

Jan 07, 2025

## Three Take-Aways

- 1) Reports of a more moderate tariff plan was subsequently refuted by President elect Donald Trump. USD still ended weaker.
- 2) Higher than expected inflation in Germany aided EUR gains.
- 3) Vietnam's economic outperformance came on the back of export tailwinds. Lofty growth targets at risks in Trump 2.0.

## MACRO THEME: A Wild Ride

- Hopes for a calmer tone in 2025 are perhaps bordering on wishful thinking ahead of Trump's inauguration on 20 January.
- Reports of more moderate tariff plan which sent USD weaker were subsequently refuted by President-elect Donald Trump in a social media post.
- Nonetheless, the **USD ended lower against most G10 peers as markets contemplate the possibility of a narrower tariff plan.** While a sector based tariff plan would certainly be more palatable relatively to an universal one, it remains to be seen if the President elect can be convinced or would it lead to another upheaval within his administration.
- Speaking of political upheaval, Canada's **Prime Minister Justin Trudeau has resigned** though he will remain in this position until late Q1 or early Q2. The CAD though still ended up stronger against the Greenback on possible tweaks to Trump's tariffs.
- USD weakness also came alongside softer economic prints as S&P's services PMI was revised lower in its final print. Durable goods orders was also revised lower though this was on account of transportation and defense goods.
- Meanwhile, Fed Governor Lisa Cook persisted with the lines of the Fed being able to "afford to proceed more cautiously with further cuts".

## Yields (2Y: -0.4bp; 10Y: +3.2bp, 30Y: +3.9bp)

- UST yield curve steepened as long year 30Y yields climbed on soft demand at auction amid competing corporate supply.

## Equities (Nasdaq: +1.2%; S&P: +0.6%; Dow: -0.1%)

- Equities posted an uneven performance as Nasdaq led gains while Dow slipped. The former was led by semiconductor sector gains.

## FX (DXY: -0.6%)

- The USD weakened and the EUR led gains among G10 peers as higher inflation in Germany backed gradual ECB cuts. AUD edged slightly higher to mid-62 cents. Unfortunately, with UST yields rising, gains for the JPY was limited as USD/JPY remain buoyed above mid-157. In EM-Asia, USD/SGD slipped below mid-1.36 last night.
- Notably, in the Asia session yesterday, the THB weakened and underperformed regional peers as **headline inflation rising to 1.2% YoY** returning to the BoT's target range of 1-3%, **fell short of market expectations.**

## China: Delayed, Not Derailed

- Despite suggestions from PBoC Governor Pan of a potential reduction in the RRR by 25 to 50 bp by year-end, the central bank refrained from making the move due to the onshore rate rally and depreciation pressure on the RMB.

- However, we believe this RRR cut is likely to be delayed rather than canceled. Minutes released last Friday indicated that the PBoC committed to further interest rate and RRR cuts at an appropriate time during a regular policy committee meeting in late December to support growth. In this sense, it is possible that we will still see a RRR cut in upcoming weeks.

## Vietnam: Tailwinds and Concerns Ahead

- Riding exports tailwinds, Vietnam's Q4 GDP printed at 7.6% beat consensus estimates and improved from Q3's 7.4%. Specifically, the manufacturing sector grew more than 10% YoY in Q4 alongside resilient exports growth (Q4: 10.4% YoY) driven by electronics and computers (Q4: 22.1% YoY) as well as textiles and footwear.

- The services sector put in another remarkable performance growing 7.4% YTD YoY with robust activity in the finance and insurance sectors as well as the likes of retail and wholesale trade.

- Even as the government seeks to bolster disbursement of public investments, growth cycles in Vietnam remains largely driven by the external trade cycle rather than domestic factors which serve to underpin activity levels. Consequently, the 8% growth target set by the PM remains **a lofty one as it is reliant on another acceleration of trade activity** on top of healthy investment and consumption levels.

- Furthermore, the slight decline of industrial production growth in December 2024 to 8.8% from 8.9% in November should signal caution about the high target as seasonal support from textiles and footwear offset a decline in production of computer, electronic and optical products. External headwinds from Trump 2.0 should also be well noted.

- That said, for 2025, the official 6.5-7.0% GDP growth target range may be manageable should the pace of public investments pick up and some rerouting of trade occur in the initial phase of US-China trade tensions.

- As for price pressures, **both headline and core inflation rose** to 2.9% in December from the 2.8% in November and **fall well within the SBV's target.** The 0.3% MoM increase in headline prices reflects both supply side adjustments and seasonal demands.

