

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	150.32	150.53	+0.41	▼0.17
EUR	1.0853	1.0856	+0.0019	+0.0005
AUD	0.6525	0.6510	▼0.0017	▼0.0030
SGD	1.3431	1.3434	▼0.0005	▼0.0010
CNY	7.1991	7.1989	+0.0021	+0.0014
INR	82.90	82.89	▼0.01	▼0.00
IDR	15742	15740	+40	+110
MYR	4.7295	4.7225	▼0.0235	▼0.0548
PHP	55.99	55.98	▼0.04	▼0.10
THB	35.79	35.82	▼0.13	▼0.30

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.213%	+3.3 bp	▼6.6 bp
JPY (10YR)	0.719%	+0.2 bp	+3.3 bp
EUR* (10YR)	2.392%	▼2.2 bp	▼4.8 bp
AUD (5YR)	3.728%	▼3.1 bp	▼2.6 bp
SGD (5YR)	3.011%	▼3.9 bp	▼1.7 bp
CNY (5YR)	2.243%	▼1.2 bp	+1.8 bp
INR (5YR)	7.083%	+0.1 bp	+0.7 bp
IDR (5YR)	6.497%	▼0.3 bp	▼0.4 bp
MYR (5YR)	3.574%	▼1.2 bp	▼2.1 bp
PHP (5YR)	6.080%	▼0.1 bp	▼1.5 bp
THB (5YR)	2.250%	▼1.0 bp	+0.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,989.83	▼0.25%	▼0.20%
N225 (JP)	40,109.23	+0.50%	+2.23%
STOXX 50 (EU)	4,912.92	+0.37%	+1.00%
ASX (AU)	4,174.28	▼0.54%	▼0.39%
STI (SG)	3,122.21	▼0.43%	▼1.54%
SHCOMP (CN)	3,039.31	+0.41%	+2.09%
SENSEX (IN)	73,872.29	+0.17%	+1.49%
JSE (ID)	7,276.75	▼0.48%	▼0.10%
KLSE (MY)	1,539.27	+0.08%	▼0.54%
PSE (PH)	6,951.67	+0.46%	+0.87%
SET (TH)	1,362.59	▼0.35%	▼2.54%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	277.29	+0.06%	+1.33%
COPPER (LME)	8,455.91	+0.47%	+1.13%
IRON ORE (CN)	117.03	+2.07%	▲6.11%
GOLD	2,114.48	+1.52%	+4.10%
OIL (WTI)	78.74	▼1.54%	+1.50%

Three Take-Aways:

- 1) Fed's Bostic pushed back against consecutive cuts despite pencilling a Q3 cut.
- 2) US treasuries and equities sold off while USD retains traction.
- 3) China's NPC underpins downside risks to the CNH as it attempts to provide economic silver linings.

Insurance

- UST bulls were on the backfoot with a bear flattener as 2Y soared 7bp while 10Y yields rose 3.3bp reversing most of the decline in front end yields from last Friday.

- The UST sell-off is unsurprising amid Fed's Bostic warning of just one rate cut in third quarter. Notably, he **does not anticipate back to back cuts**, marking a **clear push back** against markets.

- Nonetheless, given that he pencilled in a Q3 cut, it **resembles more of an insurance attempt to avail two-way room for consecutive cuts** should growth and/or inflation slow materially **or for outright stalling of cuts** should US exceptionalism run hot with sticky inflation.

- Similarly, US equities also fell across the board (Nasdaq: -0.4%; Dow: -0.3%; S&P 500: -0.1%).

- In FX, Greenback has largely retained traction among G10 peers aided by higher UST yields. USD/JPY remains buoyed above 150. With the ECB meet looming, EUR crept above mid-1.08.

- AUD fell back towards 65 cents. In EM-Asia, the USD/SGD trade sideways below mid-1.34.

- Despite higher UST yields and resilient USD, gold has continued to climb since the start of March. Be it **haven seeking** or **dis-belief in the Fed's ability to maintain rates**, a **little caution and insurance** have not hurt policy makers or markets.

