

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	150.21	150.86	+1.71	+3.18
EUR	1.0854	1.0866	▼0.0006	▼0.0061
AUD	0.6518	0.6532	▼0.0028	▼0.0074
SGD	1.3419	1.3420	+0.0028	+0.0097
CNY	7.1995	7.1994	+0.0010	+0.0168
INR	82.99	83.04	+0.13	+0.27
IDR	15719	15715	+25	+125
MYR	4.7337	4.7370	+0.0190	+0.0588
PHP	55.91	55.92	+0.37	+0.60
THB	36.05	36.09	+0.11	+0.52

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.293%	▼3.2 bp	+14.2 bp
JPY (10YR)	0.741%	▼2.6 bp	▼2.9 bp
EUR* (10YR)	2.450%	▼0.9 bp	+12.0 bp
AUD (5YR)	3.720%	▼6.3 bp	+9.9 bp
SGD (5YR)	3.059%	+0.3 bp	+8.9 bp
CNY (5YR)	2.207%	▼0.8 bp	▼5.8 bp
INR (5YR)	7.108%	+0.8 bp	+5.8 bp
IDR (5YR)	6.539%	+0.1 bp	+5.6 bp
MYR (5YR)	3.584%	+0.1 bp	+3.3 bp
PHP (5YR)	6.080%	+0.0 bp	▼0.6 bp
THB (5YR)	2.246%	+0.4 bp	+5.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,110.76	+0.83%	+0.27%
N225 (JP)	40,003.60	+0.66%	+3.11%
STOXX 50 (EU)	5,007.92	+0.50%	+0.50%
ASX (AU)	4,224.36	+0.13%	▼0.21%
STI (SG)	3,173.55	+0.05%	+1.02%
SHCOMP (CN)	3,062.76	▼0.72%	+0.22%
SENSEX (IN)	72,012.05	▼1.01%	▼2.25%
JSE (ID)	7,336.75	+0.47%	▼0.61%
KLSE (MY)	1,544.96	▼0.56%	▼0.62%
PSE (PH)	6,848.43	▼0.07%	▼0.45%
SET (TH)	1,382.46	▼0.25%	+0.21%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	286.86	▲0.13%	+3.07%
COPPER (LME)	8,870.81	▲1.28%	+3.62%
IRON ORE (CN)	109.83	+1.22%	▲2.28%
GOLD	2,157.59	▲0.13%	▲0.03%
OIL (WTI)	83.47	+0.91%	+7.62%

Three Take-Aways:

- 1) BoJ's "accommodative" posture and continued JGB buying even as it exited NIRP sent JPY weaker.
- 2) Fed's hold belies limbo amid growth and inflation risks; watch volatility on front-end yields and USD.
- 3) BI to stand pat despite tamer USD as latent rupiah volatility looms.

Exits

- The USD/JPY surge towards 151 reflect internalisation of BoJ's message that the **exit out of NIRP was by no means the start of a tightening cycle**, with BoJ Governor Ueda stressing the importance of keeping an accommodative stance. Even **BoJ's abandonment of the YCC and halting of ETF purchases** appeared to have met with some skepticism with JGB purchases continuing. Nonetheless, the auction schedule indicate some tapering to the upper bound of purchases.

- Meanwhile, **AI-optimism sustained a rally in US equities**. Ahead of FOMC tonight, resilient US housing data amid threat of higher energy inflation (Brent now above US\$87/barrel) supported the USD, even as UST yields fell (2Y:-4.9bp; 10Y:-3.2bp). USD/SGD buoyed above 1.34 while EUR hovered around mid-1.08 as sentiments in Germany improved. AUD dipped below mid-65 cents as RBA dropped its tightening tilt.

