

Economic Calendar

Date	Country	Event	Period	Survey*	Prior
08 Apr	JP	BoP Current Account Balance	Feb	¥2644.2b	¥457.0b
	JP	Labor/Real Cash Earnings YoY	Feb	1.8%/1.3%	1.5%/1.1%
	JP	Eco Watchers Survey Current/Outlook SA	Mar	51.6/53.3	51.3/53.0
	EZ	Sentix Investor Confidence	Apr	-8.3	-10.5
09 Apr	JP	Machine Tool Orders YoY	Mar P	--	-8.0%
10 Apr	US	CPI/Core YoY	Mar	3.4%/3.7%	3.2%/3.8%
	US	Real Avg Hourly Earning YoY	Mar	--	1.1%
	JP	PPI YoY	Mar	0.8%	0.6%
	US	FOMC Meeting Minutes			
11 Apr	US	Initial Jobless Claims		215k	221k
	US	PPI/Core YoY	Mar	2.2%/2.3%	1.6%/2.0%
	EZ	ECB Main Refinancing Rate		4.50%	4.50%
12 Apr	US	U. of Mich. Sentiment/Expectations	Apr P	79.0/78.0	79.4/77.4
	US	U. of Mich. 1Y/5-10Y Inflation	Apr P	2.9%/2.9%	2.9%/2.8%
	JP	Industrial Production YoY	Feb F	--	-3.4%

Week-in-brief: Hot & Heat

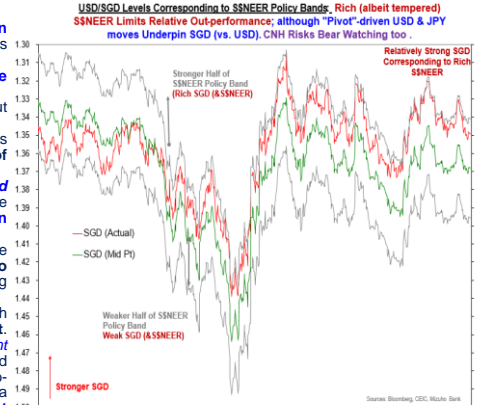
- A conspiracy of hot (US) data and geo-political risks turn the heat on for markets. Rallies are now under scrutiny as higher yields, oil and uncertainty raise the bar for favourable risk-rewards.
 - To recap, US jobs data was hot. A sizzling 90K out-run in NFP as the 303K headline blew past 214K expectations and easily absorbed higher (labour force) participation rate. Presumably, the inference of an inconveniently hot jobs market triggered a surge in UST in yields from "pivot" push-back.
 - This squares with "no landing" US exceptionalism narrative, where the US transitions to a cyclical pick-up, unfettered by "higher for longer", gaining currency.
 - In turn, showing up as policy expectations for diminished or even derailed 2024 rate cuts.
 - Notably, a "hot US" with attendant policy restriction, turns the heat up for economies elsewhere.
 - This is not only from the transmission of higher US rates via global capital markets dragging on demand elsewhere, but more insidiously through macro/financial stability risks.
 - In particular, EM currencies are prone to a double whammy of a strong USD and high UST yields.
 - One consequence of this imposed macro-stability risk is that EM (Asia) central banks are considerably more constrained in the option to cut rates ahead of the Fed, especially with fluid Fed pivot pushback.
 - The BSP (later today) will likely sit on its hands amid lingering PHP downside risks cost-push threat.
 - Trouble with taking chances on macro/currency-stability with a cut sooner, is that the cost of remedial action to reverse compromised stability tends to be asymmetrically higher.
 - And so, despite the BoT arguably having relatively more latitude, a hold may be preferred for now.
 - Similarly, the BoK may also allude to sticky inflation and the need to maintain current stance/rates.
 - The MAS (Fri) too has a compelling case to stay on hold, despite inflation bounce. For a start, MAS' FX policy mechanisms is not analogous to rate tools. Point being, the bar for further tightening is far higher, given front-loaded and aggressive policy tightening since October 2021.
 - Complicating this picture is a "hot" geo-political situation in the Middle East.
 - Granted, Israel pulling out of Gaza may temporarily assuage fears of imminent conflict blow out. But the Israel leadership now trained on Iran heighten risk of conflict with more pervasive and profound spill-over. The

