

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	142.38	142.78	+0.63	▼3.38
EUR	1.0923	1.0924	+0.0029	+0.0159
AUD	0.6721	0.6707	+0.0008	+0.0139
SGD	1.3317	1.3324	▼0.0003	▼0.0114
CNY	7.1316	7.1311	+0.0096	▼0.0430
INR	83.03	83.06	+0.06	▼0.33
IDR	15504	15510	+17	▼105
MYR	4.6953	4.6947	+0.0254	+0.0115
PHP	55.86	55.86	+0.19	+0.20
THB	35.01	35.00	+0.16	▼0.33

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.931%	+2.0 bp	▼30.2 bp
JPY (10YR)	0.680%	▼1.6 bp	▼8.5 bp
EUR* (10YR)	2.079%	+6.3 bp	▼19.1 bp
AUD (5YR)	3.735%	▼8.6 bp	▼26.7 bp
SGD (5YR)	2.708%	+0.0 bp	▼16.2 bp
CNY (5YR)	2.485%	▼2.2 bp	▼5.6 bp
INR (5YR)	7.127%	+1.6 bp	▼12.3 bp
IDR (5YR)	6.526%	▼0.3 bp	▼9.4 bp
MYR (5YR)	3.555%	+0.7 bp	▼3.6 bp
PHP (5YR)	5.916%	+5.5 bp	▼6.5 bp
THB (5YR)	2.477%	+2.4 bp	▼5.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,306.02	+0.00%	+2.48%
N225 (JP)	32,758.98	▼0.64%	▼0.10%
STOXX 50 (EU)	4,521.13	▼0.62%	▼0.42%
ASX (AU)	4,161.02	+0.44%	+1.18%
STI (SG)	3,113.23	▼0.11%	+0.75%
SHCOMP (CN)	2,930.80	▼0.40%	▼2.03%
SENSEX (IN)	71,315.09	▼0.24%	+1.98%
JSE (ID)	7,119.53	▼0.99%	+0.43%
KLSE (MY)	1,465.28	+0.19%	+1.31%
PSE (PH)	6,475.50	▼0.05%	+3.97%
SET (TH)	1,393.41	+0.17%	+0.90%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.90	+0.32%	+1.58%
COPPER (LME)	8,393.81	▲0.72%	+1.75%
IRON ORE (CN)	134.33	▲0.67%	▲1.08%
GOLD	2,027.19	+0.37%	+2.28%
OIL (WTI)	72.47	+1.46%	+1.61%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	142.70	EUR/USD	1.0923
USD/SGD	1.3322	USD/THB	34.96
JPY/SGD	0.9336	USD/MYR	4.690

Forecast

USD/JPY	140.50 - 145.20
EUR/USD	1.0830 - 1.0980
AUD/USD	0.6650 - 0.6780
USD/SGD	1.3280 - 1.3360
JPY/SGD	0.9146 - 0.9509
USD/CNH	7.1200 - 7.1600
USD/INR	82.10 - 83.30
USD/IDR	15420 - 15600
USD/MYR	4.660 - 4.740
USD/PHP	55.60 - 55.98
USD/THB	34.60 - 35.40

Today's Direction

	Bull	Bear
USD/SGD	7	1
USD/JPY	6	2

Three Take-aways:

- 1) Markets unconvinced by Fed pushback as Powell's FOMC remarks still give pivot bets conviction.
- 2) Freight disruption at Red Sea risks resurgent inflation and geopolitics flare-up on possible intervention.
- 3) No major overhaul to BoJ stance; gradual and considered calibrated tweaks game plan for 1H'24.

Chasing Cuts & Cutting to the Chase

- The **pushback on premature rate cut bets** by a range of Fed speakers featuring Goolsbee, Mester, Williams and Bostic is **no surprise**. Mester rightly pointing out that *"the next phase is not when to reduce rates (but) about how long ... monetary policy (need) to remain restrictive"*. With all of them chiming in on the fact that the jury is out on the dis-inflation, leaving the Fed with "more symmetric concerns" on inflation and jobs/growth. **Whereas what is remarkable is how little yields have edged back up in response to the pushback**. At 3.93%, 10Y yields remain well below pre-FOMC levels over 4.2%; with 2Y barely regaining traction at 4.44%, still a solid 30bp below pre-FOMC levels last week. **To the Fed's pushback on markets prematurely chasing cuts, markets' come-back appears to be that they are merely cutting to the chase.**

- The **end-game of rate cuts in 2024** (75bp suggested by the 'Dot Plot') is arguably **amplified to reflect market bets that the Fed is significantly less worried about sticky inflation dynamics**. And to be fair, there appears to have been **inadvertent triggers for aggressive rate cut bets**; and not just a case of markets just "imputing" what they want to hear as suggested by Fed Goolsbee. Specifically, **Fed Chair Powell dismissing notions of "last mile" dis-inflation as problematic**. This allowed markets to bring forward rate cut bets to be more coincident with current dis-inflation.

