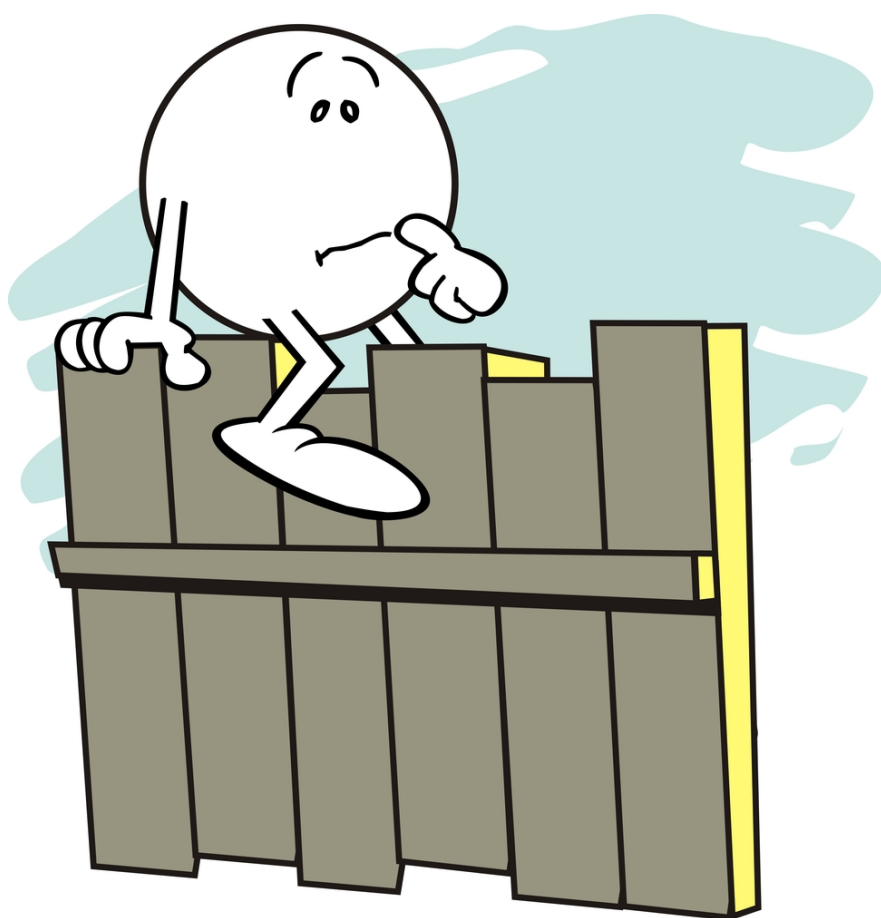


## Where next?

Having been on the road for a week, it appears that nothing has changed while I have been away. Which begs the question, where will markets head next? And why?



### Make your mind up time

Markets rarely stay still for very long. They go up. They go down. They go up then down. But range-trades always end in a breakout one way or another. Right now, range-trading is exactly what most markets have been doing. This is all the clearer to me having been away marketing for a week. Running through the screens this morning, it is as if I haven't been away at all. The EUR/USD is where I left it, as are Treasury yields, USD/JPY, Asian FX, and equity markets.

Moreover, it is hard to see just what is going to come along and change all this. Sure, we have a

new Fed chair and his first rate-setting meeting this week. But there seems no chance of any surprise. We will get the 25bp that markets have priced in fully. There is little scope for any surprise for the rest of the year too. A further two and a bit hikes are priced in, for a total of three and a bit. That is as close to the Fed's dot diagram as makes no difference.

And in Asia, the announcement of the new PBoC Governor, Yi Gang – former Deputy Governor, is a vote for continuity. China may follow the Fed in nudging rates higher this year, but will likely follow in much smaller increments, – say 5bp for every 25bp hike, according to our Greater China Economist, Iris Pang.

One currency pair that might see a little directional shift this week is EURGBP, which may or may not get a lift as the EU has to decide whether to sign off on a transition arrangement, with UK Brexit negotiators demanding the right to sign trade deals during such a time. Avoiding the "vassal state" status is an important factor for the UK. But Lead EU negotiator Michel Barnier seems in no mood to offer compromises. This is about the only area where things look like they could get a little spicy.

## Day ahead

There is almost nothing on the calendar today, either in Asia or in the G-7. Japanese trade data out this morning for February showed a greater than expected dip (adjusted figures) to - JPY201.5bn, as gas prices pushed higher. LNG imports provide the bulk of the fuel for Japan's power generation these days, and contract prices for (for example) Qatari imports, for have almost doubled from their mid-2016 trough.

Japan's trade figures, like so much else currently, have been stuck in a range between about 0 and JPY500bn, with an average of about JPY260bn. Today's figures break that range on the downside. Though this is basically a price-effect. And while it marginally reduces the attractiveness of the JPY, tells us little about the evolution of the economy, or BoJ policy, or other things that are likely to have a bigger impact on the trend direction of the JPY. The currency seems unfazed by the release.

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