

Mar 12, 2025

## Three Take-Aways

1) US equities closed lower amid escalation and subsequent de-escalation of tariff-induced geo-political tensions.

2) EUR outperformed G10 peers as Ukraine agreed to US proposal for a 30-day truce; Russia's agreement pending.

3) AXJ FX remains on backfoot amid relatively less tariff relief for China as opposed to Mexico and Canada, and easing bias of multiple EM Asia central banks.

## MACRO THEME: Face-Off?

- US equities extended yesterday's sell-off, closing lower as tariff headlines overwhelmed. Ontario initially announced a 25% surcharge on US electricity exports in response to the 25% tariffs on Canadian steel and aluminium that is scheduled to be effective today. In response, Trump threatened to double duties on Canadian steel and aluminium to 50%, and further threatened to "permanently shut down" Canada's car industry.

- The heat dialled up with Ontario Premier Ford saying he'll cut power exports to US if needed while incoming Canadian Prime Minister Carney said Canada will keep its trade retaliation in place until the US lifts its own tariffs and commits to free trade.

- Tensions subsequently relaxed with Ford agreeing to suspend the electricity surcharge with a meeting with US Commerce Secretary Lutnick on Thursday.

- Meanwhile, the White House confirmed that no exemptions for the planned tariffs on steel and aluminium will be provided for any US trading partners, including Australia.

- Equities pared back some of its earlier declines after the face-off took a reprieve, and amid Trump more upbeat tone on growth, commenting that he thought "this country's going to boom", while markets will "go up and ... go down".

- After market-close, the US House of Representatives voted to avert a government shutdown. The Senate has until Friday night to follow suit or federal agencies will begin shutting.

**Yields (2Y: +6.0bp; 10Y: +6.6bp; 30Y: +5.5bp)**

- UST yields moved higher across the curve amid better-than-expected jobs data.

**Equities (Nasdaq: -0.2%; S&P500: -0.8%; Dow: -1.1%)**

- US equities traded lower.

**FX (DXY: -0.5%)**

- The USD was mostly weaker against G10 currencies.

- EUR outperformed most G10 peers, moving higher to above 1.09 levels on hopes of a ceasefire between Ukraine and Russia. Ukraine said it's ready to accept a US proposal for a 30-day truce. The US will

now take the proposal to Russia President Putin to seek his agreement.

- The SEK was further supported on Riksbank Governor Theeden's calls for vigilant on slightly higher than expected inflation prints.

- AUD performed in the middle of the pack, and range-traded above mid-62 cents.

- CHF and JPY underperformed, with USD/JPY buoyant above mid-146 levels.

- Elsewhere, USD/SGD moved lower to around 1.33 levels.

## China: Contrast

- In contrast with the sell-off in US equities, Nasdaq Golden Dragon Index climbed +2.8% amid ongoing AI/tech sector optimism.

## AXJ: Tariff Turbulence - Noise Trumps Signals

- AXJ markets have been on a rollercoaster since February as (two-way) tariff turbulence and policy tensions between the Fed and Asian central banks (ACBs) collided.

- For a start acute tariff fears in early-Feb gave way to some relief on delays and hopes of concessions. Accordingly, the initial, sharp, slump in AXJ (with a corresponding DXY surge) on Trump 2.0 tariffs salvo, subsequently faded on relief about;

i) tariffs on Mexico and Canada being delayed and;

ii) Beijing's muted/measured response to US tariffs assuaging fears of tit-for-tat retaliatory escalation.

- Nonetheless, despite relative tariff relief taking USD of early-Feb highs\*, most AXJ remained on the back foot. This inability to fully exploit a softer USD may attributed to two factors.

- One was a sense of relatively less tariff relief for China as opposed to Mexico and Canada.

- The other was a raft of central bank easing (RBA, RBI, BoK, and BoT), which contrasted with the Fed's restraint. Notably, the BoT's unexpected cut pushed THB down the pack. In sharp contrast, the unexpected hold by BSP buoyed PHP as a notable outperformer. Whereas an underperforming IDR held off Bank Indonesia from a cut. The RBI meanwhile intervened to staunch rupee after the rate cut.

- All said, as trade uncertainties remain exceptionally elevated, follow through gains on most AXJ into early-March remains highly tentative, if not precarious. The noise-to-signal ratio of these FX markets, that are acutely enticed to trade tariff risks, is exceptionally high.

\* DXY surge towards 110 from 108 (at the start of Feb), subsequent reversing to sub-107 by late Feb and then sharply to sub-104 in early March as fears of tariff blowback on US mounted.

## DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) Business Confidence (Feb)	-1	--	5
(AU) Consumer Conf SA MoM (Mar)	4.0%	--	0.1%
(ID) Consumer Confidence Index (Feb)	126.4	--	127.2
(US) JOLTS Job Openings (Jan)	7740k	7600k	7508k
(JP) Machine Tool Orders YoY (Feb P)	3.5%	--	4.7%
(JP) GDP SA QoQ (4Q F)	0.6%	0.7%	0.7%
Today	Actual	Exp.	Prior
(IN) CPI YoY (Feb)		4.0%	4.3%
(IN) Industrial Production YoY (Jan)		3.5%	3.2%
(KR) Unemployment rate SA (Feb)	2.7%	3.0%	2.9%
(MY) Industrial Production YoY (Jan)		2.7%	4.6%
(US) CPI/Ex Food,Energy YoY (Feb)		2.9%/3.2%	3.0%/3.3%
(US) Real Avg Weekly Earnings YoY (Feb)		--	0.7%
(JP) BSI Large All Industry QoQ (1Q)	2.00	--	5.7
(JP) PPI YoY (Feb)	4.0%	4.0%	4.2%

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	147.78	148.05	+0.35%	146.00 - 150.00
EURUSD	1.0919	1.0915	+0.78%	1.0800 - 1.1050
GBPUSD	1.2951	1.2946	+0.56%	1.2800 - 1.3100
AUDUSD	0.6298	0.6296	+0.32%	0.6230 - 0.6370
DXY	103.4	--	▼0.46%	102.7 - 104.1
USDCNY	7.2302	--	▼0.41%	7.2000 - 7.2700
USDCNH	7.2268	7.2293	▼0.50%	7.2000 - 7.2700
USDHKD	7.7704	7.7706	+0.02%	7.7500 - 7.7800
USDSGD	1.3301	1.3310	▼0.28%	1.3200 - 1.3450
USDKRW	1454	1454	+0.00%	1440 - 1465
USDTHB	32.89	--	▼0.11%	32.60 - 33.20
USDINR	87.21	--	▼0.14%	86.80 - 87.70
USDIDR	16405	--	+0.40%	16200 - 16500
USDMYR	4.415	4.413	▼0.21%	4.380 - 4.450
USDPHP	57.24	--	▼0.29%	56.80 - 57.60
USDTHB	33.81	33.72	+0.04%	33.4 - 34.0
USDVND	25480	25479	▼0.15%	25400 - 25550

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.945	4.281	6.0	6.6
JGB (JP)	0.830	1.511	-4.1	-6.2
Bunds (GE)	2.194	2.895	-1.7	6.3
Gilts (UK)	4.168	4.678	-2.2	3.5
AGB (AU)	3.738	4.376	-6.8	-6.0
SGS (SG)	2.421	2.616	-6.8	-5.2
CGB (CN)	1.583	1.879	6.6	1.9
KGB (KR)	2.769	2.655	5.5	6.0
SDL (IN)	6.695	6.560	-0.8	-4.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	161.36	161.58	+1.14%
GBP/JPY	191.395	191.652	+0.92%
JPY/SGD (100yen)	0.9002	0.8991	▼0.62%
JPY/HKD (100yen)	5.2583	5.2488	▼0.32%
CNH/JPY	20.45	20.476	+0.83%
CNH/HKD	1.0748	1.0747	+0.45%
EUR/GBP	0.84332	0.84311	+0.24%
AUD/NZD	1.1018	1.1022	+0.00%
EUR/CNH	7.8906	7.8904	+0.27%
GBP/CNH	9.36	9.3587	+0.06%

