

Jan 27, 2025

Three Take-Aways

- 1) Softer consumers sentiments and Services PMIs led to a weaker USD and saw risk sentiments turn cautious to end last week.
- 2) Trump imposition of tariffs on Colombia renewed threats of trade tensions to set a firmer tone for the USD this morning.
- 3) FOMC this week set for a hold amid front-loaded policy easing in late-2024 alongside recent signs of economic resilience.

MACRO THEME: Sentiments and Expectations

- Last Friday, University of Michigan Survey showed **consumer sentiments being revised lower and inflation expectations being revised higher from its preliminary estimate**. Admittedly, the worsening sentiments was skewed according to political inclinations of respondents.

- S&P's PMIs were also dismal given as a slight uptick in manufacturing PMI was unable to offset **services PMI falling short of market expectations**.

- With the sub-index for outlook rising, much of these optimism stems from **expectations of pro-business policies**.

- On balance, markets struck a cautious tone to end last week as equities slipped and USTs recovered. Caution is certainly not unwarranted given developments **over the weekend**.

- US President Trump has imposed sanctions on Colombia after they rejected US military planes carrying deported migrants. The abrupt nature of such orders is a gentle reminder that the usual order of the playbook of investigation, diplomacy and punitive actions to always play out.

- That said, last Friday the US trade representative office announced that they will review China's compliance with the Economic and Trade Agreement with the US following Trump's executive orders.

- Consequently, the **Greenback has regained traction this morning** after last Friday's softening. Oil prices also started the week on the backfoot given Colombia's importance as a oil producer.

Yields (2Y: -2.3bp; 10Y: -2.3bp; 30Y: -2.1bp)

- UST yields declined across the curve on weaker economic indicators.

Equities (Nasdaq: -0.5%; S&P 500: -0.3%; Dow: -0.3%)

- US equities slipped across the board.

FX (DXY: -0.6%)

- Even as the USD softened last Friday, tariff concerns differentiated extent of gains as the CAD underperformed. The GBP outperformed, mainly on account of PMIs exceeding expectations.

- EUR has slipped towards mid-1.04 this morning and the USD/JPY hovering above mid-155.

- USD/SGD is trading below 1.35 with the MAS's easing playing little role in the broad tide of a softer USD. Regional EM peers are likely to be weighed down by trade war fears.

China: Channels

- China announced new measures over the weekend to boost investments in bond and equities ETFs. This will come through a variety of initiatives such as reducing fund costs, market making feeds and improving approval processes.

- Amid various stimulus measures, China's PMIs (releasing today) are expected to improve from last month's print.

FOMC: Of Skip, Pause & Noise Cancellation

- Arguably, January's **FOMC is set up to be a non-event**. On the **policy action** front, **front-loaded policy easing in late-2024** alongside **recent signs of economic resilience** point to a **hold**.

- And on **policy guidance**, **political noise prevailing over signals** (on economic repercussions) **crimps scope for fresh, meaningful guidance**. For the record, the **Fed is widely expected not to move** and has all but said it is on a hold. Moreover, there are no new economic and policy projections from the Fed to pore over (until March). Sure, US economic data lend to the narrative of US exceptionalism. But that hardly provides clarity around a highly- uncertain policy path.

- Crucially, **highly consequential Trump 2.0 uncertainties** (involving the inability to ascertain the economic-inflation and jobs impact from a confluence of trade, immigration, fiscal policies amid deregulation) continue to **stymie clarity on the appropriate, much less optimal, policy course**.

- Consequently, **any thoughtful analysis ought to impose appropriate "noise cancellation"** as Trump 2.0 reveals itself.

- In which case, **whether** the rate hold for January is **merely a skip** in an intact easing cycle that has ways to go **or a more considered pause** for a Fed that assesses terminal rates to be considerably closer ought to be **left open to interpretation**.

- Nonetheless, the reality is that **markets are predisposed to project a hawkish default on Fed outcomes** based on assumptions of US exceptionalism conspiring with inflationary dimensions of trade, immigration, and fiscal policies.

