

# MARKET UPDATE

20/12/2022

## Japanese yen rallies to 4-month high on BoJ policy tweak, Asia FX slips

Most Asian currencies fell slightly on Tuesday as fears of a potential recession persisted, while the Japanese yen rallied past its peers after the Bank of Japan tweaked its ultra-dovish policy, drumming up hopes for an eventual pivot.

The yen jumped 2.7% to 133.14 - its strongest level against the dollar in four months. The currency surged after the BoJ widened the range within which it allows yields on its benchmark government bonds to fluctuate.

The move lends some credence to recent speculation that the central bank will tighten its ultra-dovish policy in the face of rising inflation in the country. But it maintained its benchmark rates at near-zero, while also holding its inflation target at 2% - nearly half of the actual inflation rate in the country.

Tuesday's move was far more hawkish than markets were expecting, and helped the yen recover further from a 30-year low hit in October. A stronger yen may bring some relief to the Japanese economy, which is struggling with high import costs driven by a tumble in the yen's value this year.

Broader Asian currencies retreated further against the dollar as the prospect of more hawkish central bank moves and a potential 2023 recession kept risk appetite soft. But while the dollar strengthened against most Asian currencies, strength in the yen, the euro, and the pound weighed on the dollar index and dollar index futures.

## The year that broke bitcoin

Bitcoin staggered into 2022. It ends the year slumped in an alleyway, robbed of its cocktail of cheap money, and leveraged bets, shunned by the establishment.

The preeminent cryptocurrency has lost 60% of its value, while the wider crypto market has shrunk by \$1.4 trillion, squashed by rising interest rates, vanishing risk appetite and corporate collapses including Sam Bankman-Fried's FTX.

Crypto funds have seen net inflows of \$498 million in 2022, versus \$9.1 billion in 2021, according to data from digital asset manager Coin Shares, reflecting how mainstream finance has steered clear of the market through its annus horribilis

## German producer prices rise less than expected in November

German producer prices rose in November but at a slower rate than forecast, adding to signs that high inflation could be waning in Europe's largest economy, according to data released on Tuesday.

Producer prices of industrial products rose 28.2% on the same month last year, the Federal Statistical Office reported, compared with analysts' expectations for the rate of increase to ease to 30.6%.

October's producer prices rose 34.5% year-on-year.

Compared with October 2022, prices fell 3.9%, which was below consensus for a drop of 2.5%.

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