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04-Jul-2025

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Economic Calendar

•Survey results from Bloomberg, as of 4 July 2025; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
07 Jul	EZ	Sentix Investor Confidence	Jul	1.0	0.2
	EZ	Retail Sales YoY	May	1.4%	2.3%
	JP	Coincident Index	May P	115.9	116.0
	JP	Leading Index CI	May P	105.2	104.2
	JP	Labor/Real Cash Earnings YoY	May	2.5%/-1.5%	2%/-2.0%
08 Jul	US	NY Fed 1-Yr Inflation Expectations	Jun	--	3.2%
	JP	BoP Current Account Balance	May	--	¥2258.0b
	JP	Eco Watchers Survey Outlook/Current SA	Jun	45.3/45.0	44.8/44.4
09 Jul	US	Wholesale Inventories MoM	May F	-0.3%	-0.3%
	JP	Machine Tool Orders YoY	Jun P	--	3.4%
	US	FOMC Meeting Minutes			
10 Jul	US	Initial Jobless Claims		--	233k
	JP	PPI YoY	Jun	2.9%	3.2%

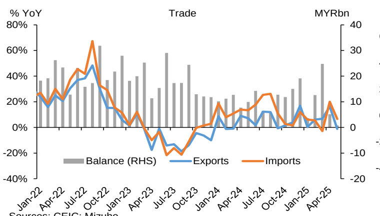
Asia

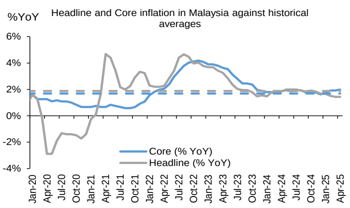
Date	Country	Event	Period	Survey*	Prior
07 Jul	AU	Job Advertisements MoM	Jun	--	-1.2%
	TH	Consumer Confidence Economic	Jun	--	48.1
	TH	CPI/ Core YoY	Jun	-0.1%/1.1%	-0.6%/1.1%
08 Jul	AU	RBA Cash Rate Target		3.60%	3.85%
	PH	**Unemployment Rate**	**May**	**--**	**4.1%**
	TW	**Exports/Imports YoY**	**Jun**	**27.0%/11.8%**	**38.6%/25.0%**
	TW	CPI/Core YoY	Jun	1.6%/--	1.6%/1.6%
	TW	PPI YoY	Jun	--	-4.3%
09-15 Jul	CH	Aggregate Financing CNY YTD	Jun	12745.6b	18630.7b
	CH	New Yuan Loans CNY YTD	Jun	22415.4b	10682.2b
09 Jul	CH	CPI/PPI YoY	Jun	0.0%/-3.2%	-0.1%/3.3%
	MY	BNM Overnight Policy Rate		2.75%	3.00%
10 July	KR	BOK Base Rate		2.50%	2.50%
11 Jul	MY	Manufacturing Sales Value YoY	May	--	4.8%
	MY	Industrial Production YoY	May	2.6%	2.7%

Week-in-brief: Asymmetry - Anything But Beautiful?

