WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 1 Dec 2023; The lists are not exhaustive and only meant to highlight key data/events

Yellow highlight indicate actual data

G3

Date	Country	Event	Period	Survey*	Prior
04 Dec	EZ	**Sentix Investor Confidence**	**Dec**	**-15.6**	**-18.6**
05 Dec	US	JOLTS Job Openings	Oct	9300k	9553k
	US	**ISM Services Index/Prices Paid**	**Nov**	**52.3/-**	**51.8/58.6**
	EZ	**PPI YoY**	**Oct**	**-9.5%**	**-12.4%**
06 Dec	**US**	**ADP Employment Change**	**Nov**	**120k**	**113k**
	EZ	**Retail Sales MoM**	**Oct**	**0.2%**	**-0.3%**
07 Dec	US	Initial Jobless/Continuing Claims		222k/1910k	218k/1927k
	EZ	GDP SA YoY/QoQ	3Q F	0.1%/-0.1%	0.1%/-0.1%
08 Dec	**US**	**Change in Nonfarm Payrolls**	**Nov**	**180k**	**150k**
	US	**U. of Mich. Sentiment/Expectations**	**Dec P**	**62.0/56.5**	**61.3/56.8**
	US	**U. of Mich. 1/5-10 Yr Inflation**	**Dec P**	**4.3%/3.0%**	**4.5%/3.2%**
	US	Unemployment Rate	Nov	3.9%	3.9%
	JP	Eco Watchers Survey Current/Outlook SA	Nov	49.1/48.1	49.5/48.4
	JP	Labor/Real Cash Earnings YoY	Oct	1.0%/-3.0%	0.6%/-2.9%
	JP	GDP Annualized SA QoQ	3Q F	-2.0%	-2.1%

Asia

Date	Country	Event	Period	Survey*	Prior
05 Dec	CH	Caixin China PMI Services	Nov	50.7	50.4
	SG	**Retail Sales/Ex Auto YoY**	**Oct**	**0.2%/-**	**0.6%/0.5%**
	AU	BoP Current Account Balance	3Q	A$3.2b	A$7.7b
	AU	**RBA Cash Rate Target**		**4.35%**	**4.35%**
	IN	PMI Services	Nov	--	58.4
	KR	**CPI/Ex Food and Energy YoY**	**Nov**	**3.5%/3.1%**	**3.8%/3.2%**
	KR	GDP YoY	3Q P	1.4%	1.4%
	PH	**CPI YoY 2018=100**	**Nov**	**4.3%**	**4.9%**
06 Dec	**AU**	**GDP YoY/SA QoQ**	**3Q**	**1.8%/0.4%**	**2.1%/0.4%**
	TW	**CPI/Core YoY**	**Nov**	**2.8%/-**	**3.1%/2.5%**
	TW	PPI YoY	Nov	--	-0.3%
07 Dec	CH	Exports/Imports YoY	Nov	-0.9%/3.9%	-6.4%/3.0%
	AU	Trade Balance	Oct	A$7500m	A$6786m
	TH	**CPI/Core YoY**	**Nov**	**-0.3%/0.6%**	**-0.3%/0.7%**
	PH	Unemployment Rate	Oct	--	4.5%
08 Dec	**IN**	**RBI Repurchase Rate**		**6.50%**	**6.50%**
	KR	BoP Current Account Balance	Oct	--	$5420.7m
	TW	Exports/Imports YoY	Nov	-4.8%/-2.0%	-4.5%/-12.3%