- Medical cost rose on adjustment of medical services prices from their regulatory mechanism to reflect higher salaries and higher demand for respiratory and flu related drugs. Aside from seasonal demand, transport inflation rose as gasoline prices were revised higher and prices of personal vehicle rose. Culture, entertainment and tourist category also rose 0.2% MoM driven by domestic tourism.

- Looking ahead, inflation is likely to remain buoyed around the 3% mark as we head into the Tet holiday season.

## DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(EZ) Services PMI (Dec F)	51.6	--	51.4
(US) Durable Gds Orders (Nov F)	-1.2%	-0.3%	-1.1%
(VN) CPI YoY (Dec)	2.9%	3.0%	2.8%
(VN) GDP YoY (4Q)	7.6%	7.0%	7.4%
(VN) Industrial Production (Dec)	8.8%	--	8.9%
(VN) Retail Sales (Dec)	9.3%	--	8.8%
(CH) Caixin Services PMI (dec)	52.2	51.4	51.5
(TH) CPI/Core YoY (Dec)	1.2%/0.8%	1.4%/0.9%	1.0%/0.8%
Today	Actual	Exp.	Prior
(PH) CPI YoY (Dec)		2.6%	2.5%
(TW) CPI/Core YoY (Dec)		2.1%/1.7%	2.1%/1.7%
(AU) Building Approvals MoM (Nov)		-1.0%	4.2%
<b>(EZ) CPI/Core YoY (Dec P)</b>		<b>2.4%/2.7%</b>	<b>2.2%/2.7%</b>
(US) JOLTS Job Openings (Nov)		7745k	7744k
(US)ISM Services/Prices Paid (Dec)		53.5/57.1	52.1/58.2

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.62	157.75	+0.23%	155.00 - 160.00
EURUSD	1.0390	1.0384	+0.80%	1.0300 - 1.0450
GBPUSD	1.2520	1.2511	+0.78%	1.2350 - 1.2600
AUDUSD	0.6246	0.6239	+0.48%	0.6180 - 0.6300
DXY	108.3	--	▼0.64%	107.4 - 108.8
USDCNY	7.3281	--	+0.09%	7.2900 - 7.3500
USDCNH	7.3460	7.3470	▼0.17%	7.3000 - 7.3800
USDHKD	7.7753	7.7754	▼0.04%	7.7500 - 7.7900
USDSGD	1.3634	1.3638	▼0.50%	1.3550 - 1.3750
USDKRW	1464	1460	+0.00%	1450 - 1480
USDTWD	32.87	--	▼0.16%	32.60 - 33.10
USDINR	85.83	--	+0.05%	85.50 - 86.20
USDIDR	16195	--	+0.03%	16000 - 16300
USDMYR	4.511	4.511	+0.23%	4.460 - 4.530
USDPHP	58.29	--	+0.15%	58.00 - 59.00
USDTHB	34.62	34.63	+0.48%	34.1 - 34.8
USDVND	25388	25392	▼0.16%	25400 - 25500

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.277	4.631	-0.4	3.2
JGB (JP)	0.622	1.121	2.5	3.6
Bunds (GE)	2.190	2.446	3.4	2.3
Gilts (UK)	4.429	4.610	1.2	1.8
AGB (AU)	3.916	4.469	5.5	8.4
SGS (SG)	2.828	2.982	8.4	10.9
CGB (CN)	1.019	1.593	-0.1	-1.3
KGB (KR)	2.832	2.700	3.9	-0.4
SDL (IN)	6.748	6.669	0.6	2.5

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	163.77	163.79	+1.04%
GBP/JPY	197.366	197.347	+0.99%
JPY/SGD (100yen)	0.8648	0.8646	▼0.72%
JPY/HKD (100yen)	4.932	4.9291	▼0.27%
CNH/JPY	21.497	21.526	+0.14%
CNH/HKD	1.0612	1.061	▼0.11%
EUR/GBP	0.82985	0.82998	+0.02%
AUD/NZD	1.107	1.1066	▼0.03%
EUR/CNH	7.6328	7.6288	+0.63%
GBP/CNH	9.1974	9.1915	+0.59%

