

# The Daily Dispatch

## Weekly Special Feature

January 13, 2023

### *Who Is Afraid of the Big Bad Rate Pause?*

By: Daniel Moss (Published on January 10, 2023)



*Getting the message across. Photographer: Al Drago/Bloomberg*

Who is afraid of the coming halt to interest-rate hikes? Far from breathing a sigh of relief, central bankers will struggle to convey that this is a good thing. They may almost not believe it themselves. As Bank Indonesia Governor Perry Warjiyo puts it, this is a time of sleepless nights.

Monetary chiefs will be at pains to stress the tussle against inflation isn't over and there is more work to do — even as their next steps are likely to be smaller increases and then pauses. But the issue isn't whether the battle is won; few people are ready to declare peace. It's that the bulk of the work is now done. If only they could bring themselves to say so. Scarred by the way prices galloped away from them, policymakers will talk tough even when their actions suggest otherwise. The slowdown in growth matters, though officials will try to sound like it doesn't.

Such messaging challenges are likely to be on display this week when South Korea sets borrowing costs. One of the first authorities to hike, in August 2021, the Bank of Korea is approaching a pivotal moment. Most analysts foresee a final quarter-point increase before officials catch their breath, while a significant minority pencil in an early pause. How to signal that such a surprise doesn't presage cuts or

the all-clear on prices? A “hawkish hold” is what Citigroup predicts, with a couple of dissents from folks who might prefer an extra 25 basis points of tightening this time.

To accomplish this, the commentary and press briefing by Governor Rhee Chang-yong will probably be cluttered with resistance to the very idea of a reduction and emphasize the possibility — albeit remote — of resuming increases down the road. A recalibration of this scope is largely a matter of timing rather than substance at the Federal Reserve. Bloomberg Economics sees two quarter-point hikes from the Fed, and then nothing for the rest of the year. Chair Jerome Powell is likely to accompany this shift with hard talk on inflation, just as he did when the Fed scaled down to a 50 basis-point move in December.

Communication will be a vital component of the economic story of 2023. At the panel in Bangkok last month where Perry riffed on insomnia, Reserve Bank of Australia Governor Philip Lowe lamented the end of a long chapter of relatively low and stable inflation. This more volatile era is bound to feature repeated failures to contain price pressures. The trick will be to resolutely bring it back to target over the medium term so consumers and businesses are confident that the next surge will be addressed as well, and the one after that. Enduring pain to achieve that result is one thing, how to relay the necessity of discomfort is another.

Over the decade prior to the pandemic, officials became adept at advertising what they would do way in advance. Forward guidance came a cropper, however, in 2022. The tool may recover, but in a stripped-down form. The trouble is that modern communications — press conferences, dot plots, forecasts — are all byproducts of the greater transparency that is inherent in signaling the course of monetary policy. The shocks of the past 18 months don't exactly encourage policymakers going out on a limb. European Central Bank President Christine Lagarde

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with this at the Bangkok seminar hosted by the Bank for International Settlements and the Bank of Thailand. She described a public-relations task from hell:

“What I find particularly challenging with the kind of communication that we have to use, and which is one of the key tools that can be exploited, is that it leads you to being very schizophrenic. You address a particular audience, which is attentive to every single word, comma, inflection of voice, movement of your eyebrows, different calibration... And then you have the other audience that doesn't understand anything that you have said to the first audience, and yet that second audience has to be convinced as well because inflation expectations, of course, are the product of all these wonderful forecaster surveys and professional da da da, but it's also going to be the consumers' expectations that will drive the show. It leads you to having to try to avoid inconsistencies between these two languages that don't talk to each other and those categories of audiences that ignore each other.”

That kind of tension is no doubt on Lowe's mind as he wrestles with calls for more regular press conferences and braces for the findings of an independent panel reviewing the RBA on behalf of the government. Just about every other central bank of consequence runs the media gauntlet on a scheduled basis. What Lagarde didn't say, but that hangs over messaging from the Fed, ECB and, to a lesser extent, Bank of England, is figuring out who to listen to. More words don't always make the stance clear, but it can sure help if you can figure out who matters.

Today's central bankers have certainly lived through periods of high inflation. It's not so alien they have completely lost their bearings. They did, however, ascend to professional heights during too-low inflation. Can they make the leap while keeping the confidence not just of investors, but of the political class on whom their independence rests? I would give a few basis points to hear Rhee rehearse his remarks for Friday.

