

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	150.13	150.30	+0.29	▼0.28
EUR	1.0811	1.0819	+0.0011	+0.0092
AUD	0.6564	0.6551	+0.0002	+0.0060
SGD	1.3433	1.3440	+0.0004	▼0.0044
CNY	7.1868	7.1912	▼0.0013	▼0.0024
INR	82.91	82.97	+0.00	▼0.06
IDR	15646	15635	▼25	+40
MYR	4.7938	4.7943	▼0.0044	+0.0078
PHP	55.95	55.96	▼0.10	▼0.15
THB	35.84	35.85	▼0.20	▼0.28

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.319%	+4.3 bp	+6.3 bp
JPY (10YR)	0.726%	▼0.8 bp	▼2.7 bp
EUR* (10YR)	2.450%	+7.7 bp	+11.3 bp
AUD (5YR)	3.780%	▼1.9 bp	▼12.2 bp
SGD (5YR)	3.018%	+1.0 bp	▼3.8 bp
CNY (5YR)	2.283%	▼0.3 bp	▼2.8 bp
INR (5YR)	7.062%	▼1.4 bp	▼4.9 bp
IDR (5YR)	6.512%	▼1.5 bp	▼0.6 bp
MYR (5YR)	3.560%	+1.0 bp	+0.4 bp
PHP (5YR)	6.083%	+1.4 bp	+6.6 bp
THB (5YR)	2.254%	▼2.5 bp	▼4.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	38,612.24	+0.13%	+0.49%
N225 (JP)	38,262.16	▼0.26%	+1.48%
STOXX 50 (EU)	4,775.31	+0.32%	+1.40%
ASX (AU)	4,180.19	▼0.61%	+1.14%
STI (SG)	3,217.11	▼0.83%	+2.49%
SHCOMP (CN)	2,950.96	+0.97%	+2.97%
SENSEX (IN)	72,623.09	▼0.59%	+1.11%
JSE (ID)	7,349.02	▼0.05%	+1.93%
KLSE (MY)	1,552.40	▼0.21%	+1.51%
PSE (PH)	6,897.36	+0.62%	+0.62%
SET (TH)	1,393.61	+0.91%	+0.61%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.01	+1.20%	+1.41%
COPPER (LME)	8,456.50	+0.39%	+4.44%
IRON ORE (CN)	125.27	▲0.52%	▲3.30%
GOLD	2,025.99	+0.08%	+1.69%
OIL (WTI)	77.91	▼0.35%	+1.66%

Three Take-Aways:

- 1) FOMC minutes show restraints on cuts as dis-inflation seen as being driven by idiosyncratic movements.
- 2) UST yields rose higher amid more Fed pushback from Barkin while USD ceded little ground.
- 3) BoK to keep rates unchanged as they focus on last mile dis-inflation.

Progress, Idiosyncrasies and Momentum

- As expected, FOMC Minutes came in with a **robust dose of restraint on rate cuts**. It may be well worth noting that some of the recent **progress** on inflation has been characterised as reflecting **"idiosyncratic movements in a few series"**. In short, the dis-inflation has not been as broad based as the FOMC would have like and that the underlying drivers may not persist for longer.

- These hawkish notes assisted **UST yields to climb higher** (2Y: +5.4bp; 10Y: +4.3bp) after the initial run-up (prior to the Minutes release) alongside Richmond Fed President Barkin who stated that he is worried that **when goods deflation end, services inflation may remain sticky**.

- Furthermore, he alluded to the **data focus being on short term inflation figure rather than YoY data**. As such, the focus is on **inflation sequential momentum** and as such **January's 0.3 MoM SA print for US CPI is far from comforting** especially considering that it is **actually the average momentum recorded in 2023**.

- Weighed by the prospects of tighter policy, US equities turned in a mixed performance with the Nasdaq closing 0.3% lower while Dow and S&P 500 edged up a marginal 0.1%.

- The Greenback has also not ceded much ground after the previous night's decline. **The USD/JPY rose back above 150 on the back of higher UST yields**. The EUR remains buoyed above 1.08 as ECB's Wunsch warns against getting hopes up for early rate cuts.

