

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	143.53	143.89	+0.05	+1.00
EUR	1.0966	1.0979	▼0.0002	+0.0105
AUD	0.6768	0.6759	▼0.0004	+0.0097
SGD	1.3293	1.3288	+0.0004	▼0.0043
CNY	7.1349	7.1185	+0.0000	▼0.0523
INR	83.15	83.19	+0.00	▼0.22
IDR	15520	15505	+0	▼155
MYR	4.6575	4.6783	+0.0000	▼0.0292
PHP	55.76	55.96	+0.00	▼0.12
THB	34.90	35.00	+0.00	▼0.80

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.931%	+0.0 bp	▼8.5 bp
JPY (10YR)	0.632%	+0.0 bp	▼6.2 bp
EUR* (10YR)	2.016%	+0.0 bp	▼15.7 bp
AUD (5YR)	3.764%	▼3.0 bp	▼21.3 bp
SGD (5YR)	2.717%	+0.0 bp	▼11.1 bp
CNY (5YR)	2.516%	+0.0 bp	▼1.3 bp
INR (5YR)	7.140%	+0.0 bp	▼7.8 bp
IDR (5YR)	6.537%	+0.0 bp	▼15.8 bp
MYR (5YR)	3.563%	+0.0 bp	▼7.8 bp
PHP (5YR)	5.880%	+0.0 bp	▼16.6 bp
THB (5YR)	2.479%	+0.0 bp	▼4.2 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,557.92	+0.00%	+1.26%
N225 (JP)	33,219.39	+0.00%	+0.89%
STOXX 50 (EU)	4,535.40	+0.00%	+0.12%
ASX (AU)	4,175.13	+0.00%	+1.53%
STI (SG)	3,116.62	+0.00%	+0.40%
SHCOMP (CN)	2,932.39	+0.00%	▼1.23%
SENSEX (IN)	71,437.19	+0.00%	+2.66%
JSE (ID)	7,187.85	+0.00%	+1.59%
KLSE (MY)	1,465.67	+0.00%	+1.22%
PSE (PH)	6,521.27	+0.00%	+4.24%
SET (TH)	1,394.90	+0.00%	+2.72%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.70	+0.00%	+3.32%
COPPER (LME)	8,393.81	+0.00%	+1.90%
IRON ORE (CN)	134.65	+0.14%	▲0.38%
GOLD	2,040.97	+0.03%	+0.65%
OIL (WTI)	74.14	+0.95%	+6.72%

Three Take-aways:

- 1) UST rally and equities sell-off underscore the unlikely story of resilient growth and deep rate cuts.
- 2) JPY gained on competing pivot bets; EUR weaker and GBP battered.
- 3) BI to hold; nascent IDR recovery warns against premature easing despite growth soft spots.

Crumbling House?

- As alluded to previously, **aggressive "house (view) of cuts" bets fuelling Treasuries rally cannot be on dis-inflation alone**, but that must imply a more emphatic economic downturn (thereby necessitating deeper cuts) was built on top of a house of cards, as these come **at odds with the story of US exceptionalism driving the equity rally in recent days**.

- Arguably, a creeping feeling (rather than epiphany) that a soft-landing may not necessarily be the case, had a confluence of **UST rallies** (10Y: -7bps; 2Y: -10bps) and **sharp pullback in equities**.

- It may then explain why there was blatant disregard for further attempts by the Fed to temper rate cut expectations. In this case, Philadelphia Fed Harker, joined in a chorus of pushback in recent days, chiming in to assert that rates should move down but not immediately.

- That **US equities plummeted** (S&P: -1.5%; Dow: -1.3%; Nasdaq: -1.5%) despite better than expected confidence and home sales suggests that worries have moved forward from coincident exceptionalism to in-coming reckoning from lagged tightening.

- The **bond rally was not isolated to the US**, with a similar (but of varying degrees) rallies seen in Gilts and Bunds across the Atlantic. 10Y Gilts fell -12bps (2Y: -10bps) after UK inflation printed lower than expected. While the rally in Bunds was not as impressive (2Y: -5bps; 10Y: -5bps), the cumulative past few days of yields drop is much steeper than the USTs.

- The **narrative of "competitive pivot" bets was on show** as GBP underperformed. EUR also lost ground to but JPY gained. DXY briefly tested mid-102 while USD/JPY hovered below 144 levels.

- But AUD enjoyed some (albeit measured) fillip from oil to be buoyed above 0.67.

