

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.67	146.92	▼0.69	▼0.59
EUR	1.0817	1.0818	▼0.0027	▼0.0067
AUD	0.6573	0.6568	▼0.0034	▼0.0009
SGD	1.3406	1.3408	+0.0015	+0.0011
CNY	7.1811	7.1689	▼0.0089	+0.0109
INR	83.06	83.04	▼0.07	▼0.09
IDR	15797	15780	+0	+70
MYR	4.7307	4.7330	+0.0057	+0.0015
PHP	56.30	56.30	▼0.11	▼0.02
THB	35.48	35.47	+0.10	▼0.21

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.912%	▼12.0 bp	▼26.4 bp
JPY (10YR)	0.732%	+1.5 bp	+1.5 bp
EUR* (10YR)	2.166%	▼10.2 bp	▼17.6 bp
AUD (5YR)	3.608%	▼14.6 bp	▼24.1 bp
SGD (5YR)	2.830%	▼1.6 bp	▼2.6 bp
CNY (5YR)	2.294%	+0.5 bp	▼8.4 bp
INR (5YR)	7.076%	▼0.9 bp	▼2.3 bp
IDR (5YR)	6.507%	▼1.7 bp	+1.3 bp
MYR (5YR)	3.540%	▼0.2 bp	▼2.1 bp
PHP (5YR)	5.987%	▼0.7 bp	▼1.8 bp
THB (5YR)	2.367%	+1.5 bp	▼5.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,150.30	▼0.82%	+0.91%
N225 (JP)	36,286.71	+0.61%	+0.17%
STOXX 50 (EU)	4,648.40	▼0.31%	+1.85%
ASX (AU)	4,173.06	▼0.39%	+1.28%
STI (SG)	3,153.01	+0.09%	▼0.01%
SHCOMP (CN)	2,788.55	▼1.48%	▼1.14%
SENSEX (IN)	71,752.11	+0.86%	+0.97%
JSE (ID)	7,207.94	+0.22%	▼0.28%
KLSE (MY)	1,512.98	+0.02%	+0.59%
PSE (PH)	6,646.44	+0.37%	▼0.50%
SET (TH)	1,364.52	▼0.63%	▼1.21%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	272.41	▲0.58%	+0.53%
COPPER (LME)	8,511.75	+0.00%	+0.46%
IRON ORE (CN)	135.13	▲0.10%	▲0.13%
GOLD	2,039.52	+0.12%	+1.27%
OIL (WTI)	75.85	▼2.53%	+1.01%

**Three Take-aways:**

- 1) The "good (inflation progress) but not great(er confidence)" FOMC effectively rules out March cut.
- 2) Equities tumble on Mar pushback, but USTs rally on 2024 rate cut bets; real rates buoy USD?
- 3) India's Budget consolidation is rupee consolation; but may fall short of credit upgrade triggers.

**FOMC: Not Assured ...**

- As understatements go, **markets were left unassured** as **Fed Chair Powell effectively ruled out a March cut; and that's despite** biasing the next move to a cut, likely not too far off. It appears that for equity markets lusting instant gratification, Powell's refrain about **"not (being) assured"** that the **"work is done" in getting inflation "sustainably" down to 2%**, proved disappointing.

- Especially as Powell qualified that despite **"growing confidence" about dis-inflation from "six months of good inflation (data)"** and **"substantial progress"**, **"greater confidence"** was sought.

- Equities plunged (S&P: -1.6%; Nasdaq: -2.2%) in response to post-FOMC **dial-back in March rate cut probability** (Fed Fund futures/OIS) from **~50% late last week to barely over a third**.

- In contrast, after initial tensions, USTs rallied; in **slight bull flattening fashion**.

- 2Y yields fell ~13bp towards 4.20% while 10Y was down ~12bp to 3.91%.

- Undeniably, **fiscal/ issuance relief featured**; as UST quarterly funding announcement suggested no more bloated issuance rest of the year. Nonetheless, **softer wage inflation data surprise played a part too**; as Q4 Employment Cost Index surprised lower at 0.9% (Mkt: 1.0%; Q3: 1.1%).

- To some extent, this mix of **relief about more controlled UST issuances** and softening wage pressures not hijacking pivot bets (that boost US asset markets) coupled with support via projected elevation of real rates kept the USD firm despite drop in (nominal) yields.

