

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.40	132.45	+0.19	▼0.18
EUR	1.0747	1.0757	+0.0024	+0.0153
AUD	0.6905	0.6904	+0.0015	+0.0065
SGD	1.3309	1.3312	▼0.0006	▼0.0093
CNY	6.7735	6.7650	▼0.0145	▼0.1323
INR	81.63	81.58	▼0.21	▼1.23
IDR	15483	15483	▼90	▼105
MYR	4.3728	4.3702	▼0.0023	▼0.0283
PHP	54.84	54.80	▼0.08	▼1.11
THB	33.44	33.35	▼0.17	▼0.70

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.539%	▼8.0 bp	▼14.4 bp
JPY (10YR)	0.505%	▼0.3 bp	+4.0 bp
EUR* (10YR)	2.204%	▼10.4 bp	▼6.8 bp
AUD (5YR)	3.484%	+0.9 bp	▼14.6 bp
SGD (5YR)	2.745%	▼1.9 bp	▼4.9 bp
CNY (5YR)	2.688%	▼1.1 bp	+9.3 bp
INR (5YR)	7.150%	▼2.5 bp	▼8.0 bp
IDR (5YR)	6.466%	▼1.8 bp	▼18.9 bp
MYR (5YR)	3.806%	+3.8 bp	+4.6 bp
PHP (5YR)	6.395%	▼3.8 bp	▼0.2 bp
THB (5YR)	1.927%	+0.7 bp	▼5.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,973.01	+0.80%	+2.11%
N225 (JP)	26,446.00	+1.03%	+2.84%
STOXX 50 (EU)	4,099.76	+1.04%	+3.17%
ASX (AU)	4,222.94	+0.44%	+1.66%
STI (SG)	3,271.51	+0.26%	+0.90%
SHCOMP (CN)	3,161.84	▼0.24%	+1.23%
SENSEX (IN)	60,105.50	▼0.02%	▼0.91%
JSE (ID)	6,584.45	▼0.57%	▼3.36%
KLSE (MY)	1,487.87	+0.18%	+1.25%
PSE (PH)	6,709.34	▼0.70%	▼0.14%
SET (TH)	1,685.75	▼0.33%	+0.75%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	271.27	+1.19%	+2.69%
COPPER (LME)	9,107.50	+2.44%	+10.58%
IRON ORE (CN)	121.50	+1.25%	+4.70%
GOLD	1,875.69	▲0.07%	+1.14%
OIL (WTI)	77.41	+3.05%	+6.27%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	131.93	EUR/USD	1.0765
USD/SGD	1.3303	USD/THB	33.37
JPY/SGD	1.0083	USD/MYR	4.370

Forecast

USD/JPY	130.50 - 134.00
EUR/USD	1.0600 - 1.0850
AUD/USD	0.6700 - 0.6980
USD/SGD	1.3290 - 1.3500
JPY/SGD	0.9918 - 1.0345
USD/CNH	6.7500 - 6.8200
USD/INR	81.40 - 82.00
USD/IDR	15400 - 15600
USD/MYR	4.365 - 4.398
USD/PHP	54.50 - 55.50
USD/THB	33.20 - 34.00

Today's Direction

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

Three Take-aways:

- 1) Hinging on inflation slowdown, US equities rose and USD was on backfoot amid lower UST yields.
- 2) Deeper UST 10-2Y inversion continues to seep caution.
- 3) Amid rising energy prices, China and India's inflation print may tell of 2023 inflationary pressures.

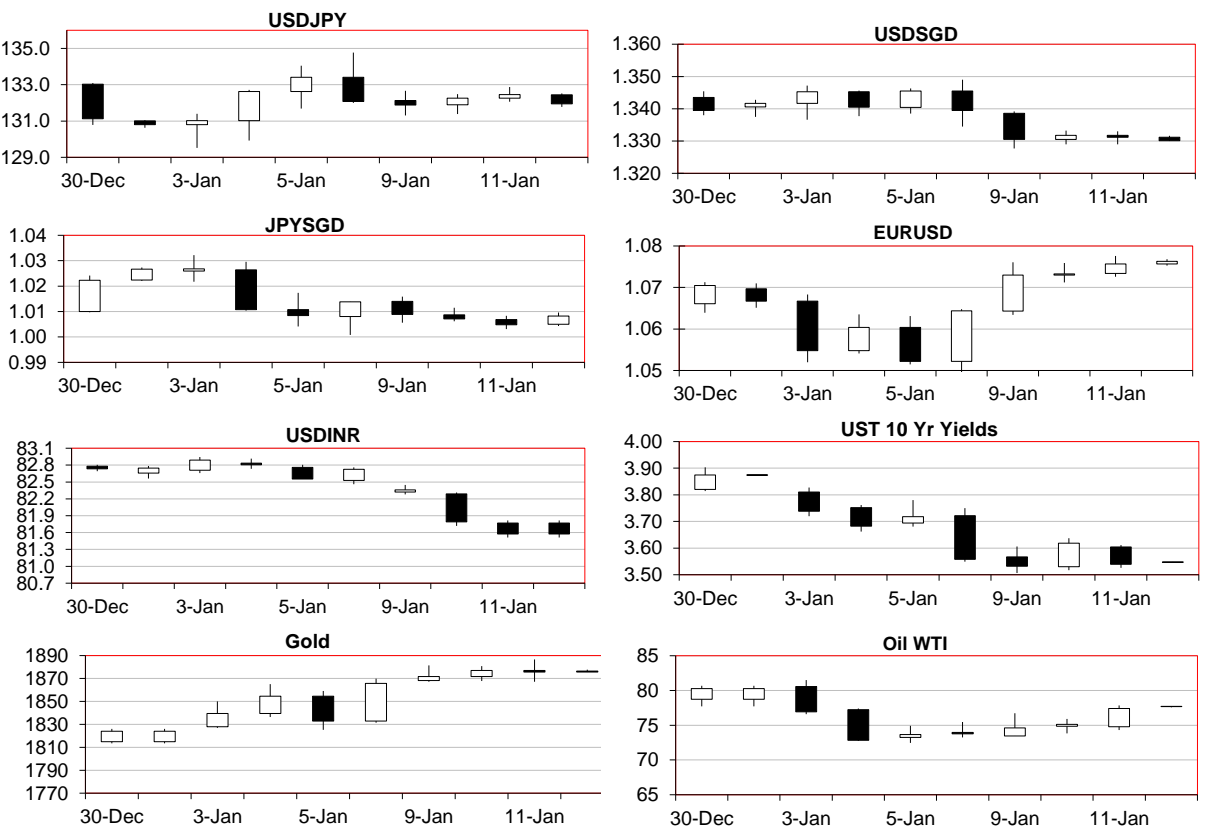
Anticipated Sentiments?

