

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.64	134.31	▼1.02	▼4.88
EUR	1.0530	1.0535	+0.0015	+0.0140
AUD	0.6822	0.6790	▼0.0021	+0.0039
SGD	1.3516	1.3516	▼0.0019	▼0.0252
CNY	7.0389	7.0535	+0.0001	▼0.1115
INR	81.19	81.32	+0.10	▼0.37
IDR	15426	15428	▼135	▼245
MYR	4.3942	4.3883	▼0.0187	▼0.0955
PHP	55.76	55.77	▼0.43	▼0.92
THB	34.73	34.77	▼0.21	▼1.05

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.486%	▼1.9 bp	▼19.1 bp
JPY (10YR)	0.255%	+0.2 bp	+0.1 bp
EUR* (10YR)	1.856%	+4.2 bp	▼11.8 bp
AUD (5YR)	3.138%	▼7.6 bp	▼23.1 bp
SGD (5YR)	2.879%	▼2.7 bp	▼0.2 bp
CNY (5YR)	2.677%	+0.0 bp	+7.1 bp
INR (5YR)	7.072%	+0.4 bp	▼8.4 bp
IDR (5YR)	6.110%	▼7.8 bp	▼38.7 bp
MYR (5YR)	3.906%	+1.9 bp	▼7.8 bp
PHP (5YR)	6.460%	▼1.4 bp	▼3.6 bp
THB (5YR)	2.156%	▼4.2 bp	▼18.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,429.88	+0.10%	+0.24%
N225 (JP)	27,777.90	▼1.59%	▼1.79%
STOXX 50 (EU)	3,977.90	▼0.17%	+0.39%
ASX (AU)	4,138.81	▼0.05%	+0.64%
STI (SG)	3,259.14	▼1.02%	+0.45%
SHCOMP (CN)	3,156.14	▼0.29%	+1.76%
SENSEX (IN)	62,868.50	▼0.66%	+0.92%
JSE (ID)	7,019.64	▼0.02%	▼0.48%
KLSE (MY)	1,481.80	▼0.65%	▼0.32%
PSE (PH)	6,489.65	▼3.64%	▼1.78%
SET (TH)	1,641.63	▼0.41%	+1.28%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.69	▲0.99%	+1.26%
COPPER (LME)	8,432.50	+1.46%	+5.74%
IRON ORE (CN)	106.59	+3.55%	+14.54%
GOLD	1,797.63	▲0.30%	+2.43%
OIL (WTI)	79.98	▼1.53%	+4.85%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	134.48	EUR/USD	1.0543
USD/SGD	1.3505	USD/THB	34.68
JPY/SGD	1.0043	USD/MYR	4.388

Forecast

USD/JPY	133.00 - 135.00
EUR/USD	1.0420 - 1.0590
AUD/USD	0.6700 - 0.6890
USD/SGD	1.3400 - 1.3600
JPY/SGD	0.9926 - 1.0226
USD/CNH	6.9200 - 7.0000
USD/INR	80.80 - 82.00
USD/IDR	15380 - 15500
USD/MYR	4.372 - 4.400
USD/PHP	55.00 - 56.00
USD/THB	34.00 - 34.90

Today's Direction

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

Re-calibration

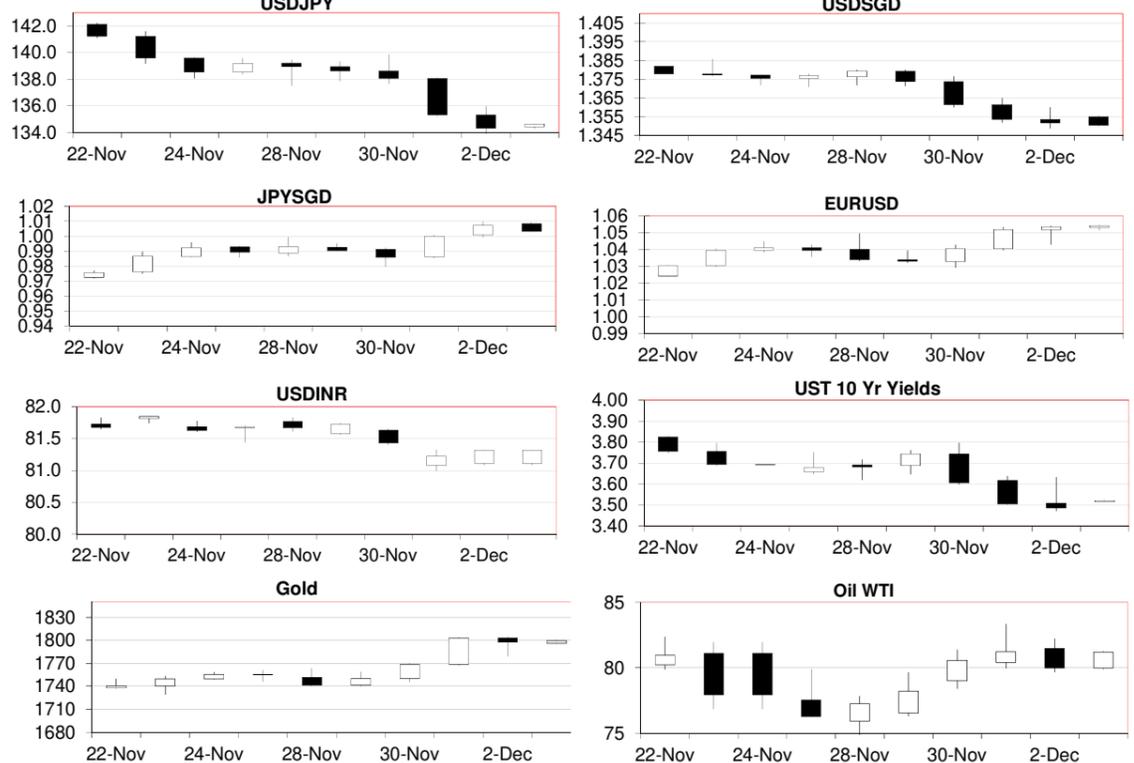
- Even after knock out November NFP data, which showed that the economy added 263k jobs following upward revisions to October, the market reaction across asset classes was choppy.
- The report also showed that hourly earnings grew double of consensus expectations at 0.6% MoM, with the unemployment rate steady at 3.7%
- The strong jobs report initially pushed UST yields across the curve higher, but bonds were bought towards the close of the session to bring yields lower.
- Importantly, expectations around the magnitude of the December rate hike at 50bp did not shift, instead expectations around the peak rate of the hiking cycle, which at one point was pushed to 4.98%, settled higher than prior to the data release.
- This speaks to the re-calibration of expectations by market participants to emphasize the "higher for longer" rates backdrop.
- Similarly, gains in the DXY index following the NFP report were largely unwound as JPY continued to gain traction, with USD/JPY hovering at 134.6 levels;
- NZD and GBP also gained while EUR/USD held on at 1.054 levels; EU agreed to put a cap on Russian oil at USD60/barrel with sanctions on Russian crude oil exports due to escalate today.
- OPEC+'s re-calibration of the oil market led it to maintain production output at its meeting on Sunday, while observing how previous cuts, China's reopening and Russian sanctions impact the oil market. Brent prices traded higher at USD87.2/barrel while WTI was at USD81.4/barrel.
- For EM Asia, the biggest re-calibration was with regards to expectations of China re-opening. Social restrictions in the bigger cities of Shanghai, Shenzhen and Guangzhou have been eased with expectations of further easing in the pipeline.
- CNH duly gained versus the USD on this news, USD/CNH is now trading below 7. This will help lift EM Asia FX with KRW, SGD and IDR in the driving seat.
- By contrast, higher oil prices will weigh on INR on India's net oil importer status.

