

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.86	137.78	+2.30	+1.11
EUR	1.0643	1.0628	▼0.0054	+0.0072
AUD	0.6814	0.6703	▼0.0161	▼0.0066
SGD	1.3505	1.3610	+0.0141	+0.0074
CNY	6.9640	6.9738	+0.0237	+0.0064
INR	82.56	82.76	+0.30	+0.33
IDR	15621	15619	+26	▼2
MYR	4.4100	4.4155	+0.0228	+0.0175
PHP	55.69	55.69	▼0.09	+0.05
THB	34.89	35.06	+0.55	+0.34

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.446%	▼3.1 bp	▼3.6 bp
JPY (10YR)	0.256%	+0.4 bp	+0.1 bp
EUR* (10YR)	2.083%	+14.3 bp	+26.3 bp
AUD (5YR)	3.250%	+7.4 bp	+8.8 bp
SGD (5YR)	2.858%	▼0.5 bp	▼2.6 bp
CNY (5YR)	2.696%	+0.9 bp	▼2.4 bp
INR (5YR)	7.124%	+1.9 bp	▼5.0 bp
IDR (5YR)	6.154%	▼1.7 bp	▼4.6 bp
MYR (5YR)	3.772%	▼5.1 bp	▼6.7 bp
PHP (5YR)	6.195%	▼3.2 bp	▼7.9 bp
THB (5YR)	1.956%	▼13.7 bp	▼14.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,202.22	▼2.25%	▼1.71%
N225 (JP)	28,051.70	▼0.37%	+1.73%
STOXX 50 (EU)	3,835.70	▼3.51%	▼2.18%
ASX (AU)	4,063.59	▼0.89%	▼0.46%
STI (SG)	3,273.75	▼0.15%	+1.16%
SHCOMP (CN)	3,168.65	▼0.25%	▼0.90%
SENSEX (IN)	61,799.03	▼1.40%	▼1.23%
JSE (ID)	6,751.86	▼0.73%	▼0.77%
KLSE (MY)	1,467.13	▼1.08%	+0.08%
PSE (PH)	6,566.80	▼0.73%	+0.64%
SET (TH)	1,620.28	▼0.80%	▼0.01%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.72	▲0.69%	+3.12%
COPPER (LME)	8,253.00	▲2.66%	▲3.19%
IRON ORE (CN)	111.17	+1.64%	+1.79%
GOLD	1,776.85	▲1.69%	▲0.69%
OIL (WTI)	76.11	▼1.51%	+6.51%

Long & Wrong

- In trader speak, "long and wrong" is an expression of humility (or humiliation) conceding misplaced bullishness; whether sucker-punched by bear market rallies or simply caught wrong-footed on a bullish bet. While its usage has waned in the post-QE world of easy money, there has been some reacquainting as global central banks have been forced to battle inflation.

- And the post-ECB plunge in equities, from Europe to Wall St (EuroStoxx: -3.5%, S&P500: -2.6%, Nasdaq: -3.2%), alongside a jump in USD suggest being "long and wrong" about "risk on" trades.

- And that is in fact a prognostication lifted right out of ECB Lagarde's words.

- Specifically, as she warned that the ECB is "in for a long game" on rate hikes and "anybody who thinks that this (dialback to 50bp from 75bp) is a pivot for the ECB is wrong".

- Simply put, the ECB has arguably had more success (than the Fed) in making the point that "risk on" bandwagon premised on "pivot" is in fact "long and wrong"; so to speak.

- No surprise that, Lagarde's warning that "interest rates will have to rise significantly at a steady pace" (clarified expressly as as more 50bp hikes to come) as the ECB has "more ground to cover (and) ... longer to go" was taken to heart by European bond markets.

- Bund yields surged (10Y: +14bp; 2Y: +22bp), deepening 10Y-2Y Bund curve inversion to 26-27bps; this front-end led surge and inversion reflected across EZ bonds. Whereas front-end UST yields nudged higher was merely residual Cross-Atlantic impulse from EZ bonds.

- Yet, bullish EUR bets riding on a hawkish, long-game, nowhere-near-pivot, ECB jolt (and consequently narrower UST-Bund spreads) also proved "long and wrong".

