

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.45	135.87	▼0.90	▼0.61
EUR	1.0611	1.0635	+0.0038	+0.0087
AUD	0.6751	0.6770	+0.0040	+0.0044
SGD	1.3467	1.3450	▼0.0026	▼0.0056
CNY	6.9030	6.9043	▼0.0125	▼0.0558
INR	82.13	81.97	▼0.62	▼0.78
IDR	15311	15300	+20	+75
MYR	4.4775	4.4773	+0.0020	+0.0420
PHP	54.83	54.83	▼0.20	▼0.07
THB	34.80	34.70	▼0.08	▼0.10

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.952%	▼10.4 bp	+0.9 bp
JPY (10YR)	0.506%	+0.1 bp	+0.2 bp
EUR* (10YR)	2.715%	▼3.6 bp	+17.8 bp
AUD (5YR)	3.680%	+3.2 bp	+3.9 bp
SGD (5YR)	3.365%	▼5.6 bp	+12.8 bp
CNY (5YR)	2.730%	+0.0 bp	+0.7 bp
INR (5YR)	7.384%	▼3.8 bp	▼0.3 bp
IDR (5YR)	6.554%	▼2.9 bp	+6.0 bp
MYR (5YR)	3.704%	+1.1 bp	+8.5 bp
PHP (5YR)	6.131%	+15.6 bp	+18.1 bp
THB (5YR)	2.197%	▼2.4 bp	+5.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,390.97	+1.17%	+1.75%
N225 (JP)	27,927.47	+1.56%	+1.73%
STOXX 50 (EU)	4,294.80	+1.28%	+2.78%
ASX (AU)	4,338.33	+0.10%	+0.91%
STI (SG)	3,232.02	▼0.09%	▼1.53%
SHCOMP (CN)	3,328.39	+0.54%	+1.87%
SENSEX (IN)	59,808.97	+1.53%	+0.58%
JSE (ID)	6,813.64	▼0.64%	▼0.63%
KLSE (MY)	1,453.55	▼0.13%	▼0.22%
PSE (PH)	6,655.37	+0.50%	▼0.46%
SET (TH)	1,606.88	▼0.36%	▼1.66%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	275.05	+1.38%	+2.96%
COPPER (LME)	8,954.50	+0.30%	+3.06%
IRON ORE (CN)	126.17	▲0.73%	+0.03%
GOLD	1,856.48	+1.12%	+2.51%
OIL (WTI)	79.68	+1.94%	+4.40%

Three Take-aways:

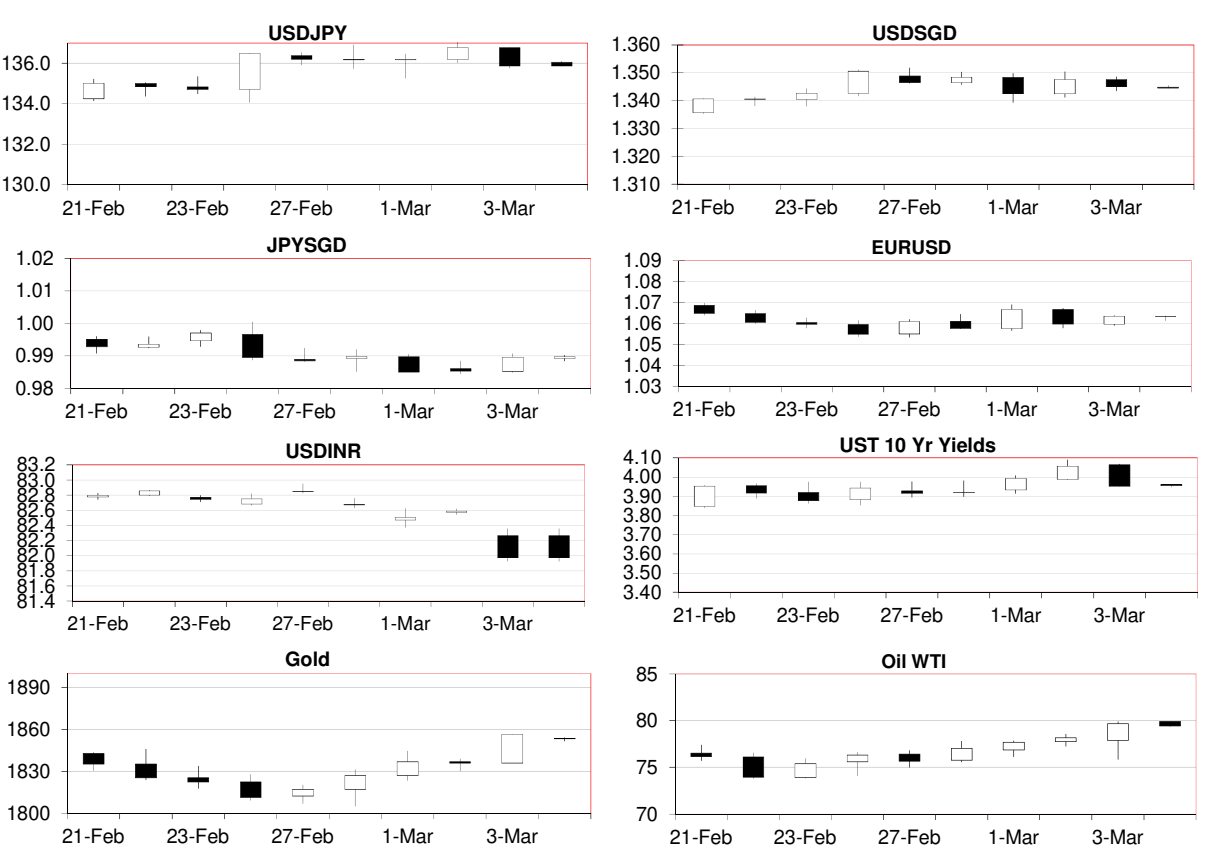
- 1) China's 2023 growth target of around 5% disappointed market expectations.
- 2) This implies some selling pressure on Chinese assets on Monday.
- 3) The spill-over may lead to some weakness in EM Asia FX through the day.

