

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.84	146.43	▼0.49	▼1.23
EUR	1.0793	1.0872	+0.0054	+0.0026
AUD	0.6532	0.6572	+0.0004	▼0.0013
SGD	1.3412	1.3366	▼0.0042	▼0.0036
CNY	7.1835	7.1805	+0.0116	+0.0066
INR	82.99	82.98	▼0.07	▼0.14
IDR	15765	15765	▼18	▼61
MYR	4.7328	4.7302	▼0.0028	▼0.0006
PHP	56.12	56.12	▼0.18	▼0.42
THB	35.52	35.33	▼0.23	▼0.42

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.880%	▼3.2 bp	▼23.8 bp
JPY (10YR)	0.705%	▼2.7 bp	▼4.1 bp
EUR* (10YR)	2.149%	▼1.7 bp	▼14.1 bp
AUD (5YR)	3.613%	+0.5 bp	▼23.8 bp
SGD (5YR)	2.825%	▼0.5 bp	▼8.3 bp
CNY (5YR)	2.307%	+1.3 bp	▼4.6 bp
INR (5YR)	7.034%	▼4.2 bp	▼5.2 bp
IDR (5YR)	6.456%	▼5.1 bp	▼11.3 bp
MYR (5YR)	3.540%	+0.0 bp	▼2.1 bp
PHP (5YR)	5.987%	+0.0 bp	▼1.5 bp
THB (5YR)	2.372%	+0.5 bp	▼6.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,519.84	+0.97%	+1.24%
N225 (JP)	36,011.46	▼0.76%	▼0.62%
STOXX 50 (EU)	4,638.60	▼0.21%	+1.23%
ASX (AU)	4,161.89	▼0.27%	+0.95%
STI (SG)	3,143.06	▼0.32%	▼0.15%
SHCOMP (CN)	2,770.74	▼0.64%	▼4.66%
SENSEX (IN)	71,645.30	▼0.15%	+1.34%
JSE (ID)	7,201.70	▼0.09%	+0.33%
KLSE (MY)	1,512.98	+0.00%	+0.59%
PSE (PH)	6,623.01	▼0.35%	▼0.76%
SET (TH)	1,367.96	+0.25%	▼0.59%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	269.71	▲0.99%	▲0.99%
COPPER (LME)	8,425.50	▲0.88%	▲0.61%
IRON ORE (CN)	132.37	▲2.04%	▲2.25%
GOLD	2,054.99	+0.76%	+1.69%
OIL (WTI)	73.82	▼2.68%	▼4.58%

Three Take-aways:

- 1) US ISM-Mfg hit the sweet spot between surging New Orders and still contractionary headline.
- 2) Resultant "risk on" partially recoups post-FOMC equity losses, soften USD. Yields slip on ULC.
- 3) BoE dials back hawkish posture, but retains relative hawkish edge' propping up GBP.

