

Mar 03, 2025

Three Take-Aways

1) USTs rallied to send yields lower amid a mix of haven allure on geopolitical woes and an in-line PCE price index.

2) US equities staged a late recovery, still down for last week. Asymmetric tariff outcomes to be watched.

3) Australia GDP to remain soft despite a small expected lift for Q4 on base effect and improvement in consumption.

MACRO THEME: Rallies and Recoveries

- USTs and US equities rallied last Friday. UST yields headed lower alongside the **inflation relief from the PCE price index print being in line with expectations at 0.3% MoM**.

- Furthermore, personal spending contracted 0.2% MoM which added to worries over a worsening consumer outlook. That said, winter effects and higher personal income growth imply that the picture remain mixed and clouded with uncertainty.

- While US equities did rally, the **S&P 500 is still 1% lower** for last week. For last week, markets went from pricing in 2 cuts (by end-25) at the start of the week to more than 2.5 cuts (68.5bps) by the end of the week.

- **The risk aversion remains evident** as the USD remains buoyant with the DXY surging to above mid-107 despite lower UST yields.

- The USD haven allure is certainly apparent as markets head into looming tariffs on Canada, Mexico and China this week (Tuesday).

- Despite the utterly close deadline, Mexico and Canada may have a narrow path to delay the tariffs as Treasury Secretary Scott Bessent called **Mexico's proposal to match the US imposed tariffs on China interesting**. He said that it would be a nice gesture if the Canadians did it too, we could have **Fortress North America**.

- The same though can hardly be said regarding the situation across the Atlantic as European leaders look for a solution over the Russian-Ukraine conflict after a feisty exchange between US President Trump and Ukraine President Zelensky.

- EM-Asia will continue to be wary as US tariffs on China looks set to be stepped up without negotiations in sight. Markets will be hoping for more stimulus from China's NPC this week.

Yields (2Y: -6.2bp; 10Y: -5.2bp; 30Y: -4.2bp)

- UST yields fell across the curve in a bull steepener.

Equities (Nasdaq: +1.6%; S&P500: +1.6%; Dow: +1.4%)

- US equities staged a late session surge to claw back some early week losses.

FX (DXY: +0.4%)

- The USD retained traction against most G10 peers. JPY underperformed as Tokyo CPI undershoot expectations sending USD/JPY buoyed above mid-150.

- AUD slipped towards 62 cents. Elsewhere, USD/SGD rose above 1.35 levels.

- EM-Asia FX to remain under pressure as relief from lower UST yields is expected to be overshadowed by looming tariff fears and a risks off tone. This was reflected by the likes of the THB which underperformed last Friday even though the current account surplus exceeded expectations.

China: China's annual NPC meeting preview

- In the annual NPC meeting starting on 5 March, China is expected to maintain its **growth target at "around 5%" for 2025**, despite increasing external uncertainties. This will be accompanied by a higher budget deficit of up to 4% of GDP and enhanced government support for domestic consumption.

- Additionally, the NPC is likely to approve the issuance of RMB 1.5 trillion in special sovereign bonds, while limiting spending responsibilities for local governments.

- We anticipate a relatively flat quota for special local government bonds compared to 2024, with **new funding channels introduced for local government purchases** of unsold new homes for public housing.

- We expect an **inflation target of "around 2%" for 2025**, as the PBOC focuses on guiding a moderate rise in prices. Year-to-date, the PBoC has been driving an increase in onshore rates amid heightened trade uncertainty and depreciation pressure on the RMB.

- Although we believe more rate cuts are essential for the economy this year, their timing might be slightly delayed.

Australia Q4 GDP: Low Base, Soft Lift

- For upcoming Q4 GDP in Australia, while **we expect an acceleration to 1.0% YoY from Q3's 0.8% YoY**, this is really on account of a low base from a year ago as sequential quarterly expansion is likely to hold around 0.3% QoQ on a seasonally adjusted (SA) basis.

- Private consumption growth is expected to see a slight uplift as real retail sales posted a notable expansion of 1.0% QoQ SA driven by spending on household goods consumption on the back of sales campaigns. Meanwhile, expenditure on restaurants and cafe finally rose after two quarters of contraction.

- Nonetheless, net exports will continue to exert a drag on growth even as the trade balance improved on Q4 seasonal effects from Q3 but remains 44.7% lower YoY. As public operating expenses stayed firm in Q4, government consumption is expected to remain as the main contributor to growth amid cost of living relief measures such as the electricity rebates.

- Meanwhile, construction sector activity expanded at a slow pace. On balance, the balance of risks skewed towards the downside for this print and it is likely to justify the RBA's initial step to cut rates.

