

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.47	148.68	+0.30	+1.18
EUR	1.0780	1.0743	▼0.0045	▼0.0090
AUD	0.6513	0.6483	▼0.0029	▼0.0128
SGD	1.3443	1.3471	+0.0042	+0.0069
CNY	7.1976	7.1985	+0.0050	+0.0181
INR	83.04	83.06	+0.14	▼0.08
IDR	15706	15705	+47	▼105
MYR	4.7542	4.7490	+0.0320	+0.0155
PHP	56.28	56.29	+0.36	+0.00
THB	35.78	35.80	+0.55	+0.22

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.158%	+13.8 bp	+8.4 bp
JPY (10YR)	0.725%	+5.3 bp	+0.2 bp
EUR* (10YR)	2.316%	+7.5 bp	+8.1 bp
AUD (5YR)	3.721%	+12.7 bp	▼8.4 bp
SGD (5YR)	2.892%	+10.0 bp	+2.4 bp
CNY (5YR)	2.280%	▼1.5 bp	▼5.2 bp
INR (5YR)	7.062%	+4.9 bp	▼2.1 bp
IDR (5YR)	6.540%	+10.9 bp	▼1.6 bp
MYR (5YR)	3.568%	+6.4 bp	+2.2 bp
PHP (5YR)	5.985%	+0.1 bp	▼1.3 bp
THB (5YR)	2.379%	+1.8 bp	+0.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,380.12	▼0.71%	+0.12%
N225 (JP)	36,354.16	+0.54%	+0.91%
STOXX 50 (EU)	4,655.27	+0.02%	+0.34%
ASX (AU)	4,154.01	▼0.15%	▼0.45%
STI (SG)	3,134.29	▼1.43%	▼0.19%
SHCOMP (CN)	2,702.19	▼1.02%	▼6.28%
SENSEX (IN)	71,731.42	▼0.49%	▼0.29%
JSE (ID)	7,198.62	▼0.55%	+0.58%
KLSE (MY)	1,511.34	▼0.35%	▼0.27%
PSE (PH)	6,728.22	+0.31%	+1.47%
SET (TH)	1,383.93	▼0.01%	+0.56%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	268.19	+0.17%	▲0.99%
COPPER (LME)	8,374.34	+0.00%	▲0.95%
IRON ORE (CN)	127.71	▲0.23%	▲5.78%
GOLD	2,025.11	▲0.72%	▲0.40%
OIL (WTI)	72.78	+0.69%	▼5.21%

Three Take-aways:

- 1) Underlying ISM services outperformance was sharply higher prices paid and sent UST yields soaring.
- 2) USD remains bid as Fed speakers continued to push back on March rate cuts.
- 3) RBA is on track to hold as favourable CPI disinflation in December was in part due to base effects.

Serving An Ace?

- **US ISM services for January outperformed** to deliver another blow to UST bulls. In a bear steepener, 2Y UST yields soared 10.8bps while 10Y yields rose by a staggering 13.8bps.

- Nonetheless, underlying details suggest that **this may not be the (inflation) game winning ace.**

- While new orders as well as employment were encouragingly higher, the emphatic rise in respondent firms who reported **higher prices paid** for materials and services remains a worry especially with 15 out of 16 industries paying higher prices underscoring broad based pressures.

- Supplier deliveries taking longer also represents an unfortunate collision with the higher demand.

- As such, this **ISM print merely validates the continued pushback from various Fed speakers on rate cuts.** Odds of a March rate cut has declined to below 20% from 45% at the start of last week.

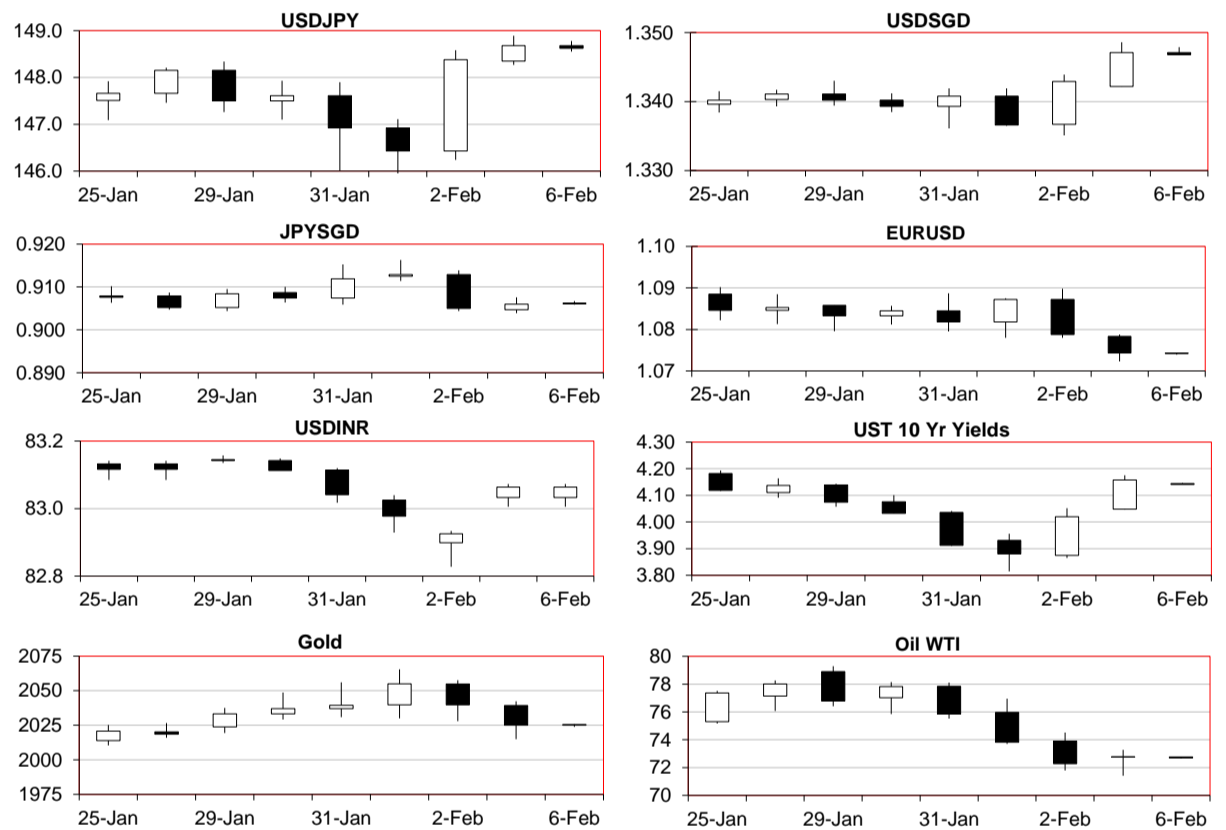
- In fact, Powell's CBS broadcast which pushed backed against March rate cut may not even have the benefit of the nonfarm payrolls as well as last night's ISM services report given that the interview was conducted on last Thursday to be aired on Sunday. **Other Fed speakers were also in a chorus of push back.** On the "softer" pushback spectrum, Chicago Fed President Goolsbee wants to keep having good inflation reports to believe that they should be on path of normalisation.

