

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.35	136.56	▼0.11	+2.25
EUR	1.0570	1.0540	▼0.0016	+0.0005
AUD	0.6772	0.6795	+0.0026	+0.0005
SGD	1.3510	1.3539	+0.0003	+0.0023
CNY	6.9495	6.9584	▼0.0090	▼0.0951
INR	82.12	82.28	▼0.16	+0.96
IDR	15583	15583	▼38	+155
MYR	4.4037	4.4040	+0.0025	+0.0157
PHP	55.39	55.38	▼0.09	▼0.39
THB	34.78	34.80	▼0.03	+0.03

\*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.578%	+9.6 bp	+9.2 bp
JPY (10YR)	0.256%	+0.1 bp	+0.1 bp
EUR* (10YR)	1.933%	+11.3 bp	+7.7 bp
AUD (5YR)	3.112%	▼5.0 bp	▼2.6 bp
SGD (5YR)	2.868%	▼1.6 bp	▼1.1 bp
CNY (5YR)	2.732%	+1.2 bp	+5.5 bp
INR (5YR)	7.180%	+0.6 bp	+10.8 bp
IDR (5YR)	6.192%	▼0.8 bp	+8.2 bp
MYR (5YR)	3.856%	+1.7 bp	▼5.0 bp
PHP (5YR)	6.307%	+3.3 bp	▼15.3 bp
THB (5YR)	2.097%	▼0.6 bp	▼5.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,476.46	▼0.90%	▼2.77%
N225 (JP)	27,901.01	+1.18%	+0.44%
STOXX 50 (EU)	3,942.62	+0.54%	▼0.89%
ASX (AU)	4,087.39	+0.13%	▼1.24%
STI (SG)	3,245.97	+0.31%	▼0.40%
SHCOMP (CN)	3,206.95	+0.30%	+1.61%
SENSEX (IN)	62,181.67	▼0.62%	▼1.09%
JSE (ID)	6,715.12	▼1.31%	▼4.34%
KLSE (MY)	1,477.19	+0.77%	▼0.31%
PSE (PH)	6,580.12	+0.84%	+1.39%
SET (TH)	1,623.13	+0.16%	▼1.13%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	266.28	▲0.05%	▲3.76%
COPPER (LME)	8,507.00	▲0.21%	+0.88%
IRON ORE (CN)	111.28	+1.89%	+4.40%
GOLD	1,797.32	+0.46%	▲0.02%
OIL (WTI)	71.02	▼0.62%	▼11.20%

## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	136.73	EUR/USD	1.0521
USD/SGD	1.3538	USD/THB	34.72
JPY/SGD	0.9901	USD/MYR	4.401

### Forecast

USD/JPY	135.00 - 138.00
EUR/USD	1.0390 - 1.0580
AUD/USD	0.6500 - 0.6830
USD/SGD	1.3520 - 1.3620
JPY/SGD	0.9797 - 1.0089
USD/CNH	6.9200 - 7.0000
USD/INR	82.00 - 82.60
USD/IDR	15500 - 15720
USD/MYR	4.380 - 4.420
USD/PHP	55.10 - 56.00
USD/THB	34.60 - 35.25

