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MIZUHO

DAILY MARKET REPORT

15-Nov-2023 Wednesday

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.62	150.37	▼1.35	+0.00
EUR	1.0706	1.0879	+0.0181	+0.0179
AUD	0.6370	0.6507	+0.0130	+0.0071
SGD	1.3605	1.3489	▼0.0101	▼0.0055
CNY	7.2942	7.2528	▼0.0363	▼0.0272
INR	83.33	83.33	+0.00	+0.06
IDR	15695	15695	▼5	+65
MYR	4.7200	4.7172	+0.0085	+0.0472
PHP	56.06	56.07	+0.01	▼0.06
THB	36.08	36.05	+0.05	+0.49

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.447%	▼19.3 bp	▼11.9 bp
JPY (10YR)	0.862%	▼0.9 bp	▼2.2 bp
EUR* (10YR)	2.600%	▼11.3 bp	▼5.8 bp
AUD (5YR)	4.355%	▼0.1 bp	+1.3 bp
SGD (5YR)	3.074%	▼2.0 bp	▼5.7 bp
CNY (5YR)	2.520%	+1.6 bp	▼2.1 bp
INR (5YR)	7.251%	+0.0 bp	+0.5 bp
IDR (5YR)	6.927%	+2.0 bp	+20.4 bp
MYR (5YR)	3.700%	+1.2 bp	▼1.3 bp
PHP (5YR)	6.362%	▼0.3 bp	▼20.4 bp
THB (5YR)	2.773%	+2.9 bp	▼6.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,827.70	+1.43%	+1.98%
N225 (JP)	32,695.93	+0.34%	+1.31%
STOXX 50 (EU)	4,291.72	+1.41%	+3.33%
ASX (AU)	4,056.79	+0.67%	+0.97%
STI (SG)	3,104.66	▼0.07%	▼2.18%
SHCOMP (CN)	3,056.07	+0.31%	▼0.04%
SENSEX (IN)	64,933.87	+0.00%	▼0.01%
JSE (ID)	6,862.06	+0.35%	+0.27%
KLSE (MY)	1,451.72	+0.45%	▼0.80%
PSE (PH)	6,110.88	▼0.09%	▼0.33%
SET (TH)	1,386.04	▼0.08%	▼1.58%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	277.45	▲0.06%	+0.63%
COPPER (LME)	8,144.00	+0.78%	+0.53%
IRON ORE (CN)	129.26	+0.02%	+3.19%
GOLD	1,964.29	+0.89%	▲0.26%
OIL (WTI)	78.26	+0.00%	+1.15%

Three Take-aways:
1) While disinflation was indeed pervasive, markets have inflated inferred policy inflection bets.
2) Following Q3's acceleration, the deceleration in inflation is still nascent in forming of a good runway.
3) Once positioning washes out, more realistic recalibration of Fed inflection to arrest overdone USD selling.

