

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.52	133.21	▼1.82	▼2.72
EUR	1.0727	1.0731	+0.0088	+0.0050
AUD	0.6675	0.6668	+0.0088	▼0.0062
SGD	1.3447	1.3462	▼0.0038	+0.0011
CNY	6.9005	6.8483	▼0.0690	▼0.0834
INR	81.92	82.13	+0.08	+0.21
IDR	15377	15377	▼73	+82
MYR	4.4875	4.4945	▼0.0255	+0.0165
PHP	54.94	54.96	▼0.19	+0.11
THB	34.63	34.51	▼0.24	+0.00

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.573%	▼12.6 bp	▼38.5 bp
JPY (10YR)	0.348%	▼6.3 bp	▼15.8 bp
EUR* (10YR)	2.259%	▼24.9 bp	▼49.0 bp
AUD (5YR)	3.284%	▼11.4 bp	▼29.1 bp
SGD (5YR)	3.095%	▼16.0 bp	▼21.7 bp
CNY (5YR)	2.681%	+0.6 bp	▼1.2 bp
INR (5YR)	7.268%	▼13.0 bp	▼12.1 bp
IDR (5YR)	6.482%	▼8.9 bp	▼3.5 bp
MYR (5YR)	3.519%	▼6.1 bp	▼16.2 bp
PHP (5YR)	5.872%	▼10.7 bp	▼23.4 bp
THB (5YR)	2.060%	▼4.5 bp	▼13.7 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,819.14	▼0.28%	▼4.82%
N225 (JP)	27,832.96	▼1.11%	▼1.43%
STOXX 50 (EU)	4,096.54	▼3.14%	▼5.04%
ASX (AU)	4,117.47	▼2.58%	▼5.01%
STI (SG)	3,132.37	▼1.42%	▼3.30%
SHCOMP (CN)	3,268.70	+1.20%	▼1.61%
SENSEX (IN)	58,237.85	▼1.52%	▼3.30%
JSE (ID)	6,786.96	+0.32%	▼0.29%
KLSE (MY)	1,421.83	▼0.79%	▼2.12%
PSE (PH)	6,544.45	▼0.69%	▼1.90%
SET (TH)	1,573.07	▼1.66%	▼2.10%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.67	▲0.12%	▲3.26%
COPPER (LME)	8,918.25	+0.81%	+0.28%
IRON ORE (CN)	130.80	+1.36%	+4.48%
GOLD	1,913.70	+2.43%	+3.62%
OIL (WTI)	74.80	▼2.45%	▼7.03%

**Three Take-aways:**

- 1) SBV fall out hit US regional bank stocks; the drop in UST yields and the DXY index signal 'risk-off'.
- 2) Presumptuous to conclude that the Fed will suspend, if not reverse, rate tightening.
- 3) For EM Asia, contagion containment will be paramount especially if sentiment sharply reverses.

**Of Pivots, Pain & Pricing**

- Despite the US Federal Reserve ramping up systemic liquidity support, regional bank stocks in the S&P500 index all but collapsed dragging S&P -0.2% lower; NASDAQ was up 0.5%.

- **The challenge for the Fed now is to instill confidence into smaller banks and convince market participants that it has ringed fenced financial stability risks.**

- We suspect this reassurance will come through but two volatility will persist near-term;

- To that end, the slide in UST yields mainly on 'risk-off' and recession risks may be overdone. Indeed, UST yields started to rise towards closing on Monday. At any rate, two things are clear.

- One, **near-term yields and rate will remain highly volatile as hard-landing risks are perceived to be accentuated by tightly linked financial and real economic risks emerging;** with SVB seen as just one of many possible manifestations.

- Two, **it is presumptuous to conclude that the Fed will suspend, if not reverse, rate tightening on financial risks implied by SVB (Mizuho Flash - Note from the Road: SVB & How To Think About Risks)**

- Markets are pricing in cuts from the Fed by July with the pace of hikes clearly slowing in H1.

- But sticky inflation may unhinge these 'Fed pivot' expectations. The US CPI print, out tonight, will still be watched closely to gauge the extent of the price stickiness.

