

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	146.96	147.12	▼0.03	▼0.12
EUR	1.0791	1.0793	▼0.0004	▼0.0176
AUD	0.6595	0.6563	+0.0011	▼0.0054
SGD	1.3397	1.3407	▼0.0004	+0.0078
CNY	7.1570	7.1471	+0.0000	+0.0209
INR	83.30	83.39	+0.00	+0.06
IDR	15494	15505	+0	+110
MYR	4.6695	4.6740	+0.0080	+0.0220
PHP	55.30	55.31	+0.00	▼0.07
THB	35.04	34.94	+0.00	+0.13

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.171%	+0.6 bp	▼8.5 bp
JPY (10YR)	0.632%	▼3.8 bp	▼4.0 bp
EUR* (10YR)	2.247%	+0.0 bp	▼18.5 bp
AUD (5YR)	3.940%	▼11.6 bp	▼12.2 bp
SGD (5YR)	2.879%	+0.0 bp	▼4.9 bp
CNY (5YR)	2.582%	▼0.1 bp	+0.4 bp
INR (5YR)	7.224%	+0.0 bp	▼1.3 bp
IDR (5YR)	6.564%	▼0.1 bp	▼6.7 bp
MYR (5YR)	3.614%	+0.0 bp	▼1.0 bp
PHP (5YR)	6.045%	+0.0 bp	+3.1 bp
THB (5YR)	2.611%	+0.0 bp	▼0.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	36,124.56	+0.00%	+1.96%
N225 (JP)	32,775.82	+0.00%	▼1.64%
STOXX 50 (EU)	4,452.77	+0.00%	+1.88%
ASX (AU)	4,078.65	+0.00%	+0.76%
STI (SG)	3,077.16	+0.00%	▼0.24%
SHCOMP (CN)	2,972.30	+0.00%	▼1.63%
SENSEX (IN)	69,296.14	+0.00%	+3.58%
JSE (ID)	7,100.86	+0.00%	+0.92%
KLSE (MY)	1,449.46	+0.00%	+0.23%
PSE (PH)	6,308.95	+0.00%	+0.70%
SET (TH)	1,383.54	+0.00%	▼0.30%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	266.32	+0.00%	▲3.31%
COPPER (LME)	8,252.75	+0.00%	▲1.00%
IRON ORE (CN)	130.65	+0.04%	+0.19%
GOLD	2,020.20	+0.04%	▲1.18%
OIL (WTI)	72.13	▼0.26%	▼7.36%

Three Take-aways:

- 1) Dovish ECB pivots bets conspired with officials raising possibility of pondering 2024 cuts dented EUR.
- 2) Sinking oil prices underscores impotent OPEC and underlying growth worries associated with rate cuts.
- 3) KRW gains subject to China woes, subdued semi-conductor upturn and unresolved financial stability risks.

USD Conspiracy

- While much of recent headlines have been made about Fed pivot bets, it is notable that the USD index (DXY) has recouped some of the November loss and rose back above 104 from mid-102 in later November though still some way below the 107 at the start of November. It turns out market projections for a dovish ECB and relatively impotent OPEC+ were co-conspirators in the brutal drag down in yields led by the long end and also assisted USD traction.

- Across the Atlantic, markets had briefly priced in 150bp of ECB rate cuts before tempering it back slightly. Consequently, EUR was unable to hold up as it slipped towards mid-1.07. An explicit comment by French Central Bank Governor that the question of a (rate) reduction may arise in 2024 is no comfort for EUR bulls.

- Furthermore, oil sank further (Brent below US\$75/barrel, WTI below US\$70/barrel) even without any discernible fresh trigger, perhaps partly motivated by some slowdown in growth that squares with rate cuts. The lower oil prices dragged down the implied inflation expectations and sent long end yields lower (UST 10Y yield: -6.1bp) and also weighed on commodity currencies such as the NOK.

- On balance, USD held ground among G10 peers as front end yields remain relatively elevated as the lower than expected ADP employment figures contrasted with higher productivity. USD/JPY is still hovering above 147 and AUD faded back towards mid-65 cents after failing to test 66 cents.