ECB-EUR Dissonance

- Which poses the puzzle of dissonance between a hawkish ECB jolt and a non-bullish EUR; which ultimately slipped to low-1.06 after fleetingly surging past 1.07.

- The answer to which lies in the perverse fragmentation risks that accompany a hawkish ECB.

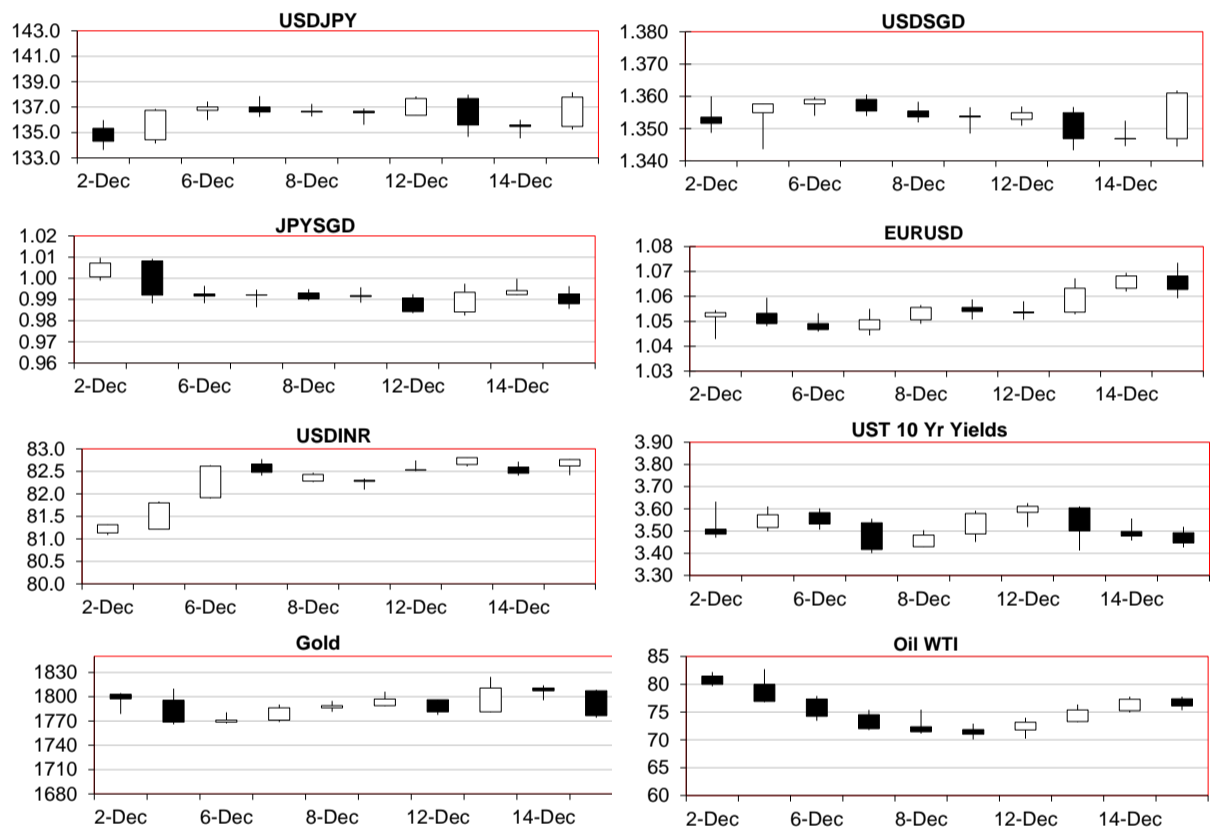
OVERNIGHT RESULTS

(CH) Industrial Pdtm YoY (Nov): 2.2% (Mkt: 3.5%; Oct: 5.0%) | (CH) Retail Sales: -5.9% (Mkt: -4.0; Oct: -0.5%)

(CH) FAI/Property Investments YTD YoY (Nov): 5.3%/-9.8% (Mkt: 5.6%/-9.2%; Oct: 5.8%/-8.8%)

