

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.08	133.61	+1.45	+1.15
EUR	1.0914	1.0859	▼0.0046	▼0.0040
AUD	0.6669	0.6641	▼0.0031	▼0.0145
SGD	1.3292	1.3329	+0.0031	+0.0059
CNY	6.8730	6.8847	+0.0168	+0.0070
INR	81.93	81.99	+0.09	▼0.35
IDR	14903	14902	▼11	▼68
MYR	4.4073	4.4095	+0.0080	▼0.0085
PHP	54.42	54.42	+0.00	▼0.33
THB	34.33	34.34	+0.26	▼0.06

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.417%	+2.6 bp	+0.5 bp
JPY (10YR)	0.468%	▼0.2 bp	+7.7 bp
EUR* (10YR)	2.183%	+0.0 bp	▼7.2 bp
AUD (5YR)	2.909%	+0.0 bp	▼16.5 bp
SGD (5YR)	2.845%	+2.4 bp	▼9.0 bp
CNY (5YR)	2.673%	▼1.1 bp	▼1.0 bp
INR (5YR)	7.015%	+0.7 bp	▼15.6 bp
IDR (5YR)	6.378%	+3.6 bp	▼0.3 bp
MYR (5YR)	3.521%	+1.6 bp	▼2.5 bp
PHP (5YR)	5.764%	+0.2 bp	▼13.0 bp
THB (5YR)	2.091%	+1.0 bp	+3.1 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,586.52	+0.30%	▼0.04%
N225 (JP)	27,633.66	+0.42%	▼1.97%
STOXX 50 (EU)	4,309.45	+0.00%	▼0.04%
ASX (AU)	4,203.91	+0.00%	+0.68%
STI (SG)	3,294.43	▼0.18%	+0.41%
SHCOMP (CN)	3,315.36	▼0.37%	+0.58%
SENSEX (IN)	59,846.51	+0.02%	+1.25%
JSE (ID)	6,771.24	▼0.32%	▼0.82%
KLSE (MY)	1,428.13	+0.08%	▼0.37%
PSE (PH)	6,488.51	+0.00%	▼0.64%
SET (TH)	1,593.13	+1.02%	▼0.45%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	271.69	▲0.11%	+0.13%
COPPER (LME)	8,806.75	+0.00%	▲1.24%
IRON ORE (CN)	119.72	+1.03%	▲2.09%
GOLD	1,991.48	▲0.82%	+0.34%
OIL (WTI)	79.74	▼1.19%	▼0.85%

