

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	133.77	133.94	▼0.22	+2.35
EUR	1.0709	1.0674	▼0.0015	▼0.0066
AUD	0.6923	0.6879	▼0.0024	▼0.0057
SGD	1.3340	1.3362	+0.0003	+0.0105
CNY	6.8556	6.8575	+0.0025	+0.0711
INR	82.65	82.72	▼0.08	+0.20
IDR	15159	15157	▼47	+62
MYR	4.4022	4.4037	+0.0114	+0.0872
PHP	55.10	55.10	▼0.09	+0.63
THB	34.26	34.34	+0.02	+0.87

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.861%	+5.6 bp	+20.3 bp
JPY (10YR)	0.505%	▼0.2 bp	+0.6 bp
EUR* (10YR)	2.478%	+0.3 bp	+17.5 bp
AUD (5YR)	3.537%	▼0.7 bp	+9.9 bp
SGD (5YR)	3.027%	▼1.4 bp	+13.6 bp
CNY (5YR)	2.679%	▼0.3 bp	+0.1 bp
INR (5YR)	7.297%	+0.5 bp	+4.3 bp
IDR (5YR)	6.331%	▼9.2 bp	+6.7 bp
MYR (5YR)	3.602%	▼1.5 bp	+9.0 bp
PHP (5YR)	5.968%	+3.7 bp	▼10.6 bp
THB (5YR)	2.143%	+0.3 bp	+7.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,696.85	▼1.26%	▼0.01%
N225 (JP)	27,696.44	+0.71%	+0.41%
STOXX 50 (EU)	4,297.24	+0.40%	+1.11%
ASX (AU)	4,377.36	+0.17%	+1.00%
STI (SG)	3,311.23	+0.93%	▼1.44%
SHCOMP (CN)	3,249.03	▼0.96%	▼0.65%
SENSEX (IN)	61,319.51	+0.07%	+0.84%
JSE (ID)	6,895.66	▼0.27%	▼0.02%
KLSE (MY)	1,484.26	▼0.26%	+1.34%
PSE (PH)	6,815.91	▼0.09%	▼0.39%
SET (TH)	1,658.29	+0.66%	▼0.65%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	270.25	▲0.05%	▲0.09%
COPPER (LME)	8,826.75	+0.00%	▲1.40%
IRON ORE (CN)	124.85	+0.35%	+0.14%
GOLD	1,836.36	+0.02%	▲1.37%
OIL (WTI)	78.49	▼0.13%	+0.55%

**Three Take-aways:**

- 1) Higher producer prices, Gloomy business and housing outlook underscores growth-inflation dilemma.
- 2) Bullard and Mester highlight possibility of 50bps hikes: UST yields and USD buoyed, equities dragged.
- 3) Underlying details saw IDR and PHP appreciate despite BI staying on hold and BSP hiking 50bps.

**A Gloomy Path Back to 50?**

- In contrast to the more resilient retail sales print, the deluge of US data last night had a more **downcast outlook**.

- Despite a moderation in long term mortgage rates, the sheer elevation of these rates continue to **exert pressures on the housing sector**. Housing starts in the US continued to decline while the increase in housing permits was smaller than expected.

- Philadelphia Fed Business Outlook survey saw a plunge in sentiments from **manufacturing** activity as more respondents **paid higher prices and saw lower new orders**.

- Similarly, on producer costs, US PPI print in January that was already projected to pick up in sequential momentum exceeded expectations. **Pick your poison**: A squeeze on corporate profit margins or flow through to higher consumer prices.

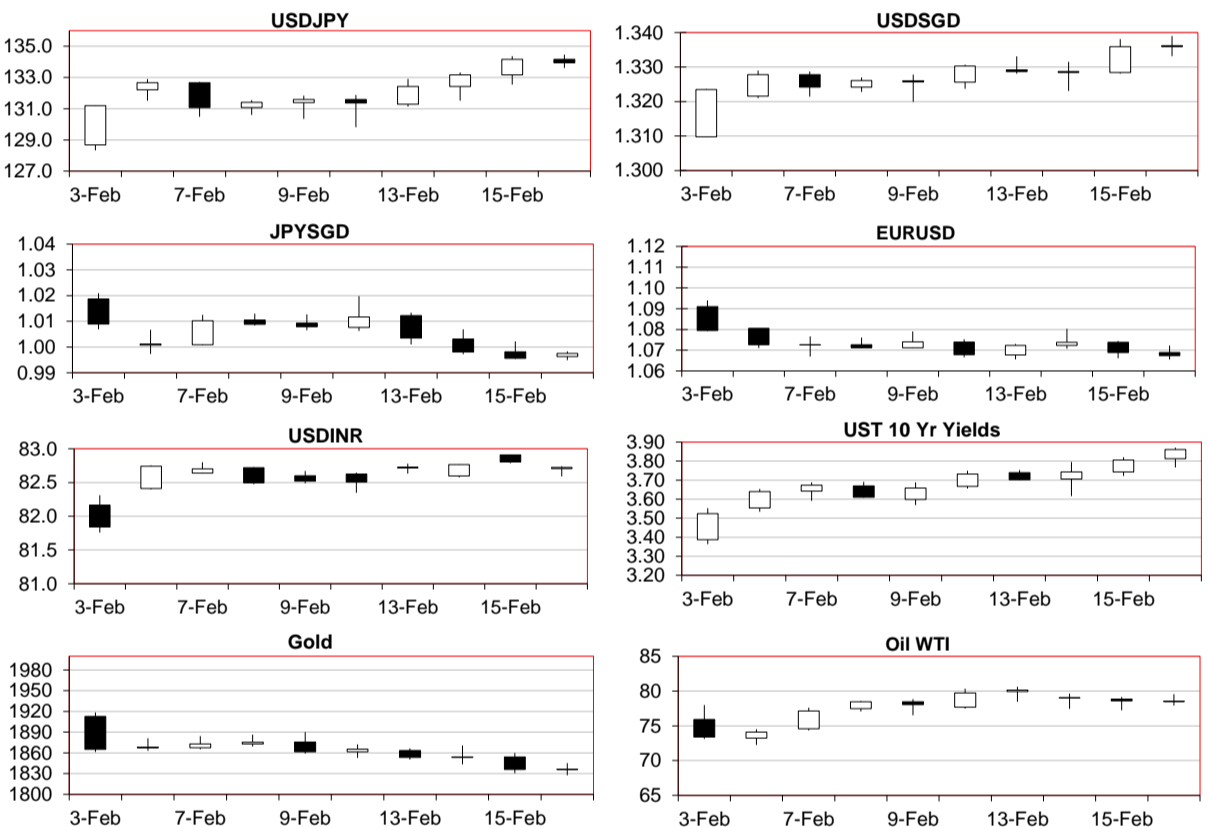
- In the Fed's eyes, the **cure is a bitter pill to swallow** as St Louis Fed President James Bullard said that he supported a 50bps increase in their earlier February meeting. Cleveland Fed President Loretta Mester was also hawkish and saw a compelling case for a 50bps to bring the Fed funds rate above 5%.

- To be clear, they have avoided explicit mention of higher peak rates above the previous Dot Plot. - Nonetheless, **their comments are alluding to their thoughts at the previous FOMC meeting even before the hot jobs report and a less than convincing inflation print**. As such, it will not be utterly surprising if more members feel compelled for a 50bps move.

- Amid the gloomy sentiments, US equities fell across the board (Nasdaq: -1.8%; S&P500: -1.4% Dow: -1.3%). With hawkish Fed speak conspiring with higher PPI prints, 2Y UST yields stayed elevated edging up 1.1bp while 10Y yields rose 5.6bps.

**OVERNIGHT RESULTS**

(US) Housing Starts/Building Permits (Jan): 1309k/1339k(Mkt: 1356k/1350k; Dec: 1350k/1350k) | (US) Initial Jobless Claims: 194k (Mkt: 200k; Prev Wk: 196k) | (US) PPI Final/Ex Food Energy, Trade YoY (Jan): 6.0%/4.5%(Mkt: 5.4%/4.0%; Dec: 6.5%/4.7%) | (US) Philadelphia Fed Business Outlook (Feb): -24.3 (Mkt: -7.4; Jan: -8.9) |

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

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

USD/JPY	134.07	EUR/USD	1.0666
USD/SGD	1.3371	USD/THB	34.41
JPY/SGD	0.9973	USD/MYR	4.405

**Forecast**

USD/JPY	133.50 - 135.00
EUR/USD	1.0640 - 1.0800
AUD/USD	0.6780 - 0.7040
USD/SGD	1.3300 - 1.3400
JPY/SGD	0.9852 - 1.0037
USD/CNH	6.8500 - 6.8900
USD/INR	82.50 - 83.00
USD/IDR	15100 - 15300
USD/MYR	4.380 - 4.450
USD/PHP	54.90 - 55.80
USD/THB	34.00 - 34.70

**Today's Direction**

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

- Similarly, the USD was buoyed as it gained against nearly all G10 peers save for the JPY which stayed flat as it had already depreciated 2.1% for the week with the USD/JPY hovering above 134.

- In EM-Asia FX, USD/SGD edged up. While both the IDR and PHP appreciated despite differing decisions from BI and BSP (BI held policy rate and BSP hiked 50bps), it is telling of underlying FX measures and impending rate paths ahead.

**Thailand Q4 GDP: Asymmetric Growth**

- Despite strong tourist arrivals in Q4 2022, GDP growth in Q4 is set to slow down from Q3's 4.5%.

- The implication here is that manufacturing value added look likely to have contracted in Q4 on a year ago basis as production levels adjust to prevent excess inventory build-up in the face of dwindling demand. Inevitably given the rising producer costs, monthly indicators showed a sharp erosion of value added in Q4.

- As such, attendant reduction in investment spending is also on the cards considering the higher borrowing costs which imposes a higher hurdle rate of return on investments.

- While monthly indicator for private consumption point to steady growth, its consequent support may be milder for overall GDP considering the erosion from higher prices and tendency for stronger import demand amid the tourism recovery.

- The bottom line being that the key growth driver will be the **services sector as growth turns asymmetric**. If manufacturing and trade activity worsens in the months ahead, the ability of the services sector to shoulder a greater burden will increasingly be questioned.

**FX Daily Outlook**

- EUR/USD: Hawkish Fed rhetoric to suppress below 1.07 as geo-political tension see USD tailwinds.
- USD/JPY: JPY weakness to last and buoy above mid-133; excessive surge tempered by BoJ pivots bets.
- USD/SGD: Slight deference to USD set to persists, consolidate higher between 1.334 to 1.342.
- AUD/USD: Weak jobs print seeds doubt into RBA's room to hike further. Watch sub-0.68 slips.

**TODAY'S EVENTS**

(US) Leading Index (Jan): (Mkt: -0.3%; Dec: -0.8%) | (TH) GDP YoY (Q4): (Mkt: 3.6%; Q3:4.5%) |

(SG) Non-oil Domestic Exports/Electronics Exports YoY (Jan): (Mkt: -22.0%/--; Dec: -20.6%; -17.9%)

Central Banks: Fed's Barkin and Bowman Speaks

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