

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.12	132.42	+1.06	▼0.24
EUR	1.0684	1.0723	+0.0045	▼0.0003
AUD	0.6929	0.6966	+0.0049	+0.0083
SGD	1.3308	1.3287	▼0.0016	+0.0009
CNY	6.8240	6.8183	+0.0038	+0.0219
INR	82.67	82.73	+0.22	▼0.01
IDR	15204	15195	+61	+140
MYR	4.3578	4.3622	+0.0280	+0.1035
PHP	54.75	54.78	+0.35	+0.38
THB	33.81	33.89	+0.10	+0.22

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.702%	▼3.0 bp	+6.2 bp
JPY (10YR)	0.511%	+0.9 bp	+0.6 bp
EUR* (10YR)	2.368%	+0.4 bp	+7.2 bp
AUD (5YR)	3.554%	+5.0 bp	+34.8 bp
SGD (5YR)	2.984%	+4.8 bp	+14.5 bp
CNY (5YR)	2.678%	▼0.8 bp	▼0.8 bp
INR (5YR)	7.292%	+0.8 bp	+12.1 bp
IDR (5YR)	6.401%	+4.0 bp	+4.8 bp
MYR (5YR)	3.614%	+4.7 bp	+16.5 bp
PHP (5YR)	5.972%	+5.4 bp	+16.6 bp
THB (5YR)	2.117%	+2.6 bp	+5.0 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,245.93	+1.11%	+1.05%
N225 (JP)	27,427.32	▼0.88%	▼0.96%
STOXX 50 (EU)	4,241.36	+1.03%	+0.85%
ASX (AU)	4,345.77	+0.76%	+0.97%
STI (SG)	3,324.70	▼1.07%	▼1.81%
SHCOMP (CN)	3,284.16	+0.72%	+1.40%
SENSEX (IN)	60,431.84	▼0.41%	▼0.12%
JSE (ID)	6,900.14	+0.29%	+0.38%
KLSE (MY)	1,475.17	+0.04%	▼1.03%
PSE (PH)	6,838.76	▼0.55%	▼1.41%
SET (TH)	1,664.89	+0.02%	▼1.02%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	272.79	+0.04%	+2.47%
COPPER (LME)	8,828.76	+0.00%	▲0.10%
IRON ORE (CN)	122.99	▲1.91%	▲1.01%
GOLD	1,853.49	▲0.65%	▲0.75%
OIL (WTI)	80.14	+0.53%	+8.14%

**Three Take-aways:**

- 1) Markets will be desperately looking for some love from US CPI data; that will not crush "pivot bets".
- 2) But heart-breaks are fair game; as sequential price pressures collide with hawkish Fed guidance.
- 3) Singapore's 2023 Budget is set for the sweet spot intersecting consolidation, inclusion and cushion.

**She Loves Me, She Loves Me Not**

- Everything, including love, is about "space and time". So, while Valentine's Day may appear like the opportune moment, **markets may be looking for love in all the wrong places**.

- The best case for markets still grasping at "Fed pivot" bets is that it ends up with a heart-wrenching "*she loves me, she loves me not*" emotional (and financial) rollercoaster.

- The upshot is that Fed pivot bets have all converged to, for this week, hinge on US CPI. And the bad news is, **details of sequential pick up in price pressures may overwhelm inadequate YoY dip**; echoing recent Fed prognosis of "higher for longer". **No love for imminent pivot "risk on"**.

- Meanwhile, Japan's Q4 GDP has disappointed of on softer-than-expected business spending (and inventory drawdown). Consequently, **bets on hawkish turn by the new BoJ governor may be hamstrung**; resulting in "*she loves me, she loves me not*" JPY and JGB yield upside bets.

- Elsewhere, India's CPI rebound to 6.0% snubs hopes of RBI policy space; **leaving rupee unloved**.

- But despite compromised JPY and USD bears tamed by "pivot" heartbreak, unbridled USD bulls are still playing hard-to-get. So "*she loves me, she loves me not*" equivocation is on-going.

- But **not all hope of true love is lost**. What's not to love about Singapore's 2023 "Valentine's Day" Budget? **Back in surplus** on demand-recovery driven revenue boost; **yet not forsaking targeted fiscal support** premised on inclusivity to mitigate GST/gathering external headwinds.

**US CPI: Dis-inflation, Not Disengagement**

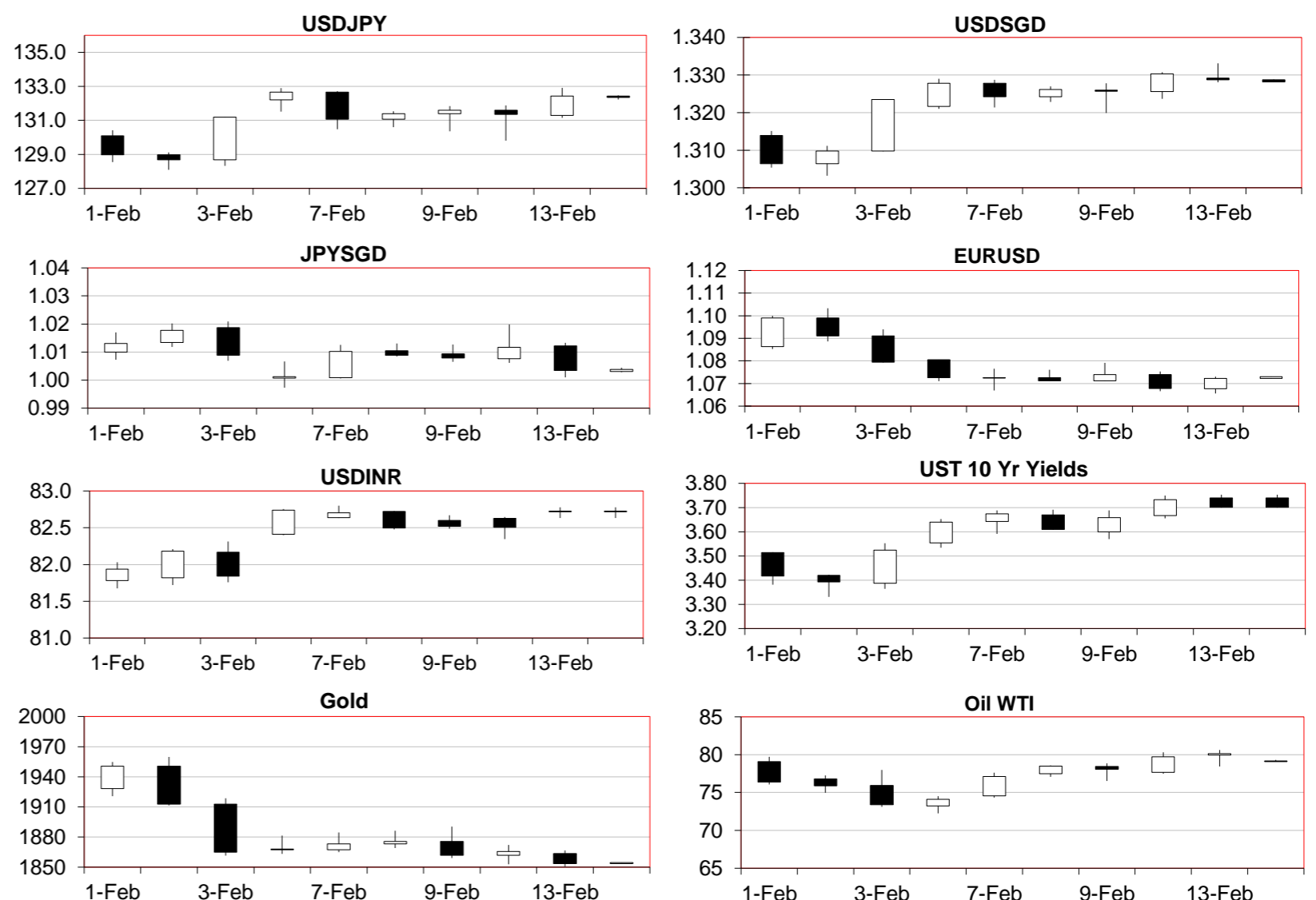
- To be sure, both headline and core inflation may not reject Fed Powell's characterization of welcome dis-inflationary dynamics; as headline CPI eases to low-6% and core below 5.5%.

