

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.03	148.21	+0.09	+2.48
EUR	1.0899	1.0892	▼0.0006	▼0.0058
AUD	0.6592	0.6593	▼0.0004	▼0.0067
SGD	1.3410	1.3408	+0.0000	+0.0074
CNY	7.1961	7.1934	+0.0000	+0.0219
INR	83.07	83.07	+0.00	+0.18
IDR	15637	15615	+0	+60
MYR	4.7255	4.7170	▼0.0015	+0.0463
PHP	56.27	55.97	+0.00	+0.18
THB	35.63	35.52	+0.00	+0.57

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.132%	+1.0 bp	+19.3 bp
JPY (10YR)	0.659%	▼0.9 bp	+8.9 bp
EUR* (10YR)	2.342%	+0.0 bp	+10.9 bp
AUD (5YR)	3.882%	▼3.1 bp	+16.9 bp
SGD (5YR)	2.849%	+0.0 bp	+19.3 bp
CNY (5YR)	2.394%	+0.0 bp	▼2.0 bp
INR (5YR)	7.098%	+0.0 bp	+3.6 bp
IDR (5YR)	6.477%	+0.0 bp	▼5.1 bp
MYR (5YR)	3.584%	+0.0 bp	+3.8 bp
PHP (5YR)	5.894%	+0.0 bp	▼3.3 bp
THB (5YR)	2.453%	+0.0 bp	+3.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,863.80	+0.00%	+0.72%
N225 (JP)	36,388.60	+1.18%	+1.36%
STOXX 50 (EU)	4,448.83	+0.00%	▼0.13%
ASX (AU)	4,079.87	+0.00%	▼1.74%
STI (SG)	3,152.29	+0.00%	▼1.47%
SHCOMP (CN)	2,832.28	+0.00%	▼1.87%
SENSEX (IN)	71,423.65	▼0.36%	▼2.60%
JSE (ID)	7,227.40	+0.00%	+0.05%
KLSE (MY)	1,486.37	+0.00%	▼0.98%
PSE (PH)	6,503.54	+0.00%	▼2.65%
SET (TH)	1,382.51	+0.00%	▼1.74%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.38	+0.00%	+0.38%
COPPER (LME)	8,271.76	+0.00%	▲0.15%
IRON ORE (CN)	133.25	▲0.53%	+0.28%
GOLD	2,026.00	▲0.17%	▲1.49%
OIL (WTI)	73.57	+0.22%	+1.22%

Three Take-aways:

- 1) US equities closed marginally higher while UST yields remain elevated as oil prices rise.
- 2) China Premier Li Qiang attempts to stabilise equities will infuse 2 way risks for CNH and EM-Asia FX.
- 3) BoJ's hold is not a comfortable equilibrium but a necessary one awaiting wage outcomes.

On the Side?

- While US equities managed to close 0.2-0.3% higher, it was more of crawling sideways than outright ascendancy as markets await the BoJ today and ECB later this week. Similarly, UST yields stayed elevated with 2Y yields ending just 0.7bp higher while 10Y yields down 1.7bp.

- Not everyone is on the side, Brent Crude prices have just recovered to above \$80/barrel alongside further escalation of US-UK airstrikes on Houthi targets in Yemen.

- While the aim is to "disrupt and degrade" the Houthis' military capabilities, the near term risks of retaliation in the Red Sea and spillover to the wider Middle East conflict remains elevated.

- In FX, the USD continues to retain traction amid soft landing hopes. EUR was unable to sustain above 1.09 with ECB likely to pushback on rate cut bets on Thursday. The JPY traded sideways ahead of BoJ (See below). AUD dropped towards mid-65 cents while USD/SGD remains buoyed above 1.34.

Taking Charge ?

- China's stock rout has prompted Premier Li Qiang to embark on more measures to stabilise China equities. Given the multi year lows, the need for a rescue will not be doubted.

- Given that the details are scant, the risk is that the measures may provide inadequate which then exposes the depth of confidence deficit further undermining their goal for stability.

- CNH remains on a tentative mode to take ques from China equities as a proxy for confidence and as such infuses two way risk for EM-Asia FX.

