

Jan 20, 2025

Three Take-Aways

- 1) Front end yields rose as US industrial production outperformed.
- 2) Risk sentiments were bolstered ahead of Trump's inauguration tonight though uncertainty over extent and impact of executive orders points to a volatile week.
- 3) Korea Q4 GDP to remain weak backing the case for further cuts by the BoK in Q1.

MACRO THEME: Blitz and Blackout

- Last Friday, UST yields rose with the curve bear flattening. Notably, front end yield rose on the sight of **outperformance in US industrial production which supported the US exceptionalism narrative and bolstered the Greenback as well as risk sentiments.**

- The risk mood may have been also supported by the impending Trump inauguration tonight amid rising crypto prices.

- The blackout of Tiktok and subsequent restoration of services on a possible extension of their ban on the app reflects **the uncertainty that may unfold this week.**

- Furthermore, with the deluge of **executive orders** on the cards which may happen as soon as this week, markets may struggle to digest and react accordingly. Specifically, the growth and inflation dynamics from the likes of tariffs and deportation orders will tough to assess given the possible retaliation and supply implications.

- Outgoing US Treasury Secretary Yellen has also likely provided a last grim reminder on the US fiscal position as the **Treasury will begin extraordinary measures on Tuesday to avoid breaching the debt limit.**

- Meanwhile, energy prices were a tad softer with Brent crude declining to US\$81/barrel as the Gaza-Israel ceasefire began. Nonetheless, a reversion to the pre-conflict state of affairs is unlikely and even **prolonged Middle East stability in the months ahead is far from certain** given the fit and starts nature of how this ceasefire began.

- In Asia, Singapore's non-oil domestic exports continued to outperformed for December. The resilient external demand backs the case for the MAS to be more cautious in easing monetary policy.

Yields (2Y: +5.4bp; 10Y: +1.4bp, 30Y: +0.1bp)

- UST yield curve bear steepened.

Equities (Nasdaq: +1.5%; S&P 500: +1.0%; Dow: +0.8%)

- Broad based gains across US equities with the Nasdaq leading.

- US stocks and bond markets will be closed for Martin Luther King Jr. Day

FX (DXY: +0.4%)

- USD gained against G10 peers. JPY led losses as UST yields rose as traders were already pricing in near certainty of a hike by the BoJ next week. EUR remain pressured below 1.03 even as ECB's Nagel caution against hasty normalisation of monetary policy.

- Commodity currencies declined alongside softer oil prices. Down Under, the AUD hovers around 62 cents.

- In EM-Asia FX, gain from last Friday will remain at risk from the threat of higher UST yields and caution ahead of Trump's inauguration.

China: Consumption fueled Recovery

- A broad-based recovery in GDP growth. China's GDP growth for 4Q significantly surpassed market expectations, registering at 5.4% YoY, leading to a full-year increase of 5.0%.

- This improvement was observed across industries (Fig 2). Both the industrial and service sectors experienced a rise of 5.8% YoY in Q4, up from 5.1% and 4.8% in Q3, respectively.

- Additionally, the real estate sector saw positive growth for the first time in nearly two years, with a 2.0% YoY increase in Q4. Sequential GDP growth was 1.6% QoQ in Q4, following an upward revision of Q3 growth from 0.9% to 1.3%. Nominal GDP also rose at a faster pace of 4.6% YoY in Q4, leaving GDP deflator declining 0.73% YoY.

Korea Q4 GDP: Unconstructive

- For Korea's Q4 GDP on 23 January, we expected a slight sequential bump up in quarterly growth momentum to 0.2% QoQ from Q3's dismal 0.1%. That said, given high base effects, **YoY growth in Q4 may find it to be exceed Q3's 1.5%.**

- Growth in external demand has clearly moderated as Q4 exports slow to 4.2% from Q3's 10.6% even though levels of semi-conductor related production remains at a high level.

- That said, in the months ahead, we are cognisant of the effects of China frontloading imports ahead of plausible US tariffs on China.

- Services activity has also moderated with real retail sales contracting on a year ago basis reflecting **stretched consumer wallets which is congruent with deteriorating consumer sentiments.**

- Furthermore, **public spending is a key wild card and likely to have contracted amid the political debacle in December.**

- Construction sector woes also remain unresolved as activity completion remains week plunging to new lows in the first two months of Q4 reflecting the reported financial issues from mid-size builders.

