

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	136.71	137.67	+1.11	+0.92
EUR	1.0526	1.0537	▼0.0003	+0.0046
AUD	0.6782	0.6745	▼0.0050	+0.0047
SGD	1.3538	1.3549	+0.0010	▼0.0027
CNY	6.9744	6.9776	+0.0192	+0.0151
INR	82.54	82.54	+0.26	+0.74
IDR	15628	15628	+45	+165
MYR	4.4139	4.4175	+0.0130	+0.0487
PHP	55.66	55.66	+0.27	▼0.38
THB	34.72	34.87	+0.12	▼0.16

\*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.611%	+3.3 bp	+3.8 bp
JPY (10YR)	0.253%	▼0.3 bp	▼0.2 bp
EUR* (10YR)	1.939%	+0.6 bp	+5.9 bp
AUD (5YR)	3.174%	+6.2 bp	+5.2 bp
SGD (5YR)	2.904%	+3.6 bp	+0.0 bp
CNY (5YR)	2.735%	+0.3 bp	+5.4 bp
INR (5YR)	7.166%	▼1.4 bp	+8.1 bp
IDR (5YR)	6.190%	▼0.2 bp	+2.6 bp
MYR (5YR)	3.872%	+1.6 bp	▼0.6 bp
PHP (5YR)	6.307%	+0.0 bp	▼13.0 bp
THB (5YR)	2.097%	+0.0 bp	▼5.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,005.04	+1.58%	+0.17%
N225 (JP)	27,842.33	▼0.21%	+0.08%
STOXX 50 (EU)	3,921.82	▼0.53%	▼0.88%
ASX (AU)	4,070.00	▼0.43%	▼1.77%
STI (SG)	3,239.66	▼0.19%	▼0.85%
SHCOMP (CN)	3,179.04	▼0.87%	▼1.02%
SENSEX (IN)	62,130.57	▼0.08%	▼1.12%
JSE (ID)	6,734.45	+0.29%	▼3.62%
KLSE (MY)	1,474.38	▼0.19%	+0.19%
PSE (PH)	6,585.20	+0.08%	+2.22%
SET (TH)	1,623.13	+0.00%	▼1.13%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	269.37	+1.16%	▲0.36%
COPPER (LME)	8,507.00	+0.00%	+1.90%
IRON ORE (CN)	109.56	▲1.55%	+0.77%
GOLD	1,781.44	▲0.88%	+0.72%
OIL (WTI)	73.17	+3.03%	▼4.89%

## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	137.51	EUR/USD	1.0542
USD/SGD	1.3546	USD/THB	34.86
JPY/SGD	0.9851	USD/MYR	4.417

