

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.19	136.75	+2.44	▼2.20
EUR	1.0534	1.0491	▼0.0044	+0.0151
AUD	0.6806	0.6698	▼0.0092	+0.0048
SGD	1.3485	1.3576	+0.0060	▼0.0217
CNY	6.9635	6.9625	▼0.0910	▼0.2444
INR	81.74	81.80	+0.48	+0.13
IDR	15440	15468	+40	▼255
MYR	4.3672	4.3685	▼0.0198	▼0.1153
PHP	56.03	56.03	+0.26	▼0.63
THB	34.76	34.77	+0.00	▼0.81

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.574%	+8.7 bp	▼10.8 bp
JPY (10YR)	0.255%	+0.0 bp	+0.2 bp
EUR* (10YR)	1.880%	+2.4 bp	▼11.2 bp
AUD (5YR)	3.122%	▼1.6 bp	▼18.3 bp
SGD (5YR)	2.904%	+2.5 bp	+3.4 bp
CNY (5YR)	2.681%	+0.4 bp	+3.8 bp
INR (5YR)	7.085%	+1.3 bp	▼3.9 bp
IDR (5YR)	6.164%	+5.4 bp	▼28.7 bp
MYR (5YR)	3.878%	▼2.8 bp	▼10.6 bp
PHP (5YR)	6.437%	▼2.3 bp	▼6.0 bp
THB (5YR)	2.156%	+0.0 bp	▼6.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,947.10	▼1.40%	+0.29%
N225 (JP)	27,820.40	+0.15%	▼1.22%
STOXX 50 (EU)	3,956.53	▼0.54%	+0.53%
ASX (AU)	4,143.21	+0.11%	+1.09%
STI (SG)	3,267.54	+0.26%	+0.85%
SHCOMP (CN)	3,211.81	+1.76%	+4.33%
SENSEX (IN)	62,834.60	▼0.05%	+0.53%
JSE (ID)	6,987.33	▼0.46%	▼0.43%
KLSE (MY)	1,471.56	▼0.69%	▼1.01%
PSE (PH)	6,442.13	▼0.73%	▼3.58%
SET (TH)	1,641.63	+0.00%	+1.53%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.35	▲2.29%	▲0.94%
COPPER (LME)	8,348.50	▲1.00%	+5.21%
IRON ORE (CN)	108.72	+2.00%	+16.89%
GOLD	1,768.68	▲1.61%	+1.57%
OIL (WTI)	76.93	▼3.81%	▼0.40%

Good News is Bad News?

- An unexpected beat in US ISM services index for November tells of current strong services activity which in turn implies a higher likelihood of services inflation remaining elevated for longer.

- **Good news** (for soft landing) **is bad news** (for policy) became in play. The prospects of elevated policy rates and sent US equities tumbling (Nasdaq: -1.9%; S&P500: -1.8%; Dow: 1.4%).

- UST 2Y yields surged 11.6 while 10Y UST yields rose 8.7bp as markets raise their expectations of peak rates in 2023 back above 5%.

- Notably, the impact of **Brent crude prices slipping 3.4%** to go below US\$83/barrel on the start of EU sanctions on Russian oil which ought to provide **headline inflation relief was not enough good news to offset the sticky and problematic services inflation**.

- The spillovers from the embargo look to add supply chain woes with reported tanker jams in Turkish water. These are troubling kinks in an already tangled situation.

- The **USD re-asserted dominance against all G10 peers** as UST yields rise with the JPY heading down 1.8%, sending the USD/JPY above mid-136. Enjoying the most direct gain from falling energy prices, the EUR depreciated the least, falling to 1.05.

- Commodity related currencies also saw their shine fade. The AUD plunged to 0.67 with the RBA likely to stick to 25bp hikes in contrast to the Fed's more prolonged hikes. (See below)

- In EM-Asia, the USD/SGD rose above mid-1.35. For good news, the region will again have to look to further easing in China's Covid restrictions to buffer against this bout of USD strength.

- The bad news which had been looked past was a deep services contraction highlighting the depths which China needs to recover from. After anticipation fades, the grind sets in.