- All in, this weak GDP print will support the **BoK's stance that they are in an easing cycle and for the BoK to resume rate cuts at their next meeting.**

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(MY) GDP/Annual YoY (4Q/2024 A)	4.8%/5.1%	5.2%/5.2%	5.3%/3.7%
(SG) NODX/Elect. Exports YoY (Dec)	9.0%/18.6%	7.8%/--	3.4%/23.2%
(CH) Ind. Pdtn/Retail Sales YoY (Dec)	6.2%/3.7%	5.4%/3.6%	5.4%/3.0%
(CH) FAI Ex Rural YTD YoY (Dec)	3.2%	3.3%	3.3%
(CH) Surveyed Jobless Rate (Dec)	5.1%	5.0%	5.4%
(CH) GDP YoY/SA QoQ (4Q)	5.4%/1.6%	5.0%/1.7%	4.6%/0.9%
(CH) New/Used Home Prices MoM (Dec)	-0.1%/-0.3%	--	-0.2%/-0.4%
(CH) Property Invest. YTD YoY (Dec)	-10.6%	-10.4%	-10.4%
(US)Housing Starts/Building Permits (Dec)	1499k/1483k	1327k/1460k	1289k/1493k
(US) Industrial Production MoM (Dec)	0.9%	0.3%	0.2%
(EZ) CPI/Core YoY (Dec F)	2.4%/2.7%	2.4%/2.7%	2.4%/2.7%
Today	Actual	Exp.	Prior
(CH) 1Yr/5Yr Loan Prime Rate		3.10%/3.60%	3.10%/3.60%
(MY) Exports/Imports YoY (Dec)		--	4.1%/1.6%
(JP) Core Machine Orders YoY (Nov)	10.3%	4.2%	5.6%
(JP) Tertiary Index Index Mom (Nov)		0.1%	0.3%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	156.30	156.32	+0.73%	154.00 - 158.00
EURUSD	1.0273	1.0278	▼0.27%	1.0220 - 1.0400
GBPUSD	1.2169	1.2172	▼0.57%	1.2050 - 1.2310
AUDUSD	0.6193	0.6196	▼0.32%	0.6140 - 0.6260
DXY	109.3	--	+0.36%	108.6 - 110.0
USDCNY	7.3252	--	▼0.09%	7.3200 - 7.3500
USDCNH	7.3415	7.3341	▼0.07%	7.3300 - 7.3700
USDHKD	7.7857	7.7846	▼0.02%	7.7750 - 7.8000
USDSGD	1.3684	1.3674	+0.10%	1.3560 - 1.3740
USDKRW	1459	1458	+0.00%	1440 - 1470
USDTWD	32.93	--	▼0.02%	32.70 - 33.15
USDINR	86.61	--	+0.07%	86.20 - 87.00
USDIDR	16365	--	+0.03%	16200 - 16500
USDMYR	4.507	4.507	+0.08%	4.470 - 4.520
USDPHP	58.62	--	+0.03%	58.20 - 58.90
USDTHB	34.46	34.49	▼0.40%	34.2 - 34.9
USDVND	25333	25328	▼0.18%	25300 - 25480

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.285	4.628	5.4	1.4
JGB (JP)	0.681	1.196	-0.5	-0.5
Bunds (GE)	2.224	2.532	-0.2	-1.2
Gilts (UK)	4.369	4.659	-0.8	-2.0
AGB (AU)	3.925	4.497	1.1	0.0
SGS (SG)	2.854	2.952	-3.7	-4.5
CGB (CN)	1.259	1.652	2.8	1.3
KGB (KR)	2.817	2.705	0.1	5.4
SDL (IN)	6.765	6.674	1.0	-0.5

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	160.56	160.65	+0.44%
GBP/JPY	190.194	190.259	+0.16%
JPY/SGD (100yen)	0.8755	0.8748	▼0.58%
JPY/HKD (100yen)	4.9817	4.9801	▼0.75%
CNH/JPY	21.323	21.339	+0.64%
CNH/HKD	1.0627	1.0627	+0.04%
EUR/GBP	0.84422	0.84439	+0.31%
AUD/NZD	1.1092	1.109	+0.10%
EUR/CNH	7.5411	7.5376	▼0.36%
GBP/CNH	8.9384	8.9267	▼0.59%