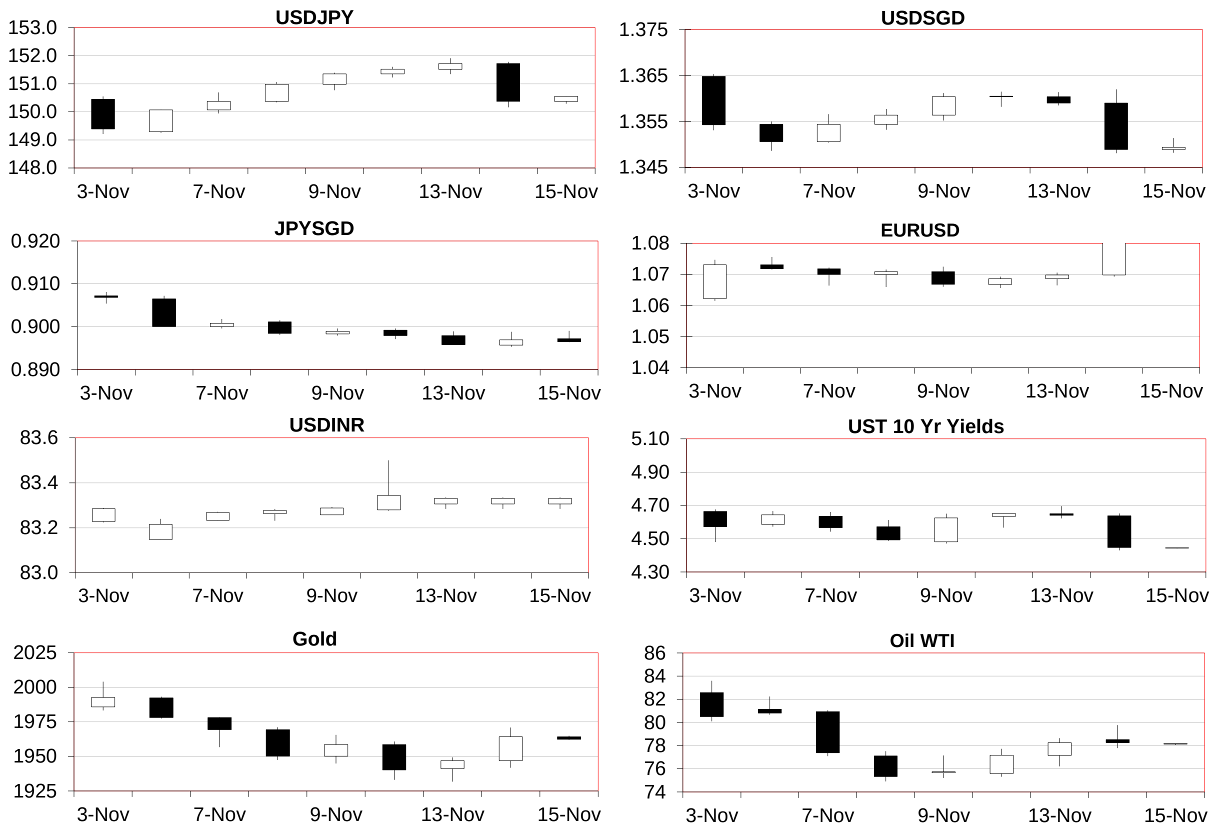
Inflated Inflection Bets

- With a sharp (>20bp) plunge in UST yields across the curve, and a staggering 1.5% instantaneous drop in the USD index, it appears **that markets have inflated the inferred policy inflection bets from softer CPI.** While the bar may be higher for another hike in December (our own call since Q3 has been for no more hikes), the Fed's key question remains whether it has done (tightened) enough, not whether it has hiked too much. Admittedly, US inflation (for Oct) cooled more than expected (to 3.2%YoY vs. 3.7% in Sep and 3.3% consensus); with slowdown just as, if not more, pronounced in sequential (MoM) measures as well.
- Moreover, **dis-inflation was more pervasive; not just in the headline, but across core measures**, including the Fed's key gauge of inner-most core services (ex-rentals).
- But the **cheer appears to be overdone on three dimensions. First**, it is premature. Fact is, this sharp deceleration following a re-acceleration in Q3 is still nascent (even if sharper than expected). And the Fed has been clear about requiring a good runway of data before changing course.
- **Second**, its policy impact is arguably over-attributed. Point being, the Fed has stressed that upside volatility embedded in inflation dynamics may be the offending latent risk requiring "higher for longer". And a month's (or for that matter even a run of) faster dis-inflation does not necessarily address upside volatility sufficiently given the context of a still tight (albeit much less so) jobs markets conspiring with a confluence of global factors still susceptible to cost shocks.
- **Finally**, long and variable lags in policy means that the mere act of halting hikes, or even embarking on careful cuts, does not negate the risk of a sudden gust of headwinds resulting in a not-so-soft landing in the economy. The over-done policy inferences of policy inflection on account of (dis-)inflation resonates with **exaggerated UST yield and USD sell-off**. For yields, the ability of markets to digest what may still be a bloat of Treasury issuances amid risks of negative ratings action (the precarious of Moody's triple-A ratings) amid fiscal fumbles may mean upside is not done just yet.

