

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.53	141.99	+1.10	▼0.41
EUR	1.1019	1.0942	▼0.0103	▼0.0100
AUD	0.6820	0.6761	▼0.0052	▼0.0064
SGD	1.3225	1.3256	+0.0053	+0.0022
CNY	7.1315	7.1432	+0.0432	+0.0005
INR	83.35	83.32	+0.08	+0.12
IDR	15470	15470	+73	▼13
MYR	4.5995	4.6058	+0.0118	▼0.0330
PHP	55.66	55.66	+0.27	+0.26
THB	34.22	34.14	+0.00	▼0.44

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.929%	+5.0 bp	+3.3 bp
JPY (10YR)	0.614%	+0.0 bp	▼2.1 bp
EUR* (10YR)	2.068%	+4.4 bp	+8.9 bp
AUD (5YR)	3.668%	+3.2 bp	▼2.6 bp
SGD (5YR)	2.744%	+6.7 bp	+2.8 bp
CNY (5YR)	2.432%	+3.8 bp	+4.3 bp
INR (5YR)	7.139%	+0.1 bp	▼1.0 bp
IDR (5YR)	6.469%	+2.5 bp	▼1.1 bp
MYR (5YR)	3.583%	+1.2 bp	+1.0 bp
PHP (5YR)	5.881%	+7.2 bp	+11.6 bp
THB (5YR)	2.491%	+2.4 bp	+1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,715.04	+0.07%	+0.45%
N225 (JP)	33,464.17	+0.00%	+0.48%
STOXX 50 (EU)	4,512.81	▼0.19%	▼0.19%
ASX (AU)	4,220.90	▼0.26%	+0.19%
STI (SG)	3,229.95	▼0.32%	+2.87%
SHCOMP (CN)	2,962.28	▼0.43%	+2.19%
SENSEX (IN)	71,892.48	▼0.53%	+0.78%
JSE (ID)	7,323.59	+0.70%	+1.19%
KLSE (MY)	1,453.10	▼0.11%	+0.16%
PSE (PH)	6,554.04	+1.61%	+0.82%
SET (TH)	1,433.38	+1.24%	+1.41%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.63	▲0.45%	▲2.23%
COPPER (LME)	8,463.92	+0.00%	▲0.23%
IRON ORE (CN)	143.08	+4.92%	+4.75%
GOLD	2,058.96	▲0.19%	▲0.43%
OIL (WTI)	70.38	▼1.77%	▼6.87%

Three Take-aways:

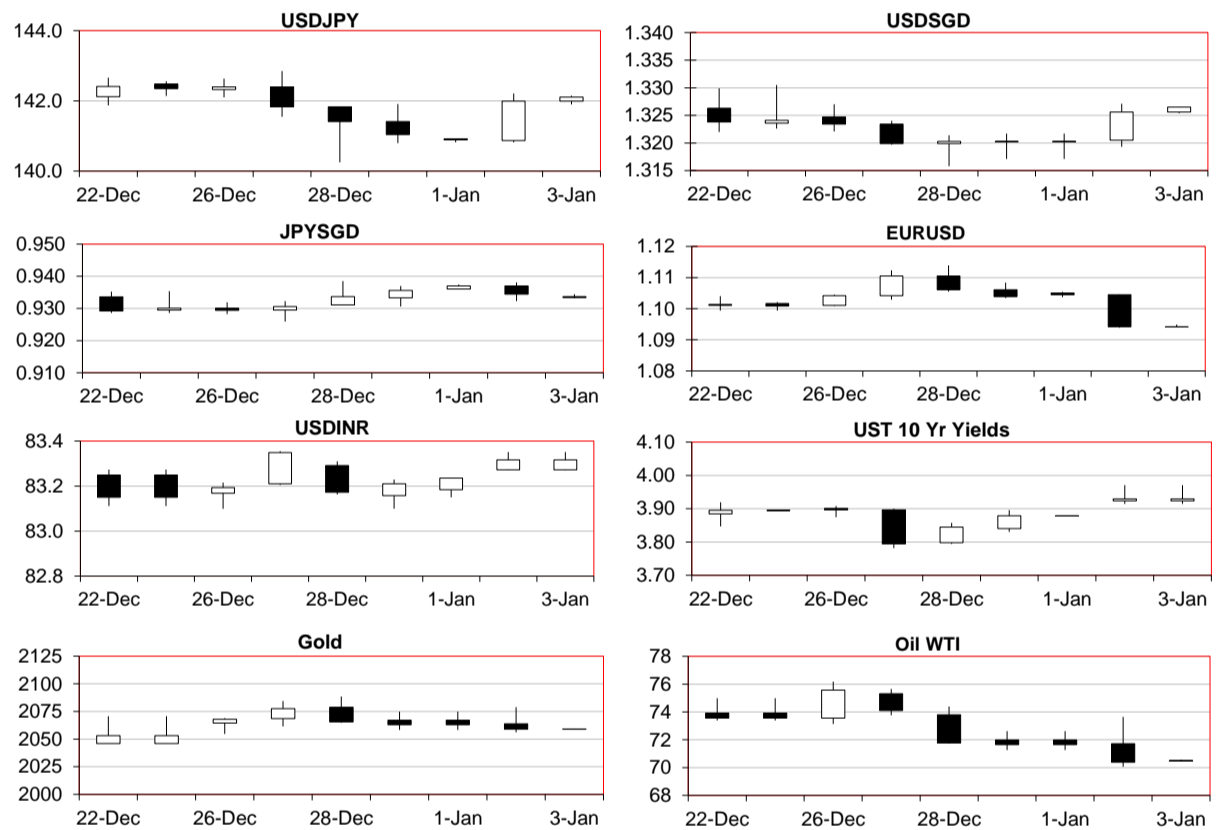
- 1) 2024 has kicked off with risk retrenchment; equities and bonds falling against a resurgent USD.
- 2) Whether this is durable purge from excessive exuberance or merely pre-NFP profit-taking is unclear.
- 3) Geo-politics flares to backstop Oil (and USD) as risks to both production and passage increase.

Purging or Positioning?

- 2024 has opened with a bout of risk retrenchment denting markets (across asset classes) and squeezing the Greenback sharply higher (alongside the lift in UST yields).
- US equities have stumbled (S&P500: -0.6%) led by a 1.6% drop in the Nasdaq and USTs have slid (in bear flattening style) with 2Y yields up some 7bp at 4.32% and 10Y up 5bp at 3.93%.
- The question this begs is whether this bout of "risk off" is a sustained purge from excessively rich valuations or this is merely (re-)positioning ahead of US jobs report. Specifically, a partial reversal of over-extended pivot bets (short USD-long UST) in late 2023 that also lifted equities.
- There is an element of both, it appears. Arguably, the "morning after" effect of returning from the long New Year festivities and pondering the durability of "immaculate dis-inflation" euphoria (driving pivot rallies) must trigger tactical reflex to lock in late-2023 "Santa rally" gains.
- But equally, and beyond just positioning to temper excessive pivot bets, a more durable purge of risk may be induced as fairy-tale, soft-landing assumptions are challenged.
- What's more, short-USD bets accompanying, to some extent accentuating, pivot "risk on" are hobbled by "competitive pivot" dynamics; whereby the ECB and BoE being forced to catch down on rate cuts (on more dire economic circumstances) pressures EUR and GBP (to USD's benefit).
- EUR (GBP) slumping from mid-1.10 (mid-1.27) to below mid-1.09 (mid-1.26) reinforce the case for 'competitive pivot' to not be dismissed; even if not entertained as mainstream FX narrative (based on received wisdom) for markets positioning for Fed inflection.
- Until greater clarity emerges with in-coming data and hints about policy response to the evolving economic climate, the jury is out on whether this is an enduring purge or ephemeral positioning.
- But starting the year with a question (purging or positioning) rather than hastily doubling down on pre-determined conclusions cannot be such a bad thing.

