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# MIZUHO DAILY MARKET REPORT

**28-Mar-2023** **Tuesday**

## 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.

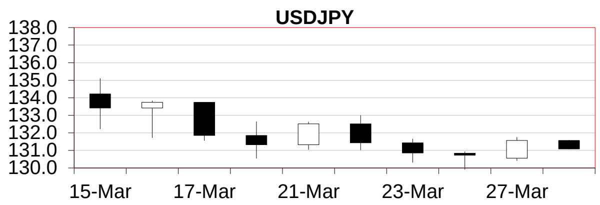
### Inconvenient De-Coupling

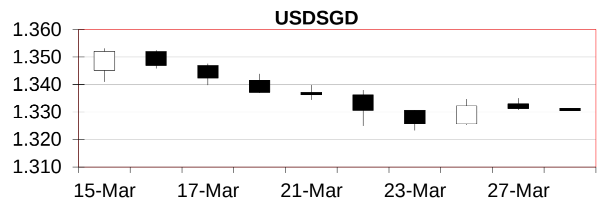
- But it was **not all champagne and cheer** as Nasdaq was admittedly nursing a 0.5% drop despite Financials being up 0.9%; mainly as rates sensitivity of Nasdaq was exposed to the sharp pick-up in UST yields (10Y up 14bp to 3.52% and 2Y even more violently with a 21-22bp surge to 3.98%).
- In part,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

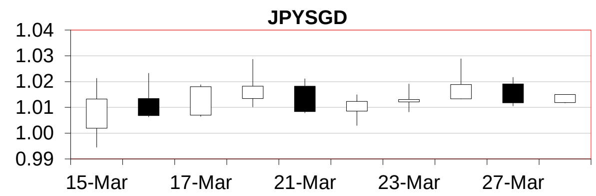
### OVERNIGHT RESULTS

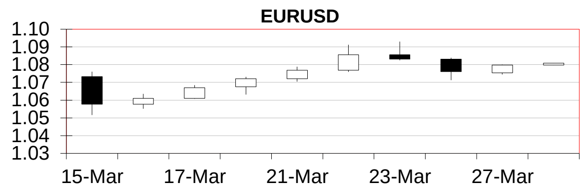
**(CH) Industrial Profits YTD YoY (Feb): -22.9% (Jan: -4.0%) | (US) Dallas Fed Mfg. Activity (Mar): -15.7 (Mkt: -10.0; Feb: -13.5)**
**(GE) IFO Business Climate/Current/Expectations (Mar): 93.3/95.4/91.2 (Mkt: 91.0/94.1/88.3; Feb: 91.1/93.9/88.5)**

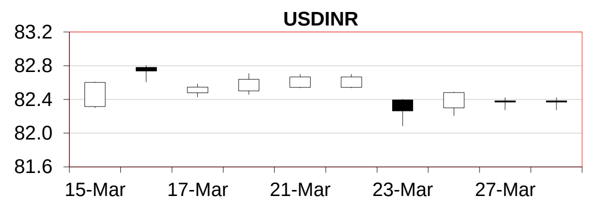
*** Past Two Weeks Movement ***

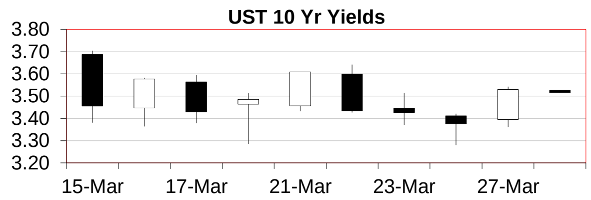


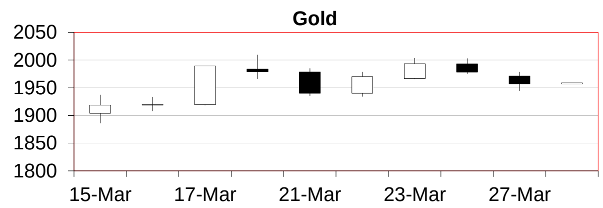



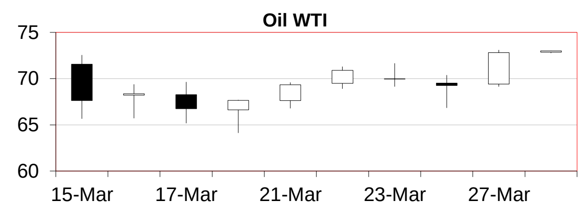




## TODAY'S COMMENTS & FORECAST

**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 expanssion 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 Avtivity (Mar): (Feb: -9.3)
**Central Banks:** RBA's Conolly speaks | ECB's Rehn, Muller & Vasle speak