- As expected, attention this week has turned to progress on trade talks and the **One Big Beautiful Bill Act**. The latter which will be signed this Friday (4 July) by President Trump is a US$3.4 trillion fiscal package which cuts income taxes and expands tax deductions as well as implement some campaign pledges such as no taxes on tips and overtime.
- On the whole, the **uneven distribution of the budget towards the higher income groups** has been well noted. While the fiscal implications may be a concern, the increase in debt ceiling by US$5 trillion has diminished risk of any debt default in the near term. **Re-pricing fiscal risks via a steeper yield curve remains par for the course.**
- On the trade front, **US-Vietnam deal** in which US imports into Vietnam is exempted from all tariffs and Vietnam's exports to the US is subjected to 20% tariffs has **merely affirmed** the uneven deals which could come forth in the days ahead. The **asymmetric treatment** has led to VND underperformance with the SBV fixing at record low at the end of this week. It is important to note that the weak fixing allows more room for VND spot depreciation.
- That said, it is important to note their asymmetries in trade with US taking up 30% of Vietnam's exports while their share of Vietnam's import is less than 5%. As such, **US imports will hardly threaten Vietnam's industries while the damage will stem from dampened US demand**.
- Meanwhile, **in Japan, PM Ishiba** has said that **talks** on each of points (on trade) **are progressing** step by step which contrast with **Bessent** stating that Japan's upper house **elections are constraints on sealing a potential trade deal**.
- **Domestically**, 2025 Rengo wage talks resulting in **wage increase** of 5.25% alongside robust **household spending** in May adds some marginal support hike though the threat of **tariffs is clearly the overwhelming factor** weighing on growth at this juncture.
- As such, BoJ Governor Ueda has clearly signalled the need for more information before making a decision on monetary policy.
- **Looking ahead**, **countries may be receiving letters stating tariff levels even today** (4 July) from Donald Trump saying that "10 or 12 letters will be sent out on Friday" and by 9 July, they will be fully covered. Notably, by saying that countries will start paying on 1 August, the negotiation deadline essentially has been extended beyond July 9.
- Curiously, one should wonder **how these figures would differ from those announced during Liberation day** and would it include a lower rate in exchange for compliance with certain US demands.
- Even amid the fixation on trade negotiation, there will be several central bank meetings.
- The **RBA is likely to cut their policy rate by 25bp** on the back of benign inflation and softer economic activity. Governor Bullock is likely to take comfort in inflation's progress but continue to pushback against expectations of excessive easing.
- In Malaysia, **Bank Negara may be inclined towards a 25bp insurance cut** to pre-emptively lean against tariff led headwinds as front-loading effects begin to taper off in the months ahead and industrial production turns more modest in recent months.
- Meanwhile, the **BOK may opt for a calibrated pause** as housing price growth in Seoul incite fears of wider household debt sustainability concerns. Nonetheless, Governor Rhee will continue to lean dovishly especially as the manufacturing performance over Q2 thus far remain lacklustre.
- All in, while some letters may reach beautiful Penguins on Antarctic islands, the rest of us will have to brace for the volatility as countries scramble to respond to unsolicited letters and markets weigh US fiscal boost and tariff hit.

BNM: Insurance Cut?



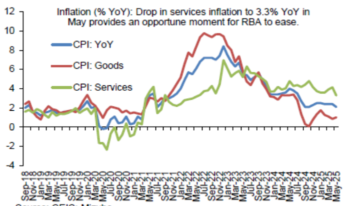


Sources: CEIC; Mizuho

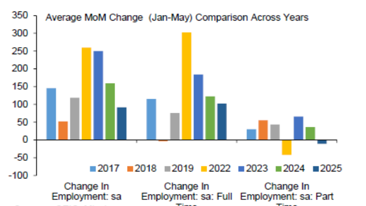
Source: CEIC; Mizuho

- **We attribute a 70% probability for BNM to proceed with an insurance 25bps cut** at the upcoming meeting (9 July). **BNM's policy stance had noticeably took a dovish turn** at the last meeting in May when the statement removed the characterisation of monetary policy stance as "remain[ing] supportive" of the economy and had noted that balance of risks to the growth outlook is tilted to the downside.
- Indeed, growth woes have heightened amid US trade antagonism given export sector constituting a relatively larger proportion of GDP (at 71.4% of GDP). Industrial production growth has been more modest relative to its own historical average and exports growth. The latter may be front loading and subject to fading in the months ahead.
- While we expect **inflation to move higher with the SST revision**, the targeted nature of the SST revision targeting discretionary goods (e.g. premium food items) and services (e.g. beauty services) could alleviate cost of living pressures. Overall, we estimate a 0.4-0.6ppt increase to the headline number on the SST revision starting in July. This would bump the headline number up to around or slightly above '16-'19 averages.
- However, **we see some risks for BNM preferring to hold** as the expansion of SST scope to include leasing and rental services may exacerbate Food Away from Home inflation, which has been seeing an average of 4.5% YoY increase YTD. In addition, RON95 subsidy rationalisation would add to price pressures, although we expect the earliest implementation date to be Q4. Furthermore, domestic spending ought to hold up amid buoyant consumer sentiment and supportive wage growth.
- All said, BNM have the conditions to remain on hold, but **we are inclined towards expecting a cut by the BNM to pre-empt external headwinds** especially as they remain as one of the last ASEAN-5 countries to maintain policy.

