

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.46	135.03	▼1.12	▼0.84
EUR	1.0594	1.0643	+0.0062	+0.0008
AUD	0.6598	0.6580	▼0.0010	▼0.0190
SGD	1.3546	1.3500	▼0.0033	+0.0050
CNY	6.9660	6.9172	▼0.0479	+0.0129
INR	82.04	82.05	+0.07	+0.08
IDR	15464	15450	+25	+150
MYR	4.5192	4.5200	+0.0010	+0.0427
PHP	55.15	55.14	▼0.10	+0.31
THB	35.04	35.07	+0.02	+0.36

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.699%	▼20.5 bp	▼25.3 bp
JPY (10YR)	0.411%	▼9.5 bp	▼9.5 bp
EUR* (10YR)	2.508%	▼13.5 bp	▼20.7 bp
AUD (5YR)	3.398%	▼10.2 bp	▼28.2 bp
SGD (5YR)	3.255%	▼14.2 bp	▼11.0 bp
CNY (5YR)	2.675%	▼0.9 bp	▼5.5 bp
INR (5YR)	7.398%	▼2.4 bp	+1.4 bp
IDR (5YR)	6.571%	▼2.1 bp	+1.7 bp
MYR (5YR)	3.580%	▼9.0 bp	▼12.4 bp
PHP (5YR)	5.979%	▼6.6 bp	▼15.2 bp
THB (5YR)	2.105%	▼2.2 bp	▼9.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,909.64	▼1.07%	▼4.44%
N225 (JP)	28,143.97	▼1.67%	+0.78%
STOXX 50 (EU)	4,229.53	▼1.32%	▼1.52%
ASX (AU)	4,226.46	▼1.68%	▼2.58%
STI (SG)	3,177.43	▼1.15%	▼1.69%
SHCOMP (CN)	3,230.08	▼1.40%	▼2.95%
SENSEX (IN)	59,135.13	▼1.12%	▼1.13%
JSE (ID)	6,765.30	▼0.51%	▼0.71%
KLSE (MY)	1,433.08	▼1.13%	▼1.41%
PSE (PH)	6,589.88	▼0.29%	▼0.98%
SET (TH)	1,599.65	▼0.90%	▼0.45%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.99	+0.13%	▲3.66%
COPPER (LME)	8,847.00	+0.17%	▲1.20%
IRON ORE (CN)	129.04	+0.75%	+2.27%
GOLD	1,868.26	+2.03%	+0.63%
OIL (WTI)	76.68	+1.27%	▼3.77%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	134.94	EUR/USD	1.0682
USD/SGD	1.3478	USD/THB	34.64
JPY/SGD	0.9988	USD/MYR	4.521

Forecast

USD/JPY	133.50 - 136.00
EUR/USD	1.0500 - 1.0710
AUD/USD	0.6500 - 0.6700
USD/SGD	1.3450 - 1.3600
JPY/SGD	0.9890 - 1.0187
USD/CNH	6.9000 - 6.9500
USD/INR	81.50 - 83.00
USD/IDR	15300 - 15580
USD/MYR	4.480 - 4.550
USD/PHP	54.90 - 55.80
USD/THB	34.50 - 35.10

Today's Direction

	Bull	Bear
USD/SGD	5	4
USD/JPY	4	5

Three Take-aways:

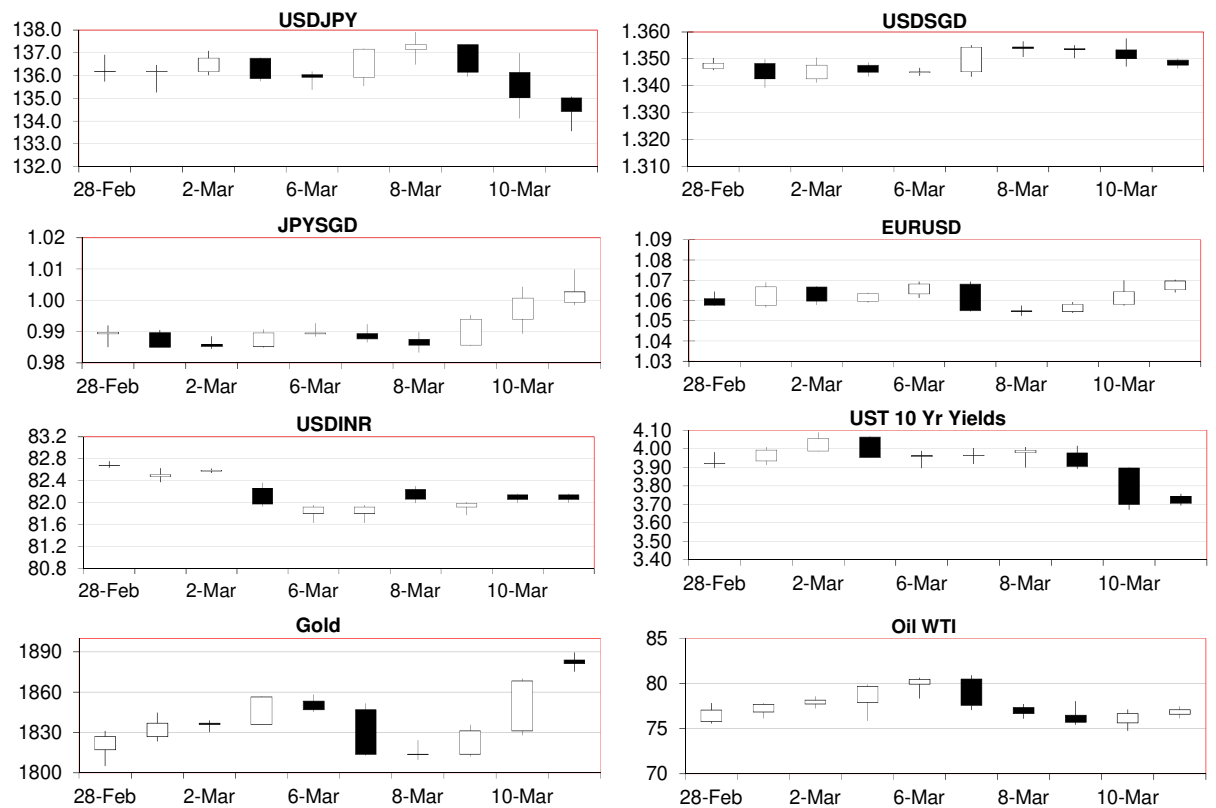
- 1) US equities sold off as the closure of SBV and mixed employment data weighed on investor sentiment.
- 2) UST yields nose dived on Friday as US Fed rate hike expectations repriced towards 25bp from 50bp.
- 3) Sentiment remains skittish ahead of crucial US CPI data and further banking sector developments.

