

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:

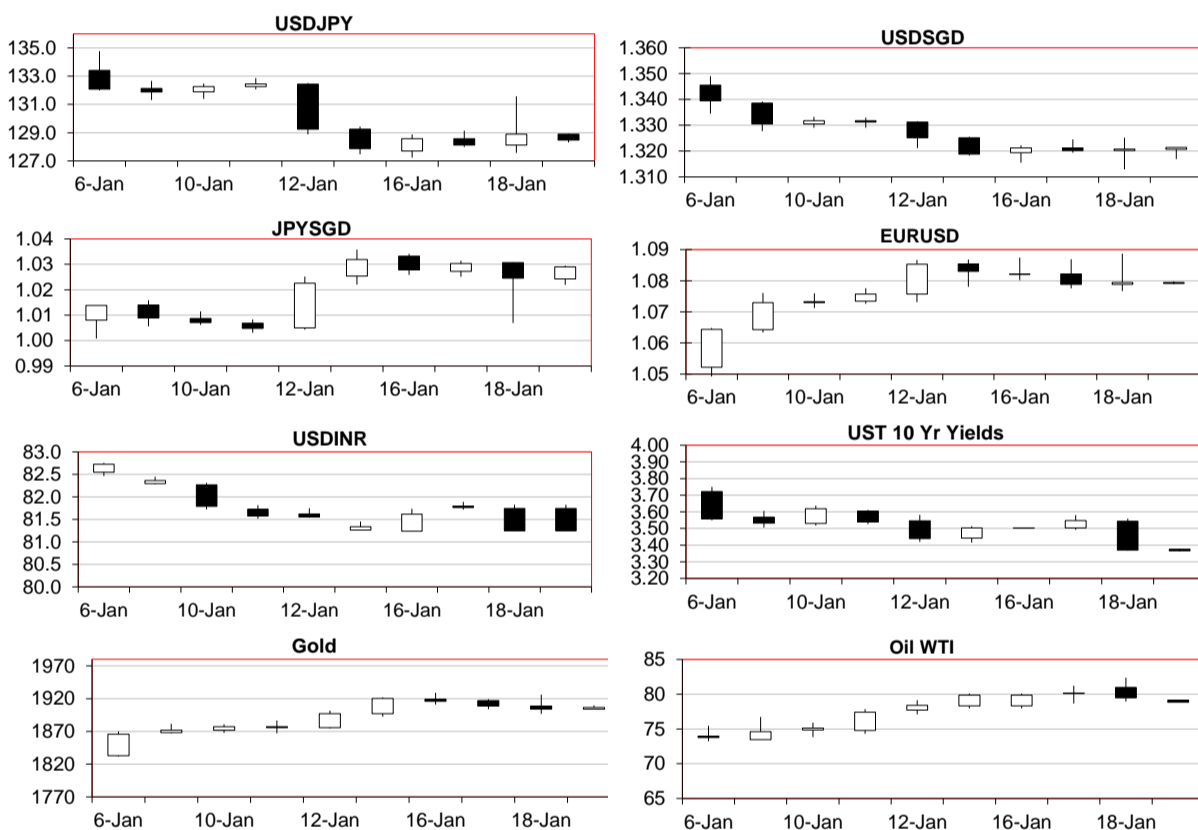
- 1) US equities continue to fall while Treasuries sold-off; real UST yields ended lower as USD slips .
- 2) Dismal US housing data signal growth risks while lower jobless claims underscores inflation support.
- 3) BNM holds policy rate, BI hikes by 25bps, widening of Fed-EM-Asia rate differentials still a risk.

