

Feb 05, 2025

## Three Take-Aways

- 1) Lower US jobs openings led to lower UST yields and a weaker USD even as Fed officials sounded cautious.
- 2) China's measured response led to cautious optimism but does not resolve issues of longer term sticky tariffs alongside specific sectoral economic pains.
- 3) Slight moderation of Indonesia Q4 GDP does not absolve of underlying growth risks.

## MACRO THEME: Of JOLTs and Creeping Sticky Tensions

- Lower US jobs openings last night renewed concerns over labour market softening. Other economic indicators were also a tad weaker as factory orders printed below expectations and capital goods orders revised lower.

- Consequently, UST yields headed lower even as Fed officials remain cautious.

- Fed's Daly said that "we don't need to be preemptive" as she stressed that they can take their time to look at what's coming in, both on the economy and any policy changes. She even added that **if you take preemptive action based on looking at these things in individual silos, you can end up making a policy mistake.**

- Even Chicago Fed's Goolsbee also sounded cautious saying that we got to be **a little more careful and prudent of how fast rates can come down.**

- Meanwhile, US equities recovering from the decline the previous day reflect the temporal relief from Mexico and Canada's suspension of tariffs.

- That said, with tariffs on China kicking in alongside Beijing retaliation, sentiments ought to remain more cautious, **not mistaking targeted measures as a lack of economic pain for those in the crosshairs** especially as commodities such as coal are relatively more homogenous and relatively substitutable implying the incidence of the tariffs would fall largely on US exporters.

- Furthermore, once implemented **tariffs tend to be sticky** and may be hard to roll back given that most of Trump 1.0 tariffs remain in place, longer term competitiveness ought to be further scrutinised. Specifically, deals of purchasing US exports or even negotiations surrounding Tik Tok may lean to deferred escalation of a further trade war rather than outright reversion to pre-Trump 2.0 trade conditions (tariff levels and regulatory hurdles).

**Yields (2Y: -3.5bp; 10Y: -4.4bp; 30Y: -4.5bp)**

- UST yield curve bull flattened on labour market and growth worries.

**Equities (Nasdaq: +1.4%; S&P 500: +0.7%; Dow: +0.3%)**

- US equities rose across the board. That said, earnings disappointment from Alphabet and AMD may weigh.

**FX (DXY: -1.0%)**

- Amid lower UST yields, USD weakened against all G10 peers.

## DATA/EVENTS

Yesterday/ Over the Holidays	Actual	Exp.	Prior
(US) JOLTS Quits Rate	2.0%	--	1.9%
<b>(US) JOLTS Jobs Openings (Dec)</b>	7600k	<b>8000k</b>	<b>8098k</b>
(US) Factory Orders (Dec)	-0.9%	-0.7%	-0.4%
(US) Durable Gds Orders (Dec F)	-2.2%	-2.2%	-2.2%
Today	Actual	Exp.	Prior
(JP) Labour/Real Cash Earnings YoY (Dec)	4.8%/0.6%	3.7%/0.1%	3.9%/0.5%
<b>(EZ) PPI YoY (Dec)</b>		<b>-0.1%</b>	<b>-1.2%</b>
(KR) CPI/Core YoY (Jan)	2.2%/1.9%	2.1%/1.8%	1.9%/0.4%
(PH) CPI YoY (Jan)		2.8%	2.9%
(ID) GDP YoY (Q4)		5.0%	5.0%
(SG) Retail Sales/Ex Auto YoY (Dec)		1.0%/--	-0.7%/-1.4%
(US) ISM Services (Jan)		54.0	54.0
(US) ISM Services Employment (Jan)		--	51.3

- The JPY gained the least ground as PM Ishiba said that he would not assume that Japan is cemented in a state of price growth even as he acknowledged that they are not in deflation currently.

- That said, labour earnings outperformance this morning may embolden JPY bulls though due caution is warranted given on-going volatility.

## China: Measured

- Despite the retaliation, markets reacted with cautious optimism as China's response was relatively restrained and avoided tariffs on US agricultural products. Consequently, the Hang Seng China Enterprise Index rose by 3.51% on the same day.

- As for talk of RMB depreciation, it would be a knee-jerk reaction for the market to assume that China would allow significant depreciation of the RMB to offset the impact of the additional tariff.

- When China-US trade tensions escalated rapidly in 2018, the CNY spot rate was at its strongest level since China reformed its FX rate pricing mechanism in August 2015. Even after the weakening during 2018-19, the CNY spot barely surpassed its weakest level seen in 2016 and remained within the key level of 7.0 against the dollar

- However, the situation has changed significantly. Prior to Trump's inauguration in January, the CNY spot traded close to 7.35, its weakest level since 2007. Any sharp depreciation beyond this level or signs that the PBoC is loosening its grip on the RMB fixing rate could trigger massive selling pressure on the RMB and unleash market expectations for further depreciation.

