

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	143.26	142.12	▼1.45	+0.23
EUR	1.0946	1.1011	+0.0069	+0.0018
AUD	0.6745	0.6802	+0.0072	+0.0103
SGD	1.3302	1.3263	▼0.0063	▼0.0011
CNY	7.1458	7.1378	▼0.0008	+0.0259
INR	83.27	83.28	+0.09	▼0.05
IDR	15530	15525	+15	+28
MYR	4.6534	4.6545	▼0.0035	▼0.0180
PHP	55.60	55.59	▼0.16	▼0.21
THB	34.90	34.86	▼0.05	▼0.17

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.888%	+4.1 bp	▼3.3 bp
JPY (10YR)	0.583%	+2.7 bp	▼9.1 bp
EUR* (10YR)	1.964%	▼0.7 bp	▼15.5 bp
AUD (5YR)	3.697%	▼3.7 bp	▼9.7 bp
SGD (5YR)	2.682%	▼2.6 bp	▼0.1 bp
CNY (5YR)	2.484%	▼4.1 bp	▼4.0 bp
INR (5YR)	7.154%	+2.4 bp	▼1.1 bp
IDR (5YR)	6.465%	▼6.8 bp	▼6.1 bp
MYR (5YR)	3.566%	+0.3 bp	+2.8 bp
PHP (5YR)	5.716%	▼15.5 bp	▼19.0 bp
THB (5YR)	2.477%	▼0.3 bp	+3.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	37,404.35	+0.87%	+0.42%
N225 (JP)	33,140.47	▼1.59%	+1.39%
STOXX 50 (EU)	4,524.86	▼0.20%	▼0.32%
ASX (AU)	4,209.79	▼0.27%	+0.79%
STI (SG)	3,112.50	+0.14%	▼0.33%
SHCOMP (CN)	2,918.72	+0.57%	▼1.36%
SENSEX (IN)	70,865.10	+0.51%	+0.50%
JSE (ID)	7,209.62	▼0.14%	+0.47%
KLSE (MY)	1,455.58	▼0.61%	▼0.05%
PSE (PH)	6,469.23	▼0.79%	+0.92%
SET (TH)	1,404.84	+0.32%	+1.88%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	266.08	▲0.12%	+0.67%
COPPER (LME)	8,508.50	+0.24%	+0.57%
IRON ORE (CN)	136.05	+0.76%	+0.47%
GOLD	2,045.95	+0.72%	+0.47%
OIL (WTI)	73.89	▼0.44%	+3.23%

Dear Friends & Valued Clients,

This will be the last 'Mizuho Daily' publication for 2023. We will resume January 3rd. Thank you for your support and readership this year. Wishing all of you wonderful festivities as well as a happy, healthy and prosperous New Year!

Three Take-aways:

