

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	135.88	136.91	+0.31	▼0.76
EUR	1.0624	1.0607	+0.0021	+0.0070
AUD	0.6713	0.6700	+0.0015	▼0.0045
SGD	1.3553	1.3549	▼0.0041	+0.0000
CNY	6.9819	6.9797	+0.0057	+0.0021
INR	82.65	82.70	▼0.17	+0.17
IDR	15608	15598	+0	▼30
MYR	4.4264	4.4300	+0.0055	+0.0120
PHP	55.44	55.43	▼0.14	▼0.23
THB	34.82	34.84	▼0.13	+0.04

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.585%	+10.2 bp	▼2.7 bp
JPY (10YR)	0.255%	+0.1 bp	+0.2 bp
EUR* (10YR)	2.203%	+5.1 bp	+26.4 bp
AUD (5YR)	3.293%	+6.0 bp	+11.9 bp
SGD (5YR)	2.797%	▼1.3 bp	▼10.7 bp
CNY (5YR)	2.654%	▼5.5 bp	▼8.1 bp
INR (5YR)	7.166%	+2.3 bp	+0.0 bp
IDR (5YR)	6.155%	+1.0 bp	▼3.5 bp
MYR (5YR)	3.792%	+0.4 bp	▼8.0 bp
PHP (5YR)	6.351%	+12.0 bp	+3.6 bp
THB (5YR)	1.967%	+1.7 bp	▼13.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,757.54	▼0.49%	▼3.67%
N225 (JP)	27,237.64	▼1.05%	▼2.17%
STOXX 50 (EU)	3,811.24	+0.19%	▼2.82%
ASX (AU)	4,025.87	+0.38%	▼1.08%
STI (SG)	3,256.61	+0.49%	+0.52%
SHCOMP (CN)	3,107.12	▼1.92%	▼2.26%
SENSEX (IN)	61,806.19	+0.76%	▼0.52%
JSE (ID)	6,779.70	▼0.48%	+0.67%
KLSE (MY)	1,477.09	▼0.10%	+0.18%
PSE (PH)	6,414.27	▼1.27%	▼2.60%
SET (TH)	1,618.20	▼0.05%	▼0.30%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.56	▲0.30%	+0.44%
COPPER (LME)	8,303.25	+0.84%	▲0.31%
IRON ORE (CN)	109.46	▲1.45%	▲0.09%
GOLD	1,787.62	▲0.30%	+0.35%
OIL (WTI)	75.19	+1.21%	+2.76%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	136.98	EUR/USD	1.0612
USD/SGD	1.3564	USD/THB	34.86
JPY/SGD	0.9902	USD/MYR	4.430

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 - 7.0100
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

Little Cheer

- With 5 days left to Christmas, markets had barely any cheer to spread around to start this week.
- The outlook for UST bulls looks to be **dimming**. UST 2Y yields rose 7.7 bps while 10Y yields surged 10.2bps. As we had alluded to previously, a realignment of markets to the Fed's dot plot in terms of prolonged persistence of elevated rates will incite more pain for UST bulls.
- As an aside, even on the more **cautious** end, San Francisco Fed's Mary Daly had thought that **11 months was an appropriate starting point to consider for keeping rates elevated**.
- Amid the rising yields, US equities look devoid of hope with declines across the board. The Nasdaq led losses dropping 1.5% as rich tech valuations took another hit and the S&P500 and Dow declined 0.9% and 0.5% respectively.
- Despite the significantly higher UST yields, the USD did not turn in an all out cheery performance.
- Rising Brent crude prices took some edge off the USD and backstopped the likes of CAD and AUD.
- The latter remains hovering around 0.67 and will watch for the RBA minutes. That said, the minutes are unlikely to provide much catalyst given the caution surrounding the housing market.
- The EUR's uptick saw it sustain above 1.06 on the back of better than expected business survey results in Germany and an agreement to cap gas prices. Attendant with EUR gains, the CHF displayed its high beta moves to lead gains among the G10.
- The USD/JPY ascended to cross 137 amid the wider UST-JGB yield differentials. Attention will turn to the BoJ who will remain undeterred to hold policy accommodation.

