

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.88	148.33	+0.57	+0.28
EUR	1.0936	1.0883	▼0.0065	▼0.0065
AUD	0.6619	0.6581	▼0.0040	▼0.0039
SGD	1.3326	1.3360	+0.0037	+0.0028
CNY	7.1926	7.1943	+0.0075	+0.0017
INR	82.84	82.83	▼0.03	+0.04
IDR	15581	15582	+4	▼71
MYR	4.6890	4.6860	+0.0000	▼0.0192
PHP	55.40	55.41	+0.00	▼0.44
THB	35.67	35.62	▼0.11	+0.05

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.290%	+10.0 bp	+20.8 bp
JPY (10YR)	0.777%	+1.0 bp	+4.6 bp
EUR* (10YR)	2.426%	+6.0 bp	+12.0 bp
AUD (5YR)	3.724%	+3.4 bp	+5.3 bp
SGD (5YR)	3.009%	+2.2 bp	+2.5 bp
CNY (5YR)	2.257%	+0.1 bp	+5.2 bp
INR (5YR)	7.056%	+0.4 bp	+0.2 bp
IDR (5YR)	6.527%	+1.8 bp	+2.0 bp
MYR (5YR)	3.564%	+0.9 bp	+1.1 bp
PHP (5YR)	6.088%	▼0.3 bp	+0.4 bp
THB (5YR)	2.217%	+2.3 bp	▼1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,905.66	▼0.35%	+0.29%
N225 (JP)	38,807.38	+0.29%	▼2.00%
STOXX 50 (EU)	4,993.12	▼0.15%	+0.38%
ASX (AU)	4,228.42	▼0.36%	+0.47%
STI (SG)	3,186.40	+0.81%	+1.68%
SHCOMP (CN)	3,038.23	▼0.18%	+0.36%
SENSEX (IN)	73,097.28	+0.46%	▼1.38%
JSE (ID)	7,433.32	+0.16%	+0.80%
KLSE (MY)	1,543.75	+0.37%	+0.52%
PSE (PH)	6,967.96	+0.04%	+1.91%
SET (TH)	1,394.93	+0.75%	+1.66%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	282.95	+0.66%	+1.38%
COPPER (LME)	8,833.46	+0.00%	+3.36%
IRON ORE (CN)	108.71	▲1.22%	▲7.97%
GOLD	2,162.19	▲0.56%	+0.10%
OIL (WTI)	81.26	+1.93%	+2.95%

Three Take-Aways:

- 1) US PPI surging above expectations overwhelm growth concerns from weaker than expected retail sales.
- 2) Consequently, risks sentiments subdued as UST yield curve bear steepened and USD gain traction.
- 3) Possibility of BoJ ETF buying cessation should not be read as hawkish policy turn nor valuation risks.

