

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:

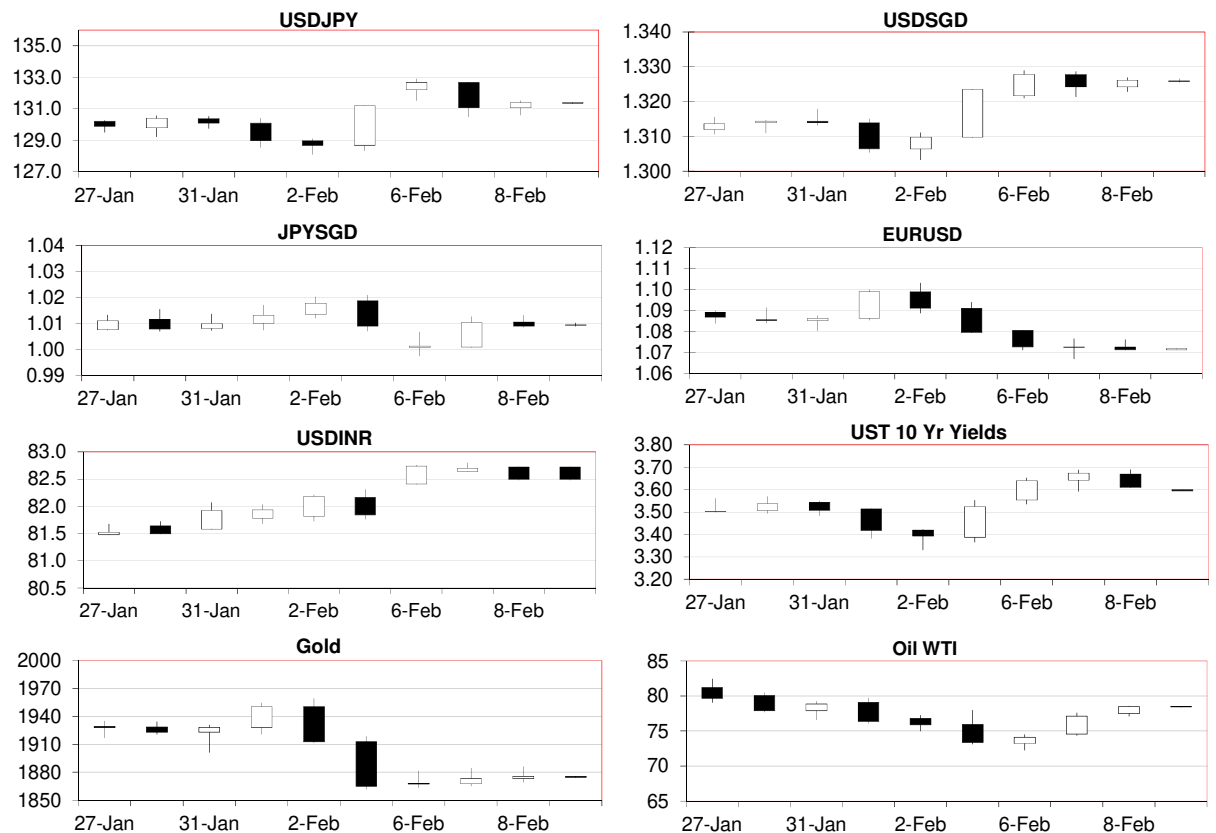
- 1) US equities and the DXY index closed lower on Thursday as markets digested the latest data.
- 2) Higher unemployment claims against a backdrop of a solid Jan jobs report painted a mixed picture.
- 3) Volatility and a softer USD may prop EM Asia FX but weaker Malaysia growth could limit gains.

