

Nov 07, 2024

Three Take-Aways

1) **USD and US equities were biggest winners as Trump was voted into the White House, with possibility of a Republican Sweep of both houses; USTs sold-off as US fiscal debt heft weighed.**

2) **Fed on course to proceed with another cut, as it continues its calibrated approach towards easing.**

3) **Philippines Q3 GDP to moderate; two-way risks on skewed growth profile as domestic consumption could deteriorate while external sector remains supported.**

MACRO THEME: Tr(i)ump-hant

- Trump retook the Presidential seat after four years, with odds pointing towards a Republican Sweep of both houses*. With unified control in Washington, bills on tax cuts and spending could face less resistance.

- Accordingly, Trump trades gained momentum, with S&P climbing 2.5% on bets that Trump's pro-growth policies and protectionist stance will boost Corporate America, while the USD was triumphant.

- Gold plunged ~3.0% amid a combination of removal of some US political uncertainty, higher yields and stronger USD.

*Republicans gained control of the Senate, but vote tally of House of Representatives is still ongoing, with Republicans have the lead.

Yields (2Y: +8.4bps; 10Y: +16.0bps; 30Y: +17.6bps)

- UST yields climbed in a steepening move as Trump's campaign promises of more tariffs on trading partners, deporting millions of undocumented immigrants and extensions of his 2017 tax cuts, risk putting upward pressure on prices, wages and the federal deficit.

Equities (Nasdaq: +3.0%; S&P: +2.5%; Dow: +3.6%)

- Equities rallied, with financial counters leading the gains amid expectations of lower taxed and reduced regulation.

FX (DXY: +1.6%)

- USD was king, gaining against all G10 currencies.

- USD/JPY led losses, weakening by ~1.9% and moved above 154, prompting remarks from Japan's chief currency official Mimura early this morning that authorities will take appropriate actions against excessive forex moves.

- EUR fared little better (~1.8% softer against the greenback), dipping below mid-1.07 amid growth concerns laden within comments by ECB speakers and attendant impact on growth on Trump's tariffs plans. AUD fluctuated under 66 cents.

- EM Asia FX were also traded weaker yesterday, prompting moves from officials. Bank Indonesia said it was ready to intervene in the currency, NDF and bond markets to smooth out any sharp swings, while Bloomberg reported that state-owned banks in China sold large amounts of dollars onshore to help support the yuan.

DATA/EVENTS

| Overnight | Actual | Exp. | Prior |
|--------------------------------------|--------------|--------------------|--------------------|
| (EZ) PPI YoY (Sep) | -3.4% | -3.4% | -2.3% |
| (VN) CPI YoY (Oct) | 2.9% | 2.8% | 2.6% |
| (VN) Industrial Production (Oct) | 7.0% | -- | 10.8% |
| (VN) Retail Sales (Oct) | 7.1% | -- | 7.6% |
| (VN) Trade Balance (Oct) | \$1987m | \$2769m | \$2291m |
| (TH) CPI/Core YoY (Oct) | 0.8%/0.8% | 0.9%/0.8% | 0.6%/0.8% |
| (TW) CPI/Core YoY (Oct) | 1.7%/1.6% | 1.8%/1.7% | 1.8%/1.8% |
| (PH) Exports/Imports YoY (Sep) | -7.6%/9.9% | 2.7%/1.6% | 0.3%/2.9% |
| BNM Monetary Policy Rate | 3.00% | 3.00% | 3.00% |
| Today | | | |
| (CH) Exports/Imports YoY (Oct) | | 5.0%/-2.0% | 2.4%/0.3% |
| (AU) Trade Balance (Sep) | | A\$5274m | A\$5644m |
| (KR) BoP C/A Balance (Sep) | \$11124.4m | -- | \$6517.6m |
| (PH) GDP YoY/SA QoQ (3Q) | | 5.7%/1.6% | 6.3%/0.5% |
| (US) Initial Jobless Claims | | 223k | 216k |
| (EZ) Retail Sales YoY (Sep) | | 1.3% | 0.8% |
| (JP) Labour Cash Earnings YoY (Sep) | 2.8% | 3.0% | 2.8% |
| (JP) Real Cash Earnings YoY (Sep) | -0.1% | 0.1% | -0.8% |
| (US) FOMC (Lower/Upper Bound) | | 4.50%/4.75% | 4.75%/5.00% |

- In line with trend, USD/SGD moved above 1.33 handle.

