MIZUHO

WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 23 Feb 2024; The lists are not exhaustive and only meant to highlight key data/events

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Date	Country	Event	Period	Survey*	Prior
26 Feb	**US**	**New Home Sales**	**Jan**	**684k**	**664k**
	US	Dallas Fed Manf. Activity	Feb	-14.0	-27.4
27 Feb	US	Conf. Board Consumer Confidence	Feb	115.0	114.8
	US	**Durable Goods Orders/Nondef Ex Air**	**Jan P**	**-5.0%/0.1%**	**0.0%/0.2%**
	US	Richmond Fed Manufact. Index	Feb	-8.0	-15.0
	JP	**Natl CPI/Ex Fresh Food, Energy YoY**	**Jan**	**1.9%/3.3%**	**2.6%/3.7%**
28 Feb	**US**	**GDP Annualized QoQ**	**4Q S**	**3.3%**	**3.3%**
	US	Wholesale Inventories MoM	Jan P	0.2%	0.4%
29 Feb	US	Initial Jobless/Continuing Claims		210k	201k
	US	MNI Chicago PMI	Feb	48.0	46.0
	US	**PCE/Core Deflator YoY**	**Jan**	**2.4%/2.8%**	**2.6%/2.9%**
	US	Personal Spending/Income	Jan	0.2%/0.4%	0.7%/0.3%
	JP	**Retail Sales YoY**	**Jan**	**2.0%**	**2.3%**
	JP	**Industrial Production YoY**	**Jan P**	**-1.8%**	**-1.0%**
01 Mar	**US**	**ISM Manufacturing/Prices Paid**	**Feb**	**49.5/-**	**49.1/52.9**
	US	Kansas City Fed Manf. Activity	Feb	--	-9.0
	EZ	**CPI/Core YoY**	**Feb**	**2.5%/2.9%**	**--/3.3%**
	EZ	Unemployment Rate	Jan	6.4%	6.4%
	JP	Jobless Rate/Job-To-Applicant Ratio	Jan	2.4%/1.3	2.4%/1.3

Asia

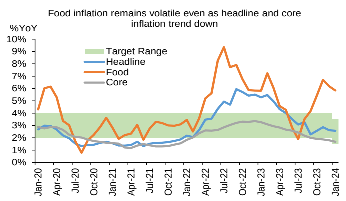
Yellow highlight indicate actual data

Date	Country	Event	Period	Survey*	Prior
26 Feb	**SG**	**Industrial Production YoY**	**Jan**	**4.3%**	**-2.5%**
27 Feb	TW	BoP Current Account Balance	4Q	--	$27220m
	KR	Retail Sales YoY	Jan	--	7.5%
28 Feb	**AU**	**CPI YoY**	**Jan**	**3.6%**	**3.4%**
29 Feb	**AU**	**Retail Sales MoM**	**Jan**	**1.5%**	**-2.7%**
	IN	**GDP YoY**	**4Q**	**6.5%**	**7.6%**
	TH	**BoP Current Account Balance**	**Jan**	**-$422m**	**$2107m**
	TW	GDP YoY	4Q P	5.1%	5.1%
	TW	**Industrial Production YoY**	**Jan**	**10.9%**	**-4.0%**
	VN	Trade Balance	Feb	$1471m	$2920m
	VN	**Industrial Production YoY**	**Feb**	**--**	**18.3%**
	VN	Retail Sales YoY	Feb	--	8.1%
	VN	**CPI YoY**	**Feb**	**3.3%**	**3.4%**
01 Mar	CH	Caixin China PMI Mfg	Feb	50.6	50.8
	ID	**CPI/Core YoY**	**Feb**	**2.6%/1.7%**	**2.6%/1.7%**
	KR	Exports/Imports YoY	Feb	1.9%/-12.0%	18.0%/-7.8%
	CH	Mfg/Non-Mfg PMI	Feb	49.0/51.0	49.2/50.7

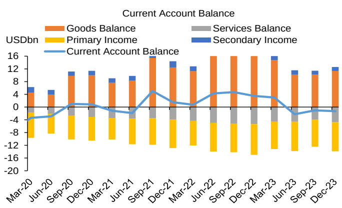
Week-in-brief: Where's the Progress? What's the Rush?

