

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	145.82	142.89	▼2.56	▼4.42
EUR	1.0785	1.0874	+0.0080	+0.0110
AUD	0.6552	0.6662	+0.0103	+0.0113
SGD	1.3443	1.3331	▼0.0083	▼0.0090
CNY	7.1846	7.1708	▼0.0064	+0.0102
INR	83.40	83.40	+0.02	+0.08
IDR	15661	15660	+40	+167
MYR	4.7080	4.7075	+0.0235	+0.0385
PHP	56.07	56.08	+0.48	+0.77
THB	35.81	35.79	+0.13	+0.64

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.016%	▼18.4 bp	▼8.8 bp
JPY (10YR)	0.694%	▼2.7 bp	+5.5 bp
EUR* (10YR)	2.173%	▼5.3 bp	▼2.7 bp
AUD (5YR)	3.977%	▼1.5 bp	+4.2 bp
SGD (5YR)	2.828%	▼1.4 bp	▼2.1 bp
CNY (5YR)	2.529%	▼0.5 bp	▼6.7 bp
INR (5YR)	7.218%	▼2.1 bp	▼0.3 bp
IDR (5YR)	6.695%	+5.9 bp	+15.0 bp
MYR (5YR)	3.641%	+1.8 bp	+6.6 bp
PHP (5YR)	6.046%	+0.8 bp	+2.1 bp
THB (5YR)	2.521%	▼0.5 bp	▼3.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,090.24	+1.40%	+2.87%
N225 (JP)	32,926.35	+0.25%	▼1.55%
STOXX 50 (EU)	4,530.19	▼0.14%	+1.05%
ASX (AU)	4,112.17	+0.09%	+0.39%
STI (SG)	3,104.26	+0.06%	+0.55%
SHCOMP (CN)	2,968.76	▼1.15%	▼0.01%
SENSEX (IN)	69,584.60	+0.05%	▼0.10%
JSE (ID)	7,075.34	▼0.70%	▼0.17%
KLSE (MY)	1,448.04	+0.06%	+0.15%
PSE (PH)	6,255.74	▼0.58%	▼0.79%
SET (TH)	1,357.97	▼1.16%	▼2.27%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	259.11	+0.40%	▲0.21%
COPPER (LME)	8,259.75	+0.00%	+0.71%
IRON ORE (CN)	135.16	▲0.93%	+1.59%
GOLD	2,027.74	+2.43%	+0.11%
OIL (WTI)	69.47	+1.25%	+0.13%

Three Take-aways:

- 'Dot Plot' and rhetoric went soft, triggering frenzied doubling down on 2024 rate cuts bets to 150bp.
- Markets are stretching the 75bp cuts in the 'Dot Plot', and risk being too aggressive in USD shorts;
- especially if the ECB also leans into the notion that last mile disinflation is not a greater challenge.

Going Soft?

- Markets came off thinking, perhaps justifiably, that **Fed hawks** were **going soft**.
- Correspondingly, **UST yields and USD went soft too**. 2Y yields plunged 30bp to 4.43% (10Y fell 18-19bp to 4.01%) with an attendant softening reflex in the USD Index that slumped -1% to sub-103.
- To be fair, the **FOMC statement was not quite as dovish** as market reactions suggest.
- Admittedly, purposeful insertion of "any" to reference about "extent of any additional policy firming ... appropriate to return inflation to 2% over time" effectively undermined propensity to hike further.
- Nonetheless, the statement's allusion to "inflation (that) has eased ... but remains elevated", "job gains (that) have moderated ... but remain strong" and "unemployment (that) has remained low" alongside being "highly attentive to inflation risks" is consistent with restrictive policy stance.
- Whereas a **distinctly more dovish 'Dot Plot'** conspiring with the **accompanying rhetoric** at the presser **going soft on the anti-inflation** were the **catalysts for pivot zealots to seize the moment**.
- The "sore thumb" shift in the 'Dot Plot' revision was an **additional 50bp rate reduction** suggested for 2024, whose **terminal rate is now 4.625%** (from 5.125% in the Sep 'Dot Plot'). Although with a lower starting point of 5.375% (Sep 'Dot Plot': 5.625%), this **squares with 75bp of cuts in 2024**.

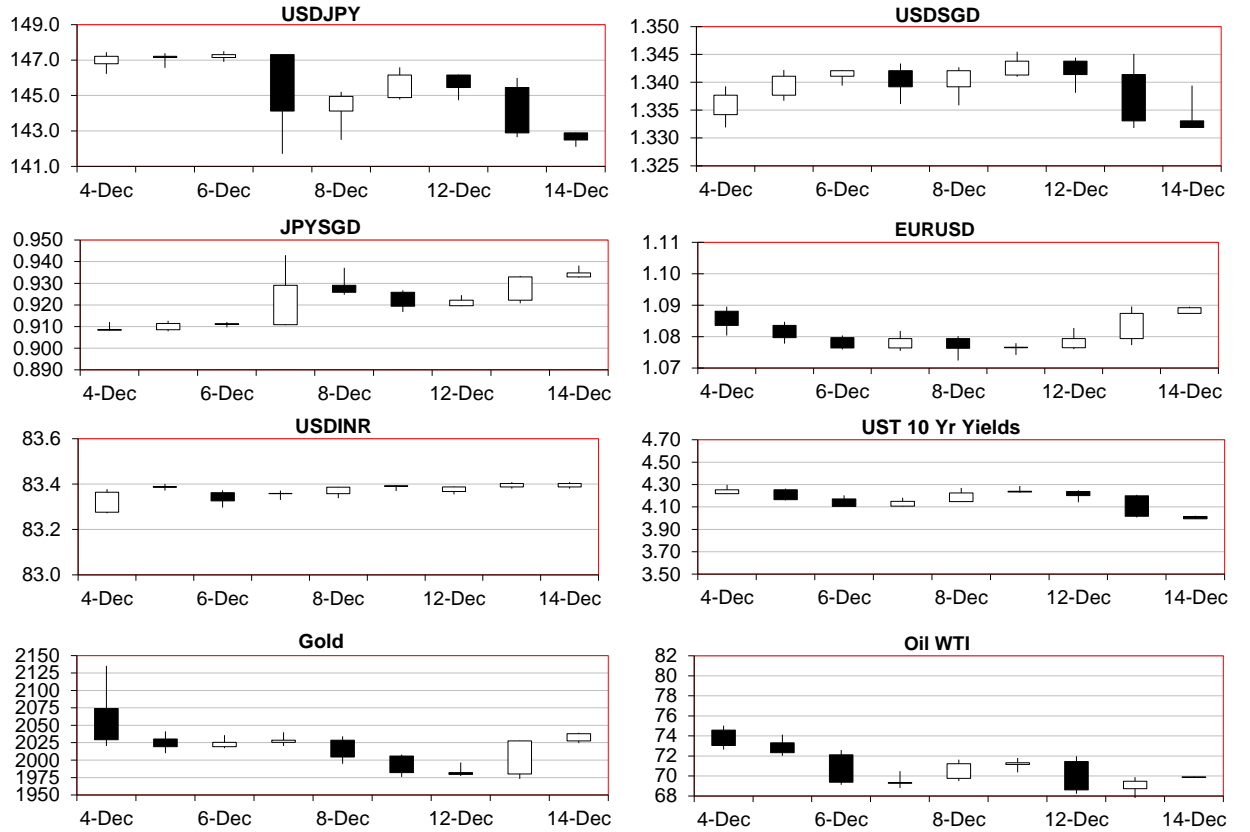
Doubling Down

- In fairness though, this calibrated increase in cuts **merely lowers rates back to June 'Dot Plot' levels**. And partly borrows from the extent of 2025 rate cuts. Crucially, it is **nowhere near the 150bp of rate cuts** that Fed Funds futures the **market has doubled down on** (vis-a-vis the Fed's own 75bp cut guidance). Markets' pivot frenzy is ostensibly stemming from a few key elements of shifting Fed talk.
- **First**, reiteration of "**well into restrictive territory**" characterization as opposed to just "**restrictive**".
- **Second**, allusion to rate hike "no longer the base case as opposed to 60-90 days ago" underpinned this notion of peak rates setting the stage for a shift in stance.

OVERNIGHT RESULTS

(US) PPI/Ex Food and Energy YoY (Nov) : 0.9%/2.0% (Mkt: 1.0%/2.2%; Oct: 1.3%/2.4%) | (EZ) Industrial Production SA MoM (Oct): -0.7% (Mkt: -0.8% (Sep: -1.1%))

Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	142.80	EUR/USD	1.0883
USD/SGD	1.3328	USD/THB	35.13
JPY/SGD	0.9334	USD/MYR	4.660

Forecast

USD/JPY	141.50 - 143.80
EUR/USD	1.0820 - 1.0950
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3290 - 1.3420
JPY/SGD	0.9242 - 0.9484
USD/CNH	7.1250 - 7.1680
USD/INR	83.10 - 83.50
USD/IDR	15500 - 15670
USD/MYR	4.650 - 4.683
USD/PHP	55.50 - 56.10
USD/THB	34.95 - 35.45

Today's Direction

	Bull	Bear
USD/SGD	1	6
USD/JPY	1	6

- **Finally**, the more esoteric reference came from response to the question on "**last mile**" disinflation, where Fed Chair Powell overturned the idea of this being more difficult.

- Instead his suggestion that the evidence does not suggest it is more difficult **fired up pivot zealots** to open the floodgates of (**less restrained**) **rate cuts more coincident with dis-inflation**.

- The warning is that **overly one-sided pivot interpretations defying intended balance may invoke some pushback** at some point; **punishing bets that treat the Fed as a pushover**.

Don't Diss the Dollar Ahead of ECB

- Above all, even if the Fed is shifting towards pivot sooner and faster, it is still **rather cavalier to diss the USD with aggressive one-way sell-off**.

- **Especially**, if the ECB also leaned with a distinctly less hawkish Fed, signalling in-coming, more distinct, pivot. And **concurrence on "last mile" dis-inflation not being a greater challenge may prove to be the dog whistle for "competitive pivot" that compromises EUR**.

- Mechanically, the inferred rate differentials (if ECB is projected to cut as much or more than the Fed) would **impede undeterred EUR strength required for sharper USD drop**.

- And with oil prices dropping some 17% since the last ECB meeting, one cannot rule out a dovish hold that dampens the unadulterated Fed pivot impact on USD.

- Moreover, **insofar that US exceptionalism** (and **relative out-performance**) **remains intact**, the **case for EUR ascendancy at the expense of the USD may be challenged**.

FX Daily Outlook

- EUR/USD: Post FOMC surge to test 1.09 to pullback ahead of mid-1.09 on ECB slippage risks.
- USD/JPY: Slump on Fed pivot may be amplified if ECB triggers further pivot bets.
- USD/SGD: Sharp USD-led slide to low-1.33 may to fizzle on sub-1.33 on ECB pivot bets.
- AUD/USD: China risks brushed aside by Fed pivot aggression; but 0.67+ looking topish.

TODAY'S EVENTS

(AU) Employment Change/Unemployment Rate (Nov): 61.5k/3.9% (Mkt: 11.5k/3.8%; Oct: 55.0k/3.7%)

(US) Initial Jobless Claims (Mkt: 220k; Prev: 220k)

(US) Retail Sales Adv MoM/Ex Auto and gas (Nov): (Mkt: -0.1%/0.2%/ Oct: -0.1%/0.1%)

(EZ) Industrial Production SA MoM (Oct) (Mkt: -0.3%; Sep: -1.1%)

Central Banks: BSP Monetary Policy Decision | CBC Monetary Policy Decision | ECB Monetary Policy Decision |

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