

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.15	147.19	+1.46	+2.71
EUR	1.0919	1.0875	▼0.0075	▼0.0056
AUD	0.6618	0.6584	▼0.0076	▼0.0103
SGD	1.3371	1.3425	+0.0091	+0.0115
CNY	7.1829	7.1877	+0.0162	+0.0190
INR	82.96	83.08	+0.19	▼0.04
IDR	15591	15591	+36	+71
MYR	4.6851	4.6945	+0.0238	+0.0520
PHP	55.82	55.83	+0.04	▼0.20
THB	35.13	35.37	+0.42	+0.42

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.058%	+11.9 bp	+4.5 bp
JPY (10YR)	0.600%	+3.0 bp	+0.9 bp
EUR* (10YR)	2.258%	+2.5 bp	+7.0 bp
AUD (5YR)	3.780%	+6.7 bp	+0.4 bp
SGD (5YR)	2.691%	+3.5 bp	▼3.8 bp
CNY (5YR)	2.423%	+0.9 bp	+4.0 bp
INR (5YR)	7.065%	+0.3 bp	▼5.0 bp
IDR (5YR)	6.507%	▼2.1 bp	▼11.9 bp
MYR (5YR)	3.561%	+1.5 bp	▼5.2 bp
PHP (5YR)	5.893%	▼3.4 bp	▼1.8 bp
THB (5YR)	2.420%	+0.4 bp	▼3.1 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,361.12	▼0.62%	▼0.44%
N225 (JP)	35,619.18	▼0.79%	+5.50%
STOXX 50 (EU)	4,446.51	▼0.18%	▼0.46%
ASX (AU)	4,134.31	▼0.43%	▼1.47%
STI (SG)	3,184.99	▼0.45%	▼0.41%
SHCOMP (CN)	2,893.99	+0.27%	+0.03%
SENSEX (IN)	73,128.77	▼0.27%	+2.44%
JSE (ID)	7,242.79	+0.26%	+0.59%
KLSE (MY)	1,493.87	▼0.48%	▼0.33%
PSE (PH)	6,637.00	▼0.65%	+0.28%
SET (TH)	1,401.72	▼0.38%	▼0.93%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.30	▲0.03%	▲0.15%
COPPER (LME)	8,268.00	▲0.19%	+0.06%
IRON ORE (CN)	133.70	+0.62%	▲4.12%
GOLD	2,028.44	▲1.37%	▲0.09%
OIL (WTI)	72.40	▼0.39%	+0.22%

## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	147.25	EUR/USD	1.0878
USD/SGD	1.3425	USD/THB	35.41
JPY/SGD	0.9117	USD/MYR	4.694

### Forecast

USD/JPY	144.90 - 148.20
EUR/USD	1.0780 - 1.0960
AUD/USD	0.6490 - 0.6600
USD/SGD	1.3320 - 1.3490
JPY/SGD	0.8988 - 0.9310
USD/CNH	7.1900 - 7.2600
USD/INR	82.90 - 93.50
USD/IDR	15550 - 15690
USD/MYR	4.670 - 4.740
USD/PHP	55.60 - 56.20
USD/THB	34.90 - 35.80

### Today's Direction

	Bull	Bear
USD/SGD	3	3
USD/JPY	2	4

### Three Take-aways:

- 1) March Fed pivot-bets continue to unravel following Waller's comments about right timing.
- 2) US equities were further pressured by weak NY manufacturing print adds gloom to the growth picture.
- 3) BI hold on managed rupiah stability concerns amid still supportive macrofundamentals.

### Right Time

- Fed Governor Waller's comments probably got **markets second-guessing if they had got the right timing for Fed cuts**. To be fair, Waller's comments did not deviate much from FedSpeak last week. Waller showed an openness to cutting rates "methodically and carefully...when the time is right (emphasis ours)", and perhaps it is this alignment to markets on rate cuts which allowed the nudge on timing as he stated that "waiting six weeks" is unlikely to have a huge impact.

