

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) FOMC Minutes damped unchecked "pivot bulls"; retaining diminished, albeit distinct, hawkish bias.
- 2) Heightened uncertainty warns of potential for far more volatility than is baked into markets now.
- 3) The "last mile dis-inflation" risk downgrade by Powell may account for the expectations gap.

Wait a 'Minute(s)'

"It is a capital mistake to theorize before you have all the evidence. It biases the judgment" - Sherlock Holmes

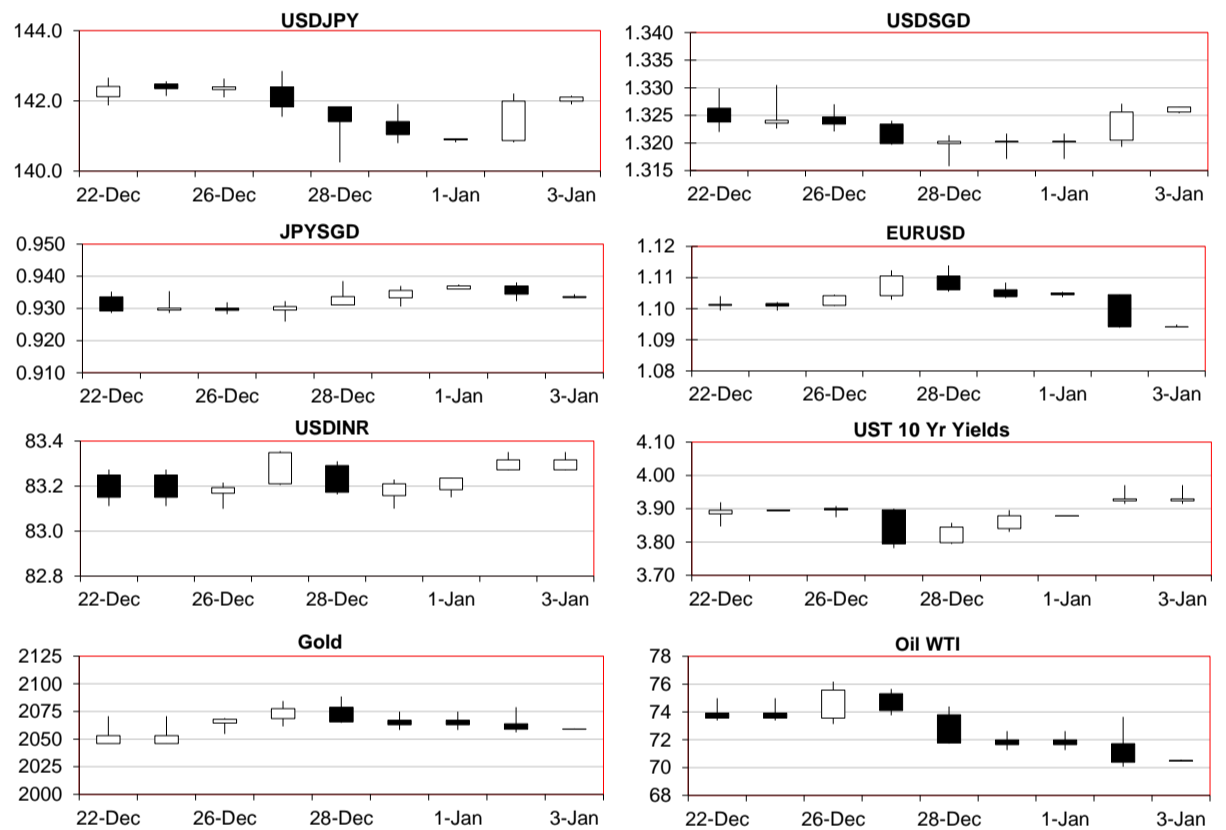
- That warning to back down is what market bulls, trafficking in unchecked pivot bets, heard from December's FOMC Minutes; which expressed far more restraint on a so-called Fed pivot.
- In particular, participants view that "it would be appropriate for policy to remain at a restrictive stance for some time" draws attention to a distinct break between peak policy rates with the Fed assessing tightening "likely at or near the peak" and getting the wheels in motion for rate cuts.
- In other words, a pause to assess is not to be (mis-)construed as an imminent pivot.
- Crucially, heightened "uncertainty" was a feature as staff viewed "uncertainty ... as elevated", while participants "perceived a high degree of uncertainty".
- This suggests that clarity on the (economic/policy) path ahead remains exceptionally low.
- By inference, one must expect that Fed guidance/signals will necessarily evolve (data dependence), with the potential for abrupt shifts that jolt (especially biased) markets.
- Hence, "wait a minute" is not merely a warning shot to rein in overly exuberant pivot bulls, but a more considered caution to avoid the "capital mistake" of premature conclusions; especially given dynamic interaction between economic outcomes and policy amid elevated uncertainty.
- Admittedly, markets have acknowledged some of the nuances embedded in FOMC Minutes.
- Equities pulled back (S&P500 and Dow down 0.8%) led by a 1.2% drop in the Nasdaq; with the Greenback showing more pronounced buoyancy, and 2Y yields gently bumped.
- But yet do not appear to have fully bought in to the restraint implicitly urged by the Minutes.
- Despite Fed Fund Futures dialing back the probability of a March (25bp) rate cut from ~85%, it is still significant, indicating more than two-thirds chance.

