

Jan 26, 2026

Three Take-Aways

- 1) **Geopolitical tensions rise as Trump threatens 100% tariff on Canada and domestic unrest in the US could lead to a potential government shutdown on 30 January.**
- 2) **JPY intervention not a fundamental bullish shift but high efficacy intervention and prospects of coordinated intervention may keep one way bearish bets at bay for now.**
- 3) **MAS keeping the status quo on Thursday is the optimal policy action amid lingering geopolitical uncertainties.**

MACRO THEME: Cautioned

- Last Friday, even as the Uni. of Michigan survey showed an upward revision to consumer sentiments, **risk sentiments were hardly buoyant** with US equities turning in a mixed performance. On a broader note, consumers are hardly more upbeat given that sentiments are 20% lower than a year ago.
- To be clear, data was hardly pivotal last Friday as markets appear jittery ahead of FOMC and kept focus on JPY intervention which sent the USD/JPY plunging from 158 to sub-155 amid **PM Takaichi's warning on speculative and highly abnormal movements of the JPY**. Gold has kicked off this week rising to above US\$5000/ounce on **persistent USD weakness and rising geo-political tensions**.

North America Tensions

- Geopolitical focus shifted back to North America with Trump **threatening 100% tariff on Canada** if they reach a trade deal with China. Last week, there was some form of a narrow deal between Canada and China to reduce barriers on China made cars and China providing Canadians visa free access and reduce duties on canola.
- Canada has clarified that they are not pursuing a free trade deal but it was a resolution on several important tariff issues. That said, with Bessent saying that Carney did "some kind of an about face", these tensions may remain for the week ahead.
- Meanwhile Canada's Energy Minister will be heading to India to enhance cooperation in the resource sector. On balance, while there is no outright trade dislocation with the US, it appears to be providing **impetuous for progressive and pragmatic stance** to consider marginal improvements and sectoral trade diversification among trading partners with strained diplomatic relations.

US Domestic Disruptions: Shutdown Looming?

- Amid killing in Minneapolis, Democrats have raised that prospects of blocking a spending package and as such there are **risks of a looming shutdown on 30 January**.
- While the usual back paying of wages and re-instituting jobs will hold up, the disruption of a government shutdown during the Arctic Blast which has sent gas prices soaring on heating demand should not be underestimated. Furthermore, data release could also experience another round of delays.

JPY Bear Trap: Speculative Burn, Not Bullish Rebirth

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) U. of Mich. Sentiment (Jan F)	56.4	54.0	54.0
(US) Kansas City Fed Manf. Activity (Jan)	2	3	0
(JP) Natl CPI/ Ex Fresh Food, Energy YoY (Dec)	2.1%/2.9%	2.2%/2.8%	2.9%/3.0%
(JP) BOJ Target Rate	0.75%	0.75%	0.75%
(SG) CPI/Core YoY (Dec)	1.2%/1.2%	1.2%/1.2%	1.2%/1.2%
(TW) Industrial Production YoY (Dec)	21.6%	12.0%	16.4%
Today	Actual	Exp.	Prior
(SG) Industrial Production YoY (Dec)	6.2%	14%	
(US) Durable Goods Orders (Nov P)	3.80%	-2.20%	

- We had (back in October last year*) **warned of a JPY bear trap*** in the making, given the **exceptional and arguably, unsustainable divergence in UST-JGB spreads and (USD/JPY)**. **But this is not it**. Not in its most primal form, driven by markets. Instead, this is a **speculative burn inflicted by the MoF**, a **warning to reckless bears of an invisible (intervention) electric fence**.

- **Not a fundamental bullish shift** that has **self-sustaining momentum to drive the JPY durably higher**. That said, **this iteration of MoF intervention** is **likely to have higher efficacy** – with **unrestrained one-way bearish JPY bets** being **reined in by "live" intervention threats**.

- For **one**, the MoF has escalated JPY warning and adopted a more aggressive stance, notably **keeping intervention intent "live"**.

- **Second**, comments and backing by US Treasury Secretary Bessent has raised the **threat of coordinated intervention**.

- **Finally, PM Takaichi's deliberate ambiguity** but unambiguous warning that "(the Authorities) **will take all necessary measures to address speculative and highly abnormal movements**" **putting both JBG and JPY markets on notice**.

Yields (2Y: -1.2bp; 10Y: -2.0bp; 30Y: -1.2bp)

Equities (Nasdaq: +0.3%; S&P 500: +0.03%; Dow: -0.6%)

FX (DXY: -0.8%)

MAS Watch – No Movement

"Do not confuse motion and progress" – Alfred A. Montapert

- The **optimal policy action** for the MAS would be for a **status quo**. The **whole point of being in a "sweet spot" is to avoid unnecessary, worse counter-productive, movement**. Admittedly, there **staggering outrun in 2025 growth may induce further upside bias to a positive output gap in 2026**.

- In that context, an **uninformed** – and not just because of cool inflation being dismissed – **reflex** may be to suggest **tightening** at the margin. **But** on proper inspection it is **clear that there is simply no credible case to be made for a hawkish rectification/re-calibration**.

- And not just because of a mechanical "Taylor offset" from cool inflation running well below 2% since late-2024 (both in the headline and core). Instead, and crucially, it is because the "smoking gun" of **growth outrun at is not a reflection of policy accommodation**. **Nor** is it to be misconstrued as **by-product of "running it (too) hot"**. Anything but. **Instead**, it is a **perverse outcome of heightened geo-political uncertainty** that has resulted in an **unexpected mix of haven-related activity pick-up and ironic boost to manufacturing and trade from front-running of tariffs**.

- Admittedly, there is some lift from AI-related and regional *hub activities*. **But this is appropriately accounted for in a far loftier S\$NEER** that is inherited from exceptional post-pandemic tightening (via three back-to-back mid-point re-centering), **despite a gentler than normal S\$NEER slope**. In fact, **considering lingering geo-economic uncertainties, the gentler S\$NEER slope (at elevated S\$NEER settings) is an ideal policy setting to manage opposing risks amid compromised visibility**.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	155.70	155.18	▼1.71%	154.00	- 157.00
EURUSD	1.1828	1.1858	+0.62%	1.1700	- 1.1900
GBPUSD	1.3643	1.3662	+1.05%	1.3500	- 1.3800
AUDUSD	0.6894	0.6912	+0.79%	0.6800	- 0.7000
DXY	97.6	--	▼0.77%	96.0	- 98.0
USDCNY	6.9632	--	▼0.09%	6.9300	- 7.0500
USDCNH	6.9494	6.9492	▼0.21%	6.9300	- 7.0500
USDHKD	7.7970	7.7951	+0.00%	7.7400	- 7.8500
USDSGD	1.2727	1.2712	▼0.65%	1.2660	- 1.2860
USDKRW	1449	1463	+0.00%	1450	- 1485
USDTWD	31.56	--	▼0.13%	31.30	- 31.80
USDINR	91.96	--	+0.37%	90.50	- 92.70
USDIR	16822	--	▼0.37%	16650	- 17000
USDMYR	4.007	3.990	▼0.77%	3.910	- 4.030
USDPHP	59.09	--	▼0.14%	58.30	- 59.80
USDTHB	31.20	31.04	▼0.62%	30.5	- 31.4
USDVND	26243	26249	▼0.11%	26050	- 26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.595	4.226	-1.2	-2.0
JGB (JP)	1.240	2.248	2.6	1.1
Bunds (GE)	2.127	2.905	1.7	1.8
Gilts (UK)	3.722	4.511	4.8	3.8
AGB (AU)	4.183	4.818	2.4	2.1
SGS (SG)	1.404	2.119	1.1	-0.8
CGB (CN)	1.393	1.825	-0.2	-0.5
KGB (KR)	2.925	3.604	3.8	3.3
SDL (IN)	5.845	6.664	-1.0	2.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6915.61	2.26	+0.03%
Nasdaq (US)	23501.24	65.22	+0.28%
DJIA (US)	49098.71	-285.30	▼0.58%
N225 (JP)	53846.87	157.98	+0.29%
STOXX50 (EU)	5948.2	-7.97	▼0.13%

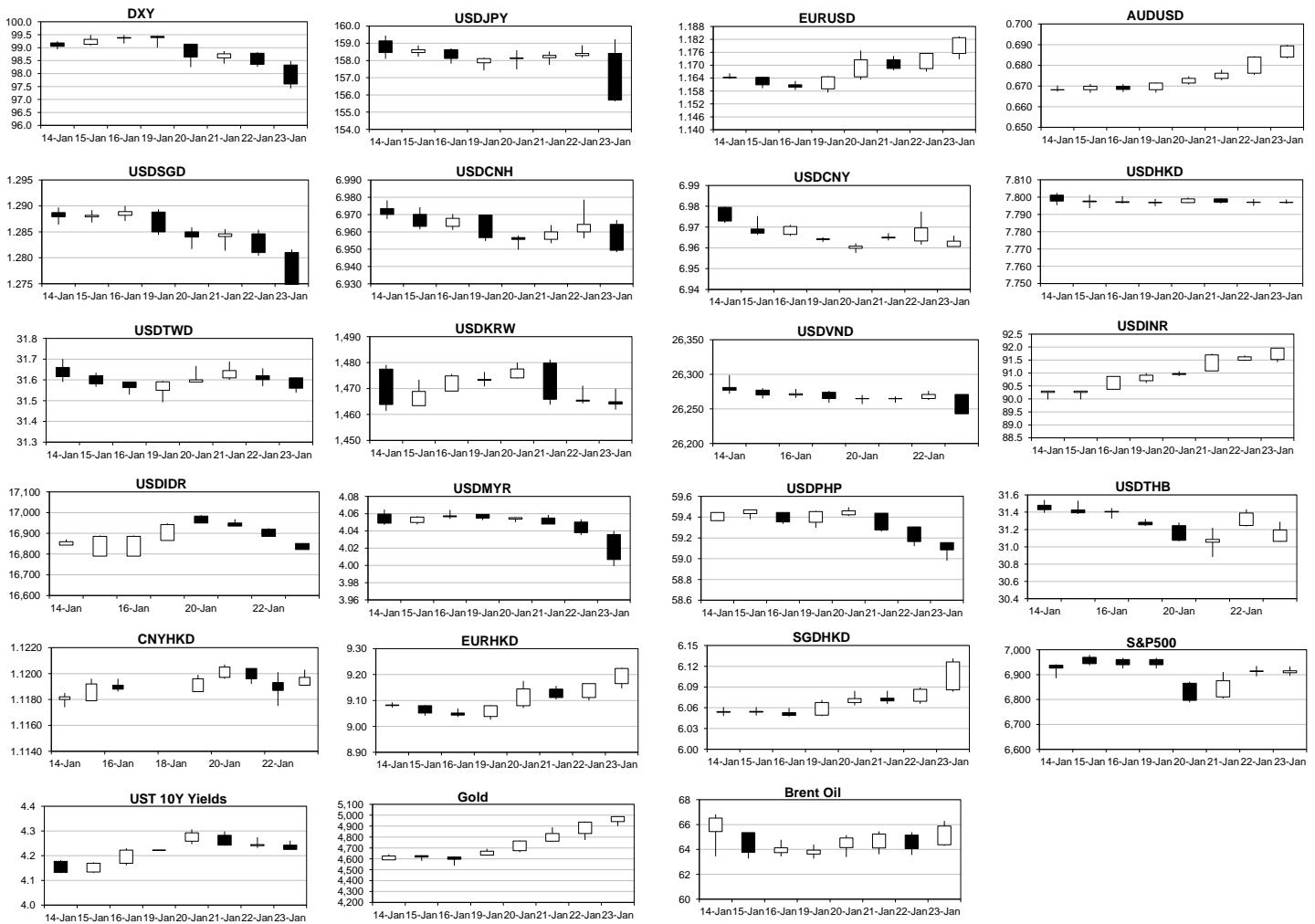
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,048.94	376.28	+2.97%
IRON ORE (CN)	105.87	-1.05	+0.21%
GOLD	4,987.49	51.47	+1.04%
SILVER	103.19	0.23	+4.56%
OIL (BRENT)	65.88	1.82	+2.84%
OIL (WTI)	61.07	1.71	+2.88%
NATURAL GAS	5.28	6.95	+7.22%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.06	184	▼1.15%
GBP/JPY	212.39	211.992	▼0.69%
JPY/SGD (100yen)	0.8175	0.8192	+1.11%
JPY/HKD (100yen)	5.0086	5.0234	+1.77%
CNH/JPY	22.428	22.285	▼1.28%
CNH/HKD	1.1197	1.1195	+0.09%
EUR/GBP	0.86682	0.86795	▼0.43%
AUD/NZD	1.1592	1.1599	+0.45%
EUR/CNH	8.2176	8.24	+0.37%
GBP/CNH	9.4825	9.4936	+0.84%
CNY/HKD	1.1197	1.1195	+0.09%
EUR/HKD	9.2236	9.243	+0.64%
SGD/HKD	6.1262	6.1321	+0.65%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5475	-4.59	▼0.08%
STI (SG)	4891.45	63.13	+1.31%
SHCOMP (CN)	4136.164	13.59	+0.33%
SZCOMP (CN)	2746.012	32.51	+1.20%
HSI (HK)	26749.51	119.55	+0.45%
SENSEX (IN)	81537.7	-769.67	▼0.94%
JSE (ID)	8951.01	-41.17	▼0.46%
KLSE (MY)	1719.99	2.85	+0.17%
PSE (PH)	6333.26	-65.34	▼1.02%
SET (TH)	1314.39	2.75	+0.21%
VNINDEX (VN)	1870.79	-0.01	▼0.63%

CHARTS



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