

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.26	131.88	▼0.20	+1.08
EUR	1.0674	1.0730	+0.0086	+0.0063
AUD	0.6918	0.6912	+0.0035	+0.0110
SGD	1.3340	1.3305	▼0.0090	▼0.0112
CNY	6.7786	6.7719	▼0.0561	▼0.1267
INR	82.44	82.36	▼0.37	▼0.39
IDR	15568	15568	▼65	▼5
MYR	4.3785	4.3733	▼0.0299	▼0.0307
PHP	55.13	55.14	▼0.50	▼0.59
THB	33.52	33.49	▼0.56	▼1.11

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.532%	▼2.6 bp	▼34.3 bp
JPY (10YR)	0.505%	+0.0 bp	+8.3 bp
EUR* (10YR)	2.228%	+1.8 bp	▼21.6 bp
AUD (5YR)	3.483%	▼11.9 bp	▼20.0 bp
SGD (5YR)	2.734%	▼4.8 bp	▼9.4 bp
CNY (5YR)	2.648%	+0.9 bp	+2.3 bp
INR (5YR)	7.218%	▼5.6 bp	▼2.4 bp
IDR (5YR)	6.544%	▼9.0 bp	+34.0 bp
MYR (5YR)	3.759%	▼3.7 bp	▼9.6 bp
PHP (5YR)	6.459%	▼8.6 bp	+6.1 bp
THB (5YR)	1.916%	▼6.1 bp	▼7.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,517.65	▼0.34%	+1.12%
N225 (JP)	25,973.85	+0.00%	▼0.46%
STOXX 50 (EU)	4,068.62	+1.26%	+5.51%
ASX (AU)	4,221.46	+0.26%	+3.59%
STI (SG)	3,305.67	+0.88%	+1.67%
SHCOMP (CN)	3,176.08	+0.58%	+2.81%
SENSEX (IN)	60,747.31	+1.41%	▼0.69%
JSE (ID)	6,688.27	+0.06%	▼2.38%
KLSE (MY)	1,493.42	+0.87%	▼0.14%
PSE (PH)	6,790.24	+1.83%	+3.41%
SET (TH)	1,691.12	+1.03%	+1.35%

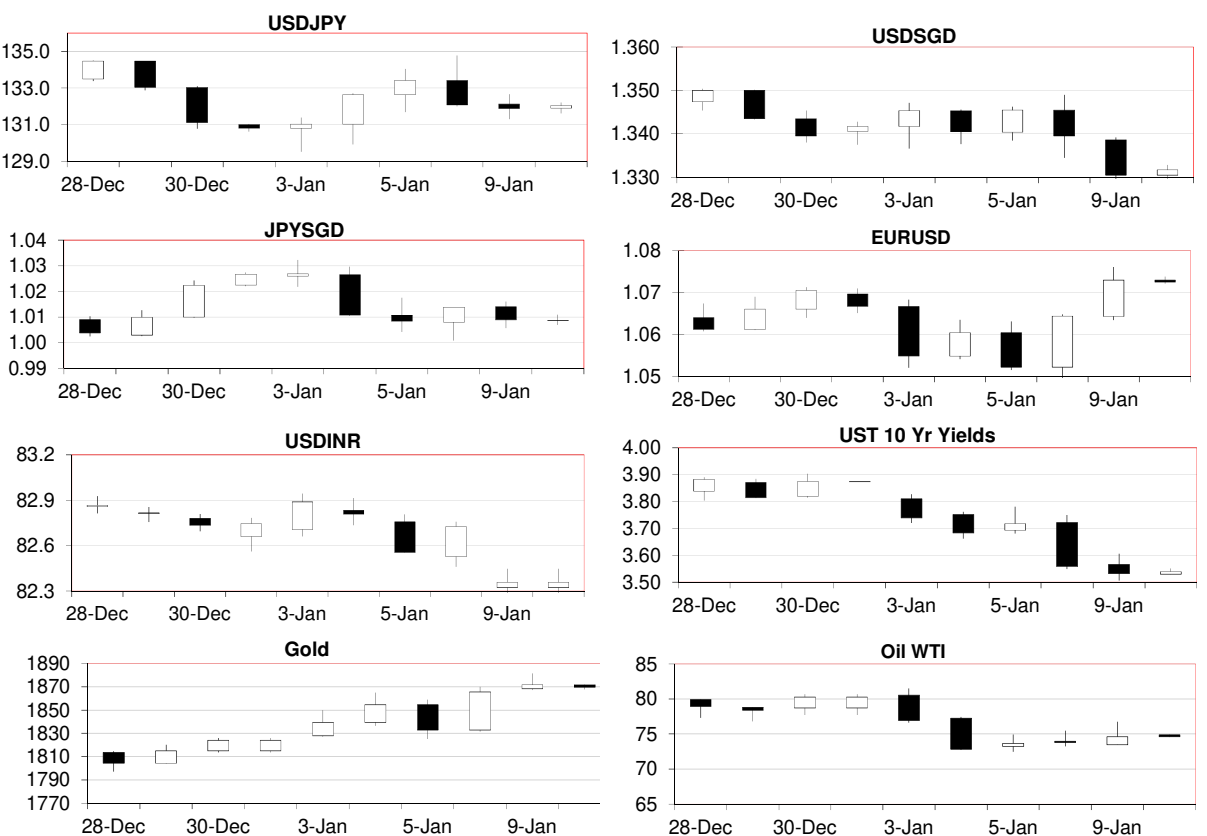
Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	268.64	+1.44%	▲3.28%
COPPER (LME)	8,833.00	+3.07%	+5.60%
IRON ORE (CN)	118.03	▲0.55%	+0.76%
GOLD	1,871.81	+0.33%	+2.62%
OIL (WTI)	74.63	+1.17%	▼2.99%

