

Feb 19, 2025

Three Take-Aways

- 1) UST yields climbed amid cautious FedSpeak supporting a prolonged rate hold.
- 2) RBA's cut came with a substantial dose of caution on labour market strength.
- 3) Bank Indonesia is likely to return to a pause though easing bias remains.

MACRO THEME: Caution Remains The Theme

- UST yields climbed as FedSpeak echoed cautious comments from a day prior. Waller commented in early Asian session that US data support keeping interest rates on hold. He noted the slow dis-inflation progress and questioned whether if it was attributed to difficulties of last mile dis-inflation of seasonal inflation.

- In addition, Fed Daly noted that policy needs to remain restrictive until there were continued evidence on dis-inflation progress. She also noted that the economy is in a good place and labour market was solid.

- Meanwhile, tariffs threats continue, with Trump announcing tariffs early this morning on automobiles, semiconductor and pharmaceutical imports of around 25%, with an announcement as soon as April 2.

- Down under, **RBA proceeded with a 25bp alongside a substantial dose of caution** with labour market strength being cited by Governor Bullock as presenting a strong argument for holding rates. The inclination to support growth though was clear as GDP forecast for 2025 was revised lower from 2.2% to 2.1%. while inflation projections endured a bumpy revision with near term trimmed mean inflation downgraded (2.8% to 2.7% for end-25) while longer term inflation figures in end 2026 were upgraded to 2.7%. The inflation numbers were forecasted based on markets' pricing of the cash rate. During her presser, Governor Bullock also commented that achieving a 2.5% inflation based on markets' pricing was "unrealistic", alluding to market pricing as optimistic and that RBA's pace of cuts would likely be slower. In response to the decision, markets are now pricing the next cut to be in July-August, from May-July a day earlier.

- In Singapore, **Budget 2025 was as expected in its generosity of cash handouts** amid an upward revision of FY2024 fiscal balance estimate from a S\$0.8bn surplus to a S\$6.4bn surplus as operating revenues soared on higher collections across a broad range of categories. With Budget 2025 running a basic balance deficit of 4.8b, a positive fiscal impulse will buffer growth headwinds ahead.

Yields (2Y: +4.7bp; 10Y: +7.4bp; 30Y: +6.9bp)

- UST yields moved higher across the curve.

Equities (Nasdaq: +0.1%; S&P500: +0.2%; Dow: +0.0%)

- US equities closed marginally higher.

FX (DXY: +0.5%)

- The USD strengthened against most G10 currencies amid higher UST yields. NZD led losses ahead of RBNZ decision later today, with expectations of another cut amid a weak labour market and dis-inflation progress.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) RBA Cash Rate Target	4.10%	4.10%	4.35%
(GE) Zew Survey Expectations (Feb)	26.0	20.0	10.3
(US) Empire Manufacturing (Feb)	5.7	-2.0	-12.6
Today	Actual	Exp.	Prior
(CH) New/Used Home Prices MoM (Jan)		--/--	-0.1%/-0.3%
(AU) Wage Price Index QoQ (4Q)		0.8%	0.8%
(ID) Bank Indonesia Policy Rate		5.75%	5.75%
(PH) BoP Overall (Jan)		--	-\$1508m
(US) Housing Starts (Jan)		1390k	1499k
(US) Building Permits (Jan)		1460k	1482k
(JP) Trade Balance (Jan)		-¥2758.8b	-¥2103.8b
(JP) Core Machine Orders MoM (Dec)		-1.2%	0.5%
			3.4%

FOMC Meeting Minutes

- EUR performed in the middle of the pack, moving lower to below mid-1.04 while USD/JPY was mostly buoyant above mid-151 levels.

- AUD was better supported on RBA's hawkish hold, trading at around mid-63 cents.

- Elsewhere, USD/SGD hovered above the 1.34 handle.

China: Mixed Bag

- While President Xi's meeting with leading Chinese entrepreneurs raised expectations of more support for the private sector, Chinese equities' performance was a mixed bag (HSI: +1.6%; CSI 300: -0.9%; Nasdaq Golden Dragon Index: -1.3%) amid mixed corporate earnings and absence of some notable CEOs from the meeting.

Bank Indonesia: Return to a Pause

- Following the surprise rate cut in January, we expect Bank Indonesia (BI) to be on hold again.

- **IDR-stability concerns have arguably been taken a step higher** since the last meeting, with **tighter control on the repatriation of export earnings** (which will come into effect March 1). In preparation, Bank Indonesia will **be providing FX denominated securities** to become instruments for these exporters' proceeds. Since their previous meeting, the IDR has underperformed regional peers and Bank Indonesia has confirmed **multiple intervention attempts to anchor rupiah stability**.

