

## MARKET SUMMARY

| FX  | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ  |
|-----|-------------|-----------|----------|---------|
| JPY | 147.88      | 148.16    | +0.97    | +2.40   |
| EUR | 1.0871      | 1.0883    | +0.0008  | ▼0.0090 |
| AUD | 0.6552      | 0.6552    | ▼0.0032  | ▼0.0148 |
| SGD | 1.3445      | 1.3447    | +0.0022  | +0.0131 |
| CNY | 7.1971      | 7.1963    | +0.0086  | +0.0236 |
| INR | 83.08       | 83.14     | +0.06    | +0.10   |
| IDR | 15638       | 15640     | +49      | +70     |
| MYR | 4.7187      | 4.7172    | +0.0227  | +0.0752 |
| PHP | 55.90       | 55.92     | +0.09    | ▼0.35   |
| THB | 35.51       | 35.50     | +0.13    | +0.52   |

\*compared with previous day CLOSE(NY)

| Yields      | CLOSE  | Daily Δ | Wkly Δ   |
|-------------|--------|---------|----------|
| USD (10YR)  | 4.102% | +4.4 bp | +7.4 bp  |
| JPY (10YR)  | 0.617% | +1.7 bp | +3.1 bp  |
| EUR* (10YR) | 2.316% | +5.8 bp | +10.4 bp |
| AUD (5YR)   | 3.837% | +5.7 bp | +4.9 bp  |
| SGD (5YR)   | 2.759% | +6.8 bp | +3.9 bp  |
| CNY (5YR)   | 2.409% | ▼1.4 bp | +1.0 bp  |
| INR (5YR)   | 7.087% | +2.2 bp | ▼1.4 bp  |
| IDR (5YR)   | 6.537% | +3.0 bp | ▼7.7 bp  |
| MYR (5YR)   | 3.594% | +3.3 bp | +0.9 bp  |
| PHP (5YR)   | 5.900% | +0.7 bp | ▼2.6 bp  |
| THB (5YR)   | 2.425% | +0.5 bp | +1.9 bp  |

\* German bunds

| Equity Indices | CLOSE     | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US)      | 37,266.67 | ▼0.25%  | ▼1.14% |
| N225 (JP)      | 35,477.75 | ▼0.40%  | +3.01% |
| STOXX 50 (EU)  | 4,403.08  | ▼0.98%  | ▼1.47% |
| ASX (AU)       | 4,072.19  | ▼1.50%  | ▼2.60% |
| STI (SG)       | 3,142.22  | ▼1.34%  | ▼1.19% |
| SHCOMP (CN)    | 2,833.62  | ▼2.09%  | ▼1.53% |
| SENSEX (IN)    | 71,500.76 | ▼2.23%  | ▼0.22% |
| JSE (ID)       | 7,200.64  | ▼0.58%  | ▼0.37% |
| KLSE (MY)      | 1,491.21  | ▼0.18%  | +0.29% |
| PSE (PH)       | 6,572.51  | ▼0.97%  | +0.40% |
| SET (TH)       | 1,380.65  | ▼1.50%  | ▼2.33% |

| Commodity     | CLOSE    | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB           | 263.05   | ▲0.47%  | +0.28% |
| COPPER (LME)  | 8,174.25 | ▲1.13%  | ▲1.15% |
| IRON ORE (CN) | 131.99   | ▲1.28%  | ▲2.82% |
| GOLD          | 2,006.25 | ▲1.09%  | ▲0.90% |
| OIL (WTI)     | 72.56    | +0.22%  | +1.67% |

### Three Take-aways:

- 1) Odds of March rate cut continue to drop as stronger than expected US retail sales sent UST yields soaring.
- 2) US equities dipped while USD retained traction; UK inflation spike saw 2Y Gilt yields soaring.
- 3) In contrast to the US, China retail sales disappointed amid underlying savings and credit differences.

