

Nov 08, 2024

Three Take-Aways

1) Fed cuts by 25bps, dial back confidence on inflation reaching target and raises data sensitivity by not ruling in or out a December cut.

2) USD weakened as UST yields fell with the yield curve flattening on slower pace of Fed cuts.

3) Vietnam's economic ties and regional integration may face scrutiny and stress the VND going forward.

MACRO THEME: Not So Fast?

- As expected, the Fed cut the Fed Funds Rate by 25 bps to the 4.5%-4.75% range. In his press conference, Fed Chair Powell said that he was **beginning to think about slowing the pace of rate cuts**.

- On Trump's re-election, Fed Chair Powell has said that the near term policy moves are unaffected given the uncertainty over the substance of the policy moves and he was also resolute in staying on for the remainder of his term.

- With the **removal of an allusion to "greater confidence" about inflation moving towards target**, it seems that the progress towards the 2% mark is also not as fast as envisaged as they judged that inflation remain "somewhat elevated".

- Job market conditions are now judged as being **less than pre-pandemic times**, in a slight contrast to their previous condition of being back to pre-pandemic conditions.

- On that note, resembling a modified RBA 2.0, Powell said that he was not ruling out or in a December rate cut. In turn, this **raises the sensitivity of policy decisions to incoming data in the weeks ahead**.

- **The Fed was not the only game in town** as the Riksbank had a **jumbo 50bps cut** and remains on course to cut in December and in H1 2025.

- In contrast, **Norges Bank stood and pat and was in no rush to ease** as they are likely to stay on hold until end of 2024. NOK led G10 gains.

- In the middle of the pack, **the BoE cut rates by 25bps** but Governor Andrew Bailey cautious saying that **they cannot cut interest rates too quickly or by too much** and said that he will watch the impact of the UK budget very carefully.

Yields (2Y: -6.4bps; 10Y: -10.5bps; 30Y: -8.2bps)

- Flattening in the middle of the curve as markets reverse steepeners due to the Fed signalling of more gradual cuts

- While fiscal worries look to impart further steepening risks, Elon Musk's austerity stance remain a remote tail risks to be watched for.

Equities (Nasdaq: +1.5%; S&P: +0.7%; Dow: +0.0%)

- The rally in US equities continued, albeit in a more distinct "Trump-led" fashion as Nasdaq led gains.

FX (DXY: -0.6%)

- USD declined alongside the lower yields with the DXY going below mid-104. USD/JPY dropped back towards 153.

- EUR ascended back towards 1.08. EUR bulls will remain cautious over German politics and US tariffs on the EU.

- AUD rose above mid-66 cents, with the strength also in part due to **optimism that stimulus in China may be upsized in response to the upcoming Trump presidency**.

- KRW also gained as their **current account surplus continued to widen**. SGD also gained alongside the CNH as the USD/SGD dropped towards 1.32.

- PHP slipped as **GDP underperformed expectations slowing to 5.2% YoY in Q3** from the 6.4% in Q2.

China: Delays and Surge

- China's export growth for October exceeded all market forecasts, reaching a new high since March 2023.

- That said, this surge is likely attributed to delayed shipments from September due to typhoons that affected shipping ports in China's Pearl River Delta and Yangtze River Delta. On average, exports rose 7.4% YoY during September and October, slightly slower than the 8.7% increase in August. Additionally, the recovery in October's exports was widespread across commodities and destinations.

- Import growth turned negative to -2.3% YoY in October, versus +0.3% in September, primarily due to a high base from last year. Meanwhile, the sequential decline of -3.9% MoM is slower than the average decline of -7% for October during 2021-23. As a result, trade surplus widened to USD95.7b in October, marking a four-month high.

Vietnam: Ties That Bind

- Vietnam's latest economic release displayed resiliency even amid a mild moderation. Exports growth in October stood at 10.1% YoY slowing marginally from the 10.7% in September while industrial production elevated at 7.0% moderating from the 10.8% in September. Trade balance though was lower as US\$1.9bn as imports rose.

- Given their integration with the likes of Korea and China where both saw strong external demand, the import acceleration by Vietnam is not surprising.

