

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.47	145.73	+0.85	+1.50
EUR	1.0953	1.0950	▼0.0001	+0.0000
AUD	0.6670	0.6660	▼0.0026	▼0.0060
SGD	1.3330	1.3334	+0.0020	+0.0053
CNY	7.1741	7.1715	+0.0040	+0.0201
INR	82.88	82.89	▼0.03	▼0.25
IDR	15554	15555	+5	+30
MYR	4.6689	4.6707	+0.0230	+0.0192
PHP	55.79	55.79	▼0.14	+0.10
THB	34.89	34.95	▼0.11	▼0.08

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.939%	+0.0 bp	▼9.1 bp
JPY (10YR)	0.570%	▼3.7 bp	▼4.0 bp
EUR* (10YR)	2.233%	+4.9 bp	+9.7 bp
AUD (5YR)	3.713%	▼1.4 bp	▼12.9 bp
SGD (5YR)	2.656%	▼2.6 bp	▼6.2 bp
CNY (5YR)	2.414%	+0.9 bp	+1.5 bp
INR (5YR)	7.062%	▼3.4 bp	▼5.8 bp
IDR (5YR)	6.528%	+0.4 bp	▼10.2 bp
MYR (5YR)	3.535%	+0.0 bp	▼9.1 bp
PHP (5YR)	5.927%	+0.4 bp	+1.3 bp
THB (5YR)	2.416%	▼0.3 bp	▼7.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,592.98	+0.00%	▼0.24%
N225 (JP)	35,901.79	+0.91%	+7.56%
STOXX 50 (EU)	4,454.68	▼0.57%	▼0.69%
ASX (AU)	4,152.21	▼0.32%	▼1.24%
STI (SG)	3,199.42	+0.24%	+0.39%
SHCOMP (CN)	2,886.29	+0.15%	▼0.04%
SENSEX (IN)	73,327.94	+1.05%	+2.76%
JSE (ID)	7,224.00	▼0.24%	▼0.82%
KLSE (MY)	1,501.11	+0.93%	+0.36%
PSE (PH)	6,680.45	+0.56%	+1.08%
SET (TH)	1,407.02	▼0.46%	▼0.81%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.38	+0.00%	+1.04%
COPPER (LME)	8,241.20	+0.00%	▲1.18%
IRON ORE (CN)	132.88	▲0.97%	▲4.85%
GOLD	2,056.55	+0.37%	+1.40%
OIL (WTI)	72.68	+0.00%	+2.70%

### Three Take-aways:

- 1) EZ-led rise in yields and dip in equities as ECB shunned imminent rate cuts; denting "pivot risk on".
- 2) But this only delays, perhaps perversely deepen subsequent cuts; underpinning "competitive pivot".
- 3) China's non-cut reveals constraints, not conviction; CNH risks remain in place.

### ECB's (Pivot) Cold Shoulder

- A "pivot cold shoulder" triggered a capitulation in European equities and bonds (yields higher);
- as ECB speakers sounded a chorus of restraint on, if not rebuttal to, imminent rate cuts.
- ECB Governing Council member Nagel said it was "too early to talk about cuts" and that the ECB could "maybe ... wait for the summer break" (that starts late-July). ECB chief economist Phillip Lane chimed in on rate cut talks being premature and waiting till summer to re-assess.
- Fellow Governing Council member Holzman was even more ardent; warning "not (to) bank on ... cut at all for 2024" as "geo-political threat" amplifies inflation risks; which he is trained on.
- EuroStoxx fell 0.6%, with European yields up 5-7bp (a tad more pronounced at the front end); while US markets were closed for Martin Luther King holiday.
- Interestingly, despite the pick-up in EZ yields, EUR flat-lined at mid-1.09, with attempts at 1.10 fizzling rather than being fired up. This is quite telling of "competitive pivot" tendencies.

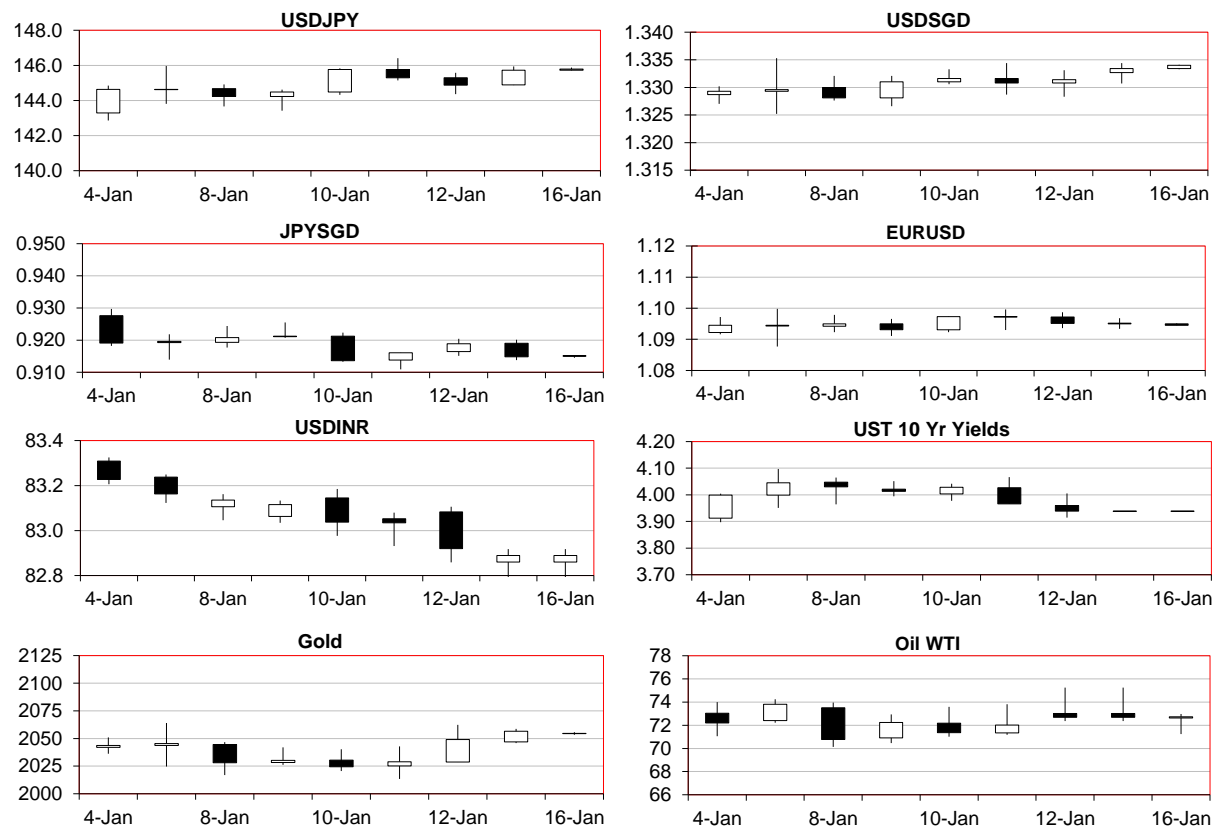
### ... Accentuates "Competitive Pivot"

