

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.01	148.69	▼0.75	+0.30
EUR	1.0948	1.0954	+0.0015	+0.0014
AUD	0.6585	0.6607	+0.0022	+0.0050
SGD	1.3381	1.3368	▼0.0033	▼0.0014
CNY	7.1527	7.1528	+0.0038	▼0.0141
INR	83.38	83.38	+0.00	+0.03
IDR	15480	15495	▼70	+50
MYR	4.6786	4.6805	▼0.0072	+0.0125
PHP	55.46	55.40	+0.00	▼0.15
THB	35.15	35.11	▼0.38	▼0.00

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.387%	▼8.0 bp	▼3.3 bp
JPY (10YR)	0.778%	+0.1 bp	+2.8 bp
EUR* (10YR)	2.548%	▼9.5 bp	▼6.3 bp
AUD (5YR)	4.270%	+2.8 bp	+8.6 bp
SGD (5YR)	3.031%	+5.8 bp	+5.5 bp
CNY (5YR)	2.602%	+1.2 bp	+7.5 bp
INR (5YR)	7.254%	+0.0 bp	+0.9 bp
IDR (5YR)	6.724%	+5.4 bp	+10.0 bp
MYR (5YR)	3.642%	+1.4 bp	+2.2 bp
PHP (5YR)	6.205%	+0.0 bp	▼3.0 bp
THB (5YR)	2.708%	+1.9 bp	+5.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	35,333.47	▼0.16%	+0.52%
N225 (JP)	33,447.67	▼0.53%	+0.18%
STOXX 50 (EU)	4,354.41	▼0.40%	+0.28%
ASX (AU)	4,064.18	▼0.33%	▼0.52%
STI (SG)	3,086.42	▼0.27%	▼0.81%
SHCOMP (CN)	3,031.70	▼0.30%	▼1.19%
SENSEX (IN)	65,970.04	+0.00%	+0.48%
JSE (ID)	7,013.41	+0.05%	+0.26%
KLSE (MY)	1,448.15	▼0.40%	▼0.60%
PSE (PH)	6,269.50	+0.00%	+1.39%
SET (TH)	1,393.42	▼0.29%	▼1.83%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.48	▲0.56%	▲2.22%
COPPER (LME)	8,329.75	+0.00%	▲0.13%
IRON ORE (CN)	130.86	▲0.28%	+0.39%
GOLD	2,014.13	+0.67%	+1.82%
OIL (WTI)	74.86	▼0.90%	▼3.53%

Three Take-aways:

- 1) Healthy auction and dismal new home sales incite demand for haven USTs and sent yields lower.
- 2) Implied loosening of financial conditions will raise the bar for dis-inflation to trigger dovish Fed inflection.
- 3) BoT to stand pat as they are unlikely to concede to singular source of deflation amid poor growth.

Seeking Shelter

- The flight into haven USTs was evident given signs of **healthy demand** at US Treasury auction amid a backdrop of **disappointing new homes sales**. The slippage in risk sentiments was also evident in US equities which marginally closed lower across the board.

- Notably, the haven demand came **despite an extension of the truce between Hamas and Israel**.
- That said, beyond the current two day extension, the prospects of further ceasefire will be stretched given the realistic limits of potential hostage releases.

- Nonetheless, the overall balance last night tilts **towards prospects of more cautious Fed as the Greenback lost ground against all G10 peers driven by the lower UST yields**.

- The JPY enjoyed much of these gains as USD/JPY plunged below mid-148. In contrast, EUR made little headway as ECB's Lagarde signalled possible softening in labour market conditions. AUD's sustainability above 66 cents will hinge on ability (retail sales) and motivation (CPI print tomorrow) for the RBA to hike.

Fed Pivot: Conditionality, Not (Over-)Confidence

- Fed pivot bets ought to be **guided by conditionality of appropriately tight policy, not indulged on over-confidence** that Fed is done (premised on linear projections of dis-inflation).

- Admittedly, **signs of further dis-inflation** in PCE (especially core PCE) data **will inspire entrenchment of Fed pivot bets**, which are responsible for softer yields and USD decline.

