.8%) | (MA) Budget 2023 Announcement

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	134.62	EUR/USD	1.0599
USD/SGD	1.3428	USD/THB	34.72
JPY/SGD	0.9975	USD/MYR	4.454

Forecast

USD/JPY	134.00 - 137.00
EUR/USD	1.0500 - 1.0650
AUD/USD	0.6690 - 0.6780
USD/SGD	1.3470 - 1.3600
JPY/SGD	0.9832 - 1.0149
USD/CNH	6.8750 - 6.9900
USD/INR	82.00 - 83.10
USD/IDR	15160 - 15300
USD/MYR	4.430 - 4.510
USD/PHP	53.70 - 56.00
USD/THB	34.50 - 35.10

Today's Direction

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

Indonesia: Contained Inflation Justifies BI's Stance

- **Headline CPI inflation will likely ease modestly to 5.2% YoY in February from 5.3% in January, with core inflation likely to remain stable at 3.3%.** The data will be released on 1 March. Consensus expectations is for inflation to rise to 5.5% in February.

- The picture for underlying price drivers, however, remains mixed.
- Even within food prices, there was little uniformity. The prices of shallots, garlic and sugar eased in February while beef, chicken and cooking oil prices picked up;
- Indeed, higher cooking oil prices prompted the government in February to increase its Domestic Market Obligation (DMO) for firms dealing with cooking oil to ensure supplies were ample ahead of the crucial Ramadan/Eid period in March-April.
- Transportation inflation will pick-up largely as a consequence of the September fuel price increases and will have little implications for BI, which has already stated that the base effects will kick in September 2023 and lower inflation back within its 2-4% target band.
- Steady core inflation, amid relatively resilient domestic demand, remains consistent with BI's stance premised on contained inflation expectations.
- As such, the February inflation print will justify BI's position to dial back on rate hikes;
- Moreover, external and IDR depreciation pressures also remain contained albeit to the extent possible given a strong USD backdrop.
- The re-appointment of Perry Warjiyo as BI Governor for another five year term, after this current term expires in May, will enhance BI's inflation fighting credentials also allowing for policy to continue without major succession challenges.

FX Daily Outlook

- EUR/USD: Dollar deference continues as dips below mid-1.05 cannot be ruled out.
- USD/JPY: Held hostage by higher UST yields, limiting scope for downside.
- USD/SGD: Two way volatility on the cards but USD strength hard to ignore for the moment.
- AUD/USD: Higher yield pressures and USD strength limits upside from mid-67 cents.

TODAY'S EVENTS

(TH) Customs Trade Balance (Jan): (Mkt: -\$1.5b; Dec: -\$1.0b) | (US) Durable Goods Orders/Nondef Ex Air (Jan P): (Mkt: -3.9%/0.0%; Prev: 5.6%/-0.1%) | (US) Dallas Fed Manf. Activity (Feb): (Mkt: -9.5; Jan: -8.4) | (EZ) Consumer Confidence (Feb F): (Mkt: --; Prelim: -19.0) | (JP) Coincident Index/Leading Index CI (Dec F): (Mkt: --; Prev: 98.9/97.2)

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