

Economic Calendar

Date	Country	Event	Period	Survey*	Prior
04 Mar	EZ	Sentix Investor Confidence	Mar	--	-12.9
05 Mar	US	ISM Services Index/Prices Paid	Feb	52.9/-	53.4/64.0
	EZ	PPI YoY	Jan	-8.1%	-10.6%
06 Mar	US	JOLTS Job Openings	Jan	--	9026k
	US	ADP Employment Change	Feb	150k	107k
	EZ	Retail Sales MoM	Jan	0.0%	-1.1%
	US	Federal Reserve Releases Beige Book			
07 Mar	US	Trade Balance	Jan	-\$61.5b	-\$62.2b
	US	Initial Jobless/Continuing Claims		-/-	215k/1905k
	EZ	ECB Main Refinancing Rate		4.50%	4.50%
	JP	Labor/Real Cash Earnings YoY	Jan	1.3%/-1.4%	0.8%/-2.1%
08 Mar	US	Change in Nonfarm Payrolls	Feb	190k	353k
	US	Unemployment Rate	Feb	3.7%	3.7%
	EZ	GDP SA YoY/SA QoQ	4Q F	0.1%/0.0%	0.1%/0.0%
	JP	BoP Current Account Adjusted	Jan	¥2074.4b	¥1810.0b
	JP	Coincident Index/Leading Index CI	Jan P	110.2/109.7	115.9/110.2
	JP	Eco Watchers Survey Current/Outlook SA	Feb	50.5/52.2	50.2/52.5

Week-in-brief: Taylor's Triggers and Targets

- No Swifties, this is about John Taylor's rule in which **Growth and Inflation are weighted inputs** into deciding the policy rate. Notably, Fed's Daly said last week that **"we want to avoid holding on all the way down to 2%",** putting policy very tight and cause an unnecessary downturn. With headline and core PCE printing at 2.4% and 2.8% respectively last week, it is natural to wonder about at which point above 2% will the cut take place or is it about the number of consecutive months of dis-inflation?

- Yet perhaps, it is increasingly likely that growth may end up tilting the scales for a rate cut even if growth does not show evident signs of buckling yet. That said, the **dismal US ISM manufacturing and downwardly revised consumer sentiments last week signal caution.**

- Furthermore, once a rate cut begins, it **may be hard to push back against bets for continuous cuts.** A **methodical approach favoured by Boston Fed's Susan Collins** raises the question of "Do we continue to cut if inflation remains sticky but just hovering above 2%, assuming that the FOMC avoids holding all the way down. Towards the end of last week, on a deluge of dovish Fed speak which touched on slower Quantitative Tightening and labelling Jan inflation as noise, **US equities were buoyed and UST yields was sent lower.**

- This week's the headline event in the G3 will be the **ECB's decision on Thursday.**

- Given that a **rate hold by the ECB is widely expected, the macroeconomic forecasts** portraying the **trajectory of inflation back towards target** after last Friday's upside surprise CPI print and **Lagarde's press conference will be the main focus.**

- Nonetheless, across the Atlantic, the focus switches back to **growth in the US, after all, it may end up being the factor to pull the rate cut trigger.** ISM services on Tuesday will reveal services health after the dismal ISM manufacturing performance last Friday.

- Labour market resilient will be put into question this week with job openings on Tuesday and non-farm payrolls on Friday. Growth fears might be bad to lure UST bears, though equities bull might prove harder to tackle necessitating a **decline in job openings aligning with outright payroll contraction.**

- In Japan, labour earnings release might get upsized importance after BoJ Governor Ueda stressed that **the price target remains not in sight** as wage data serves as key indicator

- In EM-Asia, the **BNM is set to hold policy rates at 3.0%** on Thursday as headline inflation remains benign. Despite the weak Q4 growth in Malaysia, the **BNN will have to keep policy stance at what is characterised as accommodative.** This hold is in view of pipeline inflation risks from higher services taxes and their pilot schemes to raise wages.

- In Thailand, **headline deflation for February is likely to persist** but **core inflation has instead become a 'target'** given headline CPI's distortion from administrative measures.

- As such, **deflation remains no cause for the BoT to ease** with the Governor re-iterating that rate cuts are no panacea for the economy's structural woes.

- That said, it **may trigger another episode of PM-Bot dissonance upsetting the THB.**

- Down Under, with Jan CPI printing below expectations, **Australia Q4 GDP growth is set to slow** from Q3's 2.1%. Downside risks on growth is likely to end hawkish tendencies from the RBA and diminish hope of sustained AUD recoveries.

