

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.45	145.93	▼0.23	▼1.22
EUR	1.0778	1.0765	+0.0000	▼0.0032
AUD	0.6594	0.6566	▼0.0002	+0.0014
SGD	1.3416	1.3439	+0.0001	+0.0028
CNY	7.1760	7.1741	+0.0000	+0.0270
INR	83.38	83.39	+0.00	+0.00
IDR	15624	15615	+0	+110
MYR	4.6838	4.6840	+0.0008	+0.0180
PHP	55.61	55.66	+0.00	+0.35
THB	35.54	35.33	+0.00	+0.39

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.235%	+0.2 bp	+7.0 bp
JPY (10YR)	0.770%	+0.5 bp	+10.0 bp
EUR* (10YR)	2.270%	+0.0 bp	+2.3 bp
AUD (5YR)	4.005%	+0.3 bp	▼5.1 bp
SGD (5YR)	2.870%	+0.0 bp	▼0.9 bp
CNY (5YR)	2.541%	+0.0 bp	▼4.2 bp
INR (5YR)	7.250%	+0.0 bp	+2.6 bp
IDR (5YR)	6.617%	▼0.3 bp	+5.2 bp
MYR (5YR)	3.591%	+0.0 bp	▼2.3 bp
PHP (5YR)	5.981%	+0.0 bp	▼6.4 bp
THB (5YR)	2.532%	+0.0 bp	▼7.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	36,404.93	+0.00%	+0.78%
N225 (JP)	32,791.80	+0.00%	+0.05%
STOXX 50 (EU)	4,540.19	+0.00%	+1.96%
ASX (AU)	4,112.31	+0.00%	+0.83%
STI (SG)	3,090.20	+0.00%	+0.42%
SHCOMP (CN)	2,991.44	+0.00%	+0.64%
SENSEX (IN)	69,928.53	+0.00%	+0.91%
JSE (ID)	7,088.79	+0.00%	▼0.17%
KLSE (MY)	1,446.39	+0.00%	▼0.21%
PSE (PH)	6,228.29	+0.00%	▼1.28%
SET (TH)	1,380.99	+0.00%	▼0.18%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	261.77	+0.00%	▲1.71%
COPPER (LME)	8,249.10	+0.00%	▲0.04%
IRON ORE (CN)	135.35	▲0.32%	+3.64%
GOLD	1,983.64	+0.09%	▲1.77%
OIL (WTI)	71.41	+0.13%	▼1.26%

Three Take-aways:

- 1) While US CPI came in as expected, underlying core services ex-shelter may set up a bumpy ride.
- 2) While lower Brent crude prices bring relief in EM-Asia FX, subdued CEWC outcomes warrant restraints.
- 3) Looming Dot Plot and SEP tonight may allow nuanced conditionality and calibration from the Fed.

Working?

- On a year ago basis, **US headline and core inflation print in November was aligned with market expectations** at 3.1% and 4.0% respectively, from 3.2% and 4.0% in Oct. From a different angle, it was **less comforting**, on a MoM basis, headline inflation ticked up from 0.0% to 0.1% while core inflation rose from 0.2% to 0.3%. **Underlying core services ex-shelter also clocked 0.4% MoM.**

- To be upfront, **these statistics will not alter the FOMC's decision tonight.** Simply put, **monetary policy is working and is still working.** Nonetheless, the array of somewhat divergent CPI angles allow markets to "select" their interim focus. Front end UST yields was lifted higher. That said, with markets **still pricing in ~110bps rate cuts by end-2024** ahead of FOMC, this remains **insufficient calibration.** If not, on the really optimistic end, perhaps markets believe that the monetary policy has worked so well that inflation will come down by more than the Fed expects.

- US equities seem to be focusing on those soft landing prospects as they undertook another rally. - Meanwhile, longer end UST yields dipped alongside **lower oil prices** and another showing of resilient auction demand. While the USD may have been somewhat softened by lower long end yields, **Brent Crude prices sinking more than 3% to below US\$73.5/barrel** also worked its way in FX. Reflecting so, CAD, NOK and AUD slipped. In contrast, JPY was a beneficiary as USD/JPY dipped below mid 145. While **lower oil prices bring energy relief, China's lack of consumer and property stimulus at the annual China Economic Work Conference** also means that EM-Asia FX have to **work harder** for gains.

