

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	134.58	135.01	+0.76	+1.85
EUR	1.0669	1.0648	▼0.0038	▼0.0090
AUD	0.6883	0.6853	▼0.0055	▼0.0133
SGD	1.3383	1.3406	+0.0048	+0.0122
CNY	6.8742	6.8795	+0.0243	+0.0516
INR	82.77	82.80	+0.07	+0.04
IDR	15191	15190	+32	+30
MYR	4.4314	4.4328	+0.0025	+0.0856
PHP	55.07	55.08	+0.11	+0.22
THB	34.61	34.57	+0.15	+0.77

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.953%	+13.8 bp	+20.9 bp
JPY (10YR)	0.506%	+0.1 bp	▼0.4 bp
EUR* (10YR)	2.529%	+6.5 bp	+9.1 bp
AUD (5YR)	3.629%	+1.3 bp	+9.0 bp
SGD (5YR)	3.070%	+0.7 bp	+9.3 bp
CNY (5YR)	2.713%	+0.3 bp	+3.1 bp
INR (5YR)	7.351%	+1.9 bp	+3.5 bp
IDR (5YR)	6.400%	+2.2 bp	▼1.0 bp
MYR (5YR)	3.601%	+0.3 bp	+1.0 bp
PHP (5YR)	5.906%	▼6.2 bp	▼7.4 bp
THB (5YR)	2.141%	▼2.7 bp	+2.5 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,129.59	▼2.06%	▼2.82%
N225 (JP)	27,473.10	▼0.21%	▼0.47%
STOXX 50 (EU)	4,250.40	▼0.49%	+0.27%
ASX (AU)	4,349.62	▼0.58%	+0.10%
STI (SG)	3,306.86	▼0.06%	▼0.34%
SHCOMP (CN)	3,306.52	+0.49%	+0.40%
SENSEX (IN)	60,672.72	▼0.03%	▼0.59%
JSE (ID)	6,873.41	▼0.31%	▼0.99%
KLSE (MY)	1,474.01	+0.04%	▼0.67%
PSE (PH)	6,800.96	+0.84%	+0.14%
SET (TH)	1,668.63	+0.66%	+0.96%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	268.48	+0.34%	▲1.86%
COPPER (LME)	9,183.50	+0.75%	+2.94%
IRON ORE (CN)	127.02	+0.66%	+2.39%
GOLD	1,835.09	▲0.34%	▲1.04%
OIL (WTI)	76.16	▼0.24%	▼3.67%

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	134.98	EUR/USD	1.0652
USD/SGD	1.3403	USD/THB	34.66
JPY/SGD	0.9929	USD/MYR	4.439

Forecast

USD/JPY	133.90 - 135.40
EUR/USD	1.0560 - 1.0750
AUD/USD	0.6800 - 0.6500
USD/SGD	1.3320 - 1.3430
JPY/SGD	0.9838 - 1.0030
USD/CNH	6.8600 - 6.9800
USD/INR	82.60 - 83.00
USD/IDR	15150 - 15280
USD/MYR	4.410 - 4.460
USD/PHP	55.00 - 55.50
USD/THB	34.40 - 34.80

Today's Direction

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

Three Take-aways:

- 1) Hawkish UST sell-off see soaring yields shatter equities and buoy USD as markets re-price Fed rates.
- 2) Amid AUD decline, RBA-Fed policy room divergence in focus as CB willingness and ability differ.
- 3) FOMC minutes hijacked by data and Fed speakers remain a mild hawkish trigger on rate persistence.

Jolted

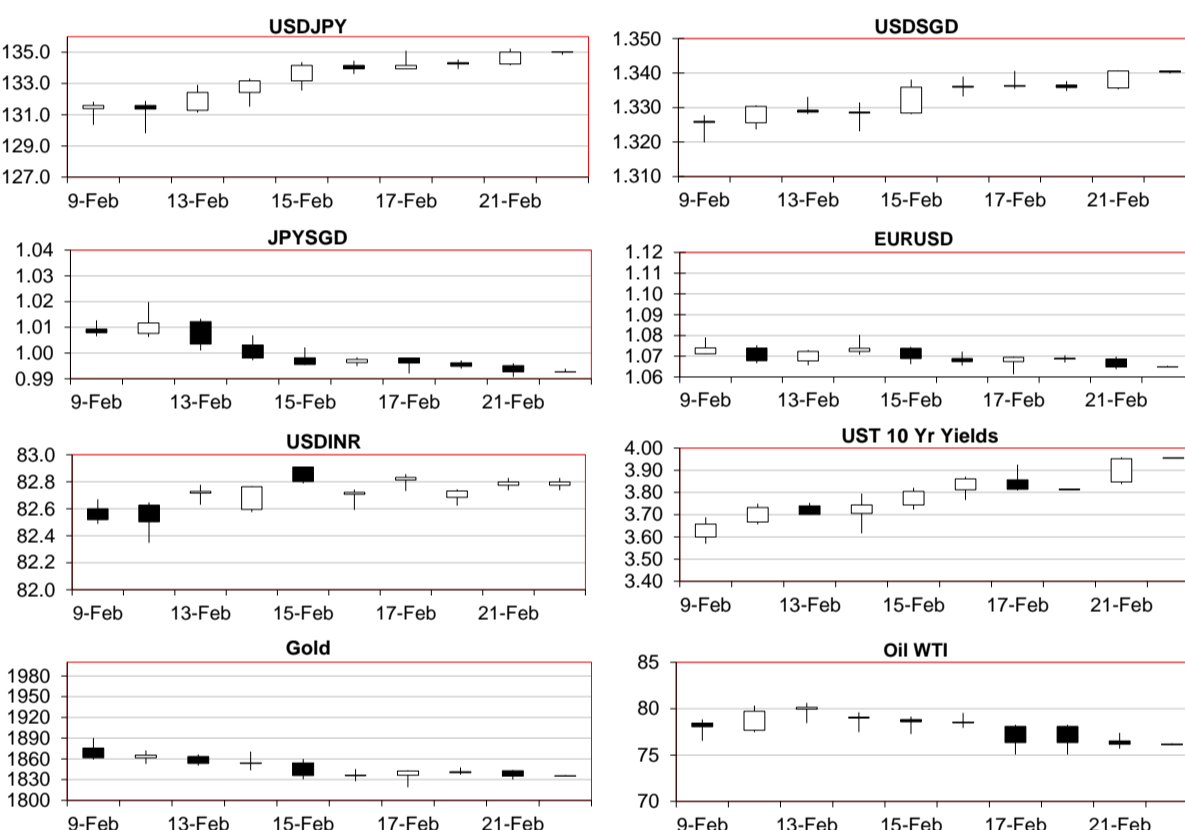
- In yesterday's Daily, we had alluded to the **risk of hawkish jolts being diminished but not dead**.
- This risk was quick to reveal with the **brutal UST sell-off** as UST 2Y yields were sent up 10.6bp while 10Y UST yield soared 13.8bp.
- US equities was duly shattered across the board (Nasdaq: -2.5%; Dow: -2.1%; S&P 500: -2.0%).
- Backed by higher UST yields, the USD remain bid gaining against most G10 peers. EUR slipped towards mid-1.06 and USD/JPY is ascending to test 135. In EM-Asia, USD/SGD is hovering above 1.34.
- Despite **RBA minutes which did not even consider a pause** in the February decision and highlighting that **further increases are likely to be needed**, the AUD led losses as it sank towards mid-0.68.
- The AUD reaction highlights the **relative RBA-Fed divergence in terms of policy room available to hike rates** especially considering the housing market risks down under.

FOMC Minutes - Hijacked Not Buried

- **Any expectation for a hawkish surprise from the FOMC Minutes** have been **hijacked by the run of hot-hawkish data**; which have prompted **hawkish market reactions ahead of the Minutes**.
- From January jobs data to the sequential pick-up in inflation suggestive of wage-price spiral risks to exuberant retail sales; **hawkish data surprises and Fedspeak** have materially priced in more hawkish Fed outcomes, including more hikes through Q2 to lift the Fed Funds (FF) rates above 5.3% by mid-2023 and 5.2% at end-2023, and along with that, revived upside in UST yields as seen recently.
- And so, any scope for more hawkish details in the FOMC Minutes to push back on earlier market expectations for fewer hikes than the Dec 'Dot Plot' had signalled has been **materially diminished by the "catch up" in FF futures and UST yields**.

OVERNIGHT RESULTS

(JP) Machine Tool Orders YoY (Jan F): -9.7% (Prelim: -9.7%) | (GE) ZEW Survey (Feb): 28.1 (Mkt: 23.0; Jan: 16.9) | (EZ) PMI - Mfg/Svcs/Comp. (Feb P): 48.5/52.3/53.0 (Mkt: 49.3/51.0/50.7; Jan: 48.8/50.8/50.3) | (US) Philly Fed Non-Mfg (Feb): 3.2 (Jan: -6.5) | (US) Existing Home Sales (Jan): 4.00m (Mkt: 4.10m; Dec: 4.02m) | (US) PMI - Mfg/Svcs (Feb P): 47.8/50.2 (Mkt: 47.4/47.3; Jan: 46.9/46.8)

*** Past Two Weeks Movement ***


- The stubborn Fed-market gap in the persistence of elevated FF remains; as markets still bet on late-2023 cuts while the Fed has cautioned against "premature" reversals.
- The bar though is high to convey that the Fed will not blink in 2023.
- So UST yields and FF futures may not climb substantially from Minutes trigger per se.
- For now, **Minutes still need to be treated as a potentially mild hawkish trigger risk**, even if data have hijacked larger and more emphatic hawkish surprises.

BoK: Window of Assessment

- In contrast to the RBA, the Bank of Korea will be expected to **keep policy rates on hold at their upcoming policy meeting** (23 Feb) which allows a window of assessment of the impact of Base rate increases thus far.
- While some moderation of headline inflation is expected, the key challenge is whether it is significant enough for the BoK to take comfort and not proceed with a further 25bps hike in Q2.
- Given the resilient labour market marked with substantial job gains in high value added sectors, attendant wage pressures underpin core inflation. That said, structural issues of insufficient job creation and increasing migrant worker quotas will dampen extent of wage growth.
- In addition, the range of reported price increase from electricity tariffs to taxi fares **precipitate risks of second round inflationary effects** clouding the inflation outlook.
- Given the persistent declines in housing prices, it is well worth a policy pause at this juncture to observe if the speed of decline will stabilise to prevent exacerbating unnecessary risks.

FX Daily Outlook

- EUR/USD: EUR rallies remain restrained especially amid geo-political tensions
- USD/JPY: Rising UST yields will buoy the pair especially as energy prices remain sticky.
- USD/SGD: The pair may attempt to rest above 1.34 given regional peer weakness to materialise.
- AUD/USD: With RBA minutes failing to lift, mid-0.69 remains a far challenge.

TODAY'S EVENTS

(AU) Wage Price Index (4Q): (Mkt: 3.5%; 3Q: 3.1%) | (JP) PPI Services YoY (Jan): 1.6% (Mkt: 1.5%; Dec: 1.5%)
 (GE) IFO Current Assessment/Business Climate/Expectations: (Mkt: 95.0/91.2/88.4; Jan: 94.1/90.2/86.4)
 Central Banks: FOMC Minutes

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