

Feb 28, 2025

Three Take-Aways

1) US equities sold-off as tariffs fears overwhelmed; Canada/Mexico tariffs affirmed while additional levies on China announced.

2) USD surged against G10 peers; haven currencies JPY and CHF better supported.

3) Against cloudy fiscal outlook, Bank Indonesia's intention to buy more government debt raises concerns on fiscal sustainability and adds to IDR headwinds.

MACRO THEME: Overwhelmed

- Tariffs fears overwhelmed markets, fuelling a further sell-off in US equities. Trump affirmed that 25% tariffs on Canada and Mexico were on track to take effect on March 4. He further said he would impose an additional 10% duty on Chinese imports, on top of the previous 10% that took effect earlier this month.

- Against the flurry of tariffs headlines, India officials were reported to be exploring ways to lower tariffs on a wide range of imports, including cars and chemicals, in a bid to evade Trump's threatened reciprocal levies. The proposals would go much further than previous tariff reductions, like on high-end motorcycles and bourbon whiskey.

- Haven flow to US Treasuries saw 2Y UST yields closing lower, paring earlier yield gains in the lead-up to US data. US data printed mixed while FedSpeak continued to exude cautiousness, albeit to varying degrees. Q4 personal consumption was revised upwards, but inflation was more stubborn than initially estimated. Meanwhile, durable goods surprised to the upside, while jobless claims were higher.

- Fed Harker's optimism about economic outlook despite inflation supports a prolonged hold, while Fed Hammack was more cautious, commenting that interest rates were not "meaningfully restrictive" and advocated for a patient approach as lower inflation was far from certain, seeing upside risks. Fed Schmid also noted that inflation risks are to the upside, but elevated uncertainty might weigh on growth.

Yields (2Y: -2.0bp; 10Y: +0.4bp; 30Y: +2.3bp)

- UST yield curve steepened.

Equities (Nasdaq: -2.8%; S&P500: -1.6%; Dow: -0.5%)

- US equities sold-off, with IT counters leading the declines, amid Nvidia's earnings failing to meet lofty expectations.

FX (DXY: +0.8%)

- USD strengthened across all G10 flows amid risk-off mood, although JPY and CHF held up better given haven demand. USD/JPY moved higher to above mid-149 levels.

- AUD underperformed, dipping under mid-62 cents, on prospects of more punitive tariffs on China.

- Meanwhile, EUR performed in the middle of the pack, moving to around 1.04 levels as ECB minutes confirmed concerns on growth. The minutes noted that risks to growth outlook remained tilted to the downside; and as long as the disinflation process remained on

track, policy rates could be brought further towards a neutral level to avoid unnecessarily holding back the economy. Nonetheless, it was noted that greater caution was needed as policy rates were approaching neutral levels.

- Elsewhere, USD/SGD moved above mid-1.34 levels.

China: Subdued

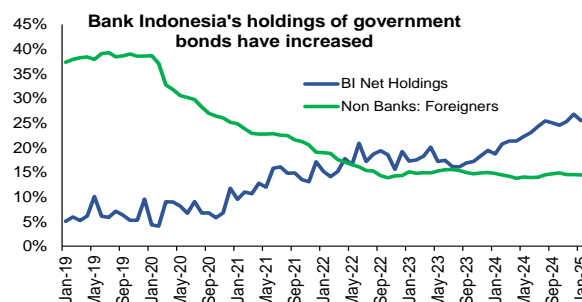
- Chinese equities had some support (CSI300: +0.2%) during Asian session following capital boost to banks by Chinese authorities, but news of additional tariffs in NY session saw Nasdaq Golden Dragon Index declining -0.9%. Sentiment in Asia session today will likely be subdued.

Bank Indonesia: Complementary Support or Excessive Reliance?

- Amidst a cloudy fiscal outlook, it was announced last Friday that the government was planning a large issuance of bonds (size TBC) to fund Prabowo's ambitious public housing program, with the Bank Indonesia agreeing to buy the debt in the secondary market. Bank Indonesia had in December already said it would buy more than IDR150tn of government bonds in 2025, which is more than the IDR100tn Covid-19 bonds due to mature.

- BI's holdings of government bonds have been increasing from elevated levels since 2024. This may in part be attributed to BI's interventions in the bond market as part of its toolkit to support the IDR. With BI agreeing to buy more government debt, BI's holdings are due to rise even further. The worry here is that the previous time holdings have increased at such a pace was in 2020 and 2022, when BI bought sovereign bonds in the primary market to support the economy during the pandemic.

