

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.27	148.12	▼0.04	+3.24
EUR	1.0880	1.0898	+0.0022	▼0.0053
AUD	0.6581	0.6597	+0.0024	▼0.0089
SGD	1.3421	1.3408	▼0.0033	+0.0094
CNY	7.1931	7.1934	▼0.0029	+0.0259
INR	83.12	83.07	▼0.05	+0.15
IDR	15615	15615	▼5	+65
MYR	4.7188	4.7185	▼0.0005	+0.0708
PHP	55.95	55.97	+0.14	+0.04
THB	35.55	35.52	▼0.08	+0.46

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.123%	▼1.9 bp	+18.4 bp
JPY (10YR)	0.668%	+1.7 bp	+6.1 bp
EUR* (10YR)	2.342%	▼0.7 bp	+15.8 bp
AUD (5YR)	3.913%	+2.2 bp	+18.6 bp
SGD (5YR)	2.849%	+6.4 bp	+16.7 bp
CNY (5YR)	2.394%	▼0.8 bp	▼1.1 bp
INR (5YR)	7.098%	+0.5 bp	+0.2 bp
IDR (5YR)	6.477%	▼2.5 bp	▼4.7 bp
MYR (5YR)	3.584%	▼1.3 bp	+4.9 bp
PHP (5YR)	5.894%	▼0.3 bp	▼2.9 bp
THB (5YR)	2.453%	+0.7 bp	+3.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,863.80	+1.05%	+0.72%
N225 (JP)	35,963.27	+1.40%	+1.09%
STOXX 50 (EU)	4,448.83	▼0.09%	▼0.70%
ASX (AU)	4,079.87	▼0.01%	▼2.06%
STI (SG)	3,152.29	+0.40%	▼1.24%
SHCOMP (CN)	2,832.28	▼0.47%	▼1.72%
SENSEX (IN)	71,683.23	+0.70%	▼1.22%
JSE (ID)	7,227.40	▼0.35%	▼0.19%
KLSE (MY)	1,486.37	+0.49%	▼0.07%
PSE (PH)	6,503.54	▼0.11%	▼2.10%
SET (TH)	1,382.51	+0.33%	▼2.19%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.38	▲0.03%	+0.38%
COPPER (LME)	8,271.76	+0.58%	+0.37%
IRON ORE (CN)	133.96	+0.25%	▲0.16%
GOLD	2,029.49	+0.30%	▲0.96%
OIL (WTI)	73.41	▼0.90%	+1.00%

Three Take-aways:

- 1) US equities rallied as Uni. of Mich. survey showed upbeat sentiments and lower inflation expectations.
- 2) Amid Fed's Daly pushback on rate cuts, UST front end yields remain elevated.
- 3) Korea 4Q growth acceleration rests on a modest semiconductor upturn as retail sales remain stretched.

Strangle Hold

- US equities were sent flying high last Friday (Nasdaq: +1.7%; S&P 500: +1.2%; Dow: +1.1%).
- Risk sentiments were buoyed by the utterly upbeat Uni. of Michigan survey showing an emphatic surge in consumer sentiments.
- Furthermore, declining inflation expectations both on 1Y ahead and longer term 5-10Y period assisted hopes for a soft landing. Consequently, 10Y UST yields headed lower dipping 1.9bps.
- Amid the continued pushback by Fed speakers, 2Y yields closed 3.2bp higher last Friday. Specifically, Fed's Daly insisted that it is premature to think that rate cuts are around the corner. Actually, it is perhaps worth nothing her emphasis on asking "when would policy adjustments be necessary so we don't put a stranglehold on the economy". Accordingly, let us look at growth, on aggregate, from retail sales, jobless claims to consumer sentiments last week, the US economy at this point is far from being strangled and as such leans towards a policy hold.

- Odds for a March cut has now dropped to about 45% as indicated by Fed funds futures.
- In FX, while the Greenback may have slipped marginally among G10 peers, the USD's hold remains tight. While EUR inched up, it remains below 1.09. USD/JPY remains buoyed above 148.

