

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.14	130.09	▼0.30	▼0.08
EUR	1.0845	1.0863	+0.0012	▼0.0024
AUD	0.7036	0.7055	▼0.0005	+0.0009
SGD	1.3139	1.3139	▼0.0005	▼0.0057
CNY	6.7519	6.7553	+0.0030	▼0.0292
INR	81.71	81.92	+0.43	+0.20
IDR	14990	14990	+20	+102
MYR	4.2540	4.2740	+0.0310	▼0.0110
PHP	54.64	54.66	+0.10	+0.21
THB	32.79	33.01	+0.29	+0.18

*compared with previous day CLOSE(NY)

wei	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.507%	▼3.0 bp	+5.4 bp
JPY (10YR)	0.496%	+1.2 bp	+7.7 bp
EUR* (10YR)	2.286%	▼3.2 bp	+13.1 bp
AUD (5YR)	3.289%	▼0.2 bp	+12.4 bp
SGD (5YR)	2.851%	+0.7 bp	+7.9 bp
CNY (5YR)	2.695%	▼1.6 bp	▼2.3 bp
INR (5YR)	7.212%	▼4.7 bp	+5.2 bp
IDR (5YR)	6.379%	▼6.6 bp	+1.1 bp
MYR (5YR)	3.587%	+3.9 bp	+9.4 bp
PHP (5YR)	5.810%	+4.5 bp	+11.3 bp
THB (5YR)	2.089%	+1.4 bp	+12.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,086.04	+1.09%	+1.04%
N225 (JP)	27,327.11	▼0.39%	+0.10%
STOXX 50 (EU)	4,163.45	+0.12%	+0.25%
ASX (AU)	4,255.72	▼0.22%	+0.15%
STI (SG)	3,365.67	▼0.37%	+2.18%
SHCOMP (CN)	3,255.67	▼0.42%	▼0.28%
SENSEX (IN)	59,549.90	+0.08%	▼2.34%
JSE (ID)	6,839.34	▼0.48%	▼0.31%
KLSE (MY)	1,485.50	▼0.93%	▼0.99%
PSE (PH)	6,793.25	▼2.55%	▼3.53%
SET (TH)	1,671.46	▼0.58%	▼0.68%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	278.09	+1.34%	+0.05%
COPPER (LME)	9,188.35	+0.00%	▲1.10%
IRON ORE (CN)	123.37	▲0.06%	+0.29%
GOLD	1,928.36	+0.27%	▲0.46%
OIL (WTI)	78.87	+1.25%	▼1.57%

Three Take-aways:

- 1) Moderating US wage pressures (ECI) validates dial back, not derailment, of Fed tightening.
- 2) Leans into IMF's soft-landing upgrade to global outlook premised on dis-inflation (and China).
- 3) But all said, Fed hawks are merely tempered, not trumped. Meanwhile, India Budget on watch.

Validation, Not Vindication

- The bottom-line is that **moderating wage pressures** revealed in US Q4 ECI (employment cost index) data is **validation** for the Fed to dial-back the pace of rate hikes to 25bp in Feb (later today), **not a vindication** of premature (and misguided) Fed pivot bets.
- Admittedly, ECI easing to 1.0% QoQ (from 1.2% in Q3) is welcome relief for Fed members fretting lingering wage-price spiral risks amid a tight job market despite subsiding CPI.
- And alongside sustained softening CPI and PCE, the **case for a second consecutive dial-back in the pace of hikes to 25bp** (Dec: +50bp; Nov: +75bp) at today's FOMC is **underpinned**.
- But to be clear, evidence of subsiding inflation and wage pressures in recent month merely increase confidence to slow the pace of hikes, not catalyze an end to the tightening cycle.
- As expressed plainly by Fed Chair Powell and many of his colleagues, the **Fed Funds rate has higher to go**; as inflation remains unacceptably elevated and still uncomfortably sticky.
- Whereas a more calibrated pace of hikes, while facilitated by peak inflation, is largely a **benefit of policy space derived from aggressively front-loaded hikes** (+425bp) in 2022.
- So, this widely expected *dial-back is not to be misconstrued as a derailment of tightening*.