OVERNIGHT RESULTS

(SG) PMI - Mfg/Electronics (Dec): 50.5/50.2 (Nov: 50.3/50.1) | (IN) PMI-Mfg (Dec): 54.9 (Nov: 56.0)

(US) ISM Mfg/Prices Paid/New Orders (Dec): 47.4/45.2/47.1 (Mkt: 47.2/49.5/49.1; Nov: 46.7/49.9/48.3)

(US) PUS Job Openings (Nov): 8790k (Mkt: 8863k; 8733k)

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	142.30 - 144.00
EUR/USD	1.0870 - 1.0980
AUD/USD	0.6700 - 0.6780
USD/SGD	1.3240 - 1.3320
JPY/SGD	0.9194 - 0.9361
USD/CNH	7.1500 - 7.1780
USD/INR	83.20 - 83.50
USD/IDR	15430 - 15550
USD/MYR	4.636 - 4.658
USD/PHP	55.55 - 55.88
USD/THB	34.28 - 34.62

Today's Direction

	Bull	Bear
USD/SGD	5	4
USD/JPY	6	3

- This suggests that markets have heard, but not quite fully heeded the Fed's message; that rate cuts for 2024 will not be so soon (requiring more evidence), and certainly not too steep.

The "Last Mile" Trigger

- Why the apparent defiance? Our best guess is that this might have something to do with perceptions of a shift in the Fed's view on so-called "last mile dis-inflation".
- It all started with December's post-FOMC press conference, where Fed Chair Powell was asked point blank about "last mile dis-inflation", surprised with a benign view on inflation risks.
- In fact, he inadvertently came across being dismissive, suggesting that there is no reason to believe that the final stretch of dis-inflation (back to the 2% target) will be any more challenging or uncertain; expressing projected confidence from dis-inflation this far.
- And in the minutes, "judgment that inflation would be less persistent than in the previous projection" ostensibly backs Powell that "last mile dis-inflation" is neither different nor a worry.
- Why is this poignant? Well for a start, it is a stark deviation from the generally expressed and accepted central bankers' view (including the Fed previously) that "last mile" dis-inflation has the propensity to prove more difficult; being stickier and liable for greater volatility.
- And this view is premised on the experience of the 1970s, which Fed chair Powell himself alluded to in earlier references. And on which "higher for longer" was predicated on.
- Critically, what this suggests is that policy response (rate cuts) to dis-inflation need not be as lagged as suggested earlier due to "last mile" uncertainty. Instead, rate cuts can come sooner.
- So, markets appear to be putting money where Powell's mouth is (on "last mile" dis-inflation).

FX Daily Outlook

- EUR/USD: Hawkish slant in Minutes buoying USD while softer EZ data drag; sub-1.09 risk watched.
- USD/JPY: Lift in UST yields in 2024 amid pivot unwind to buoy; consolidating 143-144.
- USD/SGD: Stronger USD and sluggish CNH tyo make bias towards (and above) 1.33.
- AUD/USD: Despite Oil's traction, "risk off" and China doubts drag; 0.68 remains a step too far for.

TODAY'S EVENTS

(JP) PMI - Mfg (Dec): 47.9 (Nov: 47.7) | (AU) PMI - Svcs/Comp. (Dec): 47.1/46.9 (Nov: 47.6/47.4)

(CH) Caixin PMI - Svcs/Comp. (Dec): (Mkt: 51.6/-; Nov: 51.5/51.6) | (EZ) PMI - Svcs/Comp. (Dec f): (Prelim: 48.1/47.0)

(US) ADP Employment Chg (Dec): (Mkt: 125K; Nov: 103K) | (US) Initial Jobless Claims (30-Dec): (Mkt: 216K; Prev wk: 218K)

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