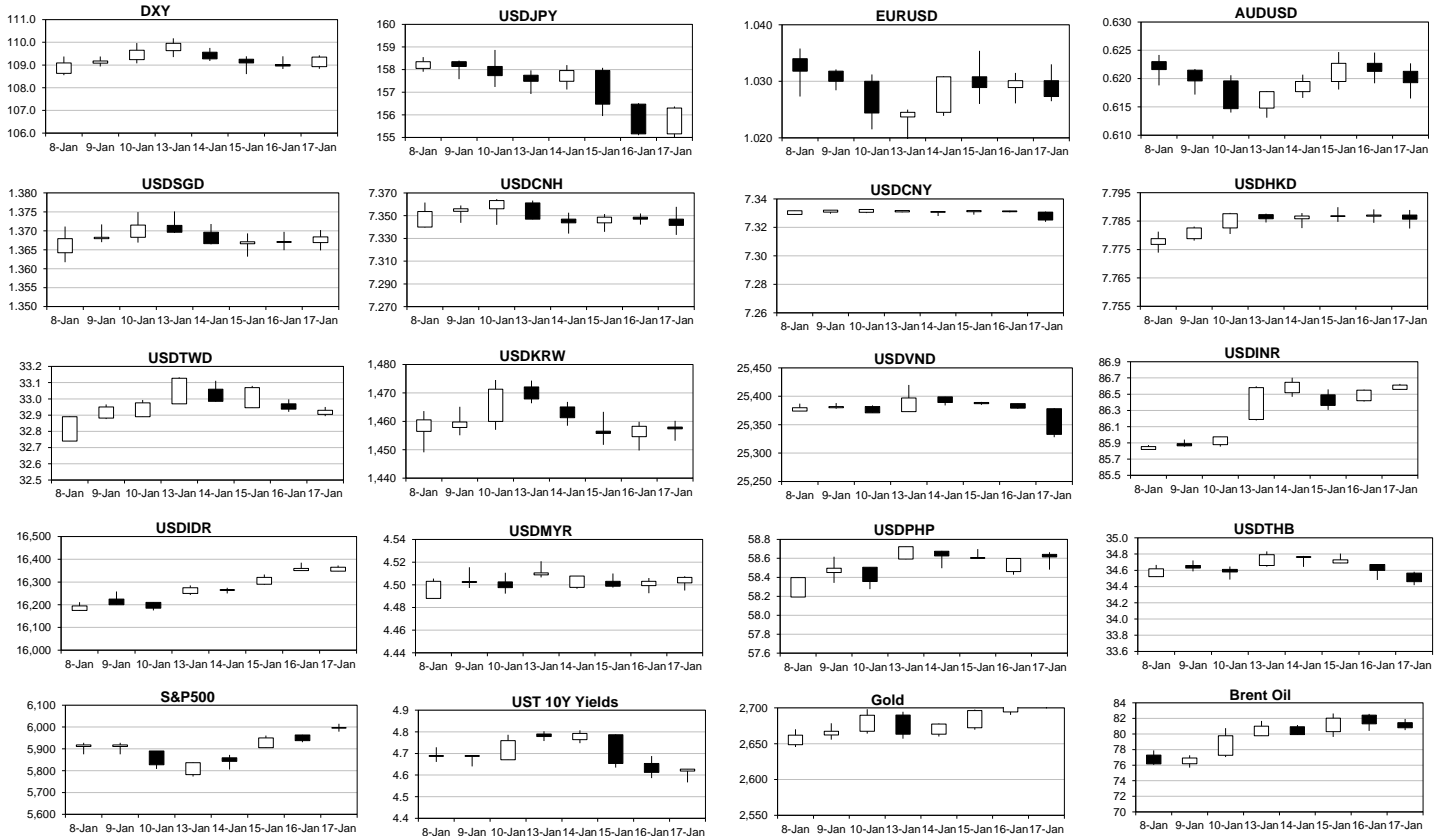
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5996.66	59.32	+1.00%
Nasdaq (US)	19630.2	291.91	+1.51%
DJIA (US)	43487.83	334.70	+0.78%
N225 (JP)	38451.46	-121.14	▼0.31%
STOXX50 (EU)	5148.3	41.37	+0.81%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4621.7	55.11	+1.21%
STI (SG)	3810.78	9.65	+0.25%
SHCOMP (CN)	3241.821	5.79	+0.18%
SZCOMP (CN)	1916.186	6.74	+0.35%
HSI (HK)	19584.06	61.17	+0.31%
SENSEX (IN)	76619.33	-423.49	▼0.55%
JSE (ID)	7154.658	47.14	+0.66%
KLSE (MY)	1566.72	11.18	+0.72%
PSE (PH)	6352.12	86.60	+1.38%
SET (TH)	1340.63	-11.93	▼0.88%
VNINDEX (VN)	1249.11	0.01	+0.54%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,081.89	-41.20	▼0.45%
IRON ORE (CN)	101.57	3.67	+0.54%
GOLD	2,703.25	-11.06	▼0.41%
SILVER	30.37	-0.31	▼7.28%
OIL (BRENT)	80.79	-0.50	▼0.62%
OIL (WTI)	77.88	-0.80	▼1.02%
NATURAL GAS	3.95	-0.45	▼1.45%

CHARTS



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