Recession, Reversal and Retribution

- US markets were all over the place on Thursday as recession fears and ever conflicting views on further rate hikes propagated a sell-off in risk assets;
- US equities closed lower (S&P: -0.9%; NASDAQ: -1.0%; Dow: -0.7%) as did the DXY index;
- UST yields were choppy with longer-term yields ending higher following a weak 30-year bond auction; the 2/10 inversion reached its deepest since 1981 - a harbinger for a recession.
- Higher-than-expected unemployment benefit claim pointed to signs of labour market strength reversing after last week's bumper jobs report.
- The mellow mood on Thursday underscores the oscillating emphasis that markets have placed on recession risks and price pressures (emanating either from inflation or labour markets).
- While it is not unreasonable to assume some degree of volatility in the process of adjusting expectations around the Fed's inevitable path to fewer rate hikes;
- The uncertainty surrounding the duration of the Fed's tighter moocourse has set the stage of some retribution in asset pricing, which has been propped on the hope that the 'Fed pivot' will materialise. And that rate hikes will reverse to cuts by end-2023.
- Fed speak on Thursday did little to clear the air.
- Thomas Barkin questioned whether inflation was truly on a decline while claiming the tighter monetary policy is "unequivocally" slowing growth.
- For EM Asia FX, a softer dollar and the lift in European equities on Thursday on the heels of slower-than-expected German CPI, will give local currencies a boost.
- But an easing in global oil prices and significantly slower growth in Malaysia could backstop MYR gains; while INR and THB may be poised to regain some lost ground.

OVERNIGHT RESULTS

(US) Initial Jobless Claims (4 Feb): (Mkt: 190k; Prev: 183k) | Central Banks: Fed's Kashkari and Waller Speaks

*** 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	1.0650 - 1.0800
AUD/USD	0.6880 - 0.7050
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

Malaysia Q4 GDP: Weakness Expected

- We expect GDP growth to slow to 7.7% YoY in Q4 from 14.2% YoY in Q3, taking full year 2022 growth to 8.9% from 3.1% in 2021.
- Weaker external demand, lower commodity prices, easing retail spending and moderating government spending pushed Q4 growth weaker;
- On the supply-side, weaker growth across manufacturing, construction and the services sectors will offset better agriculture output, which is benefiting from a normalisation of employment levels.
- This will translate into a **sequential contraction in GDP growth in Q4 versus Q3**.
- The same factors that brought Q4 growth weaker will intensify into this year as global growth worsens and commodity prices normalise even further.
- It is for this reason that Bank Negara Malaysia (BNM) paused its rate hiking cycle at its 19 Jan meeting. Weaker Q4 GDP will no doubt corner BNM into staying on a prolonged hold.
- But upside surprises in domestic and US inflation and labour market data, pushing the Fed to stay hawkish, can shift the balance of risks for BNM.
- Hence, for now, we see BNM keeping the door open on a 25p hike.
- This may put some depreciation pressure on MYR in the near-term but it will be backstopped by weaker USD sentiment.

FX Daily Outlook

- EUR/USD: : Lower German inflation, soft USD and hawkish ECB set the stage for 1.08 levels.
- USD/JPY: BoJ Governor speculation reaching pitch fever; pair may test mid-132 levels.
- USD/SGD: Soft USD makes room to dips below 1.32 levels; but to sustain will be a challenge.
- AUD/USD: Lower oil prices maybe offset by softer USD tendencies; range bound at 0.68-0.70.

TODAY'S EVENTS

(CH) CPI/PPI YoY (Jan): (Mkt: 2.2%/0.4%; Dec: 1.8%/0.7%) | (MA) Current Account Balance MYR (Q4): (Mkt: 13.3; Q3: 14.1b) | (MA) GDP YoY (Q4): (Mkt: 7.6%; Q3: 14.2%) | (IN) Industrial Production YoY (Dec): (Mkt: 5.8%; Nov: 7.1%) | (US) U. of Mich. Current Conditions/Sentiment (Feb P): (Mkt: 68.0/65.0; Jan: 68.4/64.9) | (US) U. of Mich. Expectations (Feb P): (Mkt: 63.0; Jan: 62.7) | (US) U. of Mich. 1 Yr/5-10Yr Inflation (Feb P): (Mkt: 4.0%/2.9%; Jan: 3.9%/2.9%) | (JP) PPI YoY (Jan): (Mkt: 9.7%; Dec: 10.2%) | **Central Banks: RBA-Statement on Monetary Policy**

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