ECB: Wagers and Wages

- ECB to set to be on hold at the upcoming meeting (11 Apr) as it awaits more data to see further evidence of moderation in wage growth and gain more confidence about the dis-inflation process.
 - While preliminary March EZ inflation printed below expectations, food costs were the key driver of the slowdown. Hence, the print belied sticky services inflation (at 4.0% YoY) which likely underscored persistent wage growth. Admittedly, labour costs have moderated to 3.4% YoY in Q4'23, from 5.2% YoY in Q3'23, but would need to fall further for ECB to be comfortable that second-round effects would be reined in. Tellingly, Mar minutes showed ECB's wariness on the effects of the "wage-profits-productivity nexus" on domestic inflation. Moreover, cautious restraint would likely remain the main theme as geo-political flares risk a resurgence in energy prices.
 - Meanwhile, growth has not deteriorated so sharply as to rush a cut. ECB members noted at the Mar meeting that data suggested a bottoming-out of the EZ economy, helped by foreign demand pick-up. Since then, there are nascent signs that the recovery is on track, albeit tenuous.
 - Despite industrial output slipping, services PMI and economic confidence have improved.
 - Moreover, ECB speakers have suggested that a cut in April would be premature, preferring a hold.
 - Notably, President Lagarde has signalled a first cut in June, as there would be more data in June on wages, productivity and corporate profit margins to guide ECB's decision, instead of April.
 - Bottom-line is that the ECB is wide expected to stay on hold, consistent with policy space.
 - Policy-induced EUR impact is likely to be fairly restrained as rate cut expectations ahead are tempered by data-dependence caveats. Any allusions to fresh inflation risks may spark EUR upside.

MAS: A Compelling Hold

- The case for the MAS to stay on hold (at the 12th April meeting) is compelling.
 - The rhetoric too is likely to be materially unchanged;
 - that is, fairly balanced, without relenting on prevailing restriction.
 - This anticipated policy hold is however not due to a lack of change in economic conditions.
 - Instead, reflecting opposing, and largely offsetting, shifts in the underlying growth and inflation dynamics.
 - As a consequence of which, the MAS has two-way options to consider in the context of mounting policy tensions.
 - Admittedly, sticky inflation with recent upswing is inconvenient. But a lot of inflation containment work has been done upfront. And this backdrop of aggressive, proactive inflation assault means that a bumpy dis-inflation path is not cause for policy consternation.
 - As such, the MAS can afford to comfortably hold and watch.
 - Especially as stickier non-tradable (than tradable) inflation, diminishes need to (over-) tighten
 - So retaining some hawkish bias, but not so much the intent as it may be the policy sweet spot.
 - In turn, this will underpin our rich and restrained characteristics of S\$NEER that, barring unforeseen shocks/volatility.

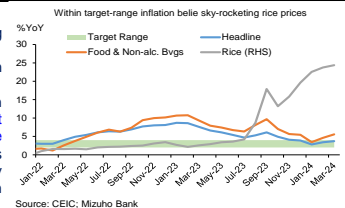


Asia

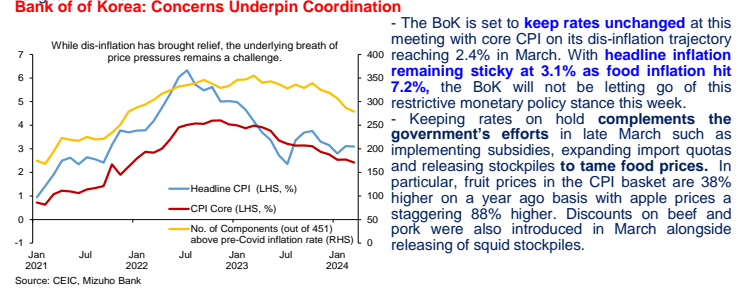
Date	Country	Event	Period	Survey*	Prior
9-15 Apr	CH	Aggregate Financing/New Yuan Loans CNY	Mar	4700.0b/-	6536.4b/4914.3b
11-18 Apr	CH	FDI YTD YoY CNY	Mar	--	-19.9%
08 Apr	MY	Industrial Production YoY	Feb	1.8%	4.3%
	PH	BSP Overnight Borrowing Rate		6.50%	6.50%
09 Apr	TW	CPI/Core YoY	Mar	2.5%/-	3.1%/2.9%
10 Apr	TH	BoT Benchmark Interest Rate		2.50%	2.50%
	PH	Unemployment Rate	Feb	--	4.5%
	TW	Exports/Imports YoY	Mar	7.2%/2.5%	1.3%/17.8%
11 Apr	CH	CPI/PPI YoY	Mar	0.4%/2.8%	0.7%/2.7%
	PH	Exports/Imports YoY	Feb	10.4%/4.0%	9.1%/7.6%
12 Apr	CH	Exports/Imports YoY	Mar	-2.0%/1.0%	5.6%/8.2%
	IN	CPI YoY	Mar	4.9%	5.1%
	IN	Industrial Production YoY	Feb	6.0%	3.8%
	KR	BOK Base Rate		3.50%	3.50%
	KR	Unemployment rate SA	Mar	2.8%	2.6%
	SG	GDP YoY/SA QoQ	1Q A	3.1%/0.6%	2.2%/1.2%
	SG	MAS Monetary Policy Statement			

