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17-Jan-2025

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Economic Calendar

•Survey results from Bloomberg, as of 17 January 2025; The lists are not exhaustive and only meant to highlight key data/even ts

G3

Date	Country	Event	Period	Survey*	Prior
20 Jan	JP	Core Machine Orders YoY	Nov	4.2%	5.6%
	JP	Tertiary Industry Index MoM	Nov	0.1%	0.3%
21 Jan	GE	ZEW Survey Expectations/Current	Jan	--	15.7/-93.1
22 Jan	US	Leading Index	Dec	-0.1%	0.3%
23 Jan	US	Initial Jobless Claims		--	217k
	EZ	**Consumer Confidence**	**Jan P**	**-14.3**	**-14.5**
	JP	Trade Balance	Dec	-¥43.4b	-¥110.3b
	US	Kansas City Fed Mfg. Activity	Jan	--	-4
				--	
24 Jan	US	Existing Home Sales	Dec	4.20m	4.15m
		PMI Mfg/Services (US, EZ, JP)	Jan P	--	--
	JP	**Natl CPI/Ex Fresh Food, Energy YoY**	**Dec**	**3.4%/2.4%**	**2.9%/2.4%**
	JP	**BoJ Target Rate**		**0.50%**	**0.25%**

Asia

Date	Country	Event	Period	Survey*	Prior
17-18 Jan	CH	FDI YTD YoY CNY	Dec	--	-27.9%
20 Jan	CH	1/5Y Loan Prime Rate		3.10%/3.60%	3.10%/3.60%
	MY	Exports/Imports YoY	Dec	9.0%/5.5%	4.1%/1.6%
	PH	BoP Overall	Dec	--	-$2276m
21 Jan	KR	Exports/Imports 20 Days YoY	Jan	--	6.8%/7.5%
	KR	PPI YoY	Dec	--	1.4%
22 Jan	**MY**	**BNM Overnight Policy Rate**		**3.00%**	**3.00%**
	MY	**CPI YoY**	**Dec**	**1.8%**	**1.8%**
	TW	**Unemployment Rate**	**Dec**	**3.4%**	**3.4%**
23 Jan	**SG**	**CPI/Core YoY**	**Dec**	**1.5%/1.6%**	**1.6%/1.9%**
	KR	**GDP YoY/SA QoQ**	**4Q A**	**1.5%/0.2%**	**1.5%/0.1%**
	TW	Industrial Production YoY	Dec	--	10.3%
24 Jan	SG	Industrial Production YoY	Dec	4.9%	8.5%
	PH	Exports/Imports YoY	Dec	2.3%/5.5%	-8.7%/-4.9%
	TW	**GDP/Annual YoY**	**4Q A/2024**	**4.3%/1.6%**	**4.2%/1.4%**
	SG	**MAS Monetary Policy Statement**			

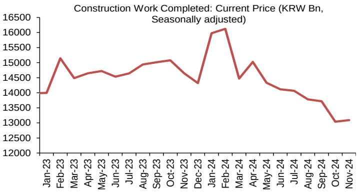
Week-in-brief: Navigating Surprises

- The week started off on softer risk sentiments at the prospects of hawkish Fed impulses after the prior week's NFP surge. While **softer-than-expected CPI print provided some reprieve, sentiments still remained on cautious footing**, with January MTD gains in equities lagging the corresponding post-CPI rallies. The **wariness was accentuated by geopolitics**, with Brent Crude buoyant above $80/bbl on Russian sanctions with the Israel-Hamas cease-fire provided only limited relief. Canada's warnings of "tit-for-tat" tariffs if Trump imposes levies also serve a reminder that targeted countries may go on the offensive.
- In Asia, Bank Indonesia and Bank of Korea surprised markets as ongoing external and/or domestic developments saw some shifts in policy calculus. **Bank Indonesia proceeded with a surprise cut**, as risks tilted towards growth concerns. But this is not to be misconstrued as unfettered easing cycle, as further cuts will still be conditional on relative rupiah stability. Meanwhile, **Bank of Korea left policy rate unchanged, defying expectations of a cut**. Even as the BoK alluded to FX volatility as a reason behind their hold, their surprise hold is very much **a skip rather than a prolong pause** as all six members of their policy committee were open to another cut in the next 6 months on top of the revelation that there was one dissenter against the hold. Governor Rhee has unequivocally said that Korea is in a rate cutting cycle and KRW gave up its gains from the initial shock of the surprise hold.
- Next week, **BoJ arguably has a higher bar to meet to avoid disappointing markets** after expectations of a hike hardens (corresponding with a ~2.0% ascent on the JPY). **BNM is set to be on another hold** amid supportive growth and stable inflation. **MAS is also expected to be maintain policy settings given growth outrun** while dis-inflation has not provided a compelling case to ease at this juncture.
- **Taiwan Q4 GDP is expected to moderate** on high base effects as growth remains powered by semiconductor push, coupled with resilience services and supportive construction/real estate activity.
- **Korea Q4 GDP should also moderate in part due to high base effects as well**. But slowing external demand and services activity alongside unresolved construction sector woes should give credence to BoK's stance that they are in an easing cycle.
- All said, it was an eventful week. And Trump's inauguration on Monday would be closely watched for any hints of surprises in Trump 2.0 policies.