BoJ: Doves Undeterred

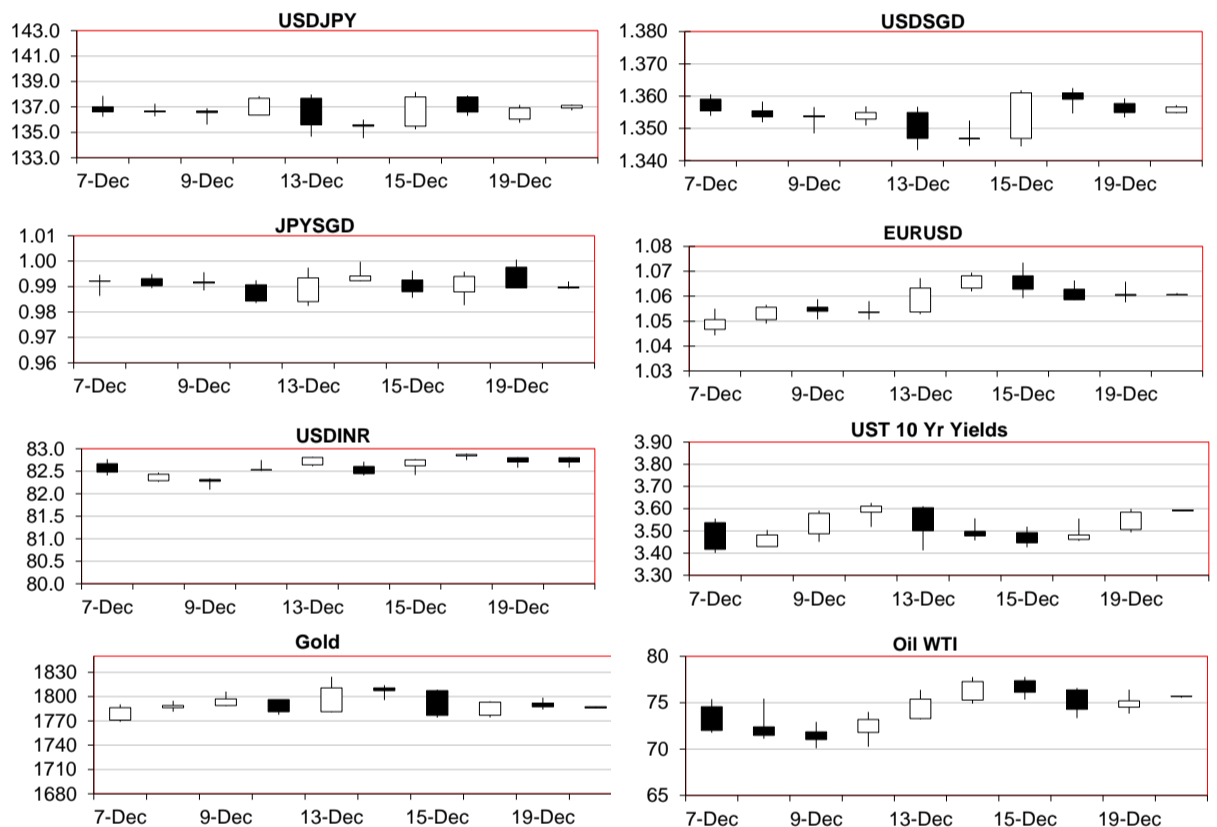
- The **BoJ's dovish positioning will be undeterred** by last week's hawkish messaging from the ECB and Fed alike; and is **set to hold** with rhetoric supporting policy accommodation.
- Admittedly this **might entail some downside risks to the JPY**.
- But nothing in the vicinity of JPY sell-off risks experienced in October. And in any case, nothing consequential for the BoJ's policy positioning.

OVERNIGHT RESULTS

(MY) Trade Balance MYR (Nov): 22.3b (Mkt: 15.2b; Oct: 18.1b)

(GE) IFO Business Climate/Current Assessment/Expectations (Dec): 88.6/94.4/83.2(Mkt: 87.5/93.5/82.0; Nov: 86.3/93.1/80.0)

* Past Two Weeks Movement *



- For the record, **despite stepping down from 75bp to 50bp hikes, both the ECB and Fed have warned that they are far from done with hikes; and have further to go.**
- Nevertheless the **BoJ's position is ironically less at odds** with the Fed's and ECB's emphatic hawkish assertions for two reasons.
- **First**, as markets shift focus to **peak rates, incremental JPY pressures from policy divergence also peaks, if not wanes** if markets move in an anticipatory fashion.
- **Second**, and crucially, as **recession risks** begin to emerge more prominently, and at some point overtake inflation concerns, the **BoJ's dovish position would quickly take a turn to be less of a bugbear and more of a cushion for the JPY.**
- One way or another, we **expect BoJ doves to remain undeterred** for now.
- And **even when the new Governor takes over next April**, it is **more likely** than not that **measured calibrations rather than tectonic policy shifts** will be required;
- **especially as recession risks overtake (policy) divergence risks.**
- To be sure, we concede that **expectations of policy shifts remain rife.**
- This was revealed in the **JPY's reflex to strengthen on whispers of the government preparing to review, and perhaps revise, the BoJ's inflation accord;** which in turn implies expectations of the BoJ having to respond to policy divergence with the rest of the G4.
- But it remains premature to declare that the BoJ will set any meaningful hawkish wheels in motion; which ought to be rendered less likely as global recession risks grow.

FX Daily Outlook

- EUR/USD: Energy stability and less than catastrophic survey is welcome backstop, not surge catalyst.
- USD/JPY: BoJ dovishness may incite selloff to mid-137 while 138 remains speculative ground.
- USD/SGD: Consolidating between mid-1.35 and 1.36 as CNH and China reopening stability mulled.
- AUD/USD: 0.67 buonces may linger if the RBA allows upside optionality.

TODAY'S EVENTS

(CN) 1-Yr/5Yr Loan Prime Rate: (Mkt: 3.65%/4.30%; Prev: 3.65%/4.30%)

(US) Housing Starts (Nov): (Mkt: 1400k; Oct: 1425k) | (US) Building Permits (Nov): (Mkt: 1480k; Oct: 1512k)

(EZ) Consumer Confidence (Dec P): (Mkt: -22.0; Oct: -23.9)

Central Banks: BoJ Policy Meeting | RBA Minutes of Policy Meeting

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