

MARKET SUMMARY

Table with columns: FX, CLOSE(Asia), CLOSE(NY), Daily Δ*, Wkly Δ. Rows include JPY, EUR, AUD, SGD, CNY, INR, IDR, MYR, PHP, THB.

*compared with previous day CLOSE(NY)

Table with columns: Yields, CLOSE, Daily Δ, Wkly Δ. Rows include USD (10YR), JPY (10YR), EUR* (10YR), AUD (5YR), SGD (5YR), CNY (5YR), INR (5YR), IDR (5YR), MYR (5YR), PHP (5YR), THB (5YR).

* German bunds

Table with columns: Equity Indices, CLOSE, Daily Δ, Wkly Δ. Rows include DJIA (US), N225 (JP), STOXX 50 (EU), ASX (AU), STI (SG), SHCOMP (CN), SENSEX (IN), JSE (ID), KLSE (MY), PSE (PH), SET (TH).

Table with columns: Commodity, CLOSE, Daily Δ, Wkly Δ. Rows include CRB, COPPER (LME), IRON ORE (CN), GOLD, OIL (WTI).

Three Take-Aways:

- 1) US economic data outperformance buoyed risk sentiments alongside SNB rate cut and BoE dovishness.
2) Amid competitive pivot, consequent widening in UST-EZ yield spreads saw Greenback gain against G10.
3) CBC surprise hike points to worries of structurally higher inflation amid expected growth recovery.

Exceptionalism and Exceptions

- US exceptionalism was on display with both manufacturing and services PMI, and Leading Index outperforming while surging existing home sales buoyed hopes of housing market recovery.
- US equities rallied as lingering Fed dovishness was outdone by SNB's surprise cut (see below) and BoE's rising inclinations towards rate cuts to buoy risk sentiments with the FTSE 100 up 1.9%.
Consequently, 2Y EZ bond yields fell (Bunds: -4.9bp; Gilts: -3.6bp) and contrasted with 2Y UST yields rising 3.4bp as US economic resilience necessitating thoughts around Fed's removal of one cut in 2025.
Amid competitive pivot, USD gains were straight forward as the CHF and GBP underperformed G10 peers. EUR sank toward mid-1.08. AUD managed to retain above mid-65 cents on jobs outperformance. USD/JPY hovers above mid-151 as Japan CPI restrains JPY bears.