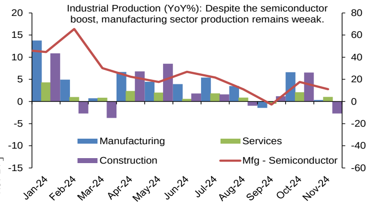
The BoJ Painted into a Corner

- **Growing (bordering on overt) willingness by the BoJ to hike in January** (at next week's meeting) does not distract from the fact that the **BoJ is painted into a (hawkish) corner**.
- First **and foremost, in terms of the** *expected policy action* – a rate hike – and the ***accompanying "policy speak"*** that frames the hike.
- And crucially, and ***perhaps most problematically*** for the BoJ, **on policy guidance**.
- The **first order risk** is that the **BoJ now cannot afford to disappoint markets strident hike expectations**, as the **resultant volatility threatens is undesirable**, *potentially even destabilizing.*
- The associated **stakes are higher given JPY surge** , marked by JPY out-performance – **has built up on** rate hike/hawkish BoJ expectations.
- The critical corollary being, **if the BoJ disappoints markets expectations of a hike next week**, a **sharp JPY sell-off** could be **a significant risk**.
- But the **follow-up, "shifting goalpost" risk** that is harder-to-tame is that markets quickly ramp up on hawkish expectation in the "what next?" style.
- ***The attendant threat then is that*** the **JPY could still wobble if the BoJ delivers a "dovish hike"**, where it waters down the prospects of sustained tightening.
- Potentially accentuating this threat may be unhelpful benchmarking against the Fed and other G4 central bank rates.
- This is **highly undesirable** for the BoJ, which has to grapple with being *held ransom by markets whilst facing sharp policy trade-offs* with debilitating economic consequences.
- Unfortunately, fleeting and shallow *relief from soft spots in US inflation data offer little redemption from the unforgiving juxtaposition of Trump 2.0 (tariff) threats and a Fed dialing back on easing bias.*
- And so, aggressive, **high-conviction long-JPY bets may as such fall short** as **nimble, opportunistic JPY plays rule**.

Korea Q4 GDP: Unconstructive



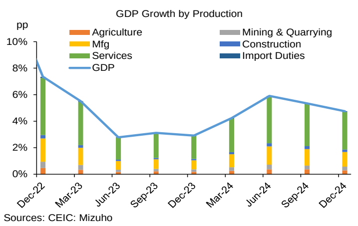
Sources:CEIC, Mizuho



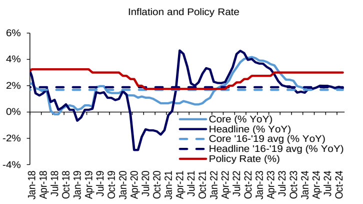
Source: CEIC; Mizuho

- For Q4 2024, we expected a slight sequential bump up in quarterly growth momentum to 0.2% QoQ from Q3's dismal 0.1%. That said, given high base effects, **YoY growth in Q4 may find it to be exceed Q3's 1.5%.**
- Growth in external demand has clearly moderated as Q4 exports slow to 4.2% from Q3's 10.6% even though levels of semi-conductor related production remains at a high level.
- That said, in the months ahead, we are cognisant of the effects of China frontloading imports ahead of plausible US tariffs on China.
- Services activity has also moderated with real retail sales contracting on a year ago basis reflecting **stretched consumer wallets which is congruent with deteriorating consumer sentiments**.
- Furthermore, **public spending is a key wild card and likely to have contracted amid the political debacle in December.**
- Construction sector woes also remain unresolved as activity completion remains week plunging to new lows in the first two months of Q4 reflecting the reported financial issues from mid-size builders.
- All in, this weak GDP print will support the **BoK's stance that they are in an easing cycle and for the BoK to resume rate cuts at their next meeting**.

