

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.24	128.90	+0.78	▼3.55
EUR	1.0829	1.0794	+0.0006	+0.0037
AUD	0.7021	0.6943	▼0.0045	+0.0039
SGD	1.3203	1.3208	+0.0006	▼0.0104
CNY	6.7743	6.7578	▼0.0142	▼0.0072
INR	81.37	81.25	▼0.52	▼0.33
IDR	15089	15088	▼77	▼394
MYR	4.3206	4.3158	▼0.0107	▼0.0555
PHP	54.61	54.61	▼0.23	▼0.19
THB	32.98	33.01	+0.01	▼0.43

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.370%	▼17.8 bp	▼16.9 bp
JPY (10YR)	0.459%	▼6.5 bp	▼4.6 bp
EUR* (10YR)	2.023%	▼6.8 bp	▼18.1 bp
AUD (5YR)	3.283%	▼5.2 bp	▼20.1 bp
SGD (5YR)	2.821%	+1.2 bp	+7.6 bp
CNY (5YR)	2.730%	+1.5 bp	+4.2 bp
INR (5YR)	7.155%	▼2.4 bp	+0.5 bp
IDR (5YR)	6.404%	▼4.2 bp	▼6.2 bp
MYR (5YR)	3.752%	▼3.6 bp	▼5.4 bp
PHP (5YR)	5.950%	+5.7 bp	▼44.5 bp
THB (5YR)	1.956%	+0.7 bp	+2.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,296.96	▼1.81%	▼1.99%
N225 (JP)	26,791.12	+2.50%	+1.30%
STOXX 50 (EU)	4,174.34	+0.00%	+1.82%
ASX (AU)	4,283.23	▼0.26%	+1.43%
STI (SG)	3,289.55	+0.28%	+0.55%
SHCOMP (CN)	3,224.41	+0.00%	+1.98%
SENSEX (IN)	61,045.74	+0.64%	+1.56%
JSE (ID)	6,765.79	▼0.02%	+2.75%
KLSE (MY)	1,495.50	▼0.26%	+0.51%
PSE (PH)	7,094.86	+1.15%	+5.75%
SET (TH)	1,685.44	+0.26%	▼0.02%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.13	▲0.39%	+1.79%
COPPER (LME)	9,326.00	+0.46%	+2.40%
IRON ORE (CN)	121.37	+0.29%	▲0.11%
GOLD	1,904.11	▲0.24%	+1.52%
OIL (WTI)	79.48	▼0.87%	+2.67%

Three Take-aways:

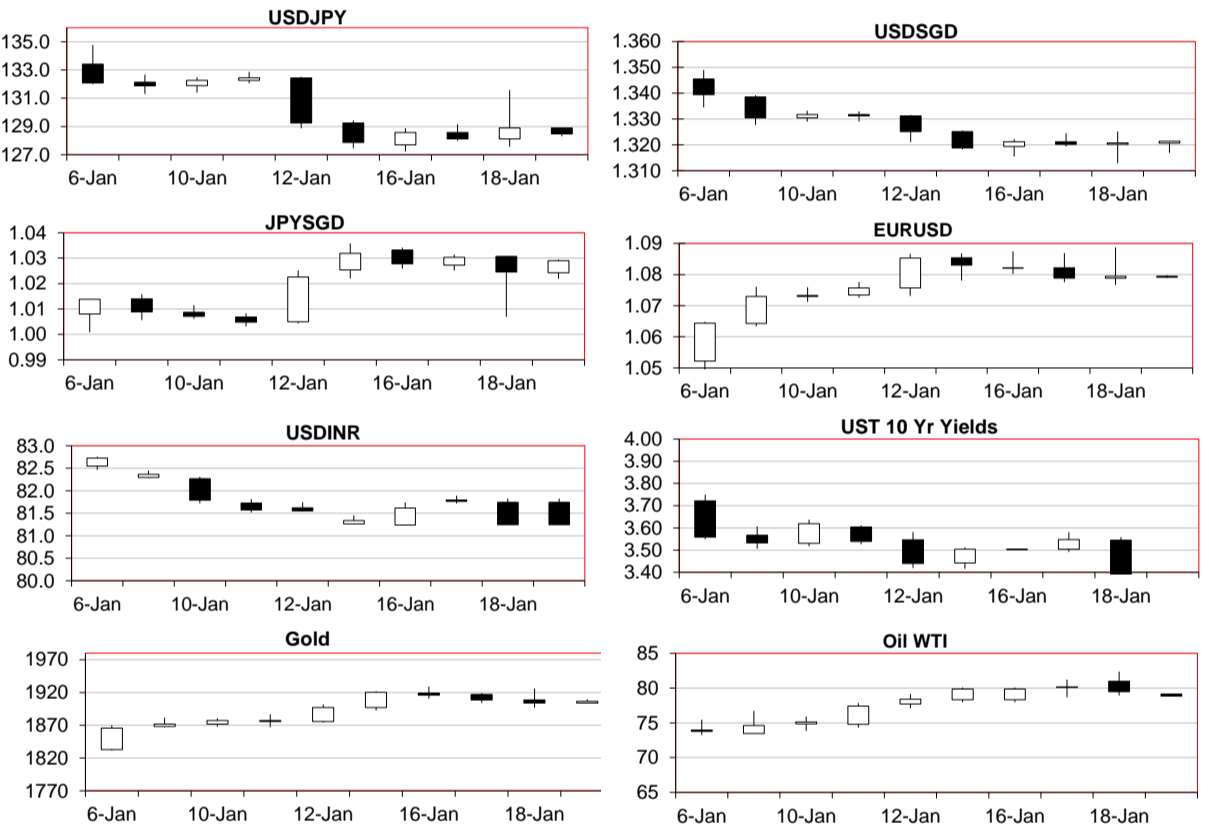
- 1) BoJ refuses to be pushed around by markets on YCC; JGB yields slips; JPY whipsaws.
- 2) Soft US retail sales revive "hard landing risks", Wall St, UST yields swoon. USD backstopped.
- 3) BNM and Bank Indonesia both on track for 25bp hike; underpinned by caution.

Tales of the Tail

- **Tail-spins on Wall St** (Dow: -1.8%; S&P500: -1.6%; Nasdaq: -1.2%) alongside yields falling on "risk off" are as a timely reminder that there are **cautionary tales of the tail** to heed.
- **Tale 1:** Fashionable or not, it is **the dog that ought to wag the tail**, not the other way around; as the BoJ reminded us all that **markets cannot dictate policy by force of pricing**.
- Despite fervent pressure (JGB selling pushing yields up upper YCC limits) to materially shift, if not dismantle YCC, the BoJ maintained YCC and reiterated commitment to its dovish stance.
- This unwound bets on higher 10Y JGB yields (-10bp to 0.4%). The reflex was USD/JPY squeezed from -128 pre-BoJ to 131+. Although subsequent "risk off" that plunged UST yields in the NY session sent USD/JPY hurtling back below 129; just a touch higher from pre-BoJ levels.
- **Tale 2:** This brings us squarely to the second cautionary tale. **Regardless of the relief of being at tail-end of the Year of a Tiger having a tiger by its tail is a bad idea.**
- Specifically, for all the relief of China re-opening and a less harsh winter in Europe taming the tyranny of energy price shocks, **dismissing risks of a hard-landing is optimism overdone.**
- Especially given grim evidence on downturns associated with rate hikes of this order.
- **Tale 3:** And US retail sales and gathering evidence warns that the **sting may be in the tail.**
- Admittedly, the dismal 1.1% drop in headline US retail sales might have been distorted by winter storms. But equally, it could point to lagged drag from the slew of Fed tightening.
- And headlines on Microsoft's 10,000 job cuts does not lend well to this gloomier take.
- Upshot being, the idea of **lagged effects of monetary tightening** must arguably be given more weight given the record pace of hikes in 2022.

