

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.79	147.51	▼0.84	▼0.65
EUR	1.0874	1.0885	+0.0031	+0.0002
AUD	0.6584	0.6577	▼0.0003	+0.0025
SGD	1.3400	1.3397	▼0.0016	▼0.0050
CNY	7.1701	7.1580	▼0.0138	▼0.0383
INR	83.16	83.13	▼0.03	▼0.00
IDR	15721	15710	+80	+70
MYR	4.7348	4.7315	+0.0038	+0.0143
PHP	56.33	56.32	+0.15	+0.39
THB	35.75	35.68	▼0.01	+0.18

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.176%	+4.8 bp	+7.4 bp
JPY (10YR)	0.717%	+4.6 bp	+10.0 bp
EUR* (10YR)	2.342%	▼1.0 bp	+2.6 bp
AUD (5YR)	3.849%	+2.3 bp	+1.2 bp
SGD (5YR)	2.856%	▼1.2 bp	+9.7 bp
CNY (5YR)	2.378%	▼1.7 bp	▼3.1 bp
INR (5YR)	7.099%	▼0.4 bp	+1.2 bp
IDR (5YR)	6.494%	+2.6 bp	▼4.3 bp
MYR (5YR)	3.561%	+0.0 bp	▼3.3 bp
PHP (5YR)	6.005%	▼1.3 bp	+10.5 bp
THB (5YR)	2.417%	▼1.4 bp	▼0.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,806.39	▼0.26%	+1.45%
N225 (JP)	36,226.48	▼0.80%	+2.11%
STOXX 50 (EU)	4,564.11	+2.20%	+3.66%
ASX (AU)	4,120.13	+0.61%	+1.18%
STI (SG)	3,153.33	+0.58%	+0.35%
SHCOMP (CN)	2,820.77	+1.80%	▼0.45%
SENSEX (IN)	71,060.31	+0.98%	▼0.62%
JSE (ID)	7,227.82	▼0.39%	+0.38%
KLSE (MY)	1,504.10	+0.53%	+0.86%
PSE (PH)	6,679.96	+0.88%	+1.63%
SET (TH)	1,381.19	+1.82%	+0.04%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.99	+1.04%	+3.02%
COPPER (LME)	8,312.00	+0.00%	+1.69%
IRON ORE (CN)	135.30	+0.56%	+2.51%
GOLD	2,013.89	▲0.76%	+0.38%
OIL (WTI)	75.09	+0.97%	+3.49%

### Three Take-aways:

- 1) UST yields higher as markets await Q4 GDP; US equities mixed as earning season continues.
- 2) PBoC's RRR cut could give equities a temporary lift; but confidence deficit still persists.
- 3) ECB set to hold as it awaits more conviction on dis-inflation process.

### Awaiting

- **US equities traded mixed** (S&P500: +0.1%; Dow: -0.3%; Nasdaq: +0.4%), as investors awaited further earning reports while in contemplation of the uneven growth potential across different sectors. The bifurcation was seen in tech, communication services and energy leading the indexes higher, while other sectors dipped.

- Meanwhile, **UST yield curve moved higher** (2Y: +5.0bps; 10Y: +4.8bps) as markets adjusted for the possibility of stronger US growth (Q4 GDP awaits tonight) and consequentially a more long-drawn high interest rate environment before the Fed embarks on rate cuts.

- Notably, **PMI data surprised to the upside**. Apart from a stronger expansion to services PMI, manufacturing PMI printed a slight expansion, defying market expectations of a worsening contraction from December.

- The **USD softened** against the G10 but the higher UST yields backstopped. **EUR** had to give up some gains (slipping back below 1.09) from its better-than-expected EZ manufacturing PMI print, albeit still in contraction. In Asia, **USD/SGD** moved slightly below the 1.34 handle.

- **USD/JPY** remained below 148 for most of the session despite the climb in UST yields in a likely indication of ramped up bets for BoJ pivots.