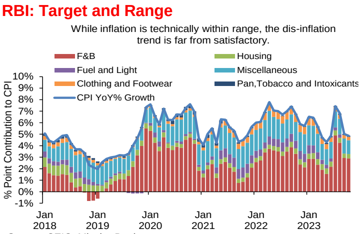
Week-in-brief: Sweet Nothings

- Equity **market buoyancy, if not euphoria**, **appears to be motivated predominantly by "Fed pivot" bets**; especially as it has coincided with *sharp pullback in UST yields* (down ~70bp in November alone; from over 4.9% to 4.2%) alongside a *softer USD* (down >3%).
- Ostensibly, markets are **smitten with notions of an economic-policy *sweet* spot**, where a *Goldilocks slowdown in data avoids recession fears* but *fuels Fed pivot bets;* starting with increased confidence that the **Fed does *nothing* more to tighten**. Insofar that **perceived dovish shifts from hawkish FOMC members** (such as ***Fed's Waller and Mester suggesting scope to pause in December***, and ***potentially cut in 2024***) the **risk is** that **markets may be set up for disappointment on "sweet nothings"**.
- To be sure, we concur with a pause on account of convincingly softer inflation prints and signs of cooling in activity. But it is **one thing to call a pause, quite another to bet on aggressive pivot** (flipping from a defacto tightening bias); for which the bar remains high. Point being, the **Fed still worried about harder "last mile" dis-inflation** given sticky price pressures and latent volatility in inflation expectations.
- Whereas, **"careful" and data-dependent policy calculus** alluded **to temper euphoria from "sweet nothings"** inferred from; i) missing out on the last rate hike for 2023 flagged in the Sep 'Dot Plot', and; ii) flagging 2024 rate cuts already revealed in earlier 'Dot Plot'. **Some restraint on stretched pivot bets** is not unreasonable ahead Dec FOMC; checking USD and UST slump alongside pivot-inspired equity rallies.
- Elsewhere, **tighter OPEC supplies** (comprising extended Saudi cuts alongside surprise, 900KBpD cuts by Russia, UAE, Kuwait and Iraq) were **dismissed as "sweet nothings"** for Oil bulls. Instead, Oil bears seized on signs of internal defiance on output cuts and compliance (slippage) challenges to dampen crude. Meanwhile, in our neck of the woods, both the RBA and RBI are set to stay on hold.
- For the RBA, **softening inflation** and **greater downside risks to demand**, are justifiable cause to pause. **Recent pick-up in AUD** and **less hawkish Fed** lean into a hold decision. As for the RBI, the **less-than-compelling dis-inflation trajectory** against **stellar growth** and **credit surge** suggests it is too soon to recant on restrictive settings. And **rupee under-performance** underscores the point that the RBI ought not to loosen too soon.
- All said, **"risk on" from sweet nothings** on Fed pivot and Gaza truce appear **overdone**.

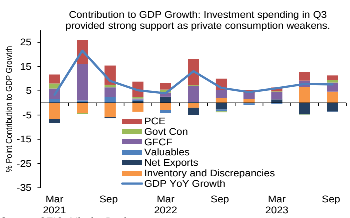
OPEC: Of Crude & Cracks

- **Softer crude despite OPEC's desperate supply tightening efforts** reveals **mounting cracks on the cartel's sway on crude (prices)** lay these cracks bare.
- Specifically oil's decline defies; i) Saudi extending voluntary 1MBpD cuts through Q1 2024 and, ii) surprise, additional 900KBpD of "voluntary" cuts by Russia, UAE, Kuwait and Iraq collectively .
- So *why is OPEC apparently losing its mojo?* Well, just on the supply side, four jump out.
- First, **US and wider non-OPEC production are increasingly offseting OPEC cuts**; led by the lifting of Venezuelan sanctions that conspire with record US production of 13.2-13.3MBpD.
- Second, **markets are increasingly doubtful of the effective compliance on additional OPEC cuts that have been layered on**. Especially as **incentives for individual OPEC members to exceed quota becomes more apparent**. Reportedly, Saudi is bristling at compliance slippage.
- Third, and by extension of non-compliance, **signs of internal cracks on OPEC solidarity are becoming hard to ignore**. *Angola openly declaring that it will not comply with targets,* and instead produce above stipulated 1.1MBpD speaks to fractious OPEC dynamics. Worryingly, if Angola exits OPEC (as Ecuador did in the past) OPEC sway will be undermined further. Moreover, *Brazil joining the OPEC+ cooperation charter, but not bound to production, will ironically undermine, not strengthen the cartel's sway;* as this may fuel pre-existing internal unhappiness over "voluntary" cuts.
- Finally, **risks of the Gaza conflict spilling over as an unmitigated Middle East war** that **disrupts production and hijacks passage of crude have been materially dialled back**; thereby *diminishing tail (supply shock) risk premium on crude.*
- *To be sure, scope for sudden geopolitical shocks to squeeze oil dramatically higher are non-zero.*
- And if soft-landing cheer is amplified by *China stimulus hopes, crude could get a measured leg up* from current levels. **But neither distract from the crude cracks of the cartel**.