BNM: Stable



Sources: CEIC: Mizuho

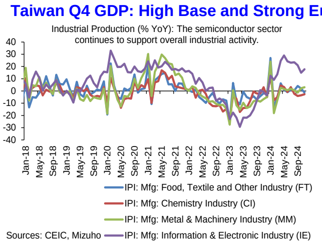


Source: CEIC; Mizuho

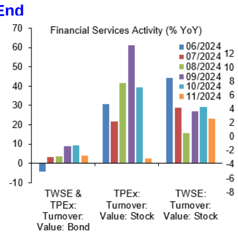
- In contrast to swings in rate cut expectations in G3 economies and surprise rate decisions in Asia, things should be stable here with **BNM**, as the central bank **looks on course for another hold**.
- **The Malaysia economy is in a "sweet spot",** as characterised by BNM Governor prior the GDP release. This was corroborated by Q4 advance GDP estimate, which registered 4.5% YoY growth (Q3: 5.3%), bringing annual 2024 growth to 5.1% (2023: 3.6%), which is around the mid-point of BNM's 4.8-5.3% forecast range. The moderation was in part due to base effects, with supported manufacturing, services and construction activity offsetting a moderation in agriculture output (amid bad weather) and contracting mining activity.
- Looking ahead, growth is expected to hold up on continued manufacturing tailwinds (albeit could moderate on base effects), while consumer spending remains supported.
- Meanwhile, **inflation remains stable with upside risks in 2025 rather managed**. Admittedly, upside risks are present on the back of a) expansion of scope of services tax from May (although details on affected goods/services await), b) RON95 subsidy rationalisation (expected to be implemented in mid-2025) and c) increases to minimum wages and rollout of progressive wage system. However, given the momentum of price increase in 2024 considering similar development 2024*, we expect upside risks to be moderate.
- All in, BNM is expected to be on a prolonged hold. But volatility surrounding MYR is still expected as on external drivers (e.g. Fed rate cut expectations), direct/indirect impact from Trump 2.0 tariffs and China stimulus push.
- Regardless, BNM's steadfast stance to focus on macrofundamentals for policy calculus, resilient growth and stable inflation could mean continued relative outperformance for the MYR.

*Budget 2024 expanded the scope of Sales and Services Tax and the diesel subsidy rationalisation was rolled out in May 2024. Inflation in 2024 also remained relatively stable despite robust wage growth (as proxied by increase in formal sector wages) .

Taiwan Q4 GDP: High Base and Strong End



Sources: CEIC, Mizuho



Source: CEIC; Mizuho

- While we expect Taiwan's Q4 GDP to **end on a high note, high base effects imply that it is evitable to see growth slow on a year ago basis from the 4.2% in Q3.**
- Specifically, we expect sequential growth moment to rise higher from the 0.2% QoQ in Q3 to which implies that growth will likely hit above the 2% mark for Q4 which is admittedly on the higher end among consensus estimates.
- First, the manufacturing sector will still be a key growth driver as **semiconductor sector's output levels continue to rise** while the metal and machinery industry maintain healthy growth. Exports also
- Second, the services sector is likely to hold up even as Typhoon Krathon disrupted activity in October. Specifically, **retail trade and food and beverage services saw a dip in October before recovering in November** which enjoyed a further lift from baseball related consumption.
- **Surging tourist arrivals** into the year end even on a year ago basis also bodes well for the accommodation and food services as well as the recreation and entertainment sectors.
- Meanwhile, the financial services sector growth may have moderated but remain at a high level with turnover at various exchanges still robust.
- Third, while the construction and real estate sector activity may have mellowed slightly as prices in Taipei stabilize and growth in outstanding housing loans slow, they are likely to remain supportive to aggregate growth.
- All in, an above 4% growth for 2024 in Taiwan is a welcomed one after the dismal 1.4% in 2023 though the semiconductor led boost also keeps us watchful on any global downturn in capital spending in 2025.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	155.61	-2.120	-1.34%	152.00	~	159.00
EUR/USD	1.0288	0.0044	0.43%	1.020	~	1.040
USD/SGD	1.3667	-0.005	-0.35%	1.3550	~	1.3820
USD/THB	34.438	-0.142	-0.41%	34.10	~	35.00
USD/MYR	4.5035	0.006	0.13%	4.460	~	4.540
USD/IDR	16365	180	1.11%	16,200	~	16,500
JPY/SGD	0.8783	0.009	0.99%	0.852	~	0.909
AUD/USD	0.6211	0.006	1.04%	0.610	~	0.630
USD/INR	86.61	0.639	0.74%	86.0	~	87.0
USD/PHP	58.615	0.259	0.44%	58.0	~	59.0