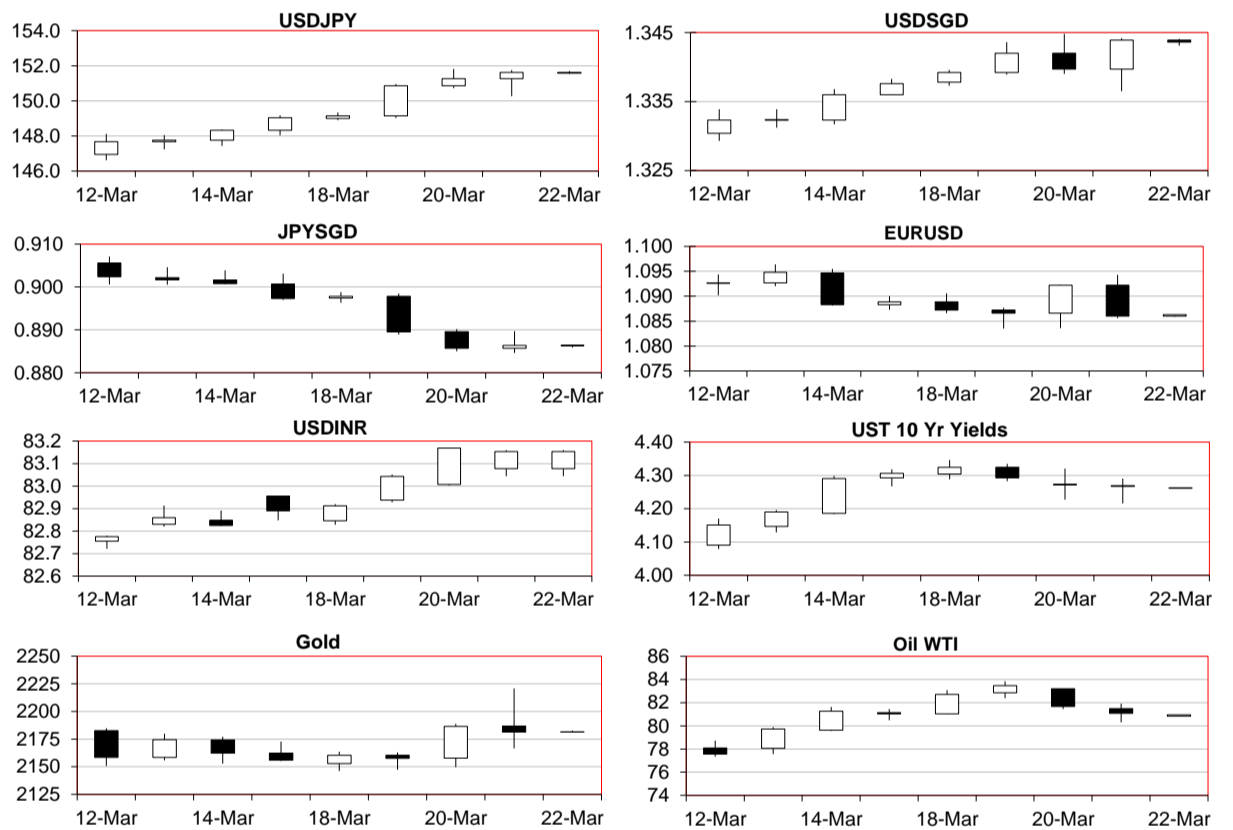
Tale of Two Surprises: CBC and SNB

- Both the SNB in Switzerland and CBC in Taiwan surprised with the SNB cutting by 25bps to 1.5% while the CBC hiked by 0.125%-points to 2.0%. Despite different policy directions, the inclination to move is perhaps not surprising as they operated on quarterly meeting frequencies.
- For the SNB, inflation forecasts were lowered and with inflation below 2%, SNB Chief Thomas Jordan point to elevated real CHF appreciation providing room to cut and support activity.
- In Taiwan, the decision was not unanimous with one member supporting no change. This hike is likely aimed at anchoring inflation expectations premised on worries of second round effects from increases in electricity prices which prompted headline CPI forecast upgrades from 1.9% to 2.2% as well as growth optimism. The latter was reflected via Governor Yang stating that inventory adjustments are coming to an end and GDP growth forecast being revised up to 3.2% from 3.1%. Looking ahead, Yang stated that rates are now appropriate. In our view, this move despite being a one-off adjustment effectively signals higher neutral rates and removes room to cut this year, barring growth downturns.

OVERNIGHT RESULTS

(AU) Employment Change/Unemplo. Rate (Feb): 116.5k/3.7% (Mkt: 40.0k/4.0%; Jan: 0.5k/4.1%) | (EZ)PMI Mfg (Mar P): 45.7 (Mkt: 47.0; Feb:46.5) | (US) Philly Fed Business Outlook (Mar):3.2 (Mkt: -2.8k; Feb: 5.2k) | (US) Initial Jobless Claims: 210k (Mkt: 213k; Prev: 209k) | (US) leading Index (Feb): 0.1% (Mkt: -0.1%; Jan: -0.4%) | (US) Existing Home Sales (Feb) 4.38m: (Mkt:3.95m; 4.00m)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Table with columns: Open, USD/JPY, EUR/USD, USD/SGD, JPY/SGD, USD/MYR.

Table with columns: Forecast, USD/JPY, EUR/USD, AUD/USD, USD/SGD, JPY/SGD, USD/CNH, USD/INR, USD/IDR, USD/MYR, USD/PHP, USD/THB.

Today's Direction

Table with columns: Bull, Bear. Rows include USD/SGD, USD/JPY.

Fed & Glide Path: An Unrequited Love?

- The Fed's 'Dot Plot' and planned QT taper are consistent with a policy glide path to exit(ing exceptional restriction). Specifically, the 'Dot Plot' is consistent with linear and gradual cuts and planned QT temper aims to slow, but not diminish, intended balance sheet run-off.
- The desire for, and desirability of, a glide path is self evident, allowing for the economy to assimilate gradual adjustments, thereby avoiding pro-cyclical swings that potentially induce unnecessary and asymmetric pain. But history suggests that the love affair with a glide path is at best tenuous, if not unrequited. Especially if in the context of a preceding tightening cycle.
- Notoriously "long and variable" lag conspiring with vagaries of global Geo-economic realities forge for an extremely narrow path to a "immaculate dis-inflation". And without such a "Goldilocks" scenario of sufficient dis-inflation without economic suffering, an unfettered glide path out of policy tightening is an extremely high bar. If history hold, then assurance about the 'Dot Plot' path may prove unfounded. Instead a bumpier, if not turbulent, adjustment process will be probable, not merely possible. Imaginably then, potential for outbursts of volatility may be under-appreciated, and under priced for. FX: USD stands to gain at the expense of other Majors at least initially; as haven demand from sharper rate cuts cue off panic/"risk off" more than offset (USD) drag from softer rates. Bonds: UST yields will initially be poised for downside volatility led by the front-end. Although, two way yield volatility becomes par for the course. And the dynamics square with a volatile restoration of higher term premium.
- Trouble is, in the early days, it is hard to distinguish between an ideal glide path and a problematic slippery slope. Ironically, the policy desire for the former might accentuate risks of ending up with the latter.

FX Daily Outlook

- EUR/USD: Competitive pivot moods to set back rallies above mid-1.09.
- USD/JPY: Buoyancy above 151 but BoJ contrast sets up bids around 152.
- USD/SGD: Range trading around mid-1.34 to 1.34 as regional peers ponders policy outlooks.
- AUD/USD: Jobs outperformance to allow mid-65 cents backstop as RBA may be pivot laggard.

TODAY'S EVENTS

(KR) PPI YoY (Feb): 1.5% (Jan: 1.3%) | (JP) CPI/Ex Fresh Food and Energy YoY (Feb): 2.8%/3.2% (Mkt: 2.9%/3.3%; Jan: 2.2%/3.5%)
(TW) Unemployment Rate: (Mkt: 3.40% Jan: 3.39%) | (GE) IFO Business Climate (Mar): (Mkt: 85.9 Feb: 85.5)

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