



## Economic Calendar

Date	Country	Event	Period	Survey*	Prior
17 Mar	US	Empire Manufacturing	Mar	-2.0	5.7
	US	Retail Sales Advance/Ex Auto, Gas MoM	Feb	0.7%/0.5%	-0.9%/-0.5%
18 Mar	US	Housing Starts / Building Permits	Feb / P	1380k / 1450k	1366k / 1473k
	US	Industrial Production MoM	Feb	0.2%	0.5%
	EZ	Trade Balance SA	Jan	--	14.6b
	JP	Tertiary Industry Index MoM	Jan	-0.1%	0.1%
	GE	ZEW Survey Expectations	Mar	--	26.0
19 Mar	EZ	CPI/Core YoY	Feb F	--	2.5%/2.6%
	JP	Trade Balance	Feb	-¥689.7b	-¥2736.6b
	JP	Machine Tool Orders YoY	Feb F	--	3.5%
	JP	Core Machine Orders YoY	Jan	6.6%	4.3%
	JP	Industrial Production YoY	Jan F	--	2.6%
	JP	BOJ Target Rate		0.50%	0.50%
	JP	Capacity Utilization MoM	Jan	--	-0.2%
	US	FOMC Decision (Lower/Upper Bound)		4.25%/4.50%	4.25%/4.50%
20 Mar	US	Existing Home Sales	Feb	3.93m	4.08m
	US	Current Account Balance	4Q	-\$338.0b	-\$310.9b
	US	Initial Jobless Claims		--	220k
	US	Philadelphia Fed Business Outlook	Mar	12.0	18.1
	US	Leading Index	Feb	-0.2%	-0.3%
21 Mar	EZ	ECB Current Account SA	Jan	--	38.4b
	EZ	Consumer Confidence	Mar P	--	-13.6
	JP	Nati CPIEx Fresh Food, Energy YoY	Feb	3.5%/2.6%	4.0%/2.5%

## Week-in-brief: Escalating Risks and Unfettered Fed?

- Headline risks rocked the week, from tariff threats to shutdown, so much so that relief from CPI and subsequent risks embedded in PPI slipped under the radar. On signs of straining relationships between allies, US targeted economies (namely Canada and EU) responded with retaliatory tariffs, only to be met with even most onerous tariff threats by Trump.
- Consequently, in a flurry of selling punctuated by shallow recoveries, US equities slipped into correction while Gold climbed. Meanwhile, AXJ FX continued to underperform G10 peers, which may stem from a sense that China may not see much tariff relief, in addition to easing bias by a raft of EM Asia central banks (RBI, BoK, BoT, BI, BSP).
- On central banks, **Bank of Canada cut rates**, as expected, to counter "pervasive uncertainty" in the trade battle between the US and Canada. Nonetheless, the bank tempered expectations for further rate reductions, saying they would "proceed carefully".
- Looking ahead, we have several central bank policy decisions next week.
- The **Fed is expected to continue holding** as the Feb pullback in inflation is far from sufficient to resume easing, while softer demand and weaker jobs market are likely prerequisites for the next cut.
- For **Bank of Japan**, we expect a **hawkish hold** to prematurely piling on further tightening amid a stronger JPY and elevated JPY yields, especially as tariff uncertainties warrant patience not haste.
- In EM Asia, we have an **out-of-consensus call for Bank Indonesia to ease policy rates**, considering their easing bias, softer economic indicators recently and a softer USD backdrop. But we attribute a 40% probability to a hold given that IDR's performance has been very sluggish amid a cloudy fiscal outlook. Notably, the January budget balance (which was delayed by a few weeks) posted an unlikely deficit early in the year amid a slump in revenues. The last Indonesia posted a budget deficit so early was in 2021 during the pandemic.
- Meanwhile, **CBC is expected to keep their rates on hold** amid a bumpy dis-inflation progress, which ought to outweigh downside growth risks stemming from worsening trade woes.
- All in, the heated tensions in the trade battle is unlikely to abate soon. And consequently, equities could have more to lose.

