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MIZUHO

DAILY MARKET REPORT

08-Dec-2022 Thursday

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	137.40	136.62	▼0.38	▼1.45
EUR	1.0462	1.0506	+0.0039	+0.0100
AUD	0.6696	0.6725	+0.0037	▼0.0063
SGD	1.3587	1.3554	▼0.0036	▼0.0060
CNY	6.9823	6.9700	▼0.0250	▼0.1224
INR	82.43	82.48	▼0.13	+1.05
IDR	15636	15638	+20	▼94
MYR	4.4085	4.3970	+0.0020	▼0.0475
PHP	55.47	55.47	▼0.51	▼1.11
THB	35.12	35.10	+0.05	▼0.16

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.417%	▼11.5 bp	▼18.9 bp
JPY (10YR)	0.255%	▼0.1 bp	+0.2 bp
EUR* (10YR)	1.782%	▼1.8 bp	▼14.8 bp
AUD (5YR)	3.165%	▼2.0 bp	▼11.1 bp
SGD (5YR)	2.904%	▼2.3 bp	▼3.9 bp
CNY (5YR)	2.737%	+1.5 bp	+2.7 bp
INR (5YR)	7.139%	+3.2 bp	+0.9 bp
IDR (5YR)	6.213%	+1.4 bp	▼15.8 bp
MYR (5YR)	3.867%	▼1.1 bp	▼9.7 bp
PHP (5YR)	6.272%	▼10.7 bp	▼24.6 bp
THB (5YR)	2.118%	▼1.8 bp	▼12.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,597.92	+0.00%	▼2.87%
N225 (JP)	27,686.40	▼0.72%	▼1.01%
STOXX 50 (EU)	3,920.90	▼0.46%	▼1.11%
ASX (AU)	4,093.68	▼0.51%	▼1.11%
STI (SG)	3,225.45	▼0.83%	▼1.98%
SHCOMP (CN)	3,199.62	▼0.40%	+1.53%
SENSEX (IN)	62,410.68	▼0.34%	▼1.09%
JSE (ID)	6,818.75	▼1.07%	▼3.71%
KLSE (MY)	1,466.88	▼0.32%	▼1.47%
PSE (PH)	6,525.16	▼2.24%	▼3.77%
SET (TH)	1,622.28	▼0.65%	▼0.80%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	265.89	▲0.59%	▲4.96%
COPPER (LME)	8,430.00	+0.54%	+2.47%
IRON ORE (CN)	106.71	▲1.57%	+14.43%
GOLD	1,786.27	+0.86%	+1.00%
OIL (WTI)	72.01	▼3.02%	▼10.60%

Yielding

- US treasuries dominated much action with **2Y and 10Y UST yields plunged 11.0bp and 11.5bp** respectively. **Haven demand on the longer end** was at play with rising geo-political tensions and recession worries taking hold. Echoing these concerns, US equities' performance was lacklustre.
- On the geo-politics front, **Putin was certainly not yielding** as he brandished the existence of Russia's nuclear arsenal and talked up risks of a nuclear war. Meanwhile, **poor China exports data** ignited worries of global demand slowdown denting recent reopening cheer.
- **Demand for shorter end USTs** may have taken courage from the 2.7% drop in Brent crude prices and a more obscure corner of US data release, that is a **downward revision of unit labour costs** which came in below expectations which may point to lower wage pressures.
- Despite geo-political tensions, the yield mechanics of the USD dominated as USD fell against all G10 peers. Reflecting so, USD/JPY fell below mid-136 and the EUR was buoyed above 1.05.
- In Asia, USD/SGD headed down to mid-1.35. While AUD sustained above 0.67, the inability to appreciate further underscores limits to China's re-opening boost and RBA's rate hike constraints.
- Similarly, facing growth-inflation trade-offs, the **RBI expectedly dialed back rate hikes to 35bps** to tackle stubborn inflation and backstop the INR.

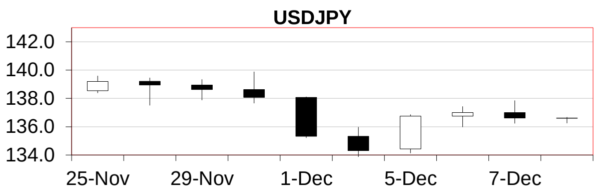
Three Reasons to Temper China Re-Opening Cheer

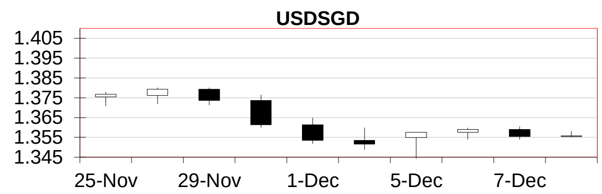
- To be sure, the cumulative of measures weaved together all point to a distinct move towards more emphatic relaxation of Zero-COVID policies; and that is undeniably a reason for optimism about economic activity picking up in China. Nonetheless, market exuberance appears to be overdone. At the very least, the unqualified cheer needs to be tempered for the realities of execution falling short of lofty expectations of a quick and unfettered unwind of Zero-COVID policies.
- Specifically, there are three reasons to be restrained, if not circumspect, on China cheer.
- First, the simple point that the unwind of entrenched Zero-COVID policies will take time and perhaps be a bumpy process rather than a linear path to instant gratification.

