

MARKET SUMMARY

| FX | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ |
|-----|-------------|-----------|----------|---------|
| JPY | 136.49 | 135.33 | ▼2.74 | ▼3.21 |
| EUR | 1.0406 | 1.0520 | +0.0114 | +0.0110 |
| AUD | 0.6806 | 0.6811 | +0.0023 | +0.0047 |
| SGD | 1.3585 | 1.3535 | ▼0.0079 | ▼0.0219 |
| CNY | 7.0727 | 7.0534 | ▼0.0390 | ▼0.0986 |
| INR | 81.28 | 81.22 | ▼0.21 | ▼0.41 |
| IDR | 15562 | 15563 | ▼169 | ▼101 |
| MYR | 4.4111 | 4.4070 | ▼0.0375 | ▼0.0865 |
| PHP | 56.20 | 56.20 | ▼0.38 | ▼0.59 |
| THB | 35.03 | 34.98 | ▼0.28 | ▼0.79 |

*compared with previous day CLOSE(NY)

| Govt Bond Yields | CLOSE | Daily Δ | Wkly Δ |
|------------------|--------|----------|----------|
| USD (10YR) | 3.505% | ▼10.1 bp | ▼18.8 bp |
| JPY (10YR) | 0.253% | +0.0 bp | +0.5 bp |
| EUR* (10YR) | 1.814% | ▼11.6 bp | ▼3.6 bp |
| AUD (5YR) | 3.214% | ▼6.2 bp | ▼12.8 bp |
| SGD (5YR) | 2.906% | ▼3.7 bp | +3.6 bp |
| CNY (5YR) | 2.677% | ▼3.3 bp | +10.2 bp |
| INR (5YR) | 7.068% | ▼6.2 bp | ▼4.2 bp |
| IDR (5YR) | 6.188% | ▼18.3 bp | ▼29.3 bp |
| MYR (5YR) | 3.887% | ▼7.7 bp | ▼13.4 bp |
| PHP (5YR) | 6.474% | ▼4.4 bp | +1.3 bp |
| THB (5YR) | 2.198% | ▼4.4 bp | ▼19.3 bp |

* German bunds

| Equity Indices | CLOSE | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US) | 34,395.01 | ▼0.56% | +0.59% |
| N225 (JP) | 28,226.08 | +0.92% | ▼0.55% |
| STOXX 50 (EU) | 3,984.50 | +0.50% | +0.57% |
| ASX (AU) | 4,141.04 | +0.03% | +0.94% |
| STI (SG) | 3,292.73 | +0.07% | +1.23% |
| SHCOMP (CN) | 3,165.47 | +0.45% | +2.47% |
| SENSEX (IN) | 63,284.19 | +0.29% | +1.62% |
| JSE (ID) | 7,020.80 | ▼0.85% | ▼0.84% |
| KLSE (MY) | 1,491.51 | +0.18% | ▼0.69% |
| PSE (PH) | 6,734.99 | ▼0.68% | +3.13% |
| SET (TH) | 1,648.44 | +0.80% | +1.44% |

| Commodity | CLOSE | Daily Δ | Wkly Δ |
|---------------|----------|---------|---------|
| CRB | 279.46 | ▲0.10% | +0.94% |
| COPPER (LME) | 8,226.75 | +0.00% | +2.80% |
| IRON ORE (CN) | 102.94 | +10.39% | +11.27% |
| GOLD | 1,803.10 | +1.96% | +2.73% |
| OIL (WTI) | 81.22 | +0.83% | +4.21% |

TODAY'S COMMENTS & FORECAST

Open

| | | | |
|---------|--------|---------|--------|
| USD/JPY | 135.16 | EUR/USD | 1.0528 |
| USD/SGD | 1.3537 | USD/THB | 34.80 |
| JPY/SGD | 1.0016 | USD/MYR | 4.405 |

Forecast

| | |
|---------|-----------------|
| USD/JPY | 134.00 - 137.20 |
| EUR/USD | 1.0300 - 1.0550 |
| AUD/USD | 0.6650 - 0.6840 |
| USD/SGD | 1.3500 - 1.3700 |
| JPY/SGD | 0.9840 - 1.0224 |
| USD/CNH | 6.9500 - 7.1000 |
| USD/INR | 80.80 - 81.40 |
| USD/IDR | 15500 - 15600 |
| USD/MYR | 4.380 - 4.410 |
| USD/PHP | 55.80 - 56.40 |
| USD/THB | 34.70 - 34.90 |

Today's Direction

| | Bull | Bear |
|---------|------|------|
| USD/SGD | 2 | 4 |
| USD/JPY | 2 | 4 |

Deflating the USD?