## FOMC: Patience & the Veneer of a Hawkish Hold

- The upcoming FOMC meeting is widely (and quite rightly) expected to be **short on action**.
- A **prolonged hold** still appears to be what's **most likely to be conveyed** by the Fed at the March meeting. As established, the **pullback in February's CPI** may be welcome relief, but is far from sufficient cause for the Fed to resume easing at this juncture.
- Point being, concerns about sticky inflation have not been put to bed given worrying uptick in PPI components that feed into core PCE.
- What's more, wider inflationary trajectory unknowns in the context of worries about inflation spill-over from tariffs, will also likely underpin the Fed hold.
- Hence, the Fed's policy hold is likely to be **augmented by hawkish-leaning rhetoric**.
- But that said, it would be **misleading to characterize the Fed's stance as a hawkish hold**.
- Primarily because the **direction of travel in rates is still distinctly inclined to the downside**.
- What's more, the **focus on "sticky" inflation is a luxury only when demand/jobs indicators are holding up, underscoring "higher for longer"**.
- Whereas once demand starts to soften and jobs weaken, the **fears of "lagged and variable transmission" will kick in to hasten the pace of rate cuts**. And so necessarily, the Fed path will be one of haste (in cutting rates later) punctuated by patience (for now).
- But for now, this veneer of a hawkish hold, as markets would be inclined to read, will likely square with buoyant yields and a backstopped USD.

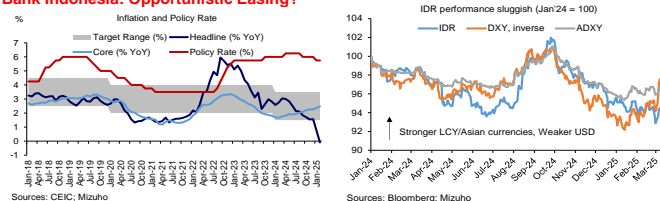
## BoJ: Hawkish Hold Underpinned by JPY, Yields & Trade Uncertainty

- The **writings on the wall are for a hawkish hold** by the BoJ, and to be fair **most market participants expect the next hike to be in June or July**.
- But this is **not merely a hawkish hold** in the widely understood **forward guidance** (BoJ's pipeline rate hike signals) point of view.
- Rather, there is also the **aspect of the policy hold in the context of compensating effective hawkish shifts** in both the JPY and JGB yields warranting a hold, rather than prematurely piling on further tightening at this point.
- For the record, the JPY is up a staggering 5-6% (from sub-156 to 147-148 levels).
- And **10Y JGB yields are up sharply by 32-33bps** (at 1.21-1.22%) since the last BoJ meeting, with 2Y and d30Y up 15-16bp and 37bp respectively.
- What's more, **Trump 2.0 tariff uncertainties** that darken the outlook, with the **risks of outsized demand shocks**, also warrant patience not haste.
- The upshot is that the **BoJ is not simply deferring guaranteed hikes** but in fact assessing the justifications in a rapidly evolving global trade environment.
- Admittedly, **given inflation surge to 4% and expectations of fairly robust wage negotiations**, the commitment to higher terminal rates are justified.
- But JPY and JGB yield moves must also feature actively in BoJ policy calculus.
- And **crucially**, even for the most ardent BoJ hawks, elevated **tariff uncertainties must be recognized as a potential game-changer**.