IMF's Soft Landing Seduction

- That said, there is a good chance that **markets are inclined to perceive and project data/Fed cues within "Fed pivot" echo chambers**. *Unless expressly and explicitly jolted by hawkish Fed push-back* on "pivot" and "unwarranted" risk-on.
- Especially as the IMF's "soft-landing" upgrade to global outlook ostensibly backs Fed pivot.

OVERNIGHT RESULTS

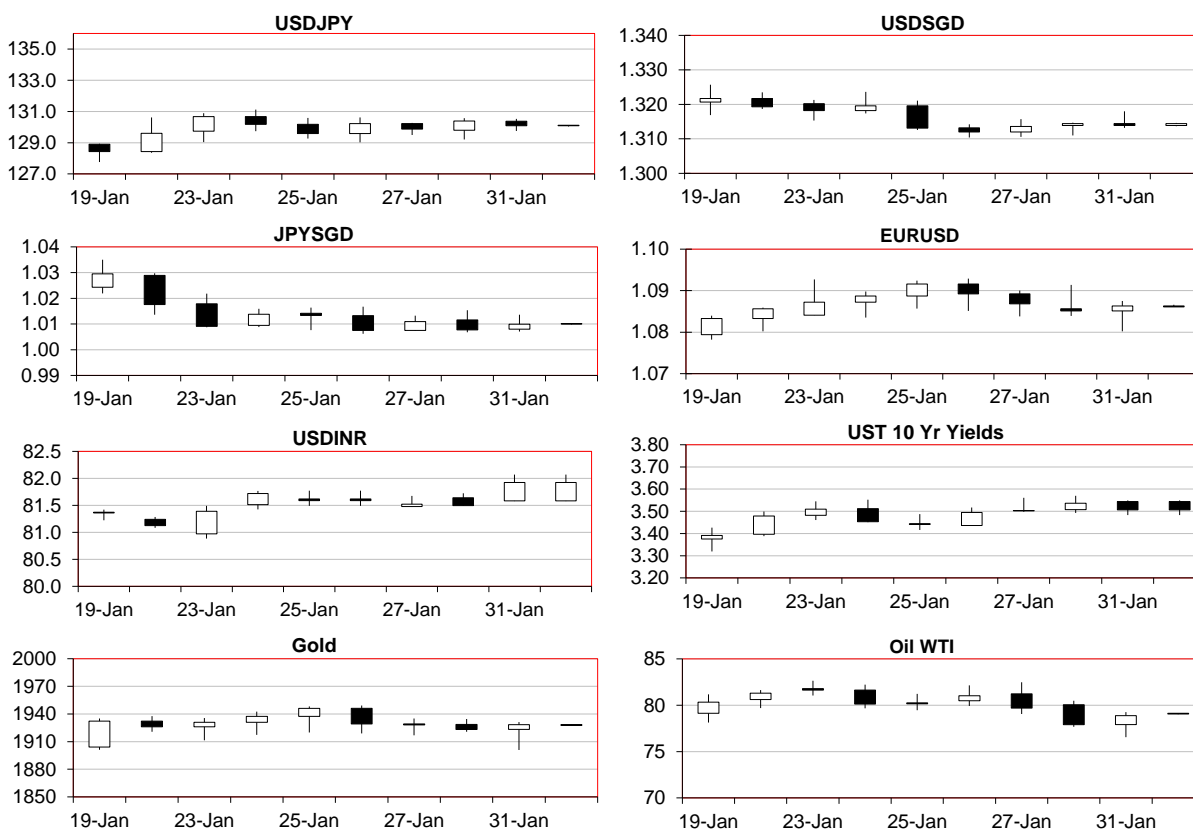
(CH) PMI - Mfg/NMon-Mfg (Jan): 50.1/54.4 (Mkt: 50.1/52.0; Dec: 47.0/41.6)

(CH) Ind. Profits YTD YoY (Dec): -4.0% (Nov: -3.6%) | (TH) Mfg Pctn YoY (Dec): -8.2% (Mkt: -6.1%; Nov: -5.1%)

(TH) Current A/c (Dec): \$1100mn (Mkt: \$500mn; Nov: -\$445mn) | (SG) Unemployment rate (Q4): 2.0% (Mkt: 2.0%; Q3: 2.1%)

