

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.19	128.98	▼1.11	▼0.61
EUR	1.0881	1.0990	+0.0127	+0.0074
AUD	0.7074	0.7137	+0.0082	+0.0033
SGD	1.3134	1.3064	▼0.0075	▼0.0067
CNY	6.7471	6.7422	▼0.0131	▼0.0423
INR	81.82	81.94	+0.01	+0.35
IDR	14980	14975	▼15	+10
MYR	4.2702	4.2740	+0.0000	+0.0135
PHP	54.51	54.51	▼0.14	▼0.14
THB	32.86	32.84	▼0.16	+0.03

\*compared with previous day CLOSE(NY)

wei	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.417%	▼9.0 bp	▼2.5 bp
JPY (10YR)	0.492%	▼0.4 bp	+4.6 bp
EUR* (10YR)	2.284%	▼0.2 bp	+12.6 bp
AUD (5YR)	3.313%	+2.4 bp	+7.3 bp
SGD (5YR)	2.823%	▼2.8 bp	+6.3 bp
CNY (5YR)	2.708%	+1.3 bp	▼1.0 bp
INR (5YR)	7.118%	▼9.4 bp	▼4.0 bp
IDR (5YR)	6.319%	▼6.0 bp	▼9.5 bp
MYR (5YR)	3.587%	+0.0 bp	+9.6 bp
PHP (5YR)	5.795%	▼1.5 bp	+5.8 bp
THB (5YR)	2.065%	▼2.4 bp	+6.9 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,092.96	+0.02%	+1.03%
N225 (JP)	27,346.88	+0.07%	▼0.18%
STOXX 50 (EU)	4,171.44	+0.19%	+0.56%
ASX (AU)	4,252.85	▼0.07%	+0.26%
STI (SG)	3,377.65	+0.36%	+0.74%
SHCOMP (CN)	3,284.92	+0.90%	+0.62%
SENSEX (IN)	59,708.08	+0.27%	▼0.83%
JSE (ID)	6,862.26	+0.34%	+0.47%
KLSE (MY)	1,485.50	+0.00%	▼0.93%
PSE (PH)	7,035.76	+3.57%	▼0.64%
SET (TH)	1,685.75	+0.85%	+0.22%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	271.80	▲2.26%	▲2.04%
COPPER (LME)	9,060.50	▲1.51%	▲2.47%
IRON ORE (CN)	126.40	+2.46%	+2.91%
GOLD	1,950.52	+1.15%	+0.23%
OIL (WTI)	76.41	▼3.12%	▼4.67%

**Three Take-aways:**

- 1) Fed's 25bp hike spurs risk rally on dovish interpretation of press conference comments.
- 2) Attention shifts to ECB and BoE, which is expected to stay the hawkish course.
- 3) India's 2023/24 budget balanced fiscal needs with political realities to offer modest consolidation.

**Hawkish Intent, Dovish Outcome**

- That the Fed was going to deliver a 25bp hike was a given but the euphoric market reaction may suggest otherwise.

- US equities rallied (S&P: 1.1%; NASDAQ: 2.0%; Dow Jones: 0.02%); UST yields across the curve ended lower, with 10-year yields hitting a low of 3.387% at one point before closing higher. The DXY index eased to levels boosting G10 FX.

- The specifics of the policy statement were clear in that the FOMC was committed to bringing down inflation to its 2% target, explicitly stated in the policy statement, that further rate hikes were on the cards, at a moderated pace of 25bp.

- But a smattering of 'dovish' statements at the press conference from Fed Chair Powell (the "disinflationary process has started", a possibility of Fed funds settling below 5%) trumped obvious hawkish hints that rate cuts were unlikely in 2023 and that it was premature to declare victory over inflation.

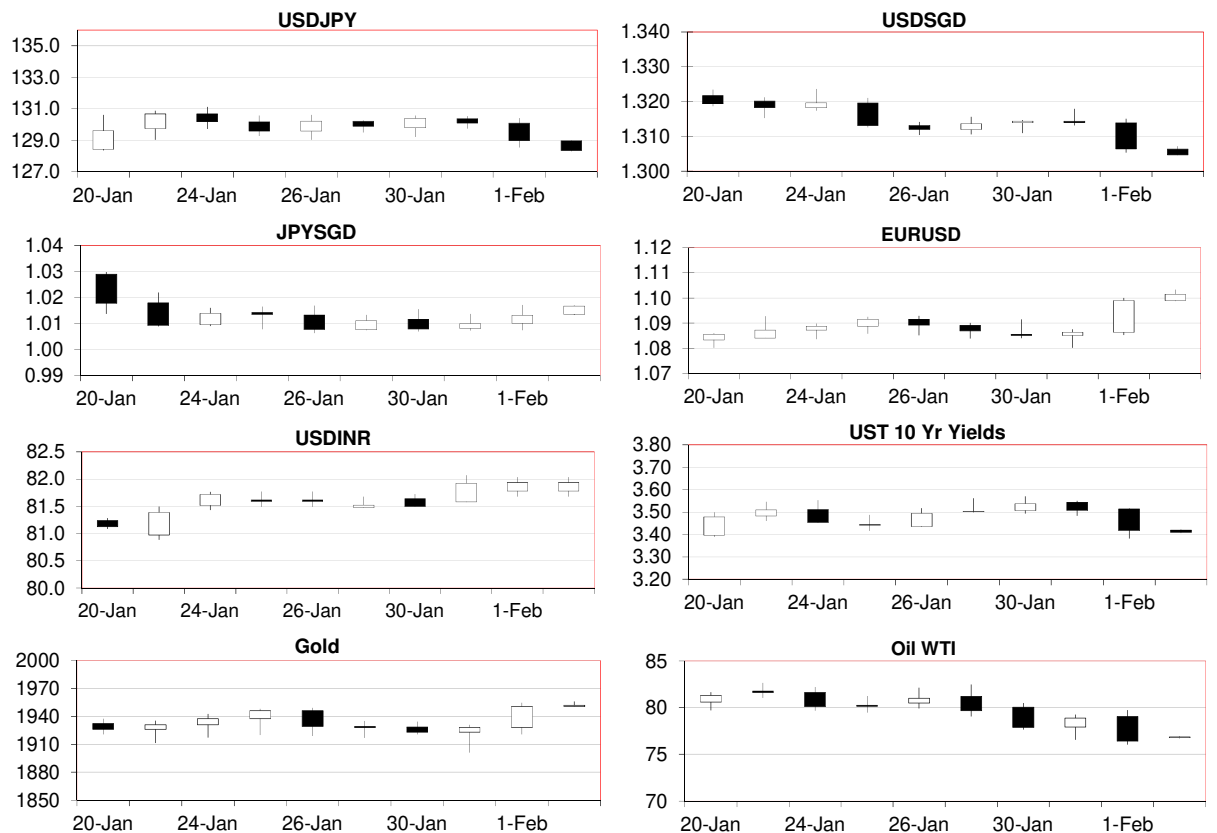
- This left markets pricing the terminal rate at below what it was when the conference started. As markets continue to digest Fed speak over the coming weeks, the dissonance between market pricing and Fed intentions appear to have widened.

- This leaves room for a rude shock down the road, especially if the data on labour markets and inflation surprise to the upside.

- The ECB and BoE, meanwhile, seem intent on their hawkish biases; this sets up for upside in EUR/USD and GBP/USD.

**OVERNIGHT RESULTS**

(CN) Caixin Mfg PMI (Jan): 49.2 (Mkt: 49.8; Dec: 49.0) | (ID) CPI/Core YoY (Jan): 5.3%/3.3% (Mkt: -5.4%/3.3%; Dec: 5.5%/3.5%)  
 (KR/MY/TH/VN/ID/PH/IN) PMI - Mfg (Jan): 48.5/46.5/54.5/47.4/51.3/53.5/55.4 (Dec: 48.2/47.8/52.5/46.4/50.9/53.1/57.8) | (EZ) CPI/Core YoY (Jan): 8.5%/5.2% (Mkt: 8.9%/5.1%; 9.2%/5.2%) (US) ISM Mfg/Prices Paid/Emp./New Orders (Jan): 47.4/44.5/50.6/42.5  
 (Mkt: 48.0/40.4/-/-; Dec: 48.4/39.4/51.4/45.2) | (US) ADP Emp. Chg (Jan): 106k (Mkt: 180K; Dec: 235K) (US) JOLTS Job Openings (Dec): 14.01mn (Mkt: 10.3mn; 10.46mn)

**Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	128.63	EUR/USD	1.1012
USD/SGD	1.3054	USD/THB	32.74
JPY/SGD	1.0149	USD/MYR	4.235

**Forecast**

USD/JPY	128.00 - 131.20
EUR/USD	1.0850 - 1.1150
AUD/USD	0.6990 - 0.7200
USD/SGD	1.3000 - 1.3180
JPY/SGD	0.9909 - 1.0297
USD/CNH	6.6950 - 6.7500
USD/INR	81.00 - 82.30
USD/IDR	14850 - 15080
USD/MYR	4.210 - 4.282
USD/PHP	54.20 - 54.90
USD/THB	32.50 - 33.10

**Today's Direction**

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

**India's Budget 2023/24: Fiscal Constraints Over Political Realities**

- The government aims to reduce its budget deficit to 5.9% of GDP in 2023/24 from 6.4% in the current FY2022/23. Avoiding populist instincts ahead of the May 2024 elections to boost cash handouts and the like, the government chose to rationalise subsidies and raise capex.

- But some tax sops for the middle-class, alongside weaker nominal GDP growth, makes fiscal consolidation heavily dependent on the expenditure path, raising the risk of fiscal slippage.

**ECB Hawks in-Charge**

- ECB officials have made it clear that the ECB will not capitulate on its hawkish stance.

- The most important of recent sound bites from ECB officials have included not ruling out rate hikes beyond March after incremental 50bp rate hikes at meetings in Feb and March.

- Importantly, the discourse has been harmonious suggesting that the Governing Council is clearly inclined to err on the hawkish side.

- No doubt it helps that some downside risks to GDP growth have been negated following a warmer than usual winter and resilience household consumption.

- From a liquidity policy standpoint, we expect ECB will stick to the plan it laid out at its December meeting, i.e. to unwind its Asset Purchase Programme (APP) starting March when ECB will not reinvest all of its principal payments from maturing securities.

- According to ECB, the liquidity decline will amount to €15 billion per month on average until the end of Q2 2023; the subsequent pace will be determined over time.

**FX Daily Outlook**

- EUR/USD: Onus on ECB to keep upward momentum underway; risk is for pull back to below 1.101.

- USD/JPY: USD weakness spurred rally may hold but breaks below 128 unlikely to hold.

- USD/SGD: Rallies below 1.30 may be hard fought to sustain as USD bids may start to build back.

- AUD/USD: Tempering the rally to 0.72 will be hard on weak USD and hawkish RBA intentions.

**TODAY'S EVENTS**

(SG) Purchasing Managers/ Electronics Index (Jan): (Dec: 49.7/48.9) |(AU) Building Approvals MoM (Dec): (Nov: -9.0%) | (KR) CPI/Core YoY (Jan): (Mkt: 5.1%/-; Dec: 5.0%/4.8%) | (KR) Retail Sales YoY (Dec): (Nov: 8.4%) | (US) Durable Goods Orders/Non-def Ex Air (Dec F): (Mkt: 5.6%/-; Prelim: 5.6%/-0.2%) | **Central Banks: ECB meeting; BoE meeting**

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