

## MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	131.79	132.46	+0.73	▼3.02
EUR	1.0632	1.0605	▼0.0019	▼0.0077
AUD	0.6683	0.6707	+0.0029	▼0.0157
SGD	1.3512	1.3514	▼0.0001	+0.0045
CNY	6.9666	6.9818	+0.0199	+0.0317
INR	82.75	82.82	+0.06	+0.37
IDR	15592	15588	▼15	▼10
MYR	4.4404	4.4382	+0.0042	+0.0455
PHP	55.12	55.11	▼0.14	▼0.67
THB	34.77	34.73	▼0.03	+0.16

\*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.662%	▼2.1 bp	+18.5 bp
JPY (10YR)	0.480%	+7.2 bp	+22.8 bp
EUR* (10YR)	2.314%	+1.0 bp	+37.4 bp
AUD (5YR)	3.374%	▼4.7 bp	+19.8 bp
SGD (5YR)	2.797%	▼1.8 bp	▼6.6 bp
CNY (5YR)	2.646%	▼0.8 bp	▼4.1 bp
INR (5YR)	7.174%	▼1.0 bp	+6.9 bp
IDR (5YR)	6.188%	+1.4 bp	+1.7 bp
MYR (5YR)	3.862%	+1.5 bp	+3.9 bp
PHP (5YR)	6.397%	▼0.4 bp	+17.0 bp
THB (5YR)	2.007%	+1.6 bp	▼8.6 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,376.48	+1.60%	▼1.74%
N225 (JP)	26,387.72	▼0.68%	▼6.28%
STOXX 50 (EU)	3,872.15	+1.83%	▼2.59%
ASX (AU)	4,095.42	+1.70%	▼0.12%
STI (SG)	3,256.19	+0.07%	▼0.68%
SHCOMP (CN)	3,068.41	▼0.17%	▼3.40%
SENSEX (IN)	61,067.24	▼1.03%	▼2.57%
JSE (ID)	6,820.66	+0.77%	+0.28%
KLSE (MY)	1,462.55	▼0.33%	▼1.39%
PSE (PH)	6,520.80	+0.97%	▼1.43%
SET (TH)	1,609.94	+0.34%	▼1.43%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.21	+1.45%	▲0.15%
COPPER (LME)	8,333.75	+0.00%	▲1.70%
IRON ORE (CN)	110.95	+0.75%	+1.44%
GOLD	1,814.39	▲0.20%	+0.39%
OIL (WTI)	78.29	+2.89%	+1.31%

### Three Take-aways:

- 1) An unexpected surge in US Consumer Confidence was seized upon by markets grasping glimmers of earnings and backstop from Cross/JPY ("carry") unwind; equities snapped a 5-day losing streak.
- 2) Despite 10Y JGB yields test upper limit of widened +/-0.50% YCC target, the attendant unwind in Cross/JPY (and "carry") subsided. That said the BoJ debate rages on between doves and doubters.
- 3) With "risk on" resuming (US equities up 1.5-1.6%) and USD fairly subdued, the ground is sweetened for Bank Indonesia to dial back (from 50bp) to a 25bp hike.