**... (about) Keeping it Real**

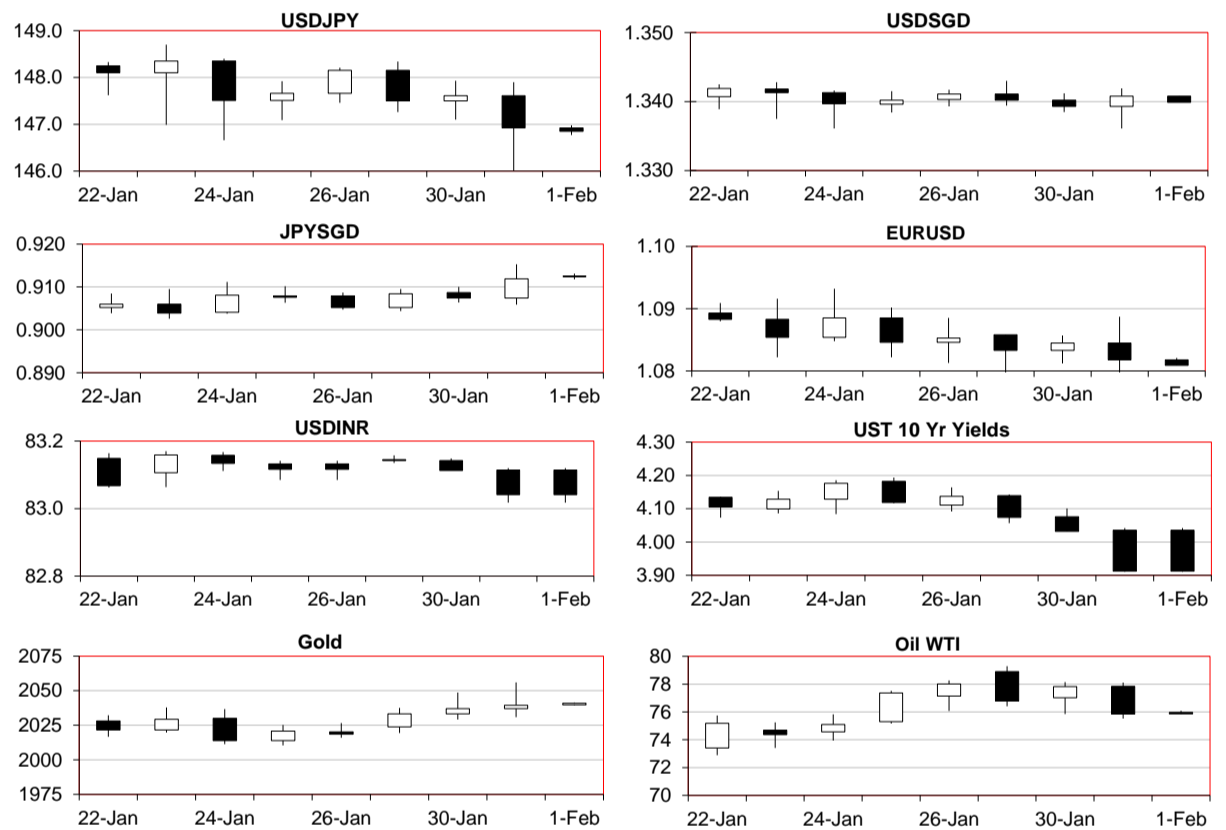
- Arguably, one might argue that shades of regional banking chills could be **"keeping it real"**, so to speak, simultaneously lowering UST yield and propping up USD on haven instinct.

- Nonetheless, in our view, it was **Fed Chair Powell who was "keeping it real"**.

- Specifically, his consistent, but nuanced, justification for **"higher for longer" real rates**.

