

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	137.24	136.60	▼1.18	+0.04
EUR	1.0633	1.0586	▼0.0042	+0.0046
AUD	0.6695	0.6685	▼0.0018	▼0.0110
SGD	1.3570	1.3590	▼0.0020	+0.0051
CNY	6.9759	6.9740	+0.0002	+0.0156
INR	82.83	82.87	+0.12	+0.59
IDR	15598	15598	▼20	+15
MYR	4.4248	4.4245	+0.0087	+0.0205
PHP	55.57	55.57	▼0.12	+0.19
THB	34.95	34.98	+0.06	+0.18

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.482%	+3.6 bp	▼9.6 bp
JPY (10YR)	0.254%	▼0.2 bp	▼0.2 bp
EUR* (10YR)	2.152%	+6.9 bp	+21.9 bp
AUD (5YR)	3.233%	▼1.7 bp	+12.1 bp
SGD (5YR)	2.810%	▼4.8 bp	▼5.8 bp
CNY (5YR)	2.709%	+1.3 bp	▼2.3 bp
INR (5YR)	7.143%	+1.9 bp	▼3.7 bp
IDR (5YR)	6.145%	▼0.9 bp	▼4.7 bp
MYR (5YR)	3.788%	+1.6 bp	▼6.8 bp
PHP (5YR)	6.231%	+3.6 bp	▼7.6 bp
THB (5YR)	1.950%	▼0.6 bp	▼14.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,920.46	▼0.85%	▼1.66%
N225 (JP)	27,527.12	▼1.87%	▼1.34%
STOXX 50 (EU)	3,804.02	▼0.83%	▼3.52%
ASX (AU)	4,010.49	▼1.31%	▼1.88%
STI (SG)	3,240.81	▼1.01%	▼0.16%
SHCOMP (CN)	3,167.86	▼0.02%	▼1.22%
SENSEX (IN)	61,337.81	▼0.75%	▼1.36%
JSE (ID)	6,812.19	+0.89%	+1.45%
KLSE (MY)	1,478.54	+0.78%	+0.09%
PSE (PH)	6,496.50	▼1.07%	▼1.27%
SET (TH)	1,619.01	▼0.08%	▼0.25%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	271.38	▲1.22%	+1.92%
COPPER (LME)	8,234.00	▲0.23%	▲3.21%
IRON ORE (CN)	111.07	▲0.09%	▲0.19%
GOLD	1,793.08	+0.91%	▲0.24%
OIL (WTI)	74.29	▼2.39%	+4.60%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	136.58	EUR/USD	1.0584
USD/SGD	1.3590	USD/THB	34.87
JPY/SGD	0.9951	USD/MYR	4.425

Forecast

USD/JPY	135.50 - 138.00
EUR/USD	1.0500 - 1.0660
AUD/USD	0.6630 - 0.6750
USD/SGD	1.3480 - 1.3660
JPY/SGD	0.9768 - 1.0081
USD/CNH	6.9580 - 7.0150
USD/INR	82.40 - 83.20
USD/IDR	15580 - 15730
USD/MYR	4.412 - 4.446
USD/PHP	55.50 - 56.00
USD/THB	34.70 - 35.18