- This time around, the absence of such exceptional circumstances give less credence for BI's purchases. Instead, fears of central banks' excessive support of these fiscal needs resulting in moral hazard issues may create worries around fiscal sustainability, pressuring the IDR further at a time when support is found wanting amid a fraught geo-political landscape. Admittedly, complementary support and excessive is a thin line to navigate. For now, markets will hinge on the credibility from the likes of Finance Minister Indrawati and Governor Warjiyo. That said, IDR risks remain skewed to the downside.



Source: CEIC; Mizuho Bank

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(US) Initial Jobless Claims	242k	221k	220k
(US) GDP Annualised QoQ (4Q S)	2.3%	2.3%	2.3%
(US) Personal Consumption (4Q S)	4.2%	4.1%	4.2%
(US) PCE/Core Deflator QoQ (4Q S)	2.4%/2.7%	2.2%/2.5%	2.2%/2.5%
(US) Durable Goods Orders (Jan P)	3.1%	2.0%	-2.2%
(EZ) ECB Account of Jan Meeting			

Today	Actual	Exp.	Prior
(IN) GDP/GVA YoY (4Q)		6.2%/6.3%	5.4%/5.6%
(TH) Current Account Balance (Jan)		\$1646m	\$2925m
(TH) Exports/Imports YoY (Jan)		--	8.4%/13.4%
(PH) Exports/Imports YoY (Jan)		-7.6%/0.7%	-2.2%/-1.7%
(JP) Retail Sales YoY (Jan)	3.9%	3.9%	3.5%
(JP) Industrial Production MoM (Jan P)	-1.1%	-1.1%	-0.2%
(US) MNI Chicago PMI (Feb)		--	39.5
(US) PCE/Core Deflator YoY (Jan)		2.5%/2.6%	2.6%/2.8%
(US) Personal Income/Spending (Jan)		0.3%/0.2%	0.4%/0.7%
(US) Wholesale Inventories MoM (Jan P)		--	-0.5%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	149.81	150.03	+0.48%	148.00 - 152.50
EURUSD	1.0398	1.0395	▼0.83%	1.0260 - 1.0520
GBPUSD	1.2601	1.2599	▼0.59%	1.2440 - 1.2720
AUDUSD	0.6236	0.6231	▼1.09%	0.6140 - 0.6280
DXY	107.2	--	+0.78%	106.5 - 108.0
USDCNY	7.2865	--	+0.40%	7.2500 - 7.3200
USDCNH	7.3010	7.3017	+0.49%	7.2600 - 7.3400
USDHKD	7.7775	7.7770	+0.04%	7.7600 - 7.7900
USDSGD	1.3484	1.3485	+0.72%	1.3350 - 1.3640
USDKRW	1454	1448	+0.00%	1440 - 1460
USDTWD	32.83	--	+0.08%	32.70 - 33.20
USDINR	87.20	--	▼0.01%	86.60 - 87.90
USDIR	16450	--	+0.49%	16350 - 16650
USDMYR	4.441	4.441	+0.28%	4.420 - 4.500
USDPHP	57.90	--	+0.02%	57.70 - 58.70
USDTHB	33.92	34.07	+0.61%	33.8 - 34.5
USDVND	25542	25542	▼0.04%	25500 - 25700

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.053	4.261	-2.0	0.4
JGB (JP)	0.794	1.397	0.0	3.5
Bunds (GE)	2.031	2.413	-3.3	-1.9
Gilts (UK)	4.176	4.512	0.5	1.0
AGB (AU)	3.775	4.338	-0.8	-2.4
SGS (SG)	2.679	2.758	-1.6	-4.3
CGB (CN)	1.464	1.789	3.4	2.9
KGB (KR)	2.761	2.666	2.3	-2.0
SDL (IN)	6.709	6.569	-1.6	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	155.79	155.95	▼0.35%
GBP/JPY	188.773	189.009	▼0.12%
JPY/SGD (100yen)	0.9001	0.8989	+0.23%
JPY/HKD (100yen)	5.192	5.1838	▼0.43%
CNH/JPY	20.602	20.589	+0.42%
CNH/HKD	1.0673	1.0673	▼0.35%
EUR/GBP	0.8252	0.8251	▼0.24%
AUD/NZD	1.1073	1.1075	+0.02%
EUR/CNH	7.5918	7.5901	▼0.35%
GBP/CNH	9.1994	9.199	▼0.09%

