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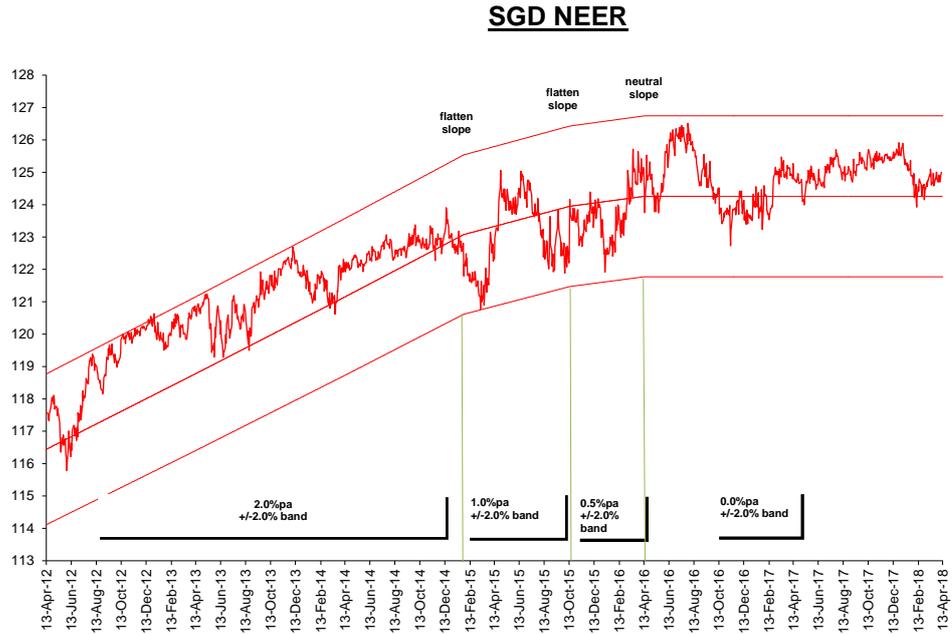
MAS MPS Preview – Stand pat (one last time)?

- Not since the imposition of the zero-slope regime for the SGD NEER in April 2016 has the market reckoning for a policy meeting been more contentious, leaving participants roughly equally divided between remaining static this Friday and tightening policy.
- **Right off the bat (and to sum up our recent views), we expect the MAS to stand pat in April, leaving its policy parameters unchanged.** However, we also expect the resultant language to be tightened (finally omitting the reference to maintaining a neutral stance for an extended period?), paving the way for an eventual slope steepening to +0.50% pa at the October MPS (Monetary Policy Statement).
- **Here is why:** After running through our usual batch of macro data (incorporating coincident and leading properties of the indicators and attendant projections) comprising readings from economic activity, inflation (headline and core), the labor market, monetary and lending aggregates, as well as global and price indicators, the resulting probabilistic conclusion is that there remains little urgency at this juncture to revert to an appreciating stance.
- Going ahead, our ongoing misgivings with regard to global economic and price developments notwithstanding, we think global markets may be heading into the proverbial summer of discontent, especially if US-Sino trade tensions continue to simmer.
- In addition, after being detached lower at the beginning of the year, the SGD NEER remains on softer ground relative to its position in October 2017. Meanwhile, the NEER remains in the neighborhood of +0.50% above its perceived parity, leaving ample space for further upside drift in the coming 6 months while keeping well within the upper boundaries of its fluctuation band.
- However, given that implicit price pressures may be expected to continue to accumulate (gradually) as we head towards 2019, we think that the inevitable move towards a slope steepening may occur at the **October MPS**. However, if the monetary authority decides to adopt a more pre-emptive stance, a slope steepening cannot be discounted and as such, we attach a 30% probability to this eventuality on Friday.

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