

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	144.10	144.95	+0.82	▼1.87
EUR	1.0779	1.0763	▼0.0031	▼0.0121
AUD	0.6609	0.6579	▼0.0023	▼0.0096
SGD	1.3383	1.3421	+0.0029	+0.0086
CNY	7.1602	7.1702	+0.0216	+0.0417
INR	83.37	83.39	+0.03	+0.09
IDR	15509	15510	▼5	+25
MYR	4.6673	4.6640	▼0.0113	▼0.0093
PHP	55.41	55.31	+0.00	▼0.10
THB	35.27	35.33	+0.15	+0.31

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.226%	+7.6 bp	+3.0 bp
JPY (10YR)	0.766%	+0.8 bp	+6.9 bp
EUR* (10YR)	2.276%	+8.5 bp	▼8.6 bp
AUD (5YR)	3.955%	▼1.7 bp	▼18.6 bp
SGD (5YR)	2.845%	+0.7 bp	▼8.3 bp
CNY (5YR)	2.558%	▼0.4 bp	▼0.6 bp
INR (5YR)	7.245%	+2.9 bp	▼2.5 bp
IDR (5YR)	6.556%	+1.5 bp	▼8.3 bp
MYR (5YR)	3.579%	+1.3 bp	▼4.5 bp
PHP (5YR)	6.023%	+0.1 bp	+1.2 bp
THB (5YR)	2.532%	+1.5 bp	▼8.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	36,247.87	+0.36%	+0.01%
N225 (JP)	32,307.86	▼1.68%	▼3.36%
STOXX 50 (EU)	4,523.31	+1.11%	+2.37%
ASX (AU)	4,115.38	+0.52%	+0.51%
STI (SG)	3,110.73	+1.19%	+0.66%
SHCOMP (CN)	2,969.56	+0.11%	▼2.05%
SENSEX (IN)	69,825.60	+0.44%	+3.47%
JSE (ID)	7,159.60	+0.35%	+1.41%
KLSE (MY)	1,441.97	▼0.06%	▼0.99%
PSE (PH)	6,234.77	+0.00%	▼0.17%
SET (TH)	1,380.99	+0.16%	+0.05%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	262.82	+0.80%	▲2.94%
COPPER (LME)	8,366.25	+1.31%	▲2.02%
IRON ORE (CN)	136.21	+0.99%	+2.72%
GOLD	2,004.67	▲1.17%	▲3.26%
OIL (WTI)	71.23	+2.73%	▼3.83%

Three Take-aways:

- 1) Strong than expected nonfarm payrolls ignited UST yield surge and USD gained.
- 2) China's deflation woes persist and may restrain Asia-FX early this week.
- 3) Amid headline CPI resurgence, CBC to embark on a hawkish hold as they signal focus on core inflation.

