

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	133.00	131.85	▼1.89	▼3.18
EUR	1.0665	1.0670	+0.0060	+0.0027
AUD	0.6713	0.6697	+0.0041	+0.0117
SGD	1.3415	1.3423	▼0.0046	▼0.0077
CNY	6.8662	6.8867	▼0.0113	▼0.0305
INR	82.51	82.55	▼0.19	+0.49
IDR	15357	15345	▼35	▼105
MYR	4.4850	4.4860	▼0.0170	▼0.0340
PHP	54.72	54.72	▼0.18	▼0.43
THB	34.15	34.23	▼0.18	▼0.84

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.429%	▼14.8 bp	▼27.0 bp
JPY (10YR)	0.288%	▼2.7 bp	▼12.3 bp
EUR* (10YR)	2.108%	▼18.2 bp	▼40.0 bp
AUD (5YR)	3.129%	+12.9 bp	▼26.9 bp
SGD (5YR)	2.950%	+1.0 bp	▼30.5 bp
CNY (5YR)	2.666%	▼1.5 bp	▼0.9 bp
INR (5YR)	7.230%	▼1.9 bp	▼16.8 bp
IDR (5YR)	6.504%	▼2.2 bp	▼6.7 bp
MYR (5YR)	3.571%	+4.3 bp	▼0.9 bp
PHP (5YR)	5.919%	+0.0 bp	▼6.0 bp
THB (5YR)	2.014%	+0.7 bp	▼9.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	31,861.98	▼1.19%	▼0.15%
N225 (JP)	27,333.79	+1.20%	▼2.88%
STOXX 50 (EU)	4,064.99	▼1.26%	▼3.89%
ASX (AU)	4,007.66	▼1.08%	▼5.18%
STI (SG)	3,183.28	+0.88%	+0.18%
SHCOMP (CN)	3,250.55	+0.73%	+0.63%
SENSEX (IN)	57,989.90	+0.62%	▼1.94%
JSE (ID)	6,678.24	+1.71%	▼1.29%
KLSE (MY)	1,411.73	+1.45%	▼1.49%
PSE (PH)	6,469.72	+1.01%	▼1.82%
SET (TH)	1,563.67	+0.58%	▼2.25%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	254.66	▲0.78%	▲3.90%
COPPER (LME)	8,573.25	+0.76%	▲3.09%
IRON ORE (CN)	130.67	+0.81%	+1.26%
GOLD	1,989.25	+3.63%	+6.48%
OIL (WTI)	66.74	▼2.36%	▼12.96%

Three Take-aways:

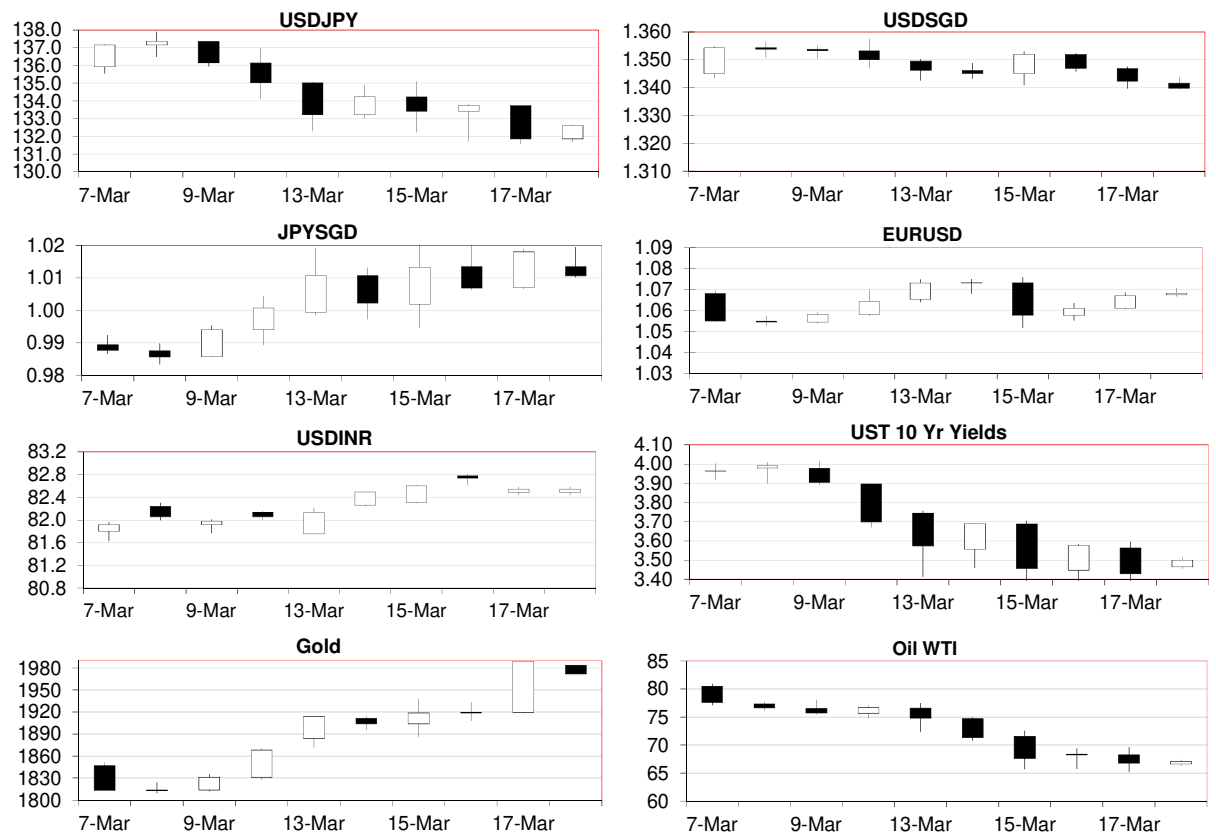
- 1) The UBS takeover of CS will instill a sense of relief into global markets.
- 2) Depth and durability of relief rally remains to be seen considering weak investor confidence.
- 3) PBoC's RRR cut is about reasonable and sufficient support given the confluence of risks.

