

Economic Calendar

Table with columns: Date, Country, Event, Period, Survey\*, Prior. Includes events like New Home Sales, Durable Goods Orders, Jobless Rate, ISM Manufacturing, etc.

Dear Friends, Valued Clients & Colleagues, 2024 has been an eventful year with political upheavals and significant policy shifts. And 2025 has the making of an equally dynamic year.

Week-in-brief: (Not) The Last Act

- While the year draws to a close, a flurry of central bank policy decisions in the past week left some sort of a cliff-hanger as we head into the new year. In other words, this is at most an intermission, and definitely not the last act.

China: Pushing on a String Risks

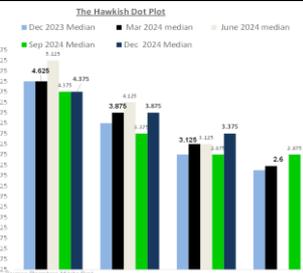
"It takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!" - Red Queen, Through the Looking Glass

Asia

Table with columns: Date, Country, Event, Period, Survey\*, Prior. Includes events like 1-Yr Medium-Term Lending Facility Rate, CPI/Core YoY, Industrial Production YoY, etc.

Fed: The Problem with Partial Assumptions

- Insofar that the Fed's hawkish pivot accompanying (and essentially overwhelming!) the 25bp cut only partially incorporates Trump 2.0 risks, it may be problematic.

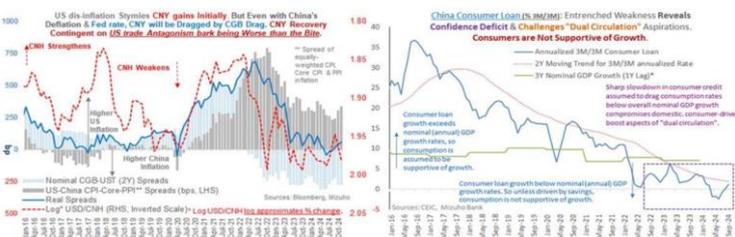


- Specifically, less uncertain (and coincidentally reflationary) outcomes such as tax cuts and deregulation are ostensibly being incorporated by some. In contrast, more uncertain outcomes related to trade tariffs (and consequent retaliation), with distinctly adverse economic effects, are omitted from economic forecasts.

- The precise outcomes from trade antagonism may be highly uncertain. But there are significant probabilities of global trade friction, to the detriment of US (onshore) demand (after higher import prices are borne\*).

Post-EM Asia Central Banks: Tortured Doves?

- In contrast to Fed the passive hawk, EM Asia central banks appear more like tortured doves faced with tough choices on spillovers from the US, while domestic risks are not giving a leg-up.



### Forex Rate

	Close*	Chg <sup>^</sup>	% Chg <sup>^</sup>	Week Forecast	
USD/JPY	156.83	3.180	2.07%	155.00	~ 161.00
EUR/USD	1.0383	-0.0118	-1.12%	1.024	~ 1.045
USD/SGD	1.3579	0.009	0.67%	1.3500	~ 1.3720
USD/THB	34.522	0.395	1.16%	34.10	~ 34.90
USD/MYR	4.5097	0.0602	1.35%	4.480	~ 4.560
USD/IDR	16195	200	1.25%	16,050	~ 16,500
JPY/SGD	0.8658	-0.012	-1.41%	0.839	~ 0.885
AUD/USD	0.6246	-0.012	-1.82%	0.613	~ 0.630
USD/INR	85.03	0.230	0.27%	84.9	~ 85.3
USD/PHP	58.8	0.335	0.57%	58.5	~ 59.1

<sup>^</sup>Weekly change.

### FX: King USD

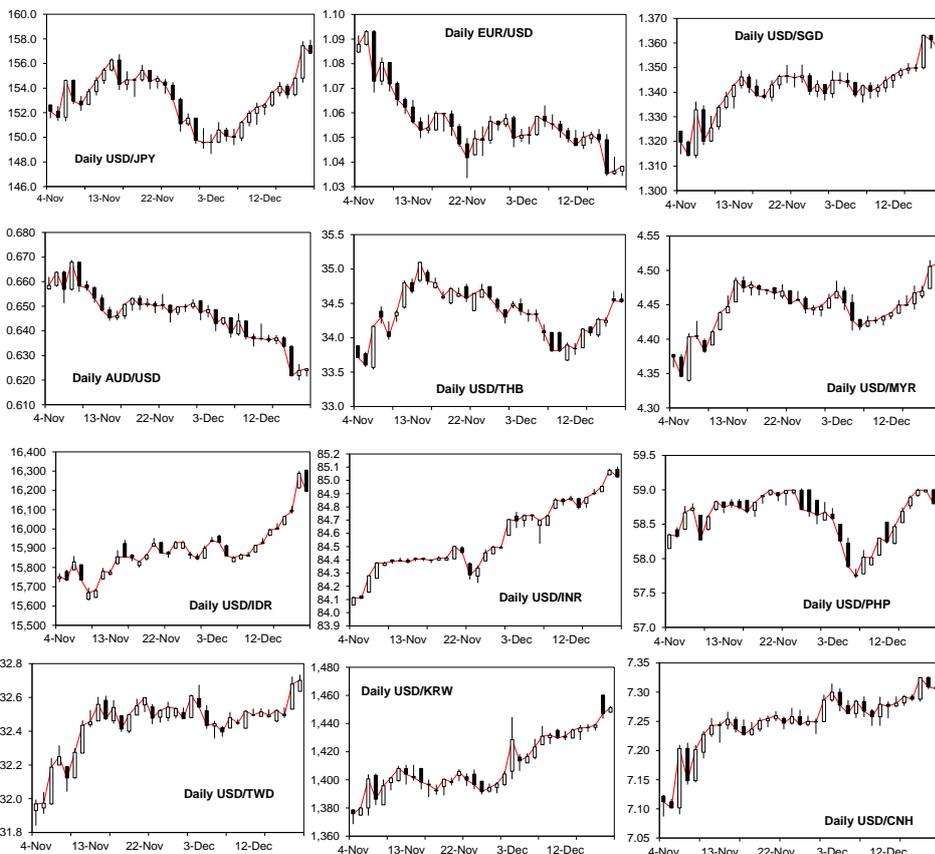
- The USD jumped on Fed's hawkish cut.
- The USD (DXY index) surged over 1% to just shy of 108.5 levels; arguably reflecting Fed (hawkish flex) and fear (risk aversion)
- NOK led declines as Norges Bank signalled a probable cut in March.
- JPY also underperformed on BoJ's preference to be cautious, wanting more data on wages first before proceeding with a hike.
- SEK was more supported as the central bank signalled its easing campaign is likely near its end. remarks by officials suggested one more cut in first half next year if outlook remained unchanged.