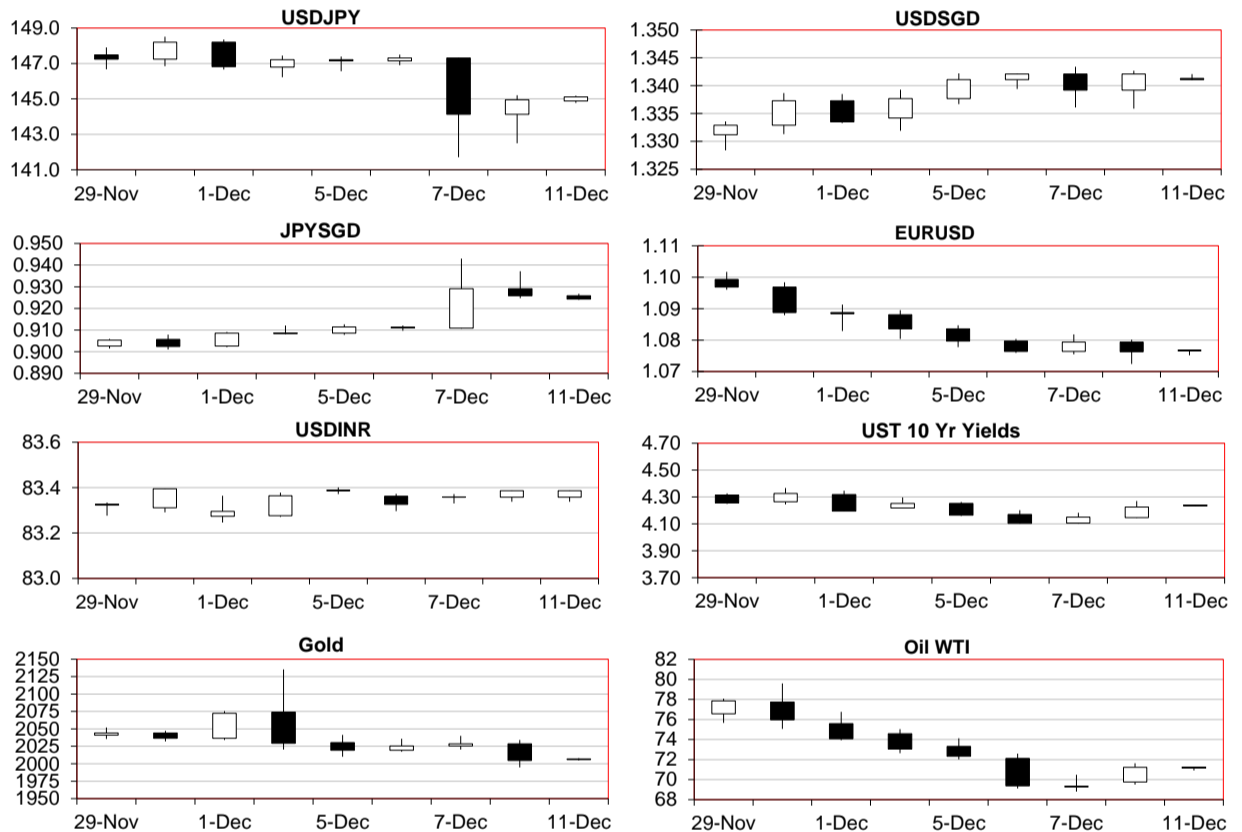
Rolling Back

- Last Friday, **Nonfarm payrolls had a stronger than expected outturn** to dial back hopes of a Fed rate cuts on a **softer economic outlook**. Furthermore, a **decline in unemployment rate despite an increase in labour participation (improved labour supply)** signalled tighter labour markets. This was a **sharp contrast to the poorer ADP figures and diminished job openings earlier last week**.
 - Soaring UST yields led by the front end (2Y: +12.6bp; 10Y:+7.6bp) was certainly reflective of this sharp recalibration of policy expectations.
 - **Nonetheless, the tight labour market picture does not roll back the Fed's communications of being careful about further hikes thus far**. Afterall, data was far from unanimous, inflation expectations was lower in the latest Uni. of Michigan Survey release last Friday.
 - In addition, in trusting the Fed to be careful and humble about the uncertainty of policy transmission lags, one could also **expect them to roll back the clock and allude to the uncertainty of transmission of unemployment and wages to inflation** (i.e. the slope of the Philips Curve) in due course. For now, **USD bulls ride on higher UST yields as the Greenback gained against all G10 peers**. The USD/JPY retook 145 while the EUR slipped towards mid-1.07.
 - Down Under, **AUD was pressured below 66 cents last week and may find it tough early this week as China's weekend CPI release showed that deflation woes persisted**.
 - **Headline CPI prices in China has fallen for two consecutive months and core inflation staying at 0.6% YoY is telling of the enormity of the task to restore economic confidence (once damaged) despite subsequent attempts to roll back earlier restrictions**.
 - Elsewhere, USD/SGD is buoyed above 1.34.

OVERNIGHT RESULTS

(TW) Exports/Imports YoY (Nov): 3.8%/-14.8% (Mkt: 4.6%/-2.0%; Oct: -4.5%/-12.3%) | (US) Change in Nonfarm Payrolls (Nov): 199k (Mkt: 185k; Oct: 150k) | (US) U. of Mich. Sentiment/Expectations (Dec P): 69.4/66.4 (Mkt: 62.0/57.0; Nov: 61.3/56.8) | (US) U. of Mich. 1/5-10-Yr Inflation (Dec P): 3.1%/2.8% (Mkt: 4.3%/3.1%; Nov: 4.5%/3.2%) | (US) Unemployment Rate (Nov): 3.7% (Mkt: 3.9%; Oct: 3.9%) | (CH) CPI/PPY YoY (Nov):-0.5%/-3.0% (Mkt: -0.2%/-3.0%; Oct: -0.2%/-2.6%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	144.98	EUR/USD	1.0765
USD/SGD	1.3415	USD/THB	35.48
JPY/SGD	0.9253	USD/MYR	4.680

Forecast

USD/JPY	143.00 - 146.50
EUR/USD	1.0750 - 1.0800
AUD/USD	0.6500 - 0.6640
USD/SGD	1.3390 - 1.3470
JPY/SGD	0.9140 - 0.9420
USD/CNH	7.1700 - 7.2000
USD/INR	83.30 - 83.60
USD/IDR	15460 - 15620
USD/MYR	4.655 - 4.685
USD/PHP	55.20 - 55.50
USD/THB	35.00 - 35.70

Today's Direction

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

CBC: Of Fruit and Labour

- In Taiwan, the CBC is expected to **keep policy rates unchanged on 14 December**.
 - While Governor Yang may have retain optionality to hike by stating that the rate hike cycle may not have ended in **early November**, this option is unlikely to be exercised at this juncture given that he had also stated that the **focus is on CPI excluding fruit, vegetables and energy, basically core inflation**.
 - As such, while surge in headline inflation to average close to 3% in the past three months is uncomfortable, **core inflation has trended downwards and backs the case for another hold**.
 - That said, given how elevated core inflation is relative to their historical average, it is **much harder for the CBC to join in the dovish shifts** in communications stemming from the likes of the Fed and ECB. As such, CBC's communication will **stay hawkish and focus on the need for more work to be done to achieve inflation** in terms of allowing the tightening so far to passthrough.
 - Specifically, they **cannot reap the fruits of their labour just yet** especially amid record low unemployed rates coupled with signs of growth recovery on a semiconductor bottoming. Notably, the **faster pace of recovery in terms of value rather than volume** underscores underlying demand worries. Furthermore, softer oil prices and recent TWD gains will serve to **dampen imported inflation and temper the need for another rate hike** and the CBC's willingness to engage in FX intervention also speaks of their preference of using FX reserves rather than policy rate to shore up the TWD.

FX Daily Outlook

- EUR/USD: Apparent US-EZ growth divergence point to limited adventures above 1.08.
- USD/JPY: Enlarged two way volatility; JGB-UST gaps enable 143 bounces.
- USD/SGD: Consolidation above 1.34 looks to persist as regional peers dented by China woes.
- AUD/USD: China woes imply inability to re-take mid-65 cents.

TODAY'S EVENTS

(JP) BSI Large All Industry QoQ (4Q): 4.8 (3Q: 5.8)
 (MY) Industrial Production YoY (oct): (Mkt: 2.6%; Nov: 0.2%)

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