

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.53	131.73	▼5.18	▼3.86
EUR	1.0612	1.0624	+0.0017	▼0.0009
AUD	0.6654	0.6678	▼0.0022	▼0.0177
SGD	1.3541	1.3515	▼0.0034	+0.0046
CNY	6.9756	6.9619	▼0.0178	+0.0102
INR	82.76	82.76	+0.05	▼0.05
IDR	15614	15603	+5	▼54
MYR	4.4325	4.4340	+0.0040	+0.0055
PHP	55.25	55.25	▼0.18	▼0.66
THB	34.81	34.76	▼0.08	▼0.05

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.683%	+9.8 bp	+18.1 bp
JPY (10YR)	0.408%	+15.3 bp	+15.4 bp
EUR* (10YR)	2.304%	+10.1 bp	+37.9 bp
AUD (5YR)	3.421%	+12.8 bp	+20.5 bp
SGD (5YR)	2.815%	+1.8 bp	▼8.2 bp
CNY (5YR)	2.654%	+0.0 bp	▼10.9 bp
INR (5YR)	7.184%	+1.8 bp	+5.1 bp
IDR (5YR)	6.174%	+1.9 bp	▼3.3 bp
MYR (5YR)	3.847%	+5.5 bp	▼2.7 bp
PHP (5YR)	6.401%	+5.0 bp	+8.3 bp
THB (5YR)	1.991%	+2.4 bp	▼11.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,849.74	+0.28%	▼3.69%
N225 (JP)	26,568.03	▼2.46%	▼4.96%
STOXX 50 (EU)	3,802.49	▼0.23%	▼4.62%
ASX (AU)	4,026.91	+0.03%	▼1.90%
STI (SG)	3,253.97	▼0.08%	▼0.53%
SHCOMP (CN)	3,073.77	▼1.07%	▼3.23%
SENSEX (IN)	61,702.29	▼0.17%	▼1.33%
JSE (ID)	6,768.32	▼0.17%	▼0.62%
KLSE (MY)	1,467.32	▼0.66%	▼0.19%
PSE (PH)	6,458.12	+0.68%	▼1.89%
SET (TH)	1,604.44	▼0.85%	▼1.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	272.27	+0.63%	▲1.00%
COPPER (LME)	8,303.25	+0.00%	▲1.73%
IRON ORE (CN)	110.12	+0.60%	+0.65%
GOLD	1,817.94	+1.70%	+0.39%
OIL (WTI)	76.09	+1.20%	+0.93%

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	4.434

Forecast

USD/JPY	130.00 - 134.00
EUR/USD	1.0500 - 1.0660
AUD/USD	0.6600 - 0.6750
USD/SGD	1.3480 - 1.3620
JPY/SGD	1.0060 - 1.0477
USD/CNH	6.9580 - 7.0100
USD/INR	82.40 - 83.20
USD/IDR	15580 - 15730
USD/MYR	4.412 - 4.446
USD/PHP	55.00 - 55.60
USD/THB	34.70 - 35.00

Today's Direction

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

BoJ: (YCC) Range-, Not Game-Changer

- Admittedly, the timing of BoJ (YCC) policy tweaks, to expand the YCC target range to +/-50bps was a surprise.

- The popular, self-reinforcing interpretation is that the 4 big-figure JPY surge (USD/JPY slumping from 137+ to mid-133) is an expression of hawkish pivot bets, But *just because it is a popular bet does not mean that is the policy reality*; or the intended policy perception.

- Fact is, there is nothing in the fundamental nature of the move or the accompanying communique that challenges our fundamental view that;

- the **BoJ will calibrate policy to relief JPY pressures, but not turn overtly hawkish.**

- For one, there was every effort made to emphasize that policy accommodation is being maintained. Whether this was in reference to intended as well as potential step-up in bond purchases or suggesting no further YCC target band expansion (for now).

- And in any case, this *symmetric expansion of YCC target is technically a neutral move*;

- Although admittedly effectively hawkish given the one-way upward yield bias.

- But in any case, the wider point is that this is the *type of "measured calibrations" to YCC policy that is well within our expectations.*

- What's more, it is in the BoJ's interest to calibrate accommodation so that currency instability risks do not overwhelm the intended accommodation.

- The upshot is that;

i) **neither the self-sustaining demand (and inflation) dynamic in Japan;**

ii) **nor the growing risks of a global recession square with a desire for BoJ to launch a tightening cycle.**