- Hot US CPI print for January the previous week essentially **was the focus of Fed Speak last week**.
- Fed Governor Waller stated that recent inflation meant that it is appropriate to **be patient, careful, methodical, deliberative** - pick your favourite synonym. Whatever you pick it translates to **What's the Rush? He cited the resilient economic growth as giving no urgency for cuts.**
- Last week's low jobless claims were certainly supportive of the growth picture.
- From another angle, Fed's **Barkin stuck to the inflation focus by stating that he was looking at sequential monthly inflation momentum** rather than YoY figures flattered by base effects to highlight that the January print is uncomfortable.
- **This perspective certainly has its merits** as the 0.3% MoM print in January 2024 is actually the average inflation momentum in 2023. In our words, **Where's the Progress?**
- Nonetheless, the Fed pushback saw UST yields rise marking further progress in reducing the expected rate cuts by end-2024 to 82bps from 90bps just a week ago.
- Amid selective focus, investors **rushed into tech and push US equities** to record highs.
- Meanwhile in China, **the PBoC's 25 cut to 5Y Loan Prime rate collied with continued MoM contraction of (both new and used) home prices in China** to underscore the necessity and yet insufficiency of the policy move as progress on property sector revival might be found wanting.
- **This week, being short on central bank action is not being short on central bank considerations** as Progress on Inflation is the main theme.
- The **US PCE/Core deflator release on Thursday is set to re-iterate the hot inflation in January.**
- Meanwhile, **Japan inflation release (on Tuesday)** may instead challenge BoJ Governor's virtuous economic cycle of inflation rising gradually. In turn, **JPY bulls might rush into hiding.**
- Not to be left out, **EZ inflation on Friday may not have made much progress towards the ECB's target**. However, EUR bulls may want to refrain from rushing into positions as fragmented and fractured growth with sharp Germany PMI plunge underscore the limited scope for EUR rallies.
- Down Under, amid fading base effects, **Australia's January CPI is set to rise** as robust wage growth looks to underpin prices. We expect this bump up to be well within RBA's policy calculus.
- In EM- Asia, **Indonesia's headline inflation print** at the end of the week while admittedly in a comfortable position at 2.6% in December and will likely hover around the vicinity for January belies the **volatile food inflation** which necessitated cash and rice handouts. Furthermore, IDR concerns are duly retained with the current account outturn at -0.4% of GDP for Q4 2023.
- In **Thailand**, **current account balance for January is set to slip back to a deficit from the large surplus in December 2023** as the severe goods import compression has likely dissipated. The on-going current account recovery remains bumpy and still very far off the large pre-Covid surpluses. Accordingly, there is little favourable fundamentals to offset the current headwinds from BoT-PM dissonance.
- All in, we look set for a week of tense reflection in markets as Treasuries contemplate room for yield upside, equities may encounter sobering from the rush to heady highs while both bullish and bearish USD bets get little conviction from global inflation either way.

Indonesia: Price Undercurrents



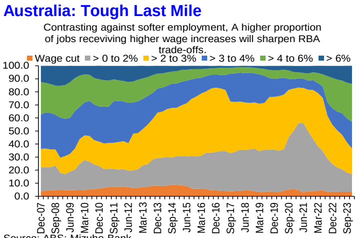
Source: CEIC; Mizuho Bank



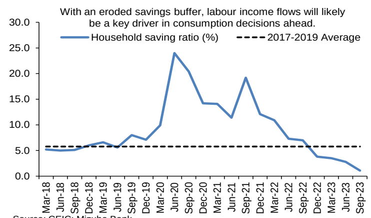
Source: CEIC; Mizuho Bank

- February inflation data (on 1 March) will likely continue to show **benign inflation around January's** 2.6% print, which however, **belies a volatile food inflation** which averaged at 4.9% in 2023 and came in at 5.8% in January 2024.
- Notably, food inflation was also the largest contributor to headline inflation after adjusting for the base effects on transport costs due to fuel hike in Sep'22, contributing an average of 1.2pp to overall headline number in 2023. BI's recent remarks that it was targeting volatile food inflation around 5% suggests concerns that further food dis-inflation may not be as forthcoming.
- Instead, it points to concerns surrounding the **risk of resurgent food price pressures** as the impact of the dry weather pattern induced by El Nino lingers. The **introduction of cash handouts and extensions of rice handouts** underscore the severe impact of food inflation on livelihoods.
- The consolation is that **inflation appears rather contained to food**, with **core inflation edging down steadily**. Therefore, while it warrants close monitoring, high food inflation is unlikely to trigger excessively hawkish actions from BI, especially as headline inflation should remain within the target range in 2024.
- **BI's attention would however, be attuned to IDR movements in order to manage imported inflation**, especially as Indonesia's current account deficit which posted a deficit of 0.4% of GDP in Q4 2023 could potentially widen in coming quarters and pose IDR headwinds.
- While goods balance surplus improved in Q4 2023 on the back of higher commodity exports led by coal, the improvement was dragged by higher import expenditure on mineral fuels and food.
- The improvement to goods surplus was also insufficient to negate the wider services deficit and primary income deficit. The former is partly driven by higher transport costs while the latter arose from an acceleration of outflows in equity capital income.