Relief

- UBS will complete an all share takeover of the beleaguered Credit Suisse Bank, instilling a sense of relief into global markets.
- The relief is reflected in higher US equity futures across the S&P, NASDAQ and Dow;
- UST yields are rising across the curve led by the 2-year part of the curve while 10-yr yields are rising towards 3.50% levels.
- The DXY index, which has been highly volatile so far in March, is coming off slightly and holding below 104 levels;
- The relief rally in CHF, commodity currency support (AUD, NOK) from higher oil and copper prices as well as some spillover from China's RRR cut (more below) could limit the upside in the DXY index trading on Monday.
- Fundamentally, the durability and depth of the relief rally remains to be seen. This is particularly so considering the confidence deficit regarding banking sector stability.
- Any signs of further cracks could easily see this rally reversed; on the flipside, signs that the worst has past could set in motion another cycle of higher yields.
- Widely divergent views ahead of the US Fed meeting on 22 March complicate the situation. Market pricing for has varied wildly, with a cut now being priced in as early as June.
- As we have stated on numerous occasions in the past week, volatility is par for the course with the cues coming mainly from the US Fed assuming a contained banking situation in Europe.
- For Asia, China's RRR cut will provide some support for CNY/CNH, potentially lifting EM Asia peers with it complementing the global relief rally.

OVERNIGHT RESULTS

(SG) Non-oil Domestic Exports/Electronics Exports YoY (Feb): -15.6%/-26.5% (Mkt: -9.5%/--; Jan: -25.0%/-26.8%) | (US) Uni of Michigan Conditions/Sentiments (Mar P): 66.4/63.4 (Mkt: --/67.0; Feb: 70.7/67.0) | (US) Uni of Michigan 1Yr/5-10Yr Inflation Expectations (Mar P): 3.8%/2.8% (Mkt: 4.0%/2.9%; Feb: 4.1%/2.9%) | (US) Industrial Production MoM (Feb): 0.0% (Mkt: 0.2%; Jan: 0.3%) | (EZ) CPI/Core YoY (Feb F): 8.5%/5.6% (Mkt: 8.5%/5.6%; Prelim: 8.6%/5.6%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	132.29	EUR/USD	1.0680
USD/SGD	1.3406	USD/THB	34.09
JPY/SGD	1.0134	USD/MYR	4.472

Forecast

USD/JPY	132.00 - 135.00
EUR/USD	1.0620 - 1.0750
AUD/USD	0.6600 - 0.6780
USD/SGD	1.3300 - 1.3500
JPY/SGD	0.9852 - 1.0227
USD/CNH	6.8000 - 6.9000
USD/INR	82.00 - 83.30
USD/IDR	15300 - 15500
USD/MYR	4.450 - 4.510
USD/PHP	54.30 - 55.40
USD/THB	34.00 - 35.00

Today's Direction

	Bull	Bear
USD/SGD	3	2
USD/JPY	3	2

China's RRR Cut is About "Reasonable & Sufficient"

- Last Friday, the PBoC announced a surprise 25bp RRR cut (effective 27th March), that is set to lower the effective RRR rate to 7.6%.

- To be sure, the surprise was not in the direction of the move, but the timing; as the consensus had been for a RRR cut later.

- But clearly, the move is deemed as timely as it is apt given the confluence of economic and financial risks that confront.

- Crucially, with the strong disbursement of loans in the first two month of the year, consistent with front-loaded stimulus, the RRR cut may be considered prudent, if not necessary bolstering of banking liquidity.

- Point being, the estimated CNY500bn released into the banking system from this cut will shore up banking sector liquidity, and mitigate spillover risks from global banking sector wobbles - from SVB to Credit Suisse.

- What's more, a closer inspection of headline activity rebound in Jan-Feb data revealing shortfall, if not soft spots, under the hood of industrial activity and big-ticket outlays also validate banking sector liquidity boost.

- This RRR cut is likely to reinforce expectations of more stimulus ahead; justifiably, but not unequivocally so.

- What's notable is that the PBoC is looking to lean against financial shocks while gently boosting the economy; but without exacerbating pre-existing risks of excessive leverage.

- Hence, markets will do well to pay heed to this not being a no holds barred "flood irrigation", but commitment to "reasonable and sufficient liquidity".

FX Daily Outlook

- EUR/USD: Relief in CHF could spill over onto EUR supporting the recent upward moves.

- USD/JPY: The bounce in UST yields will see pair testing 133 levels.

- USD/SGD: Downward moves on risk relief and contained banking fallouts will support SGD.

- AUD/USD: Higher commodity prices, China growth support to support AUD rally.

TODAY'S EVENTS

(EU) Trade Balance SA EUR (Jan): (Dec: -18.1b) | Central Banks: PBoC 1-Year/5-Year Loan Prime Rate

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