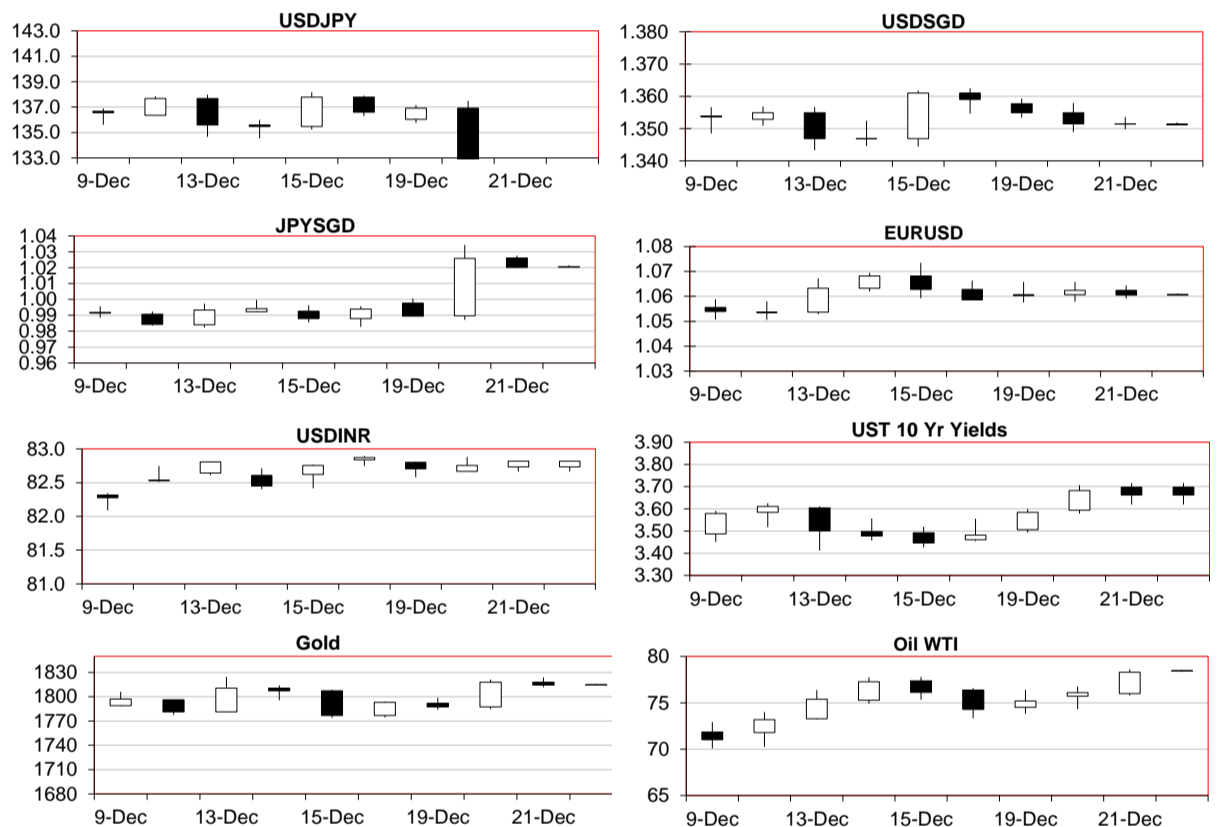
### (Over-)Confidence

- Apparently, **confidence returned** (in every sense of that phrase!) to markets as *Christmas came early in the form of an unexpected and broad-based surge in US consumer confidence*.
- The cheer from upbeat US consumer data fed into the backstop/measured bounce in Cross/JPY and the attendant "carry" unwind; which in turn **stanching the post-BoJ "risk off" convulsions to bolster a resumption of risk appetite**.
- AUD/JPY, which had plunged over 5% (from 92-ish levels to test 87), has partly recouped ground at sub-89, trimming post-BoJ losses to -3%. USD/JPY also off 131 lows towards mid-132.
- Glimmers of earnings positivity also added to the "risk on" inflection after a five-day losing streak in US equities. This lifted S&P500 and Nasdaq by 1.5% (Dow: 1.6%).
- So yes, **market confidence appears to have coincided with**, if not catalyzed (further) by US consumer confidence. But there is *an element of convenience, if not over-confidence*.
- Apparently, **markets are no longer taking good (data) news to be bad (policy) news**.
- And that **teeters on over-confidence** of a 'Goldilocks' boost to US consumer confidence that *will lift the economy* (and markets), *but not lead hawkish outcomes*.
- What's more, it must take a remarkable amount of confidence that a timely Fed pivot will deliver the global economy from recession risks; so much so it smells of over-confidence.
- **Over-confidence** also extends to market interpretations of BoJ policy shifts under-way.