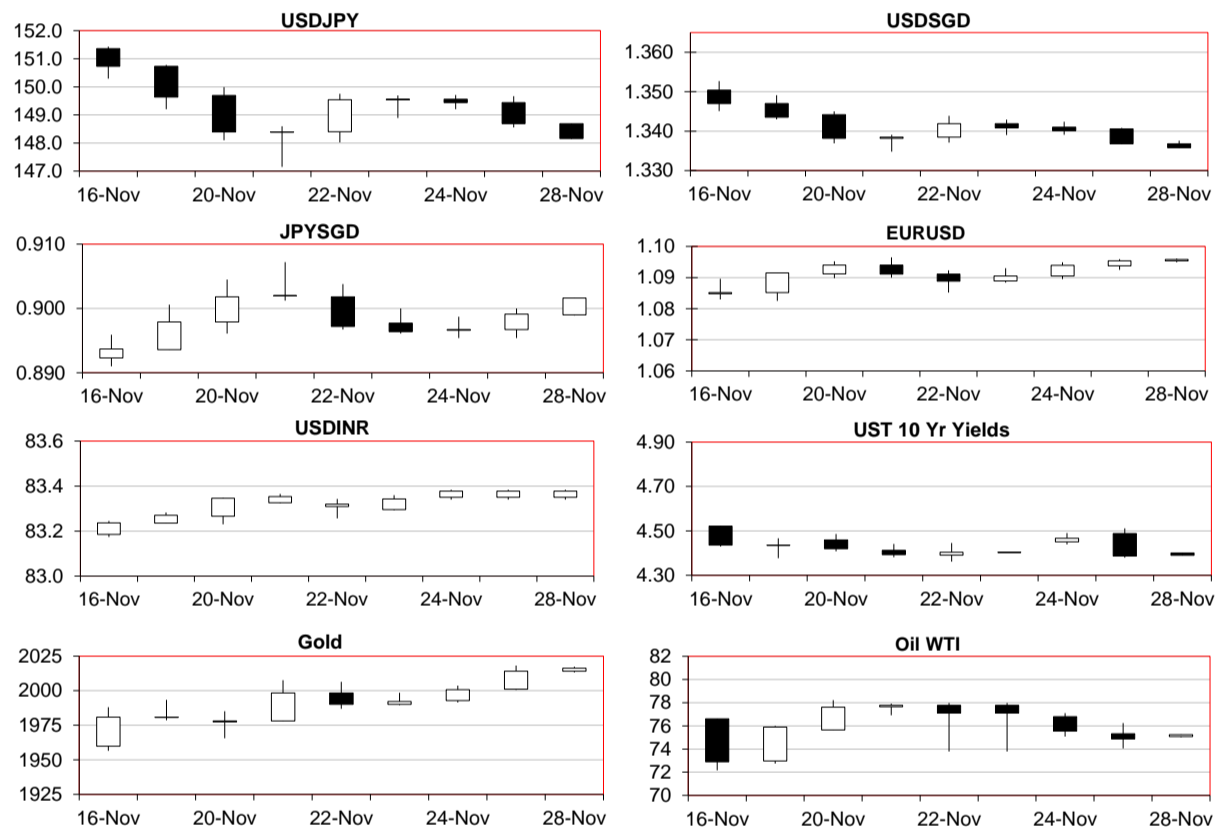
- **But we warn against static views of the Fed's propensity to dial back**. Point being, **Fed calculus to shift from tightening to neutral mode** must be appreciated as a **dynamic function**, which is crucially **tempered by extent of pullback in UST yields**. In other words, a **"negative/corrective feedback loop"** between yields and Fed pivot; whereby rising (falling) yields, with attendant tightening (loosening) in financial conditions induce (diminish) further tightening bias.

OVERNIGHT RESULTS

(CH) Industrial Profits YoY (Oct): 2.7% (Sep: 11.9%) | (TH) Customs Trade Balance (Oct): -\$832m (Mkt: \$530m; Sep: \$2090m)

(US) New Home Sales (Oct): 679k (Mkt: 723k; Sep: 759k) | (US) Dallas Fed Manf. Activity (Nov): -19.9 (Mkt: -16.0; Oct: -19.2)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	148.44	EUR/USD	1.0959
USD/SGD	1.3364	USD/THB	35.03
JPY/SGD	0.9003	USD/MYR	4.675

Forecast

USD/JPY	148.00 - 149.50
EUR/USD	1.0850 - 1.0980
AUD/USD	0.6500 - 0.6640
USD/SGD	1.3320 - 1.3450
JPY/SGD	0.8910 - 0.9088
USD/CNH	7.1100 - 7.2100
USD/INR	83.30 - 83.60
USD/IDR	15450 - 15600
USD/MYR	4.668 - 4.720
USD/PHP	55.20 - 55.60
USD/THB	35.00 - 35.40

Today's Direction

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

- Hence, it is **pertinent that the 50-60bp surge in 10Y UST yields between the Sep and Nov FOMC**, that translated into distinctly less hawkish evaluations, **has been more than reversed**. In fact, 2Y, 5Y and 10Y yields are now considerably lower (2-30bp) compared even to the Sep FOMC.

- Which means the **implied loosening of financial conditions**, in the context of sticky inflation risks, will **raise the bar for dis-inflation to trigger a dovish policy inflection**. All said, **extrapolation of the Fed's November restraint is misguided**; and pivot bets **likely overdone**.

BoT: Not Conceding

- For now, we expect the **BoT to hold firm at tomorrow's meeting and not concede to the dismal Q3 growth outturn and subdued headline inflation pressures**.

- On the surface, **headline inflation at -0.3% YoY** which puts it in deflationary territory and Q3 GDP growth at 1.5% admittedly warrants contemplating monetary accommodation.

- Nonetheless, the **main driver behind this deflation is the lower cost of fuel** in turn is a result of government's subsidies. Aside from the fiscal burden woes, the near singular source of price decline does not resemble the broad based easing which the BoT had set out to achieve.

- While Q3 GDP growth was indeed woeful **as manufacturing output posted a 1.1% point drag**, a still recovering services sector providing a 2.5% point growth support alongside private consumption's 8.1% YoY increase depicts grossly skewed growth. As such, the BoT will be wary of providing broad based support via rate cuts especially amid elevated household debt levels. Furthermore, uncertainty over fiscal stimulus plans poses pipeline inflation threats.

FX Daily Outlook

- EUR/USD: Soft economic signals add more restrains to rallies.
- USD/JPY: Stretched JPY gains may assist sideways around mid-148.
- USD/SGD: Pondering delay CNH weakness spillover over may prevent further slippage.
- AUD/USD: Retail sales may assist consolidation around 66 cents.

TODAY'S EVENTS

(KR) Retail Sales YoY (Oct): (Sep: 9.5%) | (AU) Retail Sales MoM (Oct): (Mkt: 0.1%; Sep: 0.9%)

(TW) GDP YoY (3Q): (Mkt: 2.3%; Prelim: 2.3%) |

(US) Conference Board Consumer Confidence (Nov): (Mkt: 101.0; Oct: 102.6)

(US) Richmond Fed Mfg Index (Nov): (Mkt: 1.0; Oct: 3.0)

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