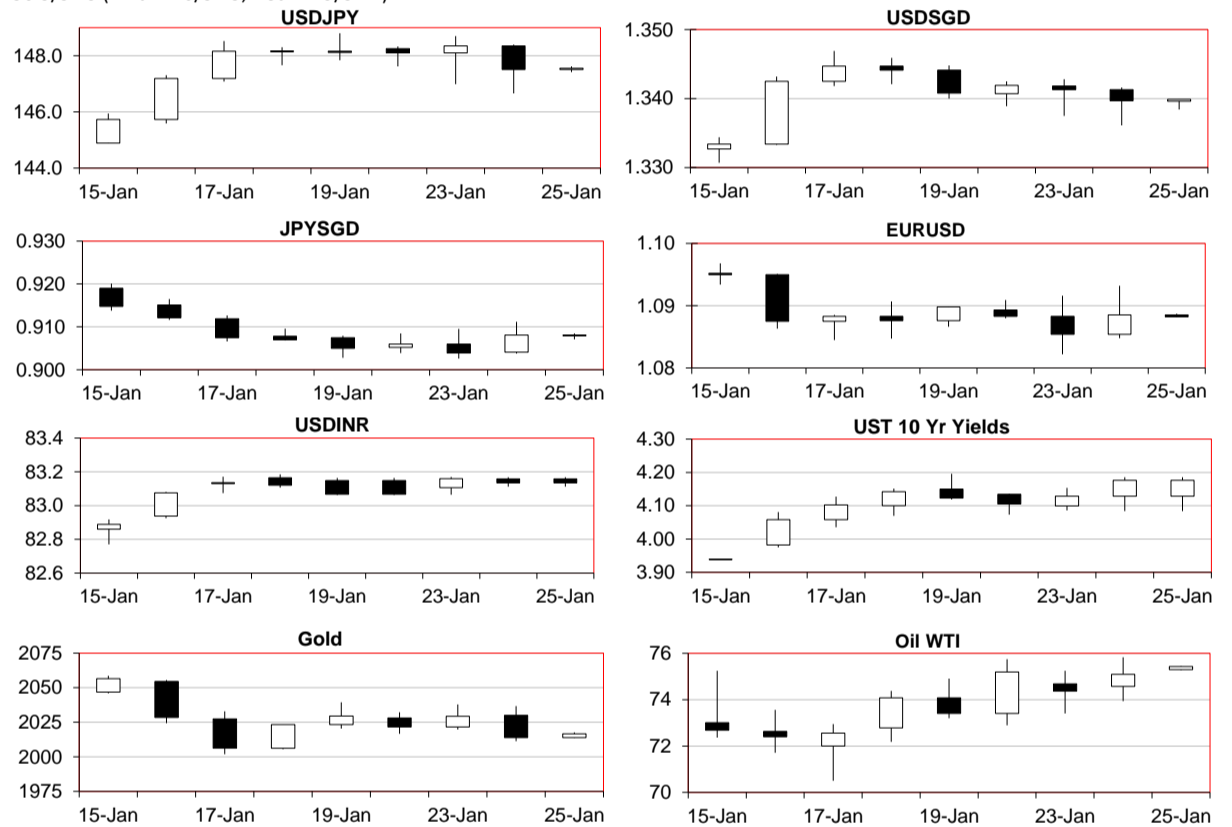
- **AUD** bucked the trend and weakened against the greenback unable to sustain above 66 cents.

- Elsewhere, **PBoC announced a 0.5pp cut in the RRR, effective 5 Feb** to provide 1tn yuan in long-term liquidity to the market. As we had alluded to, RRR cuts by the PBoC was just a matter of time with the overhang of sluggish demand.

- While RRR cuts is arguably a tad more efficacious (compared to MLF cuts) in boosting the supply side of credit, this move does not absolve China of the "liquidity trap", as **confidence deficit remains the main stumbling block to reviving growth**. That said, equity markets may take a temporary lift, but a more meaningful recovery would await further concrete support measures.