- Similarly, the AUD headed higher but was unable to rally durably above 66 cents. In EM-Asia, USD/SGD slipped towards 1.34. Nonetheless, the broad picture remains that regional peers struggled last week.

- Notably, the MYR dropped 1.5% as the USD/MYR headed above 4.7. The MYR underperformance was capped off by a dismal Q4 GDP outturn in Malaysia. The 3.4% YoY growth which is really marginal uptick from the 3.3% in Q3 masks the fact that in all likelihood the QoQ seasonally adjusted outcome is a likely growth contraction. The manufacturing sector +0.1% YoY from Q3's -0.1% YoY is merely statistical comfort from the favourable low base effects a year ago.

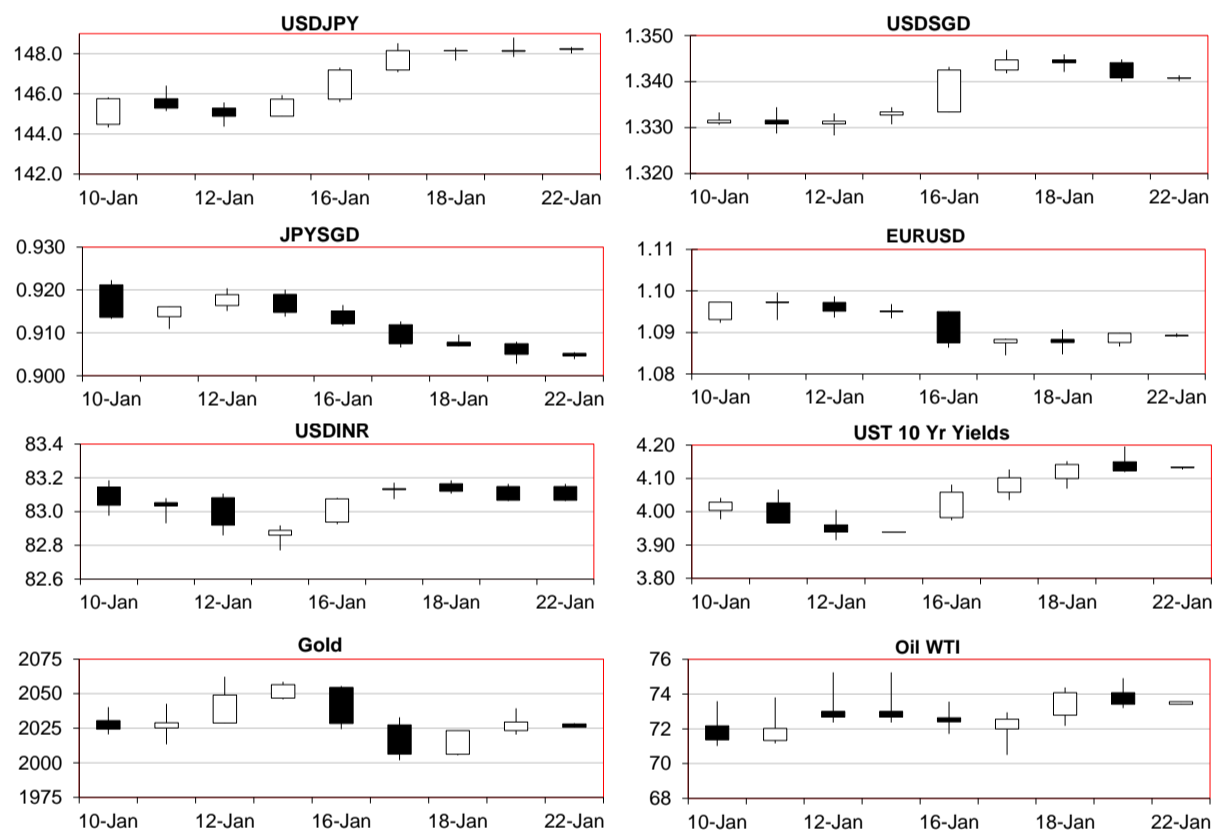
OVERNIGHT RESULTS

(MY) GDP YoY (4Q A): 3.4% (Mkt: 4.1%; 3Q: 3.3%) | (MY) Exports/Imports YoY (Dec): -10.0%/ 2.9%(Mkt: -5.0%/4.2%; Nov: -5.9%/1.7%)

