

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	144.18	143.84	+1.06	▼1.61
EUR	1.0929	1.0981	+0.0057	+0.0187
AUD	0.6712	0.6763	+0.0056	+0.0204
SGD	1.3330	1.3284	▼0.0040	▼0.0130
CNY	7.1464	7.1185	▼0.0126	▼0.0587
INR	83.20	83.19	+0.12	▼0.20
IDR	15506	15505	▼5	▼115
MYR	4.6790	4.6783	▼0.0164	▼0.0057
PHP	55.96	55.96	+0.10	+0.36
THB	35.01	35.00	▼0.01	▼0.67

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.931%	▼0.0 bp	▼26.9 bp
JPY (10YR)	0.632%	▼4.8 bp	▼8.9 bp
EUR* (10YR)	2.016%	▼6.3 bp	▼21.0 bp
AUD (5YR)	3.794%	+5.9 bp	▼19.8 bp
SGD (5YR)	2.717%	+0.9 bp	▼12.5 bp
CNY (5YR)	2.516%	+3.1 bp	▼1.8 bp
INR (5YR)	7.140%	+1.3 bp	▼9.9 bp
IDR (5YR)	6.537%	+1.1 bp	▼9.9 bp
MYR (5YR)	3.563%	+0.8 bp	▼6.0 bp
PHP (5YR)	5.880%	▼3.6 bp	▼15.8 bp
THB (5YR)	2.479%	+0.2 bp	▼4.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,557.92	+0.68%	+2.68%
N225 (JP)	33,219.39	+1.41%	+1.14%
STOXX 50 (EU)	4,535.40	+0.32%	▼0.03%
ASX (AU)	4,175.13	+0.34%	+1.62%
STI (SG)	3,116.62	+0.11%	+0.46%
SHCOMP (CN)	2,932.39	+0.05%	▼2.37%
SENSEX (IN)	71,437.19	+0.17%	+2.71%
JSE (ID)	7,187.85	+0.96%	+0.88%
KLSE (MY)	1,465.67	+0.03%	+1.28%
PSE (PH)	6,521.27	+0.71%	+3.64%
SET (TH)	1,394.90	+0.11%	+1.53%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.70	+0.68%	+3.72%
COPPER (LME)	8,393.81	+0.00%	+1.62%
IRON ORE (CN)	134.46	+0.10%	▲1.44%
GOLD	2,040.35	+0.65%	+3.07%
OIL (WTI)	73.44	+1.34%	+7.04%

Three Take-aways:

- 1) Solid US housing data built on soft-landing exuberance; equities rally with Nasdaq record (>15,000).
- 2) UST yields shrug off Fed pushing out timing and pushing down amplitude on rate cut bets.
- 3) BoJ pushes back on hawkish calibration and tempers the month's sharp JPY gains.

House of Cards (Cards)

- A confluence of **two awkward bedfellows** are driving sustained "Santa rallies".
- **First**, a story of **US exceptionalism, lending itself to soft-landing exuberance**. Last night, this took the form of solid **housing** starts data (+14.6% vs -0.9%) out-run; invoking 0.6-0.7% gains on Wall St, and clocking a new record for the Nasdaq (past 15,000), now up 5.5%/13.5% for Dec/Q4.
- With the recent post-FOMC surge in equities now extending beyond the "Magnificent 7" to include some rather pedestrian counters, it begs the question of the **house of cards** rallies.
- **Second**, defiant, aggressive pivot bets. Fact is, **despite US exceptionalism/economic out-run, and in defiance of wider Fed pushback, markets are betting the house on too many rate cuts too soon**.
- Notably, **markets continue to challenge the Fed's "higher for longer" conviction, with little regard for a host of Fed speakers pushing back on aggressive pivot bets by;**
 - i) **pushing out rate cut timing, conditional on sustained dis-inflation and;**
 - ii) **pushing down rate cut amplitude;**

- What's revealing is that there has been **no consequential uptick in UST yields** (barely changed with 2Y and 10Y barely changed at 4.4% and 3.93%). Instead, yields appear to be slipping a tad.

