

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.10	144.63	+0.00	+3.59
EUR	1.0924	1.0943	▼0.0002	▼0.0096
AUD	0.6699	0.6713	+0.0006	▼0.0099
SGD	1.3311	1.3296	+0.0003	+0.0093
CNY	7.1629	7.1471	▼0.0137	+0.0471
INR	83.16	83.16	▼0.07	▼0.05
IDR	15523	15515	+25	+118
MYR	4.6517	4.6553	+0.0203	+0.0613
PHP	55.60	55.58	+0.08	+0.19
THB	34.64	34.72	+0.27	+0.58

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.046%	+4.7 bp	+16.7 bp
JPY (10YR)	0.610%	▼0.5 bp	▼0.4 bp
EUR* (10YR)	2.156%	+3.2 bp	+13.2 bp
AUD (5YR)	3.806%	+7.1 bp	+17.0 bp
SGD (5YR)	2.697%	+1.9 bp	+2.0 bp
CNY (5YR)	2.386%	▼1.3 bp	▼0.8 bp
INR (5YR)	7.154%	+2.3 bp	+2.5 bp
IDR (5YR)	6.647%	+3.1 bp	+20.3 bp
MYR (5YR)	3.637%	+1.1 bp	+6.6 bp
PHP (5YR)	5.915%	+1.4 bp	+10.7 bp
THB (5YR)	2.506%	+1.5 bp	+3.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,466.11	+0.07%	▼0.59%
N225 (JP)	33,377.42	+0.27%	▼0.26%
STOXX 50 (EU)	4,463.51	▼0.23%	▼1.28%
ASX (AU)	4,196.35	▼0.49%	▼0.84%
STI (SG)	3,184.30	+0.32%	▼1.73%
SHCOMP (CN)	2,929.18	▼0.85%	▼1.54%
SENSEX (IN)	72,026.15	+0.25%	▼0.30%
JSE (ID)	7,350.62	▼0.12%	+1.07%
KLSE (MY)	1,487.61	+0.70%	+2.27%
PSE (PH)	6,629.64	+0.41%	+2.78%
SET (TH)	1,427.96	▼0.46%	+0.86%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.91	+0.34%	+0.79%
COPPER (LME)	8,361.00	▲0.08%	▲1.22%
IRON ORE (CN)	140.31	▲1.37%	+2.89%
GOLD	2,045.45	+0.09%	▲0.85%
OIL (WTI)	73.81	+2.24%	+3.01%

