

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	147.54	148.36	▼0.03	▼2.01
EUR	1.0953	1.0944	+0.0004	+0.0065
AUD	0.6572	0.6562	+0.0005	+0.0055
SGD	1.3362	1.3376	▼0.0006	▼0.0113
CNY	7.1337	7.1669	+0.0000	▼0.0859
INR	83.33	83.35	+0.00	+0.02
IDR	15451	15445	+0	▼250
MYR	4.6520	4.6607	▼0.0073	▼0.0565
PHP	55.37	55.54	+0.00	▼0.52
THB	35.17	35.12	+0.01	▼0.93

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.408%	▼1.2 bp	▼3.9 bp
JPY (10YR)	0.734%	▼1.6 bp	▼12.8 bp
EUR* (10YR)	2.611%	+0.0 bp	+1.1 bp
AUD (5YR)	4.160%	▼2.4 bp	▼19.5 bp
SGD (5YR)	2.976%	+0.0 bp	▼9.8 bp
CNY (5YR)	2.528%	+0.1 bp	+0.8 bp
INR (5YR)	7.245%	+0.0 bp	▼0.6 bp
IDR (5YR)	6.621%	▼0.3 bp	▼30.6 bp
MYR (5YR)	3.620%	+0.0 bp	▼8.0 bp
PHP (5YR)	6.235%	+0.0 bp	▼12.7 bp
THB (5YR)	2.650%	+0.0 bp	▼12.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,151.04	+0.00%	+0.93%
N225 (JP)	33,421.52	+0.10%	+2.22%
STOXX 50 (EU)	4,342.41	+0.00%	+1.18%
ASX (AU)	4,085.46	+0.00%	+0.71%
STI (SG)	3,111.58	+0.00%	+0.22%
SHCOMP (CN)	3,068.32	+0.00%	+0.40%
SENSEX (IN)	65,655.15	+0.00%	+1.11%
JSE (ID)	6,994.89	+0.00%	+1.94%
KLSE (MY)	1,456.92	+0.00%	+0.36%
PSE (PH)	6,183.63	+0.00%	+1.19%
SET (TH)	1,419.44	+0.00%	+2.41%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.62	+0.00%	▲0.30%
COPPER (LME)	8,340.25	+0.00%	+2.41%
IRON ORE (CN)	130.50	+0.12%	+0.96%
GOLD	1,981.75	+0.19%	+0.89%
OIL (WTI)	77.64	+0.05%	▼0.79%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	148.16	EUR/USD	1.0917
USD/SGD	1.3380	USD/THB	35.18
JPY/SGD	0.9030	USD/MYR	4.656

Forecast

USD/JPY	147.50 - 149.20
EUR/USD	1.0820 - 1.0960
AUD/USD	0.6450 - 0.6580
USD/SGD	1.3330 - 1.3450
JPY/SGD	0.8934 - 0.9119
USD/CNH	7.1300 - 7.2600
USD/INR	83.20 - 83.40
USD/IDR	15400 - 15550
USD/MYR	4.650 - 4.690
USD/PHP	55.30 - 55.70
USD/THB	35.00 - 35.60

Today's Direction

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

Three Take-aways:

- 1) Weaker economic activity and existing housing sales softened risk sentiments.
- 2) Reading FOMC minutes require appreciation of earlier run-up of UST yields being reversed.
- 3) EUR gains stretched as bulls hinge on conditionality of a sharp Fed turn and catch down of EZ inflation.

Context and Concerns

- FOMC minutes for November re-iterating the Fed's careful policy posture which has been communicated via various Fed speakers should really come as no surprise.
 - Given that the **run-up in UST yields prior to the November FOMC meeting** (from September) **has largely been unwound**, the FOMC minutes overstate dovish shifts. In fact, the immediate reaction from 2Y yields was a **small but observable upward spike** which subsequently conceded to the more **subdued sentiments** last night and led **UST yields to close lower**.
 - **Weaker economic activity indicator and sharp contraction in existing home sales** dampened soft landing hopes. The **weaker existing home sales** aligns with the early week uptick in building permits as **higher mortgage rates** nudge buyers towards new constructions. With the volume contraction accompanied by **higher selling prices**, the **housing** market remains concerning.
 - The **Greenback regained some ground** amid a mixed performance among G10 peers. EUR slipped back towards 1.09 (See below) and contrasted with the pound's gain despite rather similar warnings from central bankers. Here, it is important to establish that the pound had suffered from **significant recession concerns** and also that the BoE's pushback last night was on Chief Economist Pill being **mis-quoted** on the possibility of rate cuts. In Asia, USD/JPY managed to close above 148, USD/SGD above mid-1.33 while the AUD hovers around mid-65 cents.

