



DAILY MARKET REPORT

07-Dec-2022 Wednesday
MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.94	137.00	+0.25	▼1.63
EUR	1.0493	1.0467	▼0.0024	+0.0137
AUD	0.6730	0.6688	▼0.0010	+0.0000
SGD	1.3566	1.3590	+0.0014	▼0.0146
CNY	6.9935	6.9950	+0.0325	▼0.1643
INR	82.23	82.61	+0.81	+0.89
IDR	15620	15618	+150	▼125
MYR	4.3933	4.3950	+0.0265	▼0.1160
PHP	55.99	55.98	▼0.04	▼0.59
THB	35.10	35.05	+0.28	▼0.38

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.531%	▼4.2 bp	▼21.3 bp
JPY (10YR)	0.256%	+0.1 bp	+0.3 bp
EUR* (10YR)	1.800%	▼8.0 bp	▼12.2 bp
AUD (5YR)	3.185%	+6.3 bp	▼16.3 bp
SGD (5YR)	2.927%	+2.3 bp	▼0.9 bp
CNY (5YR)	2.722%	+4.1 bp	+2.1 bp
INR (5YR)	7.107%	+2.2 bp	▼3.1 bp
IDR (5YR)	6.199%	+3.5 bp	▼27.4 bp
MYR (5YR)	3.878%	+0.0 bp	▼9.8 bp
PHP (5YR)	6.379%	▼5.8 bp	▼13.7 bp
THB (5YR)	2.136%	▼2.0 bp	▼7.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,596.34	▼1.03%	▼0.76%
N225 (JP)	27,885.87	+0.24%	▼0.51%
STOXX 50 (EU)	3,939.19	▼0.44%	+0.12%
ASX (AU)	4,114.48	▼0.69%	+0.05%
STI (SG)	3,252.37	▼0.46%	▼0.73%
SHCOMP (CN)	3,212.53	+0.02%	+1.99%
SENSEX (IN)	62,626.36	▼0.33%	▼0.09%
JSE (ID)	6,892.57	▼1.36%	▼1.70%
KLSE (MY)	1,471.55	▼0.00%	▼0.37%
PSE (PH)	6,674.38	+3.61%	▼1.57%
SET (TH)	1,632.97	▼0.53%	+0.53%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.45	▲1.07%	▲2.93%
COPPER (LME)	8,348.50	+0.00%	+3.89%
IRON ORE (CN)	108.41	▲0.29%	+16.23%
GOLD	1,771.04	+0.13%	+1.21%
OIL (WTI)	74.25	▼3.48%	▼5.05%

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	4.396

Forecast

USD/JPY	135.00	-	138.00
EUR/USD	1.0390	-	1.0550
AUD/USD	0.6500	-	0.6800
USD/SGD	1.3520	-	1.3620
JPY/SGD	0.9797	-	1.0089
USD/CNH	6.9200	-	7.0100
USD/INR	81.50	-	83.00
USD/IDR	15500	-	15720
USD/MYR	4.390	-	4.420
USD/PHP	55.00	-	57.00
USD/THB	34.20	-	36.00