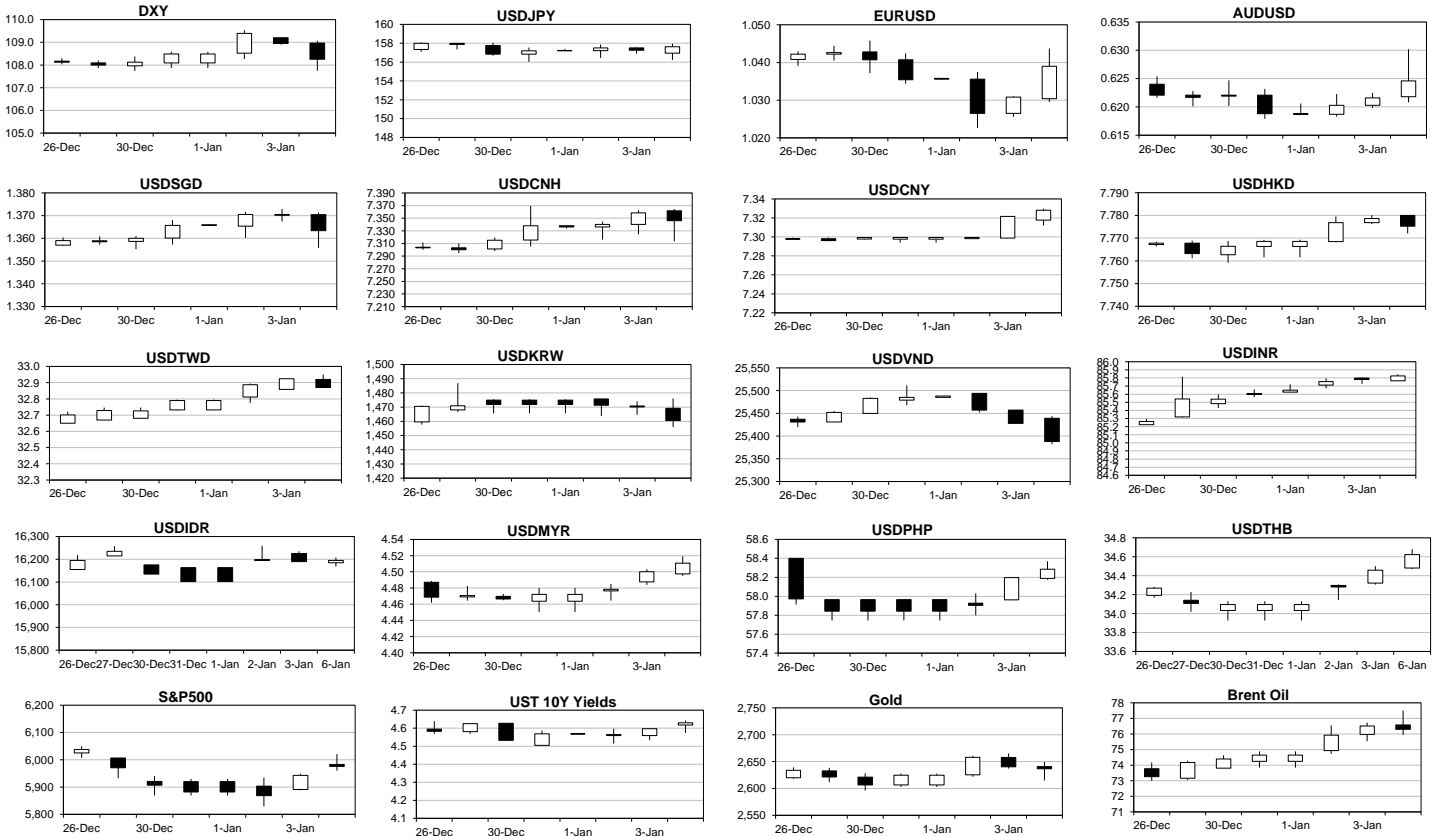
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5975.38	32.91	+0.55%
Nasdaq (US)	19864.98	243.30	+1.24%
DJIA (US)	42706.56	-25.57	▼0.06%
N225 (JP)	39307.05	-587.49	▼1.47%
STOXX50 (EU)	4986.64	115.19	+2.36%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4503.56	12.68	+0.28%
STI (SG)	3821.84	20.01	+0.53%
SHCOMP (CN)	3206.923	-4.51	▼0.14%
SZCOMP (CN)	1849.453	-7.01	▼0.38%
HSI (HK)	19688.29	-71.98	▼0.36%
SENSEX (IN)	77964.99	-1258.12	▼1.59%
JSE (ID)	7080.474	-83.95	▼1.17%
KLSE (MY)	1625.47	-3.99	▼0.24%
PSE (PH)	6625.17	21.36	+0.32%
SET (TH)	1372.65	-12.11	▼0.87%
VNINDEX (VN)	1246.35	-0.01	▼0.66%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,887.10	119.14	+1.36%
IRON ORE (CN)	97.31	-6.38	▼1.54%
GOLD	2,636.47	-3.75	▼0.14%
SILVER	29.96	0.32	+9.48%
OIL (BRENT)	76.30	-0.21	▼0.27%
OIL (WTI)	73.56	-0.40	▼0.54%
NATURAL GAS	3.67	0.33	+1.13%

## CHARTS



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