

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.94	131.57	+0.84	+0.25
EUR	1.0751	1.0798	+0.0038	+0.0077
AUD	0.6640	0.6651	+0.0006	▼0.0067
SGD	1.3337	1.3313	▼0.0009	▼0.0058
CNY	6.8857	6.8820	+0.0147	+0.0050
INR	82.41	82.37	▼0.11	▼0.27
IDR	15173	15160	+5	▼200
MYR	4.4302	4.4190	▼0.0105	▼0.0668
PHP	54.30	54.29	▼0.05	▼0.38
THB	34.40	34.45	+0.30	+0.33

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.530%	+15.4 bp	+4.5 bp
JPY (10YR)	0.320%	+0.4 bp	+7.0 bp
EUR* (10YR)	2.227%	+9.8 bp	+10.2 bp
AUD (5YR)	2.925%	▼4.0 bp	▼3.2 bp
SGD (5YR)	2.817%	+4.8 bp	▼0.2 bp
CNY (5YR)	2.677%	▼0.6 bp	+2.9 bp
INR (5YR)	7.161%	+1.4 bp	▼2.9 bp
IDR (5YR)	6.387%	▼2.1 bp	▼10.4 bp
MYR (5YR)	3.479%	▼1.6 bp	▼3.7 bp
PHP (5YR)	5.887%	▼3.6 bp	+3.6 bp
THB (5YR)	1.905%	+0.0 bp	▼8.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,432.08	+0.60%	+0.58%
N225 (JP)	27,476.87	+0.33%	+1.97%
STOXX 50 (EU)	4,164.62	+0.82%	+1.10%
ASX (AU)	4,071.07	+0.78%	+0.78%
STI (SG)	3,239.03	+0.82%	+3.16%
SHCOMP (CN)	3,251.40	▼0.44%	+0.51%
SENSEX (IN)	57,653.86	+0.22%	+0.04%
JSE (ID)	6,708.93	▼0.79%	+1.46%
KLSE (MY)	1,396.60	▼0.22%	▼0.37%
PSE (PH)	6,595.03	▼0.11%	+2.23%
SET (TH)	1,593.37	+0.10%	+2.44%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.33	+1.48%	+2.80%
COPPER (LME)	8,951.25	+0.44%	+2.87%
IRON ORE (CN)	126.36	+0.14%	▲1.51%
GOLD	1,956.67	▲1.09%	▲1.12%
OIL (WTI)	72.81	+5.13%	+7.64%

Three Take-aways:

- 1) Banking fears recede on absence of bad news and steps to ring-fence/backstop, if not bolster.
- 2) But attendant de-coupling of monetary policy and financial stability re-introduces tightening risks.
- 3) At the margin data diminish bets on RBA turning imminently dovish; providing AUD traction.

Of Backstops & Ring-fences

- Some **semblance of relative calm** has descended upon markets with the **absence of fresh headline banking scares**. Especially as it has complemented news of further **regulatory backstops** and **remedial ring-fence** that has assuaged concerns of an imminent crisis.

- Specifically, news that FDIC and First Citizens Bancare for the latter to assume the loan book of Silicon Valley Bank (SVB) was a **remedial ring-fence** to contain SVB related contagion fears.

- What's more, reports that regulators are considering emergency lines to keep First Republic Bank operating provided some **assurance of regulatory backstops** to prevent a cascade of solvency crisis from an otherwise manageable liquidity crunch.

- The lingering catch is that **structural balance sheet risks** (of duration mis-match), including wider risk exposures, will still have to be sorted out with(in) the time bought; as liquidity cushions are merely pain relief, and not a panacea in and of themselves.

- And so the real test of the pudding is how durably sentiments are assuaged as things unfold.

- **Nonetheless**, the **speed and decisiveness of policy response thus far** has been **encouraging**.

- And that explains why European equities up 0.8% (with a 1.2% leg-up rally in Financials) and S&P has printed gains (+0.2%) led by a 1.4% rebound in Financials.

