

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	128.37	127.87	▼1.38	▼4.21
EUR	1.0846	1.0830	▼0.0023	+0.0186
AUD	0.6970	0.6968	▼0.0001	+0.0091
SGD	1.3220	1.3188	▼0.0064	▼0.0207
CNY	6.7149	6.7010	▼0.0285	▼0.1270
INR	81.39	81.34	▼0.21	▼1.39
IDR	15148	15150	▼188	▼483
MYR	4.3343	4.3348	▼0.0242	▼0.0684
PHP	54.90	54.91	▼0.41	▼0.73
THB	33.05	32.97	▼0.38	▼1.07

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.504%	+6.3 bp	▼5.5 bp
JPY (10YR)	0.512%	+0.2 bp	+0.7 bp
EUR* (10YR)	2.168%	+0.9 bp	▼4.2 bp
AUD (5YR)	3.342%	▼0.8 bp	▼26.0 bp
SGD (5YR)	2.729%	▼0.9 bp	▼5.3 bp
CNY (5YR)	2.679%	+0.0 bp	+4.0 bp
INR (5YR)	7.133%	▼1.0 bp	▼14.1 bp
IDR (5YR)	6.428%	+1.7 bp	▼20.6 bp
MYR (5YR)	3.765%	▼3.4 bp	▼3.1 bp
PHP (5YR)	6.044%	▼13.4 bp	▼50.1 bp
THB (5YR)	1.908%	▼2.2 bp	▼6.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,302.61	+0.33%	+2.00%
N225 (JP)	26,119.52	▼1.25%	+0.56%
STOXX 50 (EU)	4,150.80	+0.58%	+3.31%
ASX (AU)	4,291.44	+0.63%	+1.92%
STI (SG)	3,293.75	+0.79%	+0.52%
SHCOMP (CN)	3,195.31	+1.01%	+1.19%
SENSEX (IN)	60,261.18	+0.51%	+0.60%
JSE (ID)	6,641.83	+0.18%	▼0.64%
KLSE (MY)	1,495.03	+0.43%	+0.98%
PSE (PH)	6,951.54	+1.73%	+4.25%
SET (TH)	1,681.73	▼0.34%	+0.47%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	275.91	+0.78%	+4.19%
COPPER (LME)	9,168.55	▲0.01%	+6.99%
IRON ORE (CN)	123.59	+1.28%	+4.14%
GOLD	1,920.23	+1.22%	+2.92%
OIL (WTI)	79.86	+1.88%	+8.26%

Three Take-aways:

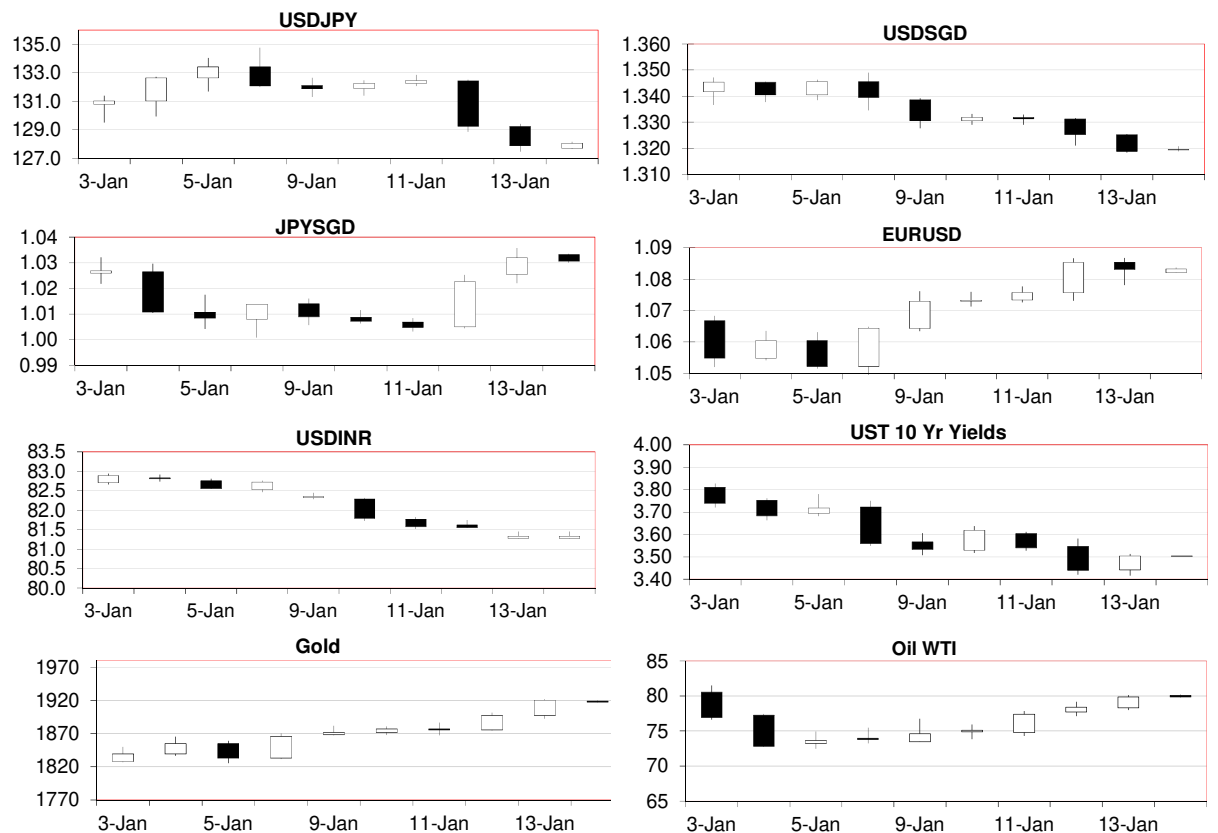
- 1) Markets weighing 'Fed pivot' prospects more closely as USD and USTs give up some gains.
- 2) JPY gains being buoyed by speculation of BoJ revising its ultra-loose policy stance.
- 3) Prospects of China re-opening continue to boost commodities and associated currencies.