(EZ) GDP QoQ/YoY (4Q A): 0.1%/1.9% (Mkt: -0.1%/1.7%; Q3: 0.3%/2.3%) | (US) ECI QOQ (Q4): (1.0% (Mkt: 1.1%; Q3: 1.2%)

* Past Two Weeks Movement *


TODAY'S COMMENTS & FORECAST
Open

USD/JPY	130.51	EUR/USD	1.0850
USD/SGD	1.3147	USD/THB	32.78
JPY/SGD	1.0074	USD/MYR	4.268

Forecast

USD/JPY	129.30 - 131.20
EUR/USD	1.0800 - 1.0940
AUD/USD	0.6990 - 0.7120
USD/SGD	1.3090 - 1.3180
JPY/SGD	0.9977 - 1.0193
USD/CNH	6.7360 - 6.7750
USD/INR	81.40 - 82.30
USD/IDR	14920 - 15080
USD/MYR	4.253 - 4.282
USD/PHP	54.40 - 54.90
USD/THB	32.70 - 33.10

Today's Direction

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

- Admittedly, the bulk of the IMF's 0.2%-pt upgrade to 2023 global growth* from 2.7% to 2.9% (2024: 3.1%) was owed to a 0.8%-pt lift from "re-opening" to China's growth (to 5.2%).
- But embedded within the WEO* January update ("Inflation Peaking amid Low Growth"), is the seductive "sweet spot" of soft-landing conjecture, which in turn is implicitly premised on peak policy rates against projections for sustained dis-inflation (amid sub-trend growth).
- More so as the IMF's view that "adverse risks have moderated" implies that policy mis-steps (of over-tightening) are now deemed a diminished threat; at least at the margin.

FOMC: Pacing, Not Pausing

- But neither the IMF's WEO update nor US wage/price data distract from the fact that the Fed is merely pacing, not pausing, its current tightening cycle. Point being, moderation in wage-inflation risks is an encouraging evolution, not exoneration, of inflation risks.
- And as such, even if Fed hawks are tempered by recent data, they are far from trumped!
- So, consistent with the December 'Dot Plot' the view of "further to go" (albeit with a more calibrated, data-dependent approach) on rate hikes may very well be reiterated at the post-FOMC press conference. As will the "persistence" dimension of "higher for longer" rates.
- This will challenge far more (defiantly) dovish market expectations (of H2 rate reductions).
- Nonetheless, even unexpected hawkish jolts from the Fed may merely (slightly) dent, not decimate significant Fed-markets expectations gap. Which suggests contained two-way volatility, rather than unbridled reversal of Q4 "pivot" bets (softer UST yields, USD).

FX Daily Outlook

- EUR/USD: Cautious pre-FOMC trades to restrain above 1.09 despite softer US wage inflation.
- USD/JPY: Quieter consolidation around 130 ahead of FOMC.
- USD/SGD: Slip back below mid-/high-1.31 remains shallow; 1.31 initial backstop.
- AUD/USD: Retracement of slide to 70 cents in late session a cautious bounce not bullish bout.

TODAY'S EVENTS

(KR) Exports/Imports YoY (Jan): -16.6%/-2.6% (Mkt: -11.1%/-2.6%; Dec: -9.6%/-2.5%)

(CH) Caixin Mfg PMI (Jan): (Mkt: 49.8; Dec: 49.0) | (ID) CPI/Core YoY (Jan): (Mkt: -5.4%/3.3%; Dec: 5.5%/3.5%)

(KR/MY/TH/VN/ID/PH/IN) PMI - Mfg (Jan): (Dec: 48.2/47.8/52.5/46.4/50.9/53.1/57.8) | (EZ) CPI/Core YoY (Jan): (Mkt: 8.9%/5.1%; 9.2%/5.2%)

(US) ISM Mfg/Prices Paid/Emp./New Orders (Jan): (Mkt: 48.0/40.4/-/-; Dec: 48.4/39.4/51.4/45.2) | (US) ADP Emp. Chg (Jan): (Mkt: 180K; Dec: 235K) (US)

 JOLTS Job Openings (Dec): 10.3mn; 10.46mn) | **Central Banks : FOMC Decision** | *Jan 2023 update to the World Economic Outlook (WEO)

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