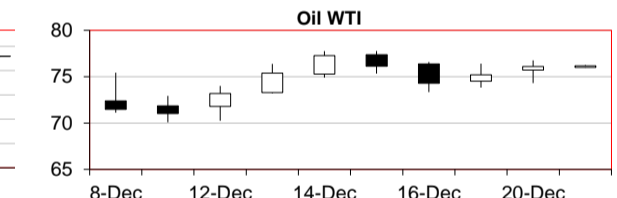
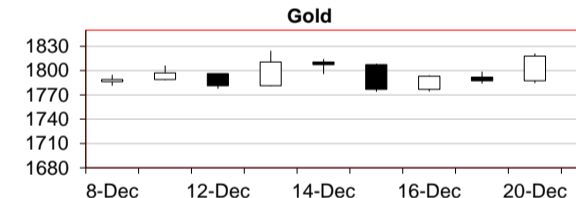
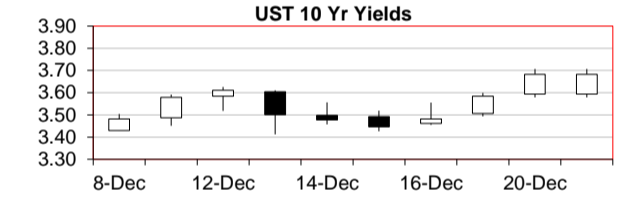
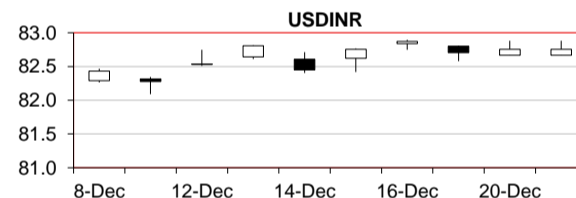
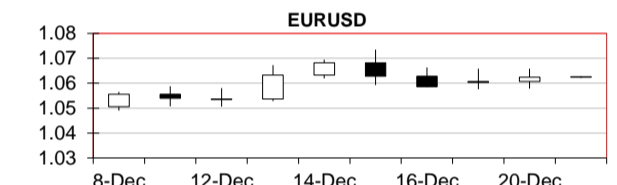
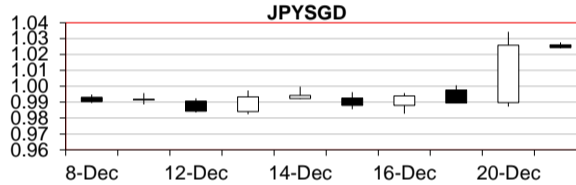
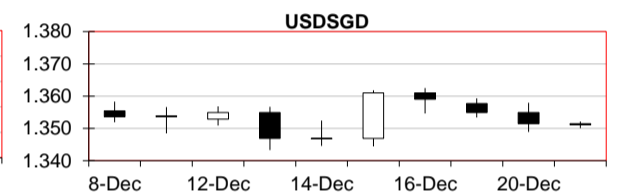
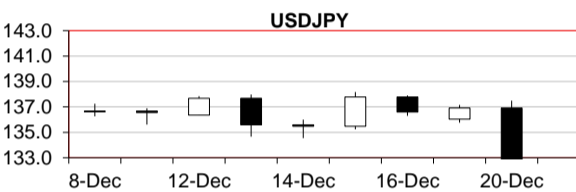
- Whereas, Governor Kuroda's intent is to tame the wilder JPY bears; *not to make a hawk out of a dove.* All said, it appears that markets have mistaken a (JPY) anchor for a hawkish convergence.

- And that being the case, it appears that the **hawks (as well as fanatical JPY bulls) appear to be jumping the gun.**

OVERNIGHT RESULTS

(CN) 1-Yr/5Yr Loan Prime Rate: (Mkt: 3.65%/4.30%; Prev: 3.65%/4.30%) | (US) Housing Starts (Nov): 1427k (Mkt: 1400k; Oct: 1434k) | (US) Building Permits (Nov): 1342k (Mkt: 1480k; Oct: 1512k) | (EZ) Consumer Confidence (Dec P): -22.2(Mkt: -22.0; Oct: -23.9)

* Past Two Weeks Movement *



EM Asia FX - Measured Sympathy & Growing Caution?

- One way or another, it is difficult to deny that the sheer magnitude of the JPY move inevitably creates FX ripples; with **EM Asia FX not being spared.**

- Technically, there are two opposing forces at work that might obfuscate (and perhaps understate) the influence of BoJ-JPY impulses.

- First, is the **sympathetic appreciation bias**; observed in the likes of KRW, SGD, THB.

- But these reactions have been greatly muted. Relative to the JPY's 3.8% gain, USD/KRW dropped 0.8% towards 1290 while the THB and SGD appreciated a mild 0.2%.

- And so **sympathy for bullish JPY is at best a low-beta, fractional reaction.**

- Whereas the second, and **far more pronounced "risk off" that accompanies "carry" unwind** from the abrupt, sharp and unexpected spurt of JPY surge. This appears to be taking the wind out of initial EM Asia FX pick-up in response to the solid JPY upswing.

- Instead, there appears to be **growing caution about inadvertent "risk off" from unwinding "carry"** (and Cross/JPY), and knock-on impact in risk assets.

- If sustained, this may even set the stage for EM Asia FX may even slip back more discernibly and durably.

- The drag from growing caution possibly more than offsetting measured appreciation sympathy (with the JPY); suggests a certain **"RORO" negative correlation between JPY and EM Asia FX** that could kick in. *RORO - Short hand for "risk on, risk off", which describes heightened volatility from acute sensitivities to opportunistic, sentiment driven bets.

FX Daily Outlook

- EUR/USD: Fragmentation risks restrains challenges to 1.07.

- USD/JPY: Taming of overly bullish extrapolation of YCC tweak to rate change allow 131-133 range.

- USD/SGD: Sympathy to JPY may allow pair to sustain below 1.36.

- AUD/USD: RBA pause considerations will weigh on the pair.

TODAY'S EVENTS

(JP) Machine Tool Orders YoY (Nov F): (Prelim: -7.8%) | (US) Existing Home Sales (Nov): (Mkt: 4.2m; Oct: 4.4m) | (US) Conference Board Consumer Confidence (Dec): (Mkt: 101.0; Nov: 100.2)

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