(US) U. of Mich. Sentiment/Expectations (Jan P): 78.8/75.9 (Mkt: 70.0/67.0; Dec: 69.7/67.4) |

(US) U. of Mich. 1Y/5-10Y Inflation (Jan P): 2.9%/2.8% (Mkt: 3.1%/3.0%; Dec: 3.1%/2.9%)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	148.14	EUR/USD	1.0892
USD/SGD	1.3406	USD/THB	35.55
JPY/SGD	0.9050	USD/MYR	4.717

Forecast

USD/JPY	147.20 - 148.90
EUR/USD	1.0780 - 1.0960
AUD/USD	0.6550 - 0.6640
USD/SGD	1.3380 - 1.3450
JPY/SGD	0.8986 - 0.9137
USD/CNH	7.1900 - 7.2400
USD/INR	83.00 - 83.40
USD/IDR	15600 - 15750
USD/MYR	4.710 - 4.740
USD/PHP	55.70 - 56.20
USD/THB	35.40 - 35.90

Today's Direction

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

- Deeper contraction in December exports adds to the gloom. The service sector growth slowed despite a low base. EM-Asia awaits a stronger upturn this year though it may not be easily forthcoming considering China's weakness.

South Korea Q4 GDP: Uptick

- South Korea Q4 GDP (on 25 Jan) is expected to accelerate from Q3's 1.4% YoY outturn. This represents a slight 0.1% point uptick in sequential QoQ growth to 0.7% QoQ in Q4 from Q3.

- The manufacturing sector is likely to continue expanding from a year ago as industrial production saw 3.1% YoY growth over Oct-Nov period on strong semi-conductor growth. This is also reflected in the external demand pickup with Q4 exports revenue up 5.8% YoY.

- Nonetheless, the average investment spending on equipment over Oct-Nov which picked up by 3.3% relative to Q3 is still 11% lower YoY. This underscores the fragility of confidence surrounding the on-going recovery.

- Consumers also appear stretched as real retail sales over Oct-Nov contracted by 2.4% YoY.

- As such, we remain cautiously optimistic on the service sector growth in Q4 driven by tourism (9.3% rise in arrivals over Q3 monthly average) as well as some financial services resilience on budding beginnings of FX related reforms.

- While the Taeyoung E&C restructuring issues have hogged the limelight for credit risks, overall Q4 construction activity is unlikely to have been dented as construction production improved over Oct-Nov. All in, 2023 GDP is likely to come in at around 1.4%, down from the 2.6% in 2022.

FX Daily Outlook

- EUR/USD: Weak testing of 1.09 as ECB rate cuts may be primed for a push back.
- USD/JPY: Enlarged volatility heading to BoJ as rate hold may embolden JPY bears towards 149.
- USD/SGD: China's asset woes may buoyed above 1.34.
- AUD/USD: Sub 66 cents consolidation may play out as oil prices remain elevated.

TODAY'S EVENTS

(MY) CPI YoY (Dec): (Mkt: 1.5%; Nov: 1.5%) | (CH) 1Yr/5 Loan Prime Rate: (Mkt:3.45%/4.20%; Prev: 3.45%/4.20%)

(TW) Unemployment Rate (Dec): (Mkt: 3.4%; Nov: 3.4%) | (TW) Export Orders YoY (Dec): (Mkt: -0.1%; Nov: 1.0%)

(US) Leading Index (Dec): (Mkt: -0.3%; Nov: -0.5%)

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