BSP: Less, but still Hawkish

- We expect the BSP to stand pat at the upcoming meeting as BSP remains hawkish.
 - Admittedly, a less hawkish tone was evidenced in Feb's monetary policy statement.
 - In addition to noting improvements to inflation conditions, the statement noted that the latest survey shows inflation expectations to be more firmly anchored, seemingly a response to Dec's statement that it was necessary to keep monetary policy settings "sufficiently tight" to anchor inflation expectations.
 - However, this is by no means that upside risks to inflation have been eliminated. Inflation ticked up to 3.7% YoY in Mar (Feb: 3.4%) with food still the main driver of price increases, contributing 2.1pp to the headline number. In particular, prices of rice increases accelerated to 24.3% YoY, the third consecutive month of >20% YoY growth.
 - Meanwhile, two-way growth risks remains. While nascent signs of exports growth (in particular semiconductors) are encouraging, there remains concerns on the resilience of the domestic sector with domestic trade trending downwards.
 - Even as BSP Governor Remolona recently remarked that BSP need not wait for Fed easing before cutting the key rate, unless the market goes "crazy" and the PHP weakens sharply—a scenario that BSP is not expecting, we retain our base case that BSP would not front-run the Fed in cutting rates insofar that excessive currency weakness is watched by BSP. Point being, a weaker PHP is not a foregone conclusion especially against the backdrop of recent geopolitical flares (Middle East or terrorist attacks) which could incite risk-off fears and fuel import-led inflation.
 - Easing via macroprudential measures however could come first, which BSP had already alluded to. However, BSP had caveated that the RRR would not be cut insofar that BSP is still hawkish. As such, we do not think the RRR will be cut at the upcoming meeting, as this would be an implicit affirmation that BSP is no longer hawkish, which could exert undue pressure on the PHP at this time of elevated UST yields and stronger USD.
 - Bank of Thailand: Examining The Case for 'Not So Soon' Cuts
 - Heading into the upcoming BoT policy meeting, it is important to recall that the previous decision was on the back of 5 members opting to hold while 2 members supported a rate cut.
 - Admittedly, the case for rate cut on lower potential growth is not unfounded. After all, lower potential growth implies a lower neutral rate for the economy. In turn, a 25bps cut framed as a normalisation move cannot be taken off the table.
 - In fact, the BoT's monetary statement as well as Governor Sethaput often alluded to structural issues which the economy faces that cannot be easily solved by monetary policy. Indeed, productivity issues require wider policy reforms on both physical and human capital front.
 - That said, the inability of monetary accommodation to directly aid productivity does not imply that rates cannot be lowered to align with a "new" sustainable growth path.
 - As for inflation, headline inflation continued to be entrenched in deflationary territory, though easing core inflation does appear to set the stage for future normalisation.
 - Nonetheless, at this juncture, given the persistent THB weakness amid looming fiscal worries surrounding the digital wallet plans and upsidized budget deficit planned for FY2025, the BoT will keep rates unchanged to prevent worsening the near term situation by trying to calibrate for an elusive long term neutral.
 - Bank of Korea: Concerns Underpin Coordination
 - The BoK is set to keep rates unchanged at this meeting with core CPI on its dis-inflation trajectory reaching 2.4% in March. With headline inflation remaining sticky at 3.1% as food inflation hit 7.2%, the BoK will not be letting go of this restrictive monetary policy stance this week.
 - Keeping rates on hold complements the government's efforts in late March such as implementing subsidies, expanding import quotas and releasing stockpiles to tame food prices. In particular, fruit prices in the CPI basket are 38% higher on a year ago basis with apple prices a staggering 88% higher. Discounts on beef and pork were also introduced in March alongside releasing of squid stockpiles.



- While import quotas of fruits will also be expanded in April, the expiry of discounts on some agriculture products may diminish the dis-inflation effects from the increase in supply.
 - Worryingly, the inflationary effects in March came alongside a small spike in inflation expectations as well as poorer consumer sentiments.
 - As such, further dis-inflation prints will be required before policy normalisation especially as more than half of the items in the CPI basket still have inflation rates above their pre-Covid rates.
 - At this meeting, some dovish communications from Governor Rhee will be expected on grounds of slowing core inflation momentum amid balanced 2 sided risks.



