

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	128.68	128.68	▼0.30	▼1.54
EUR	1.0994	1.0910	▼0.0080	+0.0018
AUD	0.7140	0.7077	▼0.0060	▼0.0038
SGD	1.3056	1.3098	+0.0034	▼0.0022
CNY	6.7228	6.7311	▼0.0111	▼0.0534
INR	81.94	82.18	+0.25	+0.59
IDR	14875	14880	▼95	▼68
MYR	4.2457	4.2467	▼0.0273	+0.0012
PHP	53.86	53.86	▼0.66	▼0.56
THB	32.75	32.79	▼0.05	+0.03

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.393%	▼2.4 bp	▼10.2 bp
JPY (10YR)	0.498%	+0.6 bp	+0.5 bp
EUR* (10YR)	2.080%	▼20.4 bp	▼13.6 bp
AUD (5YR)	3.255%	▼5.8 bp	+1.5 bp
SGD (5YR)	2.786%	▼3.7 bp	+4.0 bp
CNY (5YR)	2.680%	▼2.8 bp	▼3.8 bp
INR (5YR)	7.145%	+2.7 bp	▼1.3 bp
IDR (5YR)	6.285%	▼3.4 bp	▼13.5 bp
MYR (5YR)	3.471%	▼11.6 bp	▼3.5 bp
PHP (5YR)	5.758%	▼3.7 bp	+2.0 bp
THB (5YR)	2.058%	▼0.7 bp	+3.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,053.94	▼0.11%	+0.31%
N225 (JP)	27,402.05	+0.20%	+0.14%
STOXX 50 (EU)	4,241.12	+1.67%	+1.61%
ASX (AU)	4,302.89	+1.18%	+1.16%
STI (SG)	3,363.68	▼0.41%	▼0.40%
SHCOMP (CN)	3,285.67	+0.02%	+0.64%
SENSEX (IN)	59,932.24	+0.38%	▼0.45%
JSE (ID)	6,890.57	+0.41%	+0.38%
KLSE (MY)	1,489.80	+0.29%	▼0.57%
PSE (PH)	6,986.19	▼0.70%	▼0.80%
SET (TH)	1,682.58	▼0.19%	+0.67%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	271.63	▲0.06%	▲2.83%
COPPER (LME)	9,028.25	▲0.36%	▲2.99%
IRON ORE (CN)	124.64	▲1.39%	+1.36%
GOLD	1,912.72	▲1.94%	▲0.85%
OIL (WTI)	75.88	▼0.69%	▼6.33%

Three Take-aways:

- 1) BoE hiked by 50 bps. The ECB raised rates by 50bps and signaled intention to for 50bp hike in March.
- 2) Risky markets look past peak ECB rates and bet on ECB pivot leading to plunge in European yields.
- 3) USD recovered some ground while US equities rally on shaky ground.

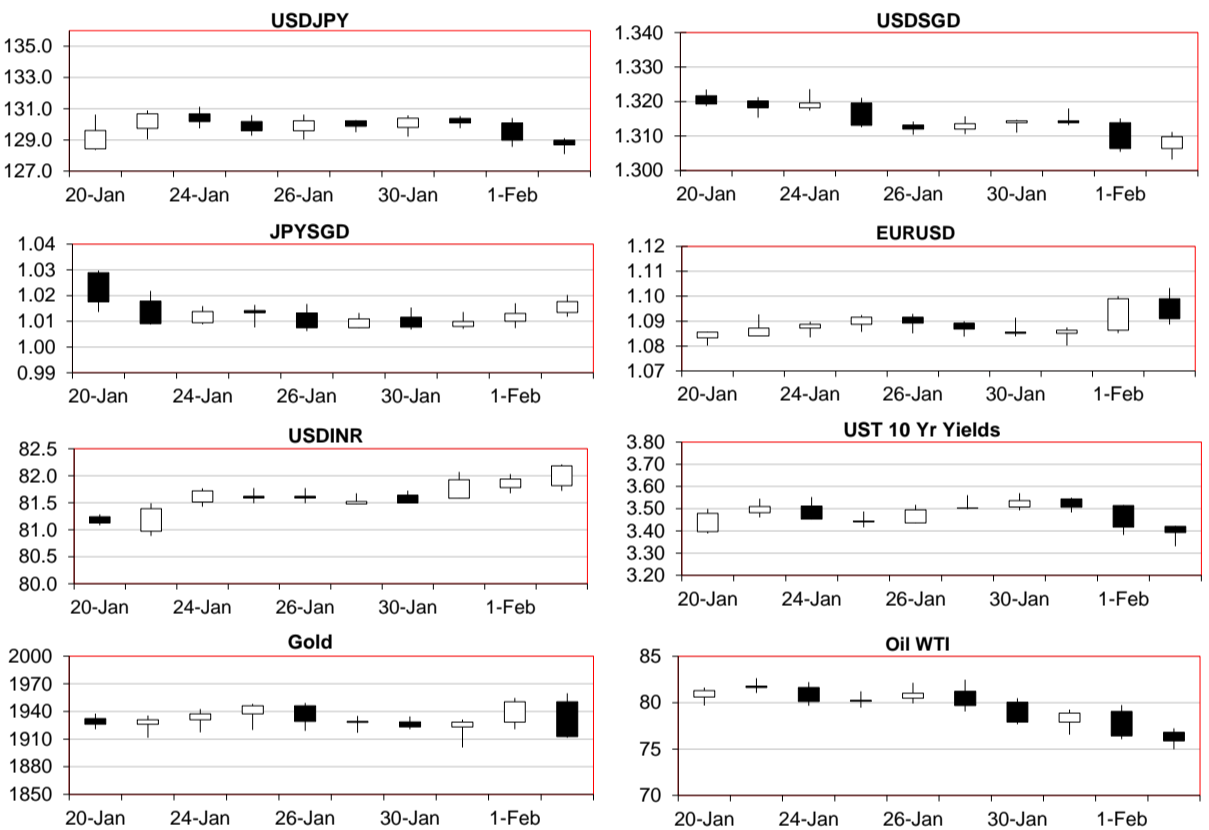
50-50

- While the Fed went for their 25bp hike, **50-50 was in still vogue across the Atlantic**.
 - Specifically, the **BoE raised their policy rate by 50bp** as Governor Bailey highlighted inflation risks still remaining skewed to the upside amid activity contraction worries.
 - Following suit, the **ECB expectedly raise rates by 50bp** and signalled their intention to raise rates **by another 50bps in March**. ECB President Lagarde's remarks that that **"intention" is a strong word** and that it was hard to think of scenarios that the 50bp hike in March would not happen.
 - The implication appears to be that the distribution of outcomes skews towards elevated inflation which does not decelerate at a sufficient pace amid a backdrop of growth resilience.
 - Nonetheless, forward looking markets interpret **the absence of clearer guidance beyond March as a peak in policy rates** and raise their bets that the ECB policy rates will be cut in late 2023.
 - 2Y German Bund yields fell 18.6bp while yields on 2Y Gilts plunged 24.6bp. In contrast, 2Y UST yields ended 0.2bp lower. A similar display on the longer end as 10Y German Bund and Gilts yields dropped 21.3bp and 30.1bp respectively whereas 10Y UST yields was down 2.4bp.
 - The **deeper yield curve inversion across Europe** certainly does not bode well for growth risks. Channeling Lagarde's press conference: more balanced growth risks (from China reopening) is far from symmetrical risks, **certainly not 50-50**.
 - Consequently, the USD recovered some ground from G10 peers with the GBP near the bottom of the pile. EUR dropped towards 1.09 while the AUD declined to mid-0.70. Unsurprisingly, the JPY was the beneficiary of lower UST yields as USD/JPY slipped marginally to mid-128.
 - As for US equities which were fixated on corporate earnings cheer led by Meta, the Nasdaq gained 3.3% while S&P500 was up 1.5%. Subsequent release from Apple, Amazon and Alphabet warns of lingering headwinds.

OVERNIGHT RESULTS

(SG) Purchasing Managers/ Electronics Index (Jan): 49.8/49.1 (Dec: 49.7/48.9) | (AU) Building Approvals MoM (Dec): 18.5% (Nov: -8.5%) | (KR) CPI YoY (Jan): 5.2% (Mkt: 5.0%; Dec: 5.0%) | (KR) Retail Sales YoY (Dec): 6.7% (Nov: 8.4%) | (US) Durable Goods Orders/Non-def Ex Ajr (Dec F): 5.6%/0.1% (Mkt: 5.6%/0.2%) | (US) Initial Jobless Claims (28 Jan): 183k (Mkt: 195k; Prev: 186k)

Past Two Weeks Movement



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	128.76	EUR/USD	1.0905
USD/SGD	1.3105	USD/THB	33.05
JPY/SGD	1.0178	USD/MYR	4.255

Forecast

USD/JPY	128.00 - 131.20
EUR/USD	1.0850 - 1.1100
AUD/USD	0.6990 - 0.7150
USD/SGD	1.3020 - 1.3180
JPY/SGD	0.9924 - 1.0297
USD/CNH	6.7100 - 6.7600
USD/INR	81.60 - 82.30
USD/IDR	14850 - 15080
USD/MYR	4.210 - 4.282
USD/PHP	53.80 - 54.90
USD/THB	32.50 - 33.10

Today's Direction

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

Contrasting Fortunes

- On the external front, **worsening trade deficit in Korea** which came in (Dec: -\$12.7bn; Nov: -\$4.7bn) below already downcast expectations (-\$9.3bn) **portends to an impending current account deficit** released next week. The domestic situation was also far from comforting as **headline inflation accelerated from December to print at 5.2% YoY for January**.
 - Unsurprisingly, pressures remain broad-based as food and non-alcoholic beverage prices rose 5.8% YoY while the likes of tourism related components such as restaurant and hotels had 7.7% YoY price growth. Clearly, an 29.5% YoY price growth of electricity was due to the upwardly revised electrical tariffs and contributed 0.2%-pt to headline inflation from a year ago.
 - Unfortunately, upward price adjustments are far from over as taxi fare hikes in Seoul will add to higher transport cost from February. These price adjustments point to increasing prevalence of attempts to repair damages from the pandemic and higher fuel costs.
 - In contrast, **Thailand's current account turned a surplus** in December. Other than a positive trade balance, the much improved tourist arrivals drove the **services balance to post its first surplus since February 2020**.
 - Concomitantly, the increase tourism activity will support employment as well as inflation. Similarly, the **tourism businesses will be increasingly incentivise to raise prices to pass on higher costs** and heal their pandemic economic wounds. As such, January's core inflation (released next week) is expected to remain above 3% even if headline inflation steps down towards 5%.

FX Daily Outlook

- EUR/USD: Fragmentation worries amid 50bps hikes look to restrain ventures above 1.10.
- USD/JPY: Consolidation around mid-128-130 par for the course as energy prices remain sticky.
- USD/SGD: Failing sub-1.30 slips, US labour resilience may be impart USD strength and above 1.31.
- AUD/USD: 0.70-0.71 remains an area to ponder strength of China commodity demand boost.

TODAY'S EVENTS

(JP) Services PMI (Jan F): (Prelim: 52.4) | (SG) Retail Sales/Ex Auto (Dec): (Mkt: 5.2%/--; Nov: 2.8%/6.2%) | (CN) Caixin Services PMI (Jan): (Mkt: 51.0; Dec: 48.0) | (EZ) PPI YoY (Dec): (Mkt: 22.4%; Nov: 27.1%) | (US) Change in Non-farm Payrolls (Jan): (Mkt: 190k; Dec: 223k) | (US) ISM Services Index (Jan): (Mkt: 50.5; Dec: 49.2) | (US) Unemployment Rate (Jan): (Mkt: 3.6%; Dec: 3.5%)

Central Banks: Fed's Daily Speaks

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