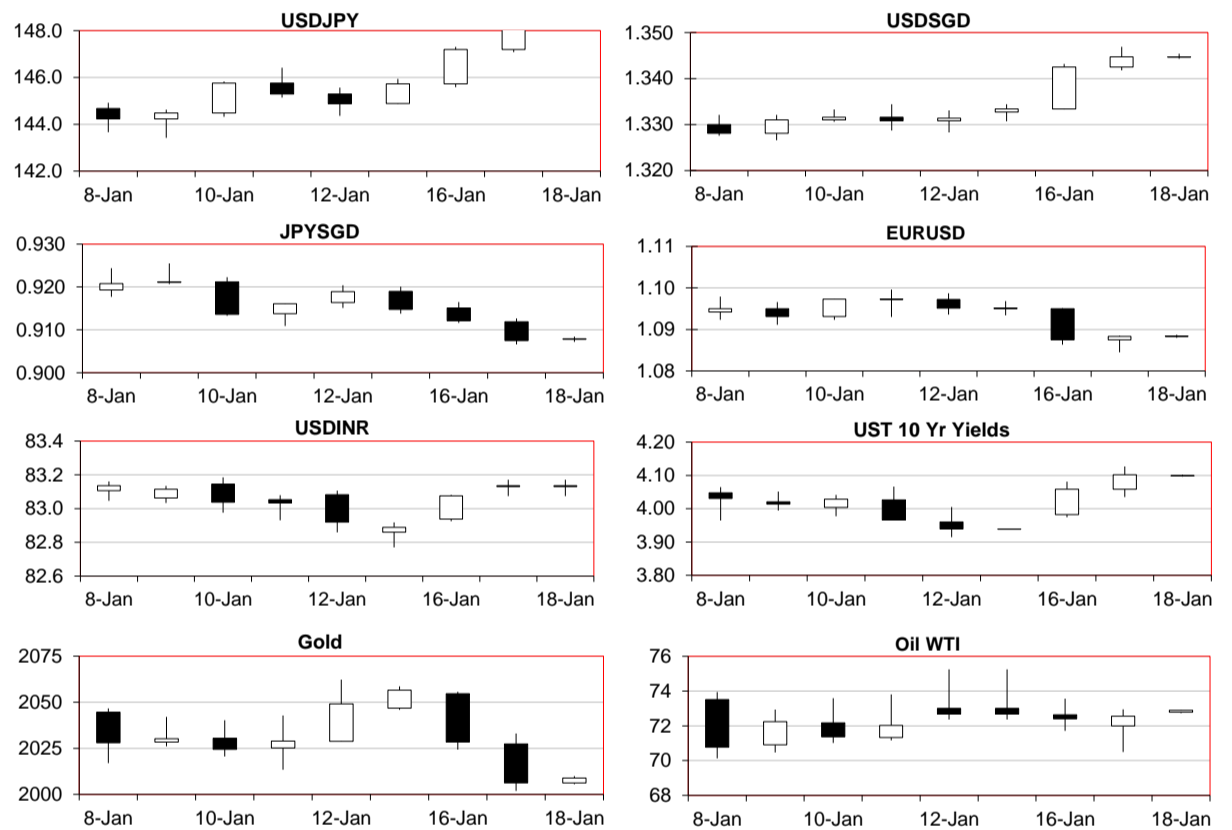
### Deference and Delay

- **2Y UST yields soared an emphatic 14.1bps** while 10Y yields rose 4.4 in a bear flattening of UST yield curve. US exceptionalism was at play to **pushback rate cut bets with US retail sales coming in stronger than expected** alongside industrial production which also came in above consensus.
- Consequently, the **odds of a March rate cut has dropped closer to that of a fair coin toss.**
- While this may be somewhat a **deference to the persistent emphasis from Fed speakers and economic data**, it is very much also a **delay in expectations** of rate cuts. Over the course of a day, 150bps of expected rate cuts are now expected to come through in Jan 2025 rather than Dec 2024.
- While "waiting 6 weeks" may not have a huge economic impact, markets took a hefty hit. US equities fell across the board with the Nasdaq and S&P 500 falling 0.6% while Dow edged 0.2% lower.
- The **Greenback continued to gain against most G10 peers**. GBP was an exception as 2Y yields on Gilts shot up 21bps on an **unexpected spike in UK inflation which pushed back bets for BoE rate cuts.**
- On the surface, reaction from UK headline inflation rising from 3.9% to 4.0% in December appear overdone. The worrying details though are an increase in services inflation and core inflation remaining sticky at 5.1% implying stronger underlying price pressures beyond just energy and food prices.
- The **JPY was the obvious casualty** in a deference to rising UST yields as USD/JPY soared above 148.
- While ECB's Lagarde's emphasis that **outsized expectations of rate cuts may be self-defeating (easier financial conditions aiding inflation)** has helped backstop the EUR, it remains pressured below 1.09.
- In EM-Asia, the USD/SGD rose towards mid-1.34 and regional peers are likely to remain pressured. Down Under, the AUD sank towards mid-65 cents as China posted a slew of disappointing data.

