

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	155.34	155.53	+0.84	+0.96
EUR	1.0739	1.0748	▼0.0007	+0.0036
AUD	0.6570	0.6580	▼0.0018	+0.0057
SGD	1.3564	1.3555	+0.0010	▼0.0053
CNY	7.2261	7.2246	+0.0060	▼0.0165
INR	83.51	83.52	+0.00	+0.08
IDR	16061	16045	▼4	▼215
MYR	4.7470	4.7415	+0.0028	▼0.0310
PHP	57.37	57.39	+0.15	▼0.39
THB	36.99	36.96	+0.06	▼0.10

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.494%	+3.7 bp	▼13.5 bp
JPY (10YR)	0.882%	+0.9 bp	▼0.9 bp
EUR* (10YR)	2.462%	+4.2 bp	▼12.2 bp
AUD (5YR)	3.988%	+0.9 bp	▼19.1 bp
SGD (5YR)	3.237%	+3.5 bp	▼16.5 bp
CNY (5YR)	2.127%	+1.7 bp	▼5.2 bp
INR (5YR)	7.140%	+0.6 bp	▼5.6 bp
IDR (5YR)	6.947%	+2.8 bp	▼21.2 bp
MYR (5YR)	3.730%	+0.0 bp	▼5.5 bp
PHP (5YR)	6.497%	+7.9 bp	▼29.8 bp
THB (5YR)	2.537%	+1.4 bp	▼2.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,056.39	+0.44%	+3.04%
N225 (JP)	38,202.37	▼1.63%	▼0.19%
STOXX 50 (EU)	5,038.17	+0.44%	+2.38%
ASX (AU)	4,544.24	+0.47%	+2.84%
STI (SG)	3,264.53	▼1.08%	▼0.86%
SHCOMP (CN)	3,128.48	▼0.61%	+0.76%
SENSEX (IN)	73,466.39	▼0.06%	▼1.36%
JSE (ID)	7,088.80	▼0.49%	▼2.01%
KLSE (MY)	1,604.75	▼0.06%	+1.83%
PSE (PH)	6,659.18	+0.61%	▼0.62%
SET (TH)	1,373.33	▼0.22%	+0.39%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	289.01	▲0.19%	+1.25%
COPPER (LME)	9,767.35	▲1.28%	▲0.15%
IRON ORE (CN)	115.79	▲2.35%	▲0.10%
GOLD	2,308.85	▲0.23%	▲0.46%
OIL (WTI)	78.99	+0.78%	▼0.01%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	155.43	EUR/USD	1.0747
USD/SGD	1.3555	USD/THB	36.94
JPY/SGD	0.8721	USD/MYR	4.742

Forecast

USD/JPY	154.00 - 156.50
EUR/USD	1.0680 - 1.0800
AUD/USD	0.6510 - 0.6640
USD/SGD	1.3490 - 1.3640
JPY/SGD	0.8620 - 0.8857
USD/CNH	7.2100 - 7.2500
USD/INR	8.45 - 83.80
USD/IDR	15800 - 16200
USD/MYR	4.730 - 4.760
USD/PHP	57.00 - 57.60
USD/THB	36.80 - 37.10

Today's Direction

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

Three Take-Aways

- 1) Stalling US equity rally perhaps hint at growth concerns as policy rates set to remain restrictive for longer.
- 2) JPY underperforming despite BoJ's warnings suggests markets looking for more concrete actions.
- 3) BNM set to hold on encouraging growth and moderate inflation pressures.

Growth Worries?

- **UST yields edged up** (2Y: +0.6bps; 10Y: +3.7bps) as FedSpeak stuck to the same tune. Fed Collins signalled that interest rates will likely need to be held at a two-decade high for longer than previously thought to damp demand and reduce price pressures. Notably, she conceded that holding in this restrictive range for longer will slow the economy, but deemed it necessary to ensure sustained disinflation towards the Fed's 2% goal as progress on inflation will very likely require lower growth in demand, particularly to facilitate further slowing of core non-housing services inflation. The plausibility of slower growth in coming quarters was likely in the back of investors' mind, with **US equities closing mixed** (S&P: +0.0%; Dow: +0.4%; Nasdaq: -0.2%) amid lack of any major earnings upside surprises.