OVERNIGHT RESULTS

(GE) Zew Survey Expectations (Nov): 9.8 (Mkt: 5.0; Oct: -1.1) | **(US) CPI/Core YoY (Oct): 3.2%/4.0% (Mkt: 3.3%/4.1%; Sep: 3.7%/4.1%)**

*** Past Two Weeks Movement ***



- Especially as the Fed's focus on maintaining sufficiently restrictive rates for sufficiently long (not jumping the gun on cuts!) ought to provide temporary backstop for yields.
- As for the Greenback, once positioning washes out, a more realistic recalibration of Fed inflection (vis-a-vis other central banks) ought to arrest overdone USD selling. Especially as more pronounced US dis-inflation translates to a greater degree of real rate advantage for the USD.
- As such, the **air may thin on reflexive post-CPI EUR and AUD rallies that appear stretched.**

Australia Jobs: Loosening?

- Undeniably, heading into Australia's jobs report tomorrow, the RBA's dovish hike will still be top of mind. To recap, "some further tightening ...be required" was tweaked to "whether further tightening ... is required" and in turn dampened AUD bulls' pent up hope for further tightening.
- **Rather than move policy, this jobs report will signal whether the economy can head for a soft landing.** For one, while the labour market remain tight, **higher frequency of full time job loss observed amid poor manufacturing activity** point to **likely weakness in full time job gains** given **still subdued PMIs and contracting job advertisements** in October.
- Turning to services, while retail sales was buoyed in September, **part time employment still contain potential for moderation given the ramp up in prior hiring in September and August.** Notably, given that the retail sales bump up was more of goods rather than labour intensive services, the ensuing impact on headcount needs is likely tempered.
- All in, **this report is likely to point to looser labour market conditions.**

FX Daily Outlook

- EUR/USD: Thin air above 1.09 as post-CPI reflex fades .
- USD/JPY: Despite brief reprieve for JPY bulls, buoyancy above 150 ought to be retained.
- USD/SGD: Recovery above 1.35 par for the course as post CPI relex pondered.
- AUD/USD: Ability to hold above 65 cents will be tested by China economic data.

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	150.47	EUR/USD	1.0879
USD/SGD	1.3492	USD/THB	35.52
JPY/SGD	0.8967	USD/MYR	4.663

Forecast

USD/JPY	149.80	-	152.00
EUR/USD	1.0750	-	1.0900
AUD/USD	0.6320	-	0.6530
USD/SGD	1.3450	-	1.3550
JPY/SGD	0.8849	-	0.9045
USD/CNH	7.2500	-	7.3000
USD/INR	83.00	-	83.30
USD/IDR	15500	-	15600
USD/MYR	4.658	-	4.720
USD/PHP	55.60	-	56.00
USD/THB	35.48	-	35.70

Today's Direction

	Bull		Bear
USD/SGD	2	:	4
USD/JPY	1	:	5

TODAY'S EVENTS

(JP) GDP SA QoQ (3Q P): -0.5% (Mkt: -0.1%; prev: 1.2%) (CH) Retail Sales YoY (Oct): (Mkt: 7.0%; Sep: 5.5%) | (CH) Fixed Assets Ex Rural YTD YoY (Oct): (Mkt: 3.1%; Sep: 3.1%) | (CH) Industrial Production YoY (Oct): (Mkt: 4.5%; Sep: 4.5%) | **(AU) Wage Price Index YoY (3Q): (Mkt: 3.9%; 2Q: 3.6%)** | (ID) Exports/Imports YoY (Oct): (Mkt: -16.5%/-7.4%; Sep: -16.2%/-12.5%) | (PH) Overseas Remittances YoY (Sep): (Mkt: 2.4%; Sep: 2.7%) | (US) PPI Final Demand/Core YoY (Oct): (Mkt: 1.9%/2.7%; Sep: 2.2%/2.7%) | **(US) Retail Sales/Ex Auto and Gas MoM (Oct): (Mkt: -0.3%/0.2%; Sep: 0.7%/0.6%)** |**(US) Empire Mfg (Nov): (Mkt: -3.0; Oct: -4.6) | (EZ) Ind. Pdtn. WDA YoY (Sep): (Mkt: -6.3%; Aug: -5.1%)** | | **Central Banks:** PBoC 1Y MLF

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