OVERNIGHT RESULTS

(US) PPI/Ex Food and Energy YoY (Dec): 6.2%/5.5% (Mkt: 6.8%/5.6%; Nov: 7.4%/6.2%)
 (US) Retail Sales Adv./ Ex Auto & Gas MoM (Dec): -1.1%/-0.7% (Mkt: -0.9%/-0.0%; Nov: -1.0%/-0.6%)
 (US) Ind Pdtm MoM (Dec): -0.7% (Mkt: -0.1%; Nov: -0.6%) | (JP) Core Machine Orders YoY (Nov): -3.7% (Mkt: 1.6% Oct: 0.4%)
 (EZ) CPI/Core YoY (Dec): 9.2%/5.2% (Mkt: 9.2%/5.2%; Nov: 9.2%/5.2%)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	128.56	EUR/USD	1.0798
USD/SGD	1.3201	USD/THB	33.01
JPY/SGD	1.0271	USD/MYR	4.314

Forecast

USD/JPY	127.60 - 129.50
EUR/USD	1.0730 - 1.0880
AUD/USD	0.6900 - 0.7010
USD/SGD	1.3150 - 1.3270
JPY/SGD	1.0154 - 1.0400
USD/CNH	6.7450 - 6.7880
USD/INR	81.00 - 81.80
USD/IDR	15030 - 15250
USD/MYR	4.312 - 4.343
USD/PHP	54.50 - 55.10
USD/THB	32.90 - 33.30

Today's Direction

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

- Which necessarily means that premature cheer of being "out of the woods" have the propensity to bit in the back; quite literally as the year plays out.
- **Tale 4:** Markets may be **exhausting the "heads I win, tails you lose" playbook.**
- That is to say, running with the "bad (data/headline) news is good (policy) news" and "good news is good news" narrative that has been fuelling the rallies since late-November.
- In which case, it makes sense that the **fall in UST yields** (bull flattener, with 10Y down -18bp to 3.37% vs 2Y down 12bp to 4.08%) **alongside deepening yield curve inversion is a reflection of hard-landing risks rather than reason for asset market rallies.**
- All said, **tempering optimism with caution** is not just prudent, but arguably necessary.
- **Tale 5:** Persistent **"fat tail" risk associated with hawkish Fed policy** linger.
- Fed's Bullard has suggested that policy is **"not there yet" on being restrictive** and Fed's Mester chimed in suggesting that **"above 5% ... is going to be needed"** on the Fed Funds rate.
- And so, further tightening into 2023 will necessarily **build on tail risks of a hard landing that accompanies a tightening cycle as pronounced as this one.**
- Meanwhile BNM and Bank Indonesia remain on track for calibrated 25bp tightening today.
- **Tale 6:** While a softer USD is welcome relief, **aggressive bets against the USD, especially against EM currencies** in an uncertain environment, **ill-advised tickling of a dragon's tail.**
- For now, despite significant pullback in UST yields, the USD is backstopped amid risk off.
- As pointed out earlier, **JPY strength is not because but despite of Fed-BoJ divergence.**
- EUR has slipped to sub-1.08 (after briefly testing above mid-1.08) and AUD has slumped from mid-0.70 to mid-0.69 as Oil prices slipped on soft US data (and hard US Fed talk).

FX Daily Outlook

- EUR/USD: Risk off taking the wind out of 1.08+ to 1.09 test; slippery on ascend.
- USD/JPY: Sub-129 pullback on "risk off" and UST yield slump may be limited by BoJ doves.
- USD/SGD: Caution to curtail sub-1.32 tests; consolidation amid mid-131 to mid-1.32.
- AUD/USD: Softer oil, risk sentiments and jobs data to temper revived 70cents aspirations.

TODAY'S EVENTS

(JP) Trade Bal (Dec): -¥1448.5b (Mkt: -¥1670.0b; Nov: -¥2029.0b) | (JP) Exports/Imports YoY (Dec): (Mkt: 10.6%/22.6%; Nov: -20.0%/30.3%)
 (AU) Employment Chg (Dec): -14.6K (Mkt: +25.0K; Nov: +58.3K) | (AU) Unemployment Rate (Dec): 3.5% (Mkt: 3.4%; Nov: 3.5%)
 (EZ) Current Account SA (Nov): (Oct: -€0.5b) | (US) Housing Starts/Building Permits (Dec): (Mkt: 1258K/1365K; Nov: 1427K/1351K)
 (US) Philly Fed Outlook (Jan): (Mkt: -11.0; Dec: -13.7) | (US) Initial Jobless Claims (14-Jan): (Mkt: 214K; Prev Wk: 205K)
Central Banks: Bank Indonesia | BNM | Fed's Harker, Brainard, Williams speak | ECB Account of Dec MPC | ECB's Lagarde speaks

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