

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.65	147.66	+0.15	▼0.50
EUR	1.0888	1.0846	▼0.0039	▼0.0030
AUD	0.6584	0.6585	+0.0008	+0.0012
SGD	1.3392	1.3402	+0.0005	▼0.0039
CNY	7.1636	7.1739	+0.0159	▼0.0224
INR	83.11	83.12	▼0.02	▼0.00
IDR	15830	15825	+115	+205
MYR	4.7313	4.7315	+0.0000	+0.0125
PHP	56.54	56.55	+0.23	+0.71
THB	35.72	35.73	+0.05	+0.13

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.118%	▼5.8 bp	▼2.4 bp
JPY (10YR)	0.746%	+2.9 bp	+9.5 bp
EUR* (10YR)	2.290%	▼5.2 bp	▼5.9 bp
AUD (5YR)	3.851%	+0.2 bp	▼4.0 bp
SGD (5YR)	2.908%	+5.2 bp	+12.3 bp
CNY (5YR)	2.353%	▼2.5 bp	▼4.9 bp
INR (5YR)	7.086%	▼1.3 bp	▼0.7 bp
IDR (5YR)	6.569%	+7.5 bp	+6.7 bp
MYR (5YR)	3.561%	+0.0 bp	▼3.6 bp
PHP (5YR)	6.002%	▼0.3 bp	+10.5 bp
THB (5YR)	2.437%	+2.0 bp	▼0.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,049.13	+0.64%	+1.55%
N225 (JP)	36,236.47	+0.03%	+2.17%
STOXX 50 (EU)	4,582.26	+0.40%	+2.90%
ASX (AU)	4,122.73	+0.06%	+1.04%
STI (SG)	3,147.64	▼0.18%	+0.25%
SHCOMP (CN)	2,906.11	+3.03%	+2.12%
SENSEX (IN)	70,700.67	▼0.51%	▼0.68%
JSE (ID)	7,178.04	▼0.69%	▼1.03%
KLSE (MY)	1,504.10	+0.00%	+1.68%
PSE (PH)	6,673.50	▼0.10%	+2.50%
SET (TH)	1,376.09	▼0.37%	▼0.13%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	272.40	+0.52%	+2.61%
COPPER (LME)	8,477.50	+0.06%	+3.08%
IRON ORE (CN)	135.42	+0.09%	+1.34%
GOLD	2,020.84	+0.35%	▲0.12%
OIL (WTI)	77.36	+3.02%	+4.43%

Three Take-aways:

- 1) ECB rate hold with softer hawkish tones from Lagarde sank EUR as markets raise bets on April cut.
- 2) US GDP outperformance buoyed US equities home in on soft landing prospects as UST yields plunge.
- 3) MAS to hold on Monday amid inflation-growth tensions. IDR weakness on political uncertainty.

Softening?

- While the ECB kept rates on hold, markets viewed ECB President Lagarde as having a softer tone on rates amid her signals on the possibility of a rate cut in summer, stabilising wages and declining job vacancies. EUR sank below mid-1.08 as swaps price in a 75% probability of an April cut.

- Across the Atlantic, markets were honed in on soft landing prospects as US GDP outperformance came with a lower than expected GDP deflator. US equities were buoyed as 2Y UST yields drop 8.7bp. "Competitive pivot" and US exceptionalism saw Greenback retain traction despite lower UST yields. USD/JPY above mid-147. AUD below 66 cents. USD/SGD consolidating around 1.34.

MAS Watch: Dynamics Tensions

- The MAS is set to hold (29th Jan). And the accompanying language may turn less overtly hawkish; although proper shift to "neutral" will be conditional on continued dis-inflation.

- But rather than comfort with equilibrium around the balance of risks, the hold will underscore intensifying dynamic tensions; between growth-inflation risks.

