

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	150.37	150.01	▼0.12	▼0.79
EUR	1.0770	1.0808	+0.0029	+0.0099
AUD	0.6534	0.6549	+0.0009	+0.0096
SGD	1.3461	1.3436	▼0.0024	▼0.0075
CNY	7.1985	7.1925	▼0.0057	▼0.0011
INR	82.97	82.97	▼0.05	▼0.04
IDR	15666	15660	+29	+56
MYR	4.7964	4.7987	+0.0117	+0.0354
PHP	56.05	56.06	▼0.01	+0.10
THB	36.15	36.00	▼0.04	▼0.05

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.275%	▼0.4 bp	▼3.9 bp
JPY (10YR)	0.734%	▼0.1 bp	+0.6 bp
EUR* (10YR)	2.373%	▼3.8 bp	▼2.0 bp
AUD (5YR)	3.799%	▼0.6 bp	▼0.9 bp
SGD (5YR)	3.008%	▼1.2 bp	+8.5 bp
CNY (5YR)	2.286%	▼2.6 bp	▼2.5 bp
INR (5YR)	7.076%	▼1.4 bp	▼1.7 bp
IDR (5YR)	6.527%	+0.1 bp	+0.9 bp
MYR (5YR)	3.550%	▼0.3 bp	+1.4 bp
PHP (5YR)	6.069%	▼7.9 bp	+4.9 bp
THB (5YR)	2.279%	▼0.9 bp	+1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,563.80	▼0.17%	+0.76%
N225 (JP)	38,363.61	▼0.28%	+1.05%
STOXX 50 (EU)	4,760.28	▼0.06%	+1.51%
ASX (AU)	4,206.04	▼0.19%	+2.47%
STI (SG)	3,244.06	+0.56%	+3.25%
SHCOMP (CN)	2,922.73	+0.42%	+1.98%
SENSEX (IN)	73,057.40	+0.48%	+2.10%
JSE (ID)	7,352.60	+0.77%	+1.98%
KLSE (MY)	1,555.59	+1.10%	+1.58%
PSE (PH)	6,854.66	+0.82%	+0.39%
SET (TH)	1,381.07	▼0.45%	▼0.77%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.76	▲0.67%	▲0.84%
COPPER (LME)	8,423.99	+0.84%	+3.29%
IRON ORE (CN)	125.93	▲2.01%	▲2.48%
GOLD	2,024.41	+0.36%	+1.57%
OIL (WTI)	78.18	▼1.28%	+0.40%

Three Take-Aways:

- 1) The PBoC's surprise and upsized 5Y LPR cut had subdued impact on optimism.
- 2) Meanwhile, Thai PM's calls for emergency cuts undermined THB. BI will likely hold today.
- 3) FOMC Minutes to reinforce restraint, challenging USD selloff; more so, as ECB, BoE warm to cuts.