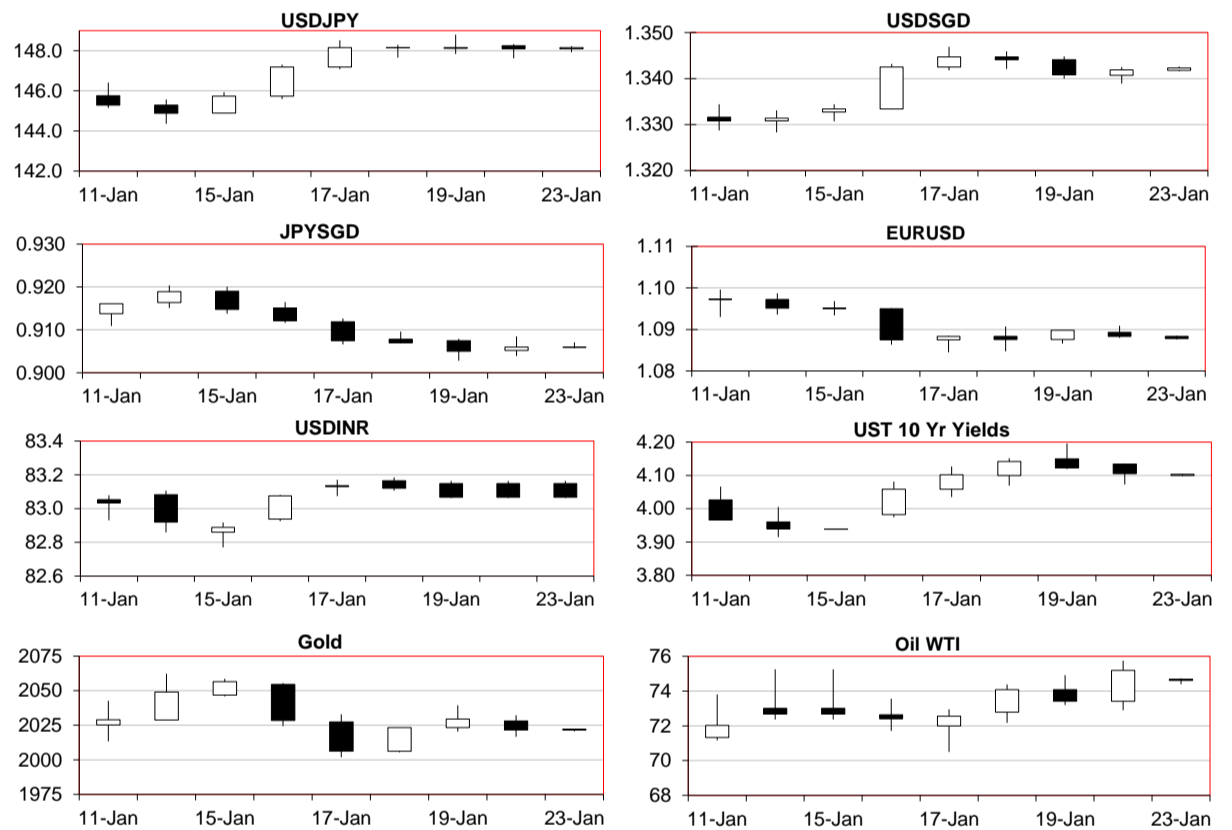
BoJ: Holding Horses

- Incoming evidence not only validates, but reinforces, a policy hold.

- BUT the case for the BoJ to hold its horses is not a reflection of a comfortable equilibrium.

OVERNIGHT RESULTS

(MY) CPI YoY (Dec): 1.5% (Mkt: 1.5%; Nov: 1.5%) | (CH) 1Yr/5 Loan Prime Rate: 3.45%/4.20%; (Mkt: 3.45%/4.20%; Prev: 3.45%/4.20%) | (TW) Unemployment Rate (Dec): 3.4% (Mkt: 3.4%; Nov: 3.4%) | (TW) Export Orders YoY (Dec): -16.0% (Mkt: -0.1%; Nov: 1.0%) | (US) Leading Index (Dec): -0.1% (Mkt: -0.3%; Nov: -0.5%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.15	EUR/USD	1.0878
USD/SGD	1.3423	USD/THB	35.63
JPY/SGD	0.9061	USD/MYR	4.731

Forecast

USD/JPY	147.20 - 148.90
EUR/USD	1.0780 - 1.0920
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	56.00 - 56.40
USD/THB	35.40 - 35.90

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	5	0

- Rather, it is an expression of dynamic tensions between conflicting policy objectives/risks.

- Admittedly, the Noto earthquake has decisively relegated calls for tightening tweaks to Q2 2024 rather than in Jan. But to be fair, the BoJ was never going to rush into removing accommodation.

- For one, the BoJ is yet to be convinced about "virtuous" underlying demand-pull dynamics being restored to longer-term -2% inflation target once the price shocks are faded.

- This would have necessarily required assessing the Shinto wage negotiations and allowing for sufficient "airing" of data even for a calibration (not hiking cycle) out of NIRP to ZIRP.

- What's more, with global energy prices heading lower, the cost-push pipeline looks less threatening. And hence, the trade-off function (between growth and JPY buffer against imported inflation) is rendered less acute. In other words, the BoJ need not hasten to hoist the JPY up.

- Finally, while the Fed, ECB and BoE have yet to fully relent to rate cuts in the horizon, the BoJ will only be too aware that a sudden pivot by the other Major central banks will disproportionately pile appreciation pressures on the JPY as yield and carry unwind conspire to amplify FX moves.

- Knowing this, it is prudent to not hasten any policy tweak that may be construed as tightening.

- So as to avert over-tightening from the FX leg of monetary conditions down the road, the BoJ is fully justified in exercising restraint currently. Some additional JPY weakness currently may be the necessary trade-off to avoid inconvenient and undesirable JPY surge later.

FX Daily Outlook

- EUR/USD: Pressured below 1.09 as wage outcomes appear uncertain with EZ strikes.

- USD/JPY: Potential to surge towards 149 as BoJ hold may come with usual prudence on policy move.

- USD/SGD: Sideways around 1.34 as China woes contend with impending MAS decision next week.

- AUD/USD: CNH wobbles imply that durability above 66 cents remains limited.

TODAY'S EVENTS

(KR) PPI YoY (Dec): 1.2% (Nov: 0.6%)

(SG) CPI/Core YoY (Dec): (Mkt: 3.5%/3.0%; Nov: 3.6%/3.2%) | (TW) Industrial Production YoY (Dec): (Mkt: -0.3%; Nov: 2.5%)

(EZ) Consumer Confidence (Jan P): (Mkt: -14.3; Dec: -15.0) | (US) Richmond Fed Mfg Index (Jan): (Mkt: -6.0; Dec: -11.0)

Central Banks: BoJ Policy Meeting

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.