China: Complicating Matters

- Trump's win looks to add gloom to the Chinese economy on heightened trade tensions, and may complicate matters for policymakers as they seek to deliver further details on policy stimulus. CSI 300 closed -0.5% lower while Nasdaq Golden Dragon Index fell -1.8%.

FOMC: On Course

- The Fed looks on course to proceed with another cut, with markets pricing in a 99.8% chance of a 25bp rate cut. This is in line with our expectations for the November meeting as well. Admittedly, some of the economic data (e.g. GDP) has strengthened. Nonetheless, it does not blow the calibrated rate cuts reflected in the September Dot plot and the scenario which Fed speakers continue to envisage off course.

- Incoming data for the next month (Nov NFP: 6 Dec; CPI: 11 Dec) will be watched more closely. Crucially, these releases may dictate shifts in the December Dot Plot which may be the bigger mover.

Philippines Q3 GDP: Two-way risks

- Philippines Q3 GDP is expected to moderate to 5.9% (Q2: 6.3%), but a skewed growth profile engenders two-way risks.

- Domestic consumption remains a key downside risk and there is some possibility that there could be another QoQ contraction. Notably, while e-commerce transactions have been contracting since late 2022, the contraction then could in part be attributed to consumers returning back to physical stores post-Covid, but continued and worsening contraction into 2024 suggests tepid consumer spending.

- E-commerce transaction value in Q3 was ~63% lower compared to a year ago (Q2: -53% YoY) and only ~50% of 2019 levels.

- Meanwhile, government consumption could moderate from Q2 (10.7% YoY) as fiscal expenditure came down (6.4% vs Q2: 17.8%). Nonetheless, investments could see better support on increased FDI even as construction activity moderated.

- Moving to the external sector, we see some upside risks as increased volume of electronics exports (and imports as proxy of inputs) alongside supportive industrial production for electrical equipment and machinery suggest resilient demand. On the services front, while growth of tourist arrivals have moderated, tourism receipts are expected to remain supportive.

- All in, downside risks to domestic consumption while supported external sector present two-way risks to the print. Notably, continued deterioration in household consumption could nudge another BSP cut at the next meeting.

FX OUTLOOK

| FX | Close (NY) | Open* | Daily %Δ | Forecast |
|--------|------------|--------|----------|-----------------|
| USDJPY | 154.63 | 154.33 | +1.99% | 153.50 - 156.00 |
| EURUSD | 1.0729 | 1.0732 | ▼1.84% | 1.0620 - 1.0800 |
| GBPUSD | 1.2879 | 1.2884 | ▼1.25% | 1.2760 - 1.2950 |
| AUDUSD | 0.6569 | 0.6568 | ▼1.04% | 0.6490 - 0.6620 |
| DXY | 105.1 | -- | +1.61% | 104.4 - 106.0 |
| USDCNY | 7.1753 | -- | +0.99% | 7.1400 - 7.2100 |
| USDCNH | 7.2036 | 7.2002 | +1.43% | 7.1400 - 7.2400 |
| USDHKD | 7.7762 | 7.7761 | +0.04% | 7.7720 - 7.7820 |
| USDSGD | 1.3329 | 1.3333 | +1.41% | 1.3250 - 1.3420 |
| USDKRW | 1399 | 1400 | +0.00% | 1390 - 1415 |
| USDTHW | 32.19 | -- | +0.67% | 32.00 - 32.50 |
| USDINR | 84.28 | -- | +0.20% | 84.20 - 84.80 |
| USDIDR | 15830 | -- | +0.60% | 15800 - 15950 |
| USDMYR | 4.404 | 4.405 | +1.32% | 4.390 - 4.460 |
| USDPHP | 58.67 | -- | +0.58% | 58.50 - 59.40 |
| USDTHB | 34.17 | 34.38 | +1.68% | 34.00 - 34.80 |
| USDVND | 25390 | 25393 | +0.19% | 25360 - 25470 |

*Open is as at 8am HKT/SGT.