Forex Rate

	Close*	Chg^	% Chg^	Week Forecast	
USD/JPY	151.62	0.270	0.18%	148.50	~ 152.00
EUR/USD	1.0837	0.0047	0.44%	1.070	~ 1.089
USD/SGD	1.3487	-0.001	-0.04%	1.3390	~ 1.3550
USD/THB	36.645	0.255	0.70%	36.30	~ 37.00
USD/MYR	4.7475	0.0225	0.48%	4.730	~ 4.780
USD/IDR	15845	-10	-0.06%	15,750	~ 16,000
JPY/SGD	0.8895	-0.002	-0.21%	0.881	~ 0.912
AUD/USD	0.6579	0.006	0.89%	0.648	~ 0.663
USD/INR	83.29	-0.111	-0.13%	83.1	~ 83.7
USD/PHP	56.515	0.292	0.52%	56.1	~ 56.8

^Weekly change.

FX Outlook: Concession, Not Discount

USD:

- USD not surging further despite the hot jobs data and consequent surge in UST yields is a **policy concession** of stickier US inflation expected to keep real rates under control and restraint on rate cuts elsewhere. But it is **not a durable discount** of the Greenback's "risk off" allure.

Oil:

- Likewise, Brent crude easing back (belwo \$90) from \$92 test is a **tactical conflict concession, not a fundamental geo-political risk discount**. Fact is, the **concession of Israel moving troops out of Gaza is nowhere near cause to discount** growing threats of **direct conflicts involving Iran**.

- Afterall, the **Israeli leadership is now formally trained on Iran** as a threat to be addressed.

- Upshot: **Oil's upside volatility remains very much intact** as geo-politics amplify supply shortfall.

- Rebound back to \$90-95 Brent crude in coming weeks is not an outlandish risk to hedge against.

EUR:

- The **concession for EUR bulls** is that the the ECB may hold back from rate hikes amid risks of fresh cost-push and signs of resilience in growth.

- But this is **not to be mistaken for discounting** a plethora of **EUR dampeners** such as "*competitive pivot*", *sharper policy trade-offs* (vs. US) and *more direct geo-political risks spill-over*.

- So traction above 1.08 must not be mistaken for rallies to sustain through 1.09-1.10.

CNH:

- The closely watched CNY fixing only accentuates the point that **CNH stability is a concession afforded to PBoC fix guidance** and its implied intervention threat.

- But that does not discount persistent CNH downside risks in the context of capital leakages and geo-economic threats confronting structural headwinds.

- Yellen and Li Qiang striking a conciliatory tone risks singing hollow.

- So **US-China diplomatic concessions do not discount entrenched geo-political threats**.

AXJ:

- AXJ could find some relief, but likely no rejoice. **Concessions from CNH stability, easing Oil and USD off the sharp rallies do not discount underlying hawkish Fed and geo-politics**.

JPY: Discerning Concerns

- Amid the surge in UST yields, the USD/JPY has been kept below 152 on **intervention concerns** as well as **hawkish interpretation of Governor Ueda's comments on importance of FX and possibility of H2 hike**.

- First, while intervention risks remain very relevant and real, the UST-JGB yield gap widening imply that test of 152 remain on the cards.

- Second, FX considerations on imported inflation are policy concerns but they remain unlikely to move the policy needle in and of itself barring uptick in inflation prints.

- On that note, recent energy price surge will lend support to JPY bears but bulls will point to possibility of second round effects backing the possibility of a H2 calibration.

- On balance, the USD/JPY looks to sustain buoyancy above 150 while testing on 152 may rest on US CPI upside.

EUR: Setting the Stage

- Heading into ECB decision this week, the EUR is unlikely to find solace given the looming prospects of a June cut.

- Growth related prints continue to display soft spots such as the retail sales contraction though prospects of a China recovery provide a glimmer of hope.

- That said, even if data dependence may continue to be peppered in Lagarde's press conference, it may take a high bar to dampen odds of a June cut.

- Furthermore, UST yields surge continue to weigh on the EUR.

- All in, the EUR looks to persist in the 1.08-1.09 this week with risks of sub-1.08 slippage.

SGD: Managed

- USD/SGD returned back to trade below 1.35 handle in the latter half of last week on stronger CNY fixing, although some geo-political inspired volatility retested the 1.35 handle.

- With **MAS decision** due 12 April, we expect **some cautious positioning going into the meeting** and could see some restraints in rallies or sell-off while still following the trend of the broad USD environment. In particular, some volatility could be seen on US CPI print which could provide mor insights to how "bumpy" the dis-inflation process would be and implications on Fed rate cuts.