Threading Cautiously

- Premier Li Keqiang's address over the weekend disappointed markets as it set forth a more conservative 'around 5%' growth target for China this year.
- The implications are first, there is expected to be limited policy support for growth this year, at least less than what was expected considering a poor show in 2022.
- Second, relying on China's growth to bolster global growth is overreaching as China focusses on domestic development, with sectors such as science and industrial policy taking precedence.
- Key political changes including the ushering in a new cabinet will be watched closely this year.
- It, therefore, is not a stretch to expect some of the optimism around the China growth story associated with the loosening of COVID measures to fade.
- USD/CNH pop higher in early trading on Monday suggests some CNH/CNY weakness is likely;
- Although the DXY index moderated late last week ahead of important employment data this Friday, the downtrend may not persist.
- This will be especially so, if Fed Chair Powell's semi-annual testimony to Congress on Tuesday and Wednesday strike a familiar hawkish tone.
- US equities, finally plugged losses on Friday, but may come under renewed selling pressure as suggested by the futures in early Monday trading;
- Meanwhile, pressure on USTs continue; 10-yr UST yields closed marginally below 4% but continues to test that mark.
- With China's slower growth target likely the focus on Monday's trade, some run-off weakness from CNH/CNY onto other EM Asia currencies look par for the course.
- KRW, SGD and THB may bear the brunt of the weakness given deeper economic linkages; that said, weaker-than-expected February CPI in Korea justifies BoK's recent pause and supports KRW.
- By contrast, PHP will be watched closely as February inflation (out Tuesday) looks set to rise again; MYR may trade sideways ahead of BNM's 9 March meeting, where we expect a 25bp hike.

OVERNIGHT RESULTS

(SG) Retail Sales/Ex Auto YoY (Jan): -0.8%/2.1% (Mkt:4.9%/--; Dec:7.7%/9.9%) | (US) ISM Services Index/Prices Paid/New Orders: 55.5/55.5/55.5 (Mkt:55.5/55.5; Dec:55.5/55.5) | (EZ) PPI YoY (Jan): 15.0% (Mkt: 18.9%; Dec: 24.6%)


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	136.02	EUR/USD	1.0626
USD/SGD	1.3454	USD/THB	34.56
JPY/SGD	0.9892	USD/MYR	4.476

Forecast

USD/JPY	135.00 - 136.00
EUR/USD	1.0550 - 1.0690
AUD/USD	0.6670 - 0.6790
USD/SGD	1.3400 - 1.3600
JPY/SGD	0.9853 - 1.0074
USD/CNH	6.8700 - 6.9900
USD/INR	81.50 - 83.00
USD/IDR	15220 - 15400
USD/MYR	4.430 - 4.510
USD/PHP	54.60 - 56.00
USD/THB	34.40 - 35.10

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	4	1

Philippines: Price Pains Persist

- It will be some time yet before price pressures in the Philippines are mitigated. The stresses are broad-based across food, fuel and core inflation.
- Protectionist agriculture policies have prevented timely importation of key food items leading to soaring prices of sugar, potatoes and meats.
- Active importation to plug the domestic demand has only started recently and will take a few months to work through the system.
- To that end, elevated food prices have kept inflation expectations sticky and elevated.
- But demand side pressures have also played a part. Activity data remains resilient, remittance growth is strong and import demand (even ex-food) has sustained; all these factors have kept core inflation pressures high.
- BSP expects that headline inflation could be within the range of 8.5-9.3% in February from 8.7% in January; should the print exceed 9% YoY, BSP Governor Felipe Medalla has indicated that another 50bp hike remains on the cards for the 23 March meeting.
- BSP has raised its policy rate by a cumulative 4pp since March 2022, one of the most aggressive rate hiking cycles in its history but also within the EM Asia region.
- Importantly, BSP is highly cognisant of the need to keep price-growth expectations anchored.
- Its nimble, data-dependent approach to rate increases has helped anchor PHP depreciation expectations even against a strong USD backdrop.

FX Daily Outlook

- EUR/USD: Elevated UST yields keep EUR rallies above mid-1.06 in check.
- USD/JPY: Buoyancy above 136 looks to be retained even as hot Tokyo CPI incites chatter of BoJ - USD/SGD: Deference to USD strength as CNH strength pondered keeps pair above 1.34.
- AUD/USD: Commodity demand may allow consolidation around 0.67.

TODAY'S EVENTS

(KR) CPI YoY/Core CPI YoY (Feb): 4.8%/4.8% (Mkt: 5.0%/--; Jan: 5.2%/5.0%) | (US) Factory Orders (Jan): (Mkt: -1.8%; Dec: 1.8%) | (US) Durable Goods Orders/Nondef Ex Air (Jan F): (Mkt: -4.5%/--; Prev: -4.5%/0.8%) | (EZ) Retail Sales MoM (Jan): (Mkt: 0.6%; Dec: -2.7%)

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