- Minneapolis Fed President Kashkari latched onto the current resilient economic conditions to put forth the case that the **neutral rates may be higher than pre-pandemic rates and consequently the current monetary policy stance is not as tight as one assumed and therefore ought to be kept tight "for longer".** US equities ceded ground as the Dow dropped 0.7% followed by the S&P500 and Nasdaq closing 0.3% and 0.2% lower respectively.

- Amid soaring UST yields, the **Greenback remains the Ace.** EUR sank towards mid-1.07. USD/JPY is hovering above mid-148, being checked by intervention risks and prospects of BoJ pivot.

OVERNIGHT RESULTS

(ID) GDP YoY (Q4): 5.0% (Mkt: 5.0% Q3: 4.9%) | (TH) CPI/Core YoY (Jan): -1.1%/0.5% (Mkt: -0.9%/0.6%; Dec: -0.8%/0.6%)
 (EZ) PPI YoY (Dec): -10.6% (Nov: -8.8%) | (US) ISM Services Index/Prices Paid (Jan): 53.4/64.0 (Mkt: 51.7/-; Dec: 50.6/57.4)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.66	EUR/USD	1.0741
USD/SGD	1.3471	USD/THB	35.77
JPY/SGD	0.9062	USD/MYR	4.752

Forecast

USD/JPY	147.50 - 149.00
EUR/USD	1.0700 - 1.0810
AUD/USD	0.6450 - 0.6550
USD/SGD	1.3420 - 1.3500
JPY/SGD	0.9007 - 0.9153
USD/CNH	7.2000 - 7.2300
USD/INR	83.00 - 83.15
USD/IDR	15700 - 15780
USD/MYR	4.750 - 4.770
USD/PHP	56.20 - 56.50
USD/THB	35.70 - 35.90

Today's Direction

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

- In EM-Asia, the USD/SGD has risen above mid-1.34 as regional peers look to stay on the backfoot against a resurgent USD. Down Under, the AUD has fallen below 65 cents which adds further discomfort for the RBA today as imported inflation may rear its ugly head soon.

RBA: Hold the Base

- After the latest December CPI print, the **RBA remains on track to hold policy rate at their meeting** today. Nonetheless, rate cuts are still off the mark.

- The dis-inflation which saw headline CPI dip to 3.4% in December from 4.3% was flattered by the high base effects (from holiday travel and electricity) from a year ago as well as lower food prices. Reflecting so, CPI ex-volatile items and holiday travel show a milder decline from 4.8% in Nov to 4.2% in Dec. In fact, **services prices showed an ominous increase of 2% MoM** which contrasted with a 0.4% MoM decline on the goods front.

- Amid the December plunge in employment driven by full time roles, the RBA will need to remain vigilant on growth risks as well.

- Retail sales contraction in December merely confirms our earlier inclinations on the November retail sales outperformance, that much of it was driven by frontloading of Christmas spending during the Black Friday sales.

- Looking ahead, policy tensions may become more acute in the near term as inadequate disinflation does not allow monetary policy normalisation to assist likely softer private consumption and growth.

FX Daily Outlook

- EUR/USD: Questioning ECB cuts may be on the cards to help 1.07 backstop.

- USD/JPY: Buoyancy above 148 remains base case as Japan wages unable to excite JPY bulls.

- USD/SGD: UST yield par back may aid sideways trading around mid-1.34.

- AUD/USD: Amid USD deference, RBA hold aids mid-64 cents consolidation at best.

TODAY'S EVENTS

(JP) Labour/Real Cash Earning YoY (Dec): 1.0%/-1.9% (Mkt: 1.4%/-1.5%; Nov: 0.7%/-2.5%)

(PH) CPI YoY (Jan): (Mkt: 3.1%; Dec: 3.9%) | (TW) CPI/Core YoY (Jan): (Mkt: 2.2%/-; Dec: 2.7%/2.4%)

(EZ) Retail Sales YoY (Dec): (Mkt: -0.8%; Nov: -1.1%)

Central Banks: RBA Policy Rate Decision

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