

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.47	151.26	+0.40	+3.50
EUR	1.0866	1.0922	+0.0056	▼0.0026
AUD	0.6530	0.6586	+0.0054	▼0.0035
SGD	1.3430	1.3397	▼0.0023	+0.0074
CNY	7.1994	7.1979	▼0.0015	+0.0111
INR	83.09	83.17	+0.13	+0.31
IDR	15725	15715	+0	+137
MYR	4.7390	4.7367	▼0.0003	+0.0507
PHP	56.14	56.14	+0.22	+0.73
THB	36.11	36.17	+0.09	+0.44

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.273%	▼2.0 bp	+8.3 bp
JPY (10YR)	0.741%	+0.0 bp	▼2.6 bp
EUR* (10YR)	2.432%	▼1.8 bp	+6.6 bp
AUD (5YR)	3.692%	▼2.8 bp	+0.2 bp
SGD (5YR)	3.039%	▼2.0 bp	+5.2 bp
CNY (5YR)	2.221%	+1.4 bp	▼3.5 bp
INR (5YR)	7.109%	+0.1 bp	+5.7 bp
IDR (5YR)	6.534%	▼0.5 bp	+2.5 bp
MYR (5YR)	3.591%	+0.7 bp	+3.6 bp
PHP (5YR)	6.074%	▼0.6 bp	▼1.7 bp
THB (5YR)	2.246%	+0.0 bp	+5.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,512.13	+1.03%	+1.20%
N225 (JP)	40,003.60	+0.00%	+3.38%
STOXX 50 (EU)	5,000.31	▼0.15%	▼0.00%
ASX (AU)	4,225.49	+0.03%	▼0.43%
STI (SG)	3,177.48	+0.12%	+0.53%
SHCOMP (CN)	3,079.69	+0.55%	+1.18%
SENSEX (IN)	72,101.69	+0.12%	▼0.91%
JSE (ID)	7,331.13	▼0.08%	▼1.21%
KLSE (MY)	1,535.79	▼0.59%	▼0.15%
PSE (PH)	6,856.77	+0.12%	▼1.56%
SET (TH)	1,373.18	▼0.67%	▼0.82%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	285.52	▲0.47%	+1.58%
COPPER (LME)	8,818.84	▲0.59%	▲0.17%
IRON ORE (CN)	109.43	▲0.36%	▲0.56%
GOLD	2,186.39	+1.33%	+0.55%
OIL (WTI)	81.68	▼2.14%	+2.46%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	150.78	EUR/USD	1.0937
USD/SGD	1.3390	USD/THB	35.94
JPY/SGD	0.8881	USD/MYR	4.723

Forecast

USD/JPY	149.00 - 151.40
EUR/USD	1.0850 - 1.0950
AUD/USD	0.6490 - 0.6630
USD/SGD	1.3330 - 1.3430
JPY/SGD	0.8804 - 0.9013
USD/CNH	7.2000 - 7.2200
USD/INR	82.80 - 83.20
USD/IDR	15620 - 15750
USD/MYR	4.700 - 4.740
USD/PHP	55.60 - 56.30
USD/THB	35.90 - 36.30

Today's Direction

	Bull	Bear
USD/SGD	0	5
USD/JPY	0	5

Three Take-Aways:

- 1) Dot Plot keeping 75bps of cuts and Powell unfussed on dis-inflation bumps saw USD slump and UST rally.
- 2) Allusion to tempering the pace of QT may signal cognisance on banking/money market shocks.
- 3) CBC to stand pat and look past seasonal quirks but structural changes imply limited room for cuts.

FOMC: Committed, Not Fussed

- As was widely expected, there was **no policy action by the Fed**. Yet, it is a **loaded policy meeting**, where **hawkish shifts** under the hood of an unchanged 'Dot Plot' (**still factoring in 75p of cuts in 2024**) **belie a dovish slant to the Fed's response function**.