Risks Risks Risks

- Coming off the sharp drop in UST yields (Wed), the bear flattening of UST yield curve (2Y: +4.4bp; 10Y yields: +2.2bp) is **far from a bounce back in sentiments** as yield curve inversion deepened with the US treasuries sell off. In fact, US 10Y breakevens (serving as a proxy for inflation expectations) rose ~12bps imply that real UST yields actually declined.
- Given the **initial jobless claims print coming in below expectations**, the (overall) tight labor market conditions squares with the need for Fed official to provide final reminders (before the impending blackout period) that **more work is need to cool inflation**.
- Continued **contraction in housing activity** continue to **signal risks** to consumption and growth.
- Despite lower real yields, **US equities slipped further** (Nasdaq: -1.0%; Dow, S&P500: -0.8%).
- Amid the decline in real UST yields, the USD lost ground against most G10 peers except for the Antipodeans. The AUD dropped back towards 0.69 as the CNH boost faded alongside an uptick in unemployment rates trimming bets for higher peak RBA rates.
- The USD/JPY softened to mid-128 while the EUR edged closer to mid-1.08.
- Meanwhile in EM-Asia, the USD/SGD was ended flat near 1.32. The region though was far from uneventful. BNM surprised markets to keep policy rates unchanged while admitting that inflationary pressures remain at elevated levels.
- In contrast, BI stayed the course to hike rates by 25bps while stating that inflation slowed earlier than expected, increasing the risk of holding steady going forward. Despite their differing actions, risks of **widening real Fed-EM-Asia rate differentials ought to watched**.

OVERNIGHT RESULTS

(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): €13.6b (Oct: -€0.4b) | (US) Housing Starts/Building Permits (Dec): 1382k/1330k (Mkt: 1358K/1365K; Nov: 1427K/1351K) | (US) Philly Fed Outlook (Jan): -8.9 (Mkt: -11.0; Dec: -13.7) | (US) Initial Jobless Claims (14-Jan):190k (Mkt: 214K; Prev Wk: 205K)

*** 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 - 1.3290
JPY/SGD	1.0154 - 1.0415
USD/CNH	6.7450 - 6.7880
USD/INR	81.00 - 81.80
USD/IDR	15030 - 15250
USD/MYR	4.300 - 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

Korea: Tightened Policy, Tight Labour Markets, Growth Slowdown

- With a 25bp hike last week, the BoK has risen rates by 300bps since late 2021 to take their policy rate to 3.50%. Amid two dissenters opting for policy hold among the 7-person committee, the decision last week has signs of a hawkish hold.

- On one hand, rising risk of slowing growth and financial instability support the growing case for pausing at 3.50%. On growth, Governor Rhee has flagged the risks of Q4 2022 GDP contraction and an underlying assumption that the semiconductor industry will recover in the second half of 2023. Meanwhile, amid **rising borrowing costs and damaged confidence in property markets, demand for Project Financing Asset Backed Commercial Paper (PF-ABCP)** remains a key concern as the authorities provided liquidity via a special purpose vehicle.

- On the other hand, the labour market remains resilient with job gains in 2022 of permanence nature and in higher value-added sectors. Attendant wage pressures which underpin pipeline core inflation are still a key threat. That said, Korea's structural issues of insufficient job creation to absorb yearly inflows of graduates will keep a lid on the extent of wage growth.

- Furthermore, migrant worker inflows will increase in 2023 as visa quotas are lifted to record highs. With the next BoK meeting on 25 Feb, barring a sharp upside surprise to Q4 GDP print (26 Jan) and January CPI print (2 Feb), **odds skew towards a policy rate pause** especially if the KRW appreciation thus far provides sufficient room to dent inflationary pressures and blunt policy trade-offs.

- For more details, click here to see full report Mizuho Chart Speak 17 Jan 23: Korea - Tightened (Policy), Tight (Labour Market), Growth Slowdown.

FX Daily Outlook

- EUR/USD: Risk off restrains testing of 1.09 as ECB's Lagarde stays the course.
- USD/JPY: Dovish BoJ allowing buoyancy off mid-127 alongside softer real UST yields.
- USD/SGD: Continued consolidation around 1.32 as resilience of CNH boost ponder.
- AUD/USD: Amid softer jobs data, attempts at 70 cents remain feeble.

TODAY'S EVENTS

(KR) PPI YoY (Dec): 6.0% (Nov: 6.3%) | (JP) CPI YoY Ex Fresh Food,Energy (Dec): 4.0%/3.0% (Mkt: 4.0%/3.1%; Nov: 3.8%/2.8%)

(CH) 1Yr/5Yr Loan Prime Rate: (Mkt: 3.65%/4.30%; Prev: 3.65%/4.30%) | (MY) CPI YoY (Dec): (Mkt: 3.9%; 4.0%)

(US) Existing Home Sales(Dec): (Mkt: 3.95m; Nov: 4.09M)

Central Banks: ECB's Lagarde speaks, Fed's Harker and Waller Speaks

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance. This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.