

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.55	148.35	+0.25	+1.16
EUR	1.0908	1.0854	▼0.0029	▼0.0021
AUD	0.6599	0.6580	+0.0010	▼0.0004
SGD	1.3383	1.3413	▼0.0006	▼0.0012
CNY	7.1708	7.1718	▼0.0191	▼0.0159
INR	83.09	83.16	+0.09	+0.08
IDR	15638	15630	▼5	+39
MYR	4.7275	4.7277	▼0.0031	+0.0332
PHP	56.16	56.16	▼0.13	+0.33
THB	35.58	35.69	+0.02	+0.32

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.128%	+2.3 bp	+7.0 bp
JPY (10YR)	0.671%	+1.3 bp	+7.1 bp
EUR* (10YR)	2.352%	+6.2 bp	+9.4 bp
AUD (5YR)	3.826%	▼5.1 bp	+4.6 bp
SGD (5YR)	2.868%	▼0.7 bp	+17.7 bp
CNY (5YR)	2.395%	+0.8 bp	▼2.8 bp
INR (5YR)	7.103%	+0.5 bp	+3.8 bp
IDR (5YR)	6.468%	+1.4 bp	▼3.9 bp
MYR (5YR)	3.561%	+0.1 bp	+0.0 bp
PHP (5YR)	6.018%	▼0.4 bp	+12.5 bp
THB (5YR)	2.431%	+0.2 bp	+1.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,905.45	▼0.25%	+1.46%
N225 (JP)	36,517.57	▼0.08%	+2.52%
STOXX 50 (EU)	4,465.91	▼0.32%	+0.44%
ASX (AU)	4,095.09	▼0.08%	▼0.95%
STI (SG)	3,135.25	▼0.44%	▼1.56%
SHCOMP (CN)	2,770.98	+0.53%	▼4.25%
SENSEX (IN)	70,370.55	▼1.47%	▼3.77%
JSE (ID)	7,256.23	+0.11%	+0.19%
KLSE (MY)	1,496.11	+0.33%	+0.15%
PSE (PH)	6,621.88	+0.58%	▼0.23%
SET (TH)	1,356.54	▼0.98%	▼3.22%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	268.20	+0.47%	+1.48%
COPPER (LME)	8,312.00	+0.70%	+0.53%
IRON ORE (CN)	134.54	+0.69%	+0.63%
GOLD	2,029.28	+0.37%	+0.04%
OIL (WTI)	74.37	▼1.09%	+2.72%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.26	EUR/USD	1.0857
USD/SGD	1.3410	USD/THB	35.69
JPY/SGD	0.9045	USD/MYR	4.724

Forecast

USD/JPY	147.20 - 148.90
EUR/USD	1.0800 - 1.0930
AUD/USD	0.6520 - 0.6640
USD/SGD	1.3380 - 1.3450
JPY/SGD	0.8986 - 0.9137
USD/CNH	7.1500 - 7.2100
USD/INR	83.00 - 83.40
USD/IDR	15600 - 15750
USD/MYR	4.713 - 4.740
USD/PHP	56.00 - 56.40
USD/THB	35.45 - 35.86

Today's Direction

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

Three Take-aways:

- 1) Conviction is short in these markets amid emerging soft spots; China risks remain large.
- 2) BoJ calculus and justifiable caution harden the notion that bullish JPY triggers will be Fed-driven.
- 3) BNM's policy hold is the "sweet spot", which reflects the economic/financial stability tight spot.

