

Nov 15, 2024

Three Take-Aways

1) **Front-end UST yields jumped after Fed Powell's comments that there was no rush to cut rates; odds of a 25bps cut in December now at 62%.**

2) **Rebalancing of Australia labour market unlikely to shift any easing by RBA forward.**

3) **US Treasury published semi-annual monitoring list; adds possible headwinds/risks to countries in list under Trump's presidency.**

MACRO THEME: Careful of Risks

- Markets saw a flurry of repricing amid Fed Chair Powell's remarks that the strength of US economy gave the Fed the ability to approach their decisions carefully. While commenting that to employment and inflation goals were roughly in balance, Powell noted that the the labour market has cooled but remained solid.

- Powell's comments on the labour market also arguably hit a stronger note compared to other Fed speakers and came after smaller-than-expected applications for unemployment benefits. Prior Powell's comments, Fed Kugler had remarked that it would be appropriate to continue to gradually reduce the policy rate if the labour market slows down suddenly, while Fed Barkin expressed uncertainty over whether the cooling trends in labour market was a normalisation or weakening.

- 2Y UST yields jumped following Powell's comments and FFR futures are now pricing 62% of a 25bps cut in December, down from 82.5% on Wednesday.

Yields (2Y: +5.9bp; 10Y: -1.5bp; 30Y: -4.9bp)

- UST yield curve flattened.

Equities (Nasdaq: -0.6%; S&P: -0.6%; Dow: -0.5%)

- US equities sold-off amid prospect of delayed rate cuts.

FX (DXY: +0.2%)

- The USD strengthened against G10 currencies. JPY led losses, with USD/JPY heading above 156 levels. AUD moved towards mid-64 cents while EUR was mostly below mid-1.05 levels. Elsewhere, USD/SGD was buoyant above 1.34 levels.

China: High Bar

- A slew of data releases is due today, and economic activity indicators could show some improvement from recent monetary easing and a surge in local government bond issuance since August.

- Nonetheless, the bar for the data to give a boost to sentiments may remain high as the disappointment from the fiscal stimulus lingers on. CSI300 fell -1.7% while Nasdaq Golden Dragon index fell 1.8% yesterday. The Nasdaq Golden Dragon index has pared back more than 80% of the gains from the rally commencing in end-Sep when policymakers announced a slew of policy support measures.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) Unemployment Rate (Oct)	4.1%	4.1%	4.1%
(AU) Employment Change (Oct)	15.9k	25.0k	61.3k
(US) Initial Jobless Claims	217k	220k	221k
(US) PPI ex Food and Energy YoY (Oct)	3.1%	3.0%	2.9%
(US) PPI Final Demand YoY (Oct)	2.4%	2.3%	1.9%
(EZ) GDP SA YoY (3Q P)	0.9%	0.9%	0.9%
(EZ) Industrial Production YoY (Sep)	-2.8%	-2.0%	-0.1%
Today			
(CH) Industrial Production YoY (Oct)		5.6%	5.4%
(CH) Retail Sales YoY (Oct)		3.8%	3.2%
(CH) FAI/Property Investment YTD YoY (Oct)		3.5%/-9.9%	3.4%/-10.1%
(PH) Overseas Cash Remittances YoY (Sep)		3.2%	3.2%
(ID) Exports/Imports YoY (Oct)		3.8%/7.3%	6.4%/8.6%
(MY) BoP C/A Balance MYR (3Q)		3.0b	3.0b
(MY) GDP YoY (3Q F)		5.3%	5.3%
(US) Retail Sales Adv/Ex Auto,Cas MoM (Oct)		0.3%/0.3%	0.4%/0.7%
(US) Industrial Production Mom (Oct)		-0.3%	-0.3%
(US) Empire Manufacturing (Nov)		0.0	-11.9
(JP) GDP Annualized SA QoQ (3Q P)	0.9%	0.7%	2.9%
(JP) Tertiary Industry Index MoM (Sep)		0.2%	-1.1%

Australia: Rebalancing of the labour market

- While hiring was much slower-than-expected in October, RBA's woes on sticky inflation remains as unemployment rate held steady while data on Wednesday indicated wage growth in Q3 still supported. In addition, participation rate ticked down slightly from 67.2% to 67.1% which could mean less slack in the labour market.

- Given that this rebalancing is not unexpected, it is unlikely to shift any easing by RBA forward*, especially as RBA Bullock's comments prior the data release remained cautious, remarking that the level of demand in economy is still quite elevated, while noting uncertainties on US policies.

*Money markets are pricing the first cut to be in Q3'25.

US Treasury Monitoring Watchlist: Adding to Headwinds?