RBA: Removing Restrictiveness



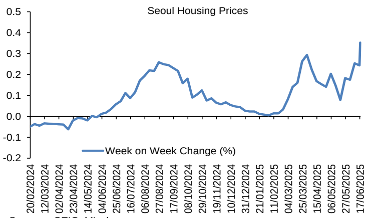
Source: CEIC; Mizuho



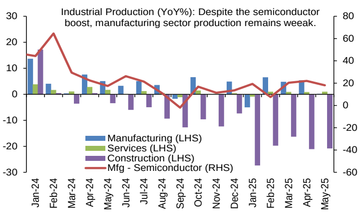
Sources: CEIC. Mizuho

- The **RBA is all but expected to cut by 25bps at their upcoming meeting** (8 July) as benign inflation paves the way for the RBA to hasten normalisation of monetary policy settings to respond to moderation in pace of employment gains.
- With headline and trimmed mean inflation in May at 2.1% YoY and 2.4% respectively well within the RBA's 2-3% target range, the benign backdrop aided by resilient AUD dampening imported inflation pressures provide sufficient grounds for further monetary policy normalisation. Markets are also pricing in near certainty of such a move with about 95% odds of a 25bp rate cut.
- Within the CPI basket, services inflation continues to edge lower albeit in a bumpy manner with May's print showing a decline to 3.3% YoY while goods inflation stayed well within pre-Covid trends aided by lower energy prices. Notably, it is the bumpy nature of services inflation which forms the base case for calibrated easing.
- Recovery in risks sentiments which buoyed the ASX alongside lower yields also imply easier financial conditions and its associated wealth effects may continue to backstop consumption, albeit in a skewed manner. Recent resurgence of property prices also imply that the RBA will remain cognisant of the unintended consequences from policy.
- All in, beyond the upcoming July cut, our base case is for another 25bp cut at the September (skipping over August meeting), contingent on averting of sharp adverse demand shock from reciprocal tariff situation.

BoK: Calibrated Pause



Sources: CEIC, Mizuho



Source: CEIC; Mizuho

- For the Bank of Korea's monetary policy decisions, we retain our call for calibrated easing. Given the 25bps cut in May, we expected the **BoK to hold at the upcoming 10 July meeting.**
- Clearly, this will just be a calibrated pause given that industrial production remains dismal since the last meeting. **Industrial production over April and May contracted 0.1% YoY which is also reflective of exports growth at 2.1% YoY in Q2**.
- While semiconductor production remain elevated, it has not accerated after the peak in Q1 and weakness in other segments such as electrical equipment and autos weighed.
- The construction sector also remains in the doldrums with industrial production in the sector contracting 21%YoY over the April-May period despite a recent run-up in property prices.
- Nonetheless, the **escalation in housing prices in Seoul** will keep the BoK cautious as household debt to GDP ratio accelerating imply broader macro financial stability concerns. We expect explicit mention of the property prices in Seoul within the monetary policy statement and this was also the case in August 2024 when they kept rates unchanged but proceeded to ease in the subsequent meeting when property prices stabilised.
- Meanwhile, with BoK Governor Rhee signalling that the **second supplementary fiscal package** add 0.2% points to growth, they may allow these effects to play out until their next meeting in August.
- On the inflation front, a slight acceleration of headline inflation in June to 2.2% in May is not cause for prolonged pause especially as core inflation remains hovering around 2% similar to that in May. Nonetheless, an opportune pause especially if policy makers are worried about the impact of universal cash handouts which is likely to be implemented in this month.
- On the tone of communication, we expect significant dovishness to signal a rate cut within the next three months especially with tariff talks are unlikely to yield significant real economic optimism.
- Consequently, KRW bulls are unlikely to be buoyed from this decision despite the sight of a pause.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	144.41	0.080	0.06%	143.00	~	147.00
EUR/USD	1.177	0.0048	0.41%	1.155	~	1.182
USD/SGD	1.2741	0.000	-0.02%	1.2680	~	1.2960
USD/THB	32.347	-0.265	-0.81%	32.20	~	33.00
USD/MYR	4.2235	-0.0073	-0.17%	4.200	~	4.290
USD/IDR	16185	-20	-0.12%	16,100	~	16,500
JPY/SGD	0.8822	-0.001	-0.09%	0.863	~	0.906
AUD/USD	0.6555	0.000	0.00%	0.645	~	0.663
USD/INR	85.40	-0.104	-0.12%	85.0	~	87.0
USD/PHP	56.426	-0.135	-0.24%	56.1	~	57.5

^Weekly change.

FX: Pounding - Part 2

- The **Greenback took another pounding this week, losing ground against most G10 peers aside from the SEK and the GBP.**
- The GBP has underperformed as fiscal worries took hold after Chancellor Reeves failed to embark on her reforms on welfare payments. The Prime Minister's backing may have stablised Reeves position but the deficit hole is far from being filled.
- The SEK weakness was exacerbated by weak retail sales which raises odds of a Riksbank cut.
- On the other end, CAD outperformed on Mark Carney's willingness to remove its 3% digital sales tax which facilitated trade deal discussion and Finance Minister floated possibility of avoiding baseline US tariffs. That said, such possibilities remain low even though their trade relations are indeed outsized.
- In the middle, JPY was more restrained as UST yields sold while the EUR fared better, though it fail to sustain above 1.18 as markets contemplates woes from a stronger EUR on the economy.

EM-Asia FX: Defiance

- In EM-Asia, most currencies only managed mild gains with **most of the outperformance accentuated by the defiance of the TWD and THB.**
- Amid the risk on mood, the TWD **defied prospects of CBC intervention** to chalk further gains with staggering inflows into equities of almost US$3billion.
- **Despite the political turmoil**, the THB gain this week alongside gold prices barring a temporal break in correlaton during the mid-week.
- To be clear, the rest of EM-Asia FX was largely muted with gains about 0%-0.2%.
- Unsurprising, the VND depreciated as the asymmetric deal hardly inspired.

Bond Yield (%)

4-Jul	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	3.880	13.2	4.346	6.9	Flattening
GER	1.804	-5.0	2.579	-0.8	Steepening
JPY	0.723	-1.8	1.421	-0.6	Steepening
SGD	1.653	-5.5	2.080	-11.9	Flattening
AUD	3.269	8.4	4.189	0.1	Flattening
GBP	3.812	-1.9	4.508	0.6	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	6,279.35	1.72
Nikkei (JP)	39,810.88	-0.85
EuroStoxx (EU)	5,302.62	-0.43
FTSE STI (SG)	4,009.81	1.10
JKSE (ID)	6,856.83	-0.59
PSEI (PH)	6,395.57	-0.20
KLCI (MY)	1,549.21	1.38
SET (TH)	1,121.17	3.58
SENSEX (IN)	83,125.05	-1.11
ASX (AU)	8,602.97	1.04

USTs: Rising Hopes, Concerns and Yields

- Admittedly, the bullish trend was upended by the optimism that came with the US ISM and NFP outperformance which led to a surge in UST yields across the curve.
- With the passage of OBBBA, fiscal concerns will imply that yields are likely to stay elevated while steepeners will also be considered. The latter's conviction though may not be utterly strong given the front loaded nature and needs of the OBBBA.
- For the week ahead, we expect 2Y yields to trade in the 3.80%-3.95% while 10Y yields to trade in the 4.30%-4.45% with upside bias.

<u>FX Brief:</u>

1) JPY: Relatively mild gains, largely sustaining buoyancy above mid-143 this week. The importance of the tariff deal as well as the resolution of auto tariffs will feature and may continue to buoy the pair above 143.

2) EUR: Ascended higher to test 1.18 this week but durability may be doubted especially as growth woes and trade talks come into the picture.

3) AUD: Despite a relatively weak retail sales and upcoming RBA cut, AUD managed to creep up towards the upper half of 66 cents perhaps reflecting marginal allure of its AAA ratings in a weak USD backdrop.

4) CNH: As expected, relative stability kept yet again. Potential for some mild gains in the week ahead should US exceptionalism be further dented by tariff letters.

5) INR: Rise in oil prices restrain INR gains. Buoyancy above 85 to be sustained as Apple allure fades.

6) SGD: As expected, there was sideways consolidation in the lower half of mid-1.27. Further rallies remain tough unless on the back of strong EUR gains which may elude for now.

7) IDR: Gains restrained by revelation of wider fiscal deficits. The worsening fiscal picture imply buoyancy above 16100.

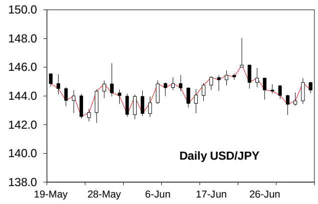
8) THB: Gold tailwinds aid gains despite PM suspension. That said, risk of political instability imply that rallies below 32.2 unlikely to be durable.

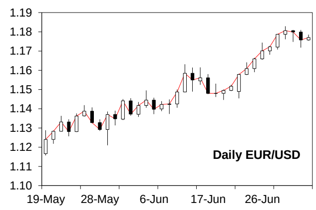
9) MYR: Relatively small gains as well and BNM joining in regional peers in easing will also imply that gains may not be as forthcoming relative to G10.

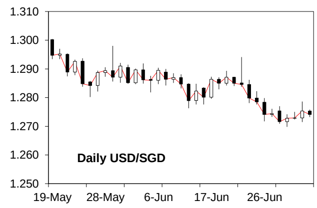
10) PHP: Restrained gains this week as the BSP Governor Remolona signals potential for more cuts. Higher oil prices will also dent PHP rallies especially if deals among regional peers dent earlier gains from liberation day tariffs.

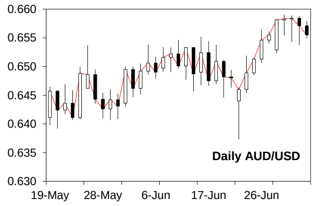
11) KRW: In contrast to TWD, KRW underperformed as industrial production was soft and CPI remain well managed. Looking ahead, KRW weakness is unlikely to reverse despite heading into a likely rate hold by the BoK.

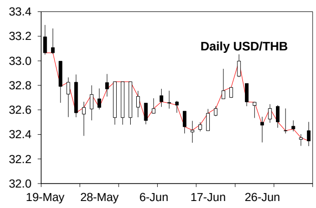
12) TWD: Inflows into equities continue to overwhelm despite CBC's intervention.

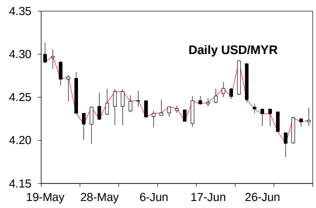


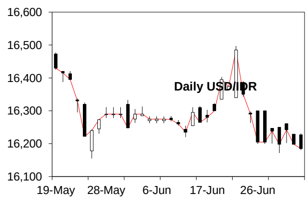


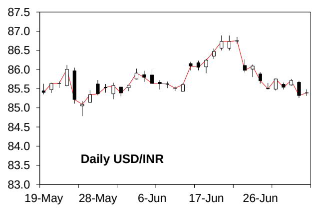


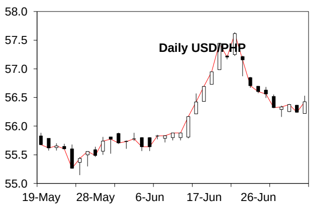


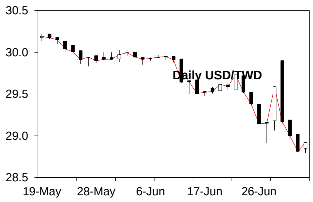


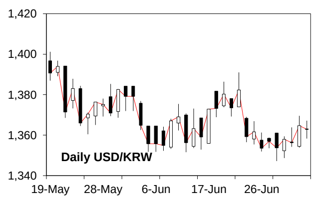


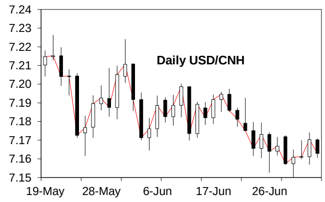












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