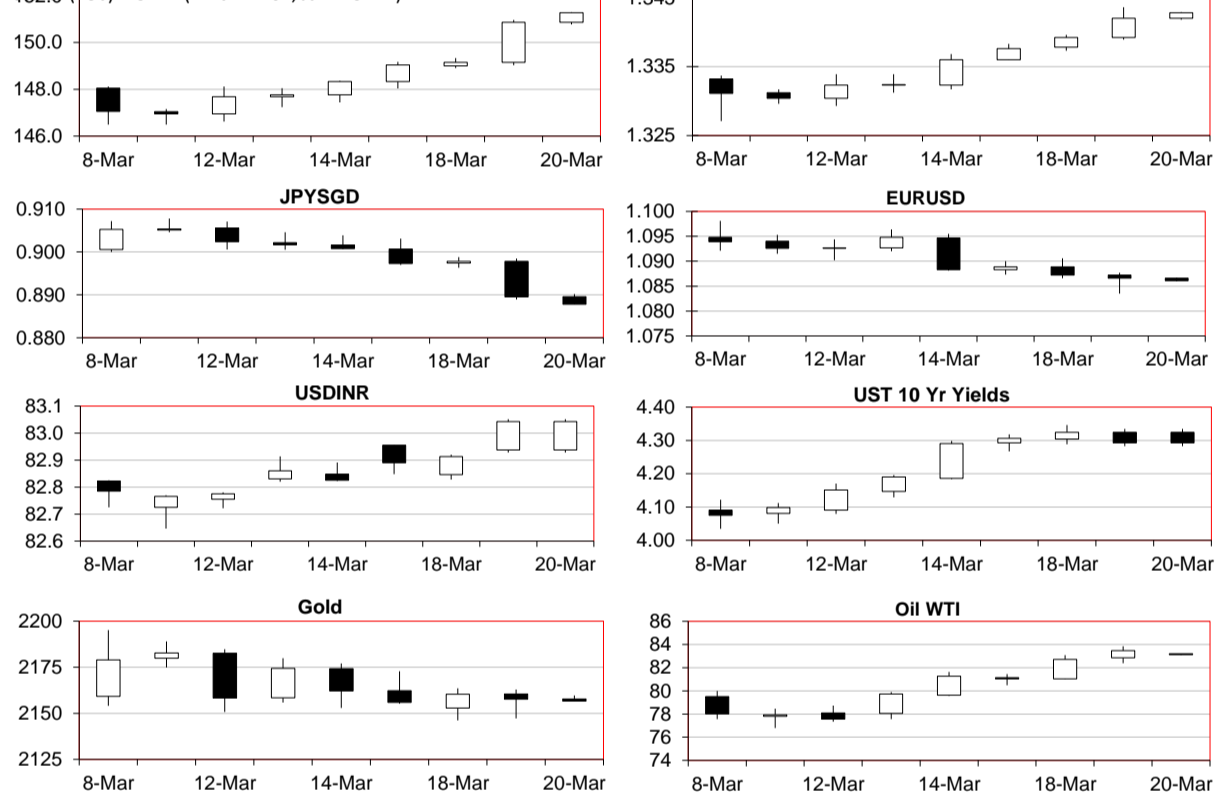
FOMC: Precarious Pivot Limbo

- While a **rate hold is universally expected** on signs of **hotter-/stickier-than desired inflation and tighter jobs**, **FOMC-related volatility may be elevated!** Partly because the sharp pullback from significantly more aggressive rate cut bets over the last few weeks has resulted in an **uncomfortable limbo for doves-in-waiting**, not a neutral pause. **Policy dis-comfort/dilemma** is evident in **sharp trade-offs** between cutting too soon amid **complicated "last mile" dis-inflation**, that **inadvertently squanders hard-won policy gains** and in **cutting too late at pain of a not-so-soft landing**.

- For now, the pendulum has swung in fear of hot inflation and jobs, as markets wrote off rate cuts in H1 and diminish scope for deep cuts on H2 cuts. But bets on the **next move being a cut** (and that cuts will have some distance to go as inflation subsidies) **remain unfettered**. Fact is, **current nominal FFR of 5.25-5.00% implying real rates of 1-2% is significantly higher than the 0.5% neutral real rates** that Fed Chair Powell has alluded to. **Current policy setting is rightly recognised as being considerably restrictive**, raising "hard landing" risks as "higher for longer" persists. Consequently, **precarious pivot limbo** means rising stakes associated with **gauging timing**, and **amplitude of rate cuts** will increasingly **dominate the policy agenda**; with attendant volatility in tow.

Overnight Two Weeks Movement *

(JP) Industrial Production YoY (Jan F): -1.5% (prelim: -1.5%) | (GE) ZEW Survey Expectations (Mar): 31.7 (Mkt: 20.5; Feb: 19.9) | (US) Housing Starts (Feb): 1521k (Mkt: 1440k; Jan: 1574k)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	151.04	EUR/USD	1.0863
USD/SGD	1.3425	USD/THB	36.08
JPY/SGD	0.8889	USD/MYR	4.736

Forecast

USD/JPY	149.00 - 151.00
EUR/USD	1.0820 - 1.0900
AUD/USD	0.6490 - 0.6580
USD/SGD	1.3330 - 1.3500
JPY/SGD	0.8828 - 0.9060
USD/CNH	7.2000 - 7.2200
USD/INR	82.80 - 83.50
USD/IDR	15620 - 15780
USD/MYR	4.700 - 4.770
USD/PHP	55.50 - 56.30
USD/THB	35.80 - 36.50

Today's Direction

	Bull	:	Bear
USD/SGD	2	:	2
USD/JPY	2	:	2

- The **hold will be framed in the usual caveats** about **data dependence**, **patiently assessing further evidence** and a **sensibly calibrating opposing risks**. But expect **heightened sensitivity to shifts** in the quarterly update of; i) the 'Dot Plot'; ii) **summary of economic projections** (inflation, unemployment, growth) and; iii) **policy guidance**.

- **Volatility may be concentrated in front-end yields and USD**. Although we think "risk off" from pivot reversal will fizzle, not flare if Fed Chair **Powell's post-FOMC presser assuages overdone pivot push-back** premised on inflation hot spots. **Key to dialing back volatility** from capitulation in "pivot bets" will be **Fed Powell reiterating a sanguine view on "last mile" dis-inflation** and the 'Dot Plot' retaining 75bp cut. Point being, "hot inflation" merely delays, but does not meaningfully deter rate cut plans. And perversely, "higher for longer" stretched may inadvertently amplify rate cuts in H2/early-2025. If so, the case for forays back into pivot "risk on" further out is not outlandish.

Bank Indonesia: Continued Hold

- Despite a tamer USD, **absence of any significant domestic shifts** and **lingering global volatility**, argue for a **continued hold** by BI. **Growth should remain supported** by Ramadan celebrations, after the boost seen during elections. Mineral exports (in volume terms) continued expanding even as a more meaningful lift in electronics exports await. Meanwhile, still high food inflation caution against a cut. Furthermore, a **tamer USD environment while alleviating BI's pro-currency stability concerns** does not absolve pipeline USD volatility amid increasing risks of pivot pushback.

FX Daily Outlook

- EUR/USD: Fed moderating overdone pivot push-back could tempt 1.09.
- USD/JPY: Intervention risks tempers rally towards 152.
- USD/SGD: FOMC in focus; two-way volatility around mid-1.33 to 1.35 handle.
- AUD/USD: RBA's toned down hawkish tune and China woes could see dips below 65 cents.

TODAY'S EVENTS

(EZ) Consumer Confidence (Mar P): (Mkt: -15.0; Feb: -15.5)
Central Bank Policy Decisions: FOMC, Bank Indonesia, PBoC 1Y/5Y LPR

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