

# Multi-Asset Strategy Daily

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## USD

**“When the path is uncertain you go a little bit slower” – Chair Powell.** The expectation is for the Fed to leave their policy rates unchanged at 4.25-4.50%. To us, uncertainty around the macro environment and politics will likely equate to little changes to the Fed’s forward guidance. Powell will likely want to keep all the options open. The FOMC will also release updated projections, which are expected to show higher inflation and weaker growth in 2025. Regarding the Dot Plot, no major change is expected for the median dot (2x25bp of cuts in both 2025 and 2026). However, we see risk of a small “hawkish” re-distribution in the 2025 dots. Will this be enough to see front-end rates price out the residual chance of 3x25bp cuts in 2025 – maybe. But markets are still at the mercy of macro and risk-asset sentiment, so pessimism could come back.

**Another interesting topic to keep an eye on is QT, especially after the discussions around it in the January meeting.** In our view, this meeting seems to be a bit early to see any announcement, especially given that there are no clear signs of reserve scarcity. Nonetheless, there is a non-zero chance that the Fed releases a strategy around QT. Any announcement will likely provide added support to the widening theme in USD swap spreads.

**Trump didn't manage to get a green light from Putin on the 1-month ceasefire in Ukraine.** Putin agreed to limit attacks on energy infrastructure but demanded a halt to the flow of weapons and intelligence to Kyiv and sanctions’ relief. Gold printed another record high overnight (above \$3,045/oz).

## EUR

**As expected, the fiscal proposal was passed in the Bundestag on Tuesday.** The agreement needs to be passed by the Bundesrat on Friday, where another pass is highly likely and expected. The question now is whether that money will go towards EU product or not – Merz has been open about his preference to support the EU defence industry. The other key question is how quickly it will be spent. If the past serves us as a guide, chances are that it may be slower than expected (as per the 2022’s defence fund). Perhaps the **European Commission’s white paper on defence (due today)** will provide additional support to ramp spending up ASAP. But otherwise, markets may start to shift focus to other narratives including tariffs and US risk sentiment while the issuance story unfolds in the background. **Macro-wise, it will be a relatively quiet day with the ECB’s Centeno, Guindos, Villeroy, and Elderson due to speak, as well as Germany reopening DBRs Aug50 and Aug53 (total €2.5bn).**

## GBP

**GBP rates underperform on Tuesday, giving up part of the rally seen in long-end rates during the start of the week, amid a lack of GBP-centric developments.** Today will be another quiet day, with markets looking ahead to the FOMC (today) and BoE (tomorrow) meetings.

## JPY

**The BoJ left their policy rates unchanged at 0.5%, as widely expected, with just a small change in the statement reflecting tariff-related uncertainty.** Markets didn’t react to the statement, while USD/JPY rose towards 150 ahead of Ueda’s press conference. The BoJ governor was relatively neutral, but that was enough to see JPY buyers step in and USD/JPY fell back below 149.50. JGBs twist-flattened, with front-end yields rising, suggesting that markets are reading the March BoJ meeting as a “green light” to further monetary policy normalisation. **Elsewhere in Asia, risk sentiment was mixed but moves were contained.**

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