^Weekly change.

FX: Lofty Expectations and Falling Short

- In the G10 space, JPY led gains this week on hawkish comments from BoJ officials as well as Governor Ueda which sets the stage for possible rate hike next week. Given lofty expectations, the risk for JPY bulls grows should the BoJ fall short in providing firmer guidance on the path ahead.
- Commodities currencies such as the NOK have also enjoyed some tailwinds from higher Brent crude prices. The AUD buoyed above 62 cents as the jobs report point to a buoyed labour market to par back bets for RBA cut in February.
- EUR remain in the middle of the pack as ECB minutes suggest more cuts and Germany's economic woes restrain. GBP could not muster much as **UK growth came in less than expected** in November.

EM-Asia: Not So Surprising Surprise?

- While the Bank of Korea's rate hold and Bank Indonesia's rate cut surprised markets, the FX reactions are hardly out of the norm.
- The IDR led losses this week after the rate cut as markets ponder the central bank's balance between growth and stability. Meanwhile the KRW led regional as it was enabled to ride onto gains from the broad USD softening even though the KRW's initial gain from the hold was erased after the Governor Rhee signal their on-going rate cut cycle.
- INR has also softened amid equity outflows and RBI signalling openess to rupee flexibility.

Bond Yield (%)

17-Jan	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.228	-15.1	4.599	-16.0	Flattening
GER	2.203	-7.3	2.523	-6.8	Steepening
JPY	0.673	4.1	1.189	0.4	Flattening
SGD	2.827	-1.9	2.944	-5.6	Flattening
AUD	3.920	1.2	4.495	0.1	Flattening
GBP	4.318	-20.6	4.630	-20.5	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,937.34	1.89
Nikkei (JP)	38,451.46	-1.89
EuroStoxx (EU)	5,106.93	2.61
FTSE STI (SG)	3,807.89	0.17
JKSE (ID)	7,149.42	0.85
PSEI (PH)	6,352.12	-2.22
KLCI (MY)	1,564.67	-2.36
SET (TH)	1,348.08	-1.46
SENSEX (IN)	76,609.06	-0.99
ASX (AU)	8,310.38	0.20

USTs: Steepening Bias

- UST yields pared gains from the jump following a surge in NFP print last Friday, as a softer-than-expected core CPI print mid-week led a ~10bps drop across the curve.
- While front-end yields should be more stable in the coming week on relatively quiet US data calendar, there is a downside bias insofar as markets' pricing appears more hawkish than the Fed.
- Meanwhile, Trump inauguration could see more volatility on the longer-end as there could be developments on US fiscal front on appointment of candidates in key positions.
- In particular, Treasury Secretary nominee Bessent's professed commitment to fix US budget deficit blowup will be tested given some conflict with his other goal of 3% US growth.
- All said, we expect 2Y yields to trade in the 4.10-4.35% range while the 10Y trade in the 4.5-4.7% range, with a steepening bias.

FX Brief:

1) JPY: Outperformance on the back of markets pricing in a BoJ hike next week. Looking ahead, the risk for JPY bulls is that Governor Ueda may not provide the hawkish guidance which they may be looking forward to.

2) EUR: Restrained performance even as UST yields declined as Trump 2.0 uncertainty weighs.

3) AUD: Strong jobs report aided buoyancy above 62 cents. Volatility ahead as Trump 2.0 collides with BoJ/JPY spillovers and carry risks.