MARKET MOVES

| Bond Yields | 2Y Close | 10Y Close | 2Y Δ (bps) | 10Y Δ (bps) |
|-------------|----------|-----------|------------|-------------|
| UST (US) | 4.264 | 4.433 | 8.4 | 16.0 |
| JGB (JP) | 0.470 | 0.967 | 1.8 | 3.5 |
| Bunds (GE) | 2.173 | 2.403 | -12.2 | -2.1 |
| Gilts (UK) | 4.506 | 4.561 | 0.0 | 3.3 |
| AGB (AU) | 4.124 | 4.627 | 4.1 | 6.5 |
| SGS (SG) | 2.821 | 2.920 | 4.8 | 6.2 |
| CGB (CN) | 1.442 | 2.119 | 0.4 | 0.9 |
| KGB (KR) | 3.116 | 2.975 | 17.6 | 8.4 |
| SDL (IN) | 6.829 | 6.722 | 2.5 | 1.8 |

| Cross FX | Close (NY) | Open* | Daily %Δ |
|------------------|------------|---------|----------|
| EUR/JPY | 165.91 | 165.62 | +0.11% |
| GBP/JPY | 199.158 | 198.825 | +0.72% |
| JPY/SGD (100yen) | 0.862 | 0.864 | ▼0.53% |
| JPY/HKD (100yen) | 5.0288 | 5.0388 | ▼1.91% |
| CNH/JPY | 21.522 | 21.506 | +0.89% |
| CNH/HKD | 1.0837 | 1.0836 | ▼0.93% |
| EUR/GBP | 0.83309 | 0.833 | ▼0.59% |
| AUD/NZD | 1.1063 | 1.1058 | +0.11% |
| EUR/CNH | 7.7294 | 7.7273 | ▼0.43% |
| GBP/CNH | 9.2787 | 9.2764 | +0.17% |

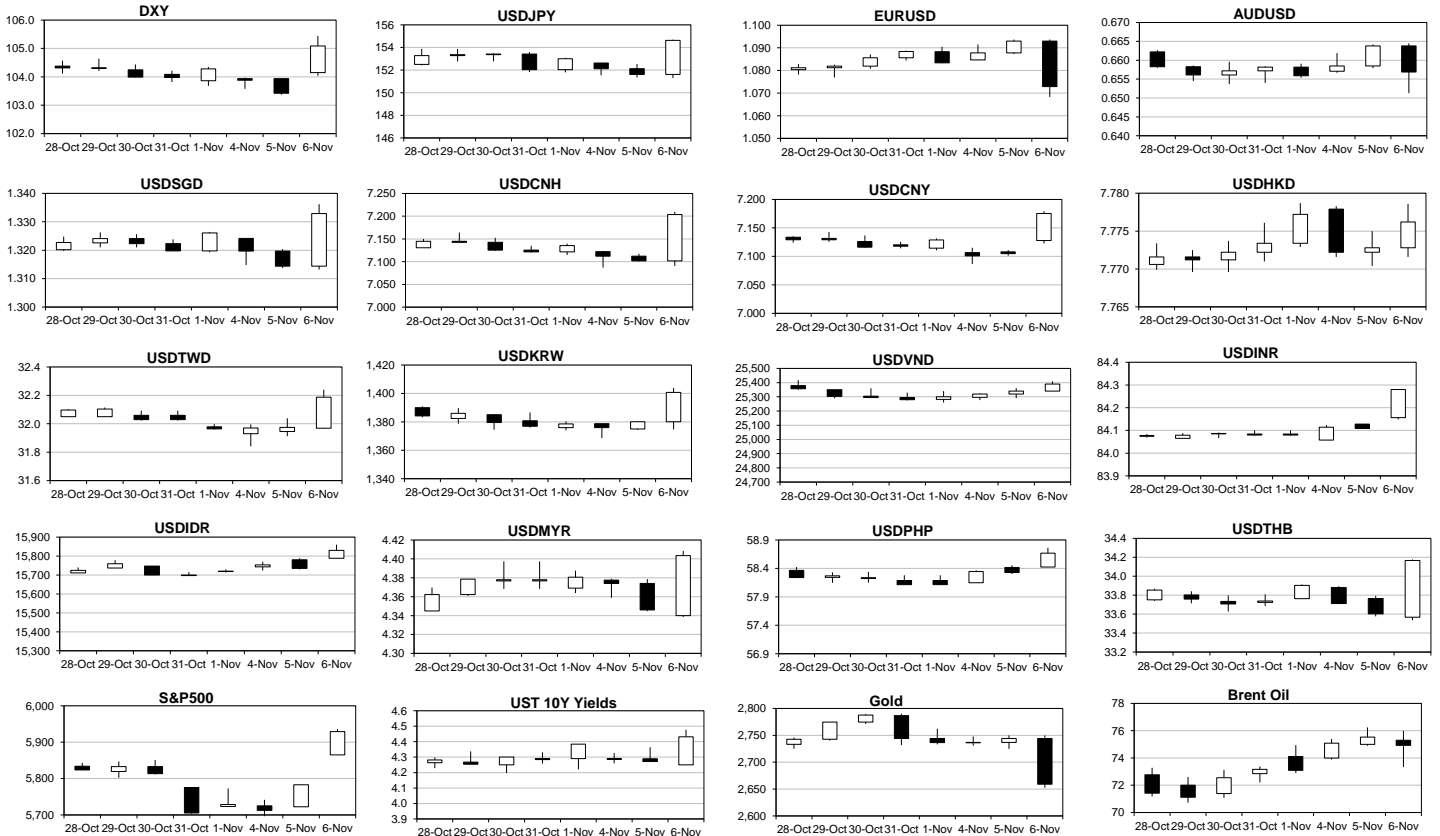
*Open is as at 8am HKT/SGT.