- We believe the last thing Chinese policymakers want to see is soaring volatility in the FX and financial markets as they are working hard to revive economic sentiment onshore.

## Indonesia Q4 GDP: Growth Risks

- We expect **Indonesia's Q4 growth to moderate slightly to 4.8%** (Q3: 4.9%) and 2024 annual growth to be around 5.0% YoY. **Domestic consumption could moderate** (Q3: 4.9%) as retail sales growth moderated.

- Meanwhile, **government consumption** (Q3: 4.6%) and **gross fixed capital formation should moderate** (Q3: 4.8%) as fiscal balances indicate lower expenditure on personnel and capital while cement consumption in Oct-Nov also plummeted -33.3% YoY (Q3: +0.8%).

- On the external sector, accelerating growth in services net exports could in part offset moderation in other components. Tourist arrivals growth accelerated to 19.7% YoY in Oct-Nov compared to Q3 growth (18.2%). Nonetheless, goods balance is likely to have deteriorated as imports grow faster than exports. Specifically on commodities, palm oil exports should be supported (even after discounting for price effects), but coal demand appears subdued.

- All in, Indonesia's growth print should affirm BI's surprise cut in January as growth risks heightens.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	154.34	154.15	▼0.25%	152.80 - 156.80
EURUSD	1.0379	1.0373	+0.34%	1.0230 - 1.0420
GBPUSD	1.2480	1.2477	+0.24%	1.2300 - 1.2520
AUDUSD	0.6254	0.6251	+0.43%	0.6130 - 0.6280
DXY	108.0	--	▼0.95%	106.8 - 110.0
USDCNY	7.2446	--	+0.00%	7.2300 - 7.3700
USDCNH	7.2869	7.2888	▼0.34%	7.2400 - 7.3700
USDHKD	7.7872	7.7871	▼0.07%	7.7750 - 7.8000
USDSGD	1.3530	1.3526	▼0.60%	1.3500 - 1.3700
USDKRW	1455	1451	+0.00%	1445 - 1480
USDTWD	33.00	--	+0.06%	32.50 - 33.10
USDINR	87.08	--	▼0.14%	86.00 - 87.50
USDIDR	16345	--	▼0.55%	16200 - 16500
USDMYR	4.444	4.438	▼0.66%	4.420 - 4.500
USDPHP	58.35	--	▼0.54%	58.10 - 58.80
USDTHB	33.83	33.68	▼0.59%	33.4 - 34.1
USDVND	25181	25181	▼0.43%	25000 - 25300

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

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.215	4.513	-3.5	-4.4
JGB (JP)	0.738	1.273	1.4	2.9
Bunds (GE)	2.046	2.395	2.1	1.2
Gilts (UK)	4.175	4.521	1.8	3.5
AGB (AU)	3.755	4.416	2.4	3.7
SGS (SG)	2.795	2.888	-0.8	-0.3
CGB (CN)	1.259	1.627	0.0	0.0
KGB (KR)	2.845	2.675	-4.5	-3.5
SDL (IN)	6.673	6.567	0.7	1.4

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	160.2	159.89	+0.09%
GBP/JPY	192.617	192.319	▼0.01%
JPY/SGD (100yen)	0.8765	0.8775	▼0.31%
JPY/HKD (100yen)	5.0453	5.0518	+0.19%
CNH/JPY	21.351	21.277	▼0.01%
CNH/HKD	1.0748	1.0749	▼0.08%
EUR/GBP	0.83163	0.8314	+0.10%
AUD/NZD	1.1066	1.1068	+0.05%
EUR/CNH	7.563	7.5607	▼0.01%
GBP/CNH	9.0945	9.0939	▼0.09%