- The **core PCE deflator** for Oct, being a closely watched indicator of price pressures, printed at 0.2% MoM which was below expectations and also a step down from the 0.5% MoM print in Sep.
- To be clear, this **slowing momentum of inflationary pressures is not a game changer for the mid-Dec meeting**. With **ISM manufacturing survey and new orders showing dismal contractions**, growth momentum looks to run out of steam.
- With the slowing price pressures foretelling lower pricing power for corporate topline while slow growth engenders demand concerns, US equities' recovery took a pause to take stock.
- These price and growth indicators are **inciting two pronged bets on both the peak and persistence of the Fed funds rates in 2023**. Specifically, OIS markets are pricing in peak rates below 4.9% with rate cuts in late Q3 2023.
- Concomitantly with these expectations, UST 2Y yields are down 8.3bps. Longer end 10Y UST yields dropped 10.1bp as growth worries remain unrelenting.
- As such, the **USD was duly deflated**, yet again plunging against most G10 peers.
- The JPY outperformed appreciating 2% against the USD as the USD/JPY headed towards 135.
- Similarly, EUR was sent above 1.05, this came alongside ECB's chief economist espousing confidence that rising incomes will support growth.
- Lower UST yields appeared to have spilled down under to encourage tail end bets on further dovishness on RBA's policy decision next week as 2Y AGB yields dropped -7bp. Consequently, the AUD made little headway rising slightly as it consolidated just above 0.68.
- In EM-Asia, USD/SGD slipped below mid-1.35 and regional peers will look to chalk further gains.