- And the **USD is on softer footing**, with EUR (GBP) once again flirting with 1.10 (mid-1.27).

- Trouble is, the rousing "**house (view) of cuts**" appears to be **built on top of a house of cards**.

- Fact is, there is binding trade-off between US exceptionalism and aggressive cuts.

- And it may ironically take a house of cards moment (of reckoning) to be right on the house (view) of sharp and deep cuts. The realization will come. But one has to ... **wait for it**.

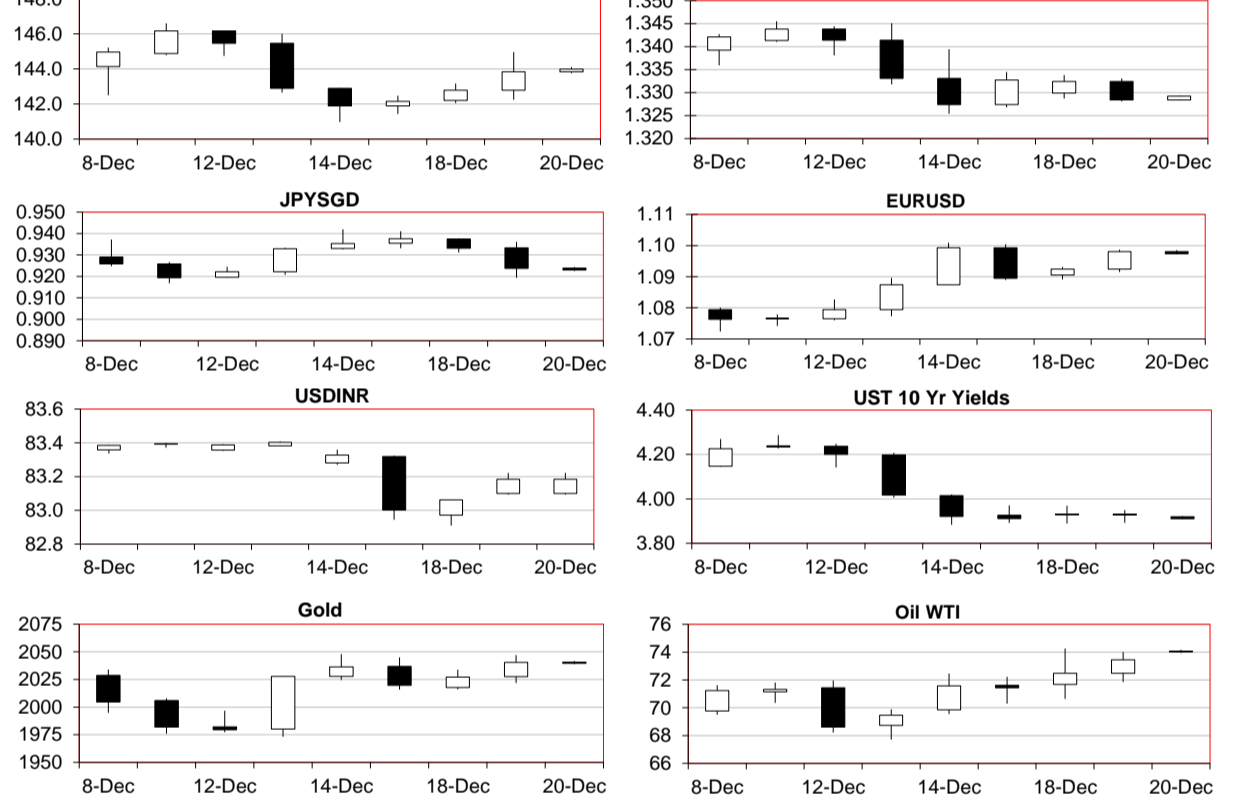
Wait for It

- Funny thing is, that is **exactly what the Fed has been saying to markets. But to no avail**.

- Specifically, many Fed speakers have chimed in on Mester's point that markets are getting ahead; as the "**next phase is not when to reduce rates, (but for) how long ... to remain restrictive**".