Inconvenient De-Coupling

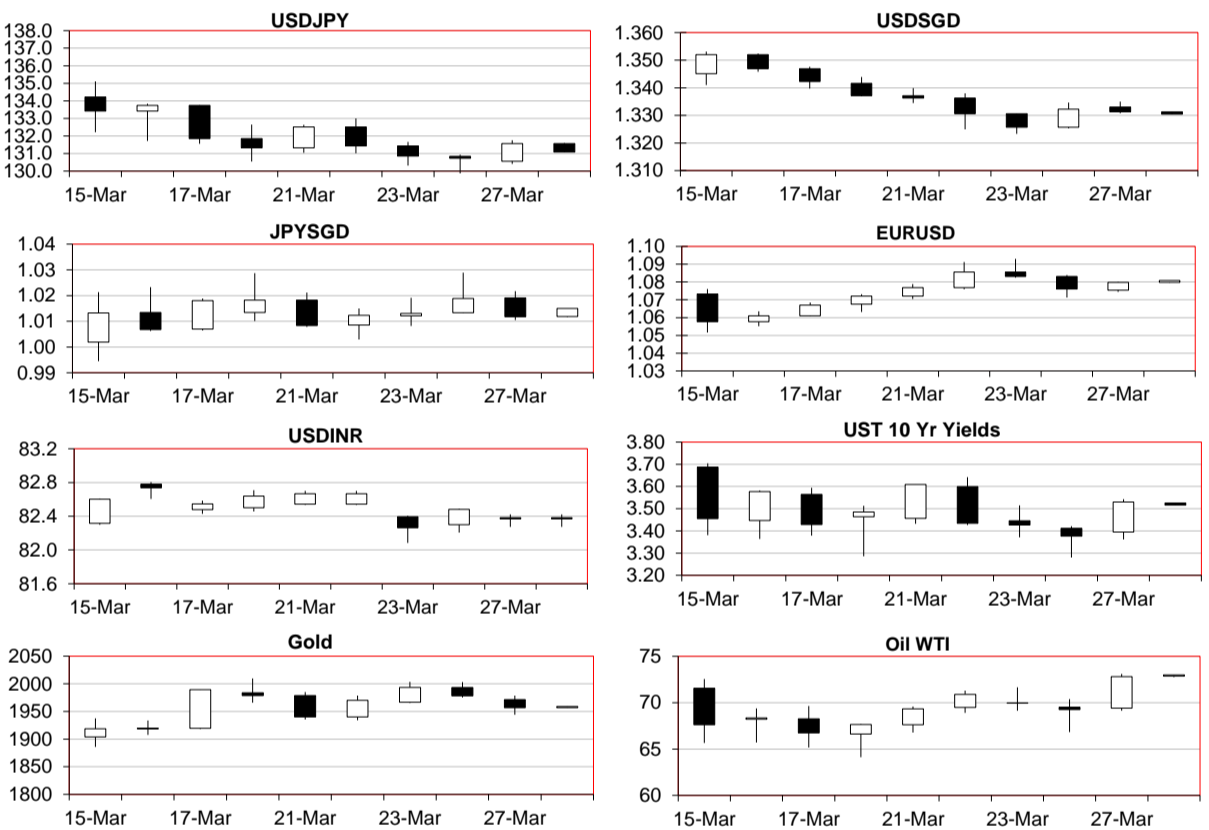
- But it was **not all champagne and cheer** as Nasdaq was admittedly nursing a 0.5% drop despite Financials being up 0.9%; mainly as rates sensitivity of Nasdaq was exposed to the sharp pick-up in UST yields (10Y up 14bp to 3.52% and 2Y even more violently with a 21-22bp surge to 3.98%).

- In part, this reflects diminished haven demand (including USTs, which means that softer UST prices result in higher UST yields) from earlier exacerbating poor demand in the 2Y auction.