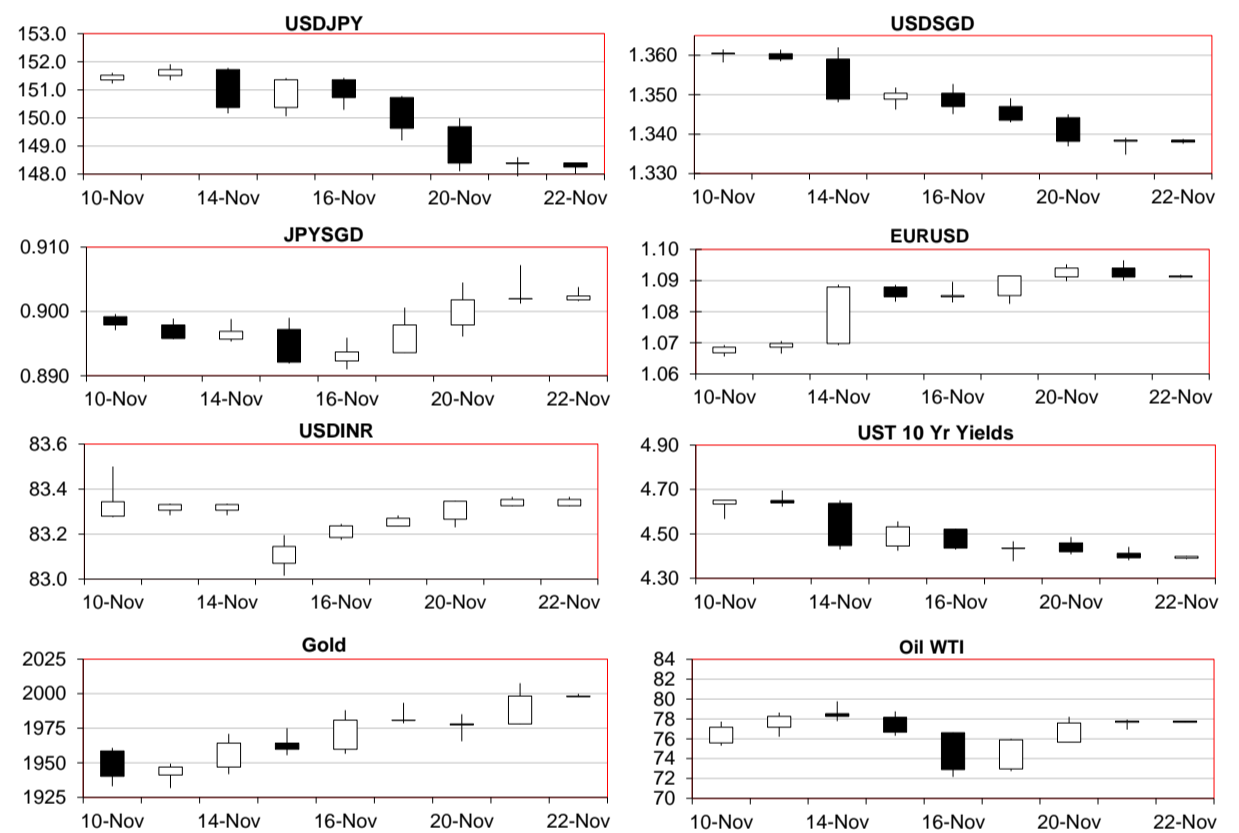
Commitment & Conditionality

- The **overarching central bank message** resonating across the Atlantic is one of **commitment to restrictive policy** to remain vigilant on inflation and **conditionality of terminal rates on more compelling evidence of enduring dis-inflation**.
 - In other words, the **Fed, ECB and BoE alike are committed to "higher for longer"** or as the ECB framed it: **"sufficiently restrictive ... for as long as necessary"**.

OVERNIGHT RESULTS

(US) Chicago Fed Nat. Activity Index (Oct): -0.49 (Mkt: 0.00; Nov: 0.02) | (US) Existing Home Sales (Oct): 3.79m (Mkt: 3.90m; Sep: 3.96m)

* Past Two Weeks Movement *



- This implied hawkish retention conveys that **rather than being prematurely smitten with the recent pullback in inflation**, central banks are **worried about the persistence of inflation**.
 - A point that squares with concerns that the **last mile to get inflation back down to 2%** will be **far more challenging**; and that an automatic linear, path down is not a given.
 - Admittedly, **lingering**, albeit tempered, **hawkish bias** was conveyed with restraint.
 - Specifically, that **further tightening, if required, ought to proceed carefully** given the scale and speed of tightening undertaken; which at the very least provide room to pause and assess.
 - But bottom-line is that **policy is skewed to assessing the sufficiency of tightening**, not priming for capitulation. Where does this leave us? Well, for one, it means that **potential for upside volatility in global yields**, while **nearing the end**, is **not conclusively exhausted**. And any disappointment in dis-inflation pace, and/or hawkish references could still squeeze yields higher.
 - What's more, **policy divergence bets** will perhaps be more nuanced, and therefore **diminished**, given further clarity that **Fed's dial back of hawkish bias was conditional on sharp surge in yields** (which have now more than reversed) **not unqualified cold feet on hawkish commitments**.
 - As a corollary, this means that the **vigorous USD sell-down on Fed pivot** (sooner than ECB and BoE) will **need to be reined in**. Instead, **shift in real rate spreads**, which may still favour the US given a confluence of Fed's "higher for longer" and sharper dis-inflation trajectory, is **set to temper stretched EUR gains**. **Commitment to EUR bulls**, will after all hinge on **conditionality of a sharp Fed turn and catch down of EZ inflation**.

FX Daily Outlook

- EUR/USD: Fiscal focus holdback recovery above mid-1.09.
- USD/JPY: Fading impulse from lower UST yields see range bound trading ahead.
- USD/SGD: CNH rallies may fade and buoy above mid-1.33.
- AUD/USD: RBA minutes unable to excite AUD bulls; sideways above 65cents.

TODAY'S EVENTS

(TW) Unemployment Rate (Oct): (Mkt: 3.4%; Sep: 3.4%) | (EZ) Consumer Confidence (Nov P): (Mkt: -17.8; -17.9)
 (US) Initial Jobless Claims: (Mkt: 227k; Prev: 231k) | (US) Uni. Of Michigan Sentiment/Expectations (Nov F): (Mkt: 60.8/-; 60.4/56.9)
 (US) Uni of Michigan 1yr/5-10yr Inflation Expectations (Nov F): (Mkt: 4.4%/3.1%; Prelim: 4.4%/3.2%)

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