

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	144.92	145.76	+1.28	+2.47
EUR	1.0931	1.0973	+0.0042	+0.0051
AUD	0.6702	0.6700	+0.0013	▼0.0032
SGD	1.3322	1.3316	+0.0006	+0.0029
CNY	7.1726	7.1727	+0.0040	+0.0233
INR	83.09	83.04	▼0.08	▼0.25
IDR	15570	15570	+50	+90
MYR	4.6480	4.6420	▼0.0005	+0.0092
PHP	56.26	56.27	+0.24	+0.70
THB	34.99	34.98	+0.03	+0.65

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.028%	+1.5 bp	+11.2 bp
JPY (10YR)	0.586%	▼0.5 bp	▼2.8 bp
EUR* (10YR)	2.212%	+2.4 bp	+18.8 bp
AUD (5YR)	3.788%	+1.2 bp	+5.4 bp
SGD (5YR)	2.720%	▼0.9 bp	▼4.0 bp
CNY (5YR)	2.399%	+1.6 bp	▼1.0 bp
INR (5YR)	7.101%	▼1.4 bp	▼2.8 bp
IDR (5YR)	6.614%	▼1.2 bp	▼1.4 bp
MYR (5YR)	3.585%	▼2.8 bp	▼1.7 bp
PHP (5YR)	5.926%	+1.5 bp	+2.1 bp
THB (5YR)	2.406%	▼4.5 bp	▼9.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,695.73	+0.45%	+0.71%
N225 (JP)	34,441.72	+2.01%	+2.92%
STOXX 50 (EU)	4,468.98	+0.04%	+0.47%
ASX (AU)	4,180.83	▼0.37%	▼0.38%
STI (SG)	3,179.96	▼0.56%	▼0.61%
SHCOMP (CN)	2,877.70	▼0.54%	▼3.02%
SENSEX (IN)	71,657.71	+0.38%	+0.42%
JSE (ID)	7,227.30	+0.38%	▼0.71%
KLSE (MY)	1,486.86	▼0.80%	+1.67%
PSE (PH)	6,546.11	▼1.09%	+0.73%
SET (TH)	1,413.52	▼0.10%	▼1.13%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.31	▲0.90%	▲1.11%
COPPER (LME)	8,269.00	+0.07%	▲1.78%
IRON ORE (CN)	135.82	▲2.60%	▲5.42%
GOLD	2,024.41	▲0.29%	▲0.84%
OIL (WTI)	71.37	▼1.20%	▼1.83%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	145.74	EUR/USD	1.0974
USD/SGD	1.3314	USD/THB	35.04
JPY/SGD	0.9136	USD/MYR	4.643

Forecast

USD/JPY	144.00 - 146.50
EUR/USD	1.0880 - 1.1200
AUD/USD	0.6640 - 0.6750
USD/SGD	1.3220 - 1.3360
JPY/SGD	0.9024 - 0.9278
USD/CNH	7.1400 - 7.2000
USD/INR	82.60 - 83.30
USD/IDR	15500 - 15600
USD/MYR	4.630 - 4.661
USD/PHP	55.70 - 57.00
USD/THB	34.80 - 35.40

Today's Direction

	Bull	Bear
USD/SGD	2	2
USD/JPY	0	4

Three Take-aways:

- 1) Fed pushback and US CPI tonight will challenge buoyed risk sentiments which lifted US equities .
- 2) PHP bears latching on Diokno's rate cut comments ought to heed caution on BSP's hawkish stance.
- 3) BoK to stand pat as financial stability takes centre stage.

Buoyancy?

- Risk sentiments were relatively buoyant ahead US CPI tonight, with US equities rising (S&P500: +0.6%; Dow: +0.5%; NASDAQ: +0.8%) to levels close to 2023 year-end.
- The front end of the UST yield curve was rather flat (2Y: -0.6bps) while the longer end (10Y: +1.5bps) outperformed Bunds and Gilts. ECB Isabel Schnabel said that it was too early to discuss rate cuts. EUR led gains against the Greenback, to rally above mid-1.09.
- It remains to be seen if the risk mood will be unperturbed, considering the late session remarks by NY Fed President Williams who pushed back on rate cut expectations as early as spring, noting that more signs of cooling in the economy are required, and dented hopes that the Fed may taper its asset sales. Meanwhile, JPY bulls were disappointed after weaker-than-expected wage data, dialling back hopes for BoJ policy normalisation. USD/JPY moved above mid-145.
- In Asia, AUD and USD/SGD traded range bound around 67 cents and 1.33 handle, respectively.
- Elsewhere, Brent fell -1.0% as an unexpected increase in US stockpiles overshadowed Red Sea tensions, but Brent's whipsaw in the past few weeks could see focus turn to geopolitics again.