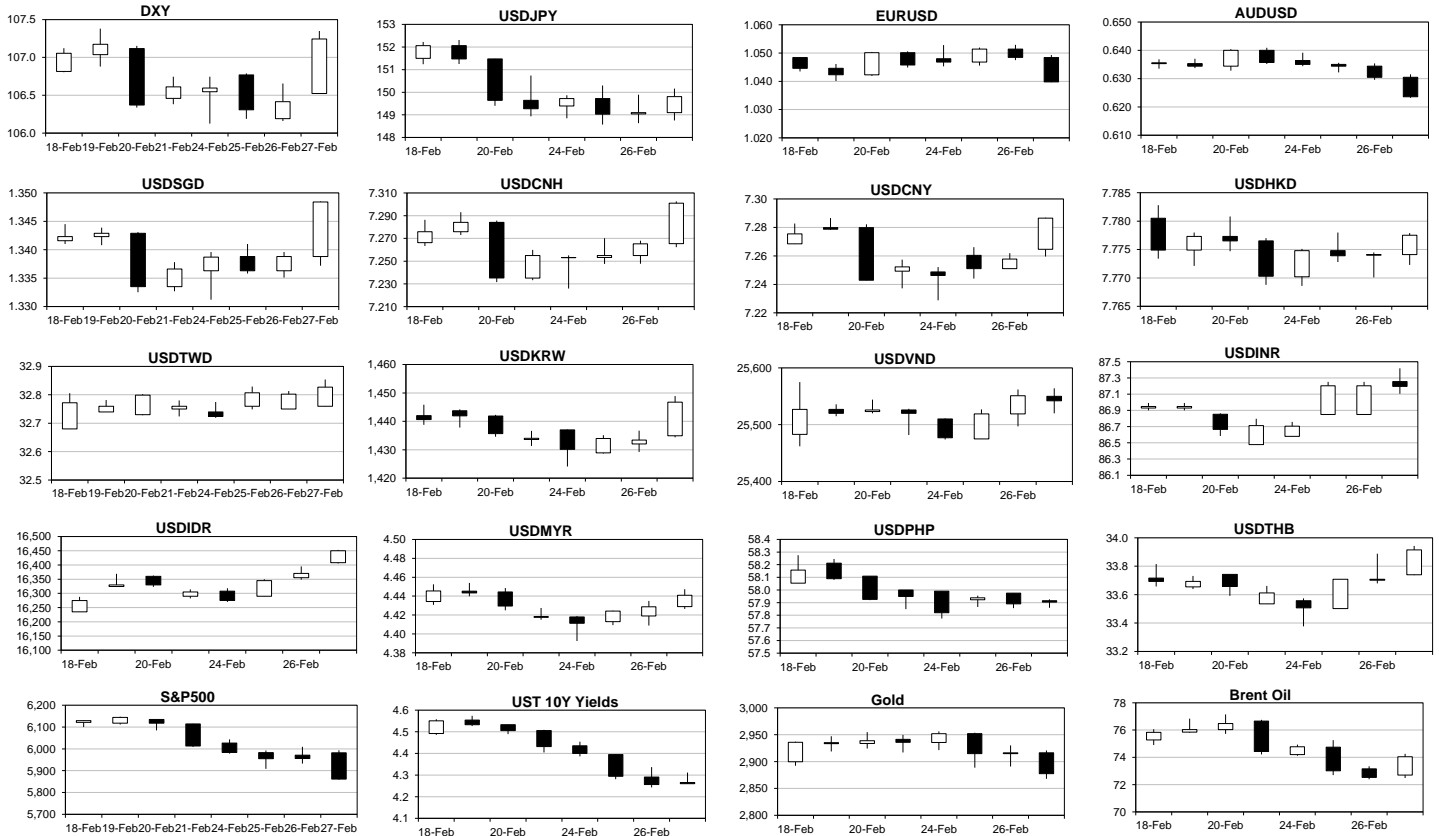
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5861.57	-94.49	▼1.59%
Nasdaq (US)	18544.42	-530.84	▼2.78%
DJIA (US)	43239.5	-193.62	▼0.45%
N225 (JP)	38256.17	113.80	+0.30%
STOXX50 (EU)	5472.56	-55.43	▼1.00%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4732.43	6.25	+0.13%
STI (SG)	3921.19	13.14	+0.34%
SHCOMP (CN)	3388.062	7.85	+0.23%
SZCOMP (CN)	2091.657	-5.48	▼0.26%
HSI (HK)	23718.29	-69.64	▼0.29%
SENSEX (IN)	74612.43	10.31	+0.01%
JSE (ID)	6485.448	-120.73	▼1.83%
KLSE (MY)	1586.6	-2.11	▼0.13%
PSE (PH)	6124.09	-20.87	▼0.34%
SET (TH)	1215.73	-15.41	▼1.25%
VNINDEX (VN)	1307.8	0.00	+0.37%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,381.31	-66.96	▼0.71%
IRON ORE (CN)	107.03	-0.62	▼0.06%
GOLD	2,877.52	-38.87	▼1.33%
SILVER	31.28	-0.02	▼0.63%
OIL (BRENT)	74.04	1.51	+2.08%
OIL (WTI)	70.35	1.73	+2.52%
NATURAL GAS	3.93	-0.58	▼1.82%

CHARTS



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