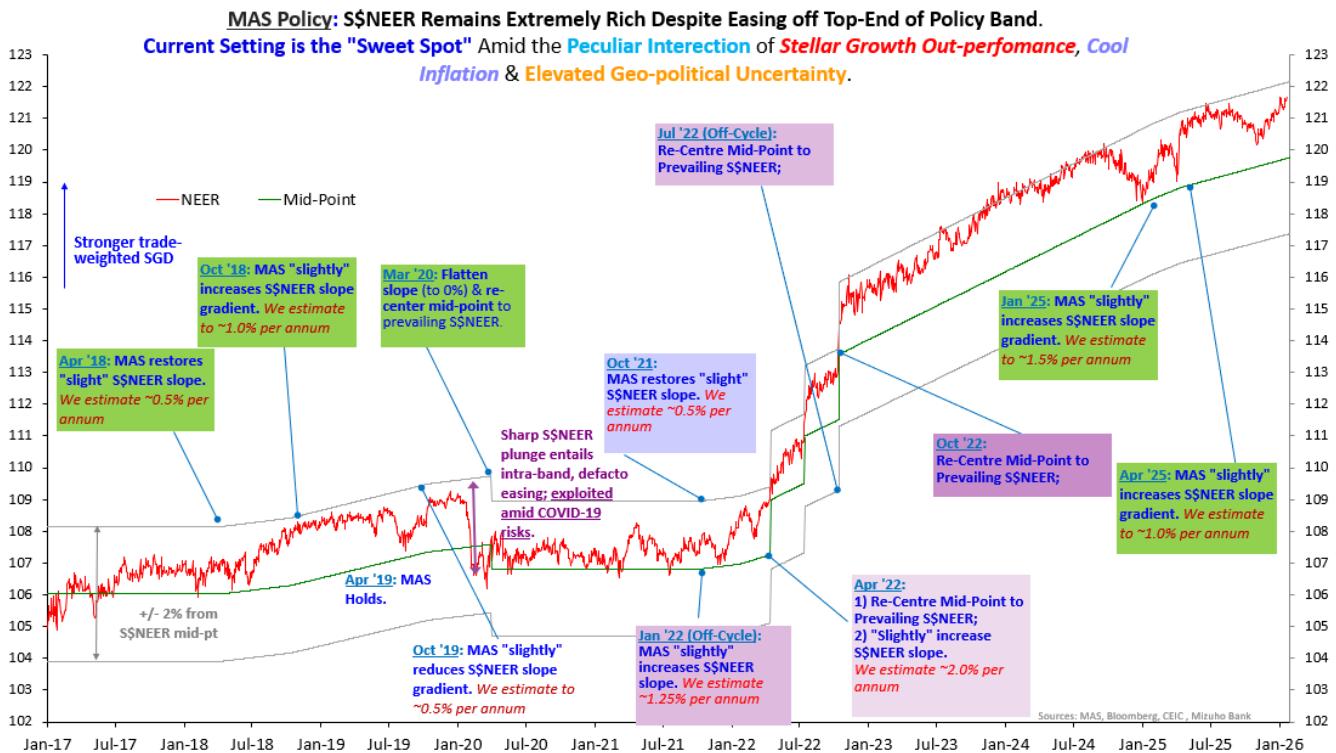


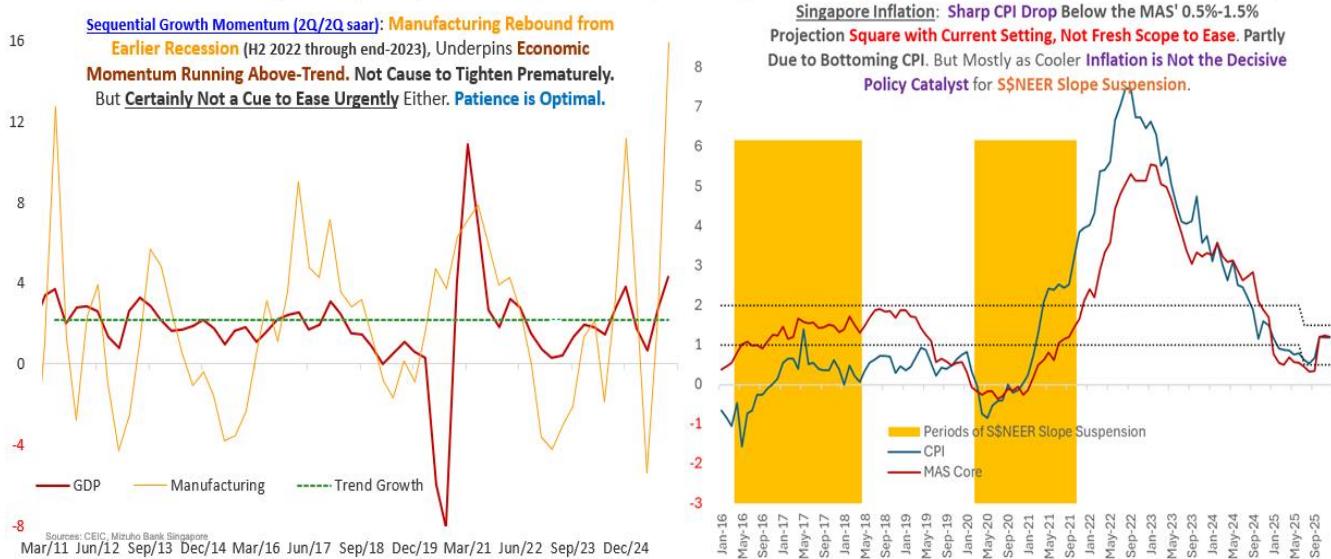
MAS Watch – No Movement