OVERNIGHT RESULTS

(CH) Industrial Profits YTD YoY (Feb): -22.9% (Jan: -4.0%) | (US) Dallas Fed Mfg. Activity (Mar): -15.7 (Mkt: -10.0; Feb: -13.5)

(GE) IFO Business Climate/Current/Expectations (Mar): 93.3/95.4/91.2 (Mkt: 91.0/94.1/88.3; Feb: 91.1/93.9/88.5)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	131.23	EUR/USD	1.0807
USD/SGD	1.3307	USD/THB	34.41
JPY/SGD	1.0141	USD/MYR	4.425

Forecast

USD/JPY	130.30 - 132.20
EUR/USD	1.0730 - 1.0880
AUD/USD	0.6640 - 0.6750
USD/SGD	1.3260 - 1.3360
JPY/SGD	1.0030 - 1.0253
USD/CNH	6.8600 - 6.8980
USD/INR	82.05 - 82.60
USD/IDR	15100 - 15280
USD/MYR	4.410 - 4.438
USD/PHP	54.00 - 54.50
USD/THB	34.15 - 34.60

Today's Direction

	Bull	Bear
USD/SGD	3	5
USD/JPY	2	6

- But crucially, it also reflects the **unavoidable and inconvenient reality of successful backstops and ring-fencing underpinning a decoupling of monetary policy and financial stability**.

- What this means is that the relief of dis-orderly risks of a banking sector disruption (with worst case of contagion) dissipating will **necessarily entail some degree of re-introduction of monetary policy tightening risks**. A point expressly alluded to by central bankers. The ECB alluding to there being **no trade-off between price and financial stability**, with BoE espousing **"two targets** (inflation and financial stability), **two tools** (rates and macro-prudential)".

- Admittedly, in aggregate, **substituting some incremental tightening for tail risks of a banking crisis is by far still a less adverse outcome**. But it may not be without an impact on re-ordering the consequent so-called "winners and losers".

- In FX land, it appears that the **USD was not a winner despite higher UST yields**; as fear-driven Greenback allure was supplanted by peak (albeit a tad higher) Fed rate relief.

- EUR has crept above 1.08 amid a weaker USD (although underlying caution is not convincingly shaken off) while the initial pullback in JPY (from haven unwind) is giving way to USD/JPY slippage (back below 131) as USD weakens and some underlying caution seeps back in.

Dispelling RBA Doves?

- And despite AUD not being a key beneficiary of a softer USD in the NY session, retail sales holding up (+0.2% MoM as expected) has set-off some AUD traction above mid-0.66.

- While in the early days, and requiring further data validation, retail sales has started to dispel the notion that the RBA may pause or even cut in the near-term; thereby taking some of the policy drag off the AUD. Of course loftier oil prices on banking relief also "lean in".

FX Daily Outlook

- EUR/USD: Buoyancy above 1.08 is one thing, rallies to break 1.09 quite another; offer above.

- USD/JPY: Rebound above 131 giving way to declines back below; initial/shallow mid-130 support.

- USD/SGD: Sub-1.33 dips to remain shallow; stronger bids may line up below mid-1.32.

- AUD/USD: Traction from retail sales expansion may stall around 0.67.

TODAY'S EVENTS

(AU) Retail Sales MoM (Feb): 0.2% (Mkt: 0.2%; Jan: 1.9%) | (TH) Trade Bal (Feb): (Mkt: -\$1.41b; Jan: -\$4.65b)

(US) Trade Bal (Feb): (Mkt: -\$90.0b; Jan: -\$91.1b) | (US) Wholesale Inventories MoM (Feb P): (Mkt: -0.1%; Jan: -0.3%) | (US) FHFA House Price Index MoM (Jan): (Mkt: -0.3%; Dec: -0.1%) | (US) S&P CoreLogic 20-City MoM SA (Jan): (Mkt: -0.5%; Dec: -0.5%) | (US) Conf. Board Consumer Confidence (Mar): (Mkt: 101.0; Feb: 102.9) | (US) Richmond Fed Mfg Index (Mar): (Mkt: -10; Feb: -16) | (US) Dallas Fed Services Activity (Mar): (Feb: -9.3)

Central Banks: RBA's Conolly speaks | ECB's Rehn, Muller & Vasle speak

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