- The dovish slant sent US equities rallying across the board (Nasdaq: +1.3%; Dow:+1.0%; S&P 500: +0.9%) while front end 2Y USTs yields slumped 8.1bp while 10Y edged 2.0bp lower.

- For the record, **almost all of the revisions** to the economic and 'Dot Plot' revisions (from December) **leaned hawkish**; suggesting an inclination for fewer cuts. PCE: While headline projections were unchanged, core PCE by end-2024 was bumped up 0.2%-pt to 2.6%. GDP: 2024 GDP growth was revise up 0.7%-pt to 2.1% from 1.4% in December. Unemployment: Calibrated lower to 4.0% from 4.1%.

- Despite these revisions, the main take-away is that **neither the capacity nor propensity to cut rates are significantly diminished** as Fed Chair Powell effectively said that while **the Fed is committed to bringing inflation back down to 2%, it is not unduly fussed by a sometimes bumpy dis-inflation path**.

- Furthermore, his allusion to tempering the pace of QT "fairly soon", albeit not recanting on the **absolute, eventual, magnitude of balance sheet reduction**, hints to cognisance (perhaps even concern) of unwelcome inadvertent banking/money market shocks.

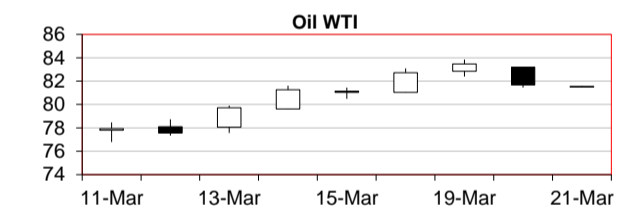
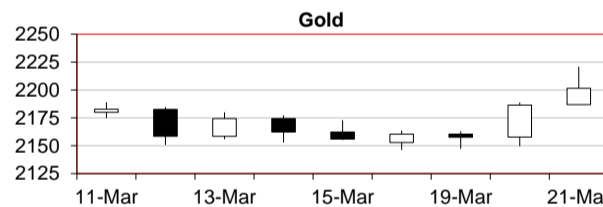
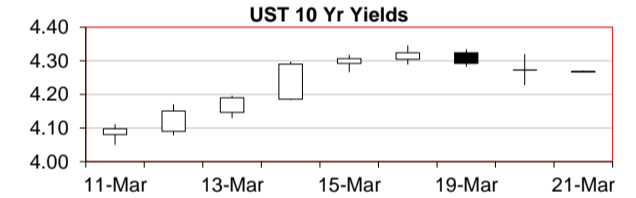
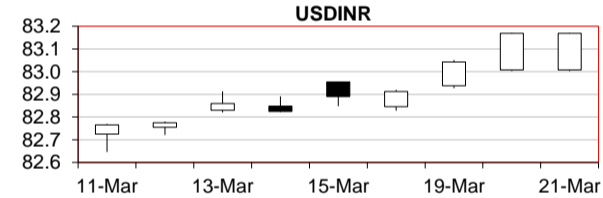
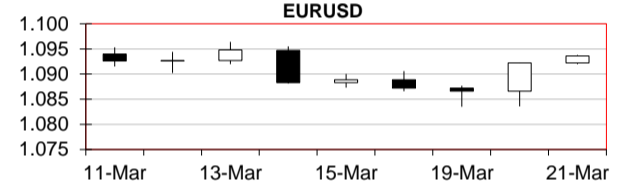
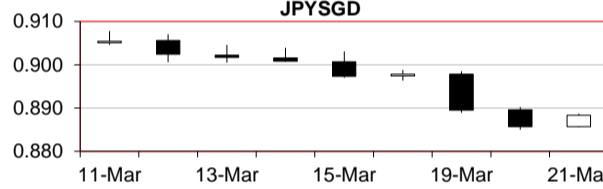
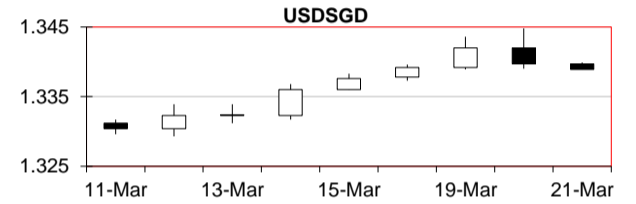
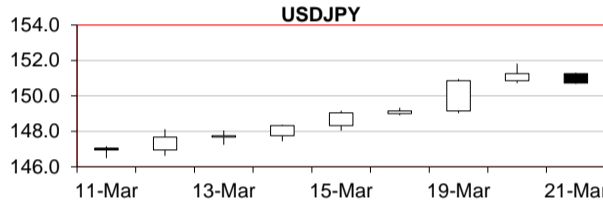
- As for the Dot plot which showed fewer FOMC members looking for more than 75bp of cuts (Dec: 5, March: 1) despite an unchanged median is a hawkish nuance, these plots are static projections not dynamic plans. In this context, Fed Chair Powell's point that every meeting is "live" is an overarching one with a focus on two way risks which in the context of already restrictive policy setting imply that thresholds to hold back on cuts in coming months ought to be higher.