OVERNIGHT RESULTS

(SG) GDP YoY (4Q A): 2.8% (Mkt: 1.8%; 2.8%; 3Q: 1.0%) | (CN) Caixin China PMI Mfg (Dec): 50.8 (Mkt: 50.3; Nov: 50.7) | (ID) GPI Core YoY (Dec): 2.6% (Mkt: 2.7%; Nov: 2.9%) | (EZ) Mfg PMI (Dec F): 44.4 (Prelim: 44.2)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	141.13	EUR/USD	1.1037
USD/SGD	1.3198	USD/THB	34.35
JPY/SGD	0.9352	USD/MYR	4.618

Forecast

USD/JPY	140.90 - 142.80
EUR/USD	1.0880 - 1.1020
AUD/USD	0.6720 - 0.6840
USD/SGD	1.3230 - 1.3300
JPY/SGD	0.9265 - 0.9439
USD/CNH	7.1380 - 7.1620
USD/INR	83.20 - 83.60
USD/IDR	15430 - 15550
USD/MYR	4.618 - 4.640
USD/PHP	55.50 - 55.88
USD/THB	34.15 - 34.40

Today's Direction

	Bull	Bear
USD/SGD	5	5
USD/JPY	5	5

Geo-political Flares

- 2024 has also set the tone for unrelenting, even if at times latent, geo-political threats.
- With Iran dispatching a warship in the Red Sea after US attack on Houthi rebels is a stark reminder that we are just one political/naval miscalculation away from widening Middle East conflict; with far more direct supply shocks threats via oil production and/or passage.
- More direct Iranian involvement in the Gaza conflict has probably been the threshold for markets to quickly flip from nonchalance to agitation (in terms of crude pricing).
- And US Presidential elections this year amplifies rather than assuages geo-political threats.
- Mainly because it could embolden actors on the other side to escalate on the calculus of diminished likelihood of US intervention. Russia stepping up Ukraine offensive is a case in point.
- But this may perversely end up sparking an unintended conflict as elections tend to polarize options rather than merely dampen risks. And this would be an even more precarious equilibrium if earlier mis-steps compromise diplomatic path to an off-ramp.
- Meanwhile, OPEC+ planning a "monitoring meeting", presumably at least to partly better enforce the deep output cuts that the OPEC has undertaken through 2023.
- Alongside more acute geo-political flares, Oil prices could be backstopped; and in fact prone to sudden squeeze. Initially, this propensity for Oil to be jumpy may be obfuscated by risk retrenchment, which could also weigh on Oil (indirectly) via financial market linkages.
- Interestingly, relative preference for USD over (still elevated) Gold could signal more intense conflict risks; in which case, liquidity reigns supreme; so worth watching Gold's reaction.

FX Daily Outlook

- EUR/USD: Risk on rallies spur a breach of 1.10 as softer US data softens "competitive pivot"
- USD/JPY: Some declines on softer global yields and BoJ rhetoric balance; mid-141 support
- USD/SGD: Pullback may lose steam below mid-1.32 if EUR rallies don't see follow-through.
- AUD/USD: Oil's slip and lack of follow-through in rallies elsewhere limit AUD traction above 0.68.

TODAY'S EVENTS

(SG) Purchasing Managers Index/Electronics Sector Index (Dec): (Nov: 50.3/50.1) | (IN) PMI-Mfg (Dec): (Nov: 56.0) | (US) ISM Mfg/Prices Paid/New Orders (Dec): (Mkt: 47.2/49.5/49.1; Nov: 46.7/49.9/48.3) | (US) JOLTS Job Openings (Nov): (Mkt: 8863k; 8733k) | Central Banks: FOMC Meeting Minutes

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