Of Pendulums & Oscillations

- The pendulum swung from optimism to caution as US equities ended mixed on Monday (S&P: -0.1%; NASDAQ: +0.6%; Dow Jones: -0.3%) after comments from Mary Daly and Raphael Bostic were interpreted by markets as hawkish.
- Daly stated that she expects the Fed will raise rates to somewhere 'over 5%' while Bostic stated that policy makers will take rates to above 5% in Q2 and hold it there "for a long time", effectively pouring cold water on hopes of a rate cut this year.
- Despite this, UST yields were little changed through most of Monday while the DXY index steadied towards the end of the day following a downward retreat in the earlier part.
- Sentiment may turn more cautious ahead of the US CPI release on Thursday, dampening the 'risk on' trades initiated as a result of the optimism around China's re-opening.
- The MSCI EM Index officially entered a bull market on 9 January as the index was up 20% from 24 October; EM Asia FX gained versus the USD on Monday with KRW, THB and PHP in the lead even ahead of CNY/CNH.
- Even oil prices rose on the wave of optimism surrounding China's reopening. WTI and Brent prices closed >1% higher on Monday at USD75/barrel and USD76.7/barrel, respectively.
- Meanwhile, China's motivation to better manage its energy demand has led to a thawing of relations between Australia and China and a resumption in the coal trade (more below); benchmark coal prices for US, Australia and Europe have fallen since the start of 2023.
- AUD/USD looks to be trading on the weaker side of 0.69 as caution comes back to the fore; USD/JPY is pushing above 132 levels while EUR/USD is moving south towards 1.07 levels.
- With Fed Chair Powell also expected to make some statements at an event on Tuesday morning (Asia time), markets may be further guided the hawkish side after Friday's dramatically dovish tilt.
- In that event, and absent a more virulent variant of COVID-19 arising out of China, a potential unwinding of recent THB, KRW, PHP, CNY/CNH gains may be backstopped by continued optimism around China re-opening.

OVERNIGHT RESULTS

(EZ) Unemployment Rate (Nov): 6.5% (Mkt: 6.5%; Oct: 6.5%) | (EZ) Sentix Investor Confidence (Jan): -17.5 (Mkt: -18.0; Dec: -21.0)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	131.73	EUR/USD	1.0734
USD/SGD	1.3303	USD/THB	33.43
JPY/SGD	1.0099	USD/MYR	4.372

Forecast

USD/JPY	131.00 - 134.00
EUR/USD	1.0500 - 1.0790
AUD/USD	0.6700 - 0.6980
USD/SGD	1.3290 - 1.3500
JPY/SGD	0.9918 - 1.0305
USD/CNH	6.7200 - 6.8200
USD/INR	82.00 - 83.00
USD/IDR	15500 - 15700
USD/MYR	4.365 - 4.400
USD/PHP	55.00 - 56.00
USD/THB	33.00 - 34.00

Today's Direction

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

Of Canaries and Coal Mines

- China resuming coal imports from Australia will have the biggest impact (outside the direct partners) for Indonesia.
- China turned to Indonesian coal as a substitute for Australian coal after geo-political tensions between the countries peaked around the origin of the COVID-19 virus in 2020.
- China's coal imports for Australia dropped to 6.5 mn MT from Jan-Nov 22 versus 78.5mnMT for the same period in 2019 and 2020. Indonesia plugged some of the gap as coal imports rose to 170.6mnMT in 2022 from 114.8mn MT in 2020.
- With coal trade resuming between China and Australia, Indonesia's coal exports will be in for some setback in the coming months.
- This will exacerbate already flailing price effects given that oil, gas, coal and palm oil prices have fallen significantly in Q4 2022 compared to the earlier part of the year.
- While prices seem to have stabilized recently, base effects from elevated prices last year will be a drag on Indonesia's commodity exports leading to a diminishing of the trade surplus.
- We expect the current account surplus to narrow to 0.5% of GDP in 2023 from -1% in 2022.
- The upshot is that Bank Indonesia will need to be vigilant of rising external and associated IDR depreciation pressures, in a year when the political calendar is set to heat up in H2.
- We expect BI to hike its policy rate by another 50bp in Q1 2023 to defend against these pressures as well as sticky inflation.

FX Daily Outlook

- EUR/USD: Knocks to 1.07 cannot be dismissed on US data and hawkish Fed speak.
- USD/JPY: 132-134 par for the rough as sentiment is pulled in opposite directions.
- USD/SGD: Positive CNY/CNH sentiment and weaker USD will conflate to support pair at 1.33.
- AUD/USD: Trading below 0.69 as sentiment turns sour and USD demand rises.

TODAY'S EVENTS

(KR) Current Account Balance (Nov): (Oct: USD88.4mn) | (PH) Trade Balance (Nov): (Mkt: -\$4.1bn; Oct: -\$3.3bn) | (US) NFIB Small Business Optimism (Dec): (Mkt: 91.5; Nov: 91.9) | (US) Wholesale Inventories MoM (Nov F): (Mkt: 1.0%; Prelim: 1.0) | (JP) Tokyo CPI YoY/Ex Fresh Food YoY (Dec): (Mkt: 4.0%/3.8%; Nov: 3.7%/3.6%)

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