- Nonetheless, we expect a slight appreciation bias as **SGD should be fairly supported this week** with CNY fixing continuing to act as a backstop for any excessive weakness in the SGD while an expected ECB hold should disappoint EUR bears.

- All in, we continue to expect USD/SGD to trade within the 1.34 to mid-1.35 band.

AUD: Precariously Buoyed

- AUD is buoyed, but arguably in a precarious state at that.

- Tellingly last week's pullback from 0.66+ levels speak to the precarity of sustaining altitude.

- In particular, AUD's traction does not appear to derive too much from the RBA's restraint (on cuts)

- Especially as hot US data discount the inherent relative AUD boost from RBA's hold.

- Whereas the PBoC's traction in reversing CNH slippage and higher Oil (but without upsetting risk sentiments) have helped.

- Hence, insofar that both the PBoC and Oil are limited in the ability to provide further AUD traction, we expect buoyancy to be limited.

- And arguably a tad precarious on advances above 66cents.

Bond Yield (%)

5-Apr	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.750	13.0	4.402	20.2	Steepening
GER	2.867	2.4	2.395	9.9	Steepening
JPY	0.197	2.5	0.749	3.2	Steepening
SGD	3.456	1.4	3.183	10.7	Steepening
AUD	3.733	-1.6	4.096	0.1	Steepening
GBP	4.224	5.2	4.069	13.6	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,204.34	-0.95
Nikkei (JP)	38,992.08	-3.41
EuroStoxx (EU)	5,014.75	-1.35
FTSE STI (SG)	3,218.26	-0.18
JKSE (ID)	7,286.88	-0.03
PSEI (PH)	6,745.46	-2.29
KLCI (MY)	1,555.25	1.25
SET (TH)	1,375.58	-0.17
SENSEX (IN)	74,248.22	0.81
ASX (AU)	7,773.27	-1.57

US Treasuries: Bulls Rolling Over>

- ISM Manufacturing outperformance, surge in nonfarm payrolls alongside hawkish Fed speak mauled UST bulls last week.

- The UST yield surge was led by the long end alongside higher oil prices.

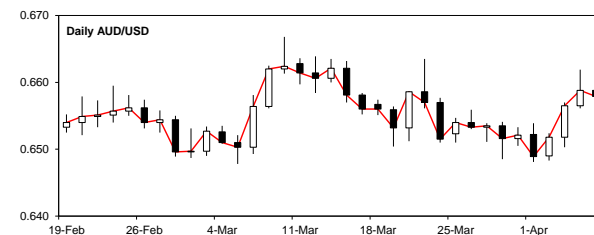
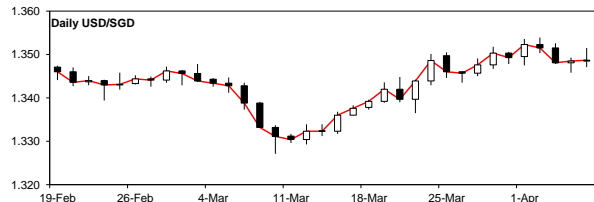
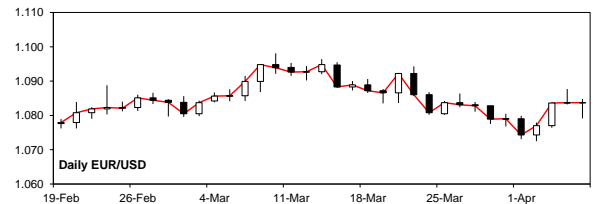
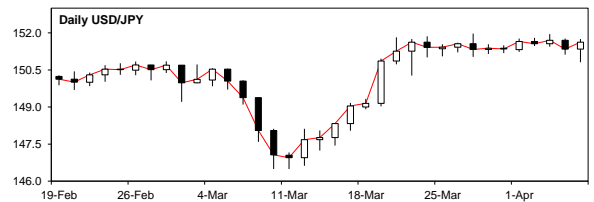
- This week, inflation will provide another reminder on the **progress of dis-inflation thus far and also the underlying room available for cuts especially alongside FOMC minutes release**.

- Nonetheless, headline inflation progress would be offset by the recent increase in energy prices.

- More importantly, risk of a Brent surge towards US\$100/barrel could negate dated CPI prints and sent another beating to UST bulls.

- Meanwhile, signs of ECB cut in June may tempt back some UST bulls at these elevated yields.

- This week, barring energy price shocks, UST yields may display a softer tone as 2Y yields trade in the 4.6-4.85% range while 10Y yields may remain elevated on energy prices to hover in the 4.3%-4.55% range.



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