- That said, Vietnam's complementary role in the regional supply chain which has brought about economic gains may come under Trump's scrutiny in the months ahead and exert stress on the VND.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(CH) Exports/Imports YoY (Oct)	12.7%/-2.3%	5.0%/-2.0%	2.4%/0.3%
(AU) Trade Balance (Sep)	A\$4609m	A\$5274m	A\$5644m
(KR) BoP C/A Balance (Sep)	\$11124.4m	--	\$6517.6m
(PH) GDP YoY/SA QoQ (3Q)	5.2%/1.7%	5.7%/1.6%	6.3%/0.5%
(US) Initial Jobless Claims	221k%	222k	218k
(EZ) Retail Sales YoY (Sep)	2.9%	1.3%	2.4%
(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%	4.50%/4.75%	4.75%/5.00%
Today/Over the Weekend			
(JP) Leading Index CI (Sep P)		109.0	106.9
(JP) Coincident Index (Sep P)		115.5	114.0
(MY) Industrial Production YoY (Sep)		3.50%	4.10%
(TW) Exports/Imports YoY (Oct)		9.1%/8.9%	4.5%/17.3%
(US) Uni of Mich Sentiment (Nov P)		71.0	70.5
(US) UoM 1y/5-10Yr Inflation Expectations (Nov P)		2.7%/3.0%	2.7%/3.0%
(CH) PPI/CPI YoY (Oct)		-2.5%/0.4%	-2.8%/0.4%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	152.94	153.17	▼1.09%	152.00 - 155.00
EURUSD	1.0805	1.0796	+0.71%	1.0700 - 1.0840
GBPUSD	1.2987	1.2983	+0.84%	1.2760 - 1.3100
AUDUSD	0.6679	0.6677	+1.67%	0.6600 - 0.6710
DXY	104.5	--	▼0.55%	104.0 - 106.0
USDCNY	7.1434	--	▼0.44%	7.1380 - 7.2100
USDCNH	7.1483	7.1549	▼0.77%	7.1400 - 7.2400
USDHKD	7.7705	7.7710	▼0.07%	7.7700 - 7.7820
USDSGD	1.3201	1.3206	▼0.96%	1.3150 - 1.3370
USDKRW	1384	1385	+0.00%	1390 - 1405
USDTWD	32.25	--	+0.20%	32.00 - 32.50
USDINR	84.38	--	+0.11%	84.10 - 84.80
USDIDR	15735	--	▼0.60%	15500 - 15950
USDMYR	4.404	4.398	+0.02%	4.385 - 4.440
USDPHP	58.74	--	+0.11%	58.50 - 59.40
USDTHB	34.30	33.99	+0.39%	33.50 - 34.50
USDVND	25365	25366	▼0.10%	25310 - 25500

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.200	4.328	-6.4	-10.5
JGB (JP)	0.495	0.999	2.5	3.2
Bunds (GE)	2.209	2.444	3.6	4.0
Gilts (UK)	4.444	4.497	-6.1	-6.4
AGB (AU)	4.121	4.636	-0.3	0.9
SGS (SG)	2.790	2.884	-2.9	-3.6
CGB (CN)	1.426	2.110	-1.6	-0.9
KGB (KR)	3.098	2.949	-8.2	-6.4
SDL (IN)	6.824	6.729	0.7	2.5

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	165.25	165.36	▼0.40%
GBP/JPY	198.618	198.853	▼0.27%
JPY/SGD (100yen)	0.8631	0.8622	+0.13%
JPY/HKD (100yen)	5.0809	5.0734	+1.04%
CNH/JPY	21.414	21.442	▼0.50%
CNH/HKD	1.088	1.0878	+0.40%
EUR/GBP	0.83192	0.83158	▼0.14%
AUD/NZD	1.1086	1.1088	+0.21%
EUR/CNH	7.7237	7.7244	▼0.07%
GBP/CNH	9.2852	9.2888	+0.07%

