

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.51	147.94	▼0.74	+0.33
EUR	1.0753	1.0755	+0.0012	▼0.0090
AUD	0.6509	0.6523	+0.0040	▼0.0079
SGD	1.3452	1.3442	▼0.0029	+0.0049
CNY	7.1929	7.1901	▼0.0084	+0.0123
INR	83.04	83.06	▼0.01	▼0.06
IDR	15730	15730	+25	▼50
MYR	4.7613	4.7677	+0.0187	+0.0404
PHP	56.19	56.20	▼0.09	▼0.21
THB	35.67	35.67	▼0.13	+0.30

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.100%	▼5.8 bp	+6.8 bp
JPY (10YR)	0.723%	▼0.2 bp	+0.6 bp
EUR* (10YR)	2.292%	▼2.4 bp	+2.4 bp
AUD (5YR)	3.740%	+1.9 bp	▼1.4 bp
SGD (5YR)	2.908%	+1.6 bp	+6.2 bp
CNY (5YR)	2.335%	+5.5 bp	+4.6 bp
INR (5YR)	7.062%	+0.0 bp	▼2.3 bp
IDR (5YR)	6.529%	▼1.1 bp	+0.5 bp
MYR (5YR)	3.538%	▼3.0 bp	▼0.4 bp
PHP (5YR)	6.063%	+7.8 bp	+6.9 bp
THB (5YR)	2.367%	▼1.3 bp	+1.5 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,521.36	+0.37%	+0.14%
N225 (JP)	36,160.66	▼0.53%	+0.26%
STOXX 50 (EU)	4,690.87	+0.76%	+0.60%
ASX (AU)	4,190.18	+0.87%	+0.02%
STI (SG)	3,125.68	▼0.27%	▼0.77%
SHCOMP (CN)	2,789.49	+3.23%	▼1.45%
SENSEX (IN)	72,186.09	+0.63%	+1.47%
JSE (ID)	7,247.41	+0.68%	+0.77%
KLSE (MY)	1,512.98	+0.11%	+0.02%
PSE (PH)	6,755.26	+0.40%	+2.01%
SET (TH)	1,396.96	+0.94%	+1.73%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	269.05	+0.32%	▲1.80%
COPPER (LME)	8,293.25	+0.56%	▲2.57%
IRON ORE (CN)	126.63	▲0.85%	▲6.39%
GOLD	2,036.14	+0.54%	▲0.04%
OIL (WTI)	73.31	+0.73%	▼5.80%

**Three Take-aways:**

- 1) RBA explicit insertion of not ruling further increases underscores challenges of last mile inflation.
- 2) UST yields declined and USD softened amid opportunism and narrow focus on Mester's cut remarks.
- 3) BoT to hold rates as focus remains on core inflation given fiscal policy engineered deflation.

**Optionality, Optimism and Opportunities**

- It was only last November when the RBA dovishly modified their statement from "Some" to "Whether" further tightening of monetary policy may be required. Yesterday, the RBA's clear insertion of "a further increase in interest rates cannot be ruled out" in their monetary statement underscores the importance of acknowledging two way risks and retaining policy optionality.

- While the RBA's inclination may have supported AUD to rise above 65 cents, the broad picture of a softer USD was derived from lower UST yields as opportunistic UST bulls stepped in.

- Unsurprisingly, USD/JPY plunged below 148 as 2Y UST yields dropped 6.9bp and 10Y UST yields was 5.8bp lower. While the Fed Speak continued to push back on near term rate cuts, markets hankering for Fed pivots may have honed in on Cleveland President Mester highlighting the possibility of gaining confidence on cuts this year.

- That said, she explicitly stuck to her expectations of 75bps of cuts in 2024 which is quite a distance away from the current 120bps of cuts priced by markets this year. Whether this gap is optimism on the part of UST bulls or opportunities for UST bears remains to be seen. US equities' mild recovery reflect caution during the earnings season which continue to reveal soft spots.

- Nonetheless, the need for the Fed to retain optionality to hold for longer imply that embracing volatility is par for the course for markets.