PBoC: Between Cutting & Making the Cut

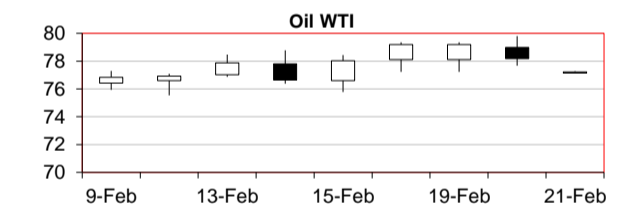
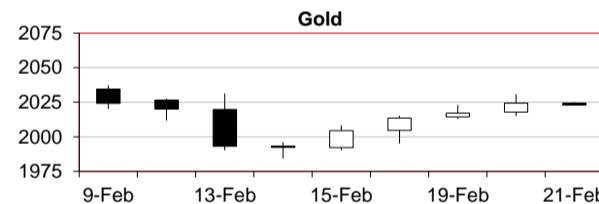
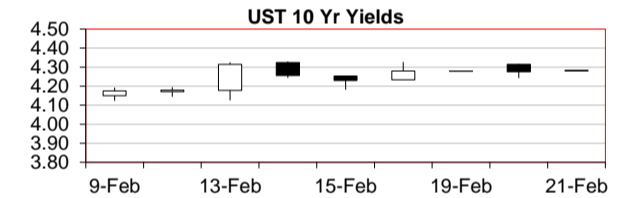
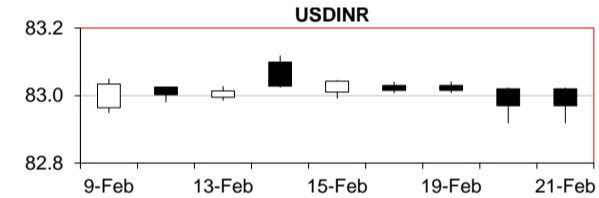
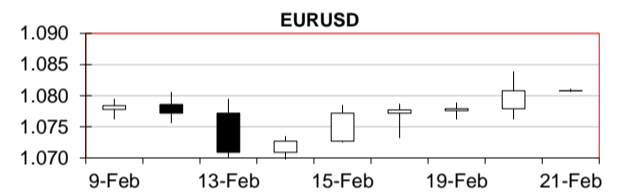
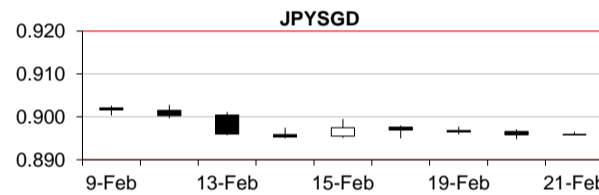
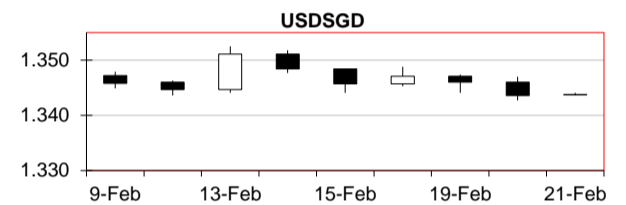
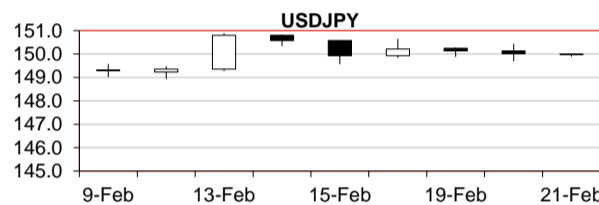
- Admittedly, the PBoC's 5Y LPR cut whilst *holding 1Y* and *holding off on MLF* rate cut earlier was a **well-calibrated, finely balanced and targeted** play. **But it seems not to have made the cut.**
- To be sure, **restraint on MLF and 1Y LPR** (widely considered the policy reference) ostensibly **anchored macro- and CNY stability**. And exceptionally large (by PBoC standards) **25bp 5Y LPR cut, considered the reference for mortgages**, is aimed at signalling relief for the property sector.
- But markets appear subdued, if not unimpressed. Partly because **25bp unevenly across rates and mortgages fall short of being a panacea** for deeply entrenched property sector woes.
- Moreover, **unwavering fiscal complement** and evidence of **unflinching property commitment to rescue** are probably **necessary pre-conditions to meaningfully restore confidence**.
- After all, **lower mortgage costs** is arguably **necessary, but not sufficient**, to revive demand.
- And while **policy-induced CNY shake-down** was **averted, confidence-driven CNH buying was not inspired**. Not by a long shot; as CNH remains exposed to wobbles on risk appetite/FOMC Minutes.

BoT Cuts: Seeking, Not Finding

- Thai Premier Srettha imploring BoT to enact an emergency rate may perversely render any cut **less effective, or worse, counter-productive**. To be sure, the PM is not wrong on economic weakness providing scope for cuts. And **to be fair, the BoT is not unaware of this either**.
- Whereas, **timing the cut to ensure hard-won dis-inflation is not squandered** is the debate.
- But the real risk is that government pressures **undermine perceptions of BoT independence**.
- In turn this may force unnecessary BoT resistance/rift or worse, dent credibility.
- **THB wobbles reflect such misgivings; and aggravate policy dilemma** amid **imported inflation** and **threats to wider macro-stability**.

