

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	132.05	133.16	+0.74	+2.09
EUR	1.0732	1.0738	+0.0015	+0.0012
AUD	0.6962	0.6986	+0.0020	+0.0027
SGD	1.3278	1.3284	▼0.0003	+0.0042
CNY	6.8185	6.8279	+0.0096	+0.0433
INR	82.74	82.76	+0.04	+0.06
IDR	15157	15160	▼35	+15
MYR	4.3507	4.3472	▼0.0150	+0.0447
PHP	54.85	54.86	+0.09	▼0.23
THB	33.86	33.81	▼0.09	+0.20

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.744%	+4.2 bp	+7.0 bp
JPY (10YR)	0.510%	▼0.1 bp	+0.9 bp
EUR* (10YR)	2.438%	+7.0 bp	+8.9 bp
AUD (5YR)	3.539%	▼1.5 bp	+18.5 bp
SGD (5YR)	2.977%	▼0.7 bp	+11.9 bp
CNY (5YR)	2.682%	+0.4 bp	+0.0 bp
INR (5YR)	7.316%	+2.4 bp	+14.9 bp
IDR (5YR)	6.410%	+0.9 bp	+2.4 bp
MYR (5YR)	3.591%	▼2.3 bp	+8.8 bp
PHP (5YR)	5.980%	+0.8 bp	+3.7 bp
THB (5YR)	2.116%	▼0.1 bp	+4.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,089.27	▼0.46%	▼0.20%
N225 (JP)	27,602.77	+0.64%	▼0.30%
STOXX 50 (EU)	4,238.76	▼0.06%	+0.70%
ASX (AU)	4,345.08	▼0.02%	+0.82%
STI (SG)	3,318.20	▼0.20%	▼1.85%
SHCOMP (CN)	3,293.28	+0.28%	+1.39%
SENSEX (IN)	61,032.26	+0.99%	+1.24%
JSE (ID)	6,941.86	+0.60%	+0.09%
KLSE (MY)	1,483.97	+0.60%	+0.51%
PSE (PH)	6,791.24	▼0.69%	▼1.31%
SET (TH)	1,652.76	▼0.73%	▼1.65%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	273.56	+0.28%	+1.02%
COPPER (LME)	8,916.50	+0.00%	+0.26%
IRON ORE (CN)	124.05	+0.86%	+1.46%
GOLD	1,854.31	+0.04%	▲1.00%
OIL (WTI)	79.06	▼1.35%	+2.49%

Three Take-aways:

- 1) US CPI YoY print came in above expectations while headline sequential momentum accelerated.
- 2) Coupled with persistent services inflation, it was heart-break for UST bulls as 2Y and 10Y yields rose.
- 3) EM-Asia FX subjected to bull traps amid suppressed risk premiums, twin deficits and structural risks.

Sticking Around

- US headline and core inflation in January at 6.4% and 5.6% were both **above market expectations**. Details from both statistical and underlying components perspectives warrant a further look.
- Despite **headline** YoY figures being a slight slowdown from December's 6.5%, it is worth noting that a sequential MoM basis that Dec's print was revised up from -0.1% to 0.1% and January's 0.5% MoM outturn is essentially an **acceleration of inflationary pressures**. Core inflation MoM was revised up for Dec from 0.3% to 0.4% and Jan's 0.4% MoM is certainly telling of **sticky core inflation momentum**.
- What's more, services inflation stayed elevated and inflation drags are still stemming from falling goods prices such as used cars and air fares. It will take more than already expected fall in used car prices from their pandemic highs for the Fed to derive comfort on achieving their inflation mandate.
- US equities remain pressured as the Dow slipped 0.5% while the S&P 500 stayed flat. Nasdaq's 0.6% rise was partly on higher priced EVs, certainly no inflation relief on that front.
- The **higher for longer** messaging from the CPI print was evident in the UST sell-off with a bear flattener as UST 2Y yields are up 9.8bp while 10Y yields up 4.2bp.
- While overall USD performance against G10 peers was a mixed bag, USD strength looks to **stick around for longer** as the DXY ended rather flat despite the intense volatility from the CPI report.
- USD/JPY was pulled toward 133 alongside the higher US yields. Inevitably, while US CPI report sent UST yields soaring, it will also seed doubts into markets to consider the likes of the RBA and ECB hiking further in Q2. EUR remains buoyed above 1.07 while the AUD continued to hover just below 70 cents.

EM-Asia FX: Beware (Bull) Traps & Turbulence

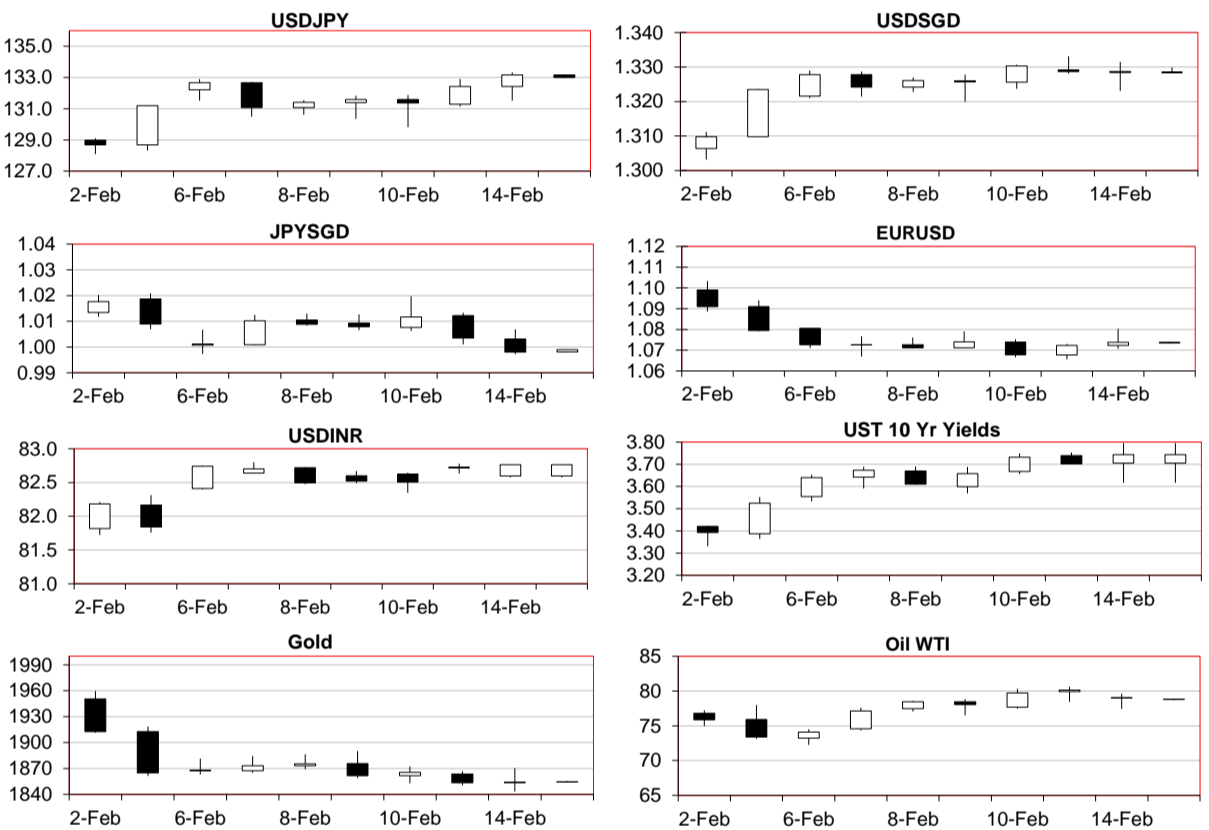
- **Warnings of bull traps and turbulence, and not cavalier doubling down of bullish bets, ought to dominate** the narrative around EM Asia FX (**AXJ**) in coming months.

OVERNIGHT RESULTS

(US) CPI/Core YoY (Jan): 6.4%/5.6% (Mkt: 6.2%/5.5%; Dec: 6.5%/5.7%) (EZ) GDP SA YoY (4Q P): 1.9% (Mkt: 1.9%; Prev: 1.9%) | (EZ)

Employment YoY (4Q P): 1.5% (Prev: 1.8%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	132.99	EUR/USD	1.0735
USD/SGD	1.3286	USD/THB	33.89
JPY/SGD	0.9990	USD/MYR	4.347

Forecast

USD/JPY	131.50	-	133.50
EUR/USD	1.0640	-	1.0800
AUD/USD	0.6870	-	0.7040
USD/SGD	1.3230	-	1.3350
JPY/SGD	0.9910	-	1.0152
USD/CNH	6.8100	-	6.8580
USD/INR	82.40	-	83.20
USD/IDR	15100	-	15250
USD/MYR	4.333	-	4.374
USD/PHP	54.60	-	55.10
USD/THB	33.65	-	33.95

Today's Direction

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

- Admittedly, AXJ appear **constructive on a medium- to longer-term basis** but face **significant turbulence** near-term; as scope for risk re-pricing, diminishing real returns and gathering global demand headwinds conspire.

- For one, in the broadest of strokes, EM Asia FX gains will be checked by the **resistance that the USD puts up**; even as it relinquishes its crown. Simply **because Fed hawks, while less aggressive, are not done** as yet; and could revive outbursts of USD rebound as Fed pivot bets are disappointed.

- Crucially, EM Asia risk premium exceptionally diminished.

- The laws of (at least partial) reversion must apply as overdone China cheer and post COVID relief wane; especially if global downturn risks mount. And that suggests moderation in the rapid EM Asia FX gains since Q4 last year. More so as **US disinflation outpacing sticker inflation in EM Asia diminishes AXJ's real carry**. Finally, **growing US-China tensions** could also take some wind out of EM Asia assets/FX (in aggregate).

- **High inflation regimes with twin deficit risks will be most vulnerable to bouts of risk re-pricing** that tends to correspond to strong USD rebound. So, **tourism buffer of THB** and the **capital inflow/quasi-haven status of a MAS bolstered SGD** are **preferred** to the twin deficit-high inflation risks of **PHP** and **INR**; the latter also being buffeted by the Adani crisis.

- **KRW and TWD may initially struggle on soft chip order books requiring cyclical tailwinds** from further out to stage a strong rebound (on a relative basis).

Click [here](#) for Mizuho Flash - EM Asia FX: Beware (Bull) Traps & Turbulence

FX Daily Outlook

- EUR/USD: ECB buoys above 1.06, fragmentation risks put 1.08 into question as UST yields pull higher.
- USD/JPY: Ventures above mid-133 look restrained by uncertainty over Ueda's policy inclinations.
- USD/SGD: Regional peer weakness look to buoy above mid-1.32.
- AUD/USD: Cautious consolidation around 0.70 as RBA policy calibrations look to get increasingly fine.

TODAY'S EVENTS

(KR) Unemployment Rate SA (Jan): (Mkt: 3.5%; Dec: 3.3%) | (JP) Tertiary Industry Index Mom (Dec): (Mkt: 0.1%; Nov: -0.2%) | (ID) Trade Balance (Jan): (Mkt: \$3250m; Dec: \$3890m) | (EZ) Industrial Production WDA YoY (Dec): (Mkt: -0.7%; Nov: 2.0%) | (US) Industrial Production MoM (Jan): (Mkt: 0.5%; Dec: -0.7%) | (US) Retail sales Advance MoM/Ex Auto and Gas (Jan): (Mkt: 2.0%/0.9%; Dec: -1.1%/-0.7%) | (US) Empire Manufacturing (Feb): (Mkt: -18.0; Jan: -32.9)

Central Banks: Fed's Mester Speaks

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