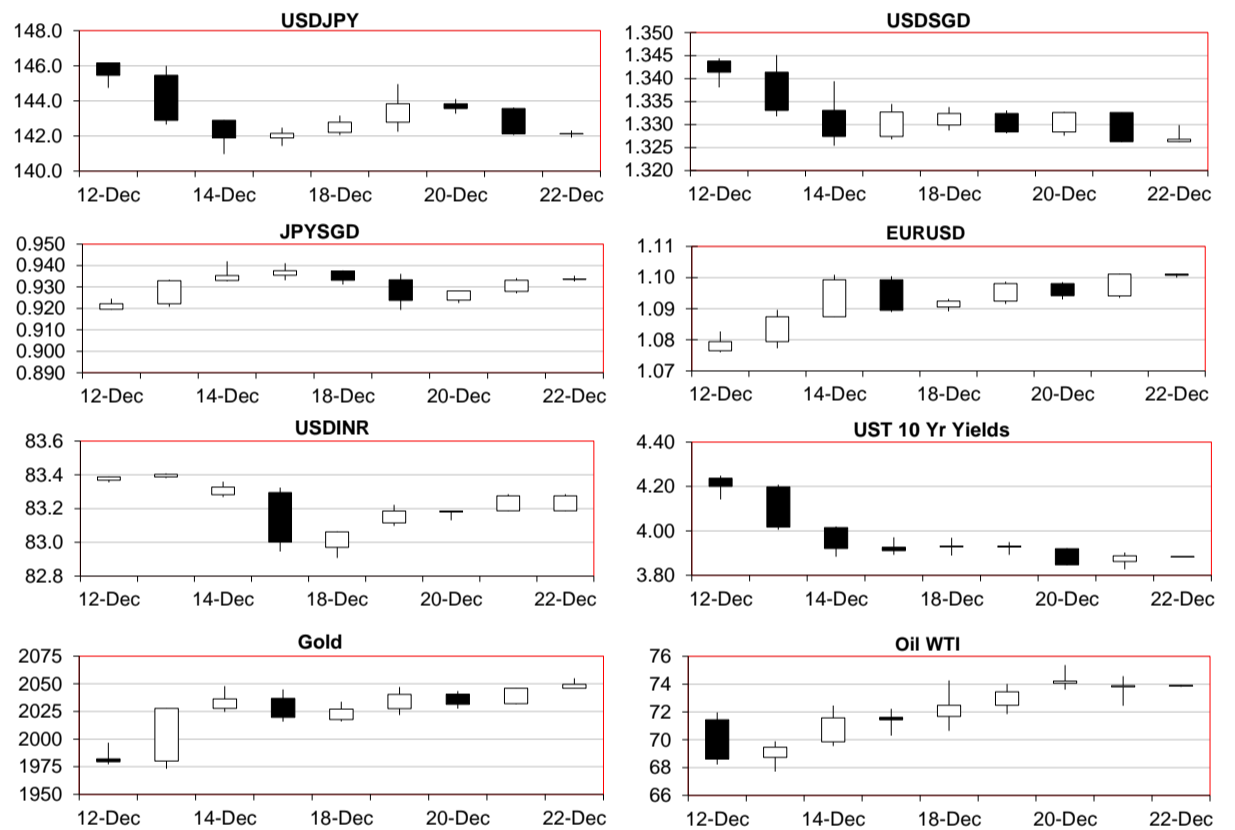
- 1) Extended bull run in markets as US data soft spots are framed as "Goldilocks" outcomes for pivot.
- 2) "Risk on" pressures USD even as yields edge up (on solid jobs). But underlying caution not dismissed.
- 3) Angola's exit from OPEC highlights internal splintering, undermines compliance; nudges oil lower.

Bulls, Rabbits & Dragons

- There is simply **no denying that, seduced by pivot, bulls have sized markets.**
- S&P500 is up 1% on the day, nearly 11% on the quarter and almost 24% for 2023. Meanwhile, boosted by AI fever and the "Magnificent 7", **Nasdaq is up 43% for the year** (13% for the quarter).
- This **pivot-obsessed bullish charge** explains the **counter-intuitive cheer despite disappointing Philly Fed and downward revisions to Q3 US GDP** (4.9%, with PCE cut to 3.1% from 4.0% initially).
- Apparently, **soft spots are framed as "Goldilocks", controlled cooling** of an earlier "hot" economy; **underpinning pivot bets** that are further encouraged by pullback in core PCE to 2.0%.
- And this "risk on" is also prompting a softer USD, despite some (albeit measured) pick-up in UST yields; as low jobless claims temper sharp post-FOMC yield declines (2Y: -38bp; 10Y: -31bp)
- For the casual observer, this has all the **hallmarks of a bull market. Surging equities. Retreating USD. Pivot-driven yield declines augmented by steepening and bouts of support.**
- **But** scrutiny reveals **critical distinction** to be made **between opportunistic and unbridled bulls.**
- Fact is, given that that **Gold is up over 12% for the year** (so far) **despite a surge in real yields**, it would be hard not to admit that **underlying caution is merely hedged, not abandoned.**
- This corresponds to **geo-political uncertainty** being **conveniently ring-fenced, not properly relegated or resolved.** What's more, the elephant in the room is **economic downturn threat** (from the notorious lagged effects of rate hikes) being **prematurely presumed dead.**
- From soft-landing confidence "immaculate dis-inflation" to low bars of just averting spill-over/ disruptions from geo-political conflicts **bulls have pulled many rabbits from the party hat.** But as Gandalf warned **"It does not do to leave a live dragon out of your calculations, if you live near him".**