OVERNIGHT RESULTS

(MY) Trade Bal (Jan): MYR10.12b (Mkt: MYR14.0b; Dec: MYR11.75b) | (US) Leading Index (Jan): (Mkt: -0.3%; Dec: -0.1%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.96	EUR/USD	1.0811
USD/SGD	1.3437	USD/THB	36.00
JPY/SGD	0.8960	USD/MYR	4.791

Forecast

USD/JPY	149.60 - 150.40
EUR/USD	1.0740 - 1.0850
AUD/USD	0.6490 - 0.6590
USD/SGD	1.3400 - 1.3480
JPY/SGD	0.8910 - 0.9011
USD/CNH	7.1950 - 7.2280
USD/INR	82.60 - 83.20
USD/IDR	15580 - 15700
USD/MYR	4.786 - 4.805
USD/PHP	55.90 - 56.30
USD/THB	35.90 - 36.28

Today's Direction

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

- **Seeking rate cuts** in this case may **not** equate to finding attendant relief. **Worse THB /macro confidence may be inadvertently lost**. All else equal, with **resultant THB curve steepening**.

FOMC Minutes: Not Time

- The overarching **FOMC Minutes take-away** must be that it is **not (yet) time to initiate rate cut**.
- **At best**, it will be **inconclusive** with **data dependence caveats** gaining prominence.
- **At worst, irrelevant**, given ex-post hot inflation and strong jobs data.
- **Either way**, it will **limit how far pivot bets can run**. Point being, with **discomfortingly hot** (both at first glance and under the hood) **inflation**, and **strong jobs** since the last FOMC, complaisance to rate reductions the Minutes, actual of perceived, will be supplanted by need for restraint.
- At the very least, **imminent (March) rate cuts get blown off**. Potentially even the bar for rate cuts in May and June cuts may be nudged higher; and so **pivot bets turn more tentative**.
- Hence, **pre-FOMC Minutes pullback in USD**, may have **limited scope to extend aggressively**; even if USD strength moderation may be tempering overdone post-CPI/PPI pick-up.

Not Sooner (than ECB, BoE or BoC)

- Especially if **fresh bearish USD bets** are **curtailed by the ECB's pronouncements on encouraging wage (dis)-inflation dynamics** and **BoE's suggestions of quicker policy response** (to dis-inflation).
- Point being, with the **ECB and BoE now unlikely to meaningfully lag Fed cuts, one-dimensional** FX expression of **Fed pivot** as **USD weakness is challenged** if not outright misguided.
- What's more, with **Canada's unexpectedly softer inflation**, the **BoC may go first, setting CAD up to be undermined over the USD**; whilst **EUR and GBP lack bullish policy triggers**.

FX Daily Outlook

- EUR/USD: The ECB's allusion to encouraging wage dis-inflation FOMC Minutes to restrain upside.
- USD/JPY: FOMC Minutes restraint might impede scope for sustained slippage to/below mid-149.
- USD/SGD: CNH traction key to sustaining low-1.34; short leash for sub-1.34.
- AUD/USD: RBA Minutes maintained hawkish option, not conviction, so 66 cents a step too far.

TODAY'S EVENTS

(JP) Trade Balance (Jan): -¥1758.3b (Mkt: -¥1855b; Dec: ¥68.9n) | (KR) PPI YoY (Jan): (Dec: 1.2%)

(AU) Wage Price Index YoY (4Q): (Mkt: 4.1%; 3Q: 4.0%) | (JP) Machine Tool Orders YoY (Jan F): (Prelim: -16.1)

(EZ) Consumer Confidence (Feb P): (Mkt: -15.5; Jan: -16.1)

Central Bank Policy Decisions: Bank Indonesia ==> **Expect a hold on Political Rupiah Backstop**: Inadvertent as it may be, Bank Indonesia benefits from relative rupiah stability from averting extended political uncertainty as well as assumed policy continuity. This however just makes for a more comfortable hold, not a free pass for a cut. (details below)

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