

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.14	149.15	+0.11	+2.20
EUR	1.0892	1.0872	▼0.0017	▼0.0054
AUD	0.6568	0.6560	+0.0000	▼0.0054
SGD	1.3380	1.3392	+0.0016	+0.0088
CNY	7.1981	7.1984	+0.0014	+0.0170
INR	82.90	82.91	+0.02	+0.15
IDR	15696	15690	+95	+100
MYR	4.7215	4.7180	+0.0108	+0.0362
PHP	55.54	55.56	+0.03	+0.18
THB	35.95	35.98	+0.20	+0.59

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.324%	+1.8 bp	+22.6 bp
JPY (10YR)	0.767%	▼1.9 bp	+0.8 bp
EUR* (10YR)	2.459%	+1.7 bp	+15.6 bp
AUD (5YR)	3.783%	▼0.8 bp	+16.2 bp
SGD (5YR)	3.056%	+0.5 bp	+11.8 bp
CNY (5YR)	2.215%	▼3.1 bp	▼1.3 bp
INR (5YR)	7.100%	+2.6 bp	+5.9 bp
IDR (5YR)	6.538%	▼0.4 bp	+5.5 bp
MYR (5YR)	3.583%	+0.7 bp	+3.3 bp
PHP (5YR)	6.080%	▼0.7 bp	▼0.4 bp
THB (5YR)	2.242%	+0.9 bp	+4.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,790.43	+0.20%	+0.05%
N225 (JP)	39,740.44	+2.67%	+2.37%
STOXX 50 (EU)	4,982.76	▼0.07%	+1.06%
ASX (AU)	4,218.89	▼0.08%	+0.55%
STI (SG)	3,171.93	▼0.03%	+1.07%
SHCOMP (CN)	3,084.93	+0.99%	+0.54%
SENSEX (IN)	72,748.42	+0.14%	▼1.03%
JSE (ID)	7,302.45	▼0.35%	▼1.08%
KLSE (MY)	1,553.64	+0.05%	+0.58%
PSE (PH)	6,853.29	+0.45%	▼0.28%
SET (TH)	1,385.94	▼0.01%	+0.41%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	287.24	+0.92%	+3.33%
COPPER (LME)	8,986.11	+0.20%	+4.98%
IRON ORE (CN)	108.51	+1.65%	▲2.54%
GOLD	2,160.36	+0.21%	▲1.03%
OIL (WTI)	82.72	+2.07%	+6.15%

### Three Take-Aways:

- 1) Cautious trading in JPY and AUD ahead of policy decision; EUR weakened on ECB rate cut remarks.
- 2) Caution on durability of wage gains could guide an one-off easing by BoJ out of NIRP.
- 3) Unconditional YCC abandonment unlikely on excessive upside yield volatility amid stronger JPY.

### Bated Breath

-While optimism around AI-boost saw a tech led US equities rally, USTs and FX markets await a slew of central bank decisions in bated breath. Reflecting so, USD/JPY traded within a relatively narrow range as markets positioned for BoJ. Similarly, AUD hovered above mid-65 cents ahead of RBA's decision. - DXY edged up slightly to mid-103 on higher UST yields as Fed rate cut bets continue to be dialled back slightly. After all, probability of a June cut has come down from 62% at the start of the blackout period to 52%. The EUR was unable to hold above 1.09 as ECB officials remarks seemingly closed in on a first cut in June. ECB Rehn also noted that emerging conditions allow several reductions in borrowing costs this year. Elsewhere, USD/SGD buoyed above mid-1.33 levels.