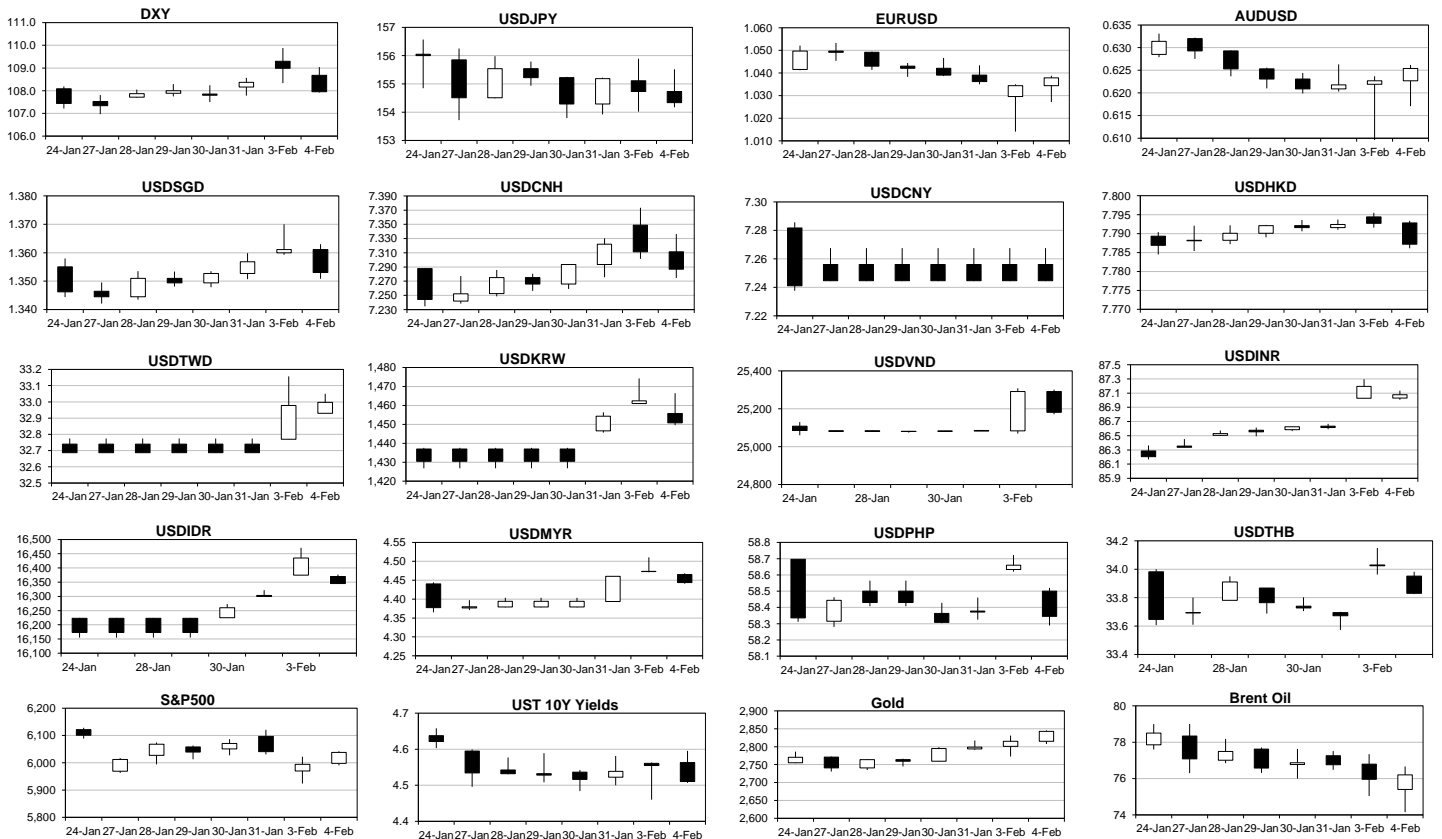
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6037.88	43.31	+0.72%
Nasdaq (US)	19654.02	262.06	+1.35%
DJIA (US)	44556.04	134.13	+0.30%
N225 (JP)	38798.37	278.28	+0.72%
STOXX50 (EU)	5264.59	46.68	+0.89%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4653.17	-7.65	▼0.16%
STI (SG)	3823.01	-3.46	▼0.09%
SHCOMP (CN)	3250.601	0.00	+0.00%
SZCOMP (CN)	1911.088	0.00	+0.00%
HSI (HK)	20789.96	572.70	+2.83%
SENSEX (IN)	78583.81	1397.07	+1.81%
JSE (ID)	7073.459	43.40	+0.62%
KLSE (MY)	1564.56	10.93	+0.70%
PSE (PH)	6089.06	206.02	+3.50%
SET (TH)	1301.02	-3.37	▼0.26%
VNINDEX (VN)	1264.68	0.01	+0.93%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,024.70	46.13	+0.51%
IRON ORE (CN)	105.55	4.05	+0.73%
GOLD	2,842.71	27.50	+0.98%
SILVER	32.17	-0.10	▼2.95%
OIL (BRENT)	76.20	0.24	+0.32%
OIL (WTI)	72.70	-0.46	▼0.63%
NATURAL GAS	3.25	0.57	+1.80%

## CHARTS



## RESEARCH TEAM

Vishnu Varathan | Serena Zhou | Ken Cheung | Tan Boon Heng | Tan Jing Yi

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