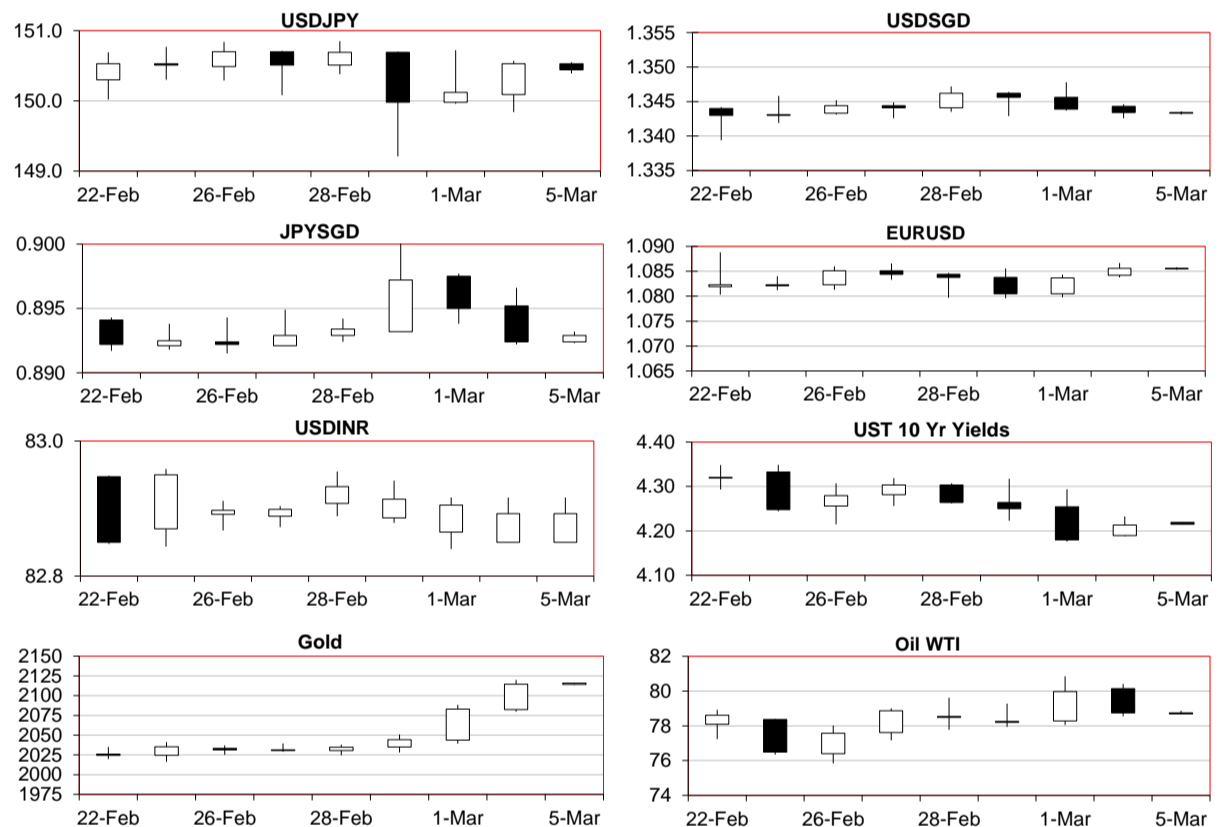
China NPC: March Ado

- Undeniably, there will be **much ado about the annual plenary session of the National People's Party Congress (NPC) that commences 5th March**. Especially as markets anticipation of emphatic stimulus from Beijing is accentuated by the recent surprise **25bp 5Y LPR cut**, the largest on record for this benchmark. In fact, there may be headline excitement about "around 5%" growth target being retained; as speculation of whether this reflects desire for "above 5%" is triggered.

- In particular, if this growth target is delivered alongside any step-up in monetary policy setting to "pro-active" stimulus alongside an enlarged (~3.5% of GDP) fiscal deficit.

