

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	141.97	142.15	+0.26	▼2.80
EUR	1.0994	1.0895	▼0.0098	+0.0132
AUD	0.6710	0.6699	+0.0000	+0.0120
SGD	1.3280	1.3327	+0.0053	▼0.0094
CNY	7.1061	7.1215	+0.0096	▼0.0487
INR	83.16	83.00	▼0.33	▼0.38
IDR	15493	15493	▼4	▼17
MYR	4.6664	4.6693	▼0.0032	+0.0053
PHP	55.66	55.67	▼0.13	+0.36
THB	34.80	34.84	▼0.18	▼0.49

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.911%	▼1.0 bp	▼31.5 bp
JPY (10YR)	0.696%	+2.2 bp	▼7.0 bp
EUR* (10YR)	2.016%	▼10.3 bp	▼26.0 bp
AUD (5YR)	3.821%	+2.7 bp	▼13.4 bp
SGD (5YR)	2.708%	+2.5 bp	▼13.7 bp
CNY (5YR)	2.507%	▼1.7 bp	▼5.1 bp
INR (5YR)	7.111%	▼5.4 bp	▼13.4 bp
IDR (5YR)	6.529%	+0.3 bp	▼2.7 bp
MYR (5YR)	3.548%	+1.0 bp	▼3.1 bp
PHP (5YR)	5.861%	▼4.5 bp	▼16.2 bp
THB (5YR)	2.453%	+1.0 bp	▼7.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,305.16	+0.15%	+2.92%
N225 (JP)	32,970.55	+0.87%	+2.05%
STOXX 50 (EU)	4,549.44	+0.23%	+0.58%
ASX (AU)	4,142.92	▼0.81%	+0.67%
STI (SG)	3,116.51	▼0.21%	+0.19%
SHCOMP (CN)	2,942.56	▼0.56%	▼0.91%
SENSEX (IN)	71,483.75	+1.37%	+2.37%
JSE (ID)	7,190.99	+0.21%	+0.44%
KLSE (MY)	1,462.45	+0.43%	+1.42%
PSE (PH)	6,478.44	+1.06%	+3.91%
SET (TH)	1,391.03	+0.88%	+0.73%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.07	+0.29%	+0.85%
COPPER (LME)	8,454.65	▲0.07%	+1.06%
IRON ORE (CN)	135.24	▲0.13%	▲0.71%
GOLD	2,019.62	▲0.82%	+0.75%
OIL (WTI)	71.43	▼0.21%	+0.28%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	142.32	EUR/USD	1.0895
USD/SGD	1.3333	USD/THB	34.98
JPY/SGD	0.9369	USD/MYR	4.660

Forecast

USD/JPY	141.30 - 143.60
EUR/USD	1.0830 - 1.0980
AUD/USD	0.6600 - 0.6780
USD/SGD	1.3270 - 1.3360
JPY/SGD	0.9241 - 0.9455
USD/CNH	7.1160 - 7.1550
USD/INR	82.10 - 83.30
USD/IDR	15420 - 15600
USD/MYR	4.655 - 4.680
USD/PHP	55.40 - 55.90
USD/THB	34.40 - 35.40

Today's Direction

	Bull	Bear
USD/SGD	4	2
USD/JPY	3	3

Three Take-aways:

- 1) FedSpeak pushed back on rate cut expectations. Weak EZ PMI prints boost ECB rate cut bets.
- 2) Signs of spillovers to Oil from Israel-Hamas conflict on attack to vessel in Red Sea.
- 3) CEWC falls short of tackling China's confidence deficit, property meltdown effects and financial risks.

Managing Expectations

- Pushing back on growing expectations that a cut would materialise as early as March, NY Fed President John Williams said that it was 'premature' to be thinking about rate cuts. Separately, Atlanta Fed President Bostic said he expected two rate cuts in 2024 but not starting until the third quarter. 2Y UST yields rose -5bps.