BI: Temporality

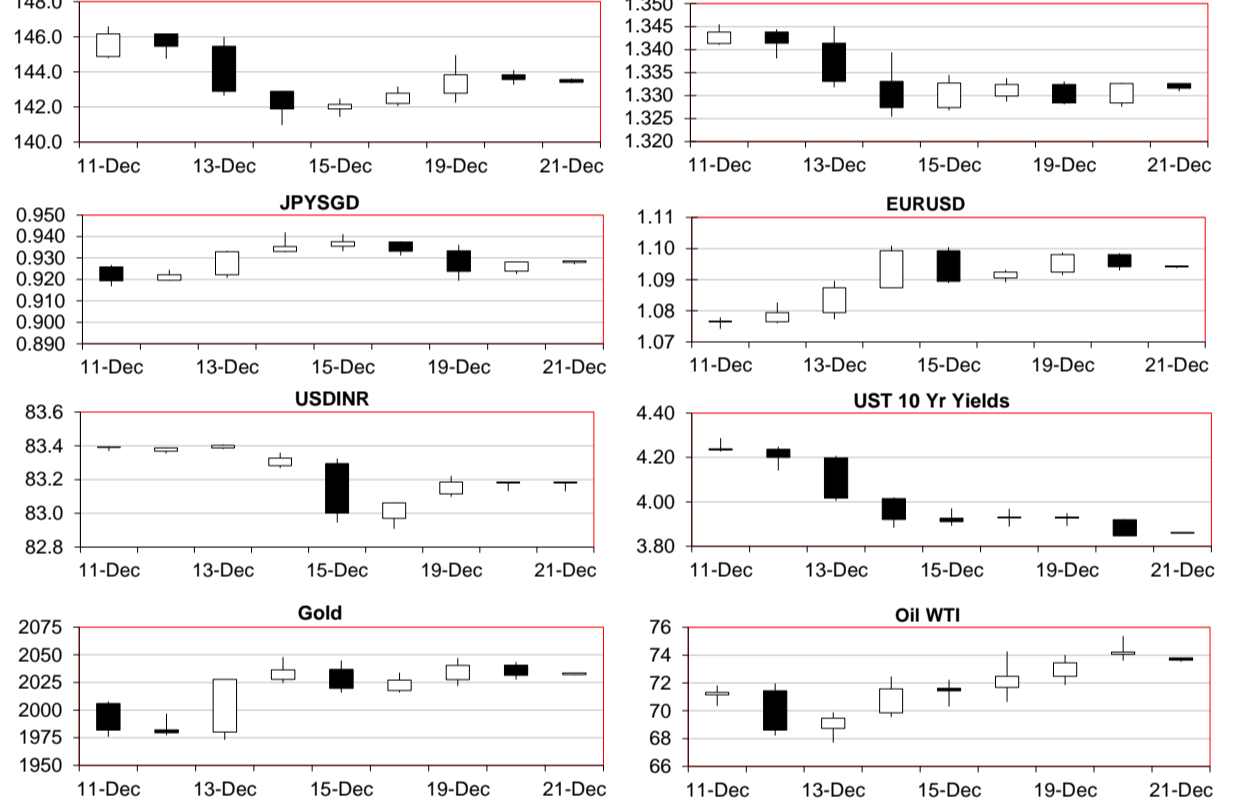
- Our **base case is for BI to stand pat** at the last meeting of 2023 as it **assesses precarious, albeit supported, growth and benign inflation in the context of tentative reprieve from rupiah pressures**.

- The hold though, masks growing policy tensions.

OVERNIGHT RESULTS

(US) Conf. Board Consumer Confidence/Expectations (Dec): 110.7/85.6 (Mkt: 104.5/-; Nov: 101.0/77.4) | (EZ) Consumer Confidence (Dec): 15.1 (Mkt: -16.3; Nov: -16.9)

Last Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	143.52	EUR/USD	1.0944
USD/SGD	1.3318	USD/THB	34.98
JPY/SGD	0.9280	USD/MYR	4.659

Forecast

USD/JPY	142.80 - 144.80
EUR/USD	1.0870 - 1.1010
AUD/USD	0.6680 - 0.6790
USD/SGD	1.3280 - 1.3370
JPY/SGD	0.9171 - 0.9363
USD/CNH	7.1180 - 7.1580
USD/INR	83.00 - 83.35
USD/IDR	15420 - 15580
USD/MYR	4.645 - 4.680
USD/PHP	55.50 - 56.10
USD/THB	34.70 - 35.00

Today's Direction

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

- On one hand, headwinds to growth have mounted as **Indonesia's real policy rates the most restrictive in ASEAN; as well as by historically**.

- Cumulative rate hikes against a backdrop of continued disinflation (CPI easing back durably within BI's 2-4% target since May '23), arguably suggests sufficient tightening. Especially as the **durability of household consumption remains in question**. Fact is, election related spending flatter underlying retail sales strength/durability. And **higher interest rates appear to have increasingly stretched consumers**; with non-performing loans picking up. Moreover, **softer external demand impose terms of trade headwinds**; as coal/palm oil prices slump.

- On the other hand, the **tentative and nascent recovery of rupiah traction warns against premature easing**. Fact is, IDR has recouped losses only as USD tumbled on pivot bets.

- But this **only provides temporary reprieve for BI's overt concern on currency stability** as upside USD volatility lurks in the background; especially as the weakening of the greenback is likely to take a bumpy path, amid risks of resurgent inflation and resilient growth in the US.

- This suggests BI must probably hold its horses on any intended policy inflection.

- The **saving grace is perhaps that reasonably resilient investments, with declining non-performing loans for investment and working capital**, provide policy space for BI to hold and assess. At least for now, **healthy private and public investment spending** (which have averaged some 1.2%-pts in growth contribution) lean into resilient consumption to keep growth buoyed.

- The luxury of this buffer means that **BI's policy dilemma has time on its side**.

FX Daily Outlook

- EUR/USD: Competitive pivot bets keep rallies above 1.10 tempered.

- USD/JPY: Retest down to 143 possible on concerns of global economic growth, and softer UST yields.

- USD/SGD: Retain buoyancy above 1.33 as markets reflect on global growth prospects.

- AUD/USD: Lurking oil risks support mid-67 cents levels. but volatility caution.

TODAY'S EVENTS

(KR) PPI YoY (Nov): 0.6% (Oct: 0.7%)

(US) GDP Annualized QoQ (3Q T): (Mkt: 5.2%; prelim: 5.2%)

(US) Initial Jobless/Continuing Claims: (Mkt: 215k/1880k; prev: 202k/1876k)

Central Bank Policy Decision: Bank Indonesia 7D Reverse Repo

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