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Source: Daniel Moss (2023). Who Is Afraid of the Big Bad Rate Pause? *Bloomberg*. Available at:  
<https://www.bloomberg.com/opinion/articles/2023-01-09/rate-pause-central-bankers-will-find-it-hard-to-stress->

the-positives-in-2023?cmpid=BBD010923\_OAS&utm\_medium=email&utm\_source=newsletter&utm\_term=230109&utm\_campaign=openasia

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TODAY'S TOP NEWS

## Electronics exports expected to reach \$50b in 2023

Exports of electronics and semiconductors are expected to reach \$50 billion in 2023, an industry group said Thursday. Semiconductor and Electronics Industry of the Philippines Inc. president Dan Lachica said during the Indo-Pacific Business Forum livestreamed from Japan this year's exports would rise from \$45.92 billion in 2022.

## 'Reopening of econ will allow PSEi to reach 7,800'

The benchmark Philippine Stock Exchange index (PSEi) could hit 7,800 points this year as most of its 30 members will post earnings exceeding pre-pandemic levels. Maybank Securities said in its report that the PSEi will grow by 15 percent this year led by the conglomerate, property and banking sectors.

## Maya Bank rolls out QR-platform in CV

PAYMAYA Philippines Inc. announced it has rolled out last Tuesday its person-to-merchant payments (P2M) platform using Quick Response (QR) codes in Central Visayas, starting with Bohol province.

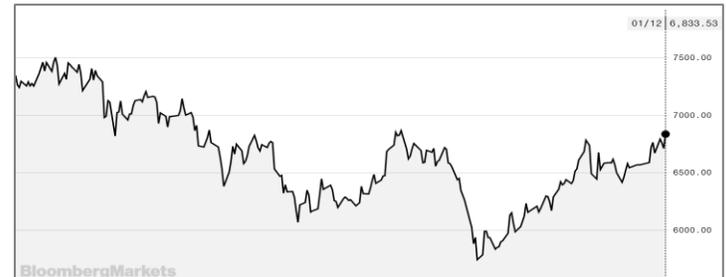
## LandBank caps off 2022 with 4 agri-hubs

THE Land Bank of the Philippines Inc. (LandBank) announced last Thursday it wrapped-up 2022 with the opening of four new "agri-hubs" located in the provinces of Oriental Mindoro, Bukidnon, Misamis Occidental and Misamis Oriental, expanding its physical touchpoints to better serve farmers and fishers in the country.

## Silverlion loses registration

The Securities and Exchange Commission (SEC) has canceled the corporate registration of Silverlion Livestock Trading Corp. for soliciting investments from the public without the requisite license from the agency.

## Philippine Stock Market Update



**Previous Close:**

6,833.53

**1 Yr Return:**

-3.14%

**Open:**

6,833.76

**YTD Return:**

5.48%

**52-Week Range:**

5,699.30 - 7,552.20

**Source:**

Bloomberg

## Foreign Exchange

As of January 5, 2023

US Dollar	Philippine Peso
1	55.18

## BVAL Reference Rates

As of January 5, 2023

Tenor	Rate
1Y	5.415
3Y	6.105
5Y	6.375
7Y	6.531
10Y	6.675
20Y	7.057

## Daily Quote

"The cost of being wrong is less than the cost of doing nothing."

– Seth Godin

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## MORE LOCAL NEWS

### REITs seen saddled by hybrid work, POGO exit

REAL estate investment trusts (REITs) are expected to benefit from the further reopening of the economy, but their growth could be tempered by flexible work arrangements and the departure of Philippine offshore gaming operators (POGO), analysts said.

### Megaworld to bring Savoy hotel to Palawan

MEGAWORLD Corp. is bringing its Savoy hotel brand to Palawan in a move that will raise their total hotel room keys to around 4,806 when the project is completed. The 10-storey Savoy Palawan will offer 306 guest rooms and suites in varied layouts and will open its doors in a 462-ha lot in Paragua Coastown in Palawan by 2028.

### Alturas group to invest P25B in Panglao estate

The tourism arm of Bohol-based Alturas group of companies is building an integrated mixed-use resort estate in which it plans to invest P25b for the initial phase. The development, called Panglao Shores, will rise in a 50-hectare property and will be developed by the family-owned Panglao Bay Premiere Parks and Resorts Corp.

### Converge backs Wilcon Depot in digital retailing

CONVERGE ICT Solutions, Inc. announced on Thursday its partnership with construction supplies and home improvement retailer Wilcon Depot, Inc. as the latter navigates the digital retailing model.