**Three Take-aways:**

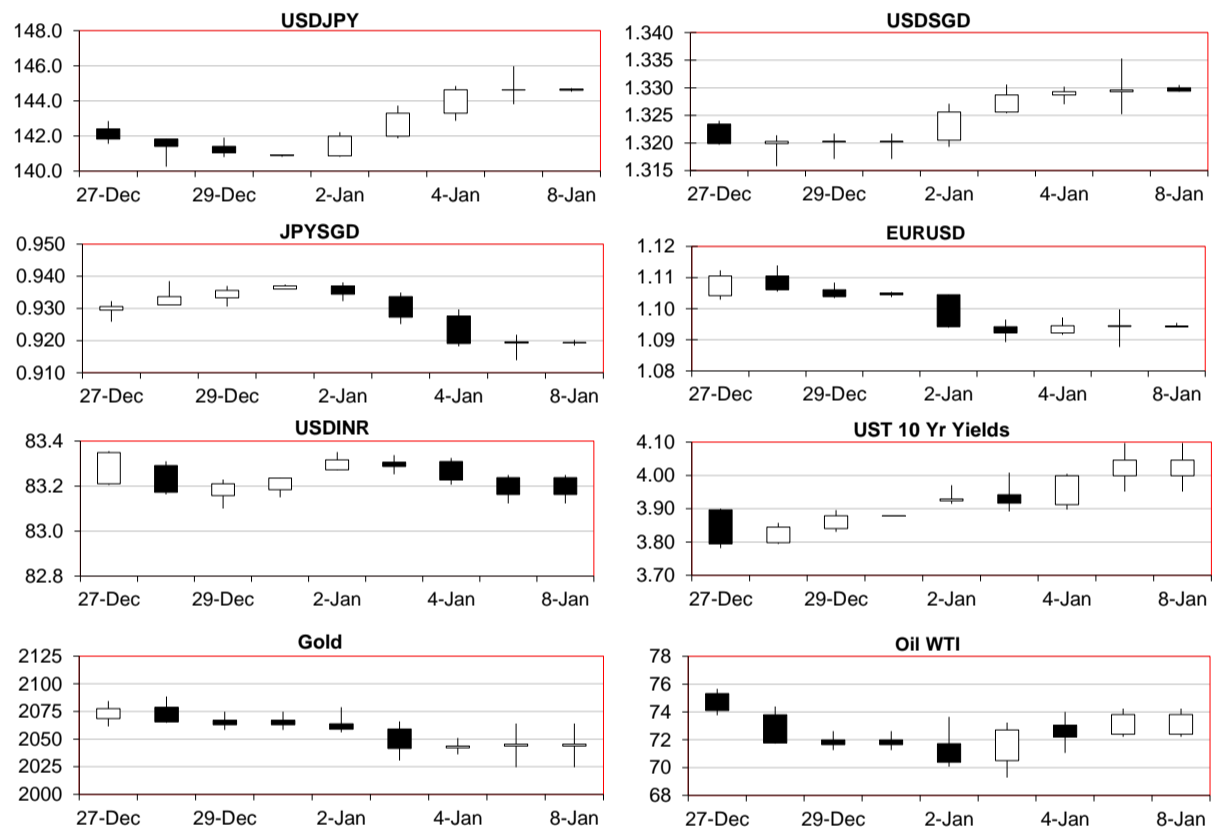
- 1) Dismal US ISM services incited "bad news is goods news" recovery which contrasted with resilient NFP.
- 2) Threat of wider and even more prolong conflict may backstop longer end UST yields and oil prices.
- 3) Australia retail sales and CPI print may hide latent risks of stretched consumers.

**Tussles**

- To be clear, last Friday's session was a **tussle** between a **resilient nonfarm payrolls report** for December which exceeded expectations (as well as November's print) and a dismal ISM services index which triggered a **bout of bad news is good news recovery**.
- Specifically, non-farm payrolls sent 2Y UST yields soaring ~8 bps before the ISM services report led to a sharp decline as 2Y UST yield ended just 0.4bp lower.
- Nonetheless, the **ISM Services report looks a worrying one** as sub-indices for employment plunged into contractionary territory and new orders expanded at a slower pace.
- US equities capped a disappointing week with a lacklustre end, as the S&P500 rose 0.2% while the Dow and Nasdaq were up 0.1%.
- The **tussles** were certainly not just confined to economic ones. **Geo-political conflict** such as the Israel-Hamas war **spilling over** to a war involving Lebanon will again raise questions on **US financing constraints and associated buoyancy in longer term UST yields** even if safe haven needs of market have become marginally desensitised.
- Higher Brent Crude prices which tested US\$79/barrel is testament to both **the actual Libyan oil field production stoppage** and potential for wider Middle East conflicts. For now, the **Greenback remains bid amid the climb in UST yields**. USD/JPY is hovering above mid-144. EUR has fallen back below mid-1.09 after failing to test 1.10. Down Under, the AUD is trading just above 67 cents.
- Tussles were also evident in Asia with North Korea firing artillery shells (into waters near a South Korean island) though it remains a tail risk in terms of a direct conflict.