4) CNH: Mild gains on the back of softer UST yields. Macro performance unable to incite optimism but speak to need for continued sitmulus.

5) INR: Could drift higher to 87 levels as RBI Governor Malhotra have shown willingness to allow the INR to move more freely in tandem with peers in the region.

6) SGD: Likely to continue performing in the middle of the pack amid lack of tangible boost from CNH (despite GDP outrun) and middling performance by EUR.

7) IDR: BI ought to be exercising vigilance on IDR above 16,400 following surprise cut, backstopping excessive IDR weakness.

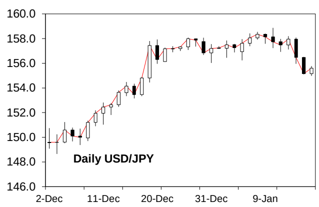
8) THB: Middle of the pack performance this week. Looking ahead, some risks of easing bets may simmer as regional peers buckle.

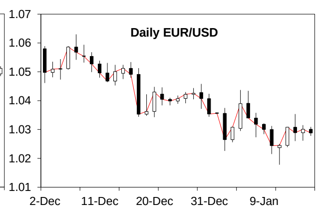
9) MYR: Continued decline in UST yields could lend durability under 4.50 levels.

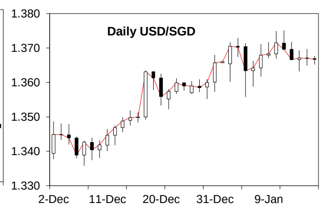
10) PHP: Ought to remain under 59 levels as FX moves hint of BSP's interventions.

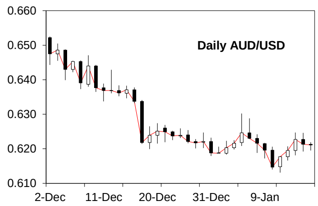
11) KRW: Outperformed amid the rate hold and semblance of political stability resumed. Trade woes under Trump 2.0 to come under scrutiny. Buoyancy above 1440 expected while testing of 1480 cannot be ruled out on Trump threats.

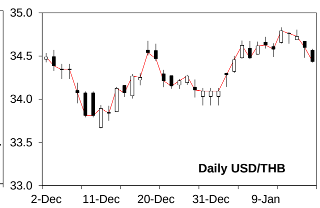
12) TWD: Mild gains amid the broadly softer USD speaks to worries ahead of Trump 2.0 as trade and defense set to become hot topics. Trading in the 32.8-33.1 range with upside bias.

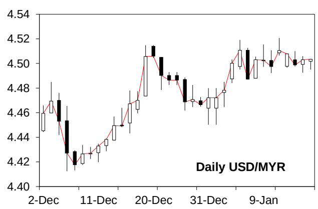


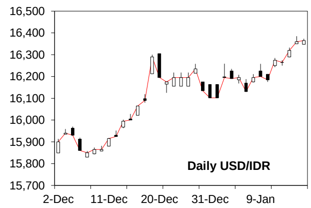


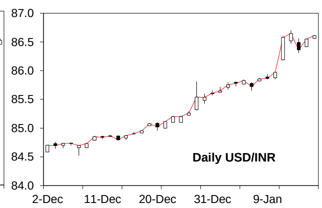


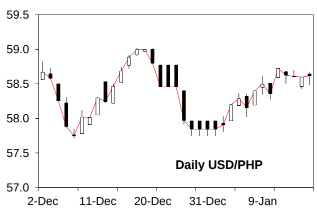


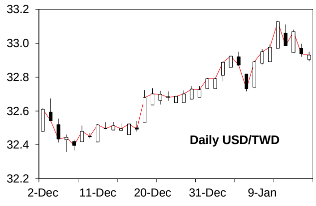


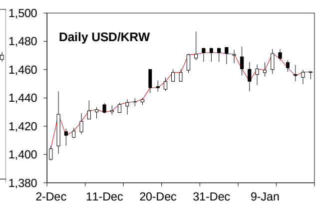


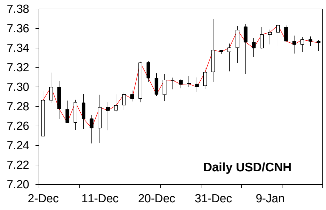












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