### 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

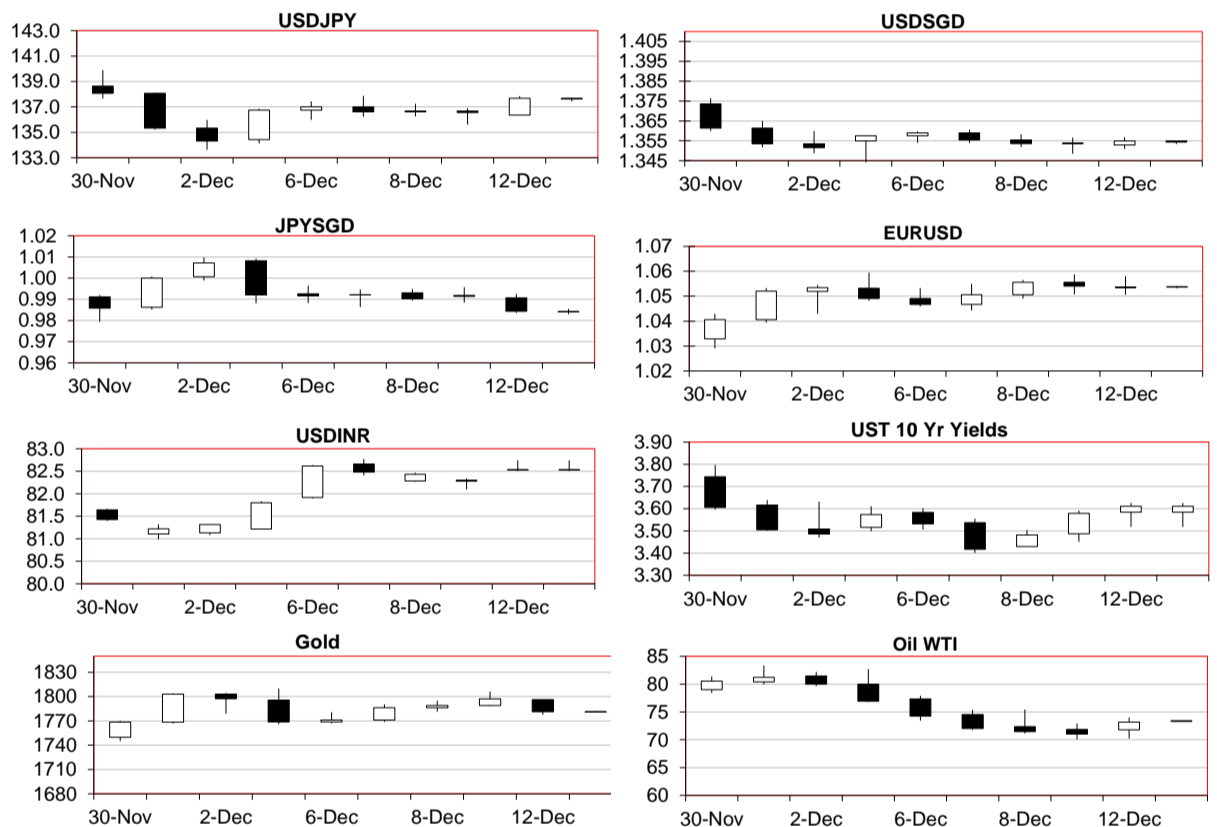
## Caibration, Not Cheer

- Despite a rally in US equities, **markets reflect calibration, not unadulterated cheer**.  
 - Fact is, despite 1.3%-1.4% surge in S&P500 and Nasdaq, both remain down 0.2%-0.9% over the last five sessions. And that appears like *squaring, not cheering*.  
 - What's more, **UST yields are higher across the curve**; by -2-4bp. And this too is **consistent with caution ahead of US CPI and FOMC rather than unbridled bets on Fed pivot**.  
 - Perhaps **USD expressed the restraint best with overnight moves clustered tightly (around 105 for DXY Index); with no major impetus one way or another**. EUR fidgeted on either side of mid-1.05; AUD eased off 0.68; USD/JPY edged up towards 138 on higher UST yields.  
 - Afterall, as we have pointed out, softer US CPI only tempers tightening, does not turn policy course. Meanwhile policy dilemmas and impediments confront in India and China.  
**Why India's Inflation-Policy Relief May be Overstated?**  
 - **India's RBI- and inflation-watchers would have taken heart at the larger than expected inflation relief**; as November's CPI eased dramatically to 5.9% (consensus: 6.4%; Oct: 6.8%), the **lowest inflation print in 2022**. Relief is certainly **justified**. But unfortunately **overstated**.  
 - Here's why. **First, the drop in inflation was entirely food**. Almost a whole percentage-point was knocked off from Food's contribution to inflation. Whereas, contribution from fuel inflation edged higher, with services inflation contribution remaining sticky.  
 - Consequently, **core inflation remains uncomfortably sticky at 6%** (above headline inflation).  
 - **And so, the "narrow" decline in inflation may provide less policy latitude** than a more broad-based pullback in price pressures. Particularly given how volatile food may be.  
 - **Finally, and in the context of the more granular evidence on inflation, the coincident buckle in industrial activity highlights stagflation-type risks, which intensify policy dilemma**;  
 - rather than a synchronized pullback in economic activity and price pressures which seamlessly align with a unambiguous trigger for a shift in policy stance.  
 - The upshot is that **while any reduction in inflation is welcome** (insofar that it provides relief for consumers), the nature of this relief may at best provide scope for the RBI pause and re-assess more carefully; but **not present the policy panacea to address conflicting risks**.

## OVERNIGHT RESULTS

(IN) CPI YoY (Nov): 5.9% (Mkt: 6.4%; Oct: 6.8%) | (IN) Industrial Production YoY (Oct): -4.0% (Mkt: -0.7%; Sep: 3.1%)  
 (MY) Industrial Production (Oct): 4.6% (Mkt: 7.7%; Sep: 10.8%)

## Past Two Weeks Movement



## China's Cyclical-Structural Cross-winds

- **Do not fall prey to a one-sided narrative on China**; currently dominated by a prematurely "out of the woods" view on "re-opening" and coordinated policy stimulus priming economic revival. Fact is, **cyclical-structural cross-winds will make for a bumpy ride**.  
 - Point being, on one hand, **China "re-opening" cheer** supported by continued policy guidance on further relaxations **justifiably reflects cyclical tailwinds for, and potentially from, China**.  
 - Yet on the other, **coordinated tightening of chips embargo on China** (with Japan and the Netherlands now joining the US) points to **mounting geo-political tensions**; which **warns of sustained, if not growing structural headwinds**.  
 - Even on the **property market revival optimism**, which is **admittedly compelling given the 180-degree turn in credit guidance led by the 16-point plan**, the **cyclical credit and liquidity boost merely buy time**. Whereas, **restoration of structural confidence in the property market**, which is key in restoring organic sales cashflow, **appears to be the missing link**.  
 - **In the worst case** (of execution falling short of intent/plan), **confidence deficit may remain a structural headwinds even as cyclical credit/liquidity tailwinds are unleashed**. On a side note, the longevity of the latter may also be challenged by financial stability objectives, which have not magically dissolved away, but are in fact amplified by growth slowdown.  
 - The wider point here is that even as markets gear up to cheer the CEWC's (Central Economic Working Conference) expected economic stimulus this week, the reality may be that **China's recovery may be impeded, if not hobbled, by cyclical-structural cross-winds**.

## FX Daily Outlook

- EUR/USD: Ahead of US CPI, caution will see the pair consolidate ~1.05.  
 - USD/JPY: Higher UST yields to buoy at the firmer side of mid-137; with 138 test in view.  
 - USD/SGD: Sub-1.35 hampered by pre-CPI/FOMC risks.  
 - AUD/USD: Caution may stifle sustained 0.68-0.69 consolidation.

## TODAY'S EVENTS

(AU) CBA Household Spending MoM/YoY (Nov): 1.9%/3.2% (Oct: 0.9%/7.5%)  
 (AU) NAB Business Conditions/Confidence (Nov): 20/-4 (Oct: 22/0) | (AU) Westpac Consumer Confidence (Dec): 80.3 (Nov: 78.0)  
 (GE) ZEW Survey (Dec): (Mkt: -26.4; Nov: -36.7) | (GE) ZEW Current/Expectations (Mkt: -57.0/-; Nov: -64.5/-38.7)  
 (US) CPI/Core YoY (Nov): (Mkt: 7.3%/6.1%; Oct: 7.7%/6.3%) | (US) Real Avg Hourly Earnings/Weekly YoY (Nov): (Oct: -2.7%/-3.5%)

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