### BoJ: No Rengo Hawkish Flex

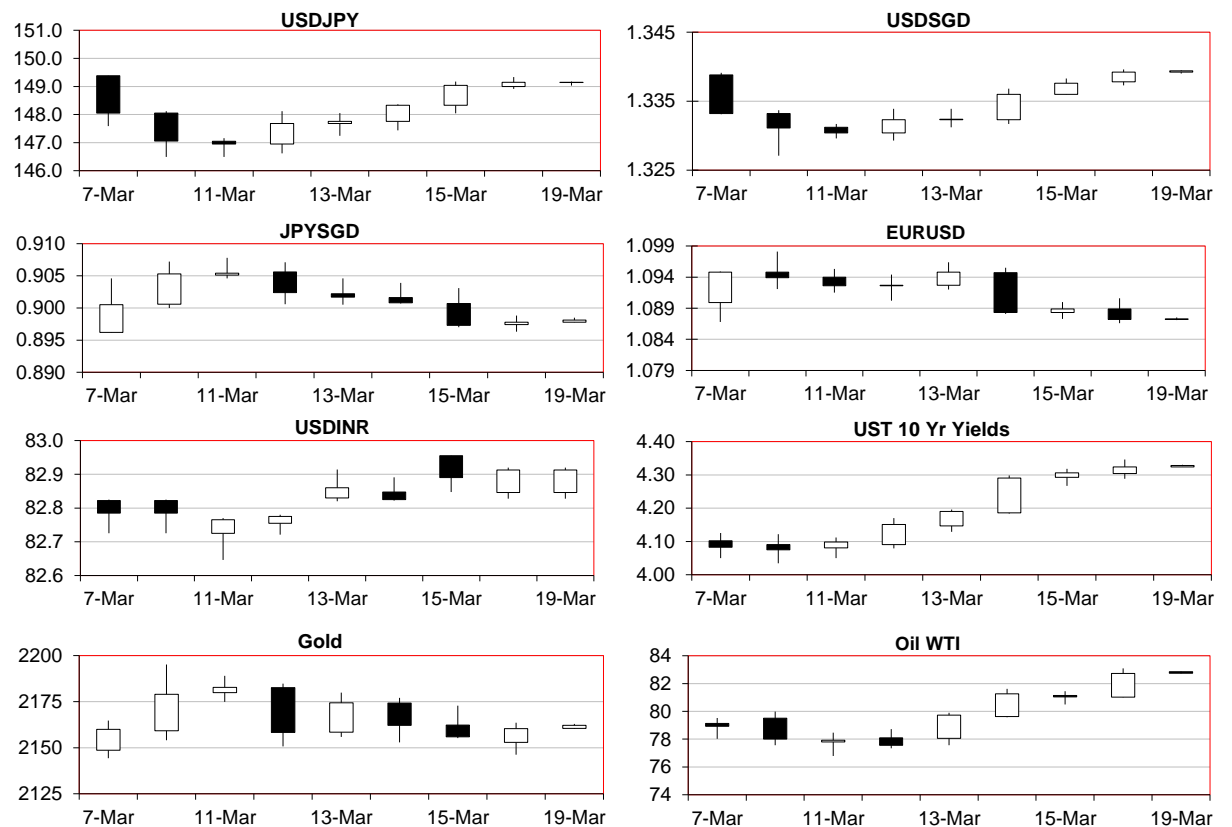
- Admittedly, a much stronger than expected Rengo wage negotiation outcome is a key pre-condition (wage inflation) for a policy paradigm shift insofar that it validates the narrative that Japan is durably surmounting the deflation mindset. But it is misguided to get carried away with notions of any imminent tightening cycle.

- For one, the Rengo negotiations are neither conclusive (accounting for only 16-17% of union workers) nor a guarantee of a sustained and wider economic upturn; involving significant portion of non-unionised workers who arguably don't enjoy the same wage uplift. What's more, exceptional JPY weakness since 2022 (~30%; 115 to sub-150) probably makes it more palatable to redistribute FX enhancement of exporter profits to wages. Whereas, bouts of JPY appreciation may deter similar wage increases in future. So the BoJ has every reason to be circumspect about the durability of wage gains. Finally, scope to recalibrate policy should not be mistaken for justification to aggressively swimming against the in-coming (easing) tide of other global central bankers.

