

Nov 11, 2024

Three Take-Aways

1) Continued adjustments following volatile past few; UST yield curve flattened while US equities remained buoyant.

2) China stimulus fails to meet the higher bar; Chinese equities underperformed.

3) Australia's job data should still show robust hiring; while wage growth could show some stickiness due to matching frictions.

MACRO THEME: Continued Adjustments

- Markets continued to adjust post-elections and FOMC.

- Notably, UST yield curve flattened further on Trump's inflationary concerns, a Fed appearing to slow the pace of easing and UoM sentiment surprising on the upside. Odds of another 25bps cut in December pared to ~65% from 71% a day earlier.

- While US equities remained buoyant, the buoyancy appeared localised to the US as global demand concerns still loomed.

- Brent Crude fell -2.3% to around \$74/bbl. Despite the OPEC+ group's recent decision to extend its production cut, faltering demand from China and swelling American supplies dampened price upside.

Yields (2Y: +5.5bps; 10Y: -2.3bps; 30Y: -6.1bps)

- The UST yield curve flattened.

Equities (Nasdaq: +0.1%; S&P: +0.4%; Dow: +0.6%)

- US equities continued to climb

FX (DXY: +0.5%)

- The USD was mostly stronger against G10 currencies, as US yields were relatively more supported compared to peers.

- Commodity currencies AUD and NOK led losses amid Brent Crude's decline. AUD dipped below 66 cents.

- EUR moved below mid-1.07.

- GBP was better supported amid BOE Chief Economist Pill's comments that future rate cuts will depend on the UK economy avoiding "big new disturbances", as he cautioned that there were plenty of sources of shocks, both internally and externally, that could throw BoE off course.

- JPY eked out some gains, with USD/JPY moving below 153 handle, as Finance Minister Kato said Japan will take appropriate action against any excessive FX moves, echoing comments made by the chief currency official a day earlier. The Finance Ministry also confirmed that it had intervened in FX market on July 11 and 12, when USD/JPY was trading around 157.3 - 161.7 levels.

- Elsewhere, USD/SGD traded above mid-1.32 levels.

China: Underwhelming?

- The additional fiscal stimulus package with a size of RMB6trn delivers no upside surprise, given earlier market speculations of 6-10trn yuan. There was no additional support to the property sector/domestic consumption or aid from the central government, but mainly reduced interest costs for local governments out of this debt swap program.

- Furthermore, the government only recognised RMB14.3trn of implicit local government debt, compared to our estimate of nearly RMB50trn of interest-bearing liabilities held by LGFVs at the end of 1H24. Additionally, about 50-55% of those LGFVs (with a total debt size of RMB26-30trn) don't have enough cash to repay their maturing debt.

- In this sense, a debt swap program of RMB2.8trn per year during 2024-26 (RMB2trn plus RMB0.8trn of supplement to local government fund) may be still not enough to resolve the problem once for all.

- The Nasdaq Golden dragon index fell -4.7%.

- In addition, data over the weekend showed consumer inflation moderating further while PPI continued falling, suggesting that the government's latest round of stimulus is still insufficient to bring the economy out from deflationary pressures.

Australia Jobs: Rebalancing in Progress

- Australia's job market has stayed robust thus far in a sharp contrast to the tepid growth backdrop. A holistic assessment points to room for further labour demand supply rebalancing.

- First, **employment gains** have been remarkably strong in 2024 averaging 41k from January to September which is almost **double the 22k average posted from 2015-19** and also significantly **above** the 31k monthly average in 2023.

- In turn, as positions are filled, **vacancies have continued to decline in 2024**, though they are still higher compared to 2019. Given inflationary pressures, elevated rents and mortgage rates and **diminished household savings ratio, the rise in labour force participation rate is not surprising as more households look for work.**

- In fact, we expect cost of living stresses to nudge further uptick in participation rates to provide labour market slack and restrain wage growth as the pace of employment gains return to trend.

- Nonetheless, wage growth may not moderate as fast as one envisage. As job vacancies decline and the unemployed persons looking for work stayed low, labour frictions may begin to rise especially as demand may become more skill specific while the supply of labour contract.

- While this may serve to moderate the extent of job gains, there is also a **potential for perverse gain in wage growth due to matching frictions.**

- On balance, despite robust hiring, growth risks remain skewed to the downside especially if the savings ratio and productivity growth remains low.