- All in, **recessionary fears may be the trigger this week to check risk sentiments as extended OPEC+ cuts keep us pondering about meeting inflation targets.**

ECB: Summer Heat?

- While it is still winter in Europe, the ECB is locked in for a **rate hold on 7 March** and **faces summer heat with overnight swaps pricing in a 65% chance of a 25bp cut in June.**

- Under the heat of poor growth and a Feb upside inflation surprise, **communications have become a disparate affair.**

- Bundesbank's Nagel while saying that **it is fatal to cut rates too early** has earmarked next week's forecast as important milestone refraining from specific dates. On the other hand, ECB's Kazmir favour **June as a first cut** while April is a surprise and March is a no-go. Simkus struck a similar tone.

- The premise of a June cut is invariably centered on April's wage negotiation outcomes amid wage-price spiral fears with **Q1 wage data being revealed during the ECB's June meet.**

- As such, even if March EZ CPI output signals further dis-inflation, it will **affirm a June cut** rather than outrightly move forward the cut to April given the **lack of wage data visibility.**

- Nonetheless, the odds may be that a spring surprise in April cannot be ruled out **given the fragmented growth prospects in the EZ pointing to downside risks on growth.**

Philippines: PHP Outperformance Puzzle

- Curiously, the **PHP has outperformed regional currencies,** weakening by ~1.5% against the greenback YTD, compared to IDR (-1.8%), MYR (-3.5%), THB (-5.2%) and even the SGD (-1.7%).

- While **BSP's relatively hawkish stance** could provide some support, it is **unlikely to be the underlying key reason** given that **inflationary pressures have moderated materially** in the latest two prints.

- **Philippines' worsening trade balance** (with moderating to stable remittances growth) could also add pressure to the PHP, but Malaysia, Indonesia and Thailand have seen a material narrowing in goods balance surplus in Q4. This may thus be insufficient to explain the PHP outperformance.

- In our view, PHP's relative outperformance could be in part attributed to **political turmoil having not translated to material risks on economic direction/policy** in Philippines, resulting in a lower political risk premium for the currency.

- To be fair, Philippines has had a fair share of political issues, as the Duterte-Marcos alliance fissures and a proposal of a charter change to lift constitutional restrictions on foreign ownership of public utilities, educational institutions and advertising firms to spur economic development.

- But **likelihood of political-induced economic spillovers matter.** The Senate's 23 Jan rejection of the chart change proposal and street protests against the constitution amendment give **little conviction that the bill will be passed through.** Contrast that with Thailand, with concerns of fiscal slippages and tense relationships between BoT and PM; Malaysia, with fiscal consolidation measures questioning the amount of political capital required of PM Anwar; and Indonesia, with some uncertainties on fiscal impact from Prabowo's campaign pledges and the impact of internal cabinet rifts.

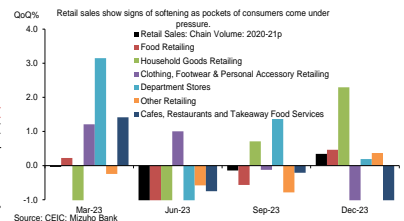
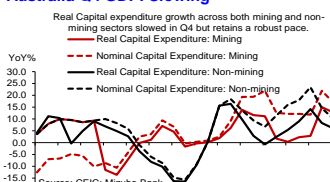
- Nonetheless, a PHP trading on lower political risk premium could also mean that the runway of further weakness should odds of a constitution amendment change materially would be outsized.



*Survey results from Bloomberg, as of 1 Mar 2024; The lists are not exhaustive and only meant to highlight key data/events