OVERNIGHT RESULTS

(AU) Building Approvals MoM (Jan): -1.0% (Mkt: 4.0%; Dec: -9.5%) | (EZ) Sentix Investor Confidence (Mar): (Feb: -12.9)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	150.47	EUR/USD	1.0854
USD/SGD	1.3434	USD/THB	35.75
JPY/SGD	0.8928	USD/MYR	4.723

Forecast

USD/JPY	149.50 - 150.80
EUR/USD	1.0780 - 1.0880
AUD/USD	0.6480 - 0.6570
USD/SGD	1.3400 - 1.3470
JPY/SGD	0.8886 - 0.9010
USD/CNH	7.2050 - 7.2200
USD/INR	82.80 - 83.00
USD/IDR	15690 - 15780
USD/MYR	4.715 - 4.760
USD/PHP	55.90 - 56.40
USD/THB	35.70 - 36.10

Today's Direction

	Bull	Bear
USD/SGD	0	3
USD/JPY	0	3

- Notably, any allusion to measures to boost consumption may also excite, given the conspicuous absence of consumer confidence reflected in consumer deflation and under the hood of the initial optical allure of Lunar New Year spending.

- But the risk is that the stimulus availed in effect will fall significantly short of that anticipated.
- In which case, any initial cheer is liable to justifiable misgivings, in the absence of an unequivocal and aggressive stimulus shift. Crucially, given the conspiracy of inherent policy conflicts, unresolved confidence deficit, and tensions with longer-term economic restructuring.
- **Inherent Policy Constraints:** For one, scope for unimpeded monetary stimulus is impeded by sharp trade-offs involving imminent currency pressures and wider pipeline financial stability risks.
- **Unresolved Confidence Deficit:** Meanwhile, unresolved confidence deficit warns of suppressed growth multipliers that consequently dull stimulus efforts. Especially given circularity of balance sheet/cash-flow drag across housing, banking, shadow banking and indebted local governments.
- **Restructuring Tensions:** Above all, "Xi Jinping Thought" challenges wistful notions of sharp policy course reversals to fire up growth for its own sake.
- Fact is, some element of Schumpeterian pain is intended and the pursuit of "quality" growth will inevitably impose a more significant trade-off with "quantity" (of growth). And so, the NPC will at best offer silver linings that alleviate pain and mitigate risks. Whereas, it cannot provide silver bullets to overcome policy conflicts amplified geo-political threats and structural impediments.
- Consequently, this underpins downside risks to the CNH when Beijing can least afford it.

FX Daily Outlook

- EUR/USD: ECB looming imparts consolidation around mid-1.08.
- USD/JPY: Tokyo CPI upside to allow opportunistic bids near 151.
- USD/SGD: Higher UST yields to allow buoyancy above 1.34.
- AUD/USD: Current account allow 65 cents consolidation but unable to inspire rallies towards 66 cents.

TODAY'S EVENTS

(KR) GDP YoY (4Q): 2.2% (Mkt: 2.2%; Prelim: 2.2%) | (AU) Current Account Balance (4Q): (Mkt: A\$5.0b; 3Q: -0.2b)
 (PH) CPI YoY (Feb): (Mkt: 3.1%; Jan: 2.8%) | (TH) CPI/Core YoY (Feb): (Mkt: -0.8%/0.5%; -1.1%/0.5%)
 (CH) Caixin PMI Services (Feb): (Mkt: 52.9; Jan: 52.7) | (SG) Retail Sales/Ex Auto YoY (Jan): (Mkt: 7.1%/--; Dec: -0.4%/ -1.5%)
 (EZ) PPI YoY (Jan): (Mkt: -8.1%; Dec: -10.6%) | (US) ISM Services Index/Prices Paid (Feb): (Mkt: 53.0/62.0; Jan: 53.4/64.0) |
 (US) Durable Goods Orders/Non def Ex Air (Jan F): (Mkt: -6.1%/--; Prelim: -6.1%/0.1%)

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