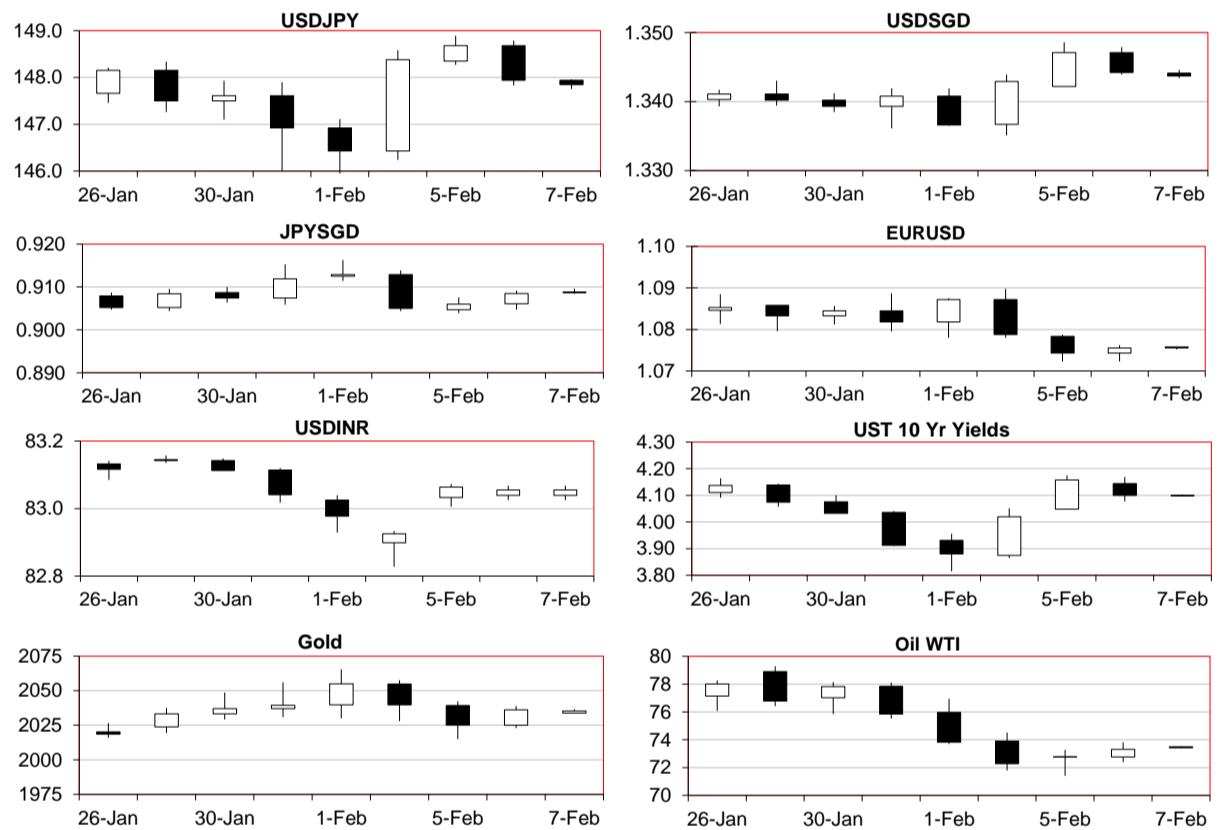
- Across the Atlantic, the EUR's feeble rise to stay just above mid-1.07 was congruent with the confirmation of expectations for EZ retail sales contraction in December.

- In EM-Asia, USD/SGD slipped below mid-1.34. The KRW will see some relief on larger current account surplus (Dec) driven by strong exports revenue and hope for continued semiconductor recovery. USD/THB weakened more than 1% this week as it awaits the BoT meeting today.

**OVERNIGHT RESULTS**

(PH) CPI YoY (Jan): 2.8% (Mkt: 3.1%; Dec: 3.9%) | (TW) CPI/Core YoY (Jan): 1.8%/1.6% (Mkt: 2.2%/--; Dec: 2.7%/2.4%)

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

**\* Past Two Weeks Movement \***

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

USD/JPY	147.83	EUR/USD	1.0757
USD/SGD	1.3438	USD/THB	35.54
JPY/SGD	0.9090	USD/MYR	4.766

**Forecast**

USD/JPY	147.50 - 148.50
EUR/USD	1.0700 - 1.0810
AUD/USD	0.6450 - 0.6550
USD/SGD	1.3420 - 1.3500
JPY/SGD	0.9037 - 0.9153
USD/CNH	7.1800 - 7.2200
USD/INR	83.00 - 83.15
USD/IDR	15700 - 15780
USD/MYR	4.750 - 4.775
USD/PHP	56.10 - 56.40
USD/THB	35.45 - 35.90

**Today's Direction**

	Bull	:	Bear
USD/SGD	1	:	2
USD/JPY	1	:	2

**Bank of Thailand: At the Core**

- Core inflation remains the core issue at the BoT's upcoming meeting this afternoon.

- Our base case is for the BoT to keep their neutral policy stance unchanged. Admittedly, the latest headline inflation print at -1.1% YoY is a relief for households as food prices fell.

- Nonetheless, the deflationary headline is not sufficient grounds for a rate cut given that core inflation stayed sticky at 0.5% YoY.

- That said, the continued contraction in manufacturing production alongside falling export revenues hint at weak external demand and the consequent drag on growth will increasingly worry policy makers. To be clear, with GDP levels already exceeding pre-Covid levels, the level of economic activity has normalised.

- Beyond the headline grabbing dissonance between the PM and BoT Governor over the Digital Wallet plans (which looks to be delayed till H2 2024), the immediate core concern is the THB weakening which worsens imported inflation at a inconvenient time of rising energy and shipping costs. A current account surplus in December is also little relief for the THB considering that it was driven by sharp import compression which offset lower exports revenue compared to November.

- The lower import expenditure was also driven by the lower energy prices in December which has now seen a resurgence with Brent crude being buoyed closer to US\$80/barrel.

- All in, the BoT will stick to their current monetary policy settings.

**FX Daily Outlook**

- EUR/USD: Consolidation around mid-1.07 as EUR weakness persist.

- USD/JPY: UST yield decline restrain recoveries below mid-148.

- USD/SGD: China rescue may allow consolidation around 1.34.

- AUD/USD: RBA optionality remains a weak impetuous for AUD rallies above mid-65 cents.

**TODAY'S EVENTS**

(KR) Current Account Balance (Dec): \$7414m (Nov: \$4059m) |

(JP) Leading Index/Coincident Index (Dec P): (Mkt: 106.3/116.1; Nov: 107.6/114.6) |

(TW) Trade Balance (Jan): (Mkt: \$8.8b; Dec: \$11.1b)

(PH) Unemployment Rate (Dec): (Nov: 3.6%) | (MY) Industrial Production YoY (Dec): (Mkt: 0.5%; Nov: 0.6%)

Central Banks: Bank of Thailand Policy Rate Decision

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