

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.23	132.26	+0.38	+1.24
EUR	1.0730	1.0733	+0.0003	+0.0185
AUD	0.6894	0.6889	▼0.0023	+0.0162
SGD	1.3325	1.3318	+0.0013	▼0.0135
CNY	6.7842	6.7795	+0.0076	▼0.1355
INR	82.06	81.79	▼0.57	▼1.10
IDR	15588	15573	+5	▼25
MYR	4.3750	4.3725	▼0.0008	▼0.0368
PHP	54.88	54.88	▼0.25	▼0.93
THB	33.53	33.52	+0.03	▼0.88

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.619%	+8.7 bp	▼12.0 bp
JPY (10YR)	0.508%	+0.3 bp	+8.6 bp
EUR* (10YR)	2.308%	+8.0 bp	▼8.1 bp
AUD (5YR)	3.475%	▼0.8 bp	▼22.2 bp
SGD (5YR)	2.764%	+3.0 bp	▼7.6 bp
CNY (5YR)	2.699%	+5.1 bp	+9.3 bp
INR (5YR)	7.175%	▼4.3 bp	▼6.0 bp
IDR (5YR)	6.484%	▼6.0 bp	+24.6 bp
MYR (5YR)	3.768%	+0.9 bp	▼0.9 bp
PHP (5YR)	6.433%	▼2.6 bp	▼12.2 bp
THB (5YR)	1.920%	+0.4 bp	▼7.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,704.10	+0.56%	+1.71%
N225 (JP)	26,175.56	+0.78%	+0.31%
STOXX 50 (EU)	4,057.46	▼0.27%	+4.51%
ASX (AU)	4,204.39	▼0.40%	+1.77%
STI (SG)	3,262.91	▼1.29%	+0.53%
SHCOMP (CN)	3,169.51	▼0.21%	+1.70%
SENSEX (IN)	60,115.48	▼1.04%	▼1.92%
JSE (ID)	6,622.50	▼0.98%	▼3.87%
KLSE (MY)	1,485.13	▼0.56%	+0.76%
PSE (PH)	6,756.69	▼0.49%	+2.59%
SET (TH)	1,691.41	+0.02%	+0.74%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	268.09	▲0.20%	▲0.77%
COPPER (LME)	8,833.00	+0.00%	+6.33%
IRON ORE (CN)	120.00	+1.67%	+2.44%
GOLD	1,877.03	+0.28%	+2.04%
OIL (WTI)	75.12	+0.66%	▼2.35%

Three Take-aways:

- 1) US small business optimism deteriorated as businesses plan price hikes and face hiring difficulties.
- 2) While US equities rise to shrug off Fed messaging, UST yields rose to partially concede.
- 3) Commodities and China exuberance may run into risks of reality checks and bumps.

In One Ear and Out the Other?

- Fed Governor Michelle Bowman continued with the Fed's "more work" on rate hikes and "for longer" communication. Ahead of tomorrow's US CPI print, **UST bulls may have heeded the messaging as 2Y UST yields rose 4.0bp while 10Y UST yields up 8.7bps**

- At this point, the Fed's favoured recession indicator the near term forward spread (18M-3M UST differential) has inverted till 75bps within a mere 2 months. This deep inversion is already similar to the more widely reported UST 10Y-2Y spread.

- In alignment, NFIB's Dec survey showed **small business optimism also deteriorated**. While a smaller share (from Nov) of businesses hiked prices, this share (43%) remains at historical highs. Notably, **a high proportion of owners continued to report that job openings were hard to fill**.

- **Despite these signals**, US equities were undeterred (Nasdaq: +1.0%; S&P500; 0.7%; Dow: -0.6%).

- In contrast, FX markets displayed a tinge of caution. Rising UST yields assisted the USD to retain some strength against most G10 peers.

- Commodity currencies pared back some early week gains from **exuberance over China's reopening and easing** of regulatory/funding concerns; AUD slipped back below 0.69.

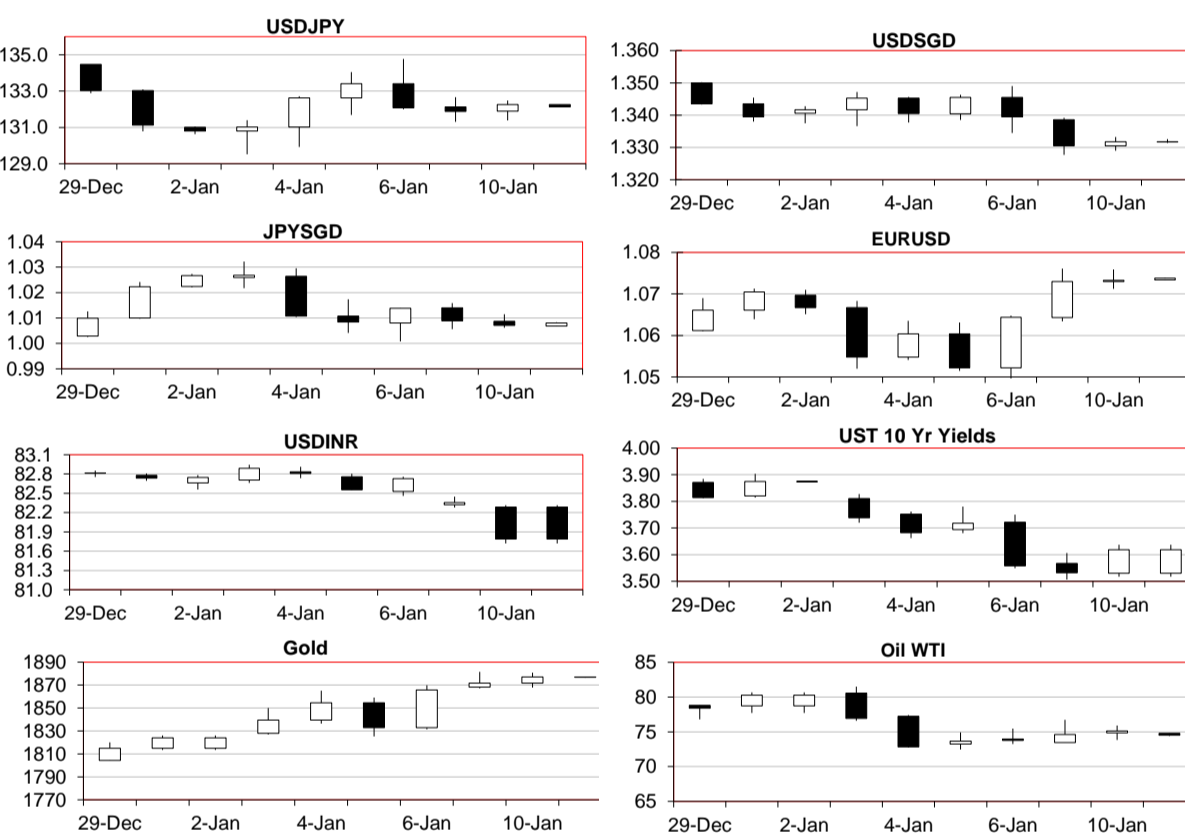
- The USD/JPY was buoyed above 132 while EUR hovered around 1.07. USD/SGD floated above 1.33.