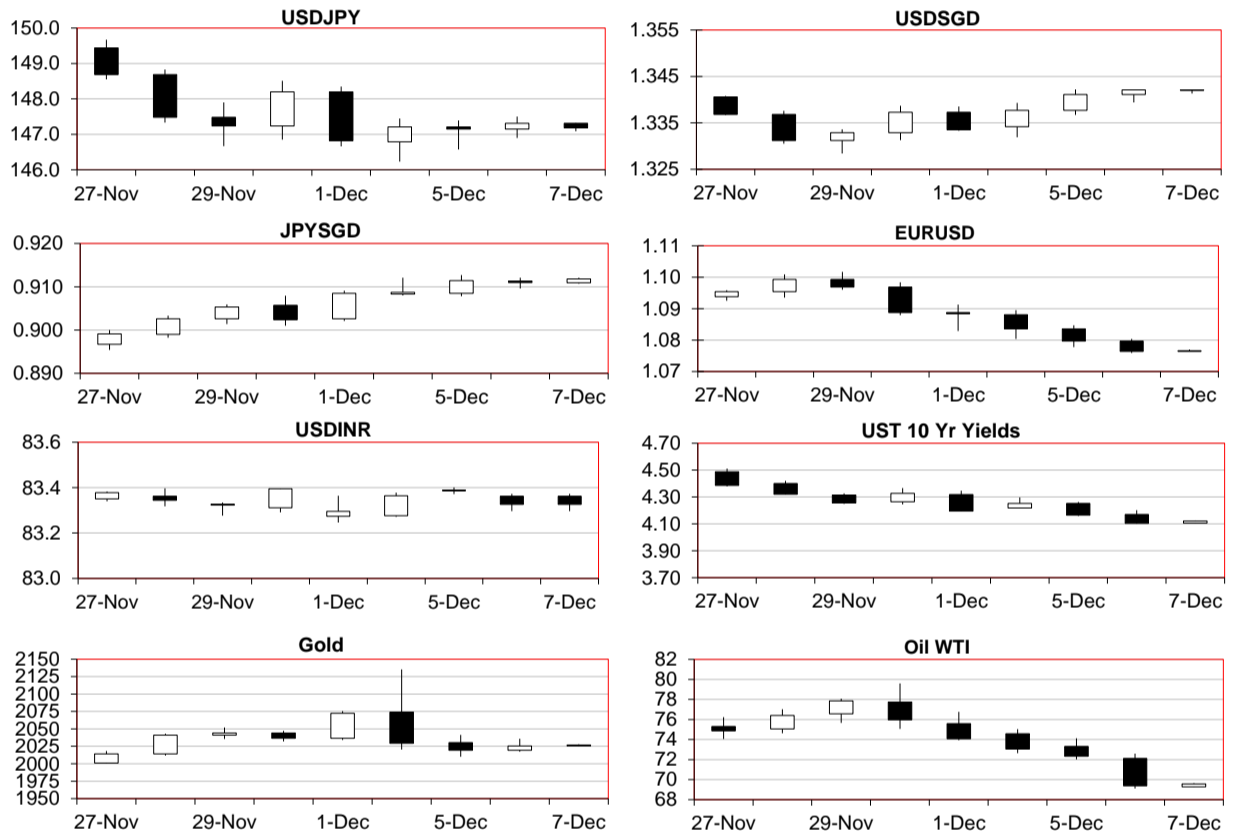
KRW: Waiting For Dawn

- Amid the broad USD weakening, KRW's stellar gains in November was certainly captivating. - This has certainly been in part riding on gains in the CNY/CNH complex. As such, further near term KRW appreciation on CNH gains has to be examined via the broader China backdrop and rallies looks stretched barring pivotal announcements of policy measures during CEWC in late 2023.

OVERNIGHT RESULTS

(TW) CPI/Core YoY (Nov): 2.9%/2.4% (Mkt: 2.8%/-; Oct: 3.1%/2.5%) | (TW) PPI YoY (Nov): -0.7% (Mkt: -; Oct: -0.3%) | (US) ADP Employment Change (Nov): 103k (Mkt: 130k; Oct: 113k) | (EZ) Retail Sales MoM (Oct): 0.1% (Mkt: 0.2%; Sep: -0.3%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	147.16	EUR/USD	1.0766
USD/SGD	1.3418	USD/THB	35.22
JPY/SGD	0.9118	USD/MYR	4.672

Forecast

USD/JPY	146.40 - 147.40
EUR/USD	1.0750 - 1.0850
AUD/USD	0.6450 - 0.6590
USD/SGD	1.3380 - 1.3450
JPY/SGD	0.9077 - 0.9187
USD/CNH	7.1600 - 7.1800
USD/INR	83.30 - 83.60
USD/IDR	15450 - 15620
USD/MYR	4.660 - 4.680
USD/PHP	55.20 - 55.50
USD/THB	34.80 - 35.30

Today's Direction

	Bull	Bear
USD/SGD	3	2
USD/JPY	2	3

- Nonetheless, KRW's outperformance since September FOMC among regional peers also implies factors beyond just riding on the CNH/CNY gains.

- First, persistent uptick in semiconductor production point to a turnaround of the semi-conductor cycle, albeit at subdued pace.

- Production growth is being held back by elevated inventory levels and further inventory drawdown may consequently allow a faster pick-up in recovery in 2024.

- The pace of semiconductor upturn which may resemble the moderate 2013/14 recovery given the tight monetary environment rather than a return to the pandemic induced electronics demand type of acceleration or the 2016 super cycle which was driven by broad demand from electronics, autos, industrial equipment and beginning of cloud computing.

- Second, from the rates perspective, KRW bulls are relying on the Fed easing rather than BoK's policy actions for assistance.

- Given the substantial real policy rate difference of 240bps, it is not foreseeable for the BoK to raise nominal policy rates to bring back the positive spread observed in pre-Covid times.

- Third, financial, real estate and construction sector still contain underlying risks which dent KRW prospects. It is notable that significant risk repricing has taken place as spreads even within IG grade corporate bonds widen and even beyond pre-pandemic differentials despite government assistance programs after the Oct 2022 woes which has stemmed financial contagion and lower initial yield spikes but did not entirely narrow risk premiums.

Click here to see full report, Mizuho Brief-KRW: Waiting For Dawn, 1 Dec

FX Daily Outlook

- EUR/USD: Rate cut thoughts will linger and fade rallies above 1.08.
- USD/JPY: Softer oil and lower UST yields continue to add pressure and thin air above mid-147.
- USD/SGD: China worries backstop 1.34 as Greenback reasserts.
- AUD/USD: Pondering mid-65 cents the base case as economic fundamentals are assessed.

TODAY'S EVENTS

(AU) Trade Balance (Oct): A\$7129m (Mkt: A\$7500m; Sep: A\$6786m) | (CH) Exports/Imports YoY (Nov): (Mkt: 0.0%/3.9%; Oct: -6.4%/3.0%) | (TH) CPI/Core YoY (Nov): (Mkt: -0.3%/0.6%; Oct: -0.3%/0.7%) | (PH) Unemployment Rate (Oct): (Sep: 4.5%) | (US) Initial Jobless Claims: (Mkt: 222k; Prev. Week: 218k) | (EZ) GDP SA YoY (3Q F): (Mkt: 0.1%/-0.1%; 0.1%/-0.1%)

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