**Three Take-aways:**

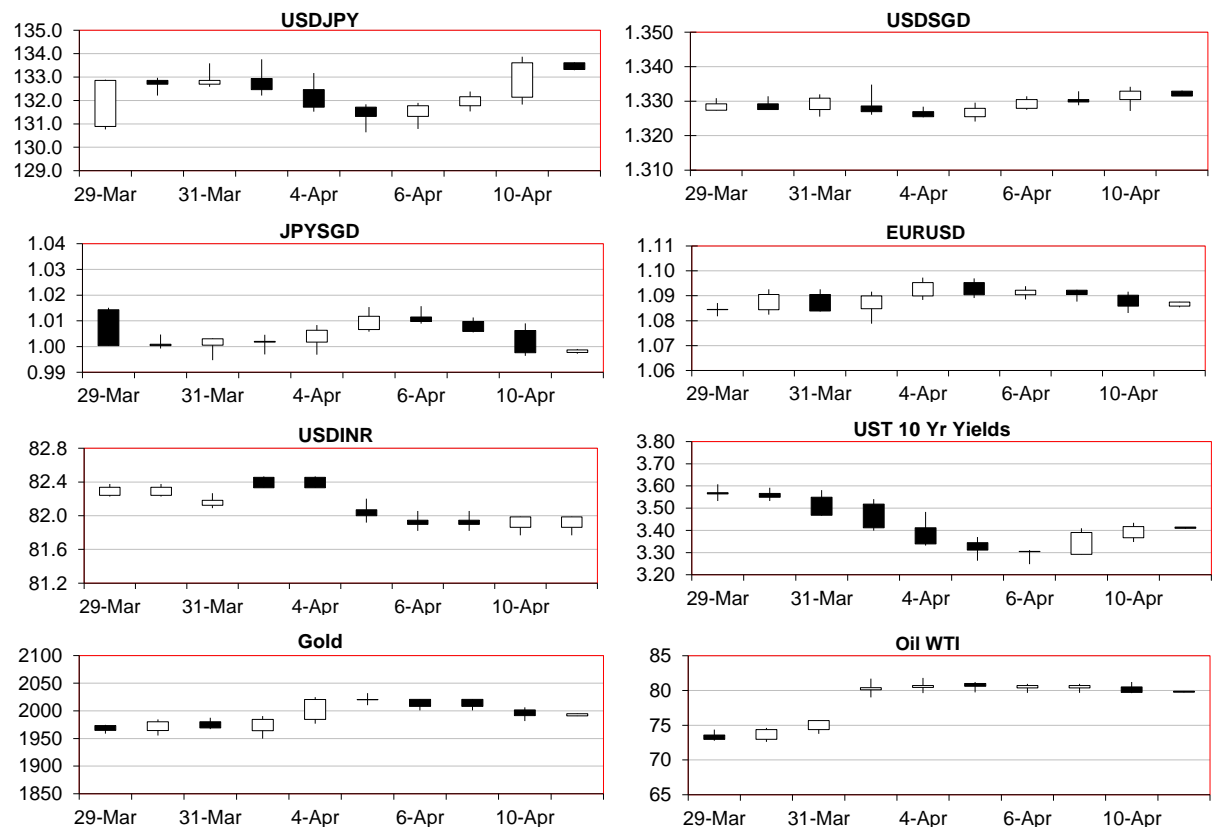
- 1) At the margin, outsized adverse Balance Sheet shocks are turning to be a bigger fear.
- 2) Out-pacing, but not negating, P&L headwinds from tightening; as BoK dilemma reveals.
- 3) BoJ chief Ueda quashing imminent YCC abandonment bets sends JPY sliding.

**Fretting P&L, Fearing Balance Sheet**

- **Monetary policy tightening arguably works best** (i.e. most responsive to central bank calibrations/control) **when the impact is predominantly via the so-called P&L (bottom-line) channels rather than the balance sheet channel**; as the latter is harder to rein in.
- Point being, the **impact of higher rates dampening demand from diminished** discretionary income and corporate **profits is more linear and measured** (even with two-way feedback).
- However, **sudden and sharp drop in asset valuations** and inadvertent defaults (as the ultimate consequence of policy tightening) are **not only far more disorderly**, but much harder to reverse.
- Especially as accompanying contagion risks, which may render damage exponentially larger.
- Accordingly, **late-cycle tightening has central bankers**, already **fretting extending P&L impact**, justifiably beginning to **fear intended balance sheet devastation**.
- This may be the calculus that prompts the BoK to hold (at some cost to KRW) today even if it does not conclude hikes for good. And a **sharp cognisance of late-cycle mis-steps via balance sheet channels** arguably **solidified BoJ push-back on YCC abandonment**.
- The resultant sharp (1.2%) JPY slide to 133+ has supported a cautiously firmer USD.

**Re-assessing Hawkish BoJ Bets**

- Speaking at a press conference, new **BoJ Governor Ueda rebuffed expectations of a tectonic (hawkish) shift**. Not only **stressing that policy is appropriate** but more specifically, he;
  - i) effectively **ruled out an imminent abandonment of YCC** (yield curve control), pointing out that **"given the current economic, price and financial conditions, ... it is appropriate to keep up the current yield curve control"**. Moreover, he added that YCC is **"right now ... considered most appropriate"**.
  - ii) arguably also **rebuffed the idea of large rate hikes**, implying that negative rates remain appropriate and intends to continue the inherited easing program.