RBI: Target and Range



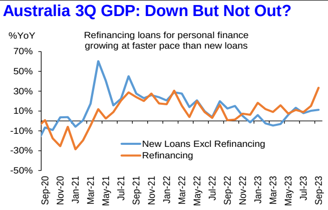
Source: CEIC, Mizuho Bank



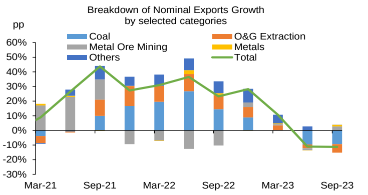
Source: CEIC; Mizuho Bank

- **Amid a backdrop of strong growth and inadequate dis-inflation, the RBI is expected to stand pat at their meeting on 8 December.**
- Headline inflation's **decline to 4.9% YoY in October from 5.0% YoY** in September **remains woefully inadequate** for Governor Das given that he had **emphatically** re-iterated that he sees the **inflation target to be at 4% despite the 2-6% range**.
- Furthermore, snapping two months of headline CPI index declines, **October's headline CPI index was 0.7% higher than September with broad based prices increase**.
- Meanwhile, **growth continues to outperform market expectations** with Q3 growth posting 7.6% YoY with **investment expenditure** contributing a significant 3.8% points amid the wave of global **supply chain integration** into India amid the need to diversify and strengthen production resilience.
- That said, given that there has been **a stark acceleration of credit (housing, credit card vehicle loans) this year**, worries about **over-extended households are not unfounded.**
- **Even if credit to GDP growth remains palatable, the consequent impact on underlying price pressures in the pipeline also warrants caution on the RBI's part.**
- All in, the RBI will keep the repurchase rate at 6.50% in an attempt to guide inflation towards target and also balance growth and financial stability risks from exuberant lending.

Australia 3Q GDP: Down But Not Out?



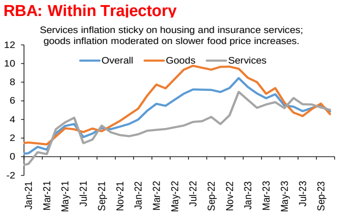
Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- Australia's upcoming Q3 GDP growth **is expected to slip from Q2's 2.1%. That said, sequential QoQ momentum is still expected to hold up but not accelerate.**
- **Household consumption is expected to continue holding out** even as inflationary pressures, tight monetary environment and subdued external demand stretch consumers.
- **Wages registered stronger growth in the Jul-Sep period, which could partially alleviate the higher cost of living pressures**. Of note, aged care employees and low-paid workers benefitted from large one-off wage rises due to decisions made by the Fair Work Commission, and these individuals likely have a greater propensity to spend. Nonetheless, **Q3 real retail sales is still lower than a year ago** despite Q3's implied QoQ recovery from Q2.
- **The durability of sustained household spending also remains a question.** While employment continued to increase in Jul-Sep period, the increase was mainly due to an increase in part-time employment while full-time employment decreased. Moreover, more households appear to be seeking longer (but temporary) relief as **new personal finance loans** (which excludes mortgages and relates to discretionary expenses like vehicles, travel, household & personal goods etc.) **and refinanced personal finance loans increased.** Refinancing in a high interest rate environment suggests constraints to repay loans so as to refinance at unfavourable rates, as effects of tighter monetary policy feeds through. Any seemingly robust consumption numbers would also merely be a front-loading of consumption of money that have to repaid in the future.
- Meanwhile, **private gross fixed capital formation should continue to support growth**, albeit at a smaller magnitude compared to Q2 on a year-ago basis, as total new loans for the purchase of plant & equipment in Q3 edged down from Q2.
- In addition, **net exports may improve slightly in real terms** as price effects risks severely understates volume exports solely based on monthly trade data (reported in nominal terms).
- In particular, the **average 60% fall** in coal and gas **prices** in Jul-Sep period on a year-ago basis is **much greater than the fall in value of coal and gas exports** (~40% and 30% respectively). Nonetheless, steel exports would likely be a drag. Looking ahead, **headwinds to the external sector remains** as China's property sector (and attendant demand for steel) struggles. An **increasingly tight financing environment** would also likely see subdued domestic consumption and may rein in private investments.

RBA: Within Trajectory



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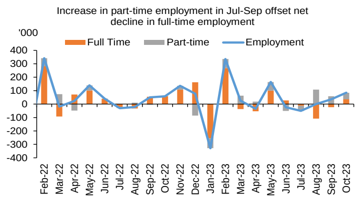