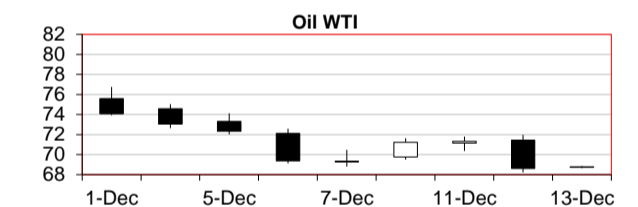
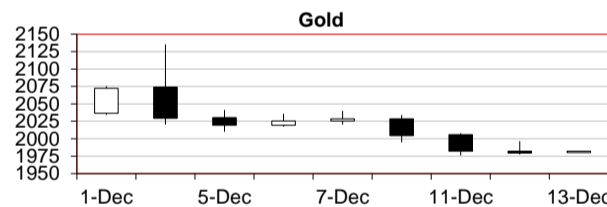
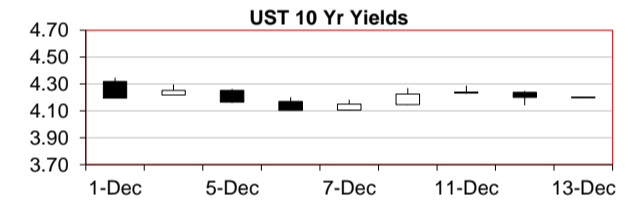
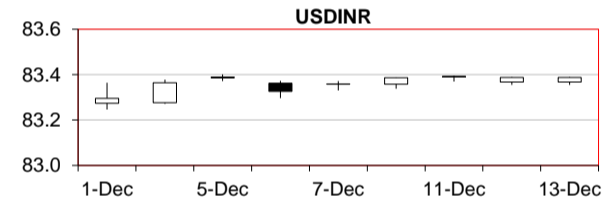
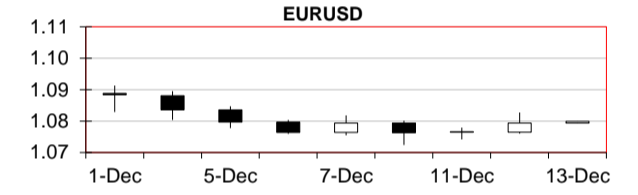
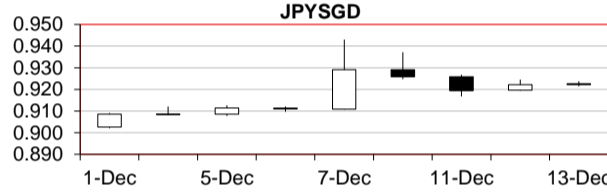
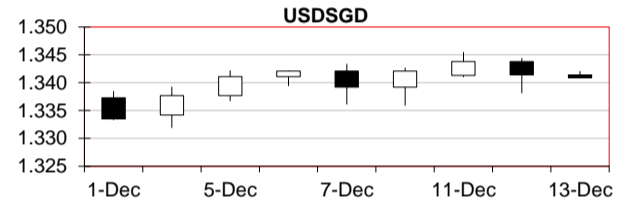
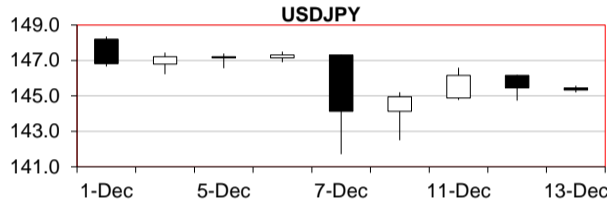
FOMC: Of Calibrations & Correlations

- The December FOMC is poised to be **short on action**, given the consensus for **no rate hike**, but may **nevertheless be big on drama.** In particular, as a **refreshed 'Dot Plot'** accompanied by **revisions to the SEP** (summary of economic projections) that offer ample fodder to interpret;