### OVERNIGHT RESULTS

(JP) Core Machine Orders MoM (Jan): -1.7% (Mkt: -0.8%; Dec: 1.9%) | (SG) NODX YoY (Feb): -0.1% (Mkt: 4.74%; Jan: 716.7%) | (CH) Retail Sales YTD YoY (Feb): 5.5% (Mkt: 5.6%) | (CH) Fixed Asset Ex-Rural YTD YoY (Feb): 4.2% (Mkt: 3.2%) | (CH) Ind. Prodn YTD YoY (Feb): 7.0% (Mkt: 5.2%) | (MY) Exports/Imports YoY (Feb): -0.8%/8.4% (Mkt: 2.4%/7.5%; Jan: 8.7%/1878%) | (EZ) CPI/Core YoY (Feb F): 2.6%/3.1% (Mkt: 2.6%/3.1%)

### Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	149.15	EUR/USD	1.0873
USD/SGD	1.3393	USD/THB	35.98
JPY/SGD	0.8979	USD/MYR	4.720

### Forecast

USD/JPY	147.00 - 150.50
EUR/USD	1.0820 - 1.0900
AUD/USD	0.6520 - 0.6600
USD/SGD	1.3360 - 1.3430
JPY/SGD	0.8877 - 0.9136
USD/CNH	7.1900 - 7.2200
USD/INR	82.70 - 83.00
USD/IDR	15590 - 15720
USD/MYR	4.700 - 4.740
USD/PHP	55.40 - 55.80
USD/THB	35.70 - 36.20

### Today's Direction

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

- Granted, the starting points are very different between the BoJ and Fed/ECB/BoJ.

- But the sheer divergence of policy threatens to inflict amplified upside JPY volatility, which the BoJ will view as a massive, additional and unwelcome tightening shock. So, more the reason the BoJ will be measured and considered; and not just in March, but further out as well.

- So here's how some of the more prominent options for the BoJ stack up this week:

1) **Rate calibration out of NIRP to ZIRP:** We view this as the highest conditional probability (of around 70%). Condition being the BoJ takes pains to stress this is a one off calibration to remove distortions and not the start of a hiking cycle; for which it is premature. This is a balanced move that can contain excessive JPY volatility on either side ahead of what may be a hotter inflation print later in the week following the Rengo upside surprise.

2) **YCC abandonment:** This is the lowest probability (~20%) given the threat of excessive JGB upside yield volatility with accompanying JPY surge. Although clearly communicating that emphatic QQE (JGB buying across the curve) with follow-up action could quell volatility. On balance though the BoJ may gauge better traction in taking time to communicate the nuances while alluding to just discussing further on how to recalibrate policy from YCC to QQE.

3) **Cessation of ETF purchases:** While this is also inter-twined with the intricacies of how QQE will be managed, it might be deemed to entail the lowest adverse impact given out-performance in Japanese equities. As such, it could be a higher probability (~40%) than YCC revocation. Although on balance, it could wait for April with some thoughts on it being aired in March.

### FX Daily Outlook

- EUR/USD: Continued remarks by ECB on a June cut could aid trading around mid-1.08.
- USD/JPY: NIRP exit and YCC tweaks to see JPY two way volatility below mid-147 and above 150.
- USD/SGD: Buoyed near 1.34 levels on China woes, higher UST yields and weaker EUR.
- AUD/USD: Dovish notes in RBA's statement could pressure below mid-65 cents.

### TODAY'S EVENTS

(JP) Industrial Production YoY (Jan F): (prelim: -1.5%) | (GE) ZEW Survey Expectations (Mar): (Mkt: 20.4; Feb: 19.9) | (US) Housing Starts (Feb): (Mkt: 1430k; Jan: 1331k)

Central Bank Policy Decisions: RBA, BoJ

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