

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.81	134.15	+0.21	+2.79
EUR	1.0643	1.0695	+0.0021	+0.0017
AUD	0.6842	0.6879	+0.0000	▼0.0038
SGD	1.3395	1.3364	+0.0002	+0.0061
CNY	6.8779	6.8686	+0.0111	+0.0541
INR	82.79	82.83	+0.11	+0.33
IDR	15209	15203	+46	+69
MYR	4.4286	4.4350	+0.0313	+0.1008
PHP	55.22	55.25	+0.15	+0.82
THB	34.54	34.60	+0.26	+0.81

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.815%	▼4.6 bp	+8.3 bp
JPY (10YR)	0.507%	+0.2 bp	+0.5 bp
EUR* (10YR)	2.440%	▼3.8 bp	+7.6 bp
AUD (5YR)	3.591%	+5.4 bp	+8.7 bp
SGD (5YR)	3.111%	+8.4 bp	+17.5 bp
CNY (5YR)	2.678%	▼0.1 bp	▼0.8 bp
INR (5YR)	7.343%	+4.6 bp	+5.9 bp
IDR (5YR)	6.373%	+4.2 bp	+1.2 bp
MYR (5YR)	3.618%	+1.6 bp	+5.1 bp
PHP (5YR)	5.998%	+3.0 bp	+8.0 bp
THB (5YR)	2.154%	+1.1 bp	+6.3 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,826.69	+0.39%	▼0.13%
N225 (JP)	27,513.13	▼0.66%	▼0.57%
STOXX 50 (EU)	4,274.92	▼0.52%	+1.83%
ASX (AU)	4,370.32	▼0.16%	+1.33%
STI (SG)	3,328.37	+0.52%	▼0.96%
SHCOMP (CN)	3,224.02	▼0.77%	▼1.12%
SENSEX (IN)	61,002.57	▼0.52%	+0.53%
JSE (ID)	6,895.71	+0.00%	+0.22%
KLSE (MY)	1,476.90	▼0.50%	+0.16%
PSE (PH)	6,779.02	▼0.54%	▼1.42%
SET (TH)	1,651.67	▼0.40%	▼0.77%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	267.57	▲0.99%	▲1.87%
COPPER (LME)	8,950.25	▲0.46%	+1.38%
IRON ORE (CN)	125.55	+0.56%	+0.14%
GOLD	1,842.36	+0.33%	▲1.24%
OIL (WTI)	76.34	▼2.74%	▼4.24%

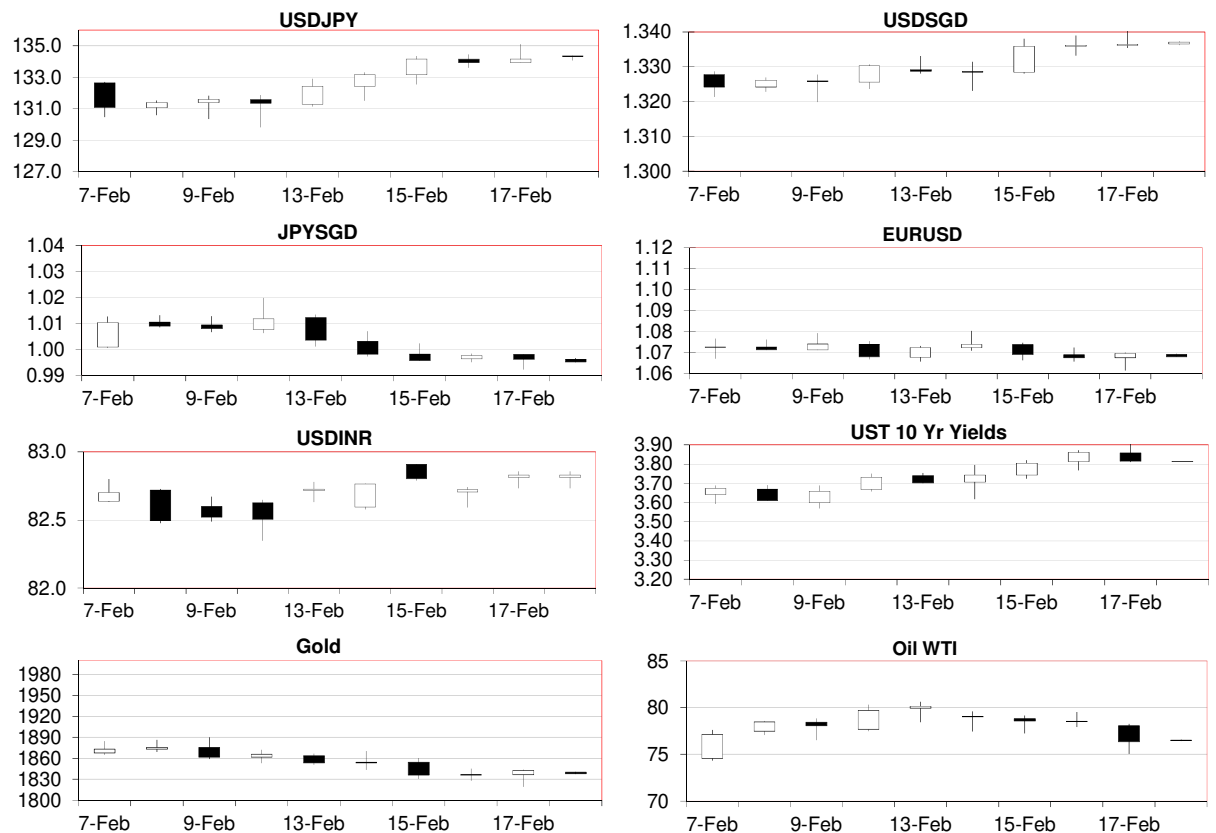
**Three Take-aways:**

- 1) US-China relations remain stressed despite a meeting among top foreign officials over the weekend.
- 2) These geopolitical tensions will exacerbate already souring risk sentiment; USD will stay attractive.
- 3) Pressure on CNY/CNH will likely have a spillover impact onto the rest of EM Asia.