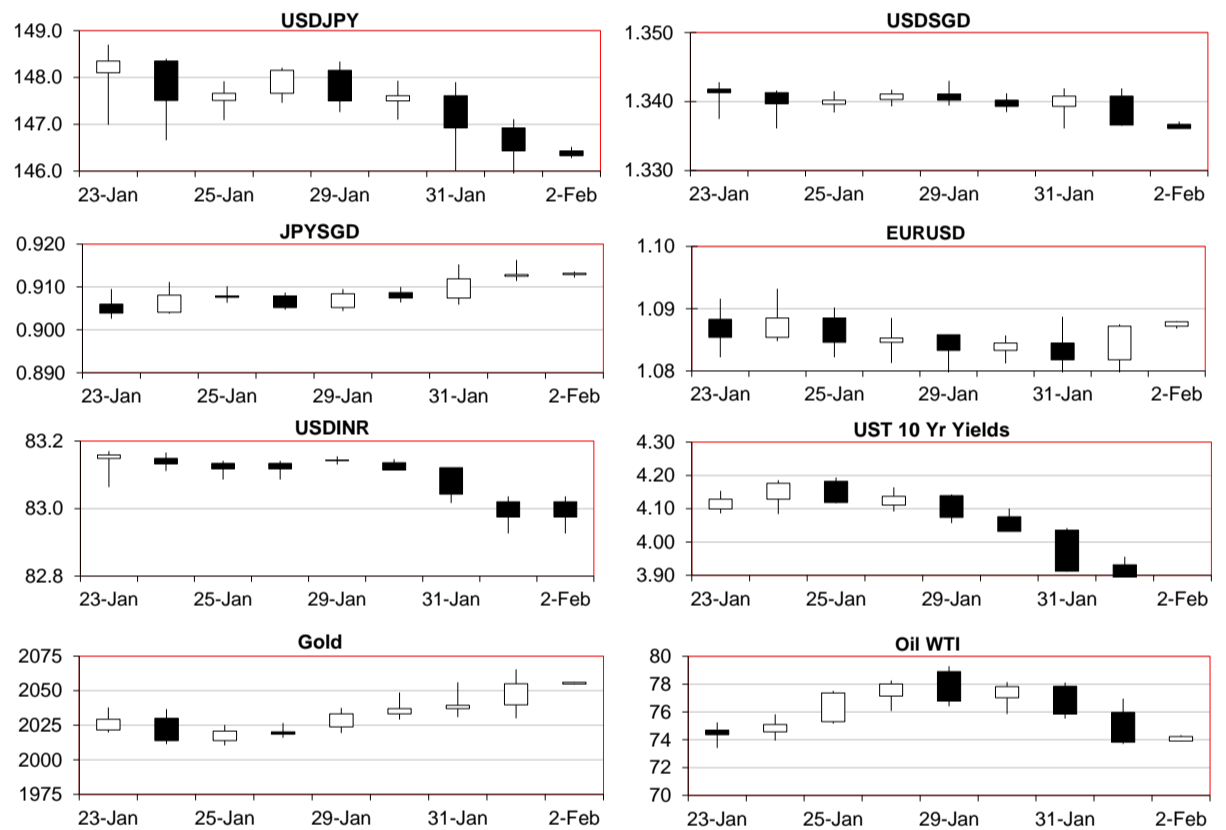
Optim-ISM

- Finding Goldilocks in a mixed bag data takes scrutiny, luck and intent; emphasis on the latter.
- Markets were arguably really intent on a positive spin to reinforce the "Goldilocks soft-landing" scenario using US ISM script; to set the stage for a 1.3% bounce in S&P500 and Nadsaq, partially recouping post-FOMC stumbles, alongside a slip in UST yields and softer USD.
- Admittedly, ISM Manufacturing found itself in a sweet spot, underscoring economic optimism about hitting the ground running from a soft-landing; consistent with room and reason to ease.
- ISM-Mfg headlines unexpectedly lifting 2-points (to 49.1), was significant improvement, but not completely shaking off contraction. This appropriately tempered the staggering 5.5-point surge in the 'New Orders' sub-component to 52.5, the highest since May 2022.
- In concert, the data combination allows for an alluring balance between the feed-through from New Orders for a pipeline pick-up in activity that accentuates the "soft" in the "soft landing", but without hijacking the "landing", which keeps the anticipation of easing (rate cuts) intact.
- What's more, the softer print in Q4 unit labour costs (ULC) of 0.5% (vs. 1.2% expectations) alongside stronger Q4 productivity gains of 3.2% (vs. 2.5% expectations) underpinned the notion of inflation risks being subdued further, setting course for Fed cuts (possibly sooner than later).
- Trouble is unqualified optimism from ISM data smacks of data cherry-picking.
- Point being, the 7.7-point acceleration in the 'Prices Paid' sub-component (from 45.2 to 52.9) of ISM underpins Fed optionality and data-dependence rather than premature pivot conviction.
- But that refrain borders on being is beside the point for market intent on "risk on" optim-ISM.
- Meanwhile, a broadly (albeit mildly) softer USD from "risk on" bolsters BoE support for GBP.