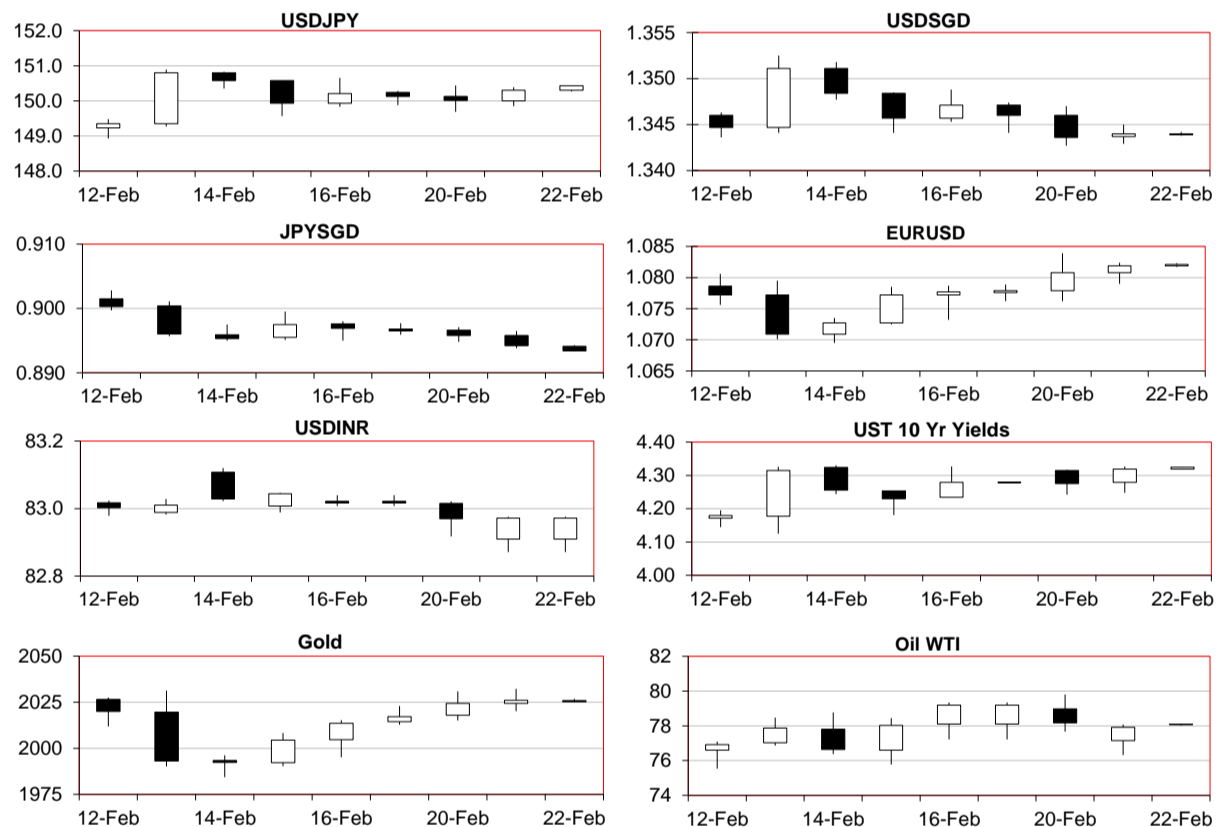
- Down Under, the AUD retains mid-65 cents after giving up gains from **stronger than expected wage growth**. This serves to underscore the RBA's tight policy tensions as robust wages and inflation contrast against prospects of softer employment.

- In EM-Asia, the USD/SGD traded sideways below mid-1.34. Bank Indonesia expectedly kept rates unchanged and highlighted continued intervention to ensure IDR stability.

OVERNIGHT RESULTS

(AU) Wage Price Index YoY (4Q): 4.2% (Mkt: 4.1%; 3Q: 4.1%) | (JP) Machine Tool Orders YoY (Jan F): -14.0% (Prelim: -14.1%)
(EZ) Consumer Confidence (Feb P): -15.5 (Mkt: -15.5; Jan: -16.1)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	150.35	EUR/USD	1.0820
USD/SGD	1.3440	USD/THB	35.88
JPY/SGD	0.8938	USD/MYR	4.795

Forecast

USD/JPY	149.70 - 150.60
EUR/USD	1.0740 - 1.0870
AUD/USD	0.6490 - 0.6590
USD/SGD	1.3400 - 1.3470
JPY/SGD	0.8898 - 0.8998
USD/CNH	7.1800 - 7.2180
USD/INR	82.60 - 83.10
USD/IDR	15580 - 15700
USD/MYR	4.786 - 4.807
USD/PHP	55.10 - 56.20
USD/THB	35.70 - 36.10

Today's Direction

	Bull	Bear
USD/SGD	1	3
USD/JPY	4	0

BoK: Of Rates and Recovery

- The **Bank of Korea is expected to hold onto policy rates at their policy meeting today** as Governor Rhee hones in on achieving last mile dis-inflation amid nascent signs of economic recovery. Headline and core inflation in January posting 2.8% and 2.5% respectively was a relief but not outright rejoice.

- The trajectory of headline and core inflation ahead is likely to hover above 2.5% and 2.3% respectively for much of H1 with upside risks denting confidence of policy makers.

- Q4 2023 GDP outturns at 2.2% YoY on **strong net exports allowing a 6.5% YoY growth in the manufacturing sector bodes well for this year**.

- This was also reflected via the improved current account in December which recorded USD 7.4bn on record high goods balance (USD 8bn) since September 2021.

- In turn, the BoK will be in no hurry to begin policy normalisation from their current "restrictive" stance in Q1 or early Q2 as they concentrate on inflation risks. This is especially so as any dovish talk may send the KRW weaker and raises inconvenient imported inflation risks.

- Meanwhile, **the focus on financial and real estate risks have not abated** as US real estate exposure concerns on the Korean banking sector add to already prevalent project financing risk in the construction sector. While spreads between BBB- corporate bonds and Korean Treasuries at the 3Y tenor have indeed come down since the start of 2024, they remain much wider relative to pre-Covid times highlighting the risk premium necessitated by markets.

FX Daily Outlook

- EUR/USD: Two way pushback from ECB and Fed limits EUR upside scope.

- USD/JPY: Intervention risks and positive news on wage talks temper rallies above mid-150.

- USD/SGD: Stronger CNH could retain SGD traction below mid-1.34.

- AUD/USD: Hover above 65 cents with buoyant oil backstopping declines.

TODAY'S EVENTS

(ID) Current Account Balance (4Q): (Mkt: -\$96m; 3Q: -\$860m)

(EZ) CPI/Core YoY (Jan F): (Mkt: 2.8%/3.3%; Prelim: 2.8%/3.3%)

(US) Chicago National Fed Activity Index (Jan): (Mkt: -0.21; Dec: -0.15)

(US) Initial Jobless/Continuing Claims: (Mkt: 216k/1884k; Prev: 212k/1895k)

Central Bank Policy Decisions: Bank of Korea

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