Source: CEIC; Mizuho Bank

- **Our base case is for RBA to hold** at 4.35% at the final board meeting (on 5 Dec) of the year.
- The latest October inflation of 4.9% YoY is expected to be **within RBA's forecasts** which were **already adjusted earlier this month for a slower dissipation of inflationary pressures**. Those projections saw inflation declining to 3.5% by end-2024 and reach a little below 3% by end-2025.
- Notably, the forecasts were also predicated on a peak cash rate of around 4.5%, which implied one to two more interest rate hikes over coming quarters at that time and **15bps above the current rate.**
- **Furthermore,** RBA Governor Bullock recently attributed elevated services inflation to second-round effects, as "businesses are finding demand is sufficient that they are able to pass those costs through". As such, **the RBA is likely to retain the hawkish tone on inflation.**
- Meanwhile, the RBA is likely to continue with signals that balance of risks on **growth may be rather two sided with investments and services exports offsetting weaker household consumption.**
- While Bullock observed that demand has been a little stronger than expected on strong immigration, she also noted that labour productivity has not kept up with wage gains.
- Worryingly, **employment numbers in recent months does not appear durable,** with the increase in overall employment in Jul-Sep period was wholly due to increase in part-time employment, while full-time employment fell. Unemployment rate has also edged up in Q3.
- All in, **RBA is likely to stand pat for the upcoming meeting as they assess if the trajectory of growth and inflation will indeed stay on course.**

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	146.82	-2.620	-1.75%	146.00	~	149.00
EUR/USD	1.0884	-0.0055	-0.50%	1.080	~	1.014
USD/SGD	1.3335	-0.007	-0.49%	1.3250	~	1.3450
USD/THB	35.028	-0.457	-1.29%	34.60	~	35.40
USD/MYR	4.6733	-0.014	-0.31%	4.640	~	4.680
USD/IDR	15485	-80	-0.51%	15,300	~	15,700
JPY/SGD	0.9085	0.012	1.33%	0.889	~	0.921
AUD/USD	0.6675	0.009	1.37%	0.653	~	0.675
USD/INR	83.30	-0.082	-0.10%	83.0	~	83.5
USD/PHP	55.412	0.017	0.03%	55.0	~	55.8

^Weekly change.

FX Outlook: Buoyed, Not Bold

- Insofar that Fed pivot bets and the associated USD sell-off (amid UST yield slump) are deemed to be overdone, it is perhaps fair to argue that the corresponding surge in risk/high-beta currencies are also stretched,.
- In other words, while risk currencies may remain buoyed ahead of next week's FOMC, "risk on" may not be unequivocally bold in shorting the USD either.
- Fact is, with sharp UST correction, down some 70bp in November, more than reversing the yield surge between the Sep and Nov FOMC meetings, expectations of dovish rhetoric may be disappointed.
- Instead, there is a fair chance that the Fed retains option for another hike given the easing in financial conditions from softer yields.
- And so, further USD dips may be shallow, checking scope for corresponding rallies in other G10 as well as higher-beta currencies.
- What's more, some nerves around on-going Chinese real estate/shadow-banking financial woes, EM Asia/commodity currencies may also struggle to produce follow-through rallies.
- Especially as post-OPEC oil slump takes some wind out of oil-driven FX.
- RBA and RBI rhetoric could produce scope for swings. RBA tightening bias not relinquished may buoy AUD all else equal.
- Whereas rupee may be more a two-way risk as policy dilemma weighs but softer oil provides relief.
- For now though, bolder bets on "risk" are likely to be tempered in thinner holiday markets; and ahead of next week's FOMC.

Bond Yield (%)

1-Dec	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.538	-41.0	4.196	-27.0	Steepening
GER	2.669	-39.6	2.358	-28.2	Steepening
JPY	0.038	-1.4	0.685	-7.9	Flattening
SGD	3.350	-0.9	2.948	-0.7	Steepening
AUD	4.151	-9.2	4.490	0.1	Steepening
GBP	4.489	-18.1	4.133	-14.3	Steepening

Stock Market

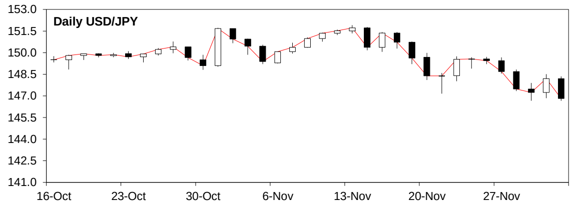
	Close	% Chg
S&P 500 (US)	4,594.63	0.77
Nikkei (JP)	33,431.51	-0.58
EuroStoxx (EU)	4,418.51	1.06
FTSE STI (SG)	3,090.31	-0.15
JKSE (ID)	7,059.91	0.72
PSEI (PH)	6,245.18	-0.39
KLCI (MY)	1,456.38	0.17
SET (TH)	1,380.31	-1.23
SENSEX (IN)	67,481.19	2.29
ASX (AU)	7,073.18	0.46