OVERNIGHT RESULTS

(ID) CPI/Core YoY (Dec): 2.6%/1.7% (Mkt: 2.5%/1.8%; Nov: 2.6%/1.8%) | (CH) Caixin PMI Mfg (Jan): 50.8 (Mkt: 50.8; Dec: 50.8)
 (EZ) CPI/Core YoY (Jan P): 2.8%/3.3% (Mkt: 2.7%/3.2%; Dec: 2.9%/3.4%) | (EZ) Unemployment Rate (Dec): 6.4% (Mkt: 6.4%; Nov: 6.4%) | (US) Initial Jobless Claims (Jan 27): 224K (Mkt: 212k; Prev Week: 214k)
 (US) ISM Mfg/New Orders/Prices Paid (Jan): 49.1/52.5/52.9 (Mkt: 47.2/48.2/46.9; Dec: 47.1/47.0/45.2)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	146.46	EUR/USD	1.0874
USD/SGD	1.3367	USD/THB	35.32
JPY/SGD	0.9127	USD/MYR	4.729

Forecast

USD/JPY	146.20 - 147.30
EUR/USD	1.0790 - 1.0920
AUD/USD	0.6530 - 0.6630
USD/SGD	1.3340 - 1.3420
JPY/SGD	0.9056 - 0.9179
USD/CNH	7.1720 - 7.1980
USD/INR	82.78 - 83.15
USD/IDR	15720 - 15780
USD/MYR	4.718 - 4.738
USD/PHP	56.00 - 56.40
USD/THB	35.15 - 35.55

Today's Direction

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

BoE Relative Hawks

- To be sure, the BoE dialed back on hawkish posturing; expressly dropping reference to the possible need for further hikes and establishing that current rate settings are sufficiently restrictive to get inflation down to 2%, and possibly even lower.
- To paraphrase BoE chief Bailey, policy focus shifts from "how high" to "how long (for)"; with the BoE explicitly alluding to a path to rate cuts within the year.
- Given this relative dovish shift (albeit on a still unequivocally hawkish stance), it would not be unreasonable to question why the GBP gained slight traction rather than modestly losing ground.
- And that's the thing about currency triggers distilled from policy. It is relative!
- Compared to peers, the BoE is relatively hawkish. Fact is, the unchanged BoE voting split (1 cut | 6 hold | 2 hike) reveals that fundamental hawkish bias is not meaningfully adulterated.
- Moreover, the BoE is not only more expressly circumspect about sustainable dis-inflation to durably hit 2% compared to the Fed and ECB, but also has to account for (and arguably lean against) potentially inflationary tax cuts and underlying C/A deficit that risk GBP stability.
- What's more, with futures baking in more than 100bp of rate cuts, the BoE does come across relatively more hawkish than markets (are betting it will be). In particular, on its assessment of policy easing scope from on-going dis-inflation. more stoic view of growth-inflation risks
- And so, near-term policy dynamics may well backstop GBP, and arguably even soften EUR/GBP, insofar that the policy divergence (vs. Fed) narrative sticks better for BoE than ECB.

FX Daily Outlook

- EUR/USD: USD slipping on "risk on" provides mild support; but likely to fade 1.09+.
- USD/JPY: Softer UST yields could provide further anchor below 147; with 146 tests next.
- USD/SGD: Sub-1.34 on a as after USD to stall below mid-1.33 amid CNH slippage risks.
- AUD/USD: Reclaiming ground back above mid-0.65 is by virtue of USD slip, not AUD bulls.

TODAY'S EVENTS

(AU) PPI YoY/QoQ (4Q): 4.1%/0.9% (3Q: 3.8%/1.8%) | (KR) CPI/Core YoY (Jan): 2.8%/2.5% (Mkt: 2.9%/2.7%; 3.2%/2.8%)
 (SG) Purchasing Managers/Electronics Index (Jan): (Dec: 50.5/50.2)
 (US) Unemployment Rate (Jan): (Mkt: 3.8%; Dec: 3.7%) | (US) Durable Goods Orders/Non Def Ex-Air (Dec F): (Prelim: 0.0%/0.3%)
 (US) Change in Non Farm Payrolls (Jan) : (Mkt: 180k; Dec: 216k)

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