Today's Direction

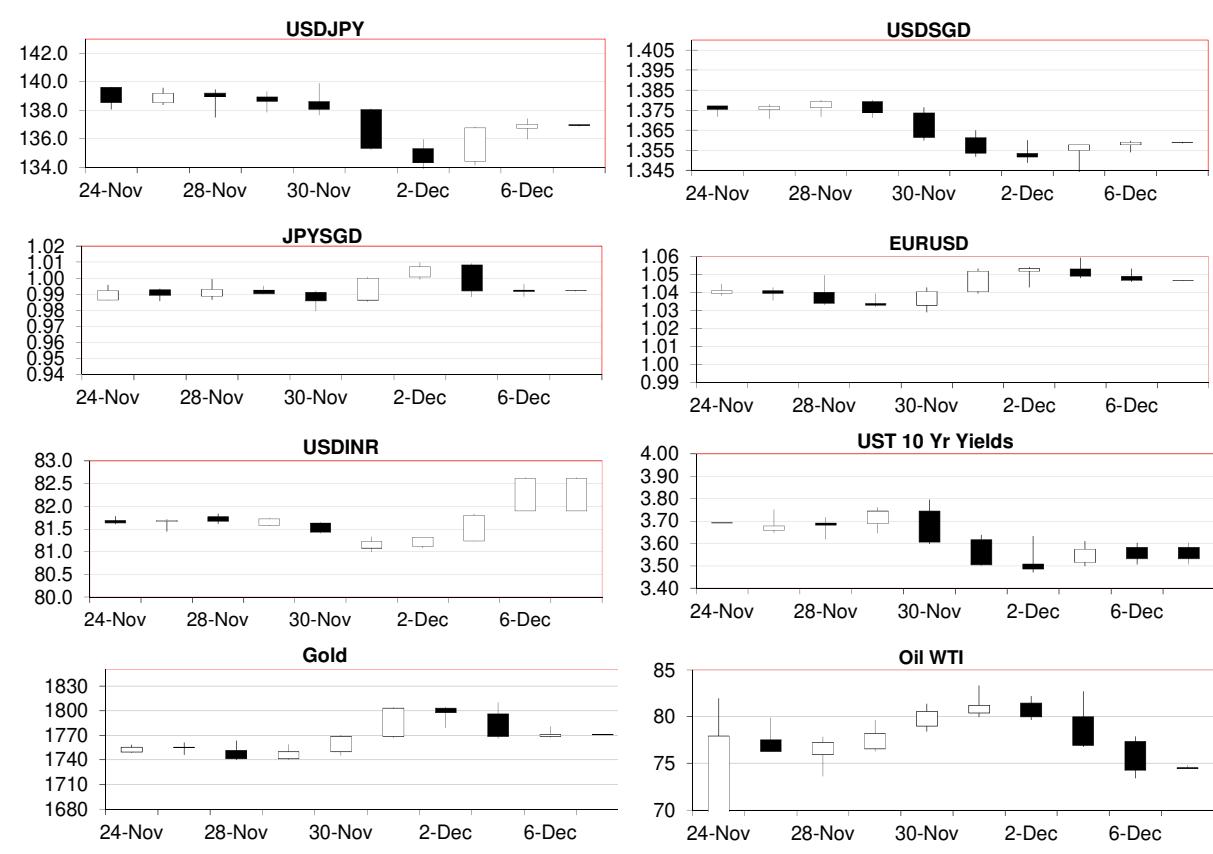
	Bull	Bear	
USD/SGD	2	:	4
USD/JPY	2	:	4

Warnings For The Weary

- Warnings bells were struck loud and hard by the bigger banks of Wall Street overnight of tough times ahead.
- The heads of Goldman Sachs, Morgan Stanley, JP Morgan warned of slower global economic growth in 2023 with an increasing probability of a US recession portending job and pay cuts.
- This promptly perpetuated a further sell-off in US equities on Tuesday (S&P: -1.4%; NASDAQ: -2.0%; Dow Jones: -1.0%), which were already under pressure.
- Risk sentiment turned cautious this week as recession fears overrode inflation risks, despite some good news out of China on easing social restrictions.
- Although yields across the UST curve came off on Tuesday, better-than-expected recent US economic data showed that the Fed has limited room to back down on its hawkish stance even if it dials back on the magnitude of rate hikes, as early as its 14 December meeting.
- 'Risk-off' triggered buying in USD while commodities, and oil specifically, were hit. WTI and Brent prices reversed this year's gains to trade at USD74.62/barrel and USD76.93/barrel, respectively. Unsurprisingly, associated G10 commodity currencies were the most hit.
- NOK and CAD lost 0.8% and 0.5% versus the USD, respectively, while AUD lost 0.2%.
- EUR/USD was fell lower to 1.046 levels while USD/JPY broke 137 levels.
- NZD and CHF traded largely flat to USD, with the latter reflecting greater safe haven demand.
- Within EM Asia FX, news of China's relaxation of COVID restrictions had a limited impact.
- KRW dropped more than 2% versus USD, with USD/KRW looking set to test 1325 levels.
- INR and IDR lost close to 1% versus the USD; although RBI is expected to raise rates at its meeting today, a dial-back in rate hikes to 35bp will provide limited support to INR.
- China November trade data will be watched closely today; expectations are for a further deterioration in export and import growth which could put additional pressure on EM Asia FX.
- Meanwhile, the higher-than-expected November CPI print of 8% YoY in the Philippines will continue to put pressure on BSP to remain hawkish.