Australia: Tough Last Mile



Source: ABS; Mizuho Bank



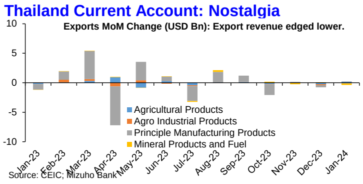
Source: CEIC; Mizuho Bank

- Upcoming **January inflation (28 Feb) and retail sales print (29 Feb) in Australia** may unfortunately **bring little clarity on the RBA's policy trajectory** to underscore the **challenges of last mile dis-inflation.**
- Specifically, **strong wage growth** in Q4 at 4.2% which was a marginal upside surprise may unfortunately **underpin price pressures** despite softer employment conditions.
- Furthermore, as the **high base effects** which assisted in the 3.4% December headline CPI print **fade, January's inflation outturn is inevitably expected to rise**, though this increase remains well within the RBA's expectations and policy calculus.
- Given that household also continue to feel the sting from **eroded savings buffers, a flat retail sales growth performance in January** is our baseline as labour income flows provide the offsetting support.
- **Looking ahead,** inflation risks remain skewed to the upside especially as the services sector enjoy the Taylor Swift boost this month and consequent already **sticky services inflation may in fact re-accelerate. Last mile dis-inflation may be anything but swift.**
- **That said, the RBA will not be swift to raise rates** as employment concerns had already featured in their considerations as indicated in the last RBA minutes which saw them hold rates.

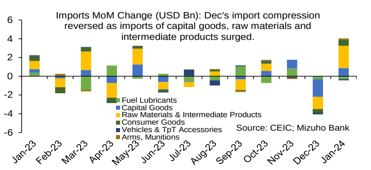
Vietnam: Festive Buoyancy

- Vietnam's **economic release** (retail sales, industrial production and inflation) for February is likely to be driven by the **Tet festivities** with **tendency** to accentuate buoyant prices and sales or deceptively worsen industrial slump.
- On **inflation**, headline CPI growth is likely to remain elevated.
- While **two-way fuel price adjustments** point to **slight** upside in energy inflation, food inflation is likely to have persisted as **demand of meat and seafood enjoy the seasonal boost** on top of underlying price momentum for the likes of staples such as rice and noodles.
- As for core inflation, **even services demand and associated prices may enjoy an uptick as domestic travel increases** during the holidays.
- While these drivers may be admittedly one-off and push headline inflation higher than the 3.4% recorded in January, the **impulse may invite inconvenient second round effects and sharpen policy trade-offs for the SBV.**
- That said, the SBV will be hoping that the **retail sales boost from Tet demand** may **create virtuous growth cycle to alleviate pressures to ease monetary policy to support growth.**
- On that note, a slight slowdown of February manufacturing activity is not unexpected **given the reduced workforce and hours due to the festivities.**
- **Nonetheless, given the strong uptick in electronics exports demand, industrial production growth might even enjoy favourable tailwinds to bring more relief.**