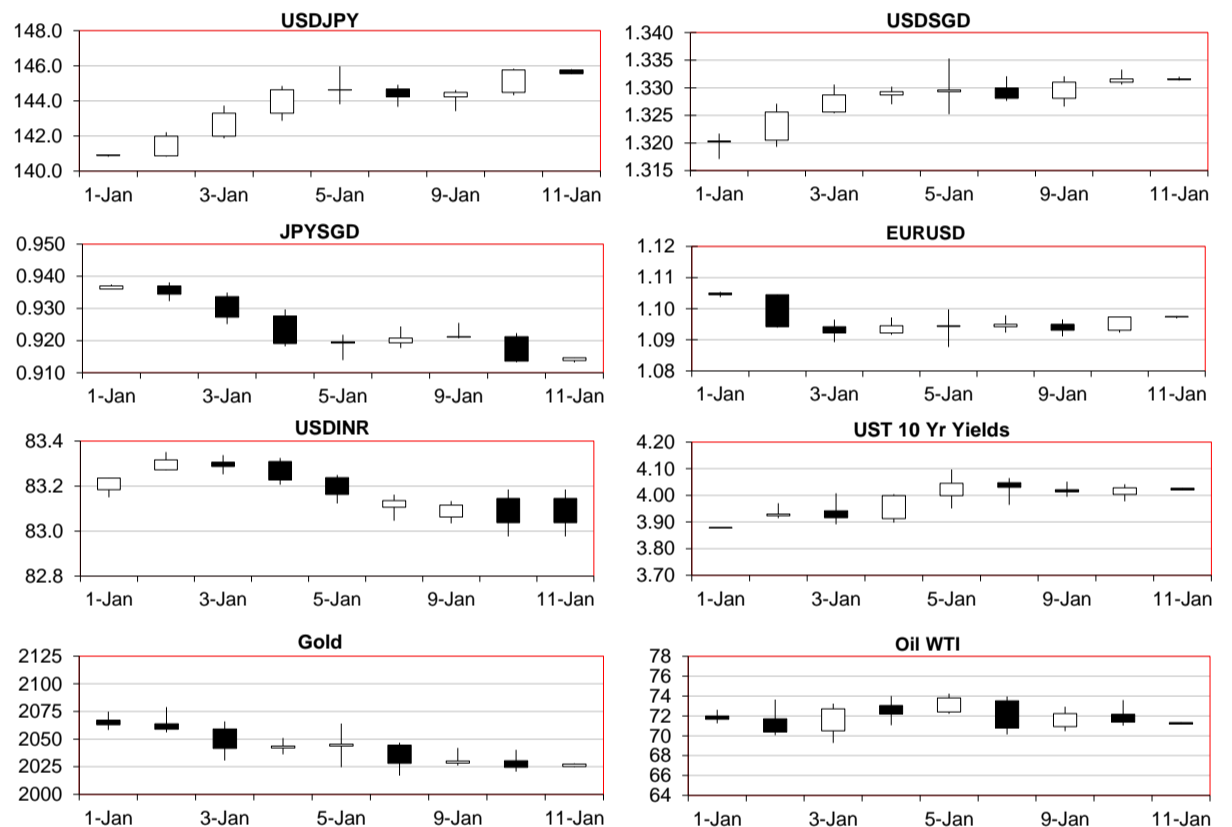
PHP: Cut?

- The PHP has weakened >1% over the past two days, following comments from Finance Secretary Diokno that BSP could cut its policy rate by 100bps in 2H24 which was a marked contrast from the more hawkish comments by BSP Governor Remolona. While it is not the first time that they differed, the postponement of Diokno's 'projected' rate cuts to H2 from his earlier Q1 cut proposition represented a more plausible scenario along with a specific 100bps magnitude aided PHP bears.
- Nonetheless, it should be noted that a weaker PHP worsens imported inflation and backs the BSP's case to be unconvinced on the dis-inflation process amid double digit rice inflation.
- The PHP depreciation was further exacerbated by Philippines worsening trade deficit.

OVERNIGHT RESULTS

(PH) Trade Balance (Nov): -\$4694m (Mkt: -\$4260m; Oct: -\$4394m)

* Past Two Weeks Movement *



- At the margin, an export revenue decline in November appears to indicate the lack of tailwinds from the semiconductor/electronics pickup while a further expansion of their import expenditure worries. While markets might be tempted to be embolden on bets for the PHP to slide further, the BSP will remain vigilant at the 57 handle as was the case last year.

BoK: Containment, Not Contentment

- At their first meeting of 2024, the BoK will be expected to keep policy rates at 3.50% and maintain their current restrictive policy stance. After all, real rates are back in positive territory. However, headline and core inflation at 3.2% and 2.8% in December remaining elevated by recent history ('16-19 average: 1.2% for headline, 1.3% for core) highlights the need to arrest underlying inflationary pressures as labour market conditions remain tight.
- Meanwhile, ensuring financial stability by containing spillovers from real estate project financing loans stresses in the construction sector remains a key concern, amid ongoing debt restructuring by Taeyoung E&C. The protracted real estate sector has arguably dampened capital inflows and hobbled the KRW recovery even as the semi-conductor sector recovers.
- While our 2024 growth estimate at 3% (consensus: 2.1%) is on the back of stronger external demand, the economic recovery in H1 2024 will be dampened by restrained investment spending amid weak confidence and costly capital.
- All said, while inflation ought to remain relatively contained, the BoK will have to contend with financial stability risks, rather than be contented with improved growth.

FX Daily Outlook

- EUR/USD: Weaker US CPI print could see pressure below mid-1.09.
- USD/JPY: Sustained break above 146 plausible should US CPI data surprise on the upside.
- USD/SGD: Continued consolidation around 1.33 before US CPI print.
- AUD/USD: Lower oil prices could see trading below 67 cents.

TODAY'S EVENTS

(AU) Trade Balance (Nov): (Mkt: A\$7300m; Oct: A\$7129m) | (MY) Industrial Production YoY (Nov): (Mkt: 1.0%; Oct: 2.7%) | (US) Initial Jobless Claims: (Mkt: 210k; prev: 202k) | (US) CPI/Ex Food and Energy YoY (Dec): (Mkt: 3.2%/3.8%; Nov: 3.1%/4.0%) | (JP) Coincident Index/Leading Index CI (Nov P): (Mkt: 114.5/107.9; Oct: 115.9/108.9)
Central Bank Policy Decision: BoK Base Rate

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