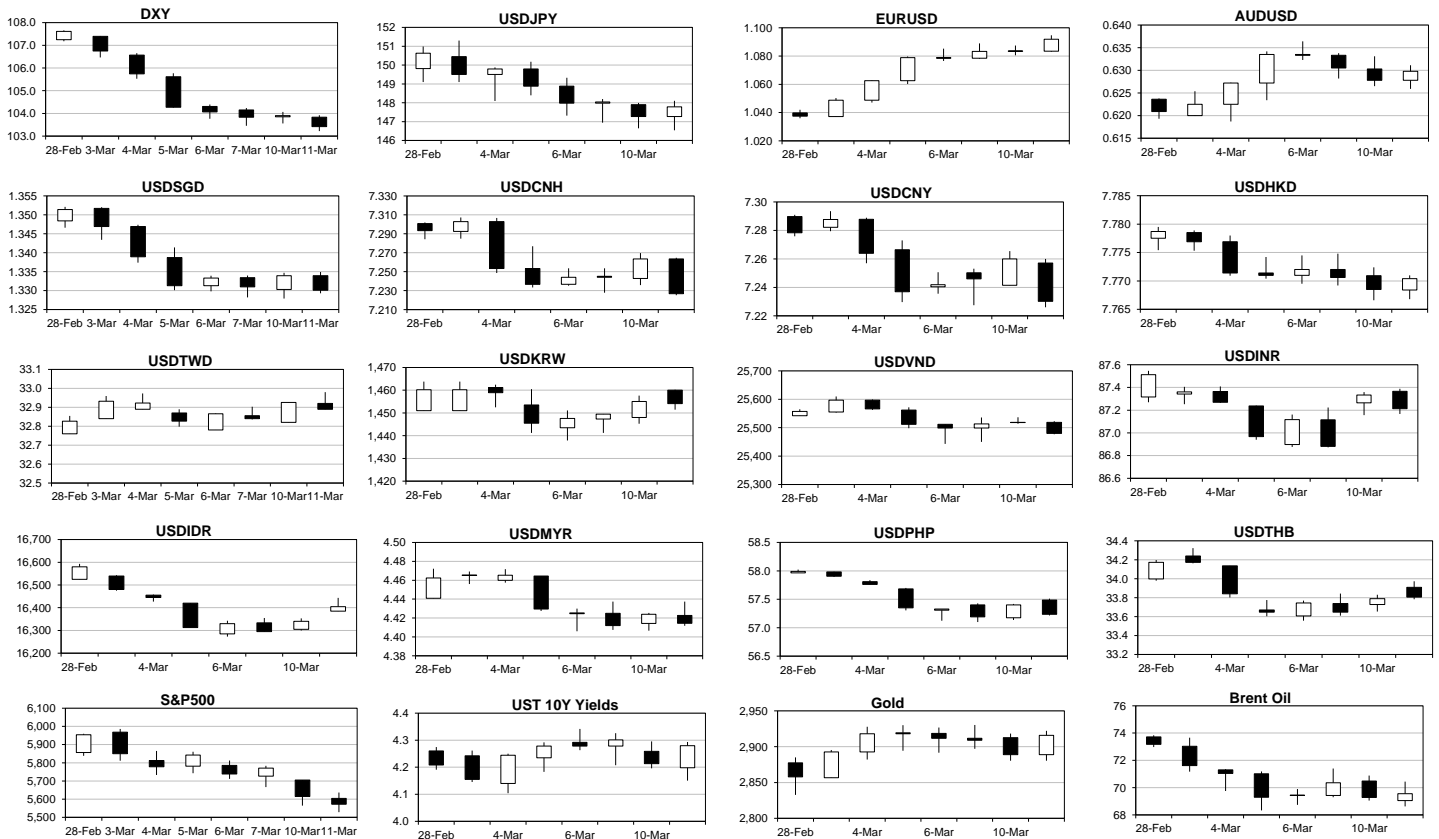
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5572.07	-42.49	▼0.76%
Nasdaq (US)	17436.1	-32.22	▼0.18%
DJIA (US)	41433.48	-478.23	▼1.14%
N225 (JP)	36793.11	-235.16	▼0.64%
STOXX50 (EU)	5309.9	-77.08	▼1.43%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4590.97	-51.85	▼1.12%
STI (SG)	3825.83	-73.24	▼1.88%
SHCOMP (CN)	3379.828	13.67	+0.41%
SZCOMP (CN)	2087.719	7.15	+0.34%
HSI (HK)	23782.14	-1.35	▼0.01%
SENSEX (IN)	74102.32	-12.85	▼0.02%
JSE (ID)	6545.85	-52.36	▼0.79%
KLSE (MY)	1520.15	-16.31	▼1.06%
PSE (PH)	6206.55	-154.22	▼2.42%
SET (TH)	1187.63	10.19	+0.87%
VNINDEX (VN)	1332.54	0.00	+0.17%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,639.18	129.14	+1.36%
IRON ORE (CN)	101.64	-0.23	+0.58%
GOLD	2,915.90	27.19	+0.94%
SILVER	32.94	-0.04	▼0.85%
OIL (BRENT)	69.56	0.28	+0.40%
OIL (WTI)	66.25	0.22	+0.33%
NATURAL GAS	4.45	0.83	+2.60%

## CHARTS



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