Short Conviction, Long Doubt

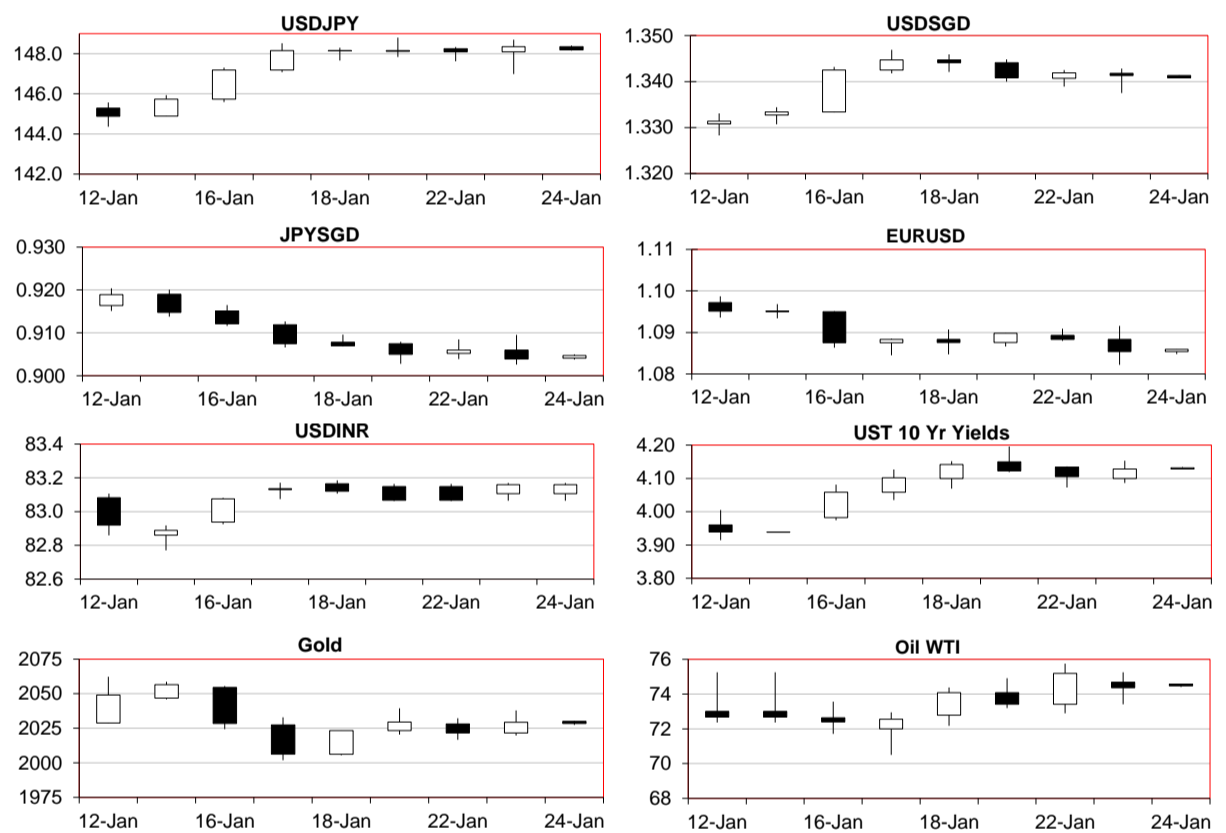
- Whispers of a CNY2trln (~\$279bn) rescue package as part of Premier Li Qiang's "forceful" steps to backstop China's beleaguered stock market are *welcome, but met with healthy skepticism*.*
- Sufficiency and commitment are two dimensions of doubt amid policy opacity and conflicts.
- Initial CNH backstop may as such be tentative; as is traction in Chinese equities.
- Elsewhere, soft survey/sentiments data from US and Europe lend to caution; and favour USD.

Why JPY is Still a "BoJ Problem with a Fed Solution"

