

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.15	144.88	▼0.41	+0.25
EUR	1.0967	1.0951	▼0.0021	+0.0008
AUD	0.6697	0.6686	▼0.0002	▼0.0027
SGD	1.3311	1.3314	+0.0006	+0.0018
CNY	7.1641	7.1675	+0.0008	+0.0204
INR	82.92	82.92	▼0.11	▼0.24
IDR	15553	15550	+1	+35
MYR	4.6468	4.6477	+0.0037	▼0.0076
PHP	55.93	55.93	▼0.05	+0.36
THB	35.09	35.06	+0.01	+0.34

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.939%	▼2.7 bp	▼10.7 bp
JPY (10YR)	0.607%	+0.4 bp	▼0.3 bp
EUR* (10YR)	2.184%	▼5.2 bp	+2.8 bp
AUD (5YR)	3.727%	▼5.1 bp	▼7.9 bp
SGD (5YR)	2.682%	▼0.7 bp	▼1.5 bp
CNY (5YR)	2.405%	+0.6 bp	+1.9 bp
INR (5YR)	7.096%	+0.6 bp	▼5.8 bp
IDR (5YR)	6.524%	▼3.4 bp	▼12.3 bp
MYR (5YR)	3.535%	▼3.3 bp	▼10.2 bp
PHP (5YR)	5.923%	▼0.5 bp	+0.8 bp
THB (5YR)	2.419%	+0.8 bp	▼8.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,592.98	▼0.31%	+0.34%
N225 (JP)	35,577.11	+1.50%	+6.59%
STOXX 50 (EU)	4,480.02	+0.85%	+0.37%
ASX (AU)	4,165.62	+0.60%	▼0.73%
STI (SG)	3,191.72	▼0.30%	+0.23%
SHCOMP (CN)	2,881.98	▼0.16%	▼1.61%
SENSEX (IN)	72,568.45	+1.18%	+0.75%
JSE (ID)	7,241.14	+0.29%	▼1.49%
KLSE (MY)	1,487.34	+0.29%	▼0.02%
PSE (PH)	6,643.18	+0.45%	+0.20%
SET (TH)	1,413.53	+0.38%	▼1.01%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.38	+0.11%	▲0.58%
COPPER (LME)	8,241.20	▲0.25%	▲1.43%
IRON ORE (CN)	134.18	▲2.07%	▲4.37%
GOLD	2,049.06	+0.99%	+0.18%
OIL (WTI)	72.68	+0.92%	▼1.53%

Three Take-aways:

- 1) US PPI miss sent front end UST yields tumbling. USD retain traction in possible haven allure.
- 2) Taiwan elections saw DPP's Lai take presidency. Loss of legislative majority impede policy direction.
- 3) Shipping issues may see return of port congestions, trade delay and disrupt on-going goods dis-inflation.

Pushed Back or Down?

- US PPI coming in below expectations on both headline and core (excluding food and energy) sent 2Y UST yields plunging 10.1 bps. UST yield curve bull steepened as 10Y yields fell 2.7bp.

- At first glance, this may appear to be a clear defiance to the backdrop of push back from Fed officials. Chicago Fed President Goolsbee said that markets were getting the cart before the horse and emphasized that the FOMC vote on today's actions and **don't make future decisions**.

- Notably, the advice may not have entirely fallen on deaf ears as Fed funds futures pricing of the odds of a Fed rate cut in March has declined to around 71% from 78% late last week. That said, these odds remain extremely elevated. US equities could not muster much of a recovery as they ended mixed.

- Despite the lower UST yields, **USD retained traction**. Alongside rising gold prices last Friday, the USD haven allure on geo-political conflicts ought to be considered. EUR slipped back towards mid-1.09. EUR's underperformance appears to linger despite ECB Chief Economist Lane pushing back against rate cuts by citing insufficient evidence on dis-inflation and highlighting strong EZ wage growth. USD/JPY is still hovering above 145. AUD slipped below 67 cents. USD/SGD buoyed above 1.33.