- While EM-Asia FX has enjoyed coinciding tailwinds of softer USD and CNH/CNY strength this year, fundamental questions will soon unveil. China's property support which **manifest more as providing lifelines rather than supplements** and instituting (tech) regulatory sensibility rather than easing may give a reality check.

- President Xi also gave a reminder against collusion between officials and business people.

OVERNIGHT RESULTS

(KR) Current Account Balance (Nov): -\$5621.7mn (Oct: US\$883.4mn) | (PH) Trade Balance (Nov): -\$3.7bn (Mkt: -\$4.1bn; Oct: -\$3.3bn) | (US) NFIB Small Business Optimism (Dec): **89.8** (Mkt: **91.5**; Nov: **91.9**) | (US) Wholesale Inventories MoM (Nov F): 1.0% (Mkt: 1.0%; Prelim: 1.0) | (JP) Tokyo CPI YoY/Ex Fresh Food YoY (Dec): 4.0%/4.0% (Mkt: 4.0%/3.8%; Nov: 3.7%/3.6%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	132.10	EUR/USD	1.0739
USD/SGD	1.3318	USD/THB	33.47
JPY/SGD	1.0082	USD/MYR	4.373

Forecast

USD/JPY	131.00 - 134.00
EUR/USD	1.0600 - 1.0790
AUD/USD	0.6700 - 0.6980
USD/SGD	1.3290 - 1.3500
JPY/SGD	0.9918 - 1.0305
USD/CNH	6.7500 - 6.8200
USD/INR	81.60 - 82.60
USD/IDR	15500 - 15645
USD/MYR	4.365 - 4.398
USD/PHP	54.70 - 55.40
USD/THB	33.20 - 34.00

Today's Direction

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

Thailand Round-Up: Travel U-Turns and Congestions

- Within a day, the authorities in Thailand reversed their policy requiring travellers to show proof of vaccination. Given that only primary doses of vaccination was required (no boosters needed), the reversal removed an immediate administrative hassle for incoming travellers on 9th January. The feedback from tourism operators certainly did not go unnoticed.

- At this juncture, arrivals from Europe, Americas, ASEAN and the Middle East have reached at least 75% of pre-Covid 2019 levels as of November 2022.

- Aside from China which consisted 30% of pre-Covid market share, further room for growth will come from East Asia as tourist from Japan and Taiwan which are at a third of pre-Covid levels and to a lesser extent Korea which stood at 58%.

- To realise the full potential of tourism recovery in 2023, accommodation capacities will need to be raised. Currently, despite arrivals being just over half of 2019 levels, **occupancy rates which are edging closer to pre-Covid rates hint at supply constraints from pandemic induced closures**.

- Aside from accommodation, **airport operations will also need to be expanded** even under our expectations that Chinese tourist arrivals will not be fully restored in the initial months.

- Arrival flights to popular destinations such as Phuket are still at 47% of average 2019 levels.

- Given that **plane loads are brimming back to 2019 levels, increasing number of flights will be critical to prevent chokes** in the tourism recovery.

FX Daily Outlook

- EUR/USD: Caution prevail before US CPI disable headway towards 1.08.

- USD/JPY: Upside bias on energy prices. restrain from US CPI anticipation weighing against Tokyo's.

- USD/SGD: 1.33 buoyancy rather than slips as China stimulus look to be assessed.

- AUD/USD: Consolidation around 0.68-0.69 remains base case on thawing of China trade relations.

TODAY'S EVENTS

(KR) Unemployment Rate SA (Dec): 3.3% (Mkt: 3.0%; Nov:2.9%) | (AU) Retail Sales MoM (Nov): 1.4% (Mkt: 0.6%; Oct: -0.2%) |

(AU) CPI/Trimmed Mean YoY (Nov): 7.4%/ 5.6%(Mkt: 7.2%/5.5%; Oct: 6.9%/5.3%)

(MY) Industrial Production YoY (Nov): (Mkt: 2.9%; Oct:4.6%) |

(JP) Leading Index CI/Coincident Index (Nov P): (Mkt: 97.6/99.1; Oct: 98.6/99.6)

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