## Asia

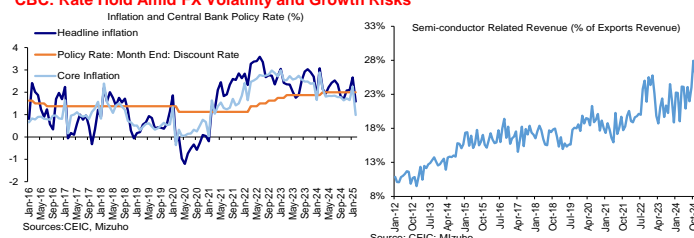
Date	Country	Event	Period	Survey*	Prior
14-18 Mar	CH	FDI YTD YoY CNY	Feb	--	-13.4%
17 Mar	CH	Industrial Production/Retail Sales YTD YoY	Feb	5.3%/3.8%	--
	CH	Property Investment/FAI YTD YoY	Feb	-8.9%/3.2%	--
	CH	Surveyed Jobless Rate	Feb	5.1%	--
	CH	New/Used Home Prices MoM	Feb	--	-0.1%/-0.3%
	SG	Non-oil Domestic/Electronic Exports YoY	Feb	9.8%/--	-2.1%/9.6%
	ID	Exports/Imports YoY	Feb	7.3%/1.2%	4.7%/-2.7%
	IN	Wholesale Prices YoY	Feb	2.3%	2.3%
	IN	Exports/Imports YoY	Feb	--	-2.4%/10.3%
	PH	Overseas Cash Remittances YoY	Jan	3.1%	3.0%
18 Mar	PH	Budget Balance PHP	Jan	--	-329.5b
19 Mar	ID	BI-Rate		5.75%	5.75%
	PH	BoP Overall	Feb	--	-\$4078m
20 Mar	CH	1Y/5Y Loan Prime Rate		3.10%/3.60%	3.10%/3.60%
	AU	Unemployment Rate/Emp. Change	Feb	4.1%/30.0k	4.1%/44.0k
	MY	Exports/Imports YoY	Feb	5.4%/7.6%	0.3%/6.2%
	TW	CBC Benchmark Interest Rate		2.00%	2.00%
	TW	Export Orders YoY	Feb	28.2%	-3.0%
21 Mar	KR	PPI YoY	Feb	--	1.7%
	MY	CPI YoY	Feb	1.5%	1.7%

## Bank Indonesia: Opportunistic Easing?



- We attribute a **60% probability that BI will cut policy rates by 25bps** on 19 March. Our out-of-consensus call was a tough one as **IDR-stability concerns**, which have seen BI holding back on easing for several meetings, are **undoubtedly still in the minds of policymakers**. Instructively, BI said on 11 March that it remained in the markets to maintain confidence and FX supply demand, suggesting that IDR-stability concerns have not eased sufficiently.
- Our tilt towards an easing takes into account a **weaker USD backdrop** (DXY moving below 104 from 110 at the start of the year), and that **BI would seize the opportunity to ease as it has been continually looking for room to do so**. This move would not be without precedent, as BI had proceeded with a surprise cut in January on growth concerns despite the strong USD.
- Meanwhile, **growth indicators broadly support a cut**. Retail sales fell -0.5% YoY in February, consumer confidence have been edging lower since January, and loan growth has been slowing since July last year, suggesting not as robust business/consumer sentiments.
- While inflation went into deflation territory in February, BI is **unlikely to be overly concerned** as this was mainly due to hefty electricity subsidies for January and February. March inflation is expected to return back to 1.5-2.0% range.
- Finally, we think that a big bugbear for IDR sluggish performance in recent weeks can be attributed to the cloudy fiscal outlook. Coordinating with the government to release more details on budget reallocations may be a more efficacious tool as compared to holding rates at current levels.
- All in, we are of the view that Bank Indonesia will ease opportunistically as this meeting, as even if IDR's performance has been sluggish, it could have been worse. And heightened geo-political headwinds may mean that this opportunity is hard to come by.

## CBC: Rate Hold Amid FX Volatility and Growth Risks



- We expect the **CBC to continue to keep their rates on hold at their upcoming meeting**.
- While CBC board member Chang Chien-yi said that there is pressure to hike rates on inflation, our view remains that **bumps in their dis-inflationary process should not take precedence over downside growth risks stemming from worsening trade woes**.
- First, inflation path is indeed bumpy as Jan's headline inflation was 2.7% on seasonal effects which stepped down to 1.6% YoY in February. Nonetheless, for the first two months of 2025, headline inflation was 2.1% YoY which is a slower pace than the same period in 2024 at 2.4%. **Similarly, core inflation is lower at 1.6% over Jan-Feb 2025 relative to the 2.3% YoY in 2024**.
- Second, growth risks are now exceptionally magnified given the intense focus on semiconductors which make up a quarter of Taiwan's export revenue. As such, **semiconductor related tariff alongside trade uncertainty** holding back capital goods spending may severely restrain their external growth driver.
- Third, with property price growth showing clear signs of stabilising, the threat of runaway property price inflation is diminished and in any case ought to be addressed via macroprudential measures rather than the policy rate.
- On the other hand, the **case for rate cuts is also diminished by a dire TWD performance** with only INR and IDR performing worse. The TWD will have to brace for more volatility sooner rather than later whenever Trump chooses to touch on the topic of the "costs" of defending Taiwan and the **CBC will need to provide stability in policy paths as well as the necessary FX interventions**.

## Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	148.73	0.690	0.47%	146.00	~	151.00
EUR/USD	1.0839	0.0006	0.06%	1.070	~	1.100
USD/SGD	1.3358	0.005	0.36%	1.3200	~	1.3520
USD/THB	33.623	-0.024	-0.07%	33.30	~	34.00
USD/MYR	4.4423	0.0303	0.69%	4.390	~	4.510
USD/IDR	16350	55	0.34%	16,250	~	16,650
JPY/SGD	0.8983	-0.001	-0.07%	0.874	~	0.926
AUD/USD	0.6301	0.000	-0.06%	0.620	~	0.638
USD/INR	87.01	0.126	0.15%	86.5	~	87.7
USD/PHP	57.258	0.067	0.12%	56.8	~	57.8

^Weekly change.

### FX: Mixed Bag

- The USD traded mixed against the G10 currencies as economies faced-off on the tariff front.
- CAD underperformed, being one of the main tariff targets and with Bank of Canada cutting rates as expected.
- Interestingly, JPY and CHF also underperformed despite the fraught geo-political landscape, while AUD was softer amid soft Brent Crude prices.
- NOK led gains as a higher-than-expected inflation saw expectations of a cut by Norges Bank paring bank.
- EUR outperformed most G10 peers despite going on the offensive in retaliation to US' tariffs, amid ongoing discussions on defence spending.

### EM-Asia: Battered

- In contrast, EM Asia currencies fared much worse, as they continue to be battered amid tariff headwinds.
- This was also despite a broadly stable CNH.
- In particular, trade-sensitive currencies MYR, KRW, TWD and SGD underperformed, while THB was better supported as it rode on Gold's rally.
- IDR also weakened to the tune of -0.6% amid budget balance registering a deficit early in the year, while fiscal outlook still appears looked cloudy.
- Looking ahead, AXJ FX looks to continue underperformance against G10 peers amid tariffs headlines, less relief from US-China trade tensions and easing bias by many of the region's central banks.

## Bond Yield (%)

	14-Mar	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	3.960	-4.0	4.281	-2.0		Steepening
GER	2.174	-6.3	2.854	2.1		Steepening
JPY	0.823	-1.6	1.505	-0.8		Steepening
SGD	2.463	-1.9	2.641	-3.2		Flattening
AUD	3.746	-1.5	4.418	0.1		Steepening
GBP	4.164	-2.8	4.666	3.0		Steepening