Asia					Yellow highlight indicate actual data				
Date	Country	Event	Period	Survey*	Prior				
04 Mar	AU	Building Approvals MoM	Jan	-1.0%	-9.5%				
	KR	Industrial Production YoY	Jan	12.9%	6.2%				
05 Mar	CH	Caixin China PMI Services	Feb	52.9	52.7				
	CH	National People's Congress Begins							
	SG	Retail Sales/Ex Auto YoY	Jan	7.1%/-	-0.4%/-2.7%				
	AU	BoP Current Account Balance	4Q	-\$5.0b	-\$A0.2b				
	KR	GDP/Annual YoY	4Q/2023 F	2.2%/1.4%	2.2%/1.4%				
	PH	CPI YoY 2018=100	Feb	3.1%	2.8%				
	TH	CPI/Core YoY	Feb	-0.8%/0.5%	-1.1%/0.5%				
06 Mar	AU	GDP YoY	4Q	1.4%	2.1%				
	KR	CPI/Ex Food and Energy YoY	Feb	3.0%/2.5%	2.8%/2.5%				
07 Mar	CH	Exports/Imports YTD YoY	Feb	3.0%/1.5%	--				
	AU	Trade Balance	Jan	A\$11500m	A\$10959m				
	MY	BNM Overnight Policy Rate		3.00%	3.00%				
	TW	CPI/Core YoY	Feb	2.6%/-	1.8%/1.6%				
	TW	PPI YoY	Feb	--	-0.5%				
08 Mar	KR	BoP Current Account Balance	Jan	--	\$7414.6m				
	PH	Unemployment Rate	Jan	--	3.1%				
	TW	Exports/Imports YoY	Feb	1.6%/-2.5%	18.1%/19.0%				
09 Mar	CH	CPI/PPI YoY	Feb	0.2%/-2.6%	-0.8%/-2.5%				

Australia Q4 GDP: Slowing



- We expect Australia Q4 GDP to be **slow from Q3's GDP print of 2.1%** to around 1.4% with **seasonally adjusted sequential momentum growth maintained at a similar pace of 0.2% to Q3.**

- Nonetheless, we expect **significant downside risks of the QoQ SA print ending up a contraction** joining the likes of Germany, Japan, Malaysia and Thailand.

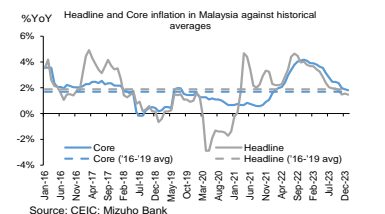
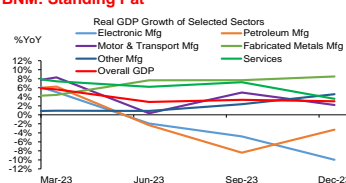
- First, **real retail sales volumes continue to expand** in Q4 2024 from Q3, albeit at a small **0.3% QoQ** on a seasonally adjusted basis. While food retailing, household goods saw robust demand, drags came from **lower spending for clothing and footwear and cafes and restaurant services continue to post questions on the slowing of the services sector.**

- Furthermore, **retail sales volumes are still 1.2% lower** than a year ago, though still an improvement from Q3's -1.8% YoY. The relative **weakness should not be surprising given the household savings buffer erosion and fading of pentup demand.**

- Second, **real capital expenditure** from both mining and non-mining sectors continued to grow, albeit at a slower pace will be supportive of growth. Meanwhile, construction sector growth as value of work done saw a mild 0.6% QoQ expansion.

- Third, **after the Q3 slump, external demand for commodities picked up boosting exports of iron ore, coal and metals in Q4.** Consequently, **overall net exports will be supportive of growth** as goods import expenditure stayed flat. All in, while there are underlying sectors of growth, slowing household spending and diminished savings is to be watched for in this release.

BNM: Standing Pat



*Other Mfg includes all other subsegments excluding the subsegments listed separately in the chart (i.e. electronics, petroleum, motor & transport and fabricated metals).

Source: CEIC; Mizuho Bank

- We expect BNM to stand pat at the upcoming policy meeting (7 Mar).

- Despite **growth headwinds** in the year ahead, we think that the **2023 missed growth target** (3.7% vs BNM 4% target) is **unlikely to warrant a cut** as the outlook is not that dreary. While electronics and petroleum manufacturing (accounting for ~21% and ~11% of total manufacturing output), have been contracting, other subsegments of manufacturing appears to be holding up and expanding.

- Despite our view that electronics cycle recovery would be modest and subject to fits and starts in coming quarters, services should still support growth on the return of more tourists.

- **Outlook for inflation calls for restraint on an easing bias.** While inflation remains benign at 1.5% in January, policy measures are expected to induce a material step-up to headline inflation in the coming quarters. The **increase in services tax (in March), progressive wage model to be piloted in Jun, and targeted fuel subsidies in 2H'24 risk leading to second-round effects of price increases.**

- Furthermore, **BNM would be wary of a weaker MYR fuelling price pressures** via the import channel. MYR has been battered in 2024 amid low real rate differentials vis-a-vis the USTs, whispers hinting at political instability, and a marginal current account surplus as goods balance narrowed and investment income outflows accelerated. A rate cut could very well add to MYR depreciation pressures.