### Today's Direction

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

## Awakening?

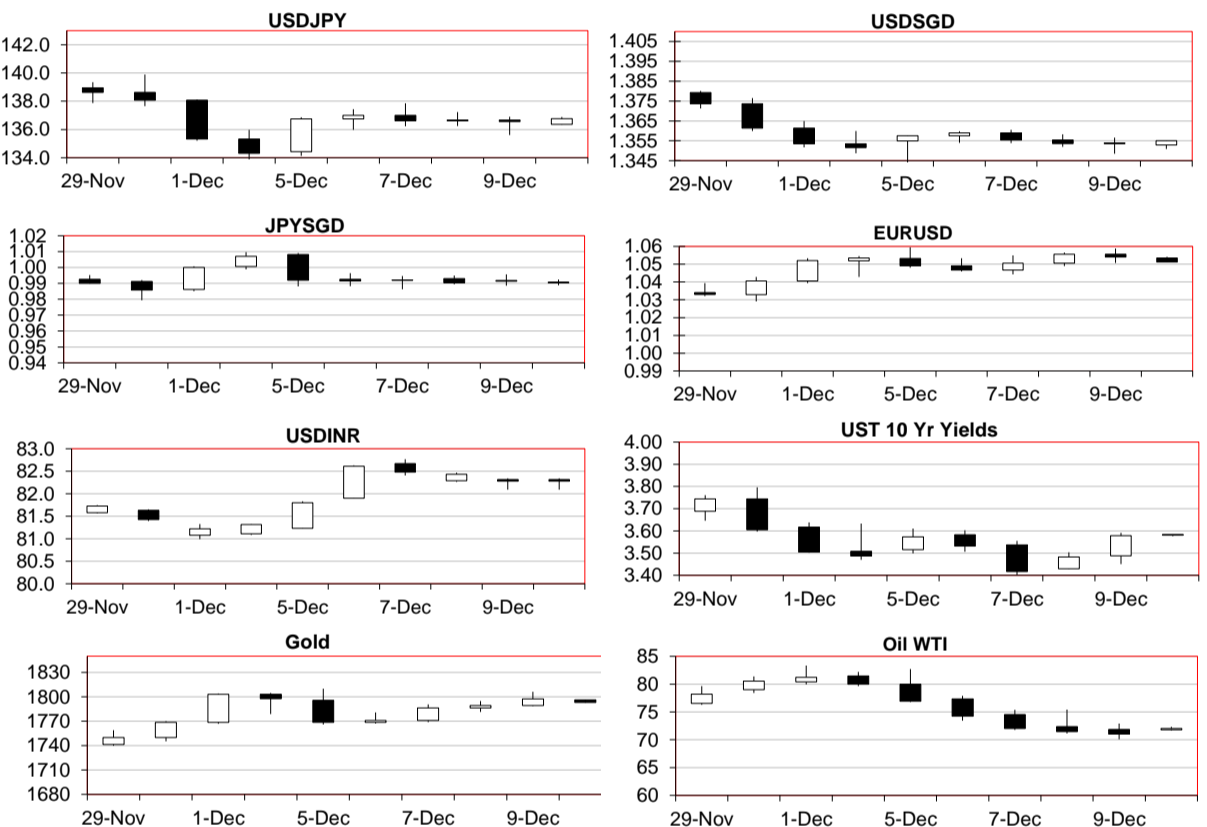
- Previously, we alluded to markets being smitten with the glass on the table and markets being intoxicated by (over-)optimism Fed pivot.
- Last Friday, markets closed with **displays of intital attempts at sobering up. Despite 1 year inflation expectations from Uni. Of Mich. survey printing below expectations, US equities fell across the board** (Dow: -0.9% S&P 500 and Nasdaq: -0.7%) unable to capitalise on it.
- It is perhaps reading the lower inflation expectations alongside **higher than expectation PPI print** which triggers worries of narrowing profit margins as businesses find it harder to pass on cost.
- Similarly unable to react on the survey, **USTs bears were awoken** as 2Y UST yields up 3.7bp and 10Y UST yields surged 9.6bp. Calibration before the US CPI print and FOMC may go a long way.
- Certainly, the Fed's preferred recession indicator (18M-3M UST spread) has remain in inversion territory since late November will keep growth fears at the back of mind.
- USD performance was mixed with the Antipodeans leading gains while the CAD and NOK were at the bottom of the G10 pile as the softer energy prices continue to weigh on the latter pair.
- With the ECB looking to firm on 50bp, the EUR faded towards 1.05. Meanwhile the JPY ended rather flat as softer energy prices assisted to lean against climbing US yields.
- The AUD perhaps enjoyed some buoyancy from China's economic reopening. In the same vein, the USD/SGD was supported as it hovers above 1.35 .
- While China's CPI edged down in November to 1.6% from 2.1% in October, China's PPI was in deflationary territory at -1.3% YoY. Admittedly, while markets remain forward looking and look forward to China's activity awakening, these historical data tell of the **immense real economic damage to demand and incomes.**
- Amid China's easing of Covid restrictions alongside an **awakening to the lower fatality rate of Omicron**, a surge in mildly ill patients challenging the healthcare in just one of the many reason for a bumpy ride ahead.

## OVERNIGHT RESULTS

(CH) CPI/PPI YoY (Nov): 1.6%/-1.3% (Mkt: 1.6%/-1.5%; Oct: 2.1%/-1.3%) | (US) PPI/Ex-energy and Food YoY (Nov): 7.4%/6.2% (Mkt: 7.2%/5.9%; Oct: 8.0%/6.7%) | (US) University of Michigan (UoM) Sentiment (Dec P): 59.1 (Mkt: 57.0; Nov: 56.8)

(US) UoM 1Y/5-10Y Inflation Expectations YoY (Dec P): 4.6%/ 3.0% (Mkt: 4.9%/3.0%; Nov: 4.9%/3.0%)

### \* Past Two Weeks Movement \*



- All said, the **rude awakening this week may be expectations gap** between markets which eagerly expects a pivot in late 2023 and 2024 and a Fed which may be keen to put up a (Dot-Plot) display to show that they will keep at it till the job is done.

## Inflation & the Fed: The Good, the Bad & the Ugly ...

- To be sure, all the G4 central banks have their policy meetings within the next two weeks, so there is **potential for a whole load of volatility** in markets; especially given the **palpable tensions between inflation risks and fears of policy-induced recession.**
- But it appears that the Fed may steal the show for the simple reason that it will perhaps have the **most emphatic and enduring impact** on markets; putting aside knee-jerk reactions.
- But between intent and interpretation there is an entire expanse of **"the good, the bad, and the ugly"**. First off, and at face value, the **"good news"** appear to be that **expectations are for further moderation in US inflation**; which should, by and large show up in headline and core numbers.
- But the **bad news** is that the **declines, both in the levels and the make-up of inflation, may not be sufficient to soften the Fed's stance.**
- Fact is, **core services may remain uncomfortably sticky** even as core goods inflation eases. And that will be a **cause of concern for the Fed that remains worried about wage-price spirals.**
- Here is the **ugly part** about inflation dynamics. **Upside risks to inflation expectations will remain a bugbear, and it may well take a hard-ish landing for inflation concerns to be put to sleep.**

## FX Daily Outlook

- EUR/USD: Ahead of US CPI, caution will see the pair consolidate nearer to 1.05 with downward bias.
- USD/JPY: Consolidation around 137 is par for the course as higher US yields buoy.
- USD/SGD: China's cheer makes mid-1.36 a bar too high for now.
- AUD/USD: AUD's sustainability above 0.68 looks weak without further commodity boost.

## TODAY'S EVENTS

(JP) PPI YoY (Nov): 9.3% (Mkt: 8.8%; Oct: 9.1%) | (JP) BSI Large Manufacturing QoQ (4Q):-3.6% (3Q: 1.7%)  
(IN) CPI YoY (Nov): (Mkt: 6.4%; Oct: 6.8%) | (IN) Industrial Production YoY (Oct): (Mkt: -0.7%; Sep: 3.1%)  
(MY) Industrial Production (Oct): (Mkt: 8.1%; Sep: 10.8%)

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