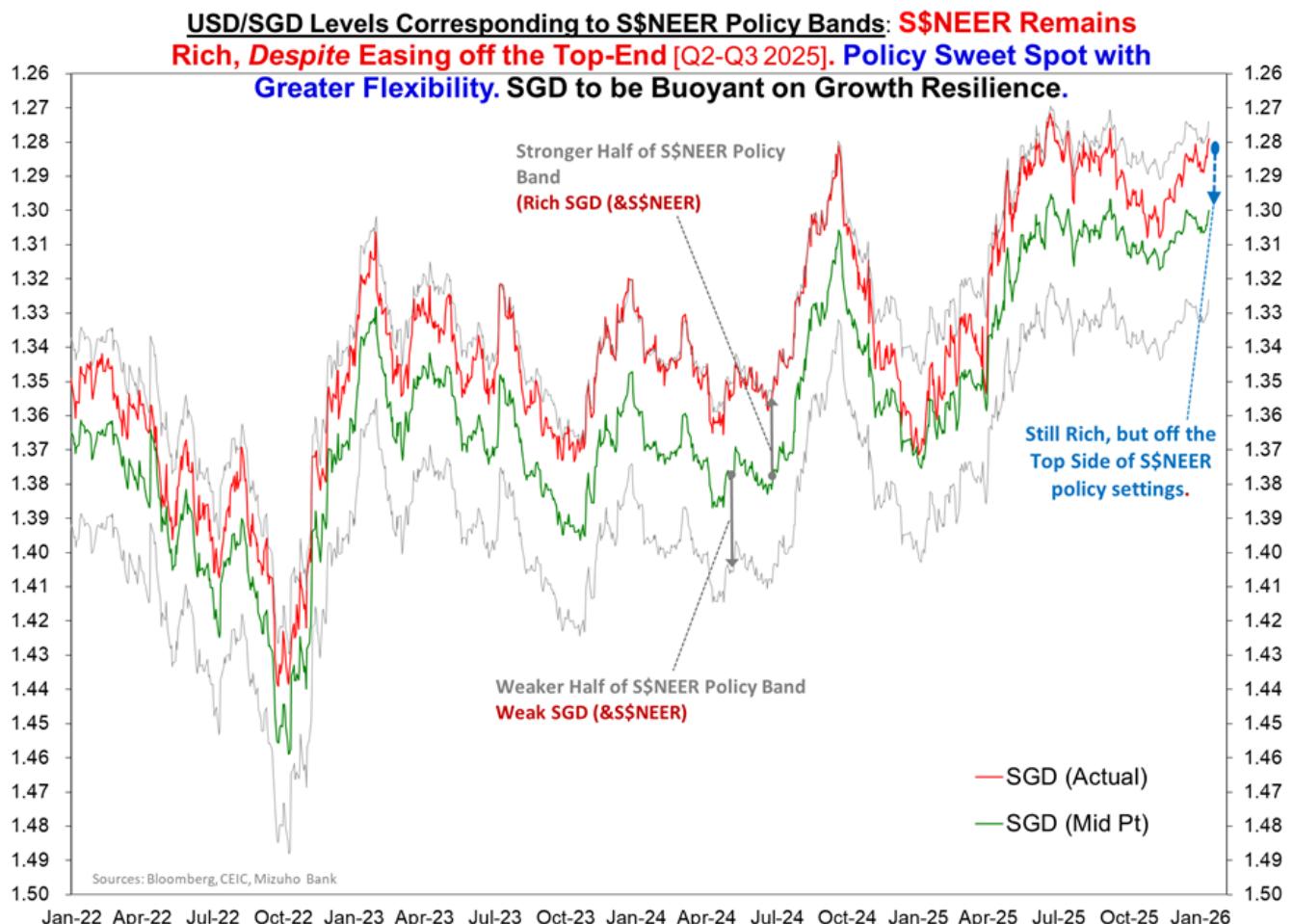
"Do not confuse motion and progress" – Alfred A. Montapert

