

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.22	132.08	▼1.33	+0.96
EUR	1.0516	1.0644	+0.0122	▼0.0061
AUD	0.6751	0.6877	+0.0125	+0.0064
SGD	1.3473	1.3395	▼0.0060	+0.0000
CNY	6.8617	6.8280	▼0.0524	▼0.0706
INR	82.64	82.73	+0.17	▼0.01
IDR	15636	15633	+25	+65
MYR	4.4006	4.4032	+0.0154	▼0.0008
PHP	55.64	55.64	▼0.14	▼0.09
THB	34.06	34.05	+0.09	▼0.56

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.558%	▼16.0 bp	▼31.7 bp
JPY (10YR)	0.505%	+7.1 bp	+8.3 bp
EUR* (10YR)	2.210%	▼10.6 bp	▼36.1 bp
AUD (5YR)	3.602%	+0.2 bp	▼8.0 bp
SGD (5YR)	2.782%	+0.9 bp	▼4.6 bp
CNY (5YR)	2.639%	+3.0 bp	+1.4 bp
INR (5YR)	7.274%	+4.2 bp	+4.5 bp
IDR (5YR)	6.634%	+1.2 bp	+43.0 bp
MYR (5YR)	3.796%	+1.6 bp	▼5.9 bp
PHP (5YR)	6.545%	+7.1 bp	+15.3 bp
THB (5YR)	1.977%	▼0.7 bp	▼1.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,630.61	+2.13%	+1.46%
N225 (JP)	25,973.85	+0.59%	▼0.46%
STOXX 50 (EU)	4,017.83	+1.47%	+5.91%
ASX (AU)	4,210.58	+0.76%	+3.32%
STI (SG)	3,276.72	▼0.48%	+0.78%
SHCOMP (CN)	3,157.64	+0.08%	+2.21%
SENSEX (IN)	59,900.37	▼0.75%	▼1.55%
JSE (ID)	6,684.56	+0.46%	▼2.42%
KLSE (MY)	1,480.55	▼0.03%	▼1.00%
PSE (PH)	6,667.97	▼1.38%	+1.55%
SET (TH)	1,673.86	+0.60%	+0.31%

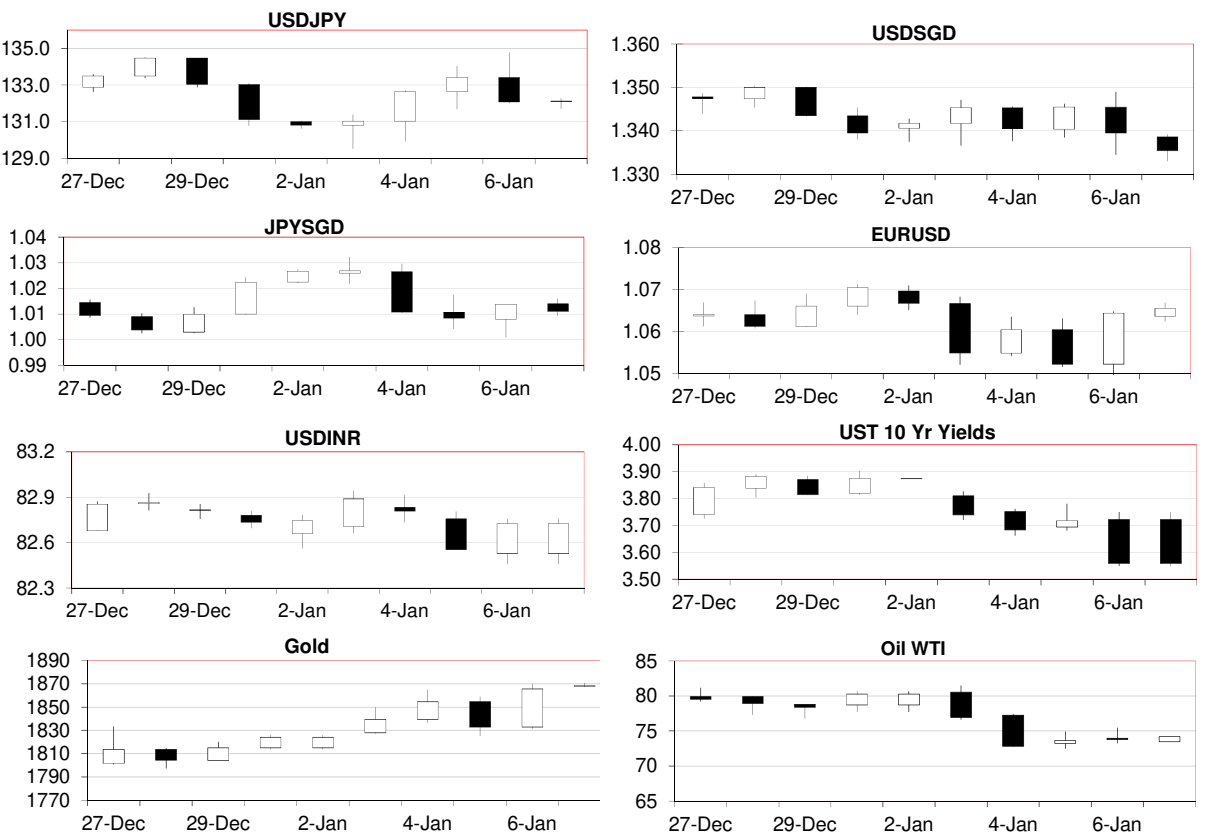
Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	264.82	+0.43%	▲4.65%
COPPER (LME)	8,569.90	+2.49%	+2.45%
IRON ORE (CN)	118.68	+2.13%	+6.65%
GOLD	1,865.69	+1.79%	+2.28%
OIL (WTI)	73.77	+0.14%	▼8.09%

