

Nov 18, 2024

## Three Take-Aways

1) US equities sold-off despite better-than-expected US activity data, which could suggest some unease over growth outlook.

2) China economic activity was mixed; rebound in retail sales suggest that government subsidies may be more than a marginal boost to domestic growth.

3) Thailand Q3 GDP to hold around Q2's level as economic activity remain reliant on external demand and government spending while domestic private demand remains weak.

## MACRO THEME: Uneasy?

- Unease over growth outlook probably dented risk sentiments. Notably, US equities sold-off despite overall better-than-expected US activity data. Retail sales excluding volatile items for the prior month saw a significant upward adjustment even as October prints printed lower-than-expected. Meanwhile, the Empire State index surged. This could suggest uncertainty over durability of the US consumer exceptionalism and whether higher industrial activity was a signal of optimism on the economic outlook or a rush of orders that may reflect efforts to stock up in case President-elect Trump raises tariffs on imports.

- Front-end UST yields moved lower amid FedSpeak on that the easing cycle would continue. Fed Collins commented that Dec rate cut remains on table while emphasizing that Fed's decision will be guided by incoming data. Meanwhile, Fed Goolsbee said that easing cycle will continue as long as there is continued progress towards the 2% inflation goal.

**Yields (2Y: -4.2bp; 10Y: +0.3bp; 30Y: +3.1bp)**

- The UST yield curve steepened.

**Equities (Nasdaq: -2.2%; S&P: -1.3%; Dow: -0.7%)**

- US equities sold-off.

**FX (DXY: +0.0%)**

- The USD broadly weakened against G10 currencies. JPY led gains, following announcement that BoJ Ueda will be speaking on Monday. His speech could possibly reveal hints over the timing of the BoJ's next interest rate hike. USD/JPY briefly testing 154 levels (from around mid-156 levels).

- GBP underperformed, as the pound came under pressure following Sep GDP release showing a 0.1% M/oM contraction, against expectations of a 0.2% expansion. EUR oscillated around mid-1.05 levels while AUD hovered below 65 cents. Elsewhere, USD/SGD mostly traded under mid-1.34 levels.

## China: Mixed Indicators

- China's activity growth for Oct came in mixed. Retail sales significantly exceeded market expectations due to government subsidies provided through the "trade-in" program, while both industrial production and fixed asset investment rose slower-than-expected.

- The improvement in retail sales was mainly driven by sales of home appliances (39.2% YoY) and furniture (7.4% YoY). Additionally, retail sales of auto vehicles rose 3.7% YoY in October, marking the fastest increase since February.

- Value added of industry saw a mildly slower increase of 5.3% YoY in October, due to moderating growth in electricity supply. That said, manufacturing output remained resilient, rising 5.4% YoY in October, the fastest pace in four months.

- Monthly FAI rose 3.4% YoY in October, unchanged from the previous month. While growth in public investment slightly improved to 7.0% YoY, private investment fell at a faster pace of -1.2% YoY.

- For the property sector, the decline in new home sales moderated significantly to -0.2% YoY in value terms and -1.3% YoY in volume terms, compared to -16.5% and -10.6%, respectively, in September. Meanwhile, property investment remained subdued, seeing another month of double-digit YoY decline in October.

- In our view, while many argue that government subsidies on consumer spending only give a marginal boost to domestic growth, the recent quick recovery in retail sales may suggest otherwise. As the government eyes a mild increase in prices, we look for more support for demand (i.e., final consumption) instead of supply (i.e., investment).

## Thailand Q3 GDP: Skewed

- For the upcoming Q3 GDP print, we expect growth to remain around Q2's 2.3% mark (below consensus: 2.5%) which represents a slower QoQ expansion of 0.6% on a seasonally adjusted basis.

- **Growth is likely to be driven by strong external demand** as exports (customs basis) growth remain resilient in Q3 growing 10.7% YoY. That said, the weak **value added** production growth points to the manufacturing base facing a confluence of drag from higher costs and weak domestic demand.

- Reflecting the weakness in domestic demand, private consumption index showed a slower growth of just 0.3% YoY in Q3 down from the 1.1% YoY growth in Q2. This **is in line with weaker consumer confidence in Q3**.

- Similarly, private investment index also continued falling in Q3 alongside **worsening business confidence**. The continued drawdown in inventory levels also reflects underlying caution in rebuilding stