

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	130.89	131.40	+0.33	+2.42
EUR	1.0755	1.0712	▼0.0014	▼0.0278
AUD	0.6986	0.6925	▼0.0034	▼0.0212
SGD	1.3235	1.3261	+0.0019	+0.0197
CNY	6.7810	6.7921	+0.0075	+0.0499
INR	82.57	82.49	▼0.21	+0.56
IDR	15101	15100	▼45	+125
MYR	4.2963	4.2983	▼0.0042	+0.0243
PHP	54.81	54.82	▼0.27	+0.31
THB	33.52	33.48	▼0.13	+0.63

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.610%	▼6.4 bp	+19.3 bp
JPY (10YR)	0.500%	▼0.1 bp	+0.8 bp
EUR* (10YR)	2.363%	+1.4 bp	+7.9 bp
AUD (5YR)	3.374%	+2.0 bp	+6.1 bp
SGD (5YR)	2.861%	+0.3 bp	+3.8 bp
CNY (5YR)	2.691%	+0.9 bp	▼1.7 bp
INR (5YR)	7.236%	+6.9 bp	+11.8 bp
IDR (5YR)	6.360%	▼2.6 bp	+4.1 bp
MYR (5YR)	3.495%	▼0.8 bp	▼9.2 bp
PHP (5YR)	6.065%	+12.2 bp	+27.0 bp
THB (5YR)	2.064%	▼0.9 bp	▼0.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,949.01	▼0.61%	▼0.42%
N225 (JP)	27,606.46	▼0.29%	+0.95%
STOXX 50 (EU)	4,209.15	▼0.00%	+0.90%
ASX (AU)	4,322.83	+0.30%	+1.65%
STI (SG)	3,388.52	+0.23%	+0.32%
SHCOMP (CN)	3,232.11	▼0.49%	▼1.61%
SENSEX (IN)	60,663.79	+0.63%	+1.60%
JSE (ID)	6,940.12	+0.07%	+1.13%
KLSE (MY)	1,470.75	▼0.38%	▼0.99%
PSE (PH)	6,923.08	+0.61%	▼1.60%
SET (TH)	1,670.34	▼0.60%	▼0.91%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.94	+0.05%	▲0.32%
COPPER (LME)	8,863.75	▲0.33%	▲2.17%
IRON ORE (CN)	122.70	+0.35%	▲2.93%
GOLD	1,875.49	+0.13%	▲3.85%
OIL (WTI)	78.47	+1.72%	+2.70%

Three Take-aways:

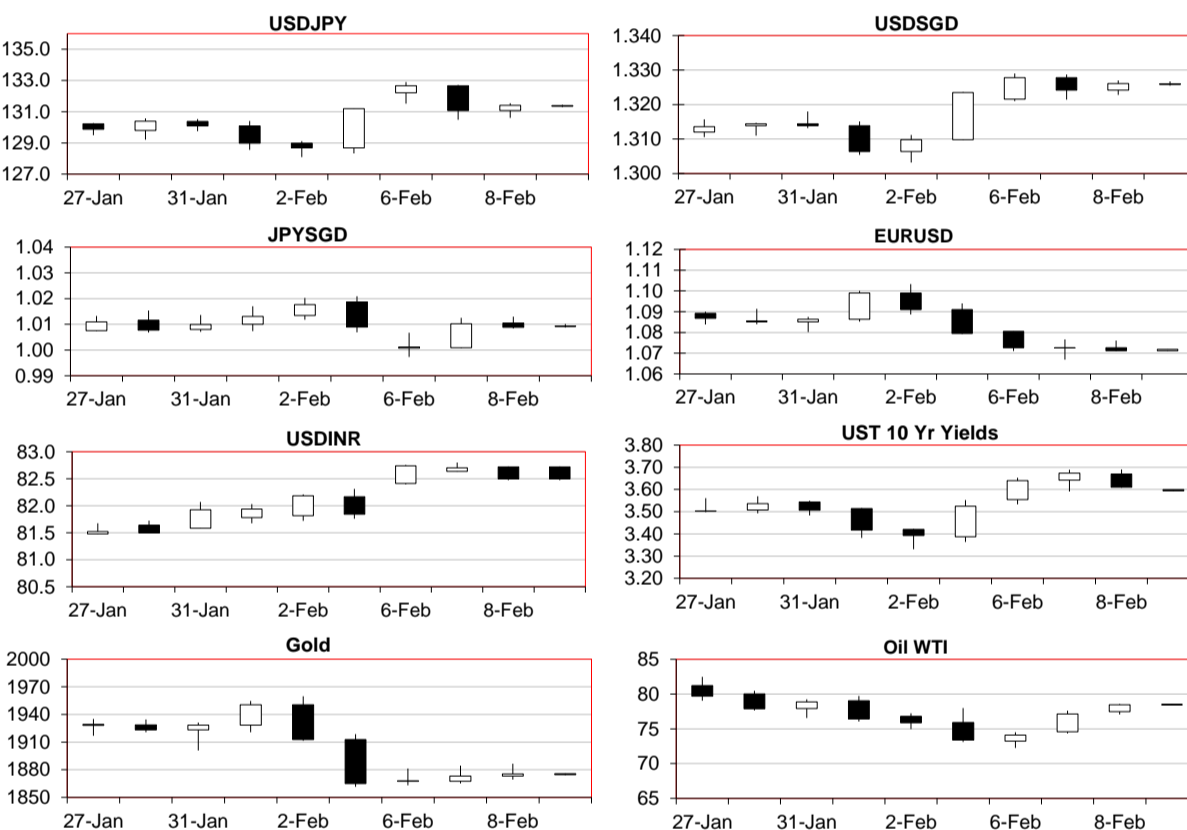
- 1) Hawkish Fed speak induces caution on equities amid AI search bot competition magnifying volatility.
- 2) Geo-political and economic risks impart USD strength despite lower UST yields from haven needs.
- 3) Korea's current account remains challenged despite Dec's surplus; FX reforms not a leap for KRW.

All the World's A Stage

- Contentious answer from Google's search bot **Bard** was a heavy drag on the Nasdaq which fell 1.7%.
- Nonetheless, the **role of multiple Fed officials pushing back pivot expectations and exerting caution on equities** (S&P500: -1.1%; Dow: -0.6%) should not be faded just like how the Bard used to be commonly be linked to Shakespeare.
- **The curtains are certainly not drawn on rate hikes** as New York Fed President John Williams alluded to the peak rates of 5.1% from the Dec Dot Plot being a good guide.
- At first glance, UST 2Y and 10Y yield declining 4.4bp and 6.4bp respectively seemingly ignore the messaging. It may well be **haven demand** arising from **lagged economic damage** from these hikes especially amid relentless announcements of jobs cuts with Disney being one of the latest.
- At the margin, **haven demand look to have imparted strength for USD against most G10 peers despite lower UST yields**. King USD is **not relinquishing his stage** as economic and geo-political risks remain in abundance.
- Certainly, the Balloon saga is still far from its conclusion as the US claims the Chinese balloon as part of a worldwide fleet.
- What's more, Russia's small advances in Ukraine continued as President Zelenskiy called on domestic forces to "effectively resist" in "all directions" and also launched an impassioned speech to secure planes from the UK. Realistically, aside from political challenges, technical difficulties will mean that these planes will not lift off in Ukraine skies until 2024.
- The USD/JPY rose towards mid-131 while the AUD was knocked back towards 0.69. Similarly, the EUR slipped to hover just above 1.07. In EM-Asia, the USD/SGD rose mildly above mid-1.32.

OVERNIGHT RESULTS

(KR) Current Account/Goods (Dec): \$2.67b/- \$0.46b (Nov: -\$0.62b/- \$1.57b) | (PH) Unemployment Rate (Dec): 4.3% (Nov: 4.2%)
 (JP) Eco Watchers Survey Current/Outlook (Jan): 48.5/49.3 (Mkt: 48.2/47.6; Dec: 47.9/47.0) | (US) MBA Mortgage Applications (3-Feb): 7.4% (Prev: -9.0%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	131.38	EUR/USD	1.0716
USD/SGD	1.3260	USD/THB	33.50
JPY/SGD	1.0093	USD/MYR	4.296

Forecast

USD/JPY	130.00 - 132.20
EUR/USD	1.0640 - 1.0790
AUD/USD	0.6880 - 0.7070
USD/SGD	1.3180 - 1.3300
JPY/SGD	0.9970 - 1.0000
USD/CNH	6.7640 - 6.8180
USD/INR	82.40 - 83.30
USD/IDR	14950 - 15120
USD/MYR	4.250 - 4.310
USD/PHP	54.40 - 54.90
USD/THB	33.28 - 33.80

Today's Direction

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

Korea: Open Challenges

- While Korea's current account surplus of US\$2.7bn for Dec is higher than the deficit of US\$0.2bn in Nov, **most of the increase stemmed from higher primary income arising from equities**.
- While deficit on goods balance narrowed mildly, services deficit widened. Looking ahead, we continue to expect the current account to **oscillate back into a deficit position** more often than not. Given their openness, **expectations for continued KRW appreciation will be challenged**.
- Meanwhile, announcement of plans for **opening up their FX market** have incited chatter for upside KRW bias. The motivations are clear as the authorities aim to signal a push for developed market recognition by MSCI for index inclusion and **enjoy accompanying financial inflows**.
- Details thus far reveal a **measured approach** which is to be expected given their scarring from the Asian Financial Crisis. First, the opening up is to **allow foreign firms to participate in onshore FX market** rather than off-shore trading, clearly displaying the need to ensure KRW stability.
- **Second, FX derivatives and options will be excluded** for the time being.
- **Third, the lengthening of FX trading hours will incorporate London opening** while the option for 24 hour operations are considered.
- Forth, **optimism ought to remain guarded** for now as these plans are only expected to be **implemented in H2 2024** with the tabling of the reformed Bill to the National Assembly in H2 2023.
- All in, these plans signify a step in the right direction for enhancing financial sector activity though not a leap for KRW appreciation.

FX Daily Outlook

- EUR/USD: Upside remains restrain as Fed's hawkish reterocic set to continue.
- USD/JPY: 130 remains supportive despite lower UST yields, high oil prices provide buoyancy.
- USD/SGD: Consolidation around mid-1.32-1.33 as geo-political tensions remain elevated.
- AUD/USD: AUD weakness tells of RBA-Fed policy room divergence despite similar tightening needs.

TODAY'S EVENTS

(JP) Machine Tool Orders YoY (Jan P): (Dec: 0.9%) |
 (US) Initial Jobless Claims (4 Feb): (Mkt: 190k; Prev: 183k)
 Central Banks: Fed's Kashkari and Waller Speaks

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