

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.71	137.16	+1.23	+0.99
EUR	1.0688	1.0549	▼0.0132	▼0.0027
AUD	0.6710	0.6584	▼0.0146	▼0.0145
SGD	1.3441	1.3543	+0.0092	+0.0059
CNY	6.9237	6.9662	+0.0344	+0.0306
INR	81.94	81.92	+0.00	▼0.75
IDR	15367	15350	+55	+100
MYR	4.4735	4.4718	▼0.0065	▼0.0155
PHP	55.01	55.02	+0.16	▼0.32
THB	34.50	34.56	▼0.14	▼0.79

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.964%	+0.6 bp	+4.4 bp
JPY (10YR)	0.504%	▼0.2 bp	▼0.1 bp
EUR* (10YR)	2.692%	▼5.7 bp	+4.1 bp
AUD (5YR)	3.450%	▼12.5 bp	▼22.2 bp
SGD (5YR)	3.305%	▼0.7 bp	▼6.2 bp
CNY (5YR)	2.685%	▼0.8 bp	▼3.4 bp
INR (5YR)	7.389%	+0.0 bp	▼3.9 bp
IDR (5YR)	6.563%	+4.6 bp	▼3.0 bp
MYR (5YR)	3.682%	+0.1 bp	+3.2 bp
PHP (5YR)	6.063%	▼4.3 bp	+10.7 bp
THB (5YR)	2.138%	▼5.9 bp	▼5.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,856.46	▼1.72%	+0.61%
N225 (JP)	28,309.16	+0.25%	+3.15%
STOXX 50 (EU)	4,278.96	▼0.81%	+0.96%
ASX (AU)	4,326.07	▼0.20%	+0.50%
STI (SG)	3,245.27	+0.18%	▼0.53%
SHCOMP (CN)	3,285.10	▼1.11%	+0.17%
SENSEX (IN)	60,224.46	+0.00%	+2.14%
JSE (ID)	6,766.76	▼0.59%	▼1.12%
KLSE (MY)	1,458.67	+0.41%	+0.31%
PSE (PH)	6,705.12	+0.51%	+2.27%
SET (TH)	1,618.51	+0.72%	▼0.24%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	269.58	▲1.47%	▲0.10%
COPPER (LME)	8,737.50	▲1.75%	▲2.39%
IRON ORE (CN)	127.40	+1.77%	+1.31%
GOLD	1,813.45	▲1.81%	▲0.74%
OIL (WTI)	77.58	▼3.58%	+0.69%

**Three Take-aways:**

- 1) Fed Chair Powell opened up the path to a 50bps hike with jobs and inflation report ahead.
- 2) 2Y UST yields surged above 5% and USD displayed sweeping strength; Equities faltered.
- 3) AUD sinks as RBA opens up to possibility of rate pauses.

**Opening Paths**

- It was indeed a hawkish testimony from Fed Chair Powell who stated that the Fed would be "prepared to increase the pace of rate hikes", and in doing so opened up the path to a 50bps hike at the end of this month. Markets are pricing in 60% odds of a 50bps hike at this juncture alongside the brutal UST sell off on the short end as 2Y yields rose 12.2bp to head above the 5% mark.

- That said, this Friday's **jobs report** and next Tuesday's **inflation print** will be closely watch as they reveal themselves to be the **stepping stones or stumbling blocks** to a firmer 50bps hike.

- With 10Y UST yields edging up just 0.6bps, 10Y-2Y yield curve inversion has exceeded 100bps to entrench a level last seen in 1981. **The landing strip for the economy is increasingly a narrow one.**

- On the top of tech valuation concerns, the **economic hit** look to be also coming through with the Dow leading losses as US equities fell across the board (Dow: -1.7%; S&P 500: -1.5%; Nasdaq: -1.3%).

- Backed by rising UST yields, the DXY Index broke above mid-105 as the USD displayed sweeping strength against all G10 peers.

- The USD/JPY broke above 137 while the EUR sank toward mid-1.05.

- Down under, the AUD sank more than 2% to go below 0.66 as the RBA Governor Lowe's speech opens up to the possibility of a policy pause and sets the stage for RBA-Fed divergence. (See below for more on the monetary policy statement)