### OVERNIGHT RESULTS

(EZ) **ECB Woodcock Mkt Services PMI (Jan P):** 46.6/48.4 (Mkt: 44.7/49.0; Dec: 44.4/48.8) | (US) **S&P Global US Mfg/Services PMI (Jan P):** 50.3/52.9 (Mkt: 47.6/51.5; Dec: 47.9/51.4)



## 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	#N/A N/A

### Forecast

USD/JPY	146.50 - 148.70
EUR/USD	1.0780 - 1.0950
AUD/USD	0.6520 - 0.6640
USD/SGD	1.3350 - 1.3450
JPY/SGD	0.8978 - 0.9181
USD/CNH	7.1100 - 7.1800
USD/INR	83.00 - 83.40
USD/IDR	15600 - 15800
USD/MYR	4.720 - 4.750
USD/PHP	56.10 - 56.60
USD/THB	35.55 - 36.00

### Today's Direction

	Bull	:	Bear
USD/SGD	3	:	4
USD/JPY	5	:	2

### ECB: Policy & Inflation Conviction

- For the ECB's policy meet, they are **expected to keep policy rates unchanged**. Even for the March meeting, OIS pricing for a 25bp rate cut indicates a probability of less than 20%.

- For sure, **EZ inflation picture has improved** as headline CPI declined to 2.9% YoY in December 2023, a sharp decline from the 8.6% YoY in Jan 2023. Furthermore, **EZ inflation expectations** in the ECB's words has declined noticeably to 3.2%. Despite highlighting the progress made, the **ECB has refrained from displaying conviction on arriving at their 2% goal**.

- For now, it may be important to make a subtle distinction between conviction on inflation and on policy moves. Headline inflation, at 2.9%, remains some distance from the ECB's target.

- **Externally**, geo-political conflicts impose risks of higher energy cost, higher shipping costs and possible trade disruptions adds to the lack of conviction on inflation, while **Domestically**, the ECB has opted to highlight **the need to observe the mid-2024 wage developments in the EZ** before having any meaningful discussion on rate cuts.

- In addition to **wage driven price pressures which possibly denting ECB's conviction on their inflation timeline**, the simple fact is that this allows more time for the dis-inflation to play out.

- What's more, "last mile" dis-inflation challenges counsel "an inflation buffer" (closer to target) in order to be have more conviction around policy moves.

- All in, the **ECB will be mindful not to prematurely undo the hard won inflation anchor**; as it could cost more to restore the anchor and credibility. **So expect rate cut pushback to persist**.

### FX Daily Outlook

- EUR/USD: Rate cut pushback supports; but expectations of strong US growth caps rally above 1.09.

- USD/JPY: Cautious re-test of 148 on US growth and bets for BoJ policy normalisation tussle.

- USD/SGD: CNH and positioning for MAS tempers momentum above mid-1.34 (on strong US growth).

- AUD/USD: Backstop near 65 cents on oil spillovers from Red Sea tensions.

### TODAY'S EVENTS

(KR) **GDP YoY (4Q A): 2.2% (Mkt: 2.1%; 3Q: 1.4%)** | (GE) IFO Business Climate/Expectations (Jan): (Mkt: 86.6/84.8; Dec: 86.4/84.3) | (JP) Machine Tool Orders YoY (Dec F): (prelim: -9.9%) | (US) Initial Jobless/Continuing Claims (Mkt: 200k/1823k; prev: 187k/1806k) | (US) Durable Goods Orders/Nondef Ex Air (Dec P): (Mkt: -1.5%/0.1%; Nov: 5.4%/0.8%) | (US) **GDP Annualized QoQ (4Q A): (Mkt: 2.0%; 3Q: 4.9%)** | (US) Chicago Fed Nat Activity Index (Dec): (Mkt: 0.1; prev: 0.0)

**Central Bank Policy Decision: ECB Main Refinancing Rate**

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