Mixed And Messy

- As perverse market reactions go, weaker US data signalled to US market participants that the Fed may dial back on its rate hiking intensity.
- This led to US equity indices bouncing back more than 2% higher on Friday, with futures trading even higher on Monday morning.
- Mirroring this, UST yields dropped led by the front-end as the curve steepened. 2yr and 3yr yields fell -20bp while the 10yr fell -16bp.
- The DXY index eased, allowing G10 currencies to gain across the board led by NOK and followed by the Antipodeans.
- Mixed US labour market data set the ball rolling on the rally.
- The gains in nonfarm payrolls at 223k in December exceeded expectations as did the drop in the unemployment rate to 3.5% from 3.6% but the downward adjustments to November data and slower wage growth to 0.3%MoM (4.6% YoY) signalled some claw back in price pressures.
- The drop in the ISM Services Index to below the expansion contraction threshold of 50 in December (49.6) added to the speculation that growth momentum is starting to slow. - The combination of data led markets to reassess expectations around the magnitude of the 1 February rate hike as well as the peak rate.
- A 25bp rate hike is being priced in for 1 Feb. versus 50bp earlier, with the peak rate now settled below 5% versus 5.06% before Friday's data.
- Fed speakers that commented after the data released, including Bostic, Cook and Barkin, affirmed that the Fed was still on a hiking course with Bostic conceding that the magnitude of the hikes may be dialled back to 25bp.
- EM Asia will likely catch the US' upbeat wave for Monday and wait for further signals from Wednesday's US CPI release.

OVERNIGHT RESULTS

(PH) Unemployment Rate (Nov): 4.2% (Oct: 4.5%) | (IN) GDP Annual Estimate YoY (2023): 7.0% (Mkt: 6.8%; Prev: 8.7%) | (EZ) CPI/Core YoY (Dec P): 9.2%/5.2% (Mkt: 9.5%/5.1%; Nov: 10.1%/5.0%) | (US) Change in Non-farm payrolls (Dec): 223k (Mkt: 205k; Nov: 256k) | (US) Unemployment Rate (Dec): 3.5% (Mkt: 3.7%; Nov: 3.6%) | (US) Average hourly earnings YoY/MoM (Dec): 4.6%/0.3% (Mkt: 5.0%/0.4%; Nov: 4.87%/0.4%) | (US) ISM Services Index (Dec): 49.6 (Mkt: 55.0; Nov: 56.5) | (US) Durable Goods/Non-def Ex Air Orders (Nov F): 2.4%/0.1% (Mkt: 2.1%/0.2%)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	131.84	EUR/USD	1.0659
USD/SGD	1.3338	USD/THB	33.64
JPY/SGD	1.0117	USD/MYR	4.395

Forecast

USD/JPY	131.00 - 134.00
EUR/USD	1.0450 - 1.0700
AUD/USD	0.6700 - 0.6950
USD/SGD	1.3290 - 1.3500
JPY/SGD	0.9918 - 1.0305
USD/CNH	6.8000 - 6.8500
USD/INR	82.00 - 83.00
USD/IDR	15600 - 15700
USD/MYR	4.375 - 4.430
USD/PHP	55.30 - 56.20
USD/THB	33.50 - 34.50

Today's Direction

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

EM Asia Inflation Persistence

- While markets will be looking for clearer signs that US inflation is on the downtrend, discerning similar trends for EM Asia has become increasingly more complex.
- Calling for a peak in headline inflation for the region in November now seems premature as the metric either picked up or stayed stable in December* for most countries in the region.
- Admittedly, some seasonal trends maybe at play here given the year-end holidays, but the sharp increases in core inflation across most countries in the region underscores the stickiness of price pressures and more importantly, the persistence in inflation that is set to linger in H1.
- A lack of a resolution for the tensions between Russia and Ukraine, continued supply chain constrains, labour market stresses and other COVID associated price shifts have obfuscated the picture for inflation implying that volatility, at the very least, is par for the course.
- Notwithstanding, we expect inflationary pressures for EM Asia to ease in a more convincing manner in H2 as risks associated with a global recession dominate the narrative.
- For central banks in the region this implies continued hawkishness and vigilance around inflationary pressures in H1.
- Importantly, elevated inflation and lower real rates will exacerbate external vulnerabilities associated with FX depreciation risks versus USD. Containing these will also remain a priority for regional central banks.

*China, India, Malaysia and Singapore have yet to release Dec CPI. Expectations are for higher/stable headline inflation in Dec versus Nov

FX Daily Outlook

- EUR/USD: Knocks to 1.07 cannot be dismissed on US data and potentially peaking EZ inflation.
- USD/JPY: The drop in 10 yr UST yields may swing pair to 131.5 levels, volatility notwithstanding.
- USD/SGD: Positive CNY/CNH sentiment and weaker USD will conflate to support pair at 1.33.
- AUD/USD: Commodity price, USD weakness and China boost makes for a Goldilocks situation.

TODAY'S EVENTS

(AU) Building Approvals MoM (Nov): -9.0% (Mkt: 0.0%; Oct: -5.6%) | (EZ) Unemployment Rate (Nov): (Mkt: 6.5%; Oct: 6.5%) | (EZ) Sentix Investor Confidence (Jan): (Mkt: -18.0; Dec: -21.0)

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