

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.32	151.56	+0.14	+0.70
EUR	1.0843	1.0831	▼0.0006	▼0.0035
AUD	0.6539	0.6533	▼0.0007	+0.0001
SGD	1.3443	1.3457	▼0.0003	+0.0037
CNY	7.2188	7.2167	+0.0053	+0.0173
INR	83.34	83.29	▼0.14	+0.25
IDR	15795	15790	▼8	+75
MYR	4.7193	4.7205	▼0.0033	▼0.0165
PHP	56.33	56.32	▼0.07	+0.40
THB	36.36	36.30	▼0.11	+0.21

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.232%	▼1.4 bp	▼6.1 bp
JPY (10YR)	0.739%	+0.5 bp	▼0.2 bp
EUR* (10YR)	2.350%	▼2.2 bp	▼10.0 bp
AUD (5YR)	3.668%	+0.8 bp	▼5.2 bp
SGD (5YR)	3.056%	+4.8 bp	▼0.3 bp
CNY (5YR)	2.218%	▼0.8 bp	+1.1 bp
INR (5YR)	7.110%	▼0.1 bp	+0.2 bp
IDR (5YR)	6.601%	+4.5 bp	+6.2 bp
MYR (5YR)	3.577%	+0.3 bp	▼0.7 bp
PHP (5YR)	6.063%	+0.1 bp	▼1.7 bp
THB (5YR)	2.256%	+0.1 bp	+1.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	39,282.33	▼0.08%	+0.44%
N225 (JP)	40,398.03	▼0.04%	+0.99%
STOXX 50 (EU)	5,064.18	+0.40%	+1.12%
ASX (AU)	4,324.29	+0.27%	+2.37%
STI (SG)	3,233.33	+1.10%	+1.88%
SHCOMP (CN)	3,031.48	+0.17%	▼1.02%
SENSEX (IN)	72,470.30	▼0.50%	+0.64%
JSE (ID)	7,365.66	▼0.16%	+0.39%
KLSE (MY)	1,538.42	+0.06%	▼0.42%
PSE (PH)	6,898.17	+0.66%	+0.73%
SET (TH)	1,377.23	+0.35%	▼0.38%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	287.82	▲0.39%	+0.33%
COPPER (LME)	8,748.47	▲0.10%	▲1.38%
IRON ORE (CN)	109.75	▲0.65%	▲0.07%
GOLD	2,178.80	+0.32%	+0.98%
OIL (WTI)	81.62	▼0.40%	▼2.22%

**Three Take-Aways:**

- 1) Subdued markets with risk pulling back pre US PCE and "competitive pivot" propping up USD.
- 2) PBoC's prompt CNY backstop is neither a cue for rallies nor a panacea for underlying CNY risks.
- 3) Instead, it reveals binding PBoC trade-offs that could stymie scope for monetary policy to boost.

**Pivot Across the Pond**

- A firm USD that has rejected dips (DXY bouncing off sub-104) at least partly reflect the notion of "competitive pivot"; whereby rate cuts that are not dominated by the Fed, instead with the ECB and BoE featuring prominently, challenge unilateral and exclusive USD sell-off.
- To that end, known BoE hawk Mann shifting the policy vote from hike to hold (despite pushing back on more cuts), is seen as a precursor to impending BoE cuts.
- Similarly, noises from the ECB that evidence for a cut could be clear by June further give credence to USD-EUR face-off rather than unchallenged USD sell-off.
- What's more, ahead of PCE data later this week, markets guarding against hotter inflation are lend USD support, and induce equity markets caution.
- Meanwhile, the unfortunate Baltimore Bridge accident invokes concerns, albeit limited, of trade disruptions; with inflation ramifications supporting USD for now.
- With EUR (low-1.08), AUD (low-0.65) and JPY (mid-151) subdued, Asia FX tailwinds are unlikely.
- To be sure, spill-over from CNY bounce-back after last week's wobble is mostly exhausted; being a restorative backstop, not a resplendent bullish trigger given underlying CNH risks\*.