- Optimal Status Quo: The **optimal policy action** for the MAS would be for a **status quo**.
- Counterproductive to Relinquish "Sweet Spot": Afterall, the **whole point of being in a "sweet spot" is to avoid unnecessary, worse counter-productive, movement**.
- Especially Given Latent Risks: Especially given that the **MAS needs to manage a delicate, if not awkward, juxtaposition of above-trend growth and heightened geo-political uncertainties, entailing adverse tail risks**.
- Underpinned by "Knightian Calculus": And "**Knightian uncertainties****" associated with **Trump 2.0 geoeconomic upheavals** further **underpin this optimal hold in favour to unforced errors** (based on misguided linear projections).

* A reference to unmeasurable/incalculable probabilities/probability distributions. Policy under uncertainty, one could argue will differ from policy under measurable risks (calculable probabilities/distribution).



- **Growth Momentum Admittedly Hot**: Admittedly, there **staggering outrun in 2025 growth may induce further upside bias to a positive output gap in 2026**.
- **Textbook Reflex to Tighten Misguided**: In that context, an **uninformed** – and not just because of cool inflation being dismissed – “**textbook reflex**” may be **to** suggest **tighten** at the margin.
- **No Credible Case for Hawkish Calibration**: **But** on proper inspection it is **clear that there is simply no credible case** to be made **for a hawkish rectification/re-calibration**.
- **Regardless of Cooler Inflation**: And **not just because of** a mechanical “Taylor offset” from **cool inflation** running well below 2% since late-2024 (both in the headline and core)..
- **As Outrun is Not to be Mistaken for Overheating**: Instead, and crucially, it is because the “**smoking gun**” of **growth out-run** at is **not** (to be mistaken as) a reflection of overheating from policy accommodation.
- **And Certainly Not Evidence of “Running It Too Hot”**: **Nor** is it to be misconstrued as **by-product of “running it (too) hot”**. Anything but. Although, on the flip side, inflation undershoot is no reason to ease
- **Given Perverse “Front-Running”/Haven Lift**: **Instead**, it is a **perverse outcome of heightened geo-political uncertainty** that has resulted in an **unexpected mix of**
 - *haven-related activity pick-up* and;
 - *ironic boost to manufacturing and trade from front-running of tariffs*.
- **Underlying “AI” Activity Lift Not Denied**: Admittedly, there is **some bona-fide**, and **likely durable**, lift from **AI-related and regional hub activities**.
- **But Already Priced in Broader Policy**: **But despite a gentler-than-normal S\$NEER slope, this is appropriately accounted for** in a far loftier **S\$NEER** that is *inherited from exceptional post-pandemic tightening* (via three back-to-back mid-point re-centering).
- In fact, *considering lingering geo-economic uncertainties*, the **gentler S\$NEER slope (at elevated S\$NEER settings) is an ideal policy setting** to manage opposing risks amid compromised visibility.



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