OVERNIGHT RESULTS

(SG) Purchasing Managers Index/Electronics Sector Index (Nov): 49.8/49.2 (Oct: 49.7/49.1) | (EZ) PPI YoY (Oct): 30.8% (Mkt: 31.8%; Sep: 41.9%) | (US) Change in Non-farm payrolls (Nov): 263k (Mkt: 200k; Oct: 284k) | (US) Unemployment Rate (Nov): 3.7% (Mkt: 3.7%; Oct: 3.7%) | (US) Average Hourly Earnings MoM (Nov): 0.6% (Mkt: 0.3%; Oct: 0.5%)

Central Banks: Fed's Barkin, Evans Speaks *

Past Two Weeks Movement



Philippines Budget 2023: Sticking To Fiscal Consolidation But That's About It

- Budget 2023 was approved by the Senate on 23 November, in advance of the start of the New Year. The budget aims to narrow the fiscal deficit to 6.1% of GDP from 7.6% in 2022.
- Revenue growth is expected to be 10% YoY, similar to the expectation for 2022. Within this, tax revenue growth is expected to slow to 10.3% in 2023 from 14.5% in 2022.
- This is consistent with slower nominal GDP growth in 2023 at 9.6% YoY (more from a moderation in inflation rather than real GDP growth) from 11.7% in 2022.
- Meanwhile, expenditure growth is budgeted to slow to 2.6% YoY in 2023 from 6.0% in 2022 led by slower capex disbursements (-5.0% YoY in 2023 from +7.1% in 2023) with opex growth is set to remain stable at 5.3% YoY.
- While this is not be encouraging on the headline, it reflects the reality associated with fiscal consolidation wherein capex cutbacks are inevitable even as opex growth is sustained.
- That said, the government has been close achieving its tax revenue targets, 95%-100% of target since 2016, implying that revenue underperformance is unlikely to be material.
- Indeed, for Jan-August 2022, tax revenue collections at -68% of the annual target, suggest that the full target is within reach.
- As such, Budget 2023 sticks to the medium-term agenda of fiscal consolidation but does not break the mould on pushing additional fiscal reforms. If anything, it is categorically short on details regarding the latter.

FX Daily Outlook

- EUR/USD: Risk on will support the pair at above 1.054 levels even as energy market risks persist.
- USD/JPY: Limited two-way trade as JPY support holds amidst volatile UST demand.
- USD/SGD: Rebound in CNY/CNH from re-opening exuberance will push downside to below 1.348.
- AUD/USD: Choppy trading ahead of RBA, with potential upside from stronger CNY/CNH.

TODAY'S EVENTS

(CH) Caixin PMI Services (Nov): (Mkt: 48.0; Oct: 48.4) | (SG) Retail Sales/ Ex- Auto YoY (Oct): (Mkt: 10.4%/--; Sep: 11.2%/16.8%) | (US) ISM Services Index (Nov): (Mkt: 53.9; Oct: 54.4) | (US) Durable Goods/Non-def Ex Air Orders (Oct F): (Prelim: 1.0%/0.7%) | (EZ) Retail Sales YoY (Oct): (Sep: -0.6%) | (EZ) Sentix Investor Confidence (Dec): (Nov: -30.9)

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