**OVERNIGHT RESULTS**

(AU) CPI YoY (4Q/Dec): 4.1%/3.4% (Mkt:4.3%/3.7%; 3Q/Nov: 5.4%/4.3%) | (TH) C/A: \$2.11b (Mkt: \$1.06b; Nov: -\$124b) | (PH) GDP YoY (4Q): 5.6% (Mkt: 5.2%; 3Q: 6.0%) | (TW) GDP YoY (4Q): (Mkt: 4.2%; 2.3%) | (US) ADP Emp Chg (Jan): 107K (Mkt: 150k Dec:164k) | (US) MNI Chicago PMI (Jan): 46.0 (Mkt: 48.0 Dec: 47.2) | (US) Emp. Cost Index QoQ (Q4): 0.9% (Mkt: 1.0%; Q3: 10.1%)

**Past Two Weeks Movement**

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	147.37	EUR/USD	1.0843
USD/SGD	1.3394	USD/THB	35.39
JPY/SGD	0.9089	USD/MYR	4.730

**Forecast**

USD/JPY	146.50 - 148.10
EUR/USD	1.0780 - 1.0900
AUD/USD	0.6540 - 0.6650
USD/SGD	1.3360 - 1.3430
JPY/SGD	0.9021 - 0.9167
USD/CNH	7.1700 - 7.2100
USD/INR	83.00 - 83.30
USD/IDR	15760 - 15870
USD/MYR	4.720 - 4.750
USD/PHP	56.20 - 56.60
USD/THB	35.20 - 35.70

**Today's Direction**

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

- To be sure the press conference was rich with various iterations of (understandable) questioning **why the Fed was holding back on cuts**. Especially knowing that **falling inflation lifts real rates further into highly restrictive territory, far beyond "Taylor Rule" prescriptions**.

- To which, Fed Chair Powell responded, very sensibly, that the FOMC; i) **cannot mechanically cut in response to higher real rates contemporaneously to easing inflation**; as some post-pandemic distortions might still be at work, and; ii) **in "risk management mode"** endeavouring to neither cut "too soon and too much" or "too late and too little"; to durably lower inflation/ expectations

- The overarching message, on policy however is rates have **"likely peaked"** and that it is **"appropriate to dial back"** at some point this year. So, it is a matter of how soon and how much (not whether) **much to ease that pre-occupies policy calculus**.

- What's more, **"some" discussions about the pace of QT** (balance sheet run-off) at this meeting to be followed on by **"in-depth" talks on balance sheet run-off at the March FOMC** will also **likely flag coordinated dial-back of policy tightening by mid-2024**; certainly no later than Q3.

- **Nonetheless, the prospect of "higher for longer" real rates in the interim remains intact**.

- In turn, this could continue to check one-way selling in USD **even if UST yields soften further**.

**India Budget: Consolidation, Not Credit Upgrade**

- Fed take of "substantial progress" but short of greater confidence" applies to **India's Budget**.

- To be sure, top-line revenue boost from growth-driven collections despite a supportive budget **delivers both consolidation** (to sub-6% deficit) and **economic optimism**.

- **But** it is **premature to extrapolate this to imminent credit ratings upgrade** as durable improvement in revenue base needs establishing; implying **cautious rupee optimism at best**.

**FX Daily Outlook**

- EUR/USD: Fed pushback on March/Taylor Rule cuts limits EUR upside; sub-1.08 slip watched.
- USD/JPY: softer UST yields and BoJ hike bets testing sub-147; Fed restraint to limit ahead of 145.
- USD/SGD: Sub-1.34 may be reined in by a short, real Fed (rates) leash for the time being.
- AUD/USD: Softer CPI print and drop in building approvals weigh; testing mid0.65 support.

**TODAY'S EVENTS**

(AU) Building Approvals MoM (Dec): -9.5% (Mkt: 0.5%; Nov: 0.3%) | (KR) Trade Bal (Jan): \$300m (Mkt: \$1.0b; Dec: \$4.46b) | (ID) CPI/Core YoY (Dec): (Mkt: 2.5%/1.8%; Nov: 2.6%/1.8%) | (CH) Caixin PMI Mfg (Jan): (Mkt: 50.8; Dec: 50.8) | (EZ) CPI/Core YoY (Jan P): (Mkt: 2.7%/3.2%; Dec: 2.9%/3.4%) | (EZ) Unemployment Rate (Dec): (Mkt: 6.4%; Nov: 6.4%) | (US) Initial Jobless Claims (Jan 27): (Mkt: 212k; Prev Week: 214k) | (US) ISM Mfg/Prices Paid (Jan): (Mkt:47.2/46.0; Dec: 47.4/45.2) | **Central Banks: BoE Policy Meeting**

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