No Bright Spots

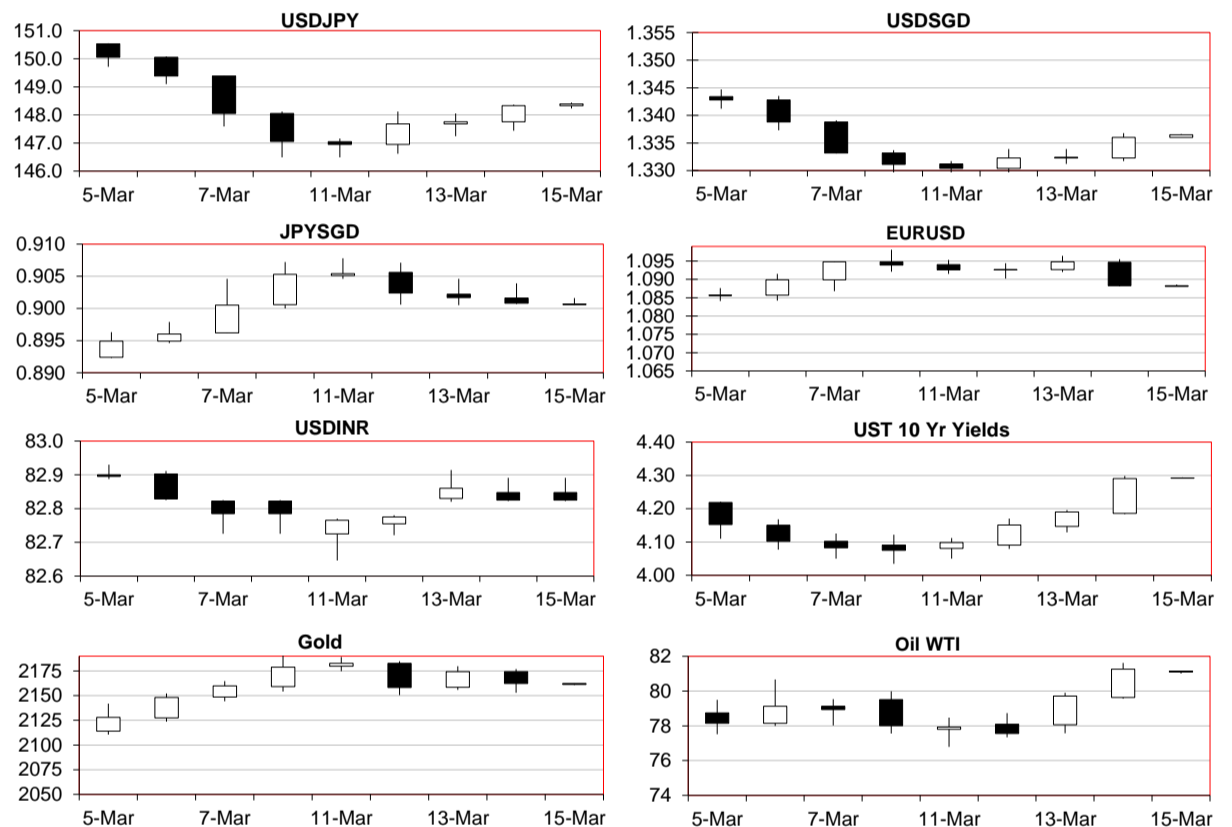
- It was a risk off session as economic data poured cold water on soft landing as well as rate cuts.
- US retail sales for February came in **weaker than expected** and even January's contractionary print was revised lower. The control group for retail sales which is an input into GDP was dismal as it stayed flat. Nonetheless, this was not a night for recession fears to back pivot bets as **US PPI surpassed expectations with a 0.6% MoM outturn to push back on rate cut expectations.**
- Consequently, UST yields curve bear steepened with 2Y yields rising 5.9bps while 10Y yields surged 10bps. The latter in part due to the **continued surge in oil prices** as Brent crude rose above US\$85/barrel amid the IEA revising projections for a supply deficit. However, structurally rising US production alongside global growth headwinds sets up two way volatility.
- Without a bright spot to be selective on, US equities sank 0.3-0.4% across the board.
- Riding on higher UST yields, the USD gained against all G10 peers. The **EUR plunged** below 1.09 as ECB's Stournaras supported 2 cuts before the August summer break and 2 more times before the end of 2024. Meanwhile, the AUD fell below 66 cents.
- Notably, the JPY slipped the least among G10 peers as bets for BoJ pivot await **bright spots** from the **wage negotiation results** from Rengo, the largest union group which in all likelihood will surpass last years 3.8% outcome. The USD/JPY rose above 148.
- In EM-Asia, USD/SGD soared above mid-1.33. Regional peers are unlikely to get any reprieve as China looks set to confirm yet another fall in housing prices.