| G3 Equities | Close | Net Chg | Daily %Δ |
|--------------|----------|---------|----------|
| S&P500 (US) | 5929.04 | 146.28 | +2.53% |
| Nasdaq (US) | 18983.46 | 544.29 | +2.95% |
| DJIA (US) | 43729.93 | 1508.05 | +3.57% |
| N225 (JP) | 39480.67 | 1005.77 | +2.61% |
| STOXX50 (EU) | 4800.63 | -69.70 | ▼1.43% |

| Asia Equities | Close | Net Chg | Daily %Δ |
|---------------|----------|---------|----------|
| ASX (AU) | 4460.03 | -0.24 | ▼0.01% |
| STI (SG) | 3602.99 | 21.38 | +0.60% |
| SHCOMP (CN) | 3383.806 | -3.18 | ▼0.09% |
| SZCOMP (CN) | 2049.779 | 2.01 | +0.10% |
| HSI (HK) | 20538.38 | -468.59 | ▼2.23% |
| SENSEX (IN) | 80378.13 | 901.50 | +1.13% |
| JSE (ID) | 7383.868 | -108.06 | ▼1.44% |
| KLSE (MY) | 1634.17 | 13.47 | +0.83% |
| PSE (PH) | 7165.42 | -92.52 | ▼1.27% |
| SET (TH) | 1467.42 | -14.25 | ▼0.96% |
| VNINDEX (VN) | 1261.28 | 0.01 | +1.25% |

| Commodity | Close | Net Chg | Daily %Δ |
|---------------|----------|---------|----------|
| COPPER (LME) | 9,199.57 | -398.45 | ▼4.15% |
| IRON ORE (CN) | 104.16 | 0.08 | ▼1.24% |
| GOLD | 2,659.06 | -84.93 | ▼3.10% |
| SILVER | 31.18 | 0.08 | +2.88% |
| OIL (BRENT) | 74.92 | -0.61 | ▼0.81% |
| OIL (WTI) | 71.69 | -0.30 | ▼0.42% |
| NATURAL GAS | 2.75 | -1.48 | ▼4.53% |

CHARTS



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