- Consequently, **USD slumped against G10 peers**. EUR buoyed above 1.09 and USD/JPY retreating towards mid-150. AUD rose towards 66 cents and jobs market outperformance to buoy.

OVERNIGHT RESULTS

(EZ) Consumer Confidence (Mar P):-14.9 (Mkt: -15.0; Feb: -15.5)

* Past Two Weeks Movement *



In EM-Asia, USD/SGD plunged below 1.34. While regional peers are afforded the broad USD relief, sustainability of rallies will be differentiated on the tendency and room to 'follow' the Fed.

CBC: Of Seasonal Quirks and Structural Trends

- The **CBC will look past the seasonal distortions** from both inflation and growth indicators to **keep policy on hold to anchor their route to price stability**.

- Given that the February spike in headline and core inflation driven by LNY effects on gifting for nursery and nursing care in a nod to the festivities, these effects will not trigger policy actions.

- In fact, **falling goods prices 0.3% MoM** despite the LNY season may be **telling of the softer underlying demand** though apparel prices were admittedly influenced by winter wear discounts.

- As for growth, **external demand remains resilient**.

- Total exports over January and February grew 9.7% YoY reveal a more holistic picture than a seemingly worryingly drop in export growth to 1.3% from 18.1% in January.

- That said, the trade balance improvement to US\$7.9b in Feb has been flattered by sharp import compression which may also been distorted by Lunar New Year effects in China and ASEAN.

- Domestically, softer retail trade alongside weaker activity in the food and beverage sector in January may portend private consumption returning to trend from their buoyant pace in 2023.

- All in, while a rate hold is a certainty this afternoon, **Governor Yang has cautioned that inflation may end up structurally higher which in turn necessitate a higher long run neutral rate**. Accordingly, room for cuts in a normalisation scenario may be limited for the year ahead.

FX Daily Outlook

- EUR/USD: Dovish Fed lingers to allow trading sideways around 1.09.

- USD/JPY: Narrower UST-JGB to restrain recovery above mid-151.

- USD/SGD: Broad USD weakness allow trading around 1.34.

- AUD/USD: AUD consolidation around 66 cents aided by labour market outperformance.

TODAY'S EVENTS

(JP) Trade balance (Feb): -¥379.4b (Mkt: -¥785b; Jan: -¥1758b)

(AU) Employment Change/Unemployment Rate (Feb): (Mkt: 40.0k/4.0%; Jan: 0.5k/4.1%)

(EZ)PMI Mfg (Mar P): (Mkt: 47.0; Feb:46.5) | (US) Philly Fed Business Outlook (Mar): (Mkt: -2.8k; Feb: 5.2k)

(US) Initial Jobless Claims: (Mkt: 213k; Prev: 209k)

Central Bank Policy Decisions: **CBC Monetary Policy Decision**

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