- AUD bulls are unlikely to find much cause to rally on this domestic growth print especially with China's NPC facing lofty expectations from markets.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(IN) GDP/GVA YoY (4Q)	6.2%/6.2%	6.2%/6.3%	5.4%/5.6%
(TH) Current Account Balance (Jan)	\$2657m	\$1646m	\$2925m
(TH) Exports/Imports YoY (Jan)	12.9%/7.5%	--	8.4%/13.4%
(PH) Exports/Imports YoY (Jan)	6.3%/10.8%	-7.0%/0.0%	-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)	45.5	40.8	39.5
(US) PCE/Core Deflator YoY (Jan)	2.5%/2.6%	2.5%/2.6%	2.6%/2.8%
(US) Personal Income/Spending (Jan)	0.9%/-0.2%	0.3%/0.2%	0.4%/0.7%
(US) Wholesale Inventories MoM (Jan P)	0.7%	--	-0.5%
Today	Actual	Exp.	Prior
(EZ) CPI/Core YoY (Feb P)		2.3%/2.5%	2.4%/2.7%
(US) ISM Manufacturing (Feb)		50.8	50.9
(ID) CPI/Core YoY (Feb)		0.6%/2.4%	0.8%/2.4%
(SG) Purchasing Managers Index (Feb)		--	50.9

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	150.63	150.78	+0.55%	148.00 - 152.50
EURUSD	1.0375	1.0414	▼0.22%	1.0260 - 1.0520
GBPUSD	1.2577	1.2604	▼0.19%	1.2440 - 1.2720
AUDUSD	0.6209	0.6220	▼0.43%	0.6140 - 0.6280
DXY	107.6	--	+0.35%	106.5 - 108.0
USDCNY	7.2784	--	▼0.11%	7.2500 - 7.3200
USDCNH	7.2934	7.2904	▼0.10%	7.2600 - 7.3400
USDHKD	7.7787	7.7780	+0.02%	7.7600 - 7.7900
USDSGD	1.3514	1.3495	+0.22%	1.3350 - 1.3640
USDKRW	1460	1459	+0.00%	1440 - 1470
USDTWD	32.83	--	+0.00%	32.70 - 33.20
USDINR	87.51	--	+0.36%	86.60 - 87.90
USDIR	16580	--	+0.79%	16350 - 16650
USDMYR	4.463	4.466	+0.48%	4.420 - 4.500
USDPHP	57.99	--	+0.15%	57.70 - 58.70
USDTHB	34.17	34.23	+0.76%	33.8 - 34.5
USDVND	25557	25557	+0.06%	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)	3.991	4.209	-6.2	-5.2
JGB (JP)	0.805	1.372	-0.6	-2.5
Bunds (GE)	2.021	2.405	-1.0	-0.8
Gilts (UK)	4.171	4.481	-0.5	-3.1
AGB (AU)	3.729	4.294	-4.6	-4.4
SGS (SG)	2.627	2.726	-4.5	-3.2
CGB (CN)	1.447	1.772	-1.5	-1.7
KGB (KR)	2.714	2.666	-4.3	-6.2
SDL (IN)	6.729	6.576	1.6	-0.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	156.27	157.01	+0.31%
GBP/JPY	189.429	190.043	+0.35%
JPY/SGD (100yen)	0.8974	0.895	▼0.30%
JPY/HKD (100yen)	5.1636	5.1585	▼0.55%
CNH/JPY	20.655	20.716	+0.26%
CNH/HKD	1.0685	1.0686	+0.11%
EUR/GBP	0.82494	0.82621	▼0.03%
AUD/NZD	1.109	1.1099	+0.15%
EUR/CNH	7.5703	7.5919	▼0.28%
GBP/CNH	9.173	9.1888	▼0.29%

