

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.58	131.44	▼1.07	▼1.98
EUR	1.0765	1.0856	+0.0088	+0.0279
AUD	0.6694	0.6685	+0.0016	+0.0066
SGD	1.3364	1.3306	▼0.0057	▼0.0214
CNY	6.8899	6.8700	▼0.0093	▼0.0363
INR	82.67	82.67	+0.00	+0.06
IDR	15356	15345	+0	▼20
MYR	4.4658	4.4552	▼0.0140	▼0.0295
PHP	54.58	54.53	+0.08	▼0.44
THB	34.44	34.43	+0.11	▼0.19

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.434%	▼17.5 bp	▼2.1 bp
JPY (10YR)	0.328%	+7.8 bp	▼0.1 bp
EUR* (10YR)	2.328%	+3.6 bp	+19.8 bp
AUD (5YR)	3.108%	+17.2 bp	▼7.7 bp
SGD (5YR)	2.899%	+1.5 bp	▼14.7 bp
CNY (5YR)	2.666%	+0.2 bp	▼1.5 bp
INR (5YR)	7.227%	+0.0 bp	▼3.2 bp
IDR (5YR)	6.489%	+0.0 bp	+5.6 bp
MYR (5YR)	3.514%	+0.2 bp	▼1.0 bp
PHP (5YR)	5.831%	▼6.7 bp	▼11.2 bp
THB (5YR)	1.977%	▼0.5 bp	▼5.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,030.11	▼1.63%	+0.49%
N225 (JP)	27,466.61	+1.93%	+0.87%
STOXX 50 (EU)	4,195.70	+0.34%	+3.98%
ASX (AU)	4,122.70	+0.33%	+2.63%
STI (SG)	3,220.98	+1.48%	+1.51%
SHCOMP (CN)	3,265.75	+0.31%	+0.07%
SENSEX (IN)	58,214.59	+0.24%	+1.14%
JSE (ID)	6,691.61	+0.00%	+0.96%
KLSE (MY)	1,412.04	+0.39%	+0.58%
PSE (PH)	6,546.27	+0.24%	+1.24%
SET (TH)	1,585.08	+0.50%	+1.28%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	258.65	+0.38%	+1.82%
COPPER (LME)	8,900.50	+1.59%	+4.95%
IRON ORE (CN)	126.23	▲1.02%	▲3.78%
GOLD	1,970.11	+1.55%	+2.69%
OIL (WTI)	70.90	+2.26%	+4.87%

Three Take-aways:

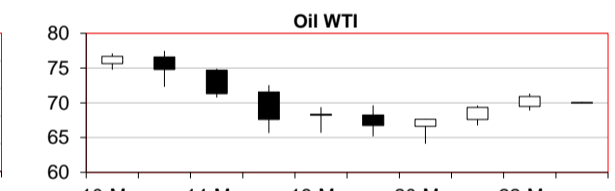
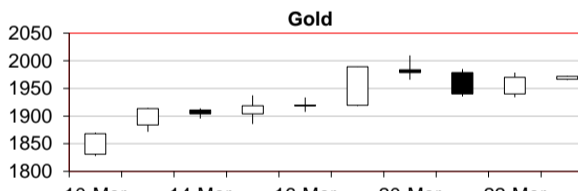
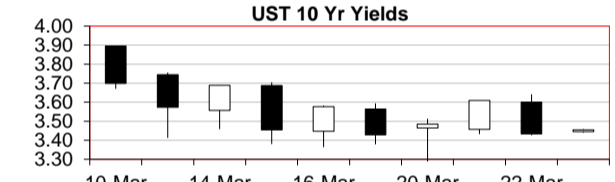
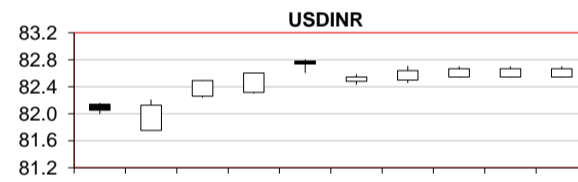
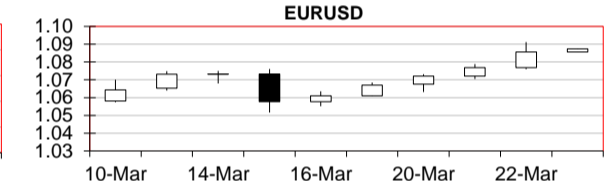
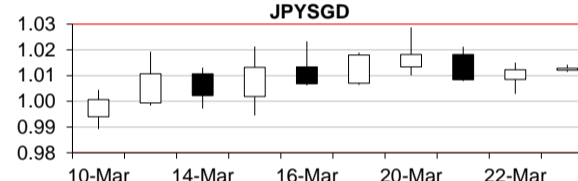
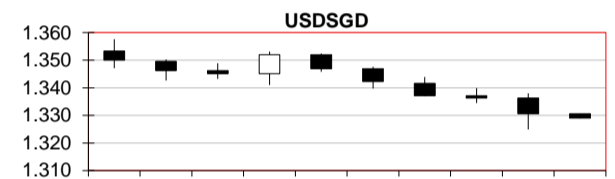
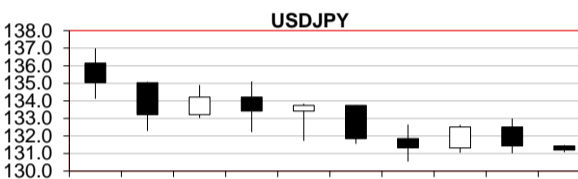
- 1) Despite the conspicuous absence of a lift in 2023 'Dot Plot', markets retrenched risk, selling equities.
- 2) Softer yields and USD though reveal perceptions of less hawkish Fed amid latent financial risks.
- 3) BSP's illusory option to stay on hold constitutes undesirable risks to PHP stability.

Bearish Doves, Not Dovish Bulls

- A **punchy, albeit cliché, characterization** of the March FOMC may be a **dovish 25bp hike**.
- **Steadfast in tightening action. But dovish in implied guidance**; watering down "appropriate" hikes to "some additional" from "ongoing", backed by a stationary 'Dot Plot' in sharp contrast to strong suggestions (pre-banking turmoil) by the Fed that peak rates may have to be higher.
- Yet, a critical nuance is that this **dovish guidance failed to inspire "risk on"**. Unlike in the past, when (even more contrived) perceptions/expectations of Fed 'pivot' had inspired exuberance,
- Yes, **UST yields (and USD)** fell in acknowledgement of dovish statement shifts and conspicuous absence of higher 'Dot Plot'. **But Wall St slumping 1.6-1.7%, suggest fear, not cheer**.
- This **easier policy outlook devoid of exuberance speak of an important distinction**.
- One **between Dovish Bulls** of the past (that rallied on presumed cheer that lower rates from 'Fed pivot' were bound to boost asset markets) and the **current Bearish Doves** (that now fear financial/economic pain that ends up as the driver of prematurely looser Fed policy stance).
- In other words, re-assessing **whether Fed policy is the dog or the tail with respect to markets**; whereby prescient, "ahead of the curve" Fed policy action averts worse case outcomes or the Fed is forced to respond to unravelling economic conditions and/or financial risks.
- Specifically, in the parlance of markets, it is an important distinction of **whether the Fed pivots upon or before some thing "breaks"**; and the banking sector turbulence over the past few weeks might have shaken (sometimes unfounded) **confidence of bulls riding the Fed peak wave**.
- Arguably, this is pertinent framing for assessing **markets pricing in 50% odds of another 25bp hikes in May or June** with some **75bp of cuts thereafter in H2** (mostly backloaded from Sep).
- Market's dovish pivot to 4.00-4.25% challenges the 'Dot Plot' guidance for year-end FFR at 5.00-5.25% to adverse impact on risk appetite, not exuberance. In which case, it's **worth examining if unequivocally bearish USD presumed is consistent with diminished risk appetite**. We think not.