- As for a tighter policy, the bar for BNM to hike rates on **currency stability concerns** (while not off the table) would be a high one. Policy statements have consistently cited inflation and growth worries as key considerations.

- With relatively controlled inflation and growth still weak, a rate hike on FX stability could come off as a material change to BNM's policy parameters and risk denting the BNM's credibility.

- While BNM opined that the MYR was "undervalued", they are likely to continue to view strengthening macrofundamentals as a more durable support for MYR, with officials step up engagements with government-linked investment companies, government-linked companies, corporations and investors to encourage continuous FX inflows to ride out the bout of weakness.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast	
USD/JPY	150.12	-0.390	-0.26%	147.80	~ 151.50
EUR/USD	1.0837	0.0016	0.15%	1.074	~ 1.090
USD/SGD	1.3439	0.001	0.04%	1.3350	~ 1.3490
USD/THB	35.945	-0.167	-0.46%	35.60	~ 36.30
USD/MYR	4.746	-0.031	-0.66%	4.730	~ 4.790
USD/IDR	15700	105	0.67%	15,550	~ 15,750
JPY/SGD	0.895	0.003	0.28%	0.881	~ 0.913
AUD/USD	0.6527	-0.004	-0.53%	0.645	~ 0.670
USD/INR	82.91	-0.045	-0.05%	82.7	~ 83.4
USD/PHP	56.026	0.111	0.20%	55.7	~ 56.4

- ^Weekly change.
FX Outlook: March Ado
- March is starting in earnest, with an **abundance of policy noise** and a **dearth of meaningful signal for FX markets to go on**.
- And so sideways may be the eventual outcome of FX market moves. Albeit rendered in fits and starts, with triggers lurching from one headline to another.
- Speaking of which, three global headlines are worth watching this week (although this is certainly not exhaustive)
1) **China NPC**
- Insofar that markets are seduced into perceiving emphatic policy stimulus, this could be expressed as CNH pick-up.
- This will provide attendant tailwinds for gains in EM Asia FX, led by the likes of AUD, KRW and SGD.
- But the **risk is that a more careful evaluations will fall short of expectations, reining in CNH-driven gains in AXJ**.
2) **Fed Chair Powell's Senate Testimony**
- **Pushback on hopes for more proximate rate cuts** (despite softer PCE and ISM) with "higher for longer" justification could **revive USD resilience**.
- More so amid a gamut of Fed speak stressing on not transitioning away from policy restriction just yet. This may impose some drag on higher beta currencies via higher yields.
- Notably, this could also erode NPC-related gains from (and including) CNH lift.
3) **"Super Tuesday"**
- With about a third of Republican and Democrat nominations up for grabs on "Super Tuesday" Trump's dominance as the Republican candidate could be underpinned. More so given his already large lead over the next Republican Presidential candidate (challenger) Nikki Haley.
- A clear indication of Trump-Biden showdown, with significant likelihood of Trump 2.0, ought to boost the USD.
- At the very least be detrimental to CNH (and by extension Asia FX) and EUR given his presumed trade antagonism aimed at China and pullout from Ukraine (that exposes EUR).

JPY: Challenged

- Governor Ueda's **refrain on price target not being reached yet looks set to be challenged by an upside bump in February headline inflation** in Tokyo this week.
- Furthermore, the **sight of softer UST yields** may begin to encourage JPY bulls.
- Accordingly, shallow testing of sub-148 may be on the cards this week especially if NFP payroll surprises on the downside.

EUR: Solidifying Summer

- EZ upsides surprise on inflation may have lowered the odds for a summer rate cut but perversely it merely backs the case for a near term push back until wage data becomes available.
- The tendency to support growth appears strong.
- As such, while the EUR may enjoy some tailwinds from lower UST yields this weeek, rallies above 1.09 will appear weak especially as the prospects of Trump 2.0 becomes clear on super Tuesday.
- All in, the EUR looks to trade in the 1.08-1.09 region.

SGD: Cross-Winds

- SGD could be caught in the Cross-winds of USD resilience and CNH cheer
- The latter, specifically from potential positive NPC triggers for CNH that will be key in determining of the SGD can break below 1.34.
- In particular if the stimulus measures alluded to are perceived to be emphatic
- Nonetheless, with Fed's Powell primed to push back on rate cut expectations in his testimony to the Congress, the USD will not be a pushover
- And so, USD/SGD may be caught in more of a two-way consolidation in the sub-1.34 to mid-1.34 range rather than a one-way pullback to below mid-1.33.
- Especially if NPC stimulus expectations are disappointed, in which case, traction to mid-1.34 (and above) cannot be ruled out.