- The **UST yield curve bear steepened**, with the 2Y yield rising >7bps while 10Y yield rose -12bps. Notably, yields were already heading higher prior Waller's comments (which further lifted yields).

- That Fed funds futures market pricing for a rate cut in March inched lower to -62% from 80% on Friday suggested that **conviction on a fast and furious rate cut cycle may be wavering**.

- Signs of weaker US growth, which had at times emboldened pivot-led equity rallies, appeared to dampen risk sentiments. After all, **bad news is probably just, bad news**.

- **US equities broadly fell** (S&P: -0.4%; Dow: -0.6%; Nasdaq: 0.1%), with only the IT sector eking out gains, as **Empire Manufacturing print showed a sharp deterioration on factory activity on declining orders and shipments**, consistent with persistent struggles for manufacturers across the country.

- In FX, higher UST yields led the DXY above 103 and the **USD strengthened** across all G10 majors. EUR broke below 1.09 while AUD dropped under 66 cents. Meanwhile, USD/JPY headed above 147 while USD/SGD buoyed above 1.34.

- In China, **more stimulus is likely forthcoming** after reports that the government is consider a 1 trillion yuan new debt issuance this year to shore up the economy. This would be the fourth such sale in 26 years.

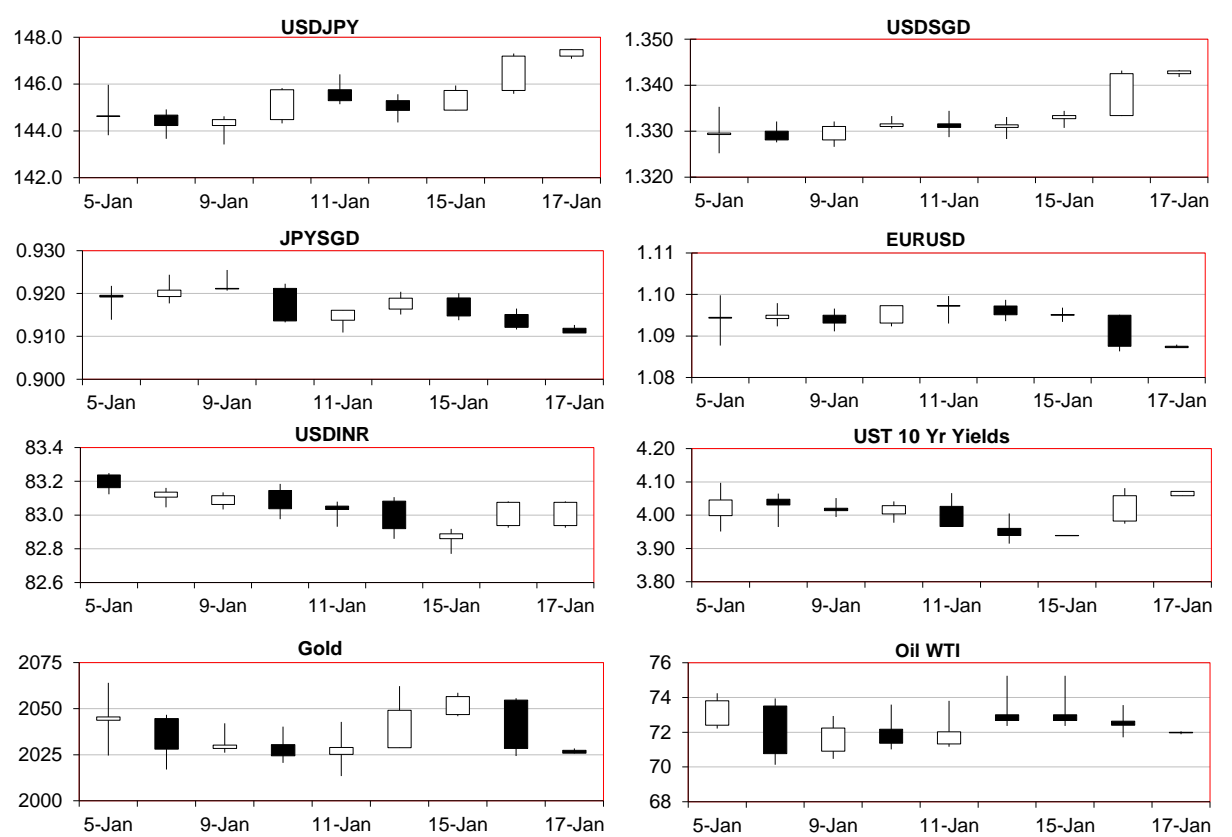
### BI: Abiding by Status Quo

- **BI is expected to stand pat** at the next policy meeting (17 Jan).

### OVERNIGHT RESULTS

(US) Empire Manufacturing (Jan): -43.7 (Mkt: -5.0; Dec: -14.5) | (GE) ZEW Survey Expectations/Current (Jan): 15.2/-77.3 (Mkt: 11.7/-77.0; Dec: 12.8/-77.1)

### Past Two Weeks Movement \*



- The **paring back of risk sentiments (and subsequent rupiah depreciation)** since the turn of the year was likely within BI's expectations. Back in the December 2023 meeting, BI was warily cautious of 2023 year-end's pivot-led "Santa rally". Of note, BI had expected only 50bps of Fed rate cuts in 2H24, a much lower and delayed rate cutting process compared to markets and even the Fed. With elections due in a month imparting some **uncertainty on fiscal policy continuity, current macroeconomic circumstances allow BI to provide an anchor of monetary policy stability** and this also allows time for more clarity on the fiscal trajectory before embarking on policy shifts.