OVERNIGHT RESULTS

(M) Trade Bal MYR (Nov): 12.4b (Mkt: 16.5b; Oct: 12.9b) | (EZ) CPI/Core YoY (Nov F): 2.4%/3.6% (Prelim: 2.4%/3.6%)
 (US) Housing Starts (Nov): 1560K (+14.6% MoM) (Mkt: 1360K/-0.9% MoM) Oct: 1359K/+0.2% MoM

Last Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	143.90	EUR/USD	1.0980
USD/SGD	1.3288	USD/THB	34.84
JPY/SGD	0.9235	USD/MYR	4.677

Forecast

USD/JPY	143.00 - 145.20
EUR/USD	1.0870 - 1.1010
AUD/USD	0.6680 - 0.6790
USD/SGD	1.3270 - 1.3340
JPY/SGD	0.9139 - 0.9329
USD/CNH	7.1180 - 7.1560
USD/INR	83.00 - 83.35
USD/IDR	15420 - 15580
USD/MYR	4.655 - 4.690
USD/PHP	55.80 - 56.20
USD/THB	34.70 - 35.00

Today's Direction

	Bull	Bear
USD/SGD	7	0
USD/JPY	6	1

- Fresh off the press, **Barkin** has alluded to the fact that **still looking for conviction around the "consistency and breadth" of dis-inflation**. And **Bostic** asserted there is no urgency for the Fed to lower rates, further tempering rate cut expectations to just 2 (vs. 3 in the 'Dot Plot') in H2 2024.

- ECB's **Villery** also chimed in on with "**insist(ence) on ... patience (on) plateau**" in navigating the transition from hikes to cuts in 2024 as "**cut(s) ... too soon ... risk ... sickness of inflation**".

- Admittedly, The **ECB edit** of "**wait for it**" had even **less resonance with European yields;**

- which were down 4-7bp across the Bund curve. Relative under-performance vs US plays a part in a more sobering view that now has markets pricing in excess of 150bp of ECB cuts for 2024..

- On policy "wait for it", the BoJ experience is vastly different, if not diametrically opposed!

- **First**, the **BoJ** gestured to **wait for a distinct shift to less unequivocally dovish stance**.

- **Second**, and more importantly, **markets actually listened! Speculative bullish JPY bets on less dovish calibrations were squeezed out;** with USD/JPY jump from 142 to 144 (after testing 145).

- We had warned in our BoJ preview that it was **premature** for hawk-lite calibrations.

- Our concerns about the **lack of conviction on sustained demand-pull/wage-price dynamics** were highlighted by Governor Ueda. Moreover, he also alluded to peaking cost-push inflation but whilst economic uncertainties remain very high. Simply put, his point is "**wait for it**"; as **potential costs of exiting easy policy remain prohibitively high, requiring caution and patience**.

- Nonetheless, **JPY bulls** are merely delayed, not dead. Our view of **JPY** as a "**BoJ problem with a Fed solution**", **sets the stage for JPY rallies on enthused (competitive) pivot bets**. But that's **contingent on sharper cuts on a not-so-soft landing. Wait for it!**

FX Daily Outlook

- EUR/USD: A softer USD and "risk on" keeps EUR tests of 1.10 on the table; but may fizzle beyond.

- USD/JPY: BoJ's pushback on calibrated exit to buoy; but 145-146 look a bit too far a stretch.

- USD/SGD: Softer USD, firmer CNH all helping to keep sub-1.33 intact, but measured.

- AUD/USD: Softer USD, hawkish RBA Minutes and Oil's boost buoy at mid-0.67; 0.68 tougher.

TODAY'S EVENTS

(JP) Trade Balance (Nov): -¥776.9b (Mkt: -¥1000.1b; Oct: ¥661.0b)

(US) Conf. Board Consumer Confidence/Expectations (Dec): (Mkt: 104.5/-; Nov: 102.0/77.8)

(EZ) Consumer Confidence (Dec P): (Mkt: -16.3; Nov: -16.9)

Central Bank Policy Decision: PBoC 1Y/5Y Loan Prime Rate

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.