

BOJ on hold. NKY unched. Small movement in JPY. Hk flattish ahead of Tencent. Taiwan trades heavy lead to downside by TSMC (-2%). US remains choppy and feels like we've had the oversold bounce. In fairness thought a bit more upside but nonetheless the policy path there remains incredibly murky and there are real questions being asked about the state of the low end consumer. Not in the camp of pressing for more downside, thought above 5800 it was a sell but here it's just a chop.

In Europe, we had the German budget expansion pass the Bundestag...limited reaction in stocks or bonds as it was very well priced (technically Bundesrat still needs to clear). Putin/Trump meeting being spun as step in right direction. But conflicting readouts and limited agreement on energy infrastructure make clear that getting a quick end to the conflict might prove more challenging than hoped (gas looks set to open low single digits higher). I'm structurally bullish Europe given headwinds in US and generational change in Germany so I think dips are shallow but admittedly we have just gone ex a couple major catalysts, a lot of money has bought the geography recently and the next major macro event is still likely to be reciprocal tariffs on April the 2nd. We might consolidate for a bit and think things like luxury autos seem out of step with the broader discretionary repricing. Watching Turkey today.

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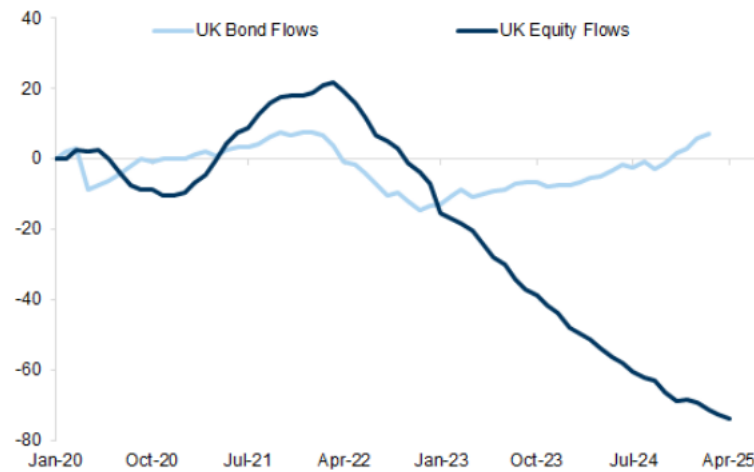
Fed today and I think everyone is expecting a rather a firmly on hold message. Not enough inflation progress to shift the focus back to the growth agenda. Kind of think there is some upside risk (some talk of QT ending) where the market just expects the Fed to sound handcuffed but there has actually been enough economic deceleration that if Powell wanted to sound dovish he probably could. Base case is nothing but think small risk of upside.

Technically there could be multiple buyers on a rally. Gearing up for big pension fund rebalancing into month/quarter end...CTA max short, sentiment very low and vol control largely done for now. So again all the elements are there but you're lacking anything fundamental to give you support. Where is the executive put? Where is the Fed put? Meanwhile the Mag 7 continues to trade badly, NVDA event as feared had manifested little. Think reflexive process of getting hyperscalers to rationalize capex...if you see things in this context the compressed multiples make sense. Technological moat is eroding ...this is ironic: Chinese commerce minister is potentially blocking BYD from opening a plant in Mexico because "China is concerned that Mexico would gain unrestricted access to BYD's technology and potentially allow the US access to it, the Financial Times reports, citing two unidentified people familiar with the matter". All eyes on Powell today.

Side-note: Hadn't appreciated the structural headwinds in the domestic UK equity market.

Exhibit 14: Domestic outflows have dominated in aggregate and we have seen large net outflows from UK stocks

UK bond and equity cumulative flows (USD bn)



Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research