AUD: Aspirations & Aspersions

- Again, the NPC could be a source of AUD boost id a sense of Chinese industrial bounce-back is inspired.
- More so if CNH rallies spur sympathetic AUD moves higher; for durable traction above 0.65.
- But aspirations to, and beyond, 0.66 could be challenged.
- Mainly by Fed Chair Powell casting aspersions on a quick dovish inflection at his Congressional testimony.
- But it is not just antagonistic USD challenge impeding AUD
- Instead, soft spots in Q4 GDP could also impose a drag that limits the extent of AUD upside.
- Range of mid-0.64 to mid-0.65 could as such capture most of the trading bias

Bond Yield (%)

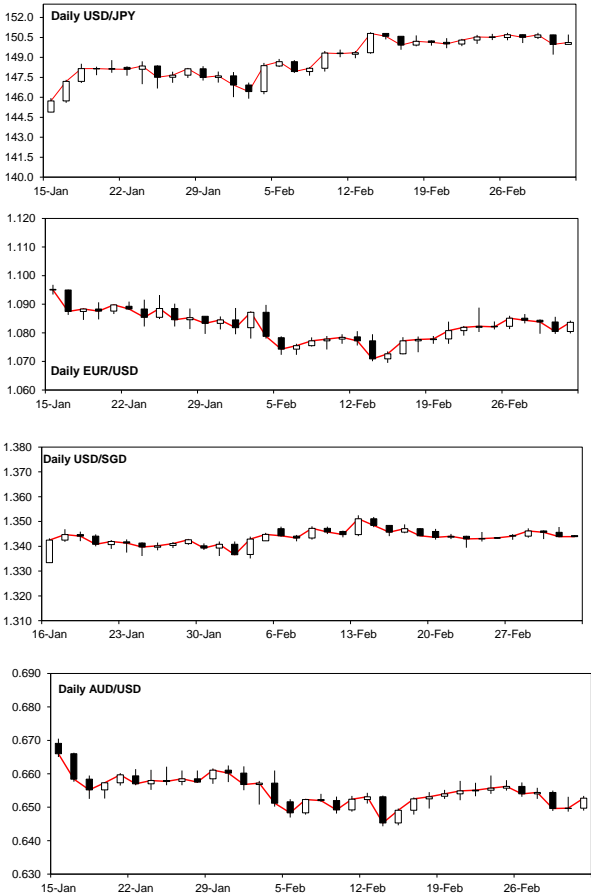
1-Mar	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.531	-15.9	4.180	-6.8	Steepening
GER	2.882	3.5	2.411	5.1	Steepening
JPY	0.176	2.7	0.705	-0.3	Flattening
SGD	3.349	1.7	3.071	-5.4	Flattening
AUD	3.799	-6.7	4.138	0.1	Steepening
GBP	4.264	-23.8	4.109	7.7	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,137.08	0.95
Nikkei (JP)	39,910.82	2.08
EuroStoxx (EU)	4,894.86	0.46
FTSE STI (SG)	3,135.76	-1.54
JKSE (ID)	7,311.91	0.23
PSEI (PH)	6,919.59	0.09
KLCI (MY)	1,538.02	-0.72
SET (TH)	1,367.42	-2.20
SENSEX (IN)	73,806.15	0.91
ASX (AU)	7,745.61	1.33

US Treasuries: Pondering Peaks

- UST yields curve bull steepened last week as dovish Fed speak tuned in to propsects of rate cuts and hinted at the possibility of slowing down the pace of quantitative tightening.
- That said, **end of the week disappointment in US ISM and Uni. Of Michigan consumer sentiments** may have set the stage for a stronger return of UST bulls.
- While the inflation peak has been long recognised, it is perhaps time to ponder about the peak pace of growth.
- On thoughts, **Jerome Powell's mind and words will be closely read at his testimony this week**. He will be expected to strike a cautious tone as well as highlight the achievements of his tenure thus far.
- On balance, while UST yields have room to head lower amid **enlarged two way volatility especially as markets attempt to sort out the varying growth signals from NFP to job openings with divergence more likely than alignment**.
- 2Y UST yields to trade in 4.40-4.65% range for 2Y UST yields and for the 10Y a 4.0%-4.25% range on QT tweak nuances.



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