Rate Calls and Contagion

- Silicon Valley Bank (SVB)'s failure and its ripple effect onto other tech lending focussed banks and businesses supported by these banks has become the focus of US equity markets.
- The decision by the California banking regulators to close SVB on Friday hit banking stocks on the S&P500 and led to the index closing 1.45% lower on the day; NASDAQ closed down 1.76% and Dow Jones lower by 1.07%.
- A sense that US authorities were looking to limit the contagion effect pushed US equity futures higher in Asia trading on Monday; - But with a sense of foreboding and mixed US jobs data, markets remain skittish.
- The US employment report showed that 311k jobs were added in February, well above expectations but alongside a respectable pace of wage growth. The higher unemployment rate of 3.6% from 3.4% in January, however, made for a mixed picture.
- Markets, taking any chance for reprieve, raised its bets on a 25bp rather than 50bp hike at the Fed's 21-22 meeting. The US CPI print, out this week, will be watched closely for any changes.
- The combination of a bank run and mixed labour market data led to UST yields plunging across the curve tumbled led by the 2-yr part of the curve which fell over 30bp to 4.597%; 10 yr yields were down by more than 22bp.
- The also precipitated a drop in the DXY index. EUR/USD gained -0.6% to 1.064 and ahead of the ECB meeting this week (Thursday and more below) we expect EUR to remain in a strong position.
- JPY gained over 1% versus USD reflecting lower UST yields while CAD remained relatively stable as BoC signalled no further rate hikes last week.
- Volatility in EM Asia FX is par for the course under the current circumstances. Ahead of the US CPI release, EM Asia FX looks set to gain versus USD. KRW looks vulnerable after posting a current account deficit in January.

OVERNIGHT RESULTS

Past Two Weeks Movement *



ECB: A well-telegraphed 50bp Hike

- ECB's February policy statement made explicit mention that another 50bp hike was forthcoming at its March meeting so the outcome of the meeting is a foregone conclusion.
- The meeting nonetheless is significant as it will shed light on ECB's most recent forecasts and its current playbook in dealing with still sticky inflation.
- The most pressing question for ECB, we reckon, will be on whether it should suggest a back down from rate hikes of 50bp back to 25bp or leave all options on the table.
- A recent lesson from that Fed's pre-commitment to dial back on the magnitude of rate hikes may have been premature suggests that the ECB will not over emphasize forward guidance.
- It will likely remain data dependent and possibly, look for consistent signs of easing inflation, which still remains well above its 2% target, before it can make such a commitment.
- Notwithstanding, the internal debate with the ECB Governing Council is always interesting. Hawks, including the Robert Holzmann of the Austrian central bank suggested that 4 hikes of 50bp would be warranted given the significant overshoot in inflation above its target.
- While other have pointed to heightened uncertainty and continued data dependence before finalising the path of rate hikes beyond the March meeting.
- The wind down in the APP by end-Q2 remains on track; PEPP re-investment is scheduled to stay in place until end-2024 although some members may prefer to bring this timeline forward to expedite the unwinding of the balance sheet.

FX Daily Outlook

- EUR/USD: Gains on USD weakness and lower UST yields; mindful of contagion from US banks.
- USD/JPY: Sub 134 not entirely unthinkable on lower UST yields and weaker USD.
- USD/SGD: Fall out from SBV may hit Singapore's banks and limit SGD gains.
- AUD/USD: Limited near-term catalysts, will likely defer to USD direction.

TODAY'S EVENTS

(US) Change in Nonfarm Payrolls (Feb): (Mkt: 215k; Prev: 517k) | (US) Unemployment Rate (Feb): (Mkt: 3.4%; Jan: 3.4%) | (KR) Current Account Balance (Jan): (Dec: \$2.7bn) | (IN) industrial Production (Jan): (Mkt: 5.6%; Dec: 4.3%) | (Central Banks): BoJ Meeting

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