- Nonetheless, **neither the levels of inflation nor the pace of decline will derail the Fed from "further rate hikes"**; and intent to maintain restrictive rate setting "for some time".

- What's more, the sequential acceleration in price pressures (keeping core inflation a lot stickier) will also prove a daunting challenge for proponents of imminent 'Fed pivot'.

**OVERNIGHT RESULTS**

(IN) CPI YoY (Jan): (Mkt: 6.0%; Dec: 5.7%) \* See yesterday's Daily for details

**\* Past Two Weeks Movement \***

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

USD/JPY	131.56	EUR/USD	1.0678
USD/SGD	1.3297	USD/THB	33.74
JPY/SGD	1.0108	USD/MYR	4.352

**Forecast**

USD/JPY	131.00 - 132.70
EUR/USD	1.0640 - 1.0800
AUD/USD	0.6870 - 0.7040
USD/SGD	1.3230 - 1.3350
JPY/SGD	0.9970 - 1.0191
USD/CNH	6.7950 - 6.8480
USD/INR	82.30 - 83.20
USD/IDR	15100 - 15250
USD/MYR	4.333 - 4.374
USD/PHP	54.50 - 55.10
USD/THB	33.65 - 33.95

**Today's Direction**

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

- In other words, US CPI data are expected to underpin views of *dis-inflation*;

- but are *nowhere in the vicinity of justifying disengagement* from the Fed's continued (albeit more calibrated) tightening path. Three key reasons why.

- **First**, the absolute levels of inflation remain too high; both in the headline and core - vis-a-vis 2% target for the Fed to dis-engage without risking a resurgence of inflation.

- Worse, if the Fed relents prematurely leading resulting in inflation resurgence, **credibility may be harder to re-establish** requiring far more remedial rate hikes further down the road.

- **Second**, whilst fuel dis-inflation and core goods deflation have helped with encouraging turnaround, core services (ex-rentals) remaining stubbornly sticky means **wage-price spiral risks remain too uncomfortable for the Fed to even pause**; much less reverse.

- **Finally**, the hot jobs read for Jan with details suggesting re-acceleration in wages further raises the bar for CPI dis-inflation to trigger a shift in the Fed's currently hawkish stance.

- So, **near-term dis-inflation is a long way off materially moving the dial on Fed policy**.

- And, for markets that had been smitten with the idea of "Powell Pivot", **the reality of not being able to land a date with Fed doves** may hammered home by CPI data that underpins recent Fed commentary on rates needing to go higher and stay there.

- **Such a heart-break**, if confirmed by firmer inflation data on Valentine's day, may see *equities drooping*, alongside *firmer UST yields and USD*.

**FX Daily Outlook**

- EUR/USD: Pre-CPI nerves get in the way of targeting 1.08 and unbridled sub-1.07 sell-off.
- USD/JPY: GDP disappointment adds to support as hawkish BoJ bets are tempered.
- USD/SGD: Cautious sub-1.33 dip not an open invitation for slide below 1.32.
- AUD/USD: Larger risks get in the way of AUD rebound on RBA; either side of 0.70.

**TODAY'S EVENTS**

(JP) GDP Annualized SA QoQ (4Q P): 0.6% (Mkt: 2.0%; Prev: -0.8%)  
 (US) CPI/Core YoY (Jan): (Mkt: 6.2%/5.5%; Dec: 6.5%/5.7%)  
 (EZ) GDP SA YoY (4Q P): (Mkt: 1.9%; Prev: .9%) | (EZ) Employment YoY (4Q P): (Prev: 1.8%)  
 Singapore Budget 2023 | Central Banks: Fed's Barkin Speaks

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