Today's Direction

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

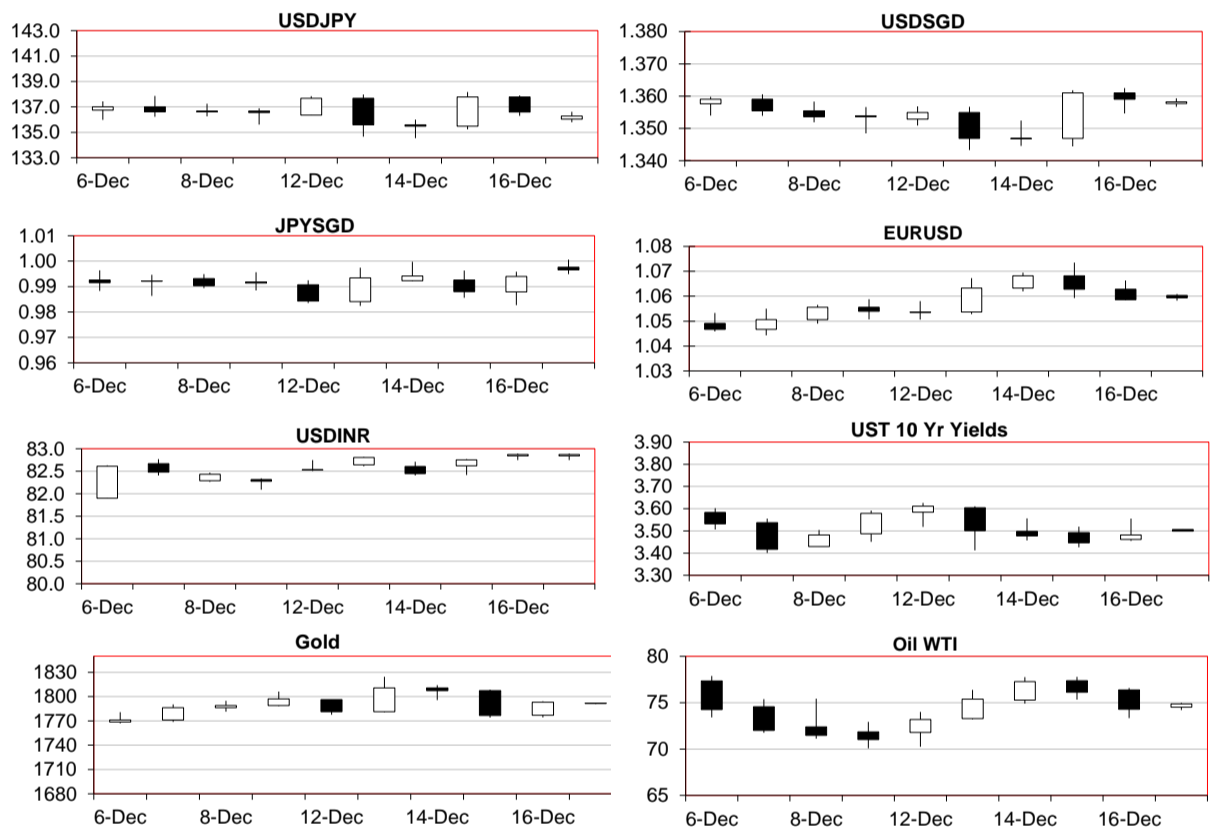
The Long Fight

- While ECB's Lagarde had alluded to being in for the "long game" in term of ECB rate hikes with more 50bps, rising stakes for central banks and markets are making it far from just a 'game'.
- Across the Atlantic, in usual Fed fashion, the throng of Fed officials have come out in support of Fed Chair Powell and their hawkish Dot Plot shift.
- Amid goods deflation, the fight has turned to core services inflation as San Francisco Fed President Mary Daly emphasized on the fight on inflation has a long way to go.
- The continued emphasis by Fed speakers is certainly warranted. On the front end, policy rate sensitive 2Y UST yields declined by 5.8bps continuing their refusal to heed Fed Chair's Powell's words. As was the case post FOMC (ending wednesday), markets are still pricing in rate cuts in 2023 which result in early-2024 rates to be lower than current.
- In this inflation fight, the question here is who sets the rules? The lights may be out on UST bulls by the time they come round to the Fed's game plan (Dot Plot).
- Just ask US equities which was knocked back further last Friday (S&P500: -1.1%; Nasdaq: -1.0%; Dow: -0.9%) as dissipating risk-on sentiments fade hopes of a Santa rally.
- In FX, the fight against USD strength looks to be a long one as well.
- In Europe, PMIs printing above expectations posed no fight as EUR was sent down below 1.06 underscoring the fragmentation risks we had flagged previously. Meanwhile, JPY enjoyed relief on lower US yields and oil price as USD/JPY declined towards mid-136.
- While the energy relief is certainly real, the need for US Strategic Petroleum Reserves to play the long game and restock their record low inventories (lowest since mid-1980s) will keep oil demand well supported.
- With reports on overwhelmed funeral homes in Beijing and school shutdowns in Shanghai underscoring challenges besetting China's reopening, AUD stuck around the 0.67 vicinity alongside CNH which made little headway. Similarly, USD/SGD hovered just below 1.36.

OVERNIGHT RESULTS

(SG) Non-Oil Domestic Exports/Electronics YoY (Nov): -14.6%/-20.2% (Mkt: -6.5%/--; Oct: -5.6%/-9.3%) | (JP) PMI-Mfg/Svcs/Comp. (Dec P): 48.8/51.7/50.0 (Nov: 49.0/50.3/48.9) | (EZ) CPI/Core YoY (Nov F): 10.1%/5.0% (Prelim: 10.0%/5.0%) | (EZ) Trade Bal (Oct): (Sep: -€34.4b) | (EZ) PMI-Mfg/Svcs/Comp. (Dec P): 47.8/49.1/48.8 (Mkt: 47.1/48.5/47.9; Nov: 47.1/48.5/47.8)

* Past Two Weeks Movement *



- Em-Asia FX leans towards looking like a chilly stalemate against the USD rather than a Santa rally.

Korea and Thailand Inflation: Of Policy Starts and Ends

- In Aug 2021, the BoK kicked off policy normalisation and took on an aggressive rate hike path while BoT only initiated their gradual policy normalisation a year later in Aug 2022.
- Given the same policy rate starting point at 0.5% in 2021, their divergence paths are stark with the BoK's rate now 225bps higher than the BoT's. Yet the KRW has underperformed.
- This is partly as Korea has had much higher core inflationary pressures and so the core real rate differentials are somewhat less pronounced.
- Crucially, though, this disparity is exaggerated by the fact that the THB has been underperforming for a much longer period through COVID - down 14.3% since end-2019 compared to KRW that is down 11.5%. And so, it's decline this year is from a far lower base.
- In any case, the inflation picture for both South Korea and Thailand remaining characterized by sticky core inflation despite declining headline may entail further currency pressures.
- Although, THB may be better poised to outperform on China's reopening despite lower policy rate, as prospect of strong Chinese tourist arrivals endow cyclical tailwinds.
- Whereas, KRW's support from Chinese tourists may be challenged by the structural risk from chip embargo amid a semiconductor sector grappling with a cyclical downturn.
- What this means is that the extent of policy hikes alone do not determine the degree of currency buffer as evolving economic, (post-)pandemic and geo-political risks conspire.

FX Daily Outlook

- EUR/USD: 1.07 remains too difficult a test as UST yields look to edge higher.
- USD/JPY: Bracing for volatility on BoJ's price target news, entrenched dovishness buoys above mid-135.
- USD/SGD: Incessant reports on China's reopening challenges may keep the pair bouncing off 1.36.
- AUD/USD: China buoyancy fades, sub mid-0.65 AUD slips unlikely on long term commodity demand.

TODAY'S EVENTS

(MY) Trade Balance MYR (Nov): (Mkt: 15.2b; Oct: 18.1b)
(GE) IFO Business Climate/Current Assessment/Expectations (Dec): (Mkt: 87.5/93.5/82.0; Nov: 86.3/93.1/80.0)
Central Banks: ECB's Guindos Speaks

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