- Which results in **some persistence in pre-existing buoyancy in yields** (on higher for longer expectations) to correspond to **USD that tends to be bought back on dips** as a low bar primed on US exceptionalism, trade confrontations and a hawkish perceptions of the Fed. But what's underappreciated is that the **near certainty of non-action in January stands in stark contrast to pronounced uncertainty about the policy path forward**. And this **sets the stage for greater (downside) volatility in yields** further out.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(JP) CPI Ex Fresh Food, Energy (Dec)	3.6%/2.4%	3.4%/2.4%	2.9%/2.4%
MAS Monetary Policy Statement			
(PH) Exports/Imports YoY (Dec)	-2.2%/-1.7%	-1.1%/4.5%	-8.7%/-4.9%
(TW) GDP YoY (4Q A)	1.8%	2.0%	4.2%
(SG) Industrial production YoY (Dec)	10.6%	6.2%	8.5%
(EZ) Mfg/Services PMI (Jan P)	46.1/51.4	45.4/51.5	45.1/51.6%
(US) Uni of Michigan Sentiment (Jan F)	71.1	73.2	73.2
(JP) BoJ Policy Target Rate	0.50%	0.50%	0.25%
Today			
(JP) Leading Index CI (Nov F)			107.0
(GE) IFO Business Climate (Jan)		84.7	84.7
(US) Chicago Fed Nat Activity Index (Dec)			-0.12
(US) New Home Sales (Dec)		670k	664k%
(US) Dallas Fed Mfg Activity (Jan)			3.4
(CH) Industrial Profits YoY (Dec)			-7.3%
(CH) Mfg/Non-Mfg PMI (Jan)		50.1/52.2	50.1/52.2
(SG) Unemployment Rate SA (Dec)			1.8%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	156.00	155.77	▼0.03%	154.00 - 157.50
EURUSD	1.0497	1.0467	+0.79%	1.0340 - 1.0480
GBPUSD	1.2484	1.2458	+1.06%	1.2380 - 1.2500
AUDUSD	0.6314	0.6293	+0.46%	0.6220 - 0.6320
DXY	107.4	--	▼0.56%	107.2 - 108.2
USDCNY	7.2411	--	▼0.62%	7.2300 - 7.3000
USDCNH	7.2443	7.2629	▼0.60%	7.2500 - 7.3100
USDHKD	7.7869	7.7882	▼0.03%	7.7730 - 7.8000
USDSGD	1.3462	1.3486	▼0.65%	1.3420 - 1.3640
USDKRW	1431	1430	+0.00%	1425 - 1445
USDTWD	32.69	--	▼0.26%	32.60 - 33.00
USDINR	86.21	--	▼0.30%	86.00 - 86.70
USDIDR	16173	--	▼0.66%	16100 - 16400
USDMYR	4.378	4.377	▼1.50%	4.350 - 4.450
USDPHP	58.34	--	▼0.62%	58.20 - 58.80
USDTHB	33.65	33.69	▼1.08%	33.5 - 34.1
USDVND	25085	25084	▼0.09%	25000 - 25250

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.268	4.622	-2.3	-2.3
JGB (JP)	0.708	1.223	1.6	2.2
Bunds (GE)	2.286	2.568	4.5	2.0
Gilts (UK)	4.321	4.628	0.3	-0.6
AGB (AU)	3.894	4.476	-1.1	0.7
SGS (SG)	2.820	2.922	-0.6	-0.9
CGB (CN)	1.300	1.654	2.4	-0.4
KGB (KR)	2.858	2.660	-2.1	-2.3
SDL (IN)	6.721	6.624	-0.3	1.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	163.68	163.03	+0.70%
GBP/JPY	194.721	194.044	+1.01%
JPY/SGD (100yen)	0.8629	0.866	▼0.62%
JPY/HKD (100yen)	4.9916	5.0029	+0.00%
CNH/JPY	21.516	21.491	+0.50%
CNH/HKD	1.0756	1.0756	+0.62%
EUR/GBP	0.84064	0.84018	▼0.31%
AUD/NZD	1.1062	1.1055	▼0.12%
EUR/CNH	7.6073	7.6042	+0.22%
GBP/CNH	9.0423	9.0471	+0.44%