- For most on-lookers, the **BoJ stuck with to script, maintaining status quo**. For some others, there were *arguably nascent signs of conceding in-coming tightening* calibration. But for JPY, it was **all but inconsequential**; with initial JPY gains to test 147 reverting to 148 and then some.
- Us? We double down on our view that JPY (weakness) is a **"BoJ problem with a Fed solution"**.
- First, is the **conditionality** attached to any calibration away from current policy accommodation.
- Specifically, the pre-condition of being assured of virtuous demand-pull inflation dynamic to durably sustain 2% target biases policy to err on the side gradualism and patience.
- In turn, this will **naturally limit scope for rate/policy differentials to boost JPY**.
- Second, is the *post-earthquake, wage negotiation-premised timing caveat* deferring calibration to April/Q2 and beyond. By which time, the chances are that JPY (and wider FX) shifts are **more likely to be driven by** growing focus on overriding (competitive) **pivot in the West**.
- Finally, the **baked in YCC tweaks that have already front-loaded initial policy calibration**.
- With the *widened YCC ceiling* now "flexibly" *accommodating 10Y JGB yields around 1%*, preferred **initial calibration, out of NIRP (-0.10%) to ZIRP (0%) will arguably not have an immediate impact on the YCC ceiling**. And by extension **not offer yield-driven JPY boost**.
- Bottom-line being, **major bullish JPY boost will most likely be from emphatic Fed pivot, accentuated via JPY crosses by competitive (ECB/BoE) pivot**.

OVERNIGHT RESULTS

 (SG) CPI/Core YoY (Dec): 3.7%/3.3% (Mkt: 3.5%/3.0%; Nov: 3.6%/3.2%) | (TW) Ind Pdn YoY (Dec): -4.0% (Mkt: -0.3%; Nov: 2.5%)
 (EZ) Consumer Confidence (Jan P): -16.1 (Mkt: -14.3; Dec: -15.1) | (US) Richmond Fed Mfg (Jan): -15 (Mkt: -8; Dec: -11)

Past Two Weeks Movement


- At which time, too much JPY strength too soon may be the new bug bear. This validates BoJ preference to move very cautiously/gradually; in turn, underpinning "Fed solution" end game.

BNM: Sweet or Tight Spot?

- At first glance a hold by BNM looks to be the **policy sweet spot** that straddles opposing risks.
- But that is **perverse** a reflection of the **economic tight spot** that policy-makers are confronted with; replete with *downside risks to growth mount* (as revealed in underwhelming GDP) on one hand, and the *threat of inflation flare* from diminished subsidies on the other.
- What's more, scope for *additional fiscal tailwinds from oil* revenues are **nearly exhausted**.
- Tellingly, marginal growth uptick in Q4'23 (3.4% vs Q3 3.3%) may well mask a **modest QoQ contraction (s/adj)**; upping pressures for planned infrastructure projects to deliver and for more inward investments (particularly to enhance and deepen industry) to be realized.
- The urgent need for private sector boost/multipliers to kick in is at least partly a reflection of the **inherent fiscal conflict between the need for consolidation and obligation to backstop**.
- In turn, this **amplifies the (monetary) policy dilemma for the BNM**; as there is *diminished fiscal "give" to pick up policy mis-calculations* one way or another.
- Crucially, **at stake is ringgit stability**; agnostic in punishing fiscal slippages or premature rate cuts, and outright antagonistic to any sign of political wobbles.
- The upshot is that global bets on **Fed pivot does not mechanically place ringgit in a sweet spot**, especially as China and CNH risks roll on; **nor does it extricate the BNM from a tight spot**, between the need growth relief without compromising price/MYR stability.

FX Daily Outlook

- EUR/USD: Soft data and economic risks to keep EUR on back foot; watch 1.08 support.
- USD/JPY: Post-BoJ boost has fizzled quickly amid firm UST yields; wider mid-147 to mid-148 range.
- USD/SGD: CNH derived SGD boost may be shallow; so sub-1.34 may be bought ahead of MAS.
- AUD/USD: Despite CNH boost, AUD lift is limited by wider uncertainties; mid-0.65 consolidation.

TODAY'S EVENTS

 (JP) Trade Balance (Dec): ¥62.1b (Mkt: ¥122.6b; Nov: ¥-780.4b)
 Central Banks: BNM Policy Meeting

* Please see Mizuho Chart Speak - China Equities: Why the Pain May be More Intense This Time, 23 Jan 2024

https://www.mizuhogroup.com/binaries/content/assets/pdf/singapore/macro/ad-hoc/chart/mizuho_cs_china-equities-pain_240123.pdf

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