- In its semiannual report, the US Treasury Department concluded that **no major US trading partner manipulated the exchange rate between its currency and the USD for the purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade.** A trading partner is considered a manipulator and would require enhanced analysis if it meets the following three criteria:

- a "significant" bilateral trade surplus with the US of at least US\$15bn
- a "material current account surplus equivalent to at least 3% of GDP
- Persistent, one-sided FX interventions of net purchases of foreign currency, in at least 8 out of 12 months, and these net purchases total at least 2% of an economy's GDP over a 12-month period;

and would be placed on a Monitoring list if it meets two of the three criteria.

- South Korea was added to the Monitoring List for meeting criteria i) and ii), joining China, Japan, Germany, Singapore, Taiwan and Vietnam. Malaysia was dropped from the Monitoring list.

- While a manipulator designation has no specific or immediate consequence, the Report however, adds possible headwinds/uncertainties to possible targeted actions under Trump's second presidency.

US Treasury's Estimates Based on the Three Criteria

	Bilat. Trade Surplus with US (USDbn)	Current Account Balance (% of GDP)	Net Purchases of FX (% of GDP)	FX intervention in 8 out of 12 months?
China*	247	1.2	0.3 to -1.5	Yes
Germany	88	6.4	0	No
Japan	66	4.2	-1.5	No
Korea	50	3.7	-0.5	No
Singapore	-31	20.1	9.4	Yes
Taiwan	57	14.7	-1.4	No
Vietnam	112	5.4	-1.5	No

*China is on the List due to its outsized trade imbalance with the US, failure to publish foreign exchange intervention and broader lack of transparency around key features of its exchange rate mechanism, thus warranting Treasury's close monitoring.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	156.27	156.50	+0.52%	155.50	- 158.50
EURUSD	1.0530	1.0528	▼0.32%	1.0430	- 1.0600
GBPUSD	1.2666	1.2665	▼0.33%	1.2520	- 1.2750
AUDUSD	0.6454	0.6454	▼0.48%	0.6380	- 0.6500
DXY	106.7	--	+0.18%	106.3	- 107.5
USDCNY	7.2271	--	▼0.10%	7.2000	- 7.2600
USDCNH	7.2538	7.2524	+0.14%	7.2200	- 7.2800
USDHKG	7.7816	7.7815	+0.01%	7.7760	- 7.7860
USDSGD	1.3462	1.3464	+0.25%	1.3400	- 1.3560
USDKRW	1407	1403	+0.00%	1395	- 1420
USDTHW	32.56	--	+0.32%	32.40	- 32.90
USDINR	84.41	--	+0.03%	84.30	- 84.80
USDIDR	15855	--	+0.51%	15800	- 16000
USDMYR	4.486	4.485	+0.86%	4.460	- 4.520
USDPHP	58.79	--	+0.06%	58.60	- 59.20
USDTHB	35.10	34.99	+1.22%	34.80	- 35.30
USDVND	25394	25399	+0.19%	25350	- 25550

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.347	4.437	5.9	-1.5
JGB (JP)	0.532	1.055	1.0	1.2
Bunds (GE)	2.096	2.339	-5.5	-4.8
Gilts (UK)	4.418	4.482	-6.3	-3.7
AGB (AU)	4.188	4.696	-1.3	2.9
SGS (SG)	2.835	2.936	2.0	5.1
CGB (CN)	1.407	2.076	-0.6	1.0
KGB (KR)	3.075	2.955	-4.9	5.9
SDL (IN)	6.864	6.731	-0.6	1.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	164.55	164.76	+0.19%
GBP/JPY	197.932	198.193	+0.18%
JPY/SGD (100yen)	0.8615	0.8603	▼0.25%
JPY/HKD (100yen)	4.9794	4.9724	▼0.50%
CNH/JPY	21.571	21.654	+0.29%
CNH/HKD	1.0768	1.0767	+0.10%
EUR/GBP	0.83132	0.8313	+0.01%
AUD/NZD	1.1033	1.1036	+0.03%
EUR/CNH	7.6387	7.6353	▼0.17%
GBP/CNH	9.1874	9.1848	▼0.18%