- For now though, UST yield and USD will probably be backstop. But **unless the Fed cuts convincingly to the chase to reiterate "for longer" on elevated rates, markets will cut to the chase on sharp pivot sooner rather than later.**

Fr(e)ight

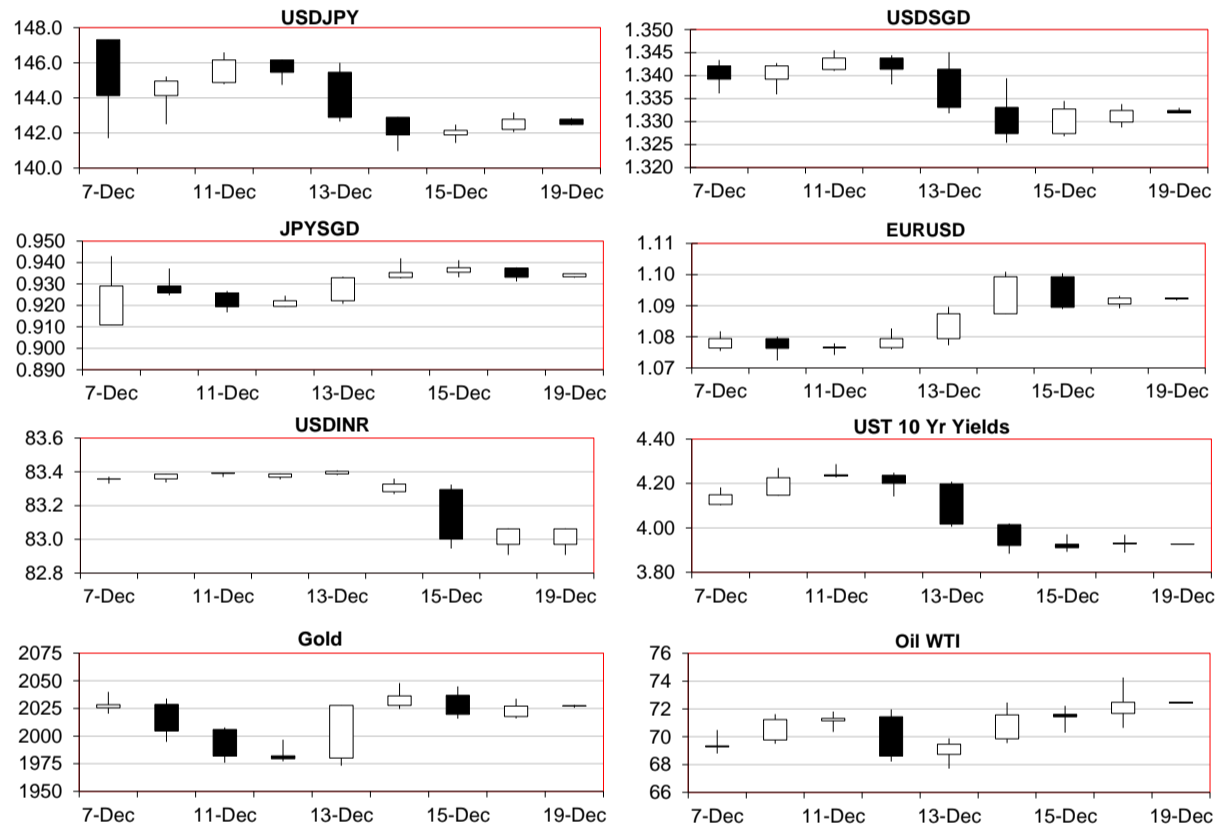
- Ongoing threat of Houthi attacks in the Red Sea prompting ship owners to evade passage through those waters have seen oil **edging up**, but more importantly, **shipping rates spiking**. This is an **evolving risk involving geopolitics as much as inflation.**

BoJ: Assessing, Not Agitating!

- **Bets on any major overhaul** to the BoJ's accommodative stance are **set up for disappointment.**

OVERNIGHT RESULTS

(GE) IFO Current Assessment/Expectations (Dec): 88.5/85.6 (Mkt: 89.5/85.6; Nov: 89.4/85.1)



- Point being, the **BoJ is merely assessing conditions to temper accommodation in future, not agitating for an imminent dial-back**, which risks being mistaken as a tightening cycle.

- A fundamental point is that the **BoJ is avoiding the over-confidence trap on inflation revival.**

- Admittedly, with "super" core (headline) inflation running above 4% (3%), it is tempting to declare runaway inflation is a greater threat than failed inflation resurrection; requiring the BoJ should move sooner rather than later (to dial back easing). But that approach lacks perspective.

- **First**, after decades of dis-inflation, *a year of inflation out-run is more of an inconvenient blip* (amplified by overdone JPY weakness), and *not an assured break of entrenched deflation psyche.*

- **What's more**, given downside economic risks, *cost-/currency-shock driven inflation is ultimately a demand suppressant.*

- *Which means*, hasty policy tightening may exacerbate rather than alleviate pain.

- **Finally**, evidence of **shifting sands in global monetary policy, aligning with (competitive) pivot bets**, square with *scope for rapid, dis-inflationary JPY surge*. This *warns of premature over-steer away from easing* that not just quells inflation, but *could impose headwinds via sharp JPY surge.*

- The upshot is that hasty over-steer of policy risks being caught wrong-footed on downturn risks, potentially exacerbated by counter-cyclical JPY rebound. And so, a **gradual and considered approach with calibrated tweaks and clear communication** will be the **game-plan for H1 2024.**

- For now, the BoJ will only assess, not imminently act on, exiting NIRP in 2024. Even then, it will be telegraphed as a one-off calibration, not a hiking cycle. What's more, YCC target will also be **on hold at 0% with a 1% flexible ceiling to be reviewed dynamically through 2024.**

FX Daily Outlook

- EUR/USD: Buoyed above 1.09 as Fed pivot bets dominate.

- USD/JPY: Test of 145 plausible on an overly dovish BoJ, but momentum above 145 likely capped.

- USD/SGD: Consolidation above 1.33 levels amid China woes.

- AUD/USD: Remain above 67 cents, with upward volatility on Middle East-induced oil concerns.

TODAY'S EVENTS

(MY) Trade Balance MYR (Nov): (Mkt: 16.5b; Oct: 12.9b) | (EZ) CPI/Core YoY (Nov F): (Mkt: 2.4%/3.6%; prelim: 2.4%/3.6%) | (US) Housing Starts (Nov): (Mkt: 1360k; Oct: 1372k)

Central Bank Policy Decisions: Bank of Japan

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