OVERNIGHT RESULTS

 (US) GDP Annualized QoQ (3Q T): 4.9% (Mkt: 5.2%; prelim: 5.2%) | (US) Core PCE QoW (Q3 T): 2.0% (Prelim: 2.3%)
 (US) Philly Fed (Dec): 10.6 (Mkt: 3.0; -5.9) | (US) Initial Jobless: 205K (Mkt: 215k; Prev Wk: 203K)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	142.07	EUR/USD	1.1007
USD/SGD	1.3266	USD/THB	34.71
JPY/SGD	0.9339	USD/MYR	4.655

Forecast

USD/JPY	141.40 - 143.60
EUR/USD	1.0930 - 1.1050
AUD/USD	0.6720 - 0.6840
USD/SGD	1.3240 - 1.3360
JPY/SGD	0.9220 - 0.9448
USD/CNH	7.1230 - 7.1640
USD/INR	83.05 - 83.38
USD/IDR	15440 - 15580
USD/MYR	4.638 - 4.662
USD/PHP	55.45 - 55.85
USD/THB	34.68 - 34.98

Today's Direction

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

Angola's OPEC Exit & Oil

- After declaring annoyance at, and overt defiance for, tightened OPEC curbs at the last OPEC meeting, **Angola has relinquished OPEC membership**; parting ways with the cartel.
- This **underpins our view of a bumpy, two-speed, path down for Oil.** Initially on a **more controlled descent** driven by a mixed bag of supply dynamics, **amid internal OPEC splintering** that undermines quota discipline; before sharper decline spooked by demand shortfall concerns.
- **To be clear, Angola's OPEC exit on its own is neither an existential threat for the OPEC nor a trigger for softer Oil prices.** Fact is, Angola's 1.2MBpD output that effectively exhausts its capacity, holds little sway over OPEC, and no scope for boosting global crude supply.
- **But** Angola's exit inevitably **casts further doubt on OPEC's production curb compliances.**
- The **restive mood amongst smaller producers**, less incentivized to stomach output cuts to support Saudi's desire for higher prices, will become more apparent; and priced in as discount.
- Notably, the **UAE, eager to exploit its spare capacity** (having negotiated a bump-up), is also less likely to align with any further Saudi-led tightening. And **Saudi, sensing and properly sizing up the disquiet**, may be **forced to exercise restraint** on threats of **extending/deepening supply cuts.**
- In short, **Angola's exit impact not due to its own supply, but instead its impact accentuating intra-OPEC splinter, and augmenting the consequent dynamics.**
- Meanwhile, **remnant OPEC price support** perversely underpins record US; **tipping crude oil supply dynamics to the downside (\$60-70 Brent)**; albeit on a bumpy path.

FX Daily Outlook

- EUR/USD: Risk on rallies spur a breach of 1.10 as softer US data softens "competitive pivot"
- USD/JPY: Some declines on softer global yields and BoJ rhetoric balance; mid-141 support
- USD/SGD: Pullback may lose steam below mid-1.32 if EUR rallies don't see follow-through.
- AUD/USD: Oil's slip and lack of follow-through in rallies elsewhere limit AUD traction above 0.68.

TODAY'S EVENTS

 (JP) Natl CPI/Core-Core" YoY (Nov): 2.8/3.8% (Mkt: 2.8%/3.8%; Oct: 3.3%/4.0%) | (MY) CPI YoY (Nov): (Mkt: 1.7%; Oct: 1.8%)
 (US) Personal Income/Spending (Nov): (Mkt: 0.4%/0.3%; Oct: 0.2%/0.2%) | (US) PCE/Core Deflator YoY (Nov): (Mkt: 2.8%/3.3%; Oct: 3.0%/3.5%) | (US) Durable Goods Orders/Nondef Ex Air (Nov P): (Mkt: 2.4%/0.1%; Oct: -5.4%/-0.3%)
 (US) New Home Sales (Nov): (Mkt: 690k; Oct: 679k) | U. of Mich. Sentiment/Expectations (Dec F): (Mkt: 69.4/-; prelim: 69.4/66.4)
 (US) U. of Mich. 1Y/5-10Y Inflation (Dec F): (Mkt: 3.1%/2.9%; prelim: 3.1%/2.8%)

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