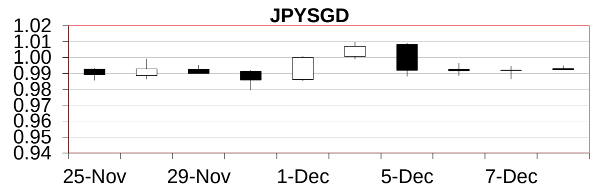
OVERNIGHT RESULTS

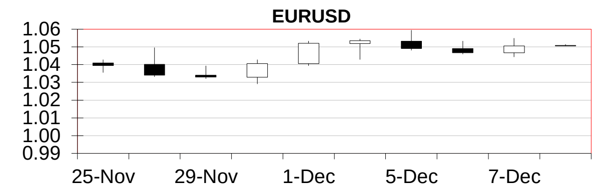
(TH) CPI/Core YoY (Nov): 5.6%/3.2% (Mkt: 5.9%/3.2%; Oct: 6.0%/3.2%) | (CH) Trade Balance (Nov): $69.84b (Mkt: $78.05b; Oct: $85.15b) | (PH) Unemployment rate (Oct): 4.5% (Prev: 5.0%) | (EZ) GDP SA YoY/QoQ (Q3 F): 2.3%/0.3% (Mkt: 2.1%/0.2%; Prelim: 2.1%/0.2%) | (EZ) Employment YoY (Q3 F): 1.8% (Prelim: 1.7%) |

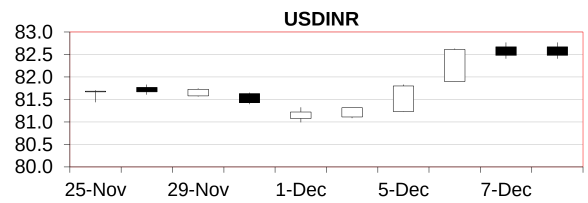
* Past Two Weeks Movement *

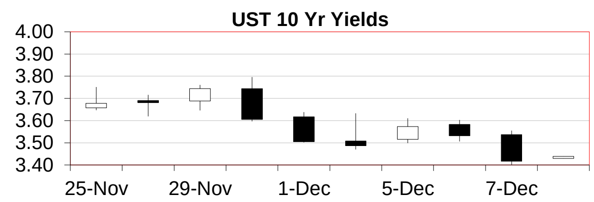


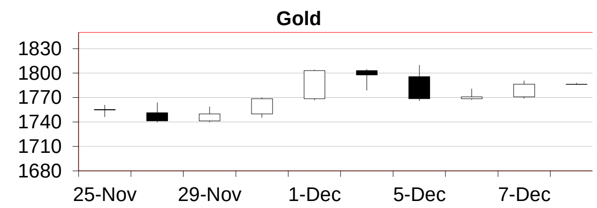


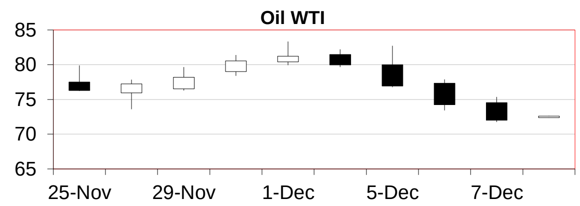












TODAY'S COMMENTS & FORECAST

Open

USD/JPY	136.39	EUR/USD	1.0513
USD/SGD	1.3554	USD/THB	34.91
JPY/SGD	0.9938	USD/MYR	4.398

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	-	6.9900
USD/INR	81.50	-	82.60
USD/IDR	15500	-	15720
USD/MYR	4.360	-	4.420
USD/PHP	55.00	-	56.00
USD/THB	34.60	-	35.25

Today's Direction

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

- Especially pertaining to measures such as ramping up vaccination amongst seniors, a critical precondition to transition to managed endemic phase. Not only will vaccine administration take time, but a 2-3 week lag is required for the vaccine to be effective. After which, the thick of winter could hamper the speed of re-opening, pushing out the timeline for more comprehensive relaxation of Zero-COVID policies to late-Q1/early-Q2 23. And so COVID cheer may have gone too far too fast.
- Second, various dimensions of policies may not all be relaxed together. In particular, priority may be on lifting thresholds for lockdown (core onshore dimensions) whereas two other dimensions of in-bound travel and out-bound travel potentially being phased over a longer period or further out.
- As such, tourism resumption bets on returning Chinese tourists may have gone out too far too soon. **Relaxing outbound travel may not be the first order of priorities** as these may not result in the largest economic multipliers for China.
- Finally, while relaxation of Zero-COVID policies could justifiably boost China's economic activity, and help provide additional tourism buffer in EM Asia confidence deficit in the economy may not be totally resolved. Overhang from crushing property market dent and regulatory uncertainty may not be fully reversed with policy reversals; and may suffer inadequacies of "pushing on a string".
- And so, the lingering confidence deficit despite COVID relaxations should also be a reason to temper the cheer associated with policy reversals; be it regulatory, property or Zero-COVID relaxations. The upshot is that **digging oneself out of a deep hole is a step in the right direction, not a victory lap.**

FX Daily Outlook

- EUR/USD: While buoyancy is sustained by lower UST yields, surges retrained by geo-politics.
- USD/JPY: Recalibration of front end US yields should be watched as mid-137 remain plausible.
- USD/SGD: Fading China reopening boost can allow pair to stay afloat of mid-1.35.
- AUD/USD: Pair remains stuck between 0.67-0.68 with downward bias on commodity weakeness.

TODAY'S EVENTS

(AU) Trade Balance (Oct): A$12217m (Mkt: A$12100m; Sep:A$12444m| (JP) BoP Current Account Balance (Oct): -¥64.1 (Mkt: ¥621.7b; Sep: ¥909.3b) | (JP) Annualised SA QoQ (3Q F): -0.8% (Mkt: -1.0%; Prelim: -1.2%)
(US) Initial Jobless Claims (3 Dec): (Mkt: 230k; Prev: 225k) |
Central Bank: ECB's Largarde Speaks

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