**OVERNIGHT RESULTS**
**(JP) Eco Watchers Survey Current/Outlook (Mar): 53.5/54.1 (Mkt: 52.8/50.9; Feb: 52.0/50.8)**
**(US) Wholesale Inventories MoM (Feb F): 0.1% (Prelim: 0.2%) | (JP) Consumer Confidence (Mar): 33.9 (Mkt: 31.5; Feb: 31.3)**
**Past Two Weeks Movement**

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

USD/JPY	133.48	EUR/USD	1.0869
USD/SGD	1.3321	USD/THB	34.37
JPY/SGD	0.9980	USD/MYR	4.413

**Forecast**

USD/JPY	131.80 - 134.00
EUR/USD	1.0800 - 1.0940
AUD/USD	0.6600 - 0.6710
USD/SGD	1.3240 - 1.3360
JPY/SGD	0.9881 - 1.0137
USD/CNH	6.8700 - 6.9050
USD/INR	81.75 - 82.30
USD/IDR	14800 - 14970
USD/MYR	4.393 - 4.424
USD/PHP	54.25 - 54.70
USD/THB	34.20 - 34.50

**Today's Direction**

	Bull	Bear
USD/SGD	5	3
USD/JPY	7	1

- The upshot is that Governor Ueda is **not merely making a temporary effort to not rock the policy boat, but is in fact doubling down on the policy course** at present.
- Knowing this, it is arguably **negligent to not re-assess the validity of aggressive bets on a hawkish BoJ policy inflection**; with YCC abandonment and/or a significant tune up in rates.
- Nonetheless, **markets appear defiant**, with doubters possibly looking at sharp JPY weakness (in reaction to Governor Ueda's pushback) as better levels to re-enter **bets that the BoJ will be "forced" into a material hawkish shift** in stance; likely led by YCC dismantling.
- This renders **outcomes binary**; resulting in either the **trade of the decade or a "widow-maker" fallacy**. Point being, there are **legitimate reasons for the BoJ not to oblige hawkish bets**.
- For **one**, even if markets are **right on an eventual hawkish shift**, they may be **fatally on timing**; as shifts take 12-24 months, not 3-6 months instant gratification demands of markets.
- **Second**, and in support of the above point, a significantly **mellower USD amid approaching peak Fed rates**, considerably **diminishes pressures on the BoJ to tighten** the policy lever in the interest of price and JPY stability; allowing for a more considered assessment.
- **Finally**, growing risks of a global downturn alongside monetary policy lags means that the BoJ is acutely aware that any distinct tightening now may be caught wrong-footed by a global downturn. And that **risks not just being a tad too late-cycle, but completely wrong**.
- Thus **doing nothing appears to be the path of least destruction** for now. **At the very least, taking the time to consider how rapidly shifting sands affect the policy landscape is critical**.

**FX Daily Outlook**

- EUR/USD: Caution ahead of FOMC Minutes after JPY slide; 1.09+ traction traction remains flimsy.
- USD/JPY: BoJ pushback on YCC abandonment bets keeps buoyancy intact; buyers below mid-1.32.
- USD/SGD: Softer JPY and CNH to keep downside at bay; caution reins in pre-MAS bets too.
- AUD/USD: Respite elusive as the Antipodean remains slippery on potential for "risk off".

**TODAY'S EVENTS**

(PH) Unemployment Rate (Feb): (Jan: 4.8%) | (PH) Trade Balance (Feb): (Mkt: -\$5.0b; Jan: -\$5.74b)

(CH) CPI/PPI YoY (Mar): (Mkt: 1.0%/-2.5%; Feb: 1.0%/-1.4%) | (JP) Machine tool Orders YoY (Mar P): (Feb: -10.7%)

(MY) Ind Pdtn YoY (Feb): (Mkt: 2.5%; Jan: 1.8%) | (TH) Consumer Confidence Economic (Mar): (Feb: 46.8)

(EZ) Retail Sales MoM (Feb): (Mkt: 0.8%; Jan: 0.3%) | (US) NFIB Small Business Optimism (Mar): (Mkt: 89.8; Feb: 90.9)

**Central Banks: BoK Decision | Fed's Goolsbee speaks**

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