

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	129.94	129.88	▼0.34	+0.28
EUR	1.0876	1.0868	▼0.0024	+0.0012
AUD	0.7105	0.7100	▼0.0015	+0.0137
SGD	1.3143	1.3136	+0.0016	▼0.0057
CNY	6.7927	6.7845	+0.0000	+0.0000
INR	81.63	81.52	▼0.07	+0.40
IDR	14975	14985	+37	▼90
MYR	4.2365	4.2440	▼0.0015	▼0.0410
PHP	54.48	54.48	+0.06	▼0.05
THB	32.89	32.87	+0.11	+0.06

*compared with previous day CLOSE(NY)

wei	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.504%	+0.9 bp	+2.5 bp
JPY (10YR)	0.491%	▼0.2 bp	+10.5 bp
EUR* (10YR)	2.239%	+2.3 bp	+6.2 bp
AUD (5YR)	3.307%	+6.7 bp	+19.7 bp
SGD (5YR)	2.786%	+4.0 bp	+1.4 bp
CNY (5YR)	2.718%	+0.0 bp	+0.0 bp
INR (5YR)	7.204%	+4.6 bp	+3.7 bp
IDR (5YR)	6.453%	+3.3 bp	+8.8 bp
MYR (5YR)	3.512%	+0.6 bp	+1.9 bp
PHP (5YR)	5.757%	+1.9 bp	▼4.5 bp
THB (5YR)	2.055%	+3.3 bp	+9.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,978.08	+0.08%	+1.81%
N225 (JP)	27,382.56	+0.07%	+3.12%
STOXX 50 (EU)	4,178.01	+0.10%	+1.41%
ASX (AU)	4,258.97	+0.13%	+0.21%
STI (SG)	3,394.21	+0.50%	+3.05%
SHCOMP (CN)	3,264.81	+0.00%	+0.00%
SENSEX (IN)	59,330.90	▼1.45%	▼2.13%
JSE (ID)	6,898.98	+0.50%	+0.35%
KLSE (MY)	1,497.55	▼0.06%	▼0.19%
PSE (PH)	7,052.16	+0.13%	▼0.06%
SET (TH)	1,681.30	+0.60%	+0.24%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	277.66	▲0.67%	▲0.28%
COPPER (LME)	9,242.24	▲0.69%	▲0.70%
IRON ORE (CN)	124.19	+0.99%	+0.90%
GOLD	1,928.04	▲0.06%	+0.10%
OIL (WTI)	79.68	▼1.64%	▼2.00%

Three Take-aways:

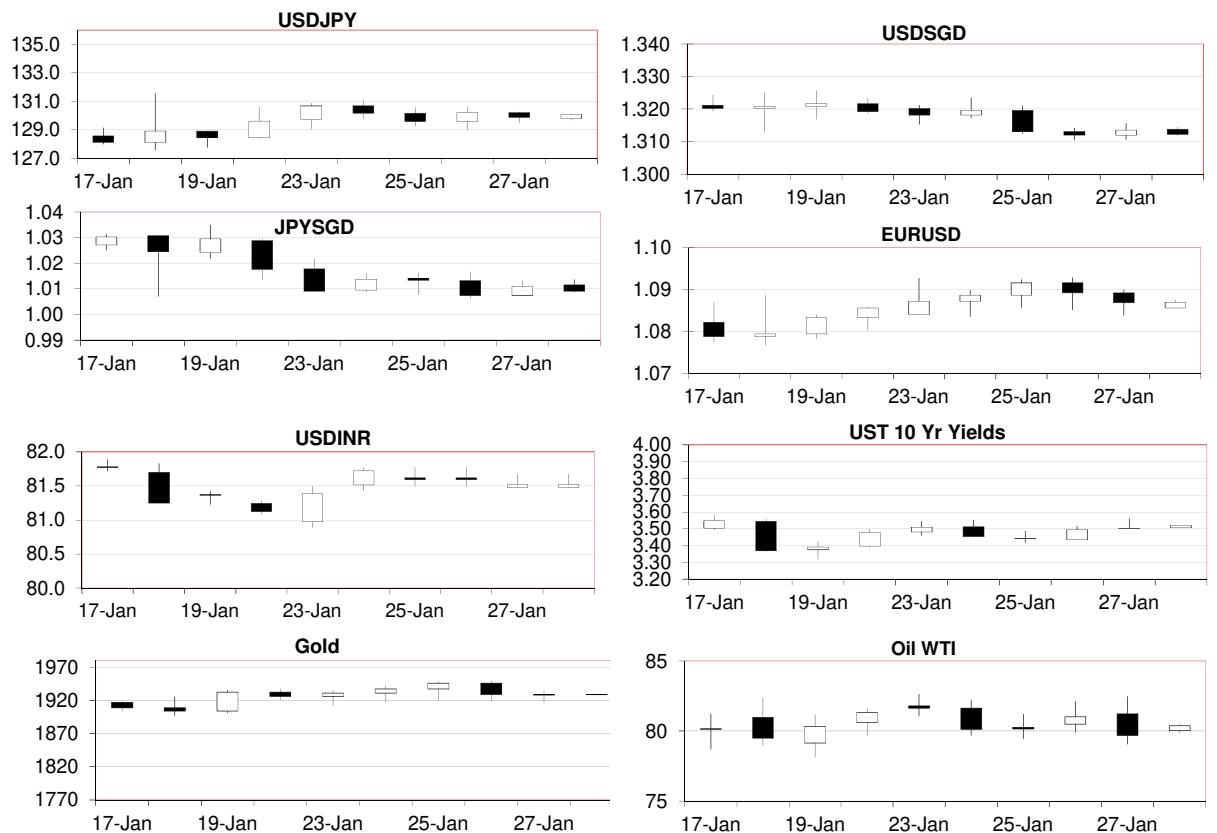
- 1) Fed's preferred gauge of inflationary pressures eased to the lowest in a year.
- 2) This further cements expectations of the Fed dialling back rate hikes this week, and this year.
- 3) Asian markets are still riding on the China re-opening story; China assets return to trading.