US Treasuries: Plummeting Yields

- Last week, **Fed officals sparked the rout for UST bear** which saw 2Y UST yields plunge 41bp while 10Y dropped 27bps.
- It was a **dovish turn** by the usually **hawkish Fed Governor Waller who was confident that policy is well positioned** and the week ended **with Fed Chair Powell who said that rates are well into restricive territory and that they were on path towards 2% without job loss.**
- Given that the **week also ended with a dismal ISM manufacturing, USTs demand was inevitably buoyed**.
- **This week, inevitably** there will be thoughts if **the plunge in UST yields is overdone** considering that ISM Manfacturing prices paid rose last Friday **and assist some yield recovery.**
- That said, **data this week** with **ISM services on Tuesday and Friday's non-farm payrolls and inflation expectations (Uni. Of Michigan).**
- The tendency is likely **to lean towards recession fears which backstops UST demand rather than trigger outright resurgent inflation prospects.**
- **On balance, 2Y UST yields is projected to trade in an enlarged range of 4.4%-4.7% while 10Y yields trade in the 4.1-4.3% range.**

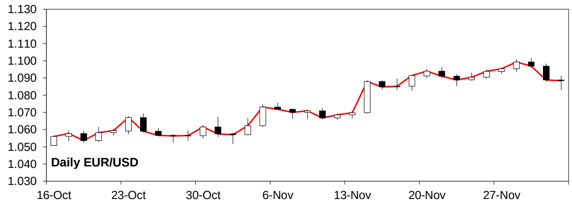
JPY: On the UST Ride

- The JPY chalked about a near 2% gain last week as the **USD/JPY rode on the plummeting UST yields** and assisted by the slipping oil prices to go below 147.
- This week looks set to be another week driven by the broad UST/USD trends.
- As such, with **UST yields likely to be more of a bumpy ride this week rather than staging another sharp plunge, the USD/JPY is likely to persist in the 145-149 range with some downside bias.**



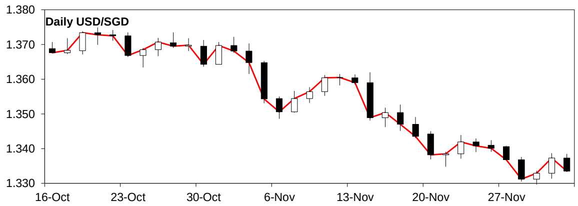
EUR: Collateral Damage

- **EUR's underperformance** to remain pressured below 1.09 was what we had expected last week despite the substantial decline in UST yields.
- Point being, **it is hard and even illogical to view the Fed's policy communications as a standalone relative to the ECB**. The **near 40bp decline** in 2Y German Bund yields is telling.
- In fact, with the French economic contraction, EZ growth woes are in fact more pertinent relative to the US especially with Fed Chair Powell displaying soft landing confidence.
- All in, our projections for the the EUR to trade in the range of 1.08 to 1.10 remains relatively unchanged.



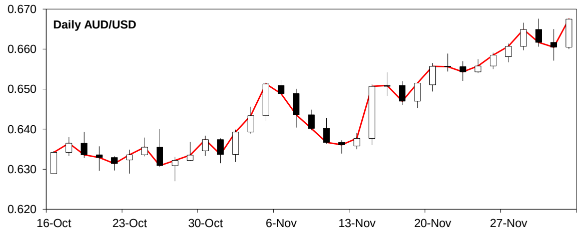
SGD: External Growth Overhang

- This week's USD/SGD action would likely continue to be driven by the dominant narrative of an earlier Fed pivot, and markets would look to tier-2 US data to seek conviction on these bets.
- Some pullback in SGD strength could be observed as overextended Fed pivot bets dial back, tempering USD/SGD downwards momentum below the 1.33 handle.
- Disappointment in China's recovery in the services and trade sector, and any downwards revision to EZ final Q3 GDP print could further rein in SGD strength, while any upside surprise to SG retail sales would provide little solace to the external growth overhang.



AUD: Muted RBA Triggers?

- With a rate hold almost a ubiquitous expectation, it is RBA rhetoric that is likely to trigger AUD swings.
- In particular, explicit references to maintaining a hawkish bias and worries of sticky inflation will be the "usual suspects" for AUd bulls to run with further gains.
- The warning though is that rallies are likely to be shallow.
- For one, the Fed may leans against overly dovish interpretations, resulting in some Greenback pushback.
- What's more downside and tail China risks may be back in focus amid Evergrande woes and shadow-banking risks.
- Expect AUD to be consolidating in the sub-0.66 to mid-0.67range for now; likely to fizzle on extended rallies.



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