### EM-Asia: Struggling

- A similar picture was seen in EM Asia as well, with sharp moves post-FOMC (THB and SGD down 1%).
- Overall, for the week, IDR and THB underperformed amid BI's and BOT's dovish hold, while PHP fared a little better as BSP looks towards more measured pace of easing into 2025.
- Notably, IDR's weakness has prompted Bank Indonesia to intervene in the FX markets post-FOMC and further remarked that they would guard the rupiah "boldly", while BSP alluded to pass-through to inflation from a weak PHP.
- MYR also underperformed amid high UST yields given its higher beta.
- TWD performed in the middle of the pack amid a CBC hold.
- While CNY was better supported, the USD/CNY fixing-survey gap widened to the largest level since July, mirroring mounting FX depreciation pressure due to USD strength and the PBoC's escalating efforts to defend the currency.

### FX Brief:

- 1) JPY: BoJ's urge for patience and a hawkish Fed should retain buoyancy above 155 levels. To watch for breach of 160 handle as risks of intervention rises.
- 2) EUR: With ECB's dovish tendencies, it may be difficult for EUR to climb back to above mid-1.04 levels.
- 3) AUD: Growth risks which may force a more dovish RBA may mean tough rallies above 63 cents, especially as renminbi is unlikely to give any durable lift.
- 4) CNH: Despite higher UST yields, PBoC efforts likely kept CNH stable but could see steady depreciation towards 7.35 levels.
- 5) INR: Likely to retain traction around 85 levels but could some softening as FX accumulation turns into a nascent burn.
- 6) SGD: Should remain hovering above mid-1.35 levels as EUR and CNH are unlikely to give any durable boost.
- 7) IDR: Bank Indonesia's interventions should backstop declines towards 16,500 levels.
- 8) THB: Spillovers from JPY and dovish BoT could mean ascendancy towards 35 handle.
- 9) MYR: Higher UST yields led MYR lower, and MYR's higher beta should mean greater volatility ahead.
- 10) PHP: PHP languishing around 59 handle hints of BSP interventions. Even as BSP Governor Remolona had previously alluded to the possibility of seeing USD/PHP at 60, BSP may continue holding the line at 59 to buy some buffer into the new year.
- 11) KRW: Underperformance could continue as political woes while alleviated, is not eliminated. Likely to continue trading above 1440 levels.
- 12) TWD: Relatively lack of dovish hints by CBC could see TWD holding ground under 33 handle.



### Bond Yield (%)

20-Dec	2-yr	Chg (bp) <sup>^</sup>	10-yr	Chg (bp) <sup>^</sup>	Curve
USD	4.297	5.2	4.556	15.9	Steepening
GER	2.018	-4.5	2.295	4.1	Steepening
JPY	0.555	0.9	1.039	1.3	Steepening
SGD	2.827	9.5	2.923	21.3	Steepening
AUD	3.976	8.3	4.492	0.1	Flattening
GBP	4.409	11.1	4.589	17.9	Steepening

### Stock Market

	Close	% Chg
S&P 500 (US)	5,867.08	-3.04
Nikkei (JP)	38,701.90	-1.95
EuroStoxx (EU)	4,879.00	-1.79
FTSE STI (SG)	3,728.46	-2.15
JKSE (ID)	7,002.49	-4.40
PSEI (PH)	6,406.38	-3.18
KLCI (MY)	1,598.30	-0.65
SET (TH)	1,364.23	-4.71
SENSEX (IN)	78,424.21	-4.52
ASX (AU)	8,066.96	-2.76

### USTs: Policy & Politics

- The UST yield curve climbed (or rather surged) this week on Fed's hawkish cut and a government funding bill impasse complicated with implications of a removal of the federal debt ceiling.
- Post-FOMC alone, UST yields defied the cut to surge 11-12bp at both front-end (2Y) and long-end as focus was on "hawkish", not "cut".
- Even as front-end yields subsequently declined as the knee-jerk reaction to Fed's hawkish pivot faded somewhat, longer-end yields were further supported on uncertainty over US fiscal trajectory amid the bill impasse to fund the government through March 14 unless Trump gets his way to remove the fiscal ceiling.
- More upside volatility in the longer-end could be expected as policymakers attempt to push through a deal or face a shutdown, while action in 2Y yields may not see as large a move after Fed's hawkish pivot, which have seen markets pricing 1 cut in 2025 (compared to 2 in Dot plot).
- All in, expect 2Y yields to trade 4.20-4.40% and 10Y yields to trade in 4.35-4.75% range.

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