Easing Price Pressures

- The Federal Reserve's preferred gauge of inflationary pressures, personal consumption core price index, eased to 4.4% YoY in December from 4.7% in November, the lowest in a year. Although MoM momentum picked up, it was in line with expectations.
- Similarly, the Uni. of Michigan's 1-yr inflation expectation measure eased to 3.9% from 4.0% adding to the recent compendium of data that has been pointing to easing US price pressures.
- These further cement the Fed's dial back to 25bp in rate hikes at its 1 February meeting along with expectations of the Fed reversing its hikes to cuts in H2 2023.
- These expectations manifested in buoyant equity markets (S&P: +0.25%; NASDAQ: +0.95%; Dow Jones: +0.08%) on Friday.
- Meanwhile, the DXY index and UST yields traded sideways; 10-year UST yields rose as high as 3.56% before retreating following the data releases.
- The DXY index ended stable following choppy trading; EUR/USD dipped below 1.09 levels ; AUD/USD was range bound; USD/JPY drifted back towards 130 levels.
- Within EM Asia, the focus will be on China's asset markets, which return to trading after a week long closure on account of the Lunar New Year holidays.
- The re-opening of China's economy and expectations for stronger January PMI (to be released on Tuesday) have buoyed sentiment, with USD/CNH trading around 6.72-6.77 levels.
- The spill-over onto other EM Asia FX will be most visible in KRW, THB and SGD.
- That said, the focus for these currencies this week will be the US FOMC meeting. A hawkish jolt from the Fed will weaken USD/EM Asia FX despite China re-opening optimism.

OVERNIGHT RESULTS

(US) Personal Income/Spending MoM (Dec): (Mkt: -0.1%/-0.1%; Nov: 0.1%/0.0%) | (US) PCE Deflator/Core PCE Deflator YoY (Dec): (Mkt: 5.0%/4.4%; Nov: 5.5%/4.7%) | (US) Kansas City Fed Svcs (Jan): (Dec: -5) | (US) Pending Home Sales MoM (Dec): (Mkt: -1.0%; Nov: -4.0%) | (U. of Michigan Sentiment (Jan F): (Prelim: 64.6)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	129.84	EUR/USD	1.0872
USD/SGD	1.3122	USD/THB	32.78
JPY/SGD	1.0106	USD/MYR	4.244

Forecast

USD/JPY	128.80 - 131.00
EUR/USD	1.0800 - 1.0960
AUD/USD	0.7060 - 0.7180
USD/SGD	1.3070 - 1.3180
JPY/SGD	0.9977 - 1.0233
USD/CNH	6.7000 - 6.7700
USD/INR	81.30 - 81.90
USD/IDR	14800 - 15100
USD/MYR	4.220 - 4.258
USD/PHP	54.20 - 54.80
USD/THB	32.50 - 33.00

Today's Direction

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

Vietnam: Lunar New Year Distortions And More

- January activity data was weaker-than-expected on the external front and mixed on the domestic front.
- Exports contracted by 21.3% YoY from -14% in December (Consensus: -10.4%) while imports recorded an even deeper contraction of 28.9% YoY from -8.1% (Consensus: -8.1%) resulting in a much larger USD3.6bn surplus in January from USD0.5bn in December.
- On the domestic front, industrial production contracted by 8.0% YoY after rising 0.2% in January while retail sales jumped 20% YoY from 17.1% in December.
- But this reflects a mix of building price pressures as well as some front-loading ahead of the Lunar New Year holidays.
- Headline inflation rose to 4.9% YoY from 4.6% in December driven by broad-based pressures; core inflation rose to 5.2% YoY from 5% in December.
- The mix of data underscores slowing growth and sticky price pressures, not unique to Vietnam. That said, some of the weakness may be exaggerated by the LNY holidays in January, which could normalise into February and March.
- Moreover, the full impact of China re-opening will also come to the fore after holiday distortions have normalised having a clearer positive impact on Vietnamese activity data.
- Nonetheless, from a policy stand point, the authorities will still have to walk a tightrope in balancing growth-inflation trade-offs.
- From a monetary policy perspective, we expect SBV will hike its policy rate by a cumulative 50bp in H1 this year.

FX Daily Outlook

- EUR/USD: Some unwind of recent gains as Fed risks sounding more hawkish than ECB.
- USD/JPY: Wobbly UST yields make for choppy trading with the pair positioned to test 131.
- USD/SGD: Sticky domestic inflation, weaker growth despite China reopening steadies case for 1.31
- AUD/USD: RBA hawkishness to stay the course backstopping the downside at 71 cents.

TODAY'S EVENTS

(US) Dallas Fed Manf. Activity (Jan): (Mkt: -15.0; Dec: -18.8)

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