

HIGHLIGHTS OF THIS ISSUE

In this issue, we briefly update our existing themes. We then present in the spotlight piece the **Yen for Yen**. We ponder whether this could be the year we see a meaningful Yen depreciation after a long while. We examine four possible triggers and we focus on one for portfolio hedging purposes.

- A speed bump is almost inevitable for any market rally and April is as good a month as any. Our 2012 house view calls for accumulation of risk-seeking positions when such occasions occur. A retracement is by no means guaranteed as the market is anecdotally positioned conservatively.
- A greater risk-off event will likely require at least a further substantial increase in safe-haven yields similar to that in March.
- In **Spread Looks Bright**, we estimate the credit market's endurance to higher US yields. We find that even an additional 60-70 bps increase in 10-year US yields will likely be absorbed with no significant leakage by credit as long as it occurs relatively gradually.
- In our **Gem of GEMs** theme, we take a closer look at the link between inflation results and market performance in Asia.
- In our **Yen for Yen** spotlight piece, we explore how the Japanese debt overhang has created yen depreciation inevitability. We estimate 10% for 2012.

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