

Dec 23, 2025

Three Take-Aways

- 1) Equity bulls pushing for a record high close, defying the late lift in yields, is probably the Fed's RMP liquidity "gift".
- 2) Gold's brilliance at least partly reflects the Fed's balance sheet-driven liquidity largesse; even after accounting for haven demand on geopolitical (Venezuela) flares.
- 3) With Gold's dominance THB is perversely top of APAC FX leaderboard. But the hawkish RBA flex makes for more constructive AUD.

MACRO THEME: Jolly Rotation?

- Despite *UST yields being bumped up*, equity market buoyancy endured, with Wall St rallying 0.5%-0.6% in the overnight session.
- In fact, the **S&P500** was just a whisker (23 points) away from record highs.
- For some, this *mild lift in yields* alongside a *rally in equities squares with a bullish rotation*.
- And *to the optimist*, this "jolly rotation" feeds into the narrative of a "Santa rally" that has further to run into the year-end.

Or Fed's RMP Liquidity Boost?

- But *to a more cynical observer*, the mild "bull rotation", *accompanied by a modestly softer USD*, is a conditional rally underwritten by the Fed's liquidity boost.
- Specifically, the Fed's \$40bn reserve management purchases* (RMP) that kicked off on 12th December.
- Taken together with the *\$15bn/mth of maturing MBS rolled over into T-bills*, the implied boost to asset markets cannot be underestimated.
- Especially given that the underlying *motivation for RMPs* is "to maintain an ample level of reserves ... sized to accommodate projected trend growth in the demand for Federal Reserve liabilities".
- Arguably, *markets have read into RMP as an opportunistic interim QE-type boost* at the very least.

*Monthly amounts of RMPs (secondary market purchases of T-bills or USTs with remaining maturities up to 3 years) will be announced around the ninth business day of each month.

Gold's Frothy (?), Anti-Fiat, Shine

- **Gold's brilliance** – up ~3% on the week, surging over 6% since 11th Dec to work its way back above \$4,400 – suggests elements of Fed balance sheet largesse in play.
- For two reasons. One is that *Gold is the definitive hedge against USD debasement from QE-type Fed balance sheet expansions*.
- Second, Gold also tends to be a *beneficiary of liquidity-driven equity market rallies*. Especially those inspired by the Fed.
- In other words, the **odd combination of both fiat debasement hedge and froth from Fed churn burnishing Gold's shine**.
- Admittedly, *Gold's allure is partly derived from escalatory geopolitical risks* involving Venezuela.
- But this *haven boost for Gold* merely accentuates, rather than disputes, **Gold's "frothy, anti-fiat" boost**.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(CH) 1-Year/5-Year Loan Prime Rate	3.00%/3.50%	3.00%/3.50%	3.00%/3.50%
(MY) CPI YoY (Nov)	1.4%	1.5%	1.3%

Today	Actual	Exp.	Prior
(US) GDP Annualized QoQ (3Q S)		3.2%	-
(US) GDP Price Index YoY (3Q S)		2.6%	-
(US) Conf. Board Consumer Confidence (Dec)		9170.0%	8870.0%
(US) Durable Goods Orders/Nondef Ex Air (Oct P)		-1.5%/0.4%	0.5%/0.9%
(US) Industrial Production MoM (Nov)		0.1%	0.1%
(US) Richmond Fed Manufact. Index (Dec)		--	-1500.00%
(SG) CPI/Core YoY (Nov)		1.4%/-	1.2%/1.2%
(AU) RBA Minutes of Dec. Policy Meeting			
(TW) Export Orders YoY (Nov)		30.3%	25.1%

Inspiring Odd AxJ Dynamics

- Against this backdrop of Gold's unmatched surge, **conspicuously interesting AxJ dynamics** have surfaced.
- One might have expected that a *hawkish RBA* (more below) coupled with "risk on" and *Gold's unbridled rallies* ought to have **AUD toping the APAC FX leaderboard**.
- But that is simply not the case. *THB is instead the uncontested AXJ leader – up 1.2-1.3% since middle of last week*.
- In comparison, the *AUD is up a "mere" 0.8%*, which is standout performance compared to other APAC peers (if THB is excluded).
- With **woefully weak tourism**, and **fragile household confidence offsetting wider exports boost** amid the border clash with Cambodia, **THB's surge is mainly derived from its exceptional (positive) correlation with Gold's glitter rather than economic shine proper**.

RBA's Hawkish Flex for AUD

- Whereas **AUD's tone could prove to be fundamentally more constructive**. Especially as the **RBA has upped the ante to effectively rule out cuts**, in what may be arguably the **most directly hawkish policy guidance**.
- Specifically, with Governor Bullock's rather direct allusion in saying "I don't think there are interest rate cuts on the horizon for the foreseeable future". Admittedly, *Bullock has qualified that she cannot ascribe probabilities between rate hikes and a prolonged hold*, markets are already primed for hikes.
- **Many on the street are making a case for two hikes in H1 2026**, bringing forward the total, spaced out hikes priced by OIS markets. **AUD is arguably primed for more tone as the RBA's hawkish flex contrast against pipeline dovish Fed deference**.
- In any case, as we have argued before**, **underlying AUD allure is far broader and structural** (although still volatility-prone), deriving from *USD debasement hedge* and *commodity catch-up boom accentuated by AI infrastructure build out*.

Watch Free Hand on JPY

- Just as we warned of jawboning (in yesterday's edition of this publication) **in response to sharp JPY depreciation (post BoJ hike)**, **FinMin Katayama has warned of "free hand" to intervene in JPY markets**.
- **Intervention** though is **not necessarily imminent** and may instead be **opportunistic**. And to be sure, there will be **no fixed "line in the sand"**.
- But expect that **breach above 158 enroute to 159 could prompt pre-emptive strikes far ahead of psychological 160-handle**.

Yields (2Y: +2.4bp; 10Y: +1.7bp; 30Y: +1.2bp)

Equities (Nasdaq: +0.5%; S&P 500: +0.6%; Dow: +0.5%)

FX (DXY: -0.3%)

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.05	156.89	▼0.44%	155.00 - 158.00
EURUSD	1.1762	1.1765	+0.44%	1.1600 - 1.1850
GBPUSD	1.3461	1.3469	+0.61%	1.3200 - 1.3550
AUDUSD	0.6657	0.6658	+0.68%	0.6550 - 0.6700
DXY	98.3	--	▼0.32%	98.0 - 99.1
USDCNY	7.0370	--	▼0.06%	7.0000 - 7.1500
USDCNH	7.0311	7.0302	▼0.04%	7.0000 - 7.1700
USDHKD	7.7807	7.7801	▼0.01%	7.7400 - 7.8200
USDSGD	1.2888	1.2880	▼0.32%	1.2820 - 1.3000
USDKRW	1483	1480	+0.00%	1465 - 1490
USDTWD	31.54	--	▼0.01%	31.30 - 31.70
USDINR	89.65	--	+0.00%	89.20 - 91.00
USDIDR	16776	--	+0.19%	16650 - 16900
USDMYR	4.078	4.078	+0.05%	4.050 - 4.120
USDPHP	58.72	--	▼0.03%	58.30 - 59.60
USDTHB	31.18	31.12	▼0.90%	30.9 - 31.5
USDVND	26334	26334	+0.07%	26100 - 26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.508	4.165	2.4	1.7
JGB (JP)	1.113	2.077	2.6	6.1
Bunds (GE)	2.147	2.897	-0.5	0.3
Gilts (UK)	3.736	4.535	-1.0	1.2
AGB (AU)	4.075	4.794	4.4	4.6
SGS (SG)	1.486	2.190	1.6	0.0
CGB (CN)	1.363	1.835	-2.0	0.9
KGB (KR)	2.838	3.340	0.0	0.0
SDL (IN)	5.889	6.668	3.6	6.6

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6878.49	43.99	+0.64%
Nasdaq (US)	23428.83	121.21	+0.52%
DJIA (US)	48362.68	227.79	+0.47%
N225 (JP)	50402.39	895.18	+1.81%
STOXX50 (EU)	5743.69	-16.66	▼0.29%

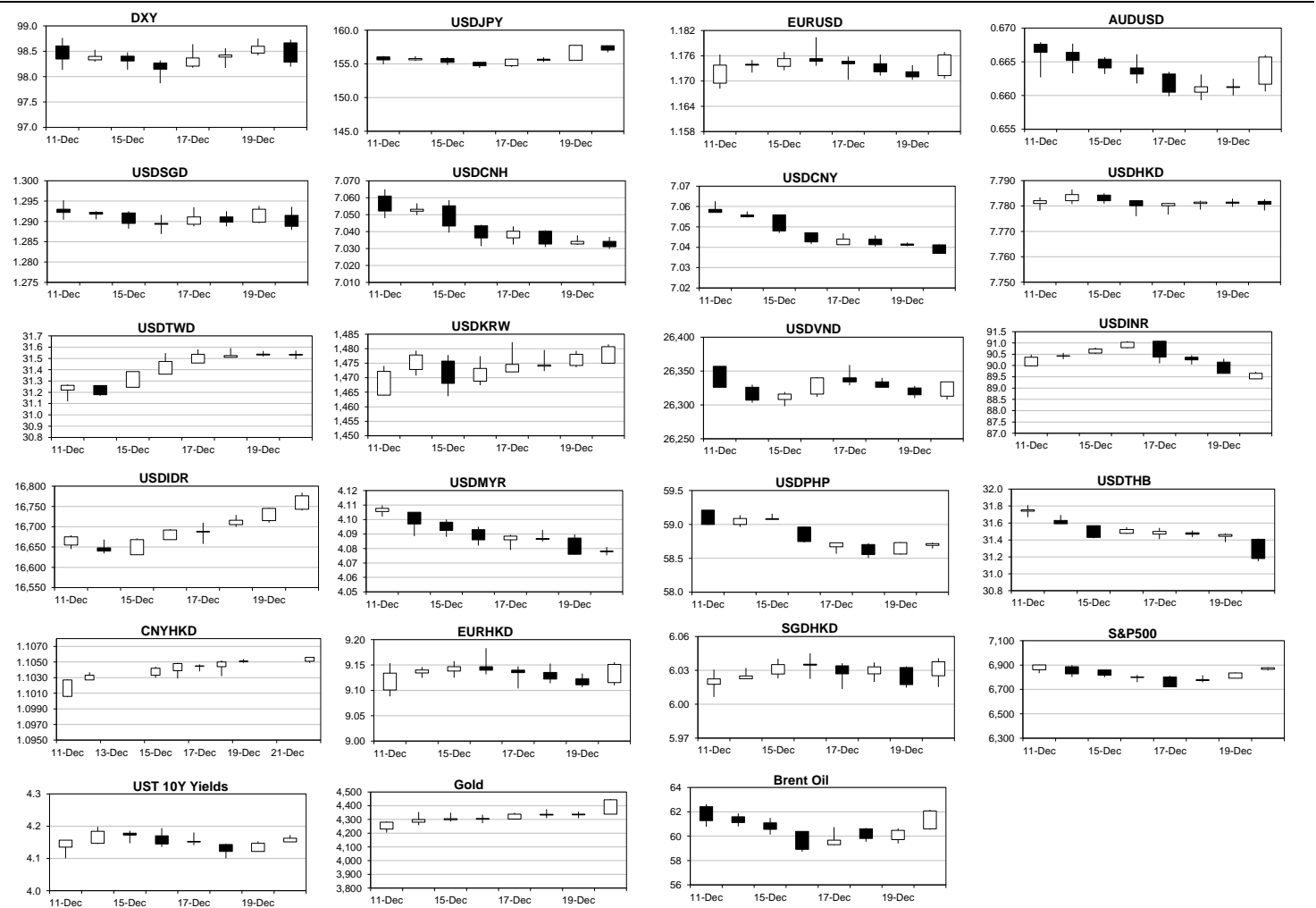
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,931.58	45.35	+0.38%
IRON ORE (CN)	107.22	1.45	▼0.03%
GOLD	4,443.60	104.72	+2.41%
SILVER	69.04	-0.02	▼0.48%
OIL (BRENT)	62.07	1.60	+2.65%
OIL (WTI)	58.01	1.35	+2.38%
NATURAL GAS	3.97	1.88	+2.80%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.69	184.53	▼0.03%
GBP/JPY	211.419	211.254	+0.15%
JPY/SGD (100yen)	0.8205	0.821	+0.09%
JPY/HKD (100yen)	4.9543	4.9604	+0.42%
CNH/JPY	22.301	22.294	▼0.32%
CNH/HKD	1.1056	1.1057	+0.05%
EUR/GBP	0.87369	0.87349	▼0.20%
AUD/NZD	1.149	1.1485	+0.04%
EUR/CNH	8.2697	8.271	+0.41%
GBP/CNH	9.4656	9.469	+0.60%
CNY/HKD	1.1056	1.1057	+0.05%
EUR/HKD	9.1511	9.1533	+0.44%
SGD/HKD	6.0376	6.0415	+0.34%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5315.58	-13.90	▼0.26%
STI (SG)	4610.29	40.51	+0.89%
SHCOMP (CN)	3917.364	26.92	+0.69%
SZCOMP (CN)	2492.704	27.82	+1.13%
HSI (HK)	25801.77	111.24	+0.43%
SENSEX (IN)	85567.48	638.12	+0.75%
JSE (ID)	8645.844	36.29	+0.42%
KLSE (MY)	1671.29	5.39	+0.32%
PSE (PH)	6041.26	120.39	+2.03%
SET (TH)	1269.68	17.49	+1.40%
VNINDEX (VN)	1751.03	0.03	+2.74%

CHARTS



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