DATA/EVENTS

Over the Weekend	Actual	Exp.	Prior
(JP) Leading Index CI (Sep P)	109.4	109.0	106.9
(JP) Coincident Index (Sep P)	115.6	115.5	114.0
(MY) Industrial Production YoY (Sep)	2.3%	3.5%	4.1%
(TW) Exports/Imports YoY (Oct)	8.4%/6.5%	9.1%/8.9%	4.5%/17.3%
(US) UoM Sentiment (Nov P)	73.0	71.0	70.5
(US) UoM 1Y Inflation Expt (Nov P)	2.6%	2.7%	2.7%
(US) UoM 5-10 Inflation Expt (Nov P)	2.6%	2.7%	2.7%
(CH) PPI/CPI YoY (Oct)	-2.9%/0.3%	-2.5%/0.4%	-2.8%/0.4%

Today

(CH) FDI YTD YoY CNY (Oct)	--	-30.4%	
(ID) Consumer Confidence Index (Oct)	--	123.5	
(JP) BoP C/A Balance (Sep)	¥1717.1b	¥3432.3b	¥3933.1b
(JP) Eco Watchers Survey Outlook(Oct)		49.2	49.7
(JP) Eco Watchers Current SA (Oct)		47.1	47.8

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	152.64	152.92	▼0.20%	151.50 - 155.00
EURUSD	1.0718	1.0714	▼0.81%	1.0650 - 1.0800
GBPUSD	1.2921	1.2916	▼0.51%	1.2750 - 1.3000
AUDUSD	0.6583	0.6584	▼1.44%	0.6500 - 0.6640
DXY	105.0	--	+0.47%	104.0 - 106.0
USDCNY	7.1841	--	+0.57%	7.1300 - 7.2200
USDCNH	7.2013	7.1976	+0.74%	7.1400 - 7.2400
USDHKD	7.7745	7.7755	+0.05%	7.7700 - 7.7820
USDSGD	1.3255	1.3277	+0.41%	1.3180 - 1.3370
USDKRW	1395	1397	+0.00%	1385 - 1410
USDTHB	32.12	--	▼0.39%	32.00 - 32.40
USDINR	84.38	--	▼0.00%	84.30 - 84.80
USDIDR	15670	--	▼0.41%	15600 - 15850
USDMYR	4.383	4.392	▼0.49%	4.370 - 4.420
USDPHP	58.27	--	▼0.79%	58.10 - 58.70
USDTHB	34.02	34.28	▼0.82%	34.00 - 34.60
USDVND	25286	25303	▼0.31%	25200 - 25400

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.255	4.305	5.5	-2.3
JGB (JP)	0.500	0.999	0.5	0.0
Bunds (GE)	2.180	2.365	-2.9	-7.9
Gilts (UK)	4.421	4.434	-2.2	-6.3
AGB (AU)	4.074	4.577	-4.7	-5.9
SGS (SG)	2.748	2.816	-3.6	-6.9
CGB (CN)	1.417	2.102	-0.9	-0.8
KGB (KR)	3.049	2.916	-6.1	5.5
SDL (IN)	6.811	6.706	0.4	0.5

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	163.61	163.83	▼0.99%
GBP/JPY	197.189	197.505	▼0.72%
JPY/SGD (100yen)	0.8684	0.8683	+0.61%
JPY/HKD (100yen)	5.0936	5.0849	+0.25%
CNH/JPY	21.255	21.288	▼0.74%
CNH/HKD	1.0823	1.0825	▼0.52%
EUR/GBP	0.82965	0.82951	▼0.27%
AUD/NZD	1.1036	1.1037	▼0.45%
EUR/CNH	7.7192	7.7115	▼0.06%
GBP/CNH	9.3049	9.2964	+0.21%