- Admittedly, there has been deference to ECB pushback by way of bond impact (higher).
- But that does not negate policy doubt. Instead, markets could be betting that the longer that the ECB holds rate for higher, the greater the risk of a hard landing.
- Already the stumbles in the German economy is weighing on sentiments. And it is not lost on markets that inflation shocks from "geo-political threats" that Holzman referred to could turn out to be ultimately deflationary insofar that it delivers an adverse demand shock.
- Holzman's allusion to not seeing a "real recession" (barring a shock) is a dead give-away that that the ECB's cold shoulder (to pivot) may abruptly turn to cold feet that triggers deeper cuts.

### OVERNIGHT RESULTS

(CH) 1Y Medium Term Lending Facility Rate (15 Jan): 2.5% (Mkt: 2.4%; Prev: 2.5%) | (ID) Exports/Imports (Dec): -5.8%/-3.8% (Mkt: -8.3%/0.2%; Nov: -8.6%/3.3%) | (IN) Exports/Imports (Dec): 1.0%/-4.9% (Nov: -2.8%/-4.3%) | (PH) OFW Remittances YoY (Nov): 2.8% (Mkt: 2.7% Oct: 3.0%) | (EZ) Ind Pctn YoY (Dec): -6.8% (Mkt: -6.0%; Nov: -6.6%)

### \* 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	4.670

### Forecast

USD/JPY	144.50 - 146.10
EUR/USD	1.0880 - 1.1000
AUD/USD	0.6580 - 0.6690
USD/SGD	1.3300 - 1.3380
JPY/SGD	0.9103 - 0.9260
USD/CNH	7.1600 - 7.2100
USD/INR	82.80 - 83.20
USD/IDR	15500 - 15600
USD/MYR	4.630 - 4.672
USD/PHP	55.60 - 56.20
USD/THB	34.90 - 35.30

### Today's Direction

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

- This underscores the case for ECB's hawkish bravado perversely accentuating "competitive pivot" outcomes; whereby ECB (BoE) catch-down rate cuts with the Fed undermines unchecked short USD bets. Especially as "fragmentation" risks amid economic stress undermine EUR.

### China Constraints

- In a slightly watered down iteration of the ECB's hawkish bravado, the PBoC ostensibly displayed dovish restraint when it abstained from a widely expected MLF cut. This is hardly surprising all.
- Rather than restraint (on easing) this is in fact a reflection of the PBoC's binding constraints.
- The most obvious of which is the circular, self-reinforcing threat of capital outflow and CNY depreciation pressures that remain intact; even if temporarily checked.
- Consequently, the PBoC faces sharp trade-offs between rate cuts to buoy the economy and rate support for the currency, which is critical for overarching macro-stability.
- The PBoC's policy dilemma is aptly reflected in the downgrade of monetary policy stance to "prudent", instead shifting the burden of economic stimulus to fiscal tools.
- To be sure, the case remains for RRR cuts to boost liquidity; which is arguably a tad more efficacious in boosting the supply side of credit. Nonetheless, China is not absolved of the "liquidity trap", as confidence deficit remains the main stumbling block to reviving growth.
- For now though, Beijing will have to pull more stops to backstop the economy, which is likely to stumble back to 4.0-4.5% underlying momentum without adequate policy support.
- Fact is, despite 2023 GDP growth accelerating to -5.2%, China's economy continues to sputter; buffeted by headwinds from unresolved property, shadow banking and local government woes.

### FX Daily Outlook

- EUR/USD: Growth weakness see trading below mid-1.09 as ECB pushback meets competitive pivot woes.
- USD/JPY: Firm PPI data imply weak 146 tests as JGB allure pondered via auctions.
- USD/SGD: China rate hold not case for SGD rally as pair edges above mid-1.33.
- AUD/USD: Broad USD strength conspire with China woes to test 66 cents.

### TODAY'S EVENTS

(JP) PPI YoY (Dec): 0.0% (Mkt: -0.3%; Nov: 0.3%)  
(US) Empire Manufacturing (Jan): (Mkt: -5.0; Dec: -14.5)  
(GE) ZEW Survey Expectations/Current (Jan): (Mkt: 11.7/-77.0; Dec: 12.8/-77.1)

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