**Politics Dominates**

- The US-China meeting between Antony Blinken and Wang Yi caught headlines, with each side trading veiled threats and barbs, ratcheting up already simmering geo-political tensions.
- This along with Fed officials making clear that further rate hikes were on the cards, and pushing up terminal rate expectations to nearly 5.3% in July from below 5% earlier this month, makes for an attractive USD backdrop.
- Specifically, on Friday, Barkin and Bowman added to the chorus of recent Fed speakers by stating a 25bp hike was on the cards for February and that inflation remained "much too high".
- Although the DXY index did up some gains late on Friday, early trading on Monday suggests USD buying momentum.
- This will put a squeeze on G10 currencies, which ended last week weaker versus USD; a trend that may carry forward into early this week, with NOK, NZD and JPY most impacted.
- JPY, mirroring the jump in UST yields, will likely remain under some pressure as US equity markets have still to full adjust to re-priced Fed rate hike expectations. US equities closed mixed on Friday with NASDAQ gaining 0.6% on the week; S&P lower by 0.3% and Dow down by 0.1%.
- Meanwhile, losses in EUR may continue to be backstopped by hawkish ECB intentions, with President Lagarde reiterating last week that the ECB will hike rates to bring down inflation.
- Given US-China tensions, CNY/CNH will remain under selling pressure with its spillover impact being felt on currencies across the region.
- North Korea firing an intercontinental ballistic missile will make KRW even more susceptible to depreciation pressures; MYR will be watched closely ahead of PM Anwar's budget announcement on Friday and trade data today (more below).

**OVERNIGHT RESULTS**

 (US) Leading Index (Jan): -0.3% (Mkt: -0.3%; Dec: -0.8%) | (TH) GDP YoY/ SA QoQ (Q4): 1.4%/-1.5% (Mkt: 3.6%/0.6%; Q3:4.6%/1.1%) | (SG) NODX/Electronics Exports YoY (Jan): -25.0% (Mkt: -22.0%/--; Dec: -20.6%; -17.9%) | **Central Banks: Fed's Barkin and Bowman Speaks**
**\* Past Two Weeks Movement \***

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

USD/JPY	134.31	EUR/USD	1.0685
USD/SGD	1.3371	USD/THB	34.45
JPY/SGD	0.9955	USD/MYR	4.434

**Forecast**

USD/JPY	133.20 - 135.50
EUR/USD	1.0600 - 1.0750
AUD/USD	0.6790 - 0.7040
USD/SGD	1.3300 - 1.3450
JPY/SGD	0.9815 - 1.0098
USD/CNH	6.8500 - 6.6200
USD/INR	82.40 - 83.00
USD/IDR	15100 - 15300
USD/MYR	4.380 - 4.450
USD/PHP	54.50 - 56.00
USD/THB	34.00 - 35.00

**Today's Direction**

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

**Malaysia: Trade-Inflation Mix Underscores Weakening Growth Momentum**

- Trade data for January is likely to be subdued: export growth, which already slowed significantly to 6% YoY in December from 15.1% in November, will likely weaken further.
- Moderating prices of global commodities and weaker external demand, witnessed in a significant drop in export volumes to -1.3% YoY in Q4 from +12.3% in Q3, will be the main culprits for the export drag.
- Normally, the Lunar New Year holidays would be a drag on Malaysia's exports but this year, there is a modest offset from the re-opening of the Chinese economy.
- Similarly, import growth is also set to slow mirroring domestic demand conditions.
- The Q4 GDP print showed that the contribution of domestic final demand almost halved to 6.3pp from 12.3pp in Q3.
- Heading into 2023, spillovers from slower external demand, reduced ability of consumers to tap EPF savings and limited government support from a tighter fiscal policy stance will curtail domestic demand.
- This will reflect onto core inflation, which slowed to 4.1% YoY in December from 4.2% in November, and is likely to ease further in January.
- Headline inflation (to be released on Friday) will be brought down by easing fuel and utility costs; weakening growth momentum and slowing inflation give BNM room to hold off further rate hikes this year.

**FX Daily Outlook**

- EUR/USD: ECB hawkishness only a backstop to Fed hawkish; USD strength to see pair test 1.062.
- USD/JPY: Upward trajectory interspersed with periods of relief; 135 on the cards.
- USD/SGD: CNY/CNH weakness will weigh on SGD; tests to 1.34.
- AUD/USD: Weak economic data, moderating commodity prices and China issues to weigh on AUD.

**TODAY'S EVENTS**

 (ID) BoP Current Account Balance (Q4): (Mkt: \$4.2bn; Q3: \$4.4b) | (MA) Trade Balance MYR (Jan): (Mkt: 20.9b; Dec: 27.8b) | (PH) BoP Overall (Jan): (Dec: \$612m) | (EZ) Consumer Confidence (Feb P): (Mkt: -19.0; Jan: -20.9) | **Central Banks: China's 1/5-Year Loan Prime Rate**

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