Taiwan Elections Wrap

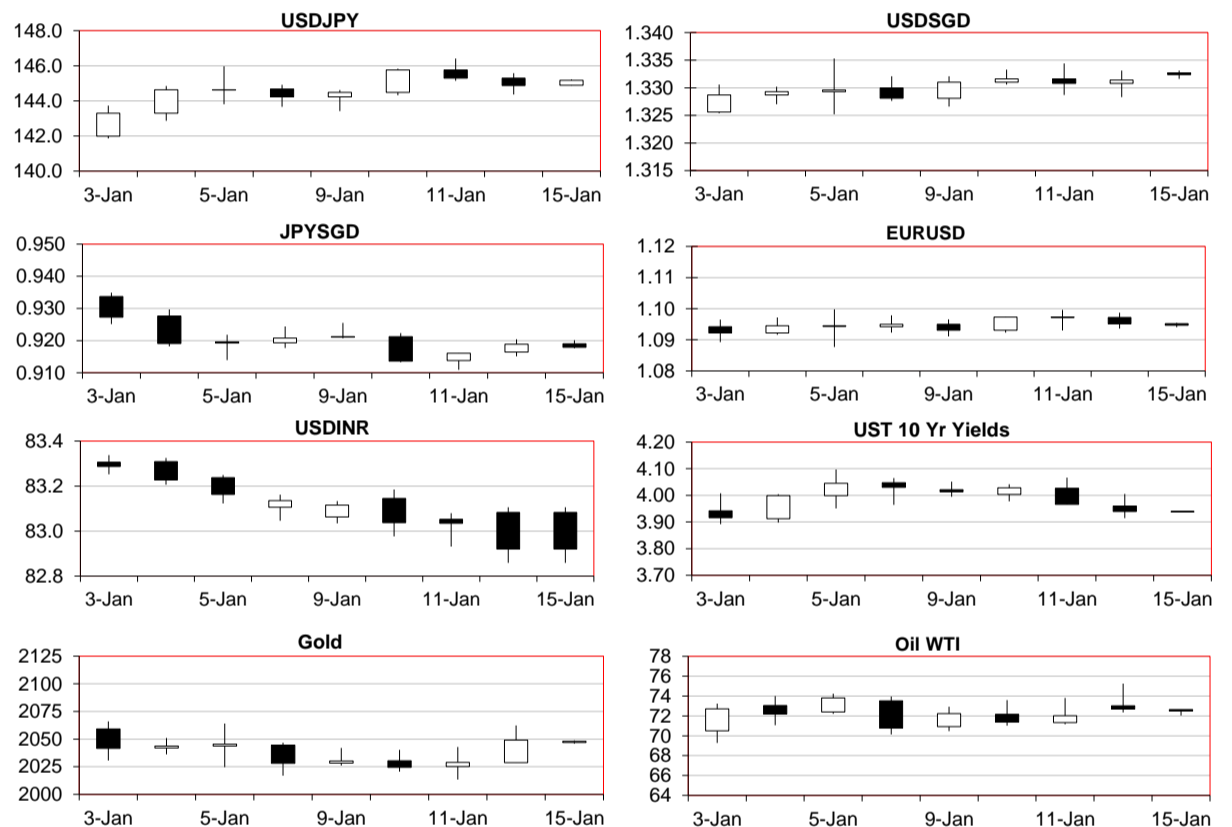
- As expected, the **DPP's Lai Ching-te will be Taiwan's next President** as he captured 40.1% of the Presidential votes. The fact that the **winning percentage is the lowest since 2000** is also reflected in the DPP's 51 legislative failing to secure a majority (57) in the Legislative Elections (unlike the previous two terms) which **weakens their ability to effect desired policy changes**.

- Consequently, the TPP's 8 seats may swing policy directions in the next 4 years. Meanwhile, these results may not exactly be an outright ire to China's foreign policy direction which in turn may restrain further near term escalation of already fraught cross Straits tensions.