### OVERNIGHT RESULTS

(JP) Machine Tool Orders YoY (Nov F): -7.7% (Prelim: -7.8%) | (US) Existing Home Sales (Nov): 4.09m (Mkt: 4.20m; Oct: 4.43m)  
(US) Conference Board Consumer Confidence (Dec): 108.3 (Mkt: 101.0; Nov: 101.4)

### \* Past Two Weeks Movement \*



## TODAY'S COMMENTS & FORECAST

### Open

USD/JPY	131.90	EUR/USD	1.0625
USD/SGD	1.3512	USD/THB	34.71
JPY/SGD	1.0245	USD/MYR	4.433

### Forecast

USD/JPY	130.80 - 133.40
EUR/USD	1.0540 - 1.0670
AUD/USD	0.6640 - 0.6760
USD/SGD	1.3470 - 1.3580
JPY/SGD	1.0097 - 1.0382
USD/CNH	6.9680 - 7.0050
USD/INR	82.50 - 83.05
USD/IDR	15550 - 15660
USD/MYR	4.418 - 4.446
USD/PHP	54.90 - 55.40
USD/THB	34.55 - 34.95

### Today's Direction

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

- By and large, markets are doubting Governor Kuroda's dovish assurances/assertions to bet on further hawkish shifts. This ought to send JPY crosses in a tailspin (as JGB yields lift-off).

- Yet, the markets chasing a "Santa rally" discount "risk off" convulsions from accompanying "carry" unwind; which typically trigger contagion effects.

- But I suppose Christmas, year-end cheer is an excuse to have and eat our cakes.

### Bank Indonesia's Opportunistic Dial Back

- Speaking of cakes ... even if it is too complacent to suggest **Bank Indonesia's dial-back to a 25bp** hike will be a piece of cake, the move **ought to face fewer external challenges**.

- Especially *in this environment of*;

- i) "risk on" that is grasping everything from confidence to pivot;
- ii) Fed "pivot" bets after its own dial back (albeit to 50bp from 75bp)
- iii) partial *recovery in post-BoJ "carry" unwind*

- In addition, **BI has domestic grounds to tame, but not eliminate, the hawkish bias**.

- For one, price pressures and pipeline risks, are in check. Headline inflation eased further to 5.4% YoY in Nov (Oct: 5.7%); although the core is sticky at 3.3%. What's more, the hike in minimum wages for 2023 was also dialled back to -5% from a previously touted 10%.

- Yet, **dialling back on tightening is not a free pass for an impending pause or pivot**.

- Because not only must Bank Indonesia remain vigilant to still sticky underlying inflation alongside vulnerabilities to further global price shocks; but **crucially, macro-stability risks** from hawkish Fed jolts remains **a non-negligible risk and Bank Indonesia's biggest bugbear**.

### FX Daily Outlook

- EUR/USD: Stabilization, not unfettered strength is the reality; so 1.07+ may turn thin.

- USD/JPY: The relief on Cross/JPY unwind is seeing 132 consolidation; 130 remains a hurdle.

- USD/SGD: Slight pressures on positive risk; but sub-1.35 to be shallow.

- AUD/USD: Buoyed by "risk on" and AUD/JPY bounce; but pushing 0.68 will need more confidence.

### TODAY'S EVENTS

(JP) Leading Index CI/Coincident Index (Oct F): (Prelim: 99.0/99.9)  
(US) Annualised GDP QoQ (3Q T): (Mkt: 2.9%; 3Q S: 2.9%) | (US) Initial Jobless Claims (17 Dec): (Mkt: 222k; Prev: 211k)  
(US) Kansas City Fed Manf. Activity (Dec): (Mkt: -7; Nov: -6) | (US) Leading Index (Nov): (Mkt: -0.5%; Oct: -0.8%)

**Important Information**

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.