**OVERNIGHT RESULTS**

(PH) CPI YoY (Dec): 3.9% (Mkt:4.0%; Nov: 4.1%) | (TH) CPI/Core YoY (Dec): -0.8% (Mkt: -0.3%/0.6%; Nov: -0.4%/0.6%) | (TW) CPI/Core YoY (Dec): 2.7%/2.4% (Mkt: 2.6%/2.3%; Nov: 2.9%/2.4%) | (SG) Retail Sales/Ex Auto (Nov): 2.5%/1.4% (Mkt: 2.2%/--; Oct: -0.1%/-1.0%) | (EZ) CPI/Core YoY (Dec): 2.9%/3.4% (Mkt: 2.9%/3.4%; Nov: 2.4%/3.6%) | (US) Change in Nonfarm Payrolls (Dec): 216k (Mkt: 175k; Nov: 199k) | (US) Unemployment Rate (Dec): 3.7% (Mkt: 3.8%; Nov: 3.7%) | (US) Durable Goods/Nondef Ex Air Orders (Nov F): 5.4%/0.8% (Mkt: 5.4%/--; Prelim: 5.4%/ 0.8%) | (US) ISM Services Index (Dec): 50.6 (Mkt: 52.5; Nov: 52.7)

**Past Two Weeks Movement**

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	144.77	EUR/USD	1.0947
USD/SGD	1.3295	USD/THB	34.53
JPY/SGD	0.9183	USD/MYR	4.654

**Forecast**

USD/JPY	143.50 - 145.00
EUR/USD	1.0870 - 1.0980
AUD/USD	0.6640 - 0.6750
USD/SGD	1.3240 - 1.3320
JPY/SGD	0.9131 - 0.9282
USD/CNH	7.1400 - 7.1850
USD/INR	83.10 - 83.50
USD/IDR	15430 - 15550
USD/MYR	4.630 - 4.661
USD/PHP	55.40 - 55.88
USD/THB	34.40 - 34.80

**Today's Direction**

	Bull	Bear
USD/SGD	5	2
USD/JPY	5	2

- That said, the worrying **tussle is between a South Korea builder and its creditors** over their debt restructuring which underscores real estate financing fragilities and inevitably stresses KRW.

**Australia: Stretched**

- Down Under, while the focus this week will be on the CPI print (10 Jan) and the retail sales performance (9 Jan) for November, earlier reports on consumer confidence as well as the November jobs report may hint at the underlying currents.
- First, while strong hiring driven by full time gains hint at the possibility of consumers staying resilient, the **higher participation rates** which drove the higher unemployment is **telling that the marginal households found it necessary to step back in the labour market to look for work amid inflationary pressures**.
- On that note, while the headline dis-inflation trajectory ought to continue from the 4.9% in October, the extent of dis-inflation may be rather mild as robust wage growth ought to remain supportive.
- Accordingly, while nominal retail sales may see a resumption of mild MoM growth in November following October's contraction, we **caution against excessive optimism as services PMI and consumer confidence for November point to latent weakness**.
- Furthermore, plunging household savings **ratio depicting an eroded stock of savings** also imply that households are becoming **increasingly dependent on labour income flows for consumption**.
- For now, both inflation and retail sales prints may still mask the underlying state of consumers.

**FX Daily Outlook**

- EUR/USD: EZ retail sales may reveal fragilities for sub-1.09 slippages.
- USD/JPY: Persistence in mid 143 buoyancy seen as BoJ end to NIRP bets pared.
- USD/SGD: Sideways on both sides of 1.33 as regional peers weigh China shadow banking worries.
- AUD/USD: 67 cents on consolidation on RBA's inability to back down on further hikes and hawkish tones.

**TODAY'S EVENTS**

(EZ) Retail Sales YoY(Nov): (Mkt: -1.5%; Oct: -1.2%) | (EZ) Consumer Confidence (Dec F): (Prelim:-15.1)  
 (EZ) Sentix Investor Confidence (Jan): (Mkt: -15.8 Dec: -16.8)

**Important Information**

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.