- On one hand, sticky inflation remains an inconvenient bugbear despite broader dis-inflation trend; with end-2024 price pressures re-accelerating across headline and core. The underlying dis-inflation, flattered by a high base, may be challenged by spots of global geo-political cost-push flares colliding with tighter services capacity and "hotter" wealth flows, stoking "second-round" risks. Inadvertently, these interactions result in greater inflation dynamic uncertainties even with what ought to have been one-off effects of administrative (GST/carbon taxes) cost hikes.

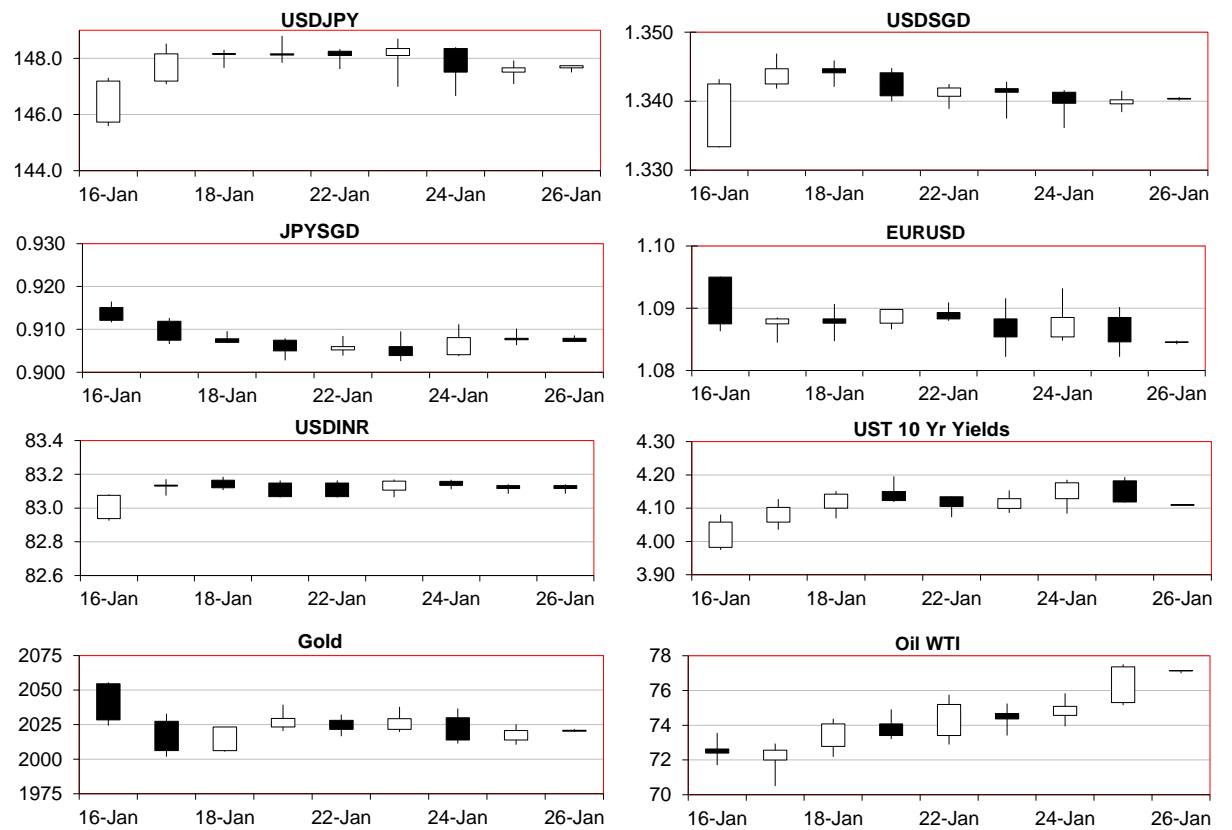
- As for growth, hopes of US "soft landing" and bottoming chips/electronics must confront inconvenient but immutable headwinds from lagged tightening associated with elevated global rates, heightened geo-political uncertainties and rolling political shifts across regions.

- For now though, despite foreseeable Fed pivot, it is a far higher bar for the MAS to ease.