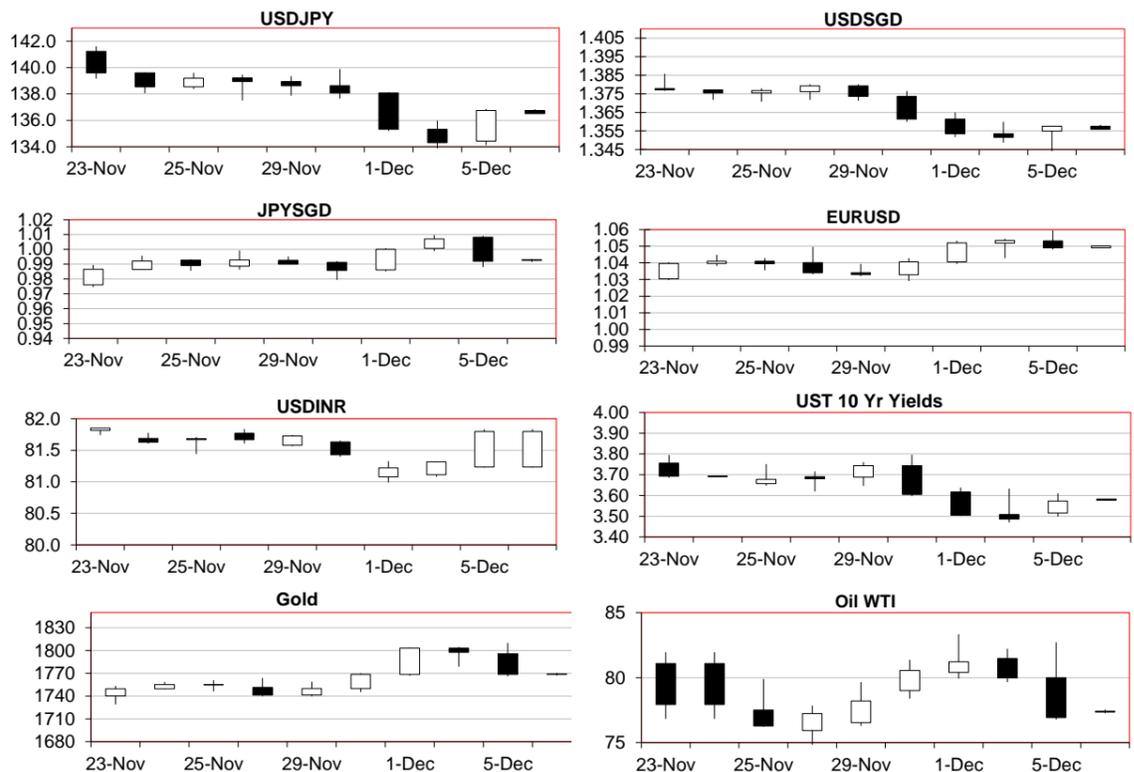
RBA: Retaining 25bp Hikes

- We find that the **case to retain 25bp rate hikes at the RBA's meeting today remains strong. This will take their cash rate target to 3.10%.**

OVERNIGHT RESULTS

(CH) Caixin PMI Services (Nov): 46.7 (Mkt: 48.0; Oct: 48.4) | (SG) Retail Sales/ Ex - Auto YoY (Oct): 10.4%/14.3% (Mkt: 10.4%/--; Sep: 11.2%/16.8%) (US) ISM Services Index (Nov): 56.5 (Mkt: 53.9; Oct: 54.4) | (US) Durable Goods/Non-def Ex Air Orders (Oct F): 1.1%/0.6% (Prelim: 1.0%/0.7%) | (EZ) Retail Sales YoY (Oct): -2.7% (Sep: -0.6%) | (EZ) Sentix Investor Confidence (Dec): -21.0 (Nov: -30.9)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	136.63	EUR/USD	1.0497
USD/SGD	1.3565	USD/THB	35.06
JPY/SGD	0.9928	USD/MYR	4.369

Forecast

USD/JPY	135.00 - 138.00
EUR/USD	1.0420 - 1.0550
AUD/USD	0.6600 - 0.6800
USD/SGD	1.3450 - 1.3600
JPY/SGD	0.9746 - 1.0074
USD/CNH	6.9200 - 7.0100
USD/INR	81.50 - 82.60
USD/IDR	15420 - 15550
USD/MYR	4.368 - 4.400
USD/PHP	55.90 - 56.50
USD/THB	34.60 - 35.00

Today's Direction

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

- Since the previous meeting, imported inflationary pressures has been dented by a stronger AUD benefiting from a softer USD trend alongside;

- optimism surrounding China's easing of Covid restrictions. This in turn diminishes the case for upsized hikes.

- While monthly CPI indicator is an imperfect proxy of its quarterly counterpart, **October's headline inflation printing at 6.9% is still uncomfortably high** despite it being lower than September's 7.3%.

- **Housing market and construction sector risks are rising but the current state can be considered intended by (policy) design and the mitigating incomes/savings buffer still prevail.**

- Specifically, while we are cognisant of falling building approvals (6% MoM decline in October on a seasonally adjusted basis), the level of approvals remains 4.4% above 2019's monthly average.

- Similarly, housing prices are at elevated levels despite falling off its peak in recent months.

- Uptick in employment and hours work will prove supportive of incomes to mitigate against inflationary pressures and rising mortgage burdens.

- Along the same vein, household savings ratio has been fallen to 8.7% in Q2. Nonetheless, it is also above pre-Covid levels.

- That said, as households increasingly consume out of savings, private consumption may begin to slow and allow demand side inflationary pressures to ebb.

- In 2023, another 25bps hike to reach 3.35% is on the cards and beyond which, the case to pause and allow policy transmission effects to take hold increases

FX Daily Outlook

- EUR/USD: With UST yields reasserting, mid-1.05 may be too high for now.

- USD/JPY: Amid energy relief, UST yields look to sustain buoyancy above mid-135.

- USD/SGD: As reopening situation clears up in China, realities may set in to support 1.35.

- AUD/USD: RBA may espouse dovishness which restrains the AUD below 0.68.

TODAY'S EVENTS

(JP) Labor/ Real Cash Earnings (Oct): 1.8%/-2.6% (Mkt: 2.0%/-2.2%; Sep: 2.2%/-1.2%)
(TH) CPI/Core YoY (Nov): (Mkt: 5.9%/3.2%; Oct: 6.0%/3.2%) | (PH) CPI YoY (Nov): (Mkt: 7.8%; Oct: 7.7%)
(US) Trade Balance (Oct): (Mkt: -\$80.0b; Sep: -\$73.3b)
Central Bank: RBA Monetary Policy Decision

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