### NPL ratio continues to decline in November

BAD DEBTS held by Philippine banks continued to drop in November, bringing the industry's nonperforming loan (NPL) ratio to 3.35%, with the Bangko Sentral ng Pilipinas (BSP) governor saying he does not expect a further rise this year.

### BSP may cut RRR within first half

The Bangko Sentral ng Pilipinas (BSP) may resume the reduction of the reserves that banks are required to keep with the central bank within the first half of 2023. The BSP Monetary Board is looking at lowering the reserve requirement ratio (RRR) to the single-digit level in 2023, replacing temporary pandemic-related measures.

### Napocor eyes private sec. partnership to deploy RE

The National Power Corp. (Napocor) is seeking private sector partnership to accelerate deployment of renewable energy in the far-flung and off-grid areas of the country. "Napocor intends to work with the private sector to expedite the deployment of renewable energy in our service areas," Napocor CEO Fernando Martin Roxas said.

### Megawide enters data center business

After the sale of a portion of its stake in the Mactan Airport, Megawide Corp. will initially invest around P7-bn to expand into the data center business. Megawide chairman Edgar Saavedra said the company's first data center would be in Cavite with a capacity of up to 30 megawatts, targeted to be launched within 1Q2023.

### DDMPR to buy mature real estate properties

DDMP REIT Inc. (DDMPR), the listed real estate investment trust of the Double Dragon Group, plans to add mature real estate properties to grow its portfolio. The assets to be acquired by DDMPR will be assets owned by DoubleDragon Corp. but may also include assets owned by third parties.

### CREIT revises investment criteria

Citicore Energy REIT Corp. (CREIT), the country's first renewable energy (RE) real estate investment trust, has revised its investment criteria to expand and accelerate potential investments that can be folded into the company. With the revised criteria, the company expects to be able to realize lease income earlier.

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## TODAY'S TOP ASIAN NEWS

### Indonesia says investment talks with Tesla ongoing

NEGOTIATIONS between Indonesia and Tesla are still ongoing, a senior minister said on Thursday (Jan 12), following a report that the US automaker is nearing a preliminary deal to build production facilities with a capacity of one million units.

### Central bank rates seen peaking soon in S.E.Asia

SOUTH-EAST Asian central banks look like they are close to done fighting inflation using interest rates, with economists seeing the tightening cycle ending after 25- to 50-basis points of moves this quarter.

### China exports and imports tumble sharply in Dec.

China's exports shrank sharply in December as global demand cooled, while imports tumbled again as surging Covid-19 infections and a property downturn weighed heavily on domestic demand, highlighting risks to the country's economic recovery this year.

### Alibaba, Tencent fall: report of CN taking shares

Alibaba Group Holding and Tencent Holdings shares slid on Friday on a report that government entities are set to take so-called "golden shares" in units of China's two largest Internet firms, suggesting Beijing is moving to exert greater control over the sector.

### Singapore stocks slip ahead of US inflation report

The Straits Times Index dipped 0.1% or 3.73 points to 3,267.78 on Thursday, as the trio of Singapore banks stuttered ahead of the release of United States inflation data. DBS fell 0.4% or 14 cents to close at \$34.50, UOB lost 0.6% or 17 cents to \$29.92, and OCBC Bank ended 1% or 12 cents lower at \$12.56.

## TODAY'S TOP GLOBAL NEWS

### Bosch doubles down on CN with \$1b EV parts plant

ROBERT Bosch is spending around US\$1 billion to make electric vehicle (EV) components in China as the automotive supplier hopes to benefit from the country's shift away from the combustion engine.

### Gold prices set for gain on smaller rate-hike bets

GOLD prices edged higher on Friday (Jan 13) and were on track for a fourth weekly gain, supported by a weaker dollar and expectations of slower interest rate hikes by the US Federal Reserve.

### Bed Bath & Beyond begins talks on bankruptcy loan

BED Bath & Beyond is speaking with potential lenders that would finance the company during bankruptcy proceedings, according to people with knowledge of the matter.

### Gemini and Genesis charged in US: crypto lending

The United States Securities and Exchange Commission (SEC) on Thursday charged cryptocurrency lender Genesis Global Capital and crypto exchange Gemini Trust with offering unregistered securities through a programme that promised investors high interest on deposits.

### Fed on track for smaller rate hikes

The Federal Reserve is on track to downshift to smaller interest rate increases following a further cooling in United States inflation, though it is likely to keep hiking until price pressures show more definitive signs of slowing.