

Asia Morning Bites

The day after the historic Bank of Japan (BoJ) hike...China sets the loan prime rate and Bank Indonesia (BI) also meets to decide on policy ahead of the US FOMC decision



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Global Macro and Markets

- **Global Markets:** After all the hand-wringing and angst, the BoJ's decision to end negative interest rates and scrap the yield curve control policy yesterday ([more detail here](#)) left 10Y JGB yields slightly lower at 0.734%. 2Y JGB yields also fell, though there is slightly more hiking priced into the OIS curve by the end of the year today than there was this time yesterday. US Treasury yields also declined. 2Y yields are down about 4.9 basis points to 4.683% and the 10Y yield declined by 3.2bp to 4.293%. The JPY followed JGB yields and weakened, helped by the fairly dovish accompanying comments to the BoJ decision. USDJPY is back above 150 again at 150.96. We have also trimmed our year-end JPY forecast to 140 from 130, which no longer looks attainable. EURUSD is down a bit at 1.0864. The AUD lurched down to 0.6530 after the RBA moved to a neutral setting ([see more here](#)), and Cable is more or less unchanged at 1.2720 after recovering from a mid-session dip. Asian FX was weaker against the USD yesterday, led by the PHP which has risen to 55.920. The KRW and MYR were also quite weak. USDCNY remains just below 7.20. US equity markets were in a positive mood yesterday. The S&P 500 gained 0.56% and the NASDAQ rose 0.39%. The same cannot be said of Chinese equities. The Hang Seng dropped 1.24% yesterday and the

CSI 300 fell 0.72%.

- **G-7 Macro:** Besides the Bank of Japan, it was fairly quiet in G-7 Macro space yesterday. Germany's ZEW survey was mixed, with a more positive current conditions index but a decline in the expectations index. And US housing starts and permits for February were strong. Today is quiet, until the FOMC decision, which is at 0200 SGT/HKT time. [Here is our preview of that meeting](#). The UK releases February inflation figures, which should show a continued decline in both core and headline rates of inflation. We aren't expecting the UK to start easing until after the Fed and ECB, but it still looks like it is only a matter of timing. US mortgage applications for the week of 15 March are all we get from the US.
- **China:** The PBOC will set the benchmark 1-year and 5-year loan prime rates this morning. We expect no change this month, as recent economic data mostly beat forecasts and as the MLF rate was held unchanged last week. We expect the PBOC to remain dovish this year to support efforts to reach their 5% economic growth target, with another RRR cut and rate cut still likely ahead. After PBOC governor Pan Gongsheng's comments at the Two Sessions, markets expect the RRR cut to come earlier.
- **Taiwan:** February export orders will also be released in the afternoon. Markets look for a slightly weaker growth rate, down from 1.9% to 1.2% YoY, although this will still reflect the Lunar New Year effect. Exports have come in stronger than expected in the region, so data starting from next month without seasonal effects in play will be more useful in gauging Taiwan's trade and growth dynamism this year.
- **Indonesia:** Bank Indonesia (BI) meets today to decide on policy. BI is widely expected to keep rates steady at 6% after a recent pop in headline inflation and a narrowing trade surplus. BI remains hopeful of cutting policy rates later this year but will likely only have space to do so if IDR stabilizes and inflation moderates.

What to look out for: China loan prime rate, BI decision and FOMC

- China loan prime rate (20 March)
- BI policy (20 March)
- US MBA mortgage applications (20 March)
- FOMC policy (21 March)
- Japan traded balance and Jibun PMI (21 March)
- Taiwan CBC policy (21 March)
- Australia unemployment (21 March)
- BoE policy (21 March)
- US initial jobless claims and existing home sales (21 March)
- South Korea PPI (22 March)
- Japan CPI inflation (22 March)

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