- While domestic consumption would hold up into election season, the slower retail sales expansion of 0.4% in Dec'23 (Nov: 2.1%) sounds caution on durability of household spending post-elections, especially as non-performing consumption loans have been registering double-digit YoY growth since Apr'23. Meanwhile, investments could also take a temporary dip before recovering post-elections.

- While upside risks to inflation persists on El Nino-induced food inflation, **inflation in Indonesia seems relatively contained within the food sector**, and has not seen visibly spillovers to other components. Reflecting so, with the exception of food inflation (6.2% YoY in Dec) and Personal Care slightly above 3.5%, the rest of the CPI components registered YoY price increases of <2.5%. With Dec'23 headline inflation coming at 2.6%, **inflation should be contained within BI's 2024 2.5%±1% target range**. All in, barring significant IDR depreciation, BI could abide by status quo for the time being.

### FX Daily Outlook

- EUR/USD: Growth concerns impart weakness but ECB pushback makes a test of 1.08 unlikely.
- USD/JPY: Higher UST yields could sustain buoyancy above 147 levels.
- USD/SGD: Hover above 1.34 levels should positive China data balance against higher USTs.
- AUD/USD: Upside surprise on China data allow consolidation around 66 cents.

### TODAY'S EVENTS

(SG) NODX/Electronics YoY (Dec): -1.5%/-11.7% (Mkt: 3.0%/-; Nov: 1.0%/-12.8%) | (CH) Retail Sales YoY (Dec): (Mkt: 8.0%; Nov: 10.1%) | (CH) Industrial Production YoY (Dec): (Mkt: 6.6%; Nov: 6.6%) | (CH) GDP YoY (4Q): (Mkt: 5.3%; 3Q: 4.9%) | (CH) New Home Prices MoM (Dec): (Nov: -0.4%) | (CH) FAI/Property Investments YTD YoY (Dec): (Mkt: 2.9%/-9.5%; Nov: 2.9%/-9.4%) | (US) Retail Sales Adv./Ex Auto and Gas MoM (Dec): (Mkt: 0.4%/0.3%; Nov: 0.3%/0.6%) | (US) Industrial Production MoM (Dec): (Mkt: -0.1%; Nov: 0.2%) | (EZ) CPI/Core YoY (Dec F): (Mkt: 2.9%/3.4%; prelim: 2.9%/3.4%)

Central Bank Policy Decision: Bank Indonesia BI-Rate

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