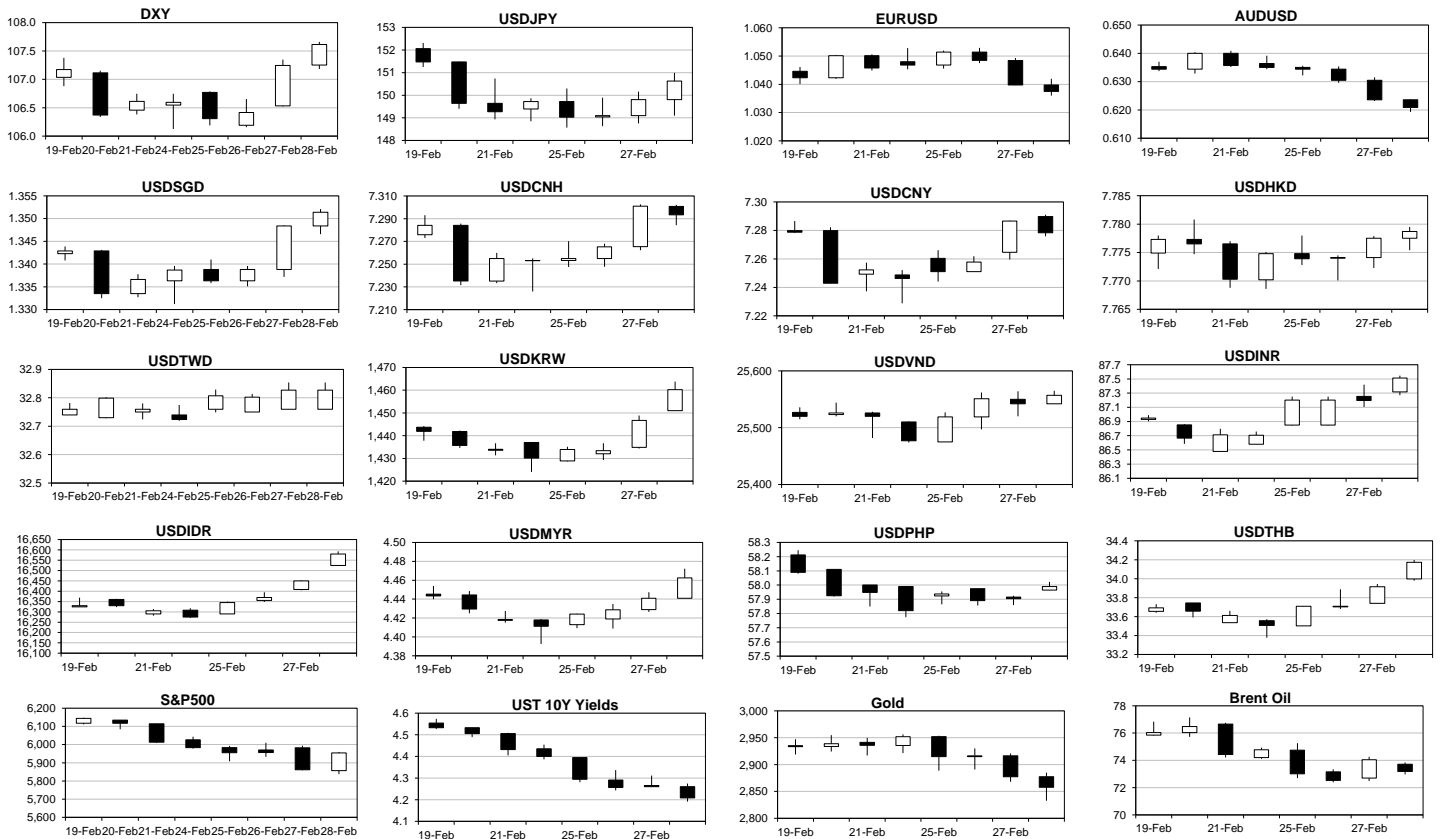
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5954.5	92.93	+1.59%
Nasdaq (US)	18847.28	302.86	+1.63%
DJIA (US)	43840.91	601.41	+1.39%
N225 (JP)	37155.5	-1100.67	▼2.88%
STOXX50 (EU)	5463.54	-9.02	▼0.16%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4754.32	21.89	+0.46%
STI (SG)	3895.7	-25.49	▼0.65%
SHCOMP (CN)	3320.897	-67.17	▼1.98%
SZCOMP (CN)	2025.254	-66.40	▼3.17%
HSI (HK)	22941.32	-776.97	▼3.28%
SENSEX (IN)	73198.1	-1414.33	▼1.90%
JSE (ID)	6270.597	-214.85	▼3.31%
KLSE (MY)	1574.7	-11.90	▼0.75%
PSE (PH)	5997.97	-126.12	▼2.06%
SET (TH)	1203.72	-12.01	▼0.99%
VNINDEX (VN)	1305.36	0.00	▼0.19%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,338.06	-43.25	▼0.46%
IRON ORE (CN)	106.90	-0.70	▼0.12%
GOLD	2,857.83	-19.69	▼0.68%
SILVER	31.15	-0.10	▼2.54%
OIL (BRENT)	73.18	-0.86	▼1.16%
OIL (WTI)	69.76	-0.59	▼0.84%
NATURAL GAS	3.83	-0.13	▼0.40%

CHARTS



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