- To state the obvious, US CPI remains the key focus tonight. In anticipation of slowing (headline) inflation momentum, 2Y UST yields edged down 2.9bp.
- Haven demand for longer end US treasuries rose leading to a 8.0bp plunge for 10Y yields.
- The positive correlation between treasuries and equities remain intact. Amid lower yields supporting higher valuations, appetite for US equities grew as the Nasdaq rose 1.7% alongside the S&P500 and Dow being up 1.3% and 0.8% respectively.
- Attendant with the lower UST yields, the USD was on the backfoot. The AUD and EUR led the pack with mild 0.3% appreciation.
- Riding on CNH strength, the AUD edged back above 0.69 concomitant with their inflation print coming in above expectations. With ECB officials continuing to signal rate hikes at coming meetings, the EUR was sent above mid-1.07.
- As Brent crude price headed above US\$82/barrel, higher energy prices dampened the tailwinds from lower US yields to buoy the USD/JPY towards mid-132 last night. That said, this morning's media report on BoJ inspecting the side effects of ultra-loose policy re-ignited market speculation of policy tweaks. Without further official confirmation, these bets may fade into the day especially if fundamental forces such as energy prices continue ascendency.
- Prior to US CPI release, both India and China will also release their December inflation data.
- While India's inflation print is expected to remain sticky, China's headline inflation print is expected to edge up even under the cloud of Covid restraints in December.

OVERNIGHT RESULTS

(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): 4.8% (Mkt: 2.9%; Oct: 4.6%) | (JP) Leading Index Cl/Coincident Index (Nov P): 97.6/99.1 (Mkt: 97.6/99.1; Oct: 98.6/99.6) | (US) MBA Mortgage Applications (6 Jan): 1.2% (Prev: -10.3%)

* Past Two Weeks Movement *



- Amid China's challenging re-opening, demand resurgence set off from the Spring festival may underpin pipeline global inflationary pressures. In turn, this ought to dampen sentiments from US inflation peak and return the focus back towards the persistence of inflation.

US CPI: Peak, Not Panacea

- There is little debate that US inflation trajectory has quite convincingly peaked.
- But that does not equate to a panacea for underlying inflation risks that continue to harras the Fed as the key economic risk; and hence, effectively dictate policy posturing.
- For one, headline dis-inflation is exaggerated by the sharp drop-off in energy, and in particular pump, prices. Whereas the decline in non-energy and core inflation are more recent and crucially, far more measured.
- What's more, the drop off in core inflation is mainly driven by core goods disinflation-turned-deflation; and expected transition as COVID re-opening pans out.
- Whereas core services remain far stickier, suggesting "second-round" risks.
- Finally, even as the Fed expects the rental component of core services to dissipate by mid-2023, the "core-core" of core-services ex-rentals is expected to be elevated amid an exceptionally tight labour market. This reflects wage-price spiral risks, threatening to feedback as persistently high and volatile inflation amid unmoored expectations.
- The upshot is that despite peak inflation, the light at the end of the inflation tunnel is not yet around the corner. Peak is not panacea.

FX Daily Outlook

- EUR/USD: 1.08 will be test if US CPI slowdown is affirmed, sharp sub-1.07 slip on upside surprise.
- USD/JPY: Volatility surrounding bets around BoJ to see wide 131-133 range.
- USD/SGD: Sub-1.33 slips appear shallow, consolidation just above 1.33 remains base case.
- AUD/USD: Persistence CNH support allows 0.68 buoyancy alongside higher oil prices.

TODAY'S EVENTS

(AU) Trade Balance (Nov): A\$13.2b (Mkt: A\$11.3b; Oct: -A\$12.2b) | (JP) Trade Balance (Nov): ¥1803.6b (Mkt: ¥481.0b; Oct: -¥64.1b) | (CH) CPI/PPI YoY (Dec): (Mkt: 1.8%/-0.1%; Nov: 1.6%/-1.3%) | (TH) Consumer Confidence (Dec): (Nov: 47.9) | (IN) CPI YoY (Dec): (Mkt: 5.9%; Nov: 5.9%) | (IN) Industrial Production YoY: (Mkt: 2.8%; -4.0%) | (US) CPI/Core YoY (Dec): (Mkt: 6.5%/5.7%; Nov: 7.1%/6.0%) | (US) Initial Jobless Claims (7-Jan): (Mkt: 215k; Prev: 204k)
Central Banks: Fed's Harker, Bullard, Barkin Speaks

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