- Nonetheless, this pause is not to be mistaken with a prolonged hold as **Bank Indonesia displays a clear easing bias**. Governor Warjiyo has clearly declared room for **more cuts to boost growth**. Furthermore, BI has tendency (though not always) to ease policy when loan growth falls below target forecast range. Notably, 2025 forecast range of 11-13% is higher than 2024's 10-12% range.

- On balance, we think that the current USD strength may rein in excessive dovishness on BI's part to safeguard rupiah-stability for the timing being.

- Underlying inflation has remained stable even as headline inflation may turn volatile with January's CPI print dipping to 0.8% on discounts on electricity tariffs which was implemented despite the watered down VAT hike. The discounted electricity tariff will end in March implying a consequent bump up then which then coincides with upward price pressures from Eid festivities. That said, inflation is expected to remain within their target range abstracting from these temporal impact.

- Growth has remain stable with Q4 growth reaching 5.0% enabling 2024 to grow at 5.0% on an annual basis. That said, it falls short of the government's 5.2% target. While 2025's 5.2% GDP growth target may be achievable, President Prabowo's 8% goal remains a lofty one.

- Given the **pro-growth angle and Bank Indonesia's likely support to complement fiscal policy**, the easing inclinations of the central bank will mean **that IDR bulls have little to be optimistic about** even if BI holds rates at their upcoming meeting.

- Lastly, should BI choose to push ahead with easing earlier rather than later, IDR volatility will be par for the course.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	152.06	151.94	+0.36%	150.50 - 153.50
EURUSD	1.0446	1.0448	▼0.36%	1.0370 - 1.0540
GBPUSD	1.2613	1.2625	▼0.10%	1.2550 - 1.2700
AUDUSD	0.6353	0.6352	▼0.05%	0.6300 - 0.6400
DXY	107.1	--	+0.45%	106.4 - 107.5
USDCNY	7.2754	--	+0.15%	7.2300 - 7.3200
USDCNH	7.2759	7.2751	+0.13%	7.2300 - 7.3200
USDHKD	7.7749	7.7744	▼0.07%	7.7700 - 7.7900
USDSGD	1.3423	1.3421	+0.05%	1.3360 - 1.3500
USDKRW	1443	1439	+0.00%	1430 - 1450
USDTWD	32.77	--	+0.18%	32.50 - 33.00
USDINR	86.95	--	+0.08%	86.50 - 87.60
USDIR	16275	--	+0.37%	16150 - 16400
USDMYR	4.446	4.445	+0.26%	4.420 - 4.480
USDPHP	58.16	--	+0.23%	57.80 - 58.60
USDTHB	33.69	33.65	▼0.06%	33.4 - 34.0
USDVND	25527	25528	+0.20%	25400 - 25700

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.308	4.551	4.7	7.4
JGB (JP)	0.819	1.425	1.4	3.8
Bunds (GE)	2.127	2.492	-0.8	0.4
Gilts (UK)	4.237	4.556	3.9	3.0
AGB (AU)	3.911	4.506	5.4	5.4
SGS (SG)	2.741	2.857	1.1	3.1
CGB (CN)	1.396	1.704	2.4	1.6
KGB (KR)	2.886	2.732	6.9	4.7
SDL (IN)	6.686	6.618	0.2	1.4

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	158.84	158.74	▼0.01%
GBP/JPY	191.806	191.81	+0.28%
JPY/SGD (100yen)	0.8827	0.8833	▼0.32%
JPY/HKD (100yen)	5.1129	5.1169	▼0.43%
CNH/JPY	20.89	20.883	+0.24%
CNH/HKD	1.0686	1.0686	▼0.23%
EUR/GBP	0.82828	0.8276	▼0.26%
AUD/NZD	1.1138	1.1136	+0.51%
EUR/CNH	7.5997	7.601	▼0.23%
GBP/CNH	9.1778	9.1844	+0.05%