Thailand Current Account: Nostalgia



Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- After the US$2.1b surplus recorded in December 2023, Thailand's current account for January is likely to start 2024 slipping back into a **small deficit** as the sharp plunge in goods import dissipate.
- The silver lining perhaps is in the hope that stronger imports of capital goods signal budding improvement in business confidence while consumer goods import point to still robust household spending. Caution though should be exercised given that **softer exports revenue on a customs basis give little indication of improving external demand** for its goods.
- On the services front, the **pace of tourism recovery is likely to slow** after the seasonal surge in December with attendant lowering of tourism receipts. **Marginal tailwinds may come from lower transportation deficit on the back of softer freight rates** in January after the December surge,
- At this juncture, the small deficit position while having recovered significantly from the depths of US$3.9bn outflow in July 2022 (average monthly deficit in 2023: US$1.3bn) remains a far cry from the US$3.2bn monthly surplus in 2019.
- Consequently, the tourism fundamentals for the THB has a long road to recovery in order to durably buffer on-going policy dissonances between the PM and the BoT.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	150.51	0.300	0.20%	148.00	~	151.30
EUR/USD	1.0821	0.0044	0.41%	1.074	~	1.090
USD/SGD	1.3434	-0.001	-0.06%	1.3290	~	1.3490
USD/THB	36.112	0.092	0.26%	35.60	~	36.30
USD/MYR	4.7773	-0.002	-0.04%	4.740	~	4.790
USD/IDR	15595	-25	-0.16%	15,550	~	15,750
JPY/SGD	0.8925	-0.004	-0.49%	0.878	~	0.911
AUD/USD	0.6562	0.003	0.47%	0.645	~	0.670
USD/INR	82.95	-0.066	-0.08%	82.7	~	83.4
USD/PHP	55.915	-0.052	-0.09%	55.7	~	56.4

^Weekly change.

FX Outlook: Data (And) Talks

- This week, FX movements will likely be dominated by whether new data releases corroborates or conflicts with comments by Fed/ECB speakers (which will likely stick to the same tune of "rate cuts coming, but not yet" this week).
- Any declines in the **DXY** will likely be backstopped as US exceptionalism likely supports, even as durability of this exceptionalims remains a question. Meanwhile, attention will be attuned to the **consistency** of the dis-inflationary process as suggested by the PCE print.
- Across the Atlantic, ECB is similarly likely to look closely at the difficulties of last-mile dis-inflation. But rather mixed growth in the economic zone would likely limit the upside potential of **EUR.**
- Meanwhile, **USD/JPY** could remain above 150 in the absence of any change in BoJ's more conservative stance of a measured approach towards the exit of NIRP.
- Especially as inflation in the country is expected to print lower and place an overhang on the virtuous cycle between wage increases and sustained inflation sought by the BoJ.
- In Asia FX, volatility in **CNH** could see spillovers to more CNH sensitive currencies with the likes of **AUD**, **SGD** and **MYR**.
- Point being, forceful measures by the Chinese government (e.g. restrictions on short-selling) at a time when there is an acute confidence deficit could very well lead to a perverse investor backlash.
- Meanwhile, lower oil prices on further cooling of tensions in the Middle East and further evidence of ample suppply will add to headwinds to **AUD**.
- AUD rallies restrained as CPI worries backing hold insufficient to trigger further hikes.
- Elsewhere, **THB** could see weakness being retain amid political tensions with the government and central bank, and tourism revenues fail to negate the decline in goods exports.
- **INR** risks on softening growth prospects may begin to weigh even as some backstop may be realised from the weaker oil prices.

Bond Yield (%)

23-Feb	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.690	4.8	4.248	-3.1	Flattening
GER	2.847	3.8	2.360	-3.9	Flattening
JPY	0.149	1.3	0.708	-1.6	Flattening
SGD	3.332	5.5	3.125	10.0	Steepening
AUD	3.866	1.0	4.193	0.1	Flattening
GBP	4.502	-10.0	4.032	-7.1	Steepening

Stock Market

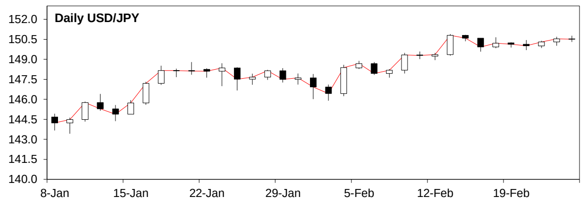
	Close	% Chg
S&P 500 (US)	5,088.80	1.66
Nikkei (JP)	39,098.68	1.59
EuroStoxx (EU)	4,872.57	2.24
FTSE STI (SG)	3,184.91	-1.15
JKSE (ID)	7,295.10	-0.55
PSEI (PH)	6,913.21	0.58
KLCI (MY)	1,549.11	1.01
SET (TH)	1,398.14	0.86
SENSEX (IN)	73,142.80	0.99
ASX (AU)	7,643.59	-0.19

US Treasuries: Reminders

- The pushback to Fedspeak has its limits (rightly or wrongly) set by the Dot Plot.
- With 75bps of indicated in the Dot Plot, current market pricing via the Fed funds futures have lower the expected cuts to 82bps in 2024 (from 90bps last week) with just 60% odds of a June cut.
- Nonetheless, while upside room is constrained especially on the front end after edging 4.8bp last week, this week yields are more likely to remain elevated as US PCE deflator reminds us of the bumpy dis-inflation path.
- For the week, we retain the range of 4.50-4.75% range for 2Y UST yields.
- On the longer end, geo-political tensions from both Red Sea and US sanctions on Russia might allow some haven flows to impart a range of 4.15-4.35% range.

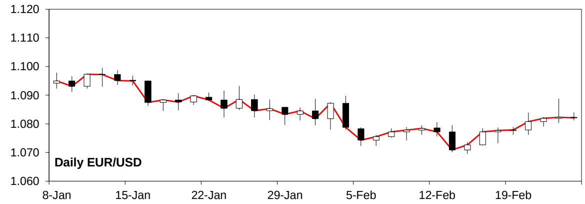
JPY: Tweak, Not Cycles

- The USD/JPY continued to closed above 150 as UST yields exerted unrelenting pressures.
- In fact, with Japan dis-inflation late this week set to contrast with the bump up in US PCE deflator, JPY bulls odd to give more due consideration of a single tweak of an NIRP exit rather than the start of a hiking cycle.
- Marginally booming equities in Japan might encourgingly lend tailwinds for the JPY.
- On balance, the USD/JPY looks set to remain buoyed above 148 this week while 151 may be tested on faster than expected dis-inflation in Japan.



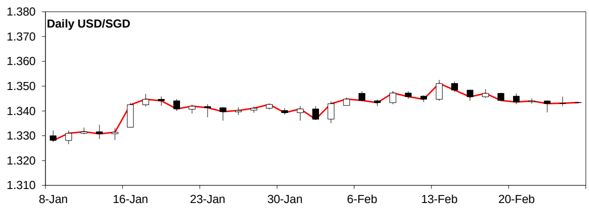
EUR: Lack of Progress?

- At this stage, Eurozone dis-inflation progress this week may start resembling the EUR performance which remains weak and uninsipring.
- Perhaps some progress is better than retardation considering the plunging Germany PMIs.
- This unfortunate conspiracy weakens the ECB's case for pushing back rate hikes and diminishes the EUR's allure.
- All in, US-EZ and Fed-ECB divergence looks set to back the case for cosolidation around the 1.07-mid-1.08 region.



SGD: Volatility Watch

- SGD moved below mid-1.34 in the course of last week as CNH provided support at the start of the week on the widely-unexpected 5Y LPR cut. But events later in the week, with the Chinese government imposing bans on short-selling, dents confidence in an economy with acute shortage of it. CNH spillovers could see heightened intra-day volatility this week, especially if Chinese officials roll out new measures/restrictions.
- Meanwhile, USD and EUR would dominate the key moves in SGD as markets digest the slew of economic and inflation prints due this week. With Fed and ECB maintaining stance on data-dependency and pushing timing of rate cuts further out, volatility between data releases could be expected.
- Nonetheless, while volatility could be heightened this week, rallies/declines should be capped within the 1.34-1.35 band.



AUD: Limited Passthrough

- While the AUD may have attempted to find a base at around 64 cents, rallies appear increasing constrained amid the growth and inflation divergence.
- The inflation bump up for January will be largely expected and as such unable to trigger RBA bulls into action, barring significant upside surprise.
- That said, should an retail sales remain resilient to firm ground for elevated rate, the AUD will be tempted to consolidate around 66 cents.
- CNH risks at the end of the week from China PMI pose downside risks for the AUD.
- On balance, buoyancy for the AUD is retained at 65 cents through durable recovery above mid-66 cents remains a bar too high this week.

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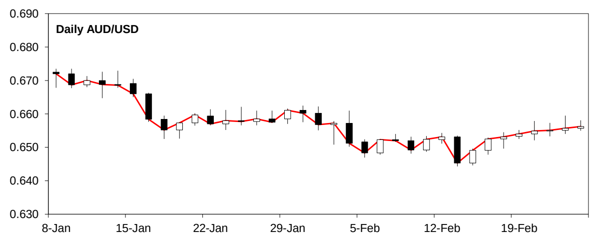

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