OVERNIGHT RESULTS

(JP) Past Two Weeks Movement (Prelim: -10.7%)


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	131.19	EUR/USD	1.0870
USD/SGD	1.3297	USD/THB	34.22
JPY/SGD	1.0136	USD/MYR	4.455

Forecast

USD/JPY	130.90 - 132.80
EUR/USD	1.0760 - 1.0880
AUD/USD	0.6640 - 0.6750
USD/SGD	1.3260 - 1.3370
JPY/SGD	0.9985 - 1.0214
USD/CNH	6.8440 - 6.8830
USD/INR	82.45 - 82.80
USD/IDR	15290 - 15390
USD/MYR	4.449 - 4.477
USD/PHP	54.25 - 54.78
USD/THB	34.05 - 34.48

Today's Direction

	Bull	Bear
USD/SGD	2	5
USD/JPY	3	4

BSP: Abandonment of Hikes Undesirable; Not Just Unnecessary

- **Persistent inflation risks dominate despite downside growth threat**; rendering a calibrated dial-back to a **25bp hike** (from 50bp Feb) the **preferred, albeit precarious, balance**.
- Point being, despite 400bp of rate hikes, inflation risks are not tamed. Case in point being Feb CPI details, where any consolation of the marginal reduction in headline CPI to 8.6% (Jan: 8.7% YoY) was overshadowed by core inflation accelerating to 7.8% (Jan: 7.4%).
- Admittedly, there are **promising signs of easing pipeline food prices**; with increased food imports (staples, meat, etc.). What's more, **logistical impediments are recognized**.
- But given elevated food, jammed logistics and second-round effects, **a sharp inflation U-turn is unlikely**. Instead jagged inflation peak, with a slow, unsteady decline remains the main risk.
- As a consequence of which, the BSP is hemmed into taming inflation as its foremost priority.
- Arguably, the elephant in the room is the threat of global financial tremors, deemed to be ultimately (and often brutally) dis-inflationary. **But be that as it may, suspending rate hikes in response to financial stability risks may prove ineffective, if not counter-productive**.
- For one, **Philippines' banking system is in generally good shape**; with bigger banks in a s position to absorb some degree of liquidity shocks. Crucially, **PHP/macro vulnerabilities from global financial tremors**, accentuated by "twin deficits" risks, could inflict severe economic pain before taming inflation. The upshot being, the **abandonment of remedial policy action to underpin price stability priorities is not just unnecessary, but above all, undesirable**.

FX Daily Outlook

- EUR/USD: FOMC bump-up in EUR lacks follow-through; air thins at 1.09+ ahead of 1.10.
- USD/JPY: Pullback on a softer USD and UST yields limited by overdone FOMC reactions.
- USD/SGD: Not unlike USD/JPY the pullback is limited; more so with subdued CNH gains.
- AUD/USD: Getting past 0.67 a cautious foray, not impulsive thrust given underlying risk off.

TODAY'S EVENTS

(JP) Department Store Sales - National/Tokyo YoY (Feb): (Jan: 15.1%/19.6%)

(SG) CPI/Core YoY (Feb): (Mkt: 6.4%/5.8%; Jan: 6.6%/5.5%)

(US) Initial Jobless Claims (18-Mar): (Mkt: 198K; Prev Wk: 192K) | (US) Chicago Fed Activity (Feb): (Mkt: 0.10; Jan: 0.23)

(US) New Home Sales (Feb): (Mkt: 650K; Jan: 670K) | (US) Kansas City Mfg (Mar): (Mkt: -2; Feb: 0)

Central Banks: BSP Decision | ECB's Lagarde speaks | ECB's Lane, Muller, Holzman & Stournaras speak

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