**The PBoC's Problematic Put**

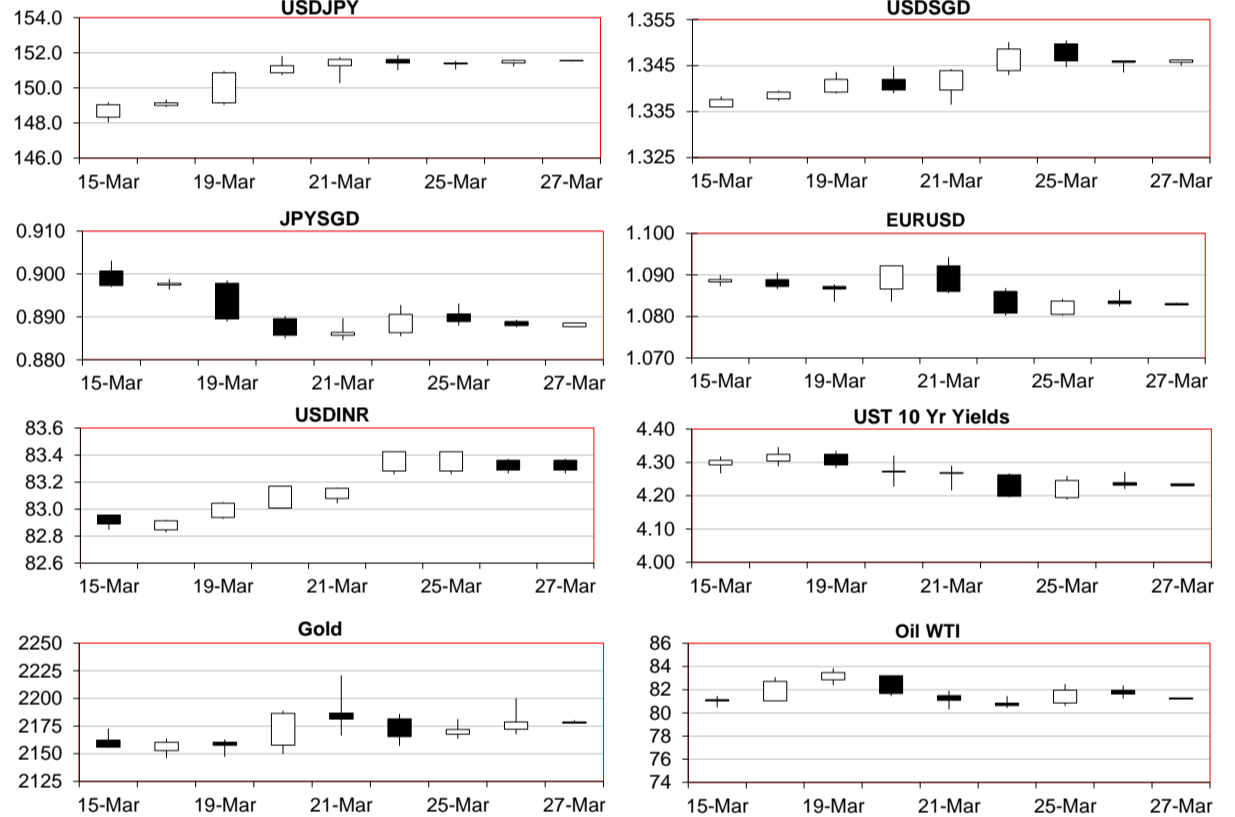
- At the heart of this problematic 'PBoC Put' is unrelenting policy dilemma between stimulating the economy and FX(broader financial) stability. To that end, any policy calculus aimed at stimulus must inevitably factor in inadvertent de-stabilizing effects in FX/wider asset markets.
- Especially given the inextricable and circular reinforcement between FX pressures and asset sell-off ultimately resulting in capital outflows. To be sure, memories of 2015-16 "China crisis" mean that the PBoC will more likely than not err on the side of caution/stability.

**OVERNIGHT RESULTS**

(SG) Industrial Production YoY (Feb): 3.8% (Mkt: 0.5%; Jan: 0.6%)

(US) Conf. Board Consumer Confidence (Mar): 104.7 (Mkt: 106.8; Feb: 106.7) | (US) Richmond Fed Mfg (Mar): -11 (Feb: -5)

(US) Trade Goods Exports (Feb P): 1.4%/0.7% (Mkt: 1.0%/0.1%; Jan: -6.9%; -0.4%)

**Past Two Weeks Movement**

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	151.53	EUR/USD	1.0832
USD/SGD	1.3455	USD/THB	36.33
JPY/SGD	0.8884	USD/MYR	4.723

**Forecast**

USD/JPY	150.80 - 151.85
EUR/USD	1.0760 - 1.0880
AUD/USD	0.6480 - 0.6590
USD/SGD	1.3400 - 1.3500
JPY/SGD	0.8824 - 0.8952
USD/CNH	7.2330 - 7.2600
USD/INR	83.10 - 83.70
USD/IDR	15750 - 15850
USD/MYR	4.715 - 4.740
USD/PHP	56.10 - 56.50
USD/THB	36.25 - 36.50

**Today's Direction**

	Bull	:	Bear
USD/SGD	2	:	5
USD/JPY	2	:	5

- Regardless, arguably more accentuated vulnerabilities now demand even more delicate policy balance as the trade-offs have sharpened dramatically.

- Right off the bat, this materially restrains policy options to a far greater degree than is widely appreciated or conventionally expected.
- For one, despite deflation providing conventional grounds for cuts, headline rate cuts remain a tricky proposition in reality. At least until a more emphatic global rate cut cycle is underway, providing requisite cover for CNY stability.
- Instead, the PBoC may have to resort to a suite of targeted and calibrated easing for the time-being. These include, but are not limited to, RRR cuts supplemented by credit quota-type of tools to encourage bank lending.
- But even then, worries of abrupt asset quality deterioration in certain sectors (e.g. real estate, subordinated local government vehicles), compounded by shadow banking woes, threaten to inadvertently stymie stimulus efforts.
- Mainly as bank credit, despite strong growth, being unevenly distributed, and/or entailing problematic risk transfer at pain of future contagion.
- The upshot is that given the binding constraints and inherent risks the idea of a "PBoC Put" is more problematic than it is a panacea.
- In turn this means that firing up economic tailwinds without invoking financial stability risks will as a minimum require sharp policy compromises and deep fiscal back-up.

\* See CNY Brief for details.

**FX Daily Outlook**

- EUR/USD: Emerging dovish cues from ECB to contain ahead of high-1.08.
- USD/JPY: Intervention risks remain, but tempering upside to 152, not dragging below 151.
- USD/SGD: CNH support see trading around mid-1.34 levels.
- AUD/USD: Contained inflation diminishes scope for upside knee-jerk; low-0.65 pull remains.

**TODAY'S EVENTS**

(AU) CPI YoY (Feb): 3.4%(Mkt: 3.5%; Jan: 3.4%)

(CH) Industrial Profits YoY (Feb): (Jan: 16.8%)

(EZ) Consumer Confidence (Mar F): (prelim: -14.9)

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