OVERNIGHT RESULTS

(GE) IFO Business Climate/Expectations (Jan): 85.2 (Mkt: 86.6/84.8; Dec: 86.4/84.3) | (US) Initial Jobless/Continuing Claims: 212k (Mkt: 200k/182.3k; prev: 187k/180.6k) | (US) Durable Goods Orders/Nondef Ex Air (Dec P): 0.0%/0.3% (Mkt: -1.5%/0.1%; Nov: 5.4%/0.8%) | (US) GDP Annualized QoQ (4Q A): 3.3% (Mkt: 2.0%; 3Q: 4.9%) | (US) Chicago Fed Nat Activity Index (Dec): -0.15 (Mkt: 0.1; prev: 0.0)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.73	EUR/USD	1.0846
USD/SGD	1.3404	USD/THB	35.75
JPY/SGD	0.9074	USD/MYR	4.732

Forecast

USD/JPY	147.50 - 148.50
EUR/USD	1.0780 - 1.0900
AUD/USD	0.6520 - 0.6620
USD/SGD	1.3350 - 1.3440
JPY/SGD	0.8990 - 0.9112
USD/CNH	7.1100 - 7.1900
USD/INR	83.00 - 83.20
USD/IDR	15750 - 15850
USD/MYR	4.720 - 4.750
USD/PHP	56.20 - 56.60
USD/THB	35.60 - 36.00

Today's Direction

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

- Simply because absent an adverse (level) shock to demand, a step down in S\$NEER will be unacceptably inflationary from large (imported) price shocks. The current* 2% S\$NEER slope remains not just appropriate, but necessary to anchor inflation expectations. Meanwhile, a rich S\$NEER means that scope for further (relative) SGD out-performance is highly constrained. Retention of hawkish bias may allow for a very modest 10-20bp of SGD bump-up (all else equal) whereas balanced remarks to lingering downside risks will likely fade any such SGD out-run.

IDR: Political Overhang

- The IDR closed 0.7% weaker against USD despite BI's FX intervention to support the currency yesterday. This was on the back of rumours on cabinet ministers contemplating resignation, the most notable being current Finance Minister Indrawati, who steered the budget deficit back within 3% of GDP post-pandemic and is widely seen as a pair of steady hands for the economy.

- The perhaps outsized IDR reaction on the cabinet rifts allude to underlying concerns on policy continuity post-elections even if the front-runner Prabowo (who has been vocal in continuing Jokowi's policy directions and is perceived to have Jokowi's backing) wins on 14 Feb.

- Fact is, Jokowi's perceived backing of a candidate not from PDI-P party and higher expenditure requirements of Prabowo's pledges risks potential fiscal slippages and political friction.

- With IDR trading at levels (>15810) last seen when BI initiated a surprise 25bps hike in the Oct meeting, the pressure is for BI to continue intervening as political uncertainty might be prolonged. While a further hike is not our base case, it cannot be completely ruled out.

FX Daily Outlook

- EUR/USD: Soft Lagarde sets the tone for slippage towards 1.08.

- USD/JPY: Lower UST yields aid sideways around mid-147-mid-148.

- USD/SGD: With MAS set to hold alongside lower UST yields, mild slippage towards 1.34 on the cards.

- AUD/USD: RBA worries on inflation may assist 65 cents backstop.

TODAY'S EVENTS

(SG) Industrial Production YoY (Dec): (Mkt: 1.0%; Nov: 1.0%) | (PH) Trade Balance (Dec): (Mkt: -\$4450m; Nov: -\$4694m) | (US) PCE Deflator/Core YoY (Dec): (Mkt: 2.6%/3.0%; Nov: 2.6%/3.2%) | (US) Personal Income/Spending (Dec): (Mkt: 0.3%/0.5%; Nov: 0.4%/0.2%) | (US) Kansas City Fed Manf. Activity (Jan): (Mkt: -3; Dec: -1)

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