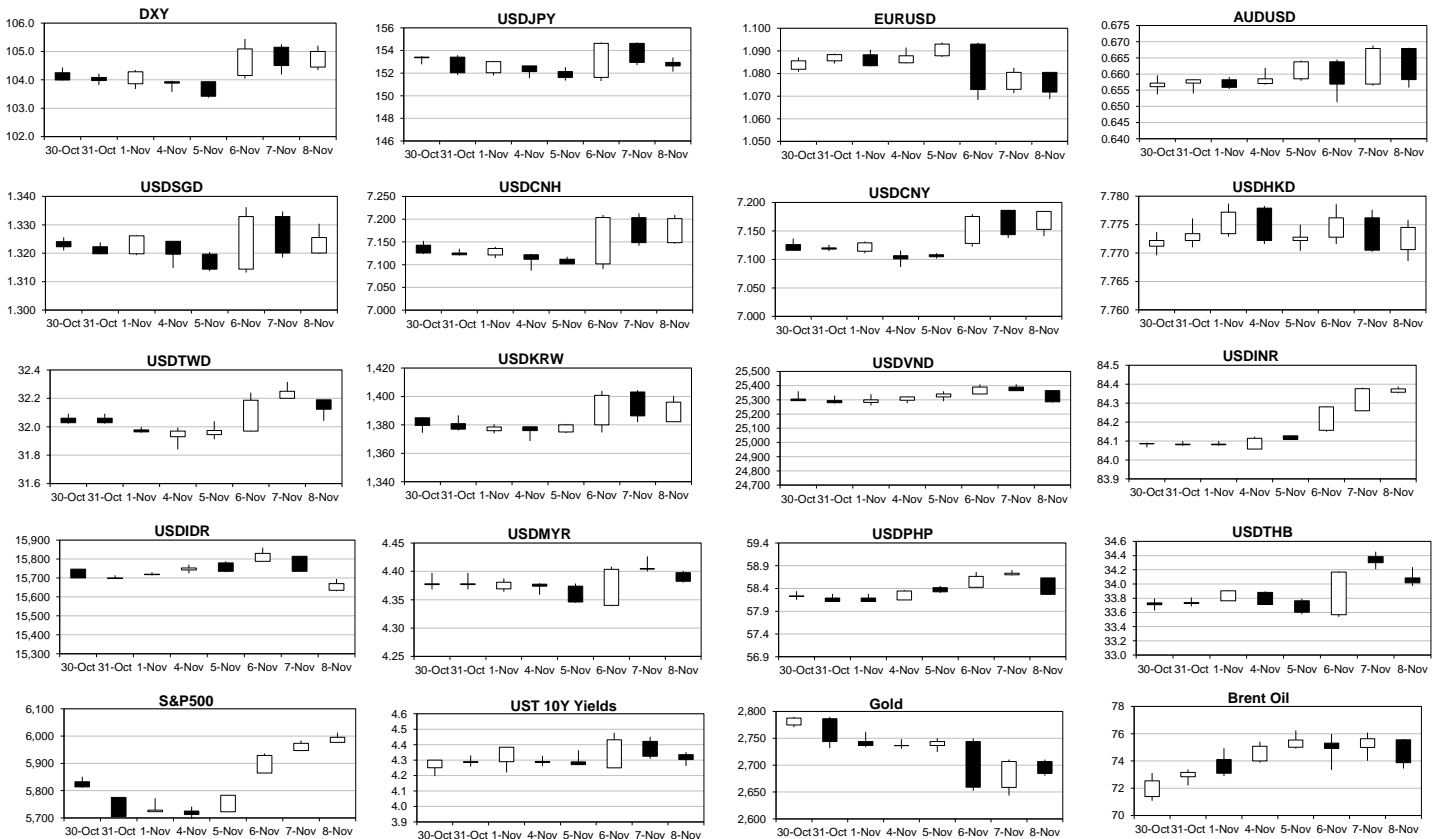
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G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5995.54	22.44	+0.38%
Nasdaq (US)	19286.78	17.32	+0.09%
DJIA (US)	43988.99	259.65	+0.59%
N225 (JP)	39500.37	118.96	+0.30%
STOXX50 (EU)	4802.76	-49.20	▼1.01%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4417.83	-35.65	▼0.80%
STI (SG)	3724.37	50.88	+1.39%
SHCOMP (CN)	3452.297	-18.36	▼0.53%
SZCOMP (CN)	2094.689	-6.02	▼0.29%
HSI (HK)	20728.19	-225.15	▼1.07%
SENSEX (IN)	79486.32	-55.47	▼0.07%
JSE (ID)	7287.191	43.33	+0.60%
KLSE (MY)	1621.24	-2.04	▼0.13%
PSE (PH)	6977.18	-37.26	▼0.53%
SET (TH)	1464.69	-5.03	▼0.34%
VNINDEX (VN)	1252.56	-0.01	▼0.57%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,302.37	-224.74	▼2.36%
IRON ORE (CN)	103.32	0.96	▼2.02%
GOLD	2,684.77	-21.94	▼0.81%
SILVER	31.31	-0.02	▼0.89%
OIL (BRENT)	73.87	-1.76	▼2.33%
OIL (WTI)	70.38	-1.98	▼2.74%
NATURAL GAS	2.67	-0.72	▼2.25%

CHARTS



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