(US) Retail sales/Ex-Auto&Gas MoM (Nov): -0.6%/-0.2% (Mkt: -0.2%/0.1%; Oct: 1.3%/0.8%) | (US) Empire Mfg (Dec): -11.2 (Mkt: -0.9; Nov: 4.5) | (US) Philly Fed (Dec): -13.8 (Mkt: -10.0; Nov: -19.4) | (US) IP MoM (Nov): -0.2% (Mkt: 0.1%; Oct: -0.1%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	137.75	EUR/USD	1.0638
USD/SGD	1.3605	USD/THB	35.09
JPY/SGD	0.9877	USD/MYR	4.418

Forecast

USD/JPY	136.40 - 138.70
EUR/USD	1.0560 - 1.0690
AUD/USD	0.6630 - 0.6780
USD/SGD	1.3480 - 1.3660
JPY/SGD	0.9719 - 1.0015
USD/CNH	6.9580 - 7.0150
USD/INR	82.40 - 83.00
USD/IDR	15580 - 15730
USD/MYR	4.412 - 4.446
USD/PHP	55.55 - 56.10
USD/THB	34.88 - 35.18

Today's Direction

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

- Simply put, a hawkish ECB with more and sustained rate hikes (to significantly higher levels) will inevitably not only sink the Euro-zone into a deeper recession, but is set to sharpen fiscal stability disparities between major EZ economies; such as Germany and Italy.

- And it is likely that "fragmentation" risks will be exacerbated by the ECB's initiation of QT (quantitative tightening) starting in March 2023 (details at next February's meeting).

- And so, the ECB's hawkish stance may perversely challenge confidence in EUR, thereby flipping the "usual" rate-differential driven currency dynamics expected.

USD: Heads (Hawks) I Win, Tails (Doves) You Lose?

- Put differently, a more aggressively hawkish ECB, insofar that it knocks back EUR on more acute fragmentation risks, may oddly result in a stronger the USD.

- Yet, a dovish BoE 50bp hike, in sharp contrast to ECB's hawkish 50bp hike, also underpinned USD strength; as preference/split for a pause sooner GBP plunged (from 1.24 to sub-1.22).

- Regardless, JPY slid on account of USD deference and higher global yields (overall).

- AUD plunging -2.5% to probe sub-0.67 also warns of being "long and wrong"; as premature pivot bets collide with overly-exuberant China re-opening bets; which need to be tempered for a bumpy path out of Zero-COVID amid winter/LNY travel and lingering confidence deficit.

- Which means CNH bulls could also be caught "long and wrong" from time to time as one-way bets rebalance to the ground realities. Especially if global recession risks overtake.

- All said, the wider point is that even as market look to write off the USD on peak/pivot, the Greenback can still pull a "heads I win, tails you lose" coup on FX markets.

FX Daily Outlook

- EUR/USD: Post-ECB drag could worsen if PMIs point to more pain; fade to 1.07.

- USD/JPY: JPY looks set to end the week softer as ECB drives home higher yields.

- USD/SGD: Softer CNH after China data softness and USD strength to underpin 1.36.

- AUD/USD: Consolidation on either side of 67 cents as soft China data and firmer USD digested.

TODAY'S EVENTS

(AU) PMI-Mfg/Svcs/Comp. (Dec P): 50.4/46.9/47.3 (Nov: 51.3/47.6/48.0)

(SG) Non-Oil Domestic Exports/Electronics YoY (Nov): (Mkt: -6.5%/--; Oct: -5.6%/-9.3%)

(JP) PMI-Mfg/Svcs/Comp. (Dec P): (Nov: 49.0/50.3/48.9) | (EZ) CPI/Core YoY (Nov F): (Prelim: 10.0%/5.0%)

(EZ) Trade Bal (Oct): (Sep: -€34.4b) | (EZ) PMI-Mfg/Svcs/Comp. (Dec P): (Mkt: 47.1/48.5/47.9; Nov: 47.1/48.5/47.8)

(Central Banks): ECB's Hlozmann & Centeno speak | Fed's Daly speaks

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