Re-assessing a 'Fed Pivot'

- US equities were still basking in the rising probability of a 'Fed pivot', which has the Fed shifting from rate hikes of 75/50bp to 25bp, with strong bank earnings also helping on Friday (S&P: +0.4%; Dow Jones: +0.3%; NASDAQ: +0.7%).
- The Uni. of Michigan survey added to expectations of easing inflation as 1-yr ahead inflation fell to 4% from 4.4% in December.
- But FX and UST markets were more mixed as market participants were ambivalent around the US Fed's hawkish intentions and timeline.
- UST yields rose across most tenors (led by the front-end) by modest amounts; the 10-yr yield was up 5.5bp, 20-yr by 4.4bp while the 2-yr and 5-yr were up 9bp and 6bp respectively.
- Trading of the DXY index was choppy on Friday, with the index largely unchanged on the day.
- JPY gained the most in the G10 space; speculation is rife that the Bank of Japan will shift course from its ultra-loose monetary policy stance.
- By contrast, EUR/USD fell to 1.082 levels despite economic data suggesting that Germany could escape a recession; similar sentiment failed to lift GBP.
- Gains in AUD seemed to have paused despite a strong bounce back in commodity prices, buoyed by China's re-opening prospects.
- CNY/CNH are also lifted by similar prospects, even though domestic infection and death rates are being watched closely.
- Elsewhere in EM Asia, MYR remains supported by higher oil prices as recent the cloud of political uncertainty from Sabah seems to have passed (more below).
- For the record, oil prices were up >8% last week also powered by China's re-opening story.

OVERNIGHT RESULTS

(CH) Trade Balance (Dec): (Mkt: US\$76.9b; Nov: US\$69.3b) [(EZ) Industrial Production WDA YoY: (Mkt: 0.5%; Oct: 3.4%)] (US) U. Of Michigan 1Yr/5-10Y Inflation Expectations: (Mkt: 4.3%/2.9%; Dec: 4.4%/2.9%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	128.05	EUR/USD	1.0824
USD/SGD	1.3201	USD/THB	32.88
JPY/SGD	1.0309	USD/MYR	4.333

Forecast

USD/JPY	127.20 - 130.30
EUR/USD	1.0740 - 1.0930
AUD/USD	0.6880 - 0.7030
USD/SGD	1.3185 - 1.3270
JPY/SGD	1.0119 - 1.0432
USD/CNH	6.7000 - 6.7300
USD/INR	81.00 - 81.80
USD/IDR	15100 - 15450
USD/MYR	4.320 - 4.368
USD/PHP	54.60 - 55.40
USD/THB	32.50 - 33.40

Today's Direction

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

Malaysia & Indonesia: An Eye On Politics

- For some countries in Asia ex-Japan, political forces may be a big factor for 2023.
- While Malaysia's government under PM Anwar Ibrahim managed to establish a majority in Parliament following the 19 November 2022 elections, political tremors cannot be ruled out.
- For a start, the withdrawal of Barisan Nasional from the Sabah coalition in early January cast a shadow on the finely balanced coalition of the Federal government.
- The fallout from the Sabah uncertainty has so far been contained as political coalitions seem to be coming to grips with the situation.
- But it tells a cautionary tale of fickle political coalitions. The implications for the upcoming Budget 2023 (expected to be announced within Q1) will likely be fewer bold reform measures while threading a cautious, yet politically amicable, path of fiscal consolidation.
- In Indonesia's case, ahead of the 14 February 2024 Presidential and Parliamentary elections, political speculation around the likely successor for President Jokowi will ramp up.
- Although Ganjar Pranowo, Central Java Governor, is in pole position according to recent surveys, there has been no formal announcement from PDI-P (his and President Jokowi's party) that he is likely Presidential candidate.
- Despite IDR regaining some ground versus USD over the past week, bouts of weakness from rising political uncertainty cannot be ignored, especially with foreigners looking to increase Indonesia's portfolio holdings recently.

FX Daily Outlook

- EUR/USD: Despite some softening, EUR consolidation suggests 1.09 is within reach.
- USD/JPY: BoJ speculation major JPY strengthening, which can be reversed absent follow-through.
- USD/SGD: SGD giving up some gains as China's risk-reward situation under assessment.
- AUD/USD: Commodity price gains and skittish USD sentiment bodes well for AUD.

TODAY'S EVENTS

(JP) PPI YoY (Dec): (Nov: 9.3%) [(JP) Machine Tool Orders YoY (Dec P): (Nov: -7.7%) | (ID) Trade Balance (Dec): (Nov: \$5.2b) | (IN) Wholesale Prices YoY (Dec): (Mkt: 5.5%; Nov: 5.9%) | Central Banks: (CH) 1-Yr Medium-Term Lending Facility Rate: (Mkt: 2.75%; Prev: 2.75%)

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