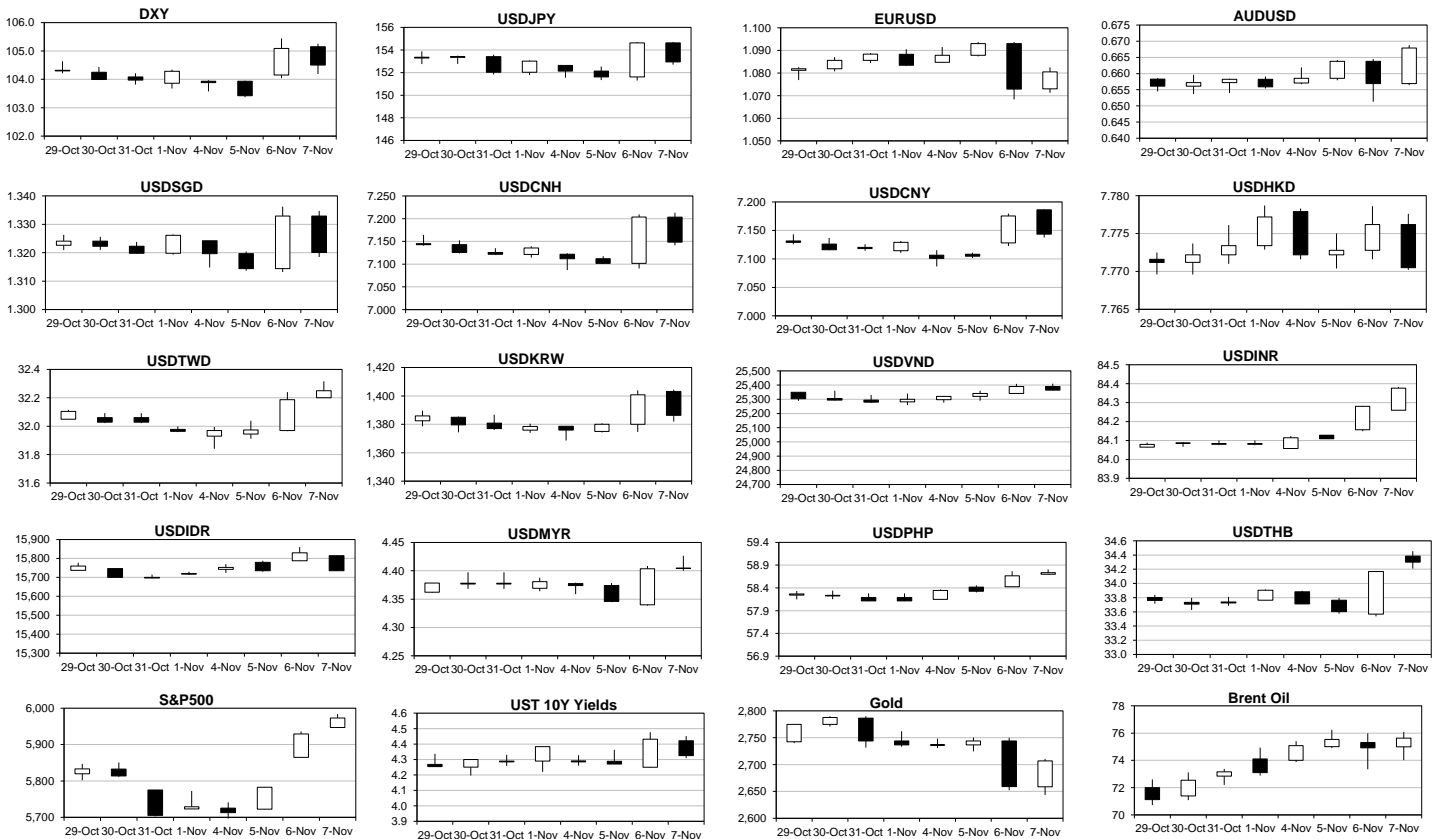
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G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5973.1	44.06	+0.74%
Nasdaq (US)	19269.46	286.00	+1.51%
DJIA (US)	43729.34	-0.59	▼0.00%
N225 (JP)	39381.41	-99.26	▼0.25%
STOXX50 (EU)	4851.96	51.33	+1.07%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4453.48	-6.55	▼0.15%
STI (SG)	3673.49	70.50	+1.96%
SHCOMP (CN)	3470.661	86.86	+2.57%
SZCOMP (CN)	2100.712	50.93	+2.48%
HSI (HK)	20953.34	414.96	+2.02%
SENSEX (IN)	79541.79	-836.34	▼1.04%
JSE (ID)	7243.86	-140.01	▼1.90%
KLSE (MY)	1623.28	-10.89	▼0.67%
PSE (PH)	7014.44	-150.98	▼2.11%
SET (TH)	1469.72	2.30	+0.16%
VNINDEX (VN)	1259.75	0.00	▼0.12%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,527.11	327.54	+3.56%
IRON ORE (CN)	105.45	1.56	+1.24%
GOLD	2,706.71	47.65	+1.79%
SILVER	32.03	-0.05	▼1.97%
OIL (BRENT)	75.63	0.71	+0.95%
OIL (WTI)	72.36	0.67	+0.93%
NATURAL GAS	2.69	0.85	+2.73%

CHARTS



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