中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Subject: The US Dollar Tumble

Video highlights:

- After Trump was re-elected as US President, his tariff policies started raising concerns about the US economic outlook. The US consumer confidence came in worse than expected, and the ADP employment change and US non-farm payrolls for February 2025 also missed market expectations, deepening fears of a US recession that caused the Dollar Index fell below 104 in early March.

- In coming two weeks, attention should be paid to several key US data releases, including CPI, PPI, consumer confidence, and retail sales. On 20th March, the Fed will announce its latest rate decision. The market expects rates to remain unchanged, but it's worth noting the Fed's updated economic forecasts.

- With the US dollar weakening, the Japanese yen has risen by about 6% year-to-date. In addition to the weak dollar, the Bank of Japan's (BOJ) monetary policy has supported the yen as well. The market believes the BOJ still has room to raise rates. On the other hand, Japan's largest labor union group, RENGO, is demanding over 6% in wage hikes this year—higher than last year. If successful, this could bolster Japan's inflation, reinforcing expectations of BOJ rate hikes.

- However, it's worth noting that as the yen's value rises, inflationary pressure in Japan will ease, potentially limiting the BOJ's room for future rate hikes and capping the yen's appreciation potential. This effect tends to have a time lag, though. The market currently expects Japan's super-core inflation to gradually fall below 2% in the second half of the year. The BOJ will announce its latest interest rate decision on March 19, with the market expecting rates to remain unchanged for now—rate hikes might not occur until the May meeting.

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