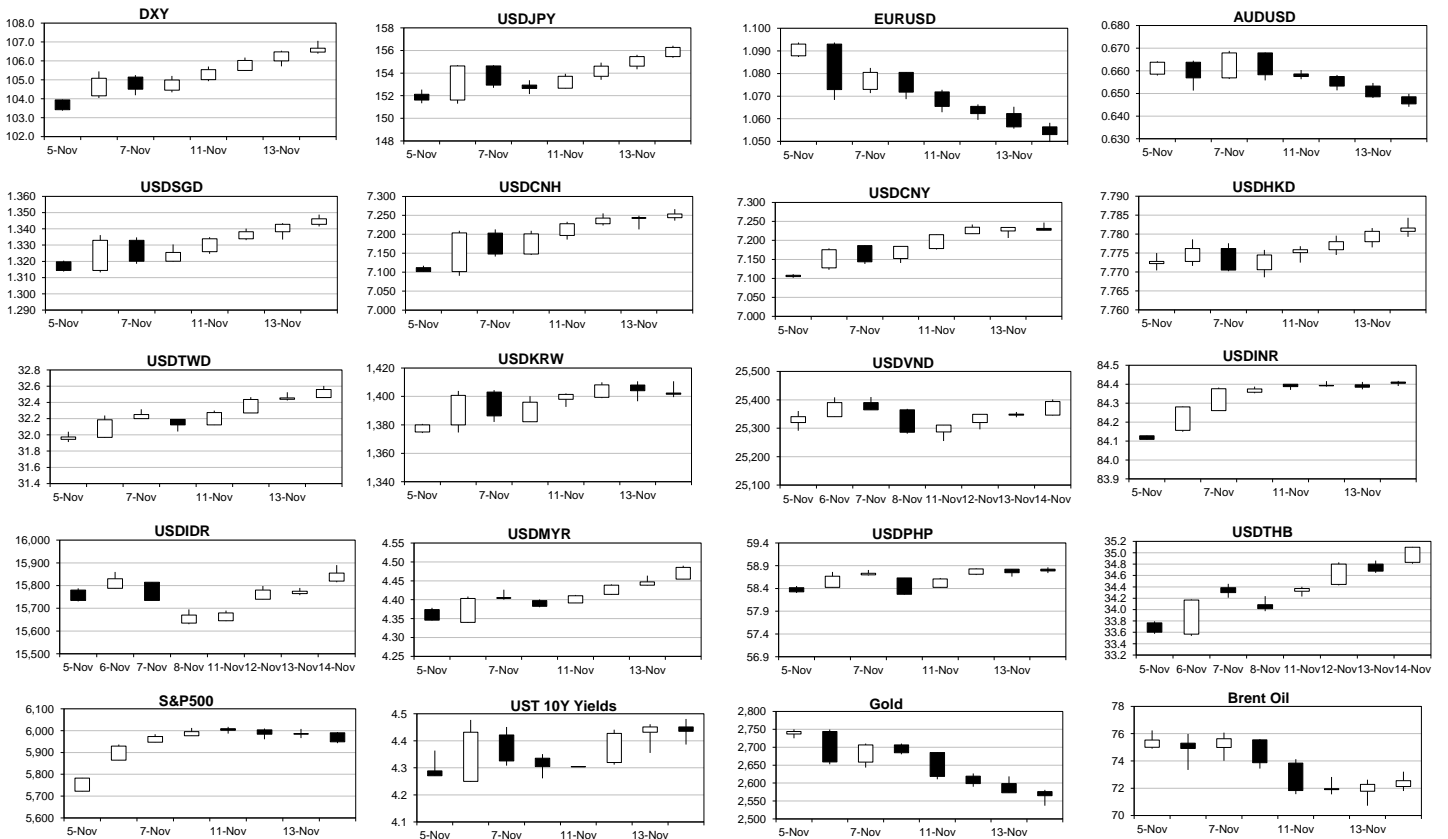
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5949.17	-36.21	▼0.60%
Nasdaq (US)	19107.65	-123.07	▼0.64%
DJIA (US)	43750.86	-207.33	▼0.47%
N225 (JP)	38535.7	-185.96	▼0.48%
STOXX50 (EU)	4833.53	93.19	+1.97%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4417.25	24.37	+0.55%
STI (SG)	3738.16	17.82	+0.48%
SHCOMP (CN)	3379.839	-59.44	▼1.73%
SZCOMP (CN)	2060.234	-59.54	▼2.81%
HSI (HK)	19435.81	-387.64	▼1.96%
SENSEX (IN)	77580.31	-110.64	▼0.14%
JSE (ID)	7214.561	-94.11	▼1.29%
KLSE (MY)	1600.68	-10.82	▼0.67%
PSE (PH)	6557.09	-157.24	▼2.34%
SET (TH)	1450.12	-1.35	▼0.09%
VNINDEX (VN)	1231.89	-0.01	▼1.14%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,861.99	-46.62	▼0.52%
IRON ORE (CN)	100.58	-4.87	▼1.27%
GOLD	2,564.85	-8.13	▼0.32%
SILVER	30.45	-0.20	▼0.64%
OIL (BRENT)	72.56	0.28	+0.39%
OIL (WTI)	68.70	0.27	+0.39%
NATURAL GAS	2.79	0.14	+0.48%

CHARTS



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