

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.03	141.89	▼1.00	▼2.24
EUR	1.0881	1.0993	+0.0119	+0.0199
AUD	0.6710	0.6699	+0.0037	+0.0097
SGD	1.3301	1.3274	▼0.0057	▼0.0118
CNY	7.1379	7.1119	▼0.0589	▼0.0367
INR	83.36	83.33	▼0.08	▼0.03
IDR	15505	15497	▼163	▼18
MYR	4.6700	4.6725	▼0.0350	▼0.0028
PHP	55.80	55.80	▼0.28	+0.49
THB	35.11	35.03	▼0.77	▼0.16

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.921%	▼9.6 bp	▼22.9 bp
JPY (10YR)	0.674%	▼2.0 bp	▼8.4 bp
EUR* (10YR)	2.119%	▼5.4 bp	▼7.2 bp
AUD (5YR)	3.794%	▼18.3 bp	▼17.8 bp
SGD (5YR)	2.683%	▼14.5 bp	▼15.5 bp
CNY (5YR)	2.524%	▼0.5 bp	▼3.8 bp
INR (5YR)	7.165%	▼5.3 bp	▼5.1 bp
IDR (5YR)	6.526%	▼16.9 bp	▼1.5 bp
MYR (5YR)	3.538%	▼10.3 bp	▼2.8 bp
PHP (5YR)	5.906%	▼14.0 bp	▼11.6 bp
THB (5YR)	2.443%	▼7.8 bp	▼7.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,248.35	+0.43%	+3.13%
N225 (JP)	32,686.25	▼0.73%	▼0.52%
STOXX 50 (EU)	4,539.16	+0.20%	+1.46%
ASX (AU)	4,176.90	+1.57%	+2.03%
STI (SG)	3,122.95	+0.60%	+1.58%
SHCOMP (CN)	2,958.99	▼0.33%	▼0.24%
SENSEX (IN)	70,514.20	+1.34%	+1.43%
JSE (ID)	7,176.02	+1.42%	+0.58%
KLSE (MY)	1,456.26	+0.57%	+0.93%
PSE (PH)	6,410.48	+2.47%	+2.82%
SET (TH)	1,378.94	+1.54%	+0.02%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.31	+2.01%	+1.37%
COPPER (LME)	8,460.51	+2.71%	+2.45%
IRON ORE (CN)	135.42	+0.19%	+0.41%
GOLD	2,036.36	+0.43%	+0.39%
OIL (WTI)	71.58	+3.04%	+3.23%

Three Take-aways:

- 1) ECB & BoE, in sharp contrast to the Fed, pushed back vehemently against premature pivot.
- 2) EUR & GBP surge further. But bull steepening in EZ/Gilt yields suggest pivot tides not turned.
- 3) "Competitive Pivot" bets may induce more two-way volatility with JPY poised to gain the most.

Cross-Atlantic Pivot Push-Back

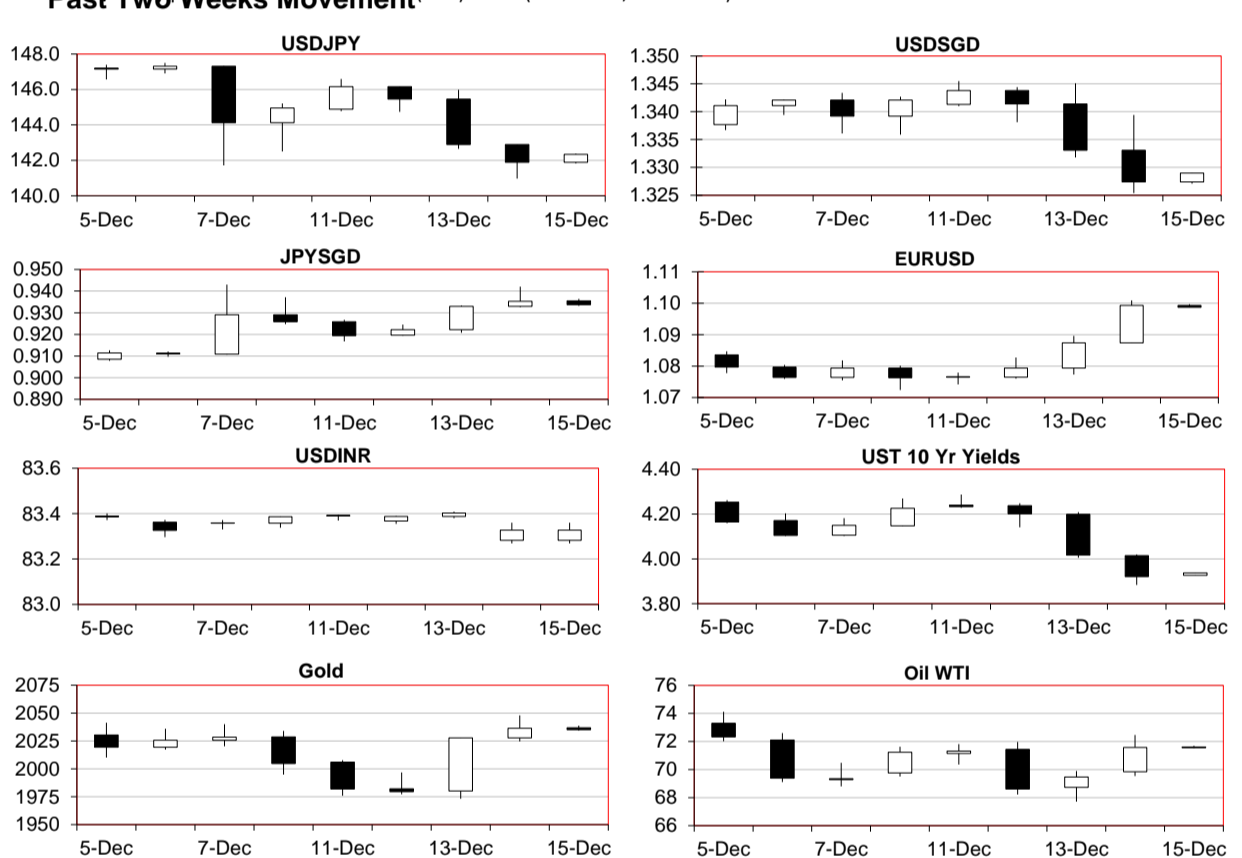
- Unlike the Fed, the **ECB and BoE came out swinging against premature pivot bets**.
- The **Cross-Atlantic push-back** was laid bare in "second wind" **EUR and GBP surge** post-ECB/BoE.
- EUR jumped another big-figure to test 1.10 (from 1.09 test post-FOMC). **GBP too jumped from post-FOMC mid-1.26 to flirt with 1.28** before settling above mid-1.27 (from pre-FOMC low-1.25).
- **ECB President Lagarde's unrelenting restrictive posture** came through in her statement that the ECB "should absolutely not lower ... guard (against inflation)", in contrast to Fed Chair Powell, who did not push back on expectations for rate cuts to begin in 2024.
- **BoE hawks came across even more unyielding**. **Three of its 9-member MPC voted to hike**, giving teeth to the unchanged statement that "persistent inflationary pressures would require further tightening". BoE Governor Bailey chimed in, warning that there was "some way to go".
- Here's the thing though. **While the BoE (certainly!) and the ECB have vehemently retained the option to hike further, the bar is undeniably higher**. Whereas the wider point is that, like the Fed, both the **ECB and BoE are essentially at peak rates** in any case.
- And so, the **distinction** is really in **convincing markets** that for now **neither ECB nor BoE will concede any ground**; and moreover, are **likely capitulate only after the Fed**. In the grander scheme of global monetary policy cycle though, this may turn out to be a distinction without a difference!

But Not Turning the Policy Tides

- Point being, **neither the BoE nor the ECB, for all the hawkish Cross-Atlantic currents, are not in any meaningful way turning the "pivot tides" taking over the global policy narrative**.
- And anyone looking for evidence need look no further than **European bond markets**.
- **European and Gilt yields were all materially lower**;
- (10Y Gilt down -5bp to 3.78% and 10Y Bunds down 6-7bp to 2.10%).

OVERNIGHT RESULTS

(US Initial Jobless Claims: 202K (Mkt: 220k; Prev: 221k) | (US) Retail Sales Adv MoM/Ex Auto & Gas (Nov): 0.3%/0.6% (Mkt: -0.1%/0.2%/ Oct: -0.1%/0.1%) | (JP) Wholesale Price YrY (Nov): 0.3% (Mkt: 0.0%; Oct: -0.5%)



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	142.28	EUR/USD	1.0994
USD/SGD	1.3284	USD/THB	34.90
JPY/SGD	0.9337	USD/MYR	4.672

Forecast

USD/JPY	141.30 - 143.60
EUR/USD	1.0920 - 1.1050
AUD/USD	0.6590 - 0.6700
USD/SGD	1.3270 - 1.3350
JPY/SGD	0.9241 - 0.9448
USD/CNH	7.1160 - 7.1500
USD/INR	83.05 - 83.40
USD/IDR	15430 - 15600
USD/MYR	4.660 - 4.683
USD/PHP	55.50 - 56.00
USD/THB	34.80 - 35.15

Today's Direction

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

- What's more, the **move lower in bond yields was led by the front-end**, with 2Y yield down even more sharply (Gilt: -6bp to 4.29%; Bunds: -10-11bp to 2.53%). And this **bull steepening is consistent with expectations of emphatic rate cuts around the corner**.

- So the believe, it appears is that the Fed will lead the way down in rates (with ECB and BoE catching down after). Arguably, this is the **premise for aggressive short USD bets**.

- But the **notable risk is that tighter rates amid more fragile economic conditions may inadvertently result in a harder landing in the UK and EZ**. At which point, **soul-searching about sharp EUR and GBP rallies at the expense of the USD** may be invoked.

Competitive Pivot & JPY bulls

- In fact, **despite ECB and BoE pivot pushback, conditions for 'competitive pivot' bets**, with ECB and BoE potentially leap-frogging on pivot, may be shaping up. Especially **as economic divergences (relative US out-performance) catch up with the affected policy divergence**.

- If this comes to pass, the **jump in FX volatility** be instigated by the "noise" from "competitive pivot" will be par for the course; **potentially squeezing overly aggressive USD shorts**.

- As a **by-product JPY** may come out on top, with especially strong rallies.

- Simply because in a world where JPY is the definitive funding currency, "competitive pivot" will set the stage for a squeeze in JPY shorts. This is a **natural an extension of our view of the (weak) JPY being "a BoJ problem with a Fed solution"**. Whereby, "competitive pivot" **eliminates the main competition (EUR and GBP) exploiting the bearish "pivot USD"; leaving JPY bulls to bask**.

FX Daily Outlook

- EUR/USD: ECB "absolutely" pushing back on pivot has boosted to 1.10 test. But air thins.
- USD/JPY: Sub-142 finding no follow-through despite lower global yields as Cross/JPY lifted.
- USD/SGD: Sub-1.33 lacking follow-through as China risks and stretched post-FOMC positions weigh.
- AUD/USD: Toppish above 0.67 as ability to piggy-back on ECB and BOE push-back is constrained.

TODAY'S EVENTS

(AU) PMI Mfg/Svcs (Dec P): 47.8/47.6 (Nov: 47.7/46.0) | (JP) PMI Mfg/Svcs (Dec P): 47.7/52.0 (Nov: 49.6/48.3) | (CH) Retail Sales YoY (Nov): (Mkt: 12.5%; Oct: 7.6%) | (CH) Industrial Production YoY (Nov): (Mkt: 5.7%; Oct: 4.6%) | (CH) FAI/Property Investment YTD YoY (Nov): (Mkt: 3.0%/-9.5%; Oct: 2.9%/-9.3%) | (ID) Trade Balance (Nov): (Mkt: \$2970m; Oct: \$3480m) | (PH) Overseas Cash Remittances YoY (Oct): (Mkt: 2.4%; Sep: 2.6%) | (US) Empire Manufacturing (Dec): (Mkt: 2.6; Nov: 9.1) | (US) Industrial Production MoM (Nov): (Mkt: 0.3%; Oct: -0.6%) | (EZ) PMI Mfg/Services (Dec P): (Mkt: 44.6/49.0; Nov: 44.2/48.7) | (JP) Tertiary Industry Index MoM (Oct): (Mkt: 0.1%; Sep: -1.0%) | **Central Banks: PBoC 1-Yr Medium-Term Lending Facility Rate**

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