- USD was broadly stronger against the G10 currencies, with **JPY underperforming** despite warning from BoJ. In particular, BoJ Ueda alluded to the possibility of tightening on upside inflation risks from a weak Yen. However, that USD/JPY moved steadily higher over the day to around mid-155 levels suggests that **markets are perhaps looking for more action rather than talk**. Latest JGBs scheduled purchase amounts released in end-April remained unchanged even as March's meeting (where YCC was abandoned) raised expectations for BoJ to reduce purchases.

- Meanwhile, **SEK** also underperformed following Riksbank front ran the ECB, kicking-off its easing cycle with the first rate cut on growth concerns.

- **AUD** traded below 66 cents as RBA's less hawkish rhetoric rolled on while **EUR** hovered around mid-1.07 levels. Elsewhere, **USD/SGD** traded around mid-1.35 levels.

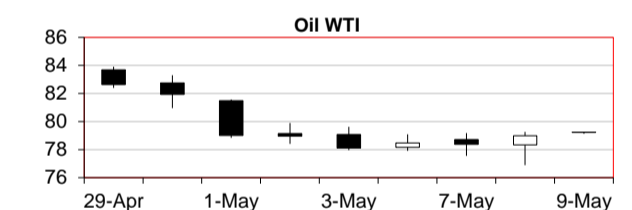
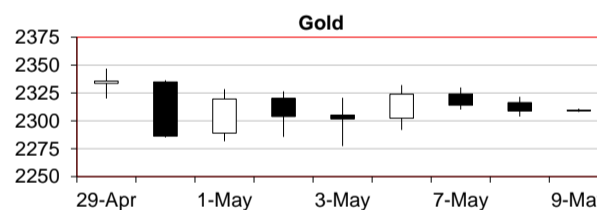
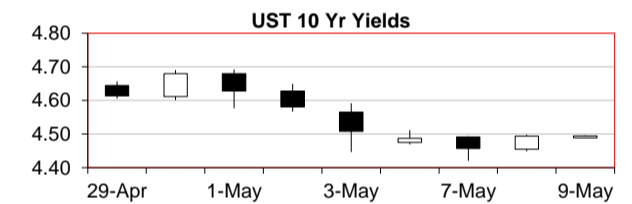
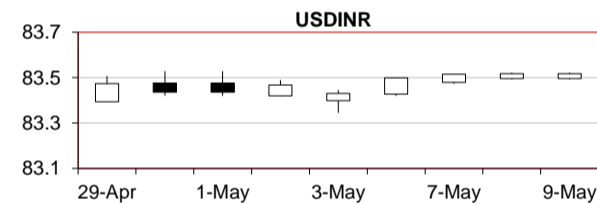
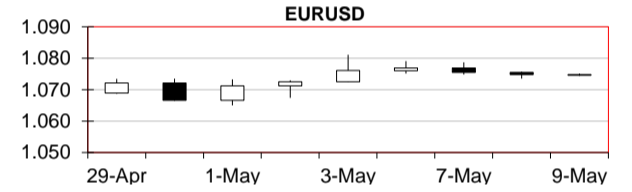
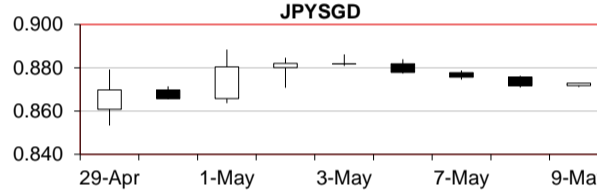
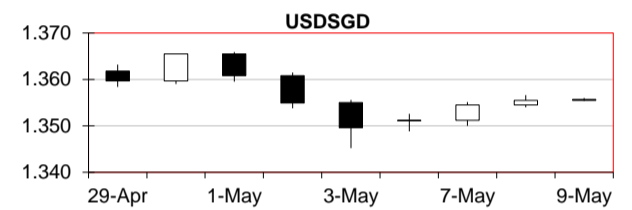
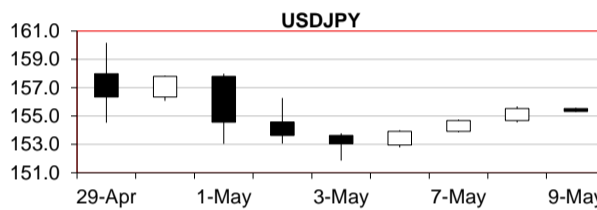
BNM: Holding the Ground