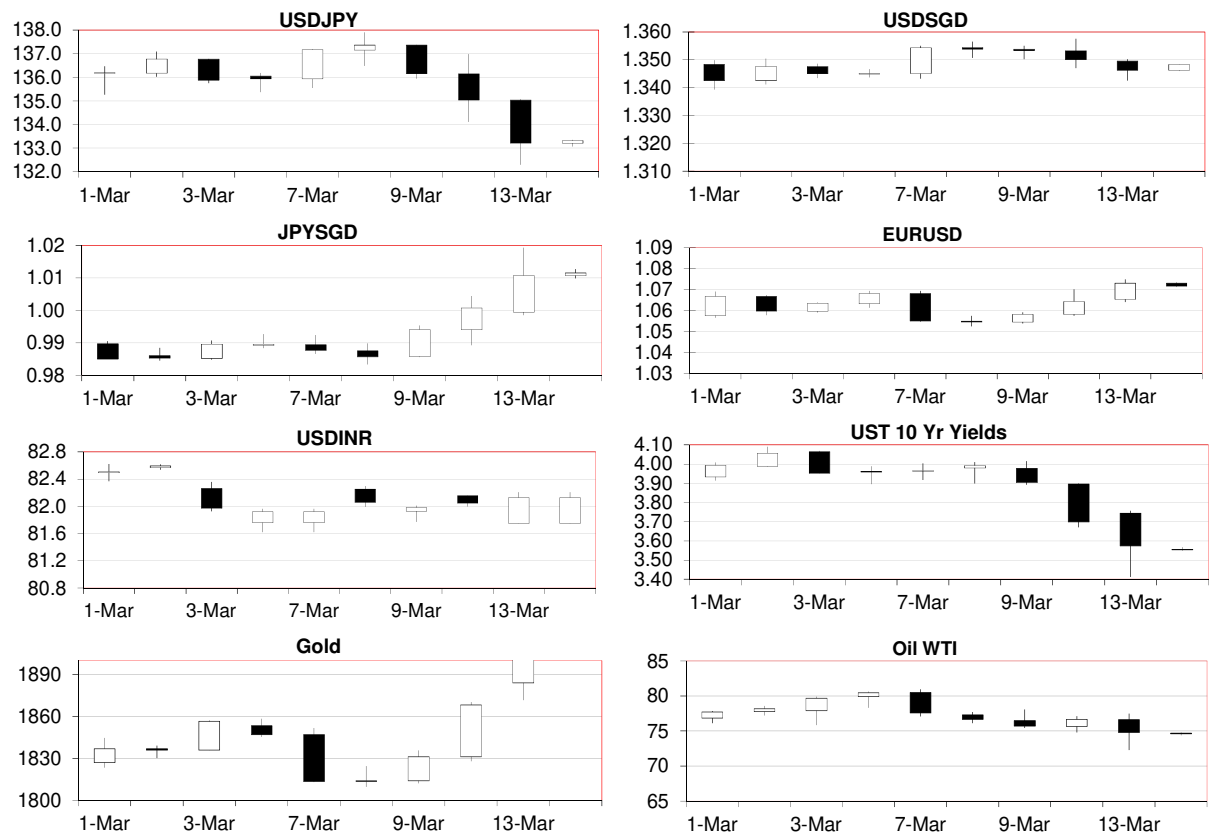
- **Undoubtedly, the challenge for the Fed is magnified.** However, reliable back stops and credible ring-fencing is likely to deem financial sector/banking risks sufficiently mitigated for the Fed to continue measured tightening.

- Indeed, early trading on Tuesday suggests that some of the 'risk-off' associated USD decline may have already started to bottom.

- For **EM Asia, contagion containment will be paramount** especially if risk sentiment sharply reverses putting currencies under depreciation pressure, with higher yields.

**OVERNIGHT RESULTS**

(IN) CPI YoY (Feb): 6.4% (Mkt: 6.4%; Jan: 6.5%) | (MA) Industrial Production YoY (Jan): 1.8% (Mkt: 2.3%; Dec: 2.8%)

**Past Two Weeks Movement**

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

USD/JPY	133.12	EUR/USD	1.0724
USD/SGD	1.3475	USD/THB	34.54
JPY/SGD	1.0123	USD/MYR	4.497

**Forecast**

USD/JPY	132.00 - 134.00
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6590 - 0.6730
USD/SGD	1.3400 - 1.3600
JPY/SGD	1.0000 - 1.0303
USD/CNH	6.8000 - 6.9000
USD/INR	81.50 - 83.00
USD/IDR	15300 - 15580
USD/MYR	4.470 - 4.550
USD/PHP	54.70 - 55.60
USD/THB	34.20 - 35.00

**Today's Direction**

	Bull	Bear
USD/SGD	6	1
USD/JPY	4	3

**US CPI: Of Hurdles & Hopes**

- With the recent firmness in different aspects of inflation - from PCE pressures to wages - that has jolted markets, the hurdles are higher to derive convincing comfort on sufficient dis-inflation to suspend the Fed's tightening bias.

- But equally, the propensity for market to latch on to data that even hint at dis-engaging from tightening, such as higher than expected jobless claims, is suggestive of dovish hopes aligning for any excuse for markets to turn bullish (on Fed relief).

- Obviously, since the closure of SBV and its fall out onto regional banks and the financial system by and large, markets have double down on the bets of a Fed pivot.

- To that end, the temptation to grasp at hints of soft spots in incoming data is high. But the reality is that job market strength and price persistence may take a while to soften.

- And so, the bar is high for CPI to trigger relieve from Fed tightening, even amidst financial turmoil. Especially as goods deflation fall short of addressing stickiness in core services that continue to be buoyed by good-to-services migration of consumption.

- What's more, recent memories of Fed Chair Powell's Congress testimony leaves little doubt that inflation remains uncomfortably high. An assessment that is highly unlikely to be swayed by recent financial stability associated events.

- All said, (dovish) hopes could still trigger brief relief. But "brief" is the operative word, as hurdles to dis-engaging tightening remains high.

**FX Daily Outlook**

- EUR/USD: Dips below 1.07 levels likely as Fed pivot bets back-off slightly.

- USD/JPY: Sub 133 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**

(IN) Wholesale Prices YoY (Feb): (Mkt: 4.0%; Jan: 4.7%) | (PH) Trade Balance (Jan): (Mkt: -\$4.3b; Dec: -\$4.6b) | (US) CPI/Core CPI YoY (Feb): (Mkt: 6.0%/5.5%; Jan: 6.4%/5.6%) | (US) Real Avg Hourly Earning YoY (Feb): (Jan: -1.9%)

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