OVERNIGHT RESULTS

(CH) Exports/Imports YoY (Dec): 2.3%/0.2% (Mkt: 1.5%/-0.5%; Nov: 0.5%/-0.6%) | (CH) CPI/PPI YoY (Dec): -0.3%/-2.7% (Mkt: -0.4%/-2.6%; -0.5%/-3.0%) | (IN) CPI YoY (Dec): 5.7% (Mkt: 5.9%; Nov: 5.6%) | (IN) Industrial Production YoY (Nov): 2.4% (Mkt: 3.5%; Oct: 11.7%) | (US) PPI Final Demand/Ex Food and Energy YoY (Dec): 1.0%/1.8% (Mkt: 1.3%/2.0%; Nov: 0.9%/2.0%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	145.16	EUR/USD	1.0945
USD/SGD	1.3321	USD/THB	34.97
JPY/SGD	0.9177	USD/MYR	4.649

Forecast

USD/JPY	144.50 - 146.10
EUR/USD	1.0880 - 1.1040
AUD/USD	0.6640 - 0.6750
USD/SGD	1.3270 - 1.3360
JPY/SGD	0.9083 - 0.9246
USD/CNH	7.1600 - 7.2100
USD/INR	82.80 - 83.20
USD/IDR	15500 - 15600
USD/MYR	4.630 - 4.661
USD/PHP	55.60 - 56.20
USD/THB	34.90 - 35.30

Today's Direction

	Bull	Bear
USD/SGD	2	2
USD/JPY	1	3

Costs, Conflicts and Congestion

- On geo-political conflicts, the attention is now on the Houthi's possible response after US-UK strikes on Iran-backed Houthis in Yemen which sent Brent Crude prices soaring to US\$78/barrel.

- To be clear, Yemen's crude oil output is not of a significant nature, the worry is a **spillover to potential disruptions to Saudi's facilities** which has been seen in the past.

- Nonetheless, it is the **supply chain disruptions** in the Red Sea caused by drones and missiles launch by the Houthis which led to the strong US-UK response.

- First, these disruptions are causing **shipping costs to surge**, in particular from Europe to Asia.

- A diversion to **take a longer route** via the Cape of Good hope **adds at least a week to shipping times**. In addition, trade diversion from a route that handles more than 10% of global trade may see the **return of port congestion which worsens the situation**. The re-routing has already led to higher bunkering demand at Sri Lankan and South African ports.

- Second, while higher shipping and energy costs often have a **lagged passthrough** to consumer prices, **the delay in goods supply may have a more immediate impact on inflation** as firms such as Tesco highlighting potential implications. In Asia, these supply issues may unfortunately collide with **seasonal Lunar new year demand**.

- Conflicts are not the only worry, **a dryer Panama Canal has limited the number of ships passing through** affecting routes such as Europe-Australia and East Asia- US East Coast. Shipping companies have turned to freight rail which adds to transport times.

- All in, the **conspiracy of factors is a major inflation bugbear** even if they do not amount to Covid-led disruptions.

FX Daily Outlook

- EUR/USD: ECB rate cut pushback remain insufficient to support recovery above 1.10.

- USD/JPY: Lower UST yields may restrain testing of 146.

- USD/SGD: China RRR thoughts allow for sideways trading around mid-1.32-mid1.33.

- AUD/USD: China woes imply that durability above 67 cents remains suspect.

TODAY'S EVENTS

(ID) Exports/Imports (Dec): (Mkt: -8.3%/0.6%; Nov: -8.6%/3.3%) | (IN) Exports/Imports (Dec): (Nov: -2.8%/-4.3%) |

(CH) 1 Year Medium Term Lending Facility Rate (15 Jan): (Mkt: 2.4%; Prev: 2.5%)

(PH) Overseas Cash Remittances YoY (Nov): (Mkt: 2.7% Oct: 3.0%)

(EZ) Industrial Production WDA YoY (Dec): (Nov: -6.6%)

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.