The BoJ's ETF Buying Cessation: Not a Policy Turn Response

- If speculative whispers of ETF purchase termination comes to pass, it is **critical to recognize this is not a (hawkish) policy turn.**

OVERNIGHT RESULTS

(IN) Wholesale Prices YoY (Feb): (Mkt: 0.2% Jan: 0.3%) | (US) Retail Sales/Ex Auto MoM (Feb): 0.6%/0.3% (Mkt: 0.8%/0.5%; Jan: -0.8%/-0.6%; Revised: -1.1%/-0.8%) | (US) PPI Final Dd/Ex Food and Energy MoM (Feb): 0.6%/0.3%(Mkt: 0.3%/0.2%; 0.3%/0.5%) | (US) Initial Jobless Claims: 209k (Mkt: 218k; Prev: 217k)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.31	EUR/USD	1.0883
USD/SGD	1.3364	USD/THB	35.79
JPY/SGD	0.9011	USD/MYR	4.696

Forecast

USD/JPY	146.00 - 148.00
EUR/USD	1.0840 - 1.0930
AUD/USD	0.6590 - 0.6680
USD/SGD	1.3300 - 1.3400
JPY/SGD	0.8986 - 0.9178
USD/CNH	7.1900 - 7.2200
USD/INR	82.80 - 83.00
USD/IDR	15570 - 15650
USD/MYR	4.680 - 4.710
USD/PHP	55.35 - 55.60
USD/THB	35.60 - 35.89

Today's Direction

	Bull	Bear
USD/SGD	4	0
USD/JPY	4	0

-For one, catch-up rallies in Japanese equities have **dramatically diminished** the so-called "Japan premium*" in equities. Arguably then, ETF purchases have out-lived their policy purpose. In particular as ETF purchases was never intended as a permanent feature to eradicate "Japan premium". But merely a temporary mechanism to mitigate a self-reinforcing adverse spiral whilst conditions recover for a self-sustaining market backstop.

- Second, the wider umbrella of QQE policy is still expansionary. *Unwaveringly so*, as bond purchases as expected to persist. In concert, this ought to solidify the notion that cessation of ETF purchase is **not a departure from policy accommodation**. Instead, it **merely reflects a cost-sensitive reallocation, not retrenchment, of balance sheet capacity.**

Nor (Necessarily) a Valuation Risk

- What's more, *unlike the case with JGB purchases*, terminating ETF purchases need not jeopardize Japanese equity valuations.

- Primarily because ETF purchases have predominantly been in response to episodes of significant market sell-off. In other words, ETF purchases have effectively been operated as a **counter-cyclical and temporary backstop**, And *not committed and continued buying that guarantees a sustained valuation lift that departs from underlying pricing forces.*

- Upshot being, the **first order effect of ETF purchases being terminated is not necessarily a valuation risk**. By extension, this underscores that it will not amount to wider financial tightening (that is set off by slipping equities) either.

FX Daily Outlook

- EUR/USD: ECB cut prospects weigh on EUR to see trading sideways around 1.09.
- USD/JPY: BoJ bets slow rallies driven by higher UST yields and oil prices.
- USD/SGD: Deference to UST yields may allow mid 1.33 consolidation.
- AUD/USD: UST yields looks to pressure AUD below mid-66 cents.

TODAY'S EVENTS

 (CH) 1 Yr Medium Term Lending Facility Rate: (Mkt: 2.50%; 2.50%) | (CH) New Home Prices MoM (Feb): (Jan: -0.4%)
 (ID) Trade Balance (Fed): (Mkt: \$2425m; Jan: \$2015m) | (PH) Overseas Cash Remittances YoY (Jan): (Mkt: 2.8%; 3.8%)
 (US) Empire Mfg (Mar): (Mkt: -7.0; -Feb: 2.4) | (US) Industrial Production MoM (Feb): (Mkt: 0.0%; Jan: 0.1%)
 (US) Uni of Michigan Sentiment/1yr/5-10Yr inflation expectations (Mar P): (Mkt: 77.1/3.1%/3.0%; Feb: 76.9/3.0%/2.9%)

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