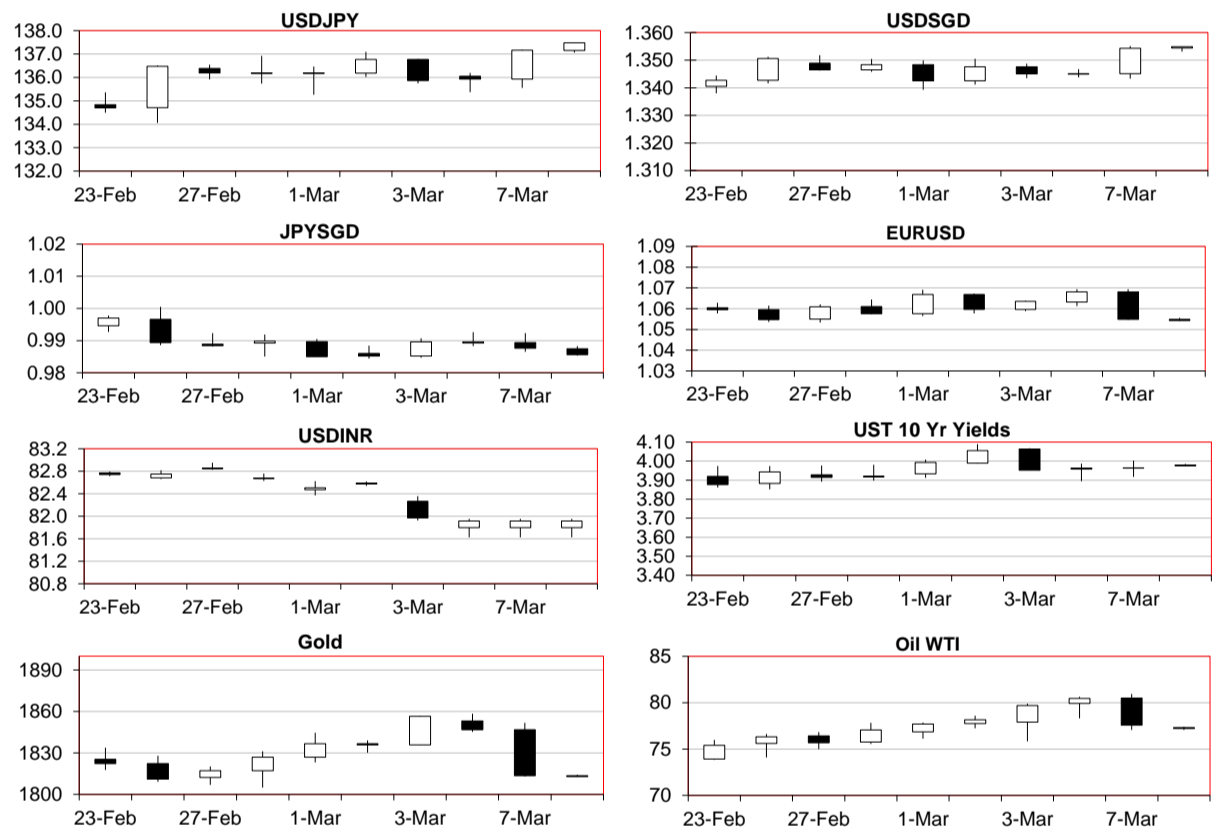
- The USD/SGD headed towards mid-1.35 and **the path for weaker EM-Asia FX has opened up.** In the Philippines, headline inflation edging down from 8.7% to 8.6% looks to be more of sticky inflation than easing relief as the BSP looks to raise rates further.

**Thailand CPI: Easing Inflation**

- Thailand's headline inflation eased from 5.0% in January to 3.8% in February while core inflation fell to 1.9% from 3.0% in January. Given the **high base effects** from a year ago and a **lowering of the diesel price cap**, the **dis-inflation is par for the course.**

**OVERNIGHT RESULTS**

(PH) CPI YoY (Feb): 8.6% (Mkt: 8.9%; Jan: 8.7%) | (TH) CPI/Core YoY (Feb): 3.8%/1.9% (Mkt: 4.1%/2.0%; 5.0%/3.0%)

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

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

USD/JPY	137.40	EUR/USD	1.0549
USD/SGD	1.3545	USD/THB	35.09
JPY/SGD	0.9858	USD/MYR	4.495

**Forecast**

USD/JPY	136.00 - 138.00
EUR/USD	1.0500 - 1.0660
AUD/USD	0.6500 - 0.6700
USD/SGD	1.3450 - 1.3590
JPY/SGD	0.9746 - 0.9993
USD/CNH	6.9600 - 7.0200
USD/INR	81.50 - 83.00
USD/IDR	15300 - 15580
USD/MYR	4.480 - 4.530
USD/PHP	55.10 - 55.80
USD/THB	34.50 - 35.10

**Today's Direction**

	Bull	:	Bear
USD/SGD	8	:	0
USD/JPY	7	:	1

- Nonetheless, the **step down in prices** of food and non-alcoholic beverages is a welcomed one to alleviate the strains of household budgets. While the decline of core inflation to below 2% is significant, **headline inflation has not return to the BoT's target range of 1 to 3% yet.**

- Admittedly, there is comfort from a headline inflation that may approach near **the upper end** of the BoT's range in Q2 2023 and a THB that has strengthened since Q4 22. On the other hand, troubles from elevated oil prices on the current account and a **hawkish Fed have not faded.**

- On balance, the BoT still tilts towards proceeding with **one last calibrated pre-emptive hike of 25 bp at the end of March** on account of the likelihood of core inflationary pressures remaining sticky on tourism recovery.

**RBA: Opening Pause Possibilities**

- While the RBA's 25bp hike was expected, the monetary policy statement which had been largely kept similar to February's still contained **three notable changes.**

- First, an allusion to services price inflation remaining high while goods inflation moderate. This situation remains similar to that of developed peers.

- Second, when stating that: "further increases in interest rates will be needed", their February reference to "over the coming months" was dropped.

- The consequent third point being that in their addition of "when" in the latest statement when alluding to the need to "assess when and how much further interest rate need to increase".

- The combination of the last two points opens up a distinct possibility of a policy pause.

**FX Daily Outlook**

- EUR/USD: Consolidation just above 1.05 as UST yields weighs down bets for the ECB to follow suit.

- USD/JPY: Mid-137 to be explored repeated but 138 will be restrained through hesitancy ahead of BoJ.

- USD/SGD: Regional peer weakness seeping through to sustain buoyancy above 1.35.

- AUD/USD: Opportunistic buying at below mid-0.65 as commodity fundamentals hold up.

**TODAY'S EVENTS**

(JP) BoP Current Account Balance (Jan): -¥1976.6b (Mkt: -¥785.0b; Dec: ¥33.4b) |

(EZ) GDP SA YoY (4Q F): (Mkt: 1.9%; Prelim: 1.9%) | (US) ADP Employment Change (Feb): (Mkt: 200k; Jan: 106k)

(Central Banks): Fed Chair Powell Appears before Senate Banking Panel

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