### OVERNIGHT RESULTS

(CH) Retail Sales YoY (Dec): 7.4% (Mkt: 8.0%; Nov: 10.1%) | (CH) Industrial Production YoY (Dec): 6.8% (Mkt: 6.6%; Nov: 6.6%) | (CH) GDP YoY (4Q): 5.2% (Mkt: 5.3%; 3Q: 4.9%) | (CH) New Home Prices MoM (Dec): -0.5% (Nov: -0.4%) | (CH) FAI/Ppty Investments YTD YoY (Dec): 6.0%/-9.6% (Mkt: 2.9%/-9.5%; Nov: 2.9%/-9.4%) | (US) Retail Sales Adv./Ex Auto and Gas MoM (Dec): 0.6%/ 0.6% (Mkt: 0.4%/0.3%; Nov: 0.3%/0.6%) | (US) Industrial Production MoM (Dec): 0.1% (Mkt: -0.1%; Nov: 0.2%) | (EZ) CPI/Core YoY (Dec F): 2.9%/3.4% (Mkt: 2.9%/3.4%; prelim: 2.9%/3.4%)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

|         |        |         |        |
|---------|--------|---------|--------|
| USD/JPY | 148.13 | EUR/USD | 1.0885 |
| USD/SGD | 1.3445 | USD/THB | 35.60  |
| JPY/SGD | 0.9077 | USD/MYR | 4.722  |

### Forecast

|         |                 |
|---------|-----------------|
| USD/JPY | 147.00 - 148.60 |
| EUR/USD | 1.0780 - 1.0960 |
| AUD/USD | 0.6450 - 0.6570 |
| USD/SGD | 1.3400 - 1.3490 |
| JPY/SGD | 0.9017 - 0.9177 |
| USD/CNH | 7.2100 - 7.2600 |
| USD/INR | 83.00 - 83.30   |
| USD/IDR | 15600 - 15750   |
| USD/MYR | 4.710 - 4.740   |
| USD/PHP | 55.80 - 56.40   |
| USD/THB | 35.40 - 35.90   |

### Today's Direction

|         | Bull | Bear |
|---------|------|------|
| USD/SGD | 6    | 1    |
| USD/JPY | 6    | 1    |

### Tale of Two Consumers?

- China's **retail sales** of 7.4% YoY **disappointed** expectations (8.0% YoY). On the **services** front, the 30% YoY growth in **spending on restaurant/catering services** was likely **flattered by low base effects** from December 2022 on Covid-Zero related impact as the **MoM** angle showed a **contraction on an NSA basis**. Spending ability may have been dampened by elevated jobless rate.
- On goods, **spending on household appliances contracted -0.1% YoY** which is **congruent** with the somber housing market as **new home prices declined 0.5% MoM**. As wealth effects hit, **confidence and willingness to spend decline**. The likes of **recreational goods and daily use articles** also saw **lower spending** in December relative to November. The December lift in retail sales was largely due to **higher automobile sales on the back of year end promotional events**.
- In a stark contrast of holiday moods, Dec **US retail sales** was stellar at 0.6% MoM amid **broad based increases**. 9 out of 13 categories rose driven by clothing and general merchandise stalls.
- Undeniably, the retail sales outturn is a strong one. Nonetheless, given that spending on food services was flat, optimism on pace of services spending should be tempered.
- In the US, the **robust spending** may have been enabled by **resilient labour markets** but the **rising usage of unsecured credit and diminished savings buffer** imparts caution.
- On the latter, while bottom 80% of households saw savings dipped below pre-pandemic level, the top 20% of income earners retaining a real savings buffer may still **obfuscate aggregate sales**.
- All in, while cross country comparisons are subject to structural differences, within country **details are also critical to be wary off.**

### FX Daily Outlook

- EUR/USD: Sideways consolidation around mid-1.08 amid cross atlantic pivot pushback.
- USD/JPY: Higher UST yields could sustain buoyancy above 147 levels.
- USD/SGD: Weak CNH and resurgent USD conspire for 1.34 buoyancy.
- AUD/USD: USD deference and Australia labour weakness see persistent weakness below 66 cents.

### TODAY'S EVENTS

(AU) Employment Change/Unemployment Rate (Dec): -65.1k/3.9% (Mkt: 15.0k/3.9%; Nov: 61.5k/3.9%) | (JP) Core Machine Orders YoY (Nov): -5.0% (Mkt: 0.1%; -2.2%) | (JP) Industrial Production YoY (Nov F): (Prelim: -1.4%) | (US) Housing Starts (Dec): (Mkt: 1425k; Nov: 1560k) | (US) Initial Jobless Claims: (Mkt: 205k; Prev: 202k)

Central Bank Policy Decision: ECB's Lagarde Speaks

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