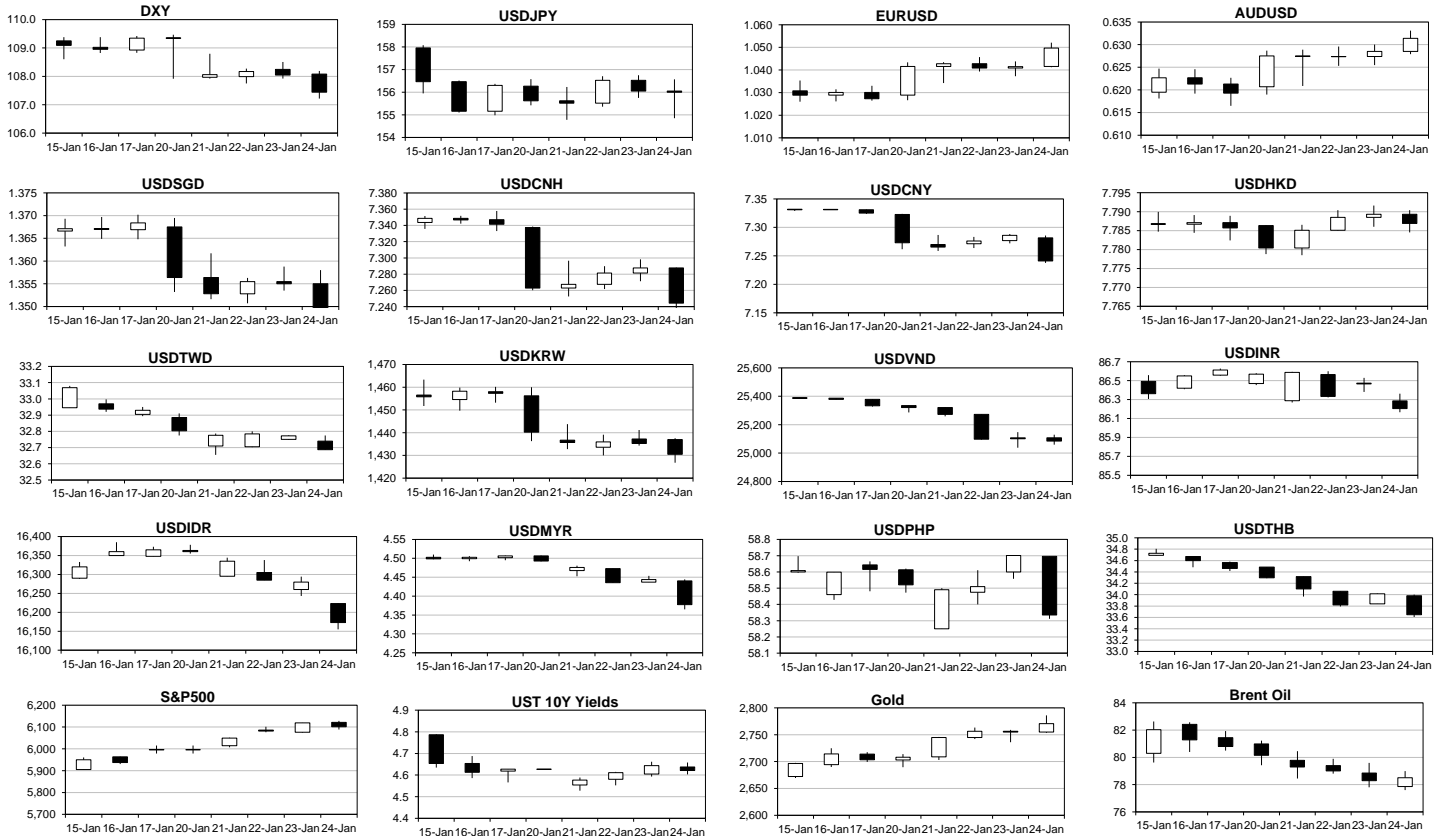
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G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6101.24	-17.47	▼0.29%
Nasdaq (US)	19954.3	-99.38	▼0.50%
DJIA (US)	44424.25	-140.82	▼0.32%
N225 (JP)	39931.98	-26.89	▼0.07%
STOXX50 (EU)	5219.37	1.87	+0.04%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4617.93	-29.59	▼0.64%
STI (SG)	3804.26	-2.31	▼0.06%
SHCOMP (CN)	3252.626	22.46	+0.70%
SZCOMP (CN)	1936.345	23.08	+1.21%
HSI (HK)	20066.19	365.63	+1.86%
SENSEX (IN)	76190.46	-329.92	▼0.43%
JSE (ID)	7166.056	-66.59	▼0.92%
KLSE (MY)	1573.73	-3.47	▼0.22%
PSE (PH)	6296.2	-82.66	▼1.30%
SET (TH)	1354.07	9.90	+0.74%
VNINDEX (VN)	1265.05	0.00	+0.43%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,156.25	38.50	+0.42%
IRON ORE (CN)	101.59	0.02	+0.15%
GOLD	2,770.58	15.71	+0.57%
SILVER	30.59	0.08	+2.08%
OIL (BRENT)	78.50	0.21	+0.27%
OIL (WTI)	74.66	0.04	+0.05%
NATURAL GAS	4.03	0.13	+0.43%

CHARTS



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