## Stock Market

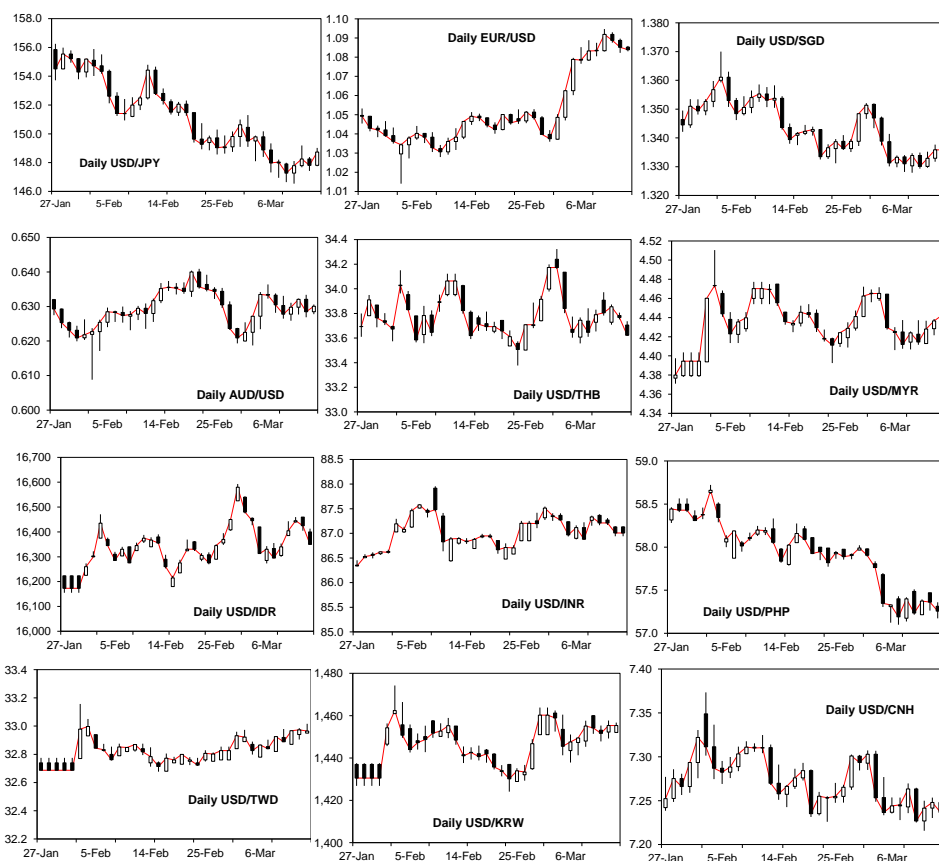
	Close	% Chg
S&P 500 (US)	5,521.52	-4.31
Nikkei (JP)	37,053.10	0.45
EuroStoxx (EU)	5,328.39	-2.56
FTSE STI (SG)	3,833.33	-2.07
JKSE (ID)	6,523.83	-1.69
PSEI (PH)	6,294.11	-0.07
KLCI (MY)	1,513.76	-2.17
SET (TH)	1,174.21	-2.31
SENSEX (IN)	73,828.91	-0.68
ASX (AU)	7,789.68	-1.99

### USTs: Stickiness and Uncertainties

- The UST yield curve bull steepened amid haven flows.
- Notably, UST yields rose despite softer-than-expected CPI and PPI prints, given that components that feed into core PCE appears to have some stickiness, while the undershoot in CPI appears to have been mostly contributed by a large drop in airfares.
- At FOMC next week, the Fed is expected to continue to exercise patience and cite uncertainties in the current climate.
- For the week ahead, we see downward bias for yields (even absent any dovish shifts in Fed rhetoric). We expect 2Y UST yields to trade around 3.80-4.05% and 10Y UST yields to trade in the 4.10-4.40% region.

## FX Brief:

- 1) JPY: Could move towards 146 on UST-JGB yield gap dynamics.
- 2) EUR: To watch for breakthrough of 1.10 as defence spending ramps up.
- 3) AUD: Ascendancy towards 64 cents tempered by subdued Brent Crude prices, and tariffs overhand. However, declines below 62 cents ought to be backstopped by higher copper prices.
- 4) CNH: PBoC's stability should mean CNH range-trading despite volatile tariff headlines and buoyant Chinese equities (especially as Chinese policymakers are due to speak on Monday on measures to boost consumption).
- 5) INR: May see resistance above mid-87 levels on better-than-expected industrial production, even as RBI's bias is retained amid softer-than-expected inflation.
- 6) SGD: A stable CNH and supported EUR could temper weakness above 1.34 levels.
- 7) IDR: Accentuated fiscal woes, and BI's easing bias likely to retain buoyancy above mid-16,200 levels.
- 8) THB: Performance in the middle of the pack could be retained as Gold's rally tussle with tariffs risks.
- 9) MYR: Sensitivity to trade headwinds means two-way volatility looking to be a mainstay for some timemore.
- 10) PHP: Relative outperformance in recent weeks ought to continue given relatively shielded position from tariff spillovers. But political woes, BSP's easing bias may mean that reaching mid-56 would be tough.
- 11) KRW: Outperformance unlikely with Korea having a higher possibility of being directly targeted by US tariffs and amid domestic political woes.
- 12) TWD: Looks to come under pressure amid equity outflows as sentiments on chip counters dampen.



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