- Across the Atlantic, ECB Villeroy also attempted to temper rate cuts expectations, remarking that rate hikes being "over... doesn't mean a quick rate cut". However, his remarks on ECB's tilt towards data-dependency (rather than time-dependency) gave rate cut expectations a boost amid weaker-than-expected PMI prints. 10Y Bunds fell -9bps, while the 2Y fell -4bps. Yields on Gilts followed EZ bonds lower (2Y: -5bps; 10Y: -10bps)

- DXY moved higher above mid-105 on the back of weaker EUR and GBP. Meanwhile, NOK was supported after Norges Bank's hike on Thursday. Over in Asia, AUD was supported around 67 cents on a Brent rally amid signs of spillovers in the Israel-Hamas conflict. Maersk instructed vessels heading for the southern entrance of the Red Sea to halt their voyages following an attack on one of its vessels. USD/SGD buoyed above the 1.33 handle and USD/JPY oscillated around 147 levels.

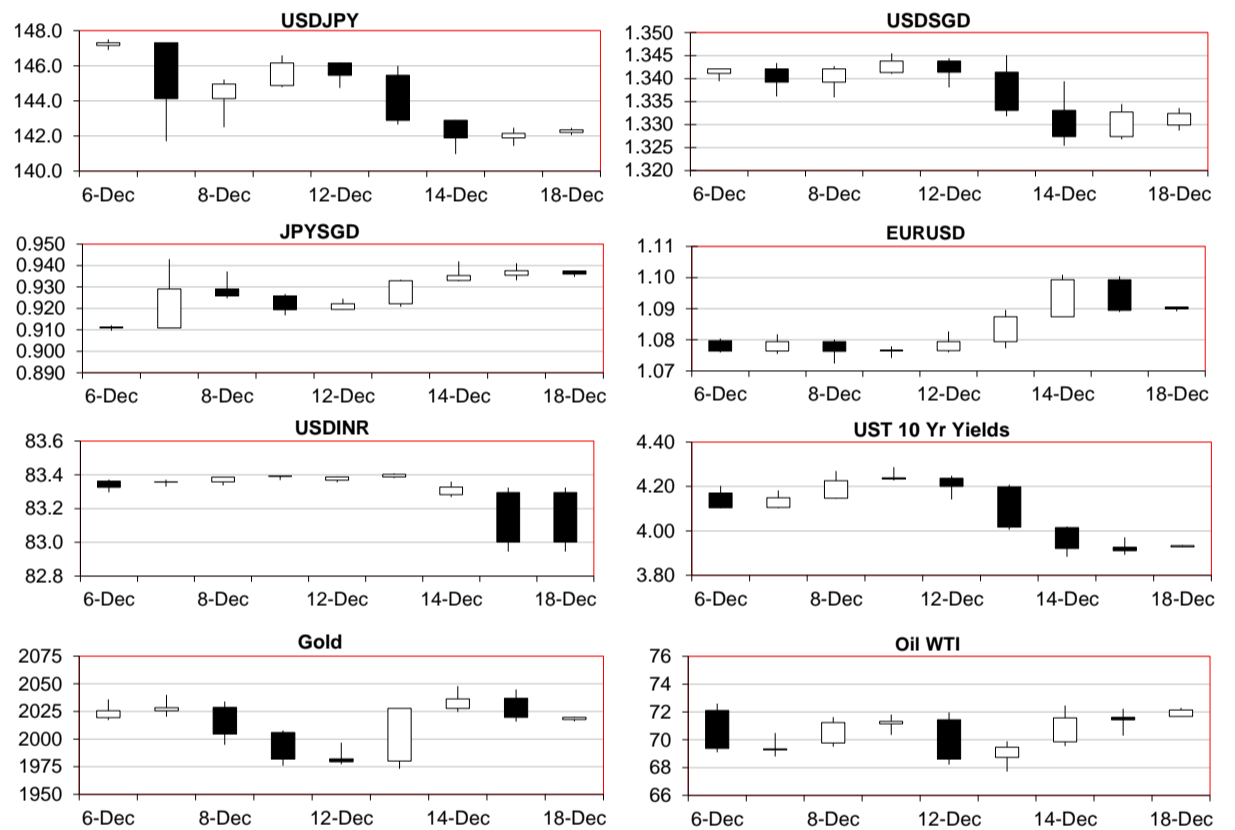
Why China is Not Out of the Woods

- To be clear, we are sympathetic to the case for measured recovery in Chinese equities and bonds...at some point; as overdone China pessimism relents at rock bottom valuations. Especially with cumulative benefits of a series of drip-feed of stimulus that Beijing has extended. But it would be grossly misguided to conflate opportunistic asset market respite from spiralling despair about an "uninvestible" China for overriding cheer about the underlying economy.

OVERNIGHT RESULTS

(CH) Retail Sales YoY (Nov): 10.1% (Mkt: 12.5%; Oct: 7.6%) | (CH) Industrial Production YoY (Nov): 6.6% (Mkt: 5.7%; Oct: 4.6%) | (CH) FAI/Property Investment YTD YoY (Nov): 2.9%/-9.4% (Mkt: 3.0%/-9.5%; Oct: 2.9%/-9.3%) | (PH) Overseas Cash Remittances YoY (Oct): 3.0% (Mkt: 2.4%; Sep: 2.6%) | (US) Empire Manufacturing (Dec): -14.5 (Mkt: 2.6; Nov: 9.1) | (US) Industrial Production MoM (Nov): 0.2% (Mkt: 0.3%; Oct: -0.6%) | (EZ) PMI Mfg/Services (Dec P): 44.2/48.1 (Mkt: 44.6/49.0; Nov: 44.2/48.7) | (JP) Tertiary Industry Index MoM (Oct): -0.8% (Mkt: 0.1%; Sep: -1.7%)

Past Two Weeks Movement *