- We expect **BNM to continue standing pat** at the upcoming meeting (on 9 May).

OVERNIGHT RESULTS

(PH) Exports/Imports YoY (Mar): -7.3%/-20.0% (Mkt: -2.2%/-6.0%; Feb: 15.7%/6.5%) | (PH) Unemployment Rate (Mar): 3.9% (Feb: 3.5%) | (TW) Exports/Imports YoY (Apr): (Mkt: 9.4%/7.9%; Mar: 18.9%/7.1%) | (US) Wholesale Inventories MoM (Mar F): -0.4% (Mkt: -0.4%; prelim: -0.4%)

* Past Two Weeks Movement *



- Malaysia's **growth pickup in Q1 was encouraging**, printing at 3.9% YoY. Notably, manufacturing growth grew by 1.9% (Q4: -0.3%) and further tailwinds from electronics cycle recovery could be expected in the coming quarters. Construction also accelerated to 9.8% YoY (Q4: 3.5%) while services remained resilient at 4.4% (Q4: 4.2%).

- Meanwhile, **inflationary pressures remains manageable**. March inflation of 1.8% YoY inflation came in below expectations (2.0%) and remains stable despite the increase in services tax effective 1 March. Nonetheless, services inflation was key driver of inflation. Of note is that food price pressures in the nation remain benign -- a sharp contrast to neighbouring Indonesia, Philippines and Vietnam.

- Furthermore, we reiterate our view that **BNM will not hike rates in an attempt to stabilise the MYR** even as MYR has weakened -0.8% against the greenback since the last meeting. As we have previously argued, a hike on the basis of MYR stability would mean a shift to policy considerations from inflation and growth and could dent BNM's credibility. That MYR has recovered some ground since the sell-off in mid-April on a series of Middle-East geopolitical flares and hot US inflation data buoying USD strength, could also provide some reprieve for BNM.

- Instead, in addition to encouraging repatriation and conversion of foreign investment income (as stated in the previous policy statement), BNM could be expected to step into the FX markets to ensure financial markets remain "orderly", as officials have already cautioned. Malaysia's FX reserves (in import cover terms) have remained relatively stable.

FX Daily Outlook

- EUR/USD: Test of 1.07 possible on GBP spillovers from BOE meeting.
- USD/JPY: Plausibility of large swings around mid-155 levels on intervention risks.
- USD/SGD: Could retain buoyancy above mid-1.35 on softer EUR and CNH.
- AUD/USD: Trade below 66 cents on uninspired CNH.

TODAY EVENTS

(KR) BoP Current Account Balance (Mar): \$6931.4m (Feb: \$6858.3m) | (CH) Exports/Imports YoY (Apr): (Mkt: 1.3%/4.7%; Mar: -7.5%/-1.9%) | (PH) GDP YoY/SA QoQ (1Q): (Mkt: 5.5%/1.0%; 4Q: 5.5%/2.1%) | (US) Initial Jobless Claims: (Mkt: 212k; prev: 208k) | (JP) Coincident Index/Leading Index Cl (Mar P): (Mkt: 114.0/111.2; Feb: 111.6/111.8) | (JP) Labor/Real Cash Earnings YoY (Mar): (Mkt: 1.4%/-1.4%; Feb: 1.4%/-1.8%)

Central Bank Policy Decision: BNM Overnight Policy Rate

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