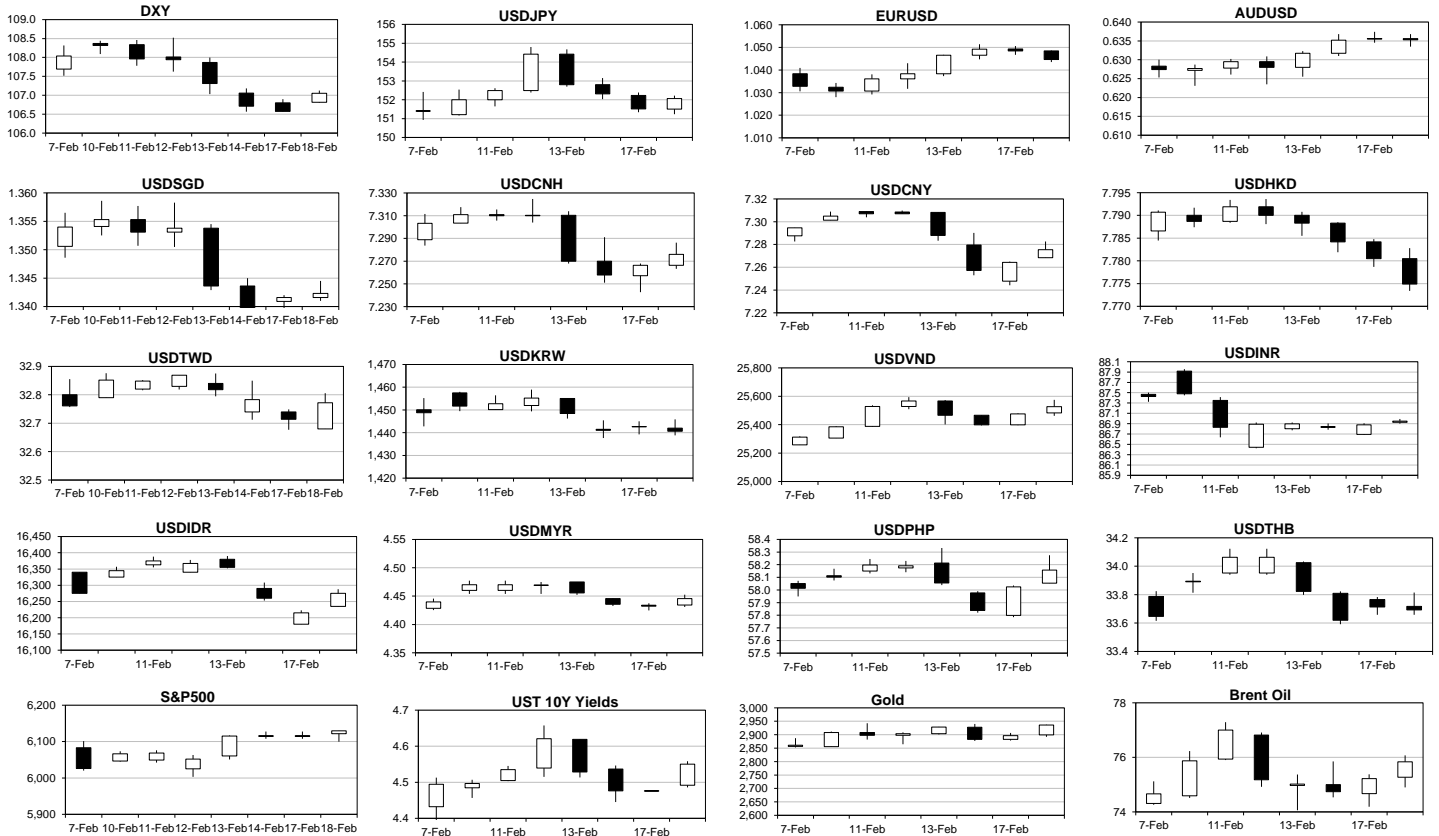
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6129.58	14.95	+0.24%
Nasdaq (US)	20041.26	14.49	+0.07%
DJIA (US)	44556.34	10.26	+0.02%
N225 (JP)	39270.4	96.15	+0.25%
STOXX50 (EU)	5533.84	14.01	+0.25%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4751.49	-2.45	▼0.05%
STI (SG)	3925.56	20.71	+0.53%
SHCOMP (CN)	3324.49	-31.34	▼0.93%
SZCOMP (CN)	2007.338	-41.30	▼2.02%
HSI (HK)	22976.81	360.58	+1.59%
SENSEX (IN)	75967.39	-29.47	▼0.04%
JSE (ID)	6873.554	42.67	+0.62%
KLSE (MY)	1584.84	2.08	+0.13%
PSE (PH)	6094.96	101.48	+1.69%
SET (TH)	1257.48	1.00	+0.08%
VNINDEX (VN)	1278.14	0.00	+0.43%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,401.15	80.15	+0.86%
IRON ORE (CN)	106.90	0.49	+0.41%
GOLD	2,936.02	39.46	+1.36%
SILVER	32.88	0.28	+7.57%
OIL (BRENT)	75.84	0.62	+0.82%
OIL (WTI)	71.85	1.11	+1.57%
NATURAL GAS	4.01	0.54	+1.68%

CHARTS



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