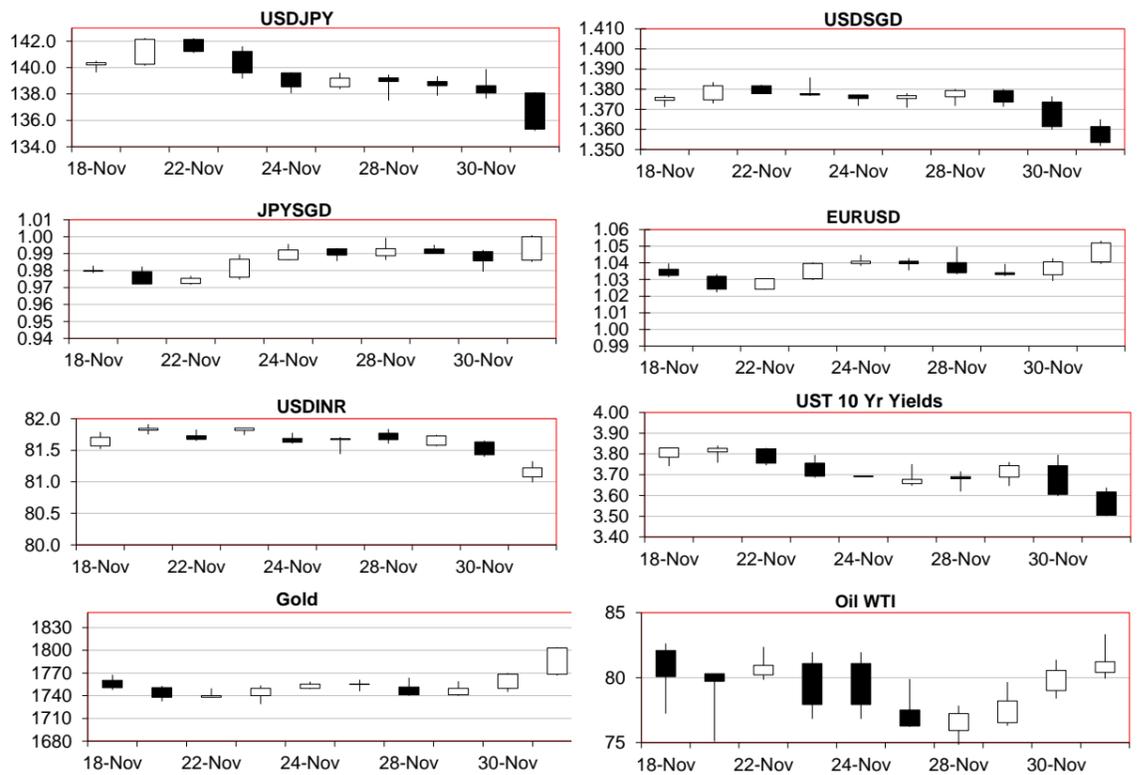
EM-Asia FX: Transport and Travel

- EM-Asia FX has recovered ground against the USD since the Fed's signalling of a likely step down in their pace of rate hikes. The sight of Fed peak rates and signs of a softer USD are welcomed by EM-Asia central banks facing widening policy rate differentials.

OVERNIGHT RESULTS

(ID) CPI/Core YoY (Nov): 5.4%/3.3% (Mkt: 5.5%/3.4%; Oct: 5.7%; 3.3%) | (EZ) Unemployment Rate (Oct): (Mkt: 6.6%; Sep: 6.6%) | (US) Initial Jobless Claims: 225k (Mkt: 231k; Prev: 241k) | (US) ISM Manufacturing/New Orders (Nov): 49.0/47.2 (Mkt: 49.7/48.5; Oct: 50.2/49.2) | (US) PCE/Core Deflator YoY (Oct): 6.0%/5.0% (Mkt: 6.0%/ 5.0%; Sep: 6.2%/5.1%) |

* Past Two Weeks Movement *



- While rate differentials which are undoubtedly a key driver of FX flows, abating cost push forces on the transport front alongside tourism recovery may have already added tailwinds to EM-Asia FX.

- **Pre-Covid transport balance and associated freight cost** was larger for the likes of Thailand and Malaysia, though one of the key mitigating sources was tourism receipts.

- Coming out of the pandemic, with a pick-up in tourism recovery, travel balance has begun turning positive for heavyweights such as Thailand. Down under, Australia's reopening has also allowed an initial resurgence of arrivals for visiting friends/relatives driving greater revenue inflows.

- Nonetheless, even in Q2 2022, **transport balances continued to be severely hard hit as supply chains remained in a snag and fuel prices stayed elevated**. Most EM-Asia countries faced enlarged transport deficits save for Korea enjoying their comparative advantage in the shipping industry. In contrast, Thailand has been especially hard hit with transport balance deficit exceeding 6% of GDP.

- From H2 2022, **various freight indices continue to ease sharply** and this will increasingly alleviate stresses for EM-Asia supply chains considering the extent of pain which had been inflicted thus far. Concomitantly, the associated relief on the current account front may be relatively commensurate with the magnitude of damage.

- Looking ahead, while tourism recovery is undeniably a positive for growth, reversions to pre-Covid travel trends is by no means a clear all-out win for EM-Asia's current account flows with the likes of Singapore and Korea reverting to past displays of greater tourism outflows.

- For more details, please [click here](#) to see full report with charts: Mizuho Chartspeak - EM-Asia FX: Transport and Travel.

FX Daily Outlook

- EUR/USD: After the emphatic rise, consolidation above mid-1.04 is now par for the course.

- USD/JPY: The pair may slip further if UST yields continue to give way.

- USD/SGD: Further outperformance may rely on regional peers and CNH/CNY complex.

- AUD/USD: The pair looks restrained below 0.69 as RBA decision comes into focus.

TODAY'S EVENTS

(KR) CPI YoY (Nov): 5.0%/4.8% (Mkt: 5.2%; Oct: 5.7%) | (SG) Purchasing Managers Index/Electronics Sector Index (Nov): (Oct: 49.7/49.1) | (EZ) PPI YoY (Oct): (Mkt: 31.8%; Sep: 41.9%) | (US) Change in Non-farm payrolls (Nov): (Mkt: 200k; Oct: 261k)

(US) Unemployment Rate (Nov): (Mkt: 3.7%; Oct: 3.7%)

Central Banks: Fed's Barkin, Evans Speaks

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