OVERNIGHT RESULTS

(PH) CPI YoY (Nov): 8.0% (Mkt: 7.8%; Oct: 7.7%) | (US) Trade Balance (Oct): -\$78.2b (Mkt: -\$80.0b; Sep: -\$74.1b) | Central Bank: RBA Monetary Policy Decision

*** Past Two Weeks Movement ***

RBI: Dailing Back, But Not Done

- The bottom-line is that the RBI will have to maintain the tightening stance amid sticky inflation, albeit dialing back from upsized 50bp hikes to a 35bp hike (to 6.25%) this time.
- As alluded to in our note after Q3 GDP:
- "despite emerging headwinds to growth, the more pressing price (and rupee) stability mandate of the RBI, sets the stage for more rate hikes..."
- Crucially, especially "... in the context of an uncompromisingly hawkish Fed."
- In fact, there could be yet another 25bp hike in Q1 2023 to bring the repo rate to 6.50%; as inflation linger inconveniently and uncomfortably.
- What's more, alongside non-negligible fiscal slippage risks, persistently negative real rates underpin the case for the RBI not to shift down from its current tightening stance.
- Not just yet as overhang of latent global market volatility and capital outflow risks remain.

Australia Q3 GDP: Beneath the Flattery

- Base effects flattered the Q3 GDP YoY print, which showed that the economy grew 5.9% YoY from a downwardly revised 3.2% in Q2. But growth slowed on a sequential basis to 0.6% QoQ SA from 0.9% driven by slower consumption growth even as investment spending held up in Q3.
- Looking ahead, softer private consumption is to be expected as a growing proportion of households are hit by higher mortgage burdens as the effect of fixed rate loans expire.
- That said, an outright meltdown is only a tail risk as savings buffers and employment remain supportive of household balance sheets.

FX Daily Outlook

- EUR/USD: USD strength amidst rising haven demand can push pair to mid-1.03 levels.
- USD/JPY: Potential to be pushed close to 138 levels as UST yields rise and USD strengthens.
- USD/SGD: Weaker China Nov trade data amidst USD demand will push pair above 1.36.
- AUD/USD: Policy rate at a decade high will have limited impact as commodity prices take a hit.

TODAY'S EVENTS

(AU) GDP YoY/QoQ SA (Q3): 5.9%/0.6% (Mkt: 6.3%/0.7%; 3.2%/0.9%) | (TH) CPI/Core YoY (Nov): (Mkt: 5.9%/3.2%; Oct: 6.0%/3.2%) | (CH) Trade Balance (Nov): (Mkt: \$78.05b; Oct: \$85.15b) | (PH) Unemployment rate (Oct): (Prev: 5.0%) | (EZ) GDP SA YoY/QoQ (Q3 F): (Mkt: 2.1%/0.2%; Prelim: 2.1%/0.2%) | (EZ) Employment YoY (Q3 F): (Prelim: 1.7%) | (JP) Leading Index CI/Coincident Index (Oct P): (Mkt: 98.3/100.5; Sept: 97.5/101.4)

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