OVERNIGHT RESULTS

(IN) Industrial Production YoY (Oct): (Mkt: 10.2%; Sep: 5.8%) | (IN) CPI YoY (Nov): (Mkt: 5.8%; Nov: 4.9%) | (PH) Exports/Imports YoY (Oct): -17.5%/-4.4% (Mkt: -8.2%/-4.9%; Sep: -6.3%/-14.7%) | (US) CPI/Ex Food and Energy YoY (Nov): 3.1%/4.0% (Mkt: 3.1%/4.0%; Oct: 3.2%/4.0%) | (GE) ZEW Survey Expectations/Current (Dec): 12.8/-77.1 (Mkt: 8.0/-76.0; Nov: 9.8/-79.8)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	145.29	EUR/USD	1.0799
USD/SGD	1.3412	USD/THB	35.70
JPY/SGD	0.9232	USD/MYR	4.684

Forecast

USD/JPY	144.00 - 146.50
EUR/USD	1.0740 - 1.0850
AUD/USD	0.6480 - 0.6620
USD/SGD	1.3300 - 1.3450
JPY/SGD	0.9078 - 0.9340
USD/CNH	7.1750 - 7.2200
USD/INR	83.35 - 83.60
USD/IDR	15550 - 15680
USD/MYR	4.670 - 4.692
USD/PHP	55.40 - 55.90
USD/THB	35.40 - 35.90

Today's Direction

	Bull	Bear
USD/SGD	6	0
USD/JPY	6	0

- i) the **propensity for Fed pivot**, which will shift the focus to how soon, and by how much, as well as; ii) **confidence around "soft landing"**. The upshot is that markets may be inclined to push both propositions to derive an enhanced, "everything rally"-type of "risk on. But the growing danger is that the Fed's inclination may be to **calibrate expectations for a pivot, thereby risking some snap-back in UST yields.**

- Instead, it could **entrench commitment to "higher for longer"** on account of **disproportionately more challenging "last mile" dis-inflation.** This is clearly a risk that Fed Chair Powell has on his mind in his past allusions to lessons from the '70s and "keeping at it".

- However, in the same breath, the **Fed may indirectly allude to greater confidence around a soft-landing if it maintains higher growth and lower unemployment in the SEP.**

- Which, to be sure is consistent with restraint on how quickly and deeply to reduce rates. In other words, **restraint on pivot.** If so, then oddly, even as bonds slide (on overdone rallies consisting of too much, too soon, yield drop) and yields lift back somewhat, equities may rally on soft-landing hopes. This may **snap the positive bond-equity correlations** and instead square with a **"Santa rally" in equities and a more sober mood in bonds.** At least for now.

- All said, with **Fed calibration on conditionality and thresholds**, that pushback on overly exuberant pivot bets, the **attendant nuance will challenge sweeping correlations;** as seen in the "everything rally" that is lifting bonds (lowering yields) and equities.

- Meanwhile, the **USD may be looking at some** (albeit measured) **renewal of support on US exceptionalism** (from soft landing SEP guidance) and tempered pivot (with yield backstop).

FX Daily Outlook

- EUR/USD: Refreshed Dot Plot may allow consolidation on both sides of 1.08 .
- USD/JPY: Slipping oil and Fed pivot bets restraints rallies above mid-146.
- USD/SGD: Nominal downward dot plot shift may allow slippage below 1.34.
- AUD/USD: Pressures linger as China's industrial focus unable to translate to AUD gains

TODAY'S EVENTS

(KR) Unemployment Rate SA (Nov): 2.8% (Mkt: 2.6%; Oct: 2.5%) | (JP) Tankan Large Mfg Index/Outlook (4Q) :12/8(Mkt: 10/9; 3Q: 9/10) (US) PPI/Ex Food and Energy YoY (Nov) : (Mkt: 1.1%/2.2%; Oct: 1.3%/2.4%) (EZ) Industrial Production SA MoM (Oct) (Mkt: -0.3%; Sep: -1.1%)
Central Banks: FOMC Decision

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