- The simple and sobering fact that is hard to "unsee" is that the binding confidence deficit across households and businesses remains unresolved. This pervasive, self-reinforcing private sector constriction stifles growth multipliers; inevitably hobbling efforts to durably lift growth back above 5%. Instead, growth might struggle to achieve self-sustaining momentum in the 4.0-4.5% vicinity.

- Optimists will argue that there is compelling strategic allure to structural economic boost adopted at the CEWC*. Specifically, as policies are aimed at enhancing resilience to sanctions and/ pressures in the context of geopolitical pressures conspiring with demographic decline.

- We concede the wisdom of strategic insulation to insure longer-term viability. But plans to procure bigger and better fire engines doesn't automatically extinguish the fire at the door.

- Despite the CEWC prioritizing growth, it was yet another policy disappointment, falling short of urgent and holistic efforts to; i) snap chronic confidence deficit; ii) alleviate adverse wealth effects from property meltdown, and; iii) arrest latent financial risks. In addition, inextricably linked property-shadow banking-local government financial channels means contagion threats are not banished. Above all, Beijing is confronted with sharp policy trade-offs and precarious dilemmas. In particular, monetary policy re-calibrated to "prudent" from "forceful" despite deflation reveals conflicting threats associated with CNY stability and capital outflows crippling monetary policy. Whereas "appropriately strengthened", "proactive" fiscal stance is welcome but no panacea. The inconvenient fact for bottom-picking China bulls is that the economy is not out of the woods.

FX Daily Outlook

- EUR/USD: Momentum above 1.09 falters on weak economic data.
- USD/JPY: Testing 143 possible amid quiet calendar and Fed's pushback dominates ahead of BoJ meeting.
- USD/SGD: Buoyed above 1.33 on China risks and dial back of Fed rate cut bets.
- AUD/USD: Sustained buoyancy above 67 cents as oil tensions creep up.

TODAY'S EVENTS

(SG) Non-oil Domestic/Electronics Exports YoY (Nov): 1.0%/-12.7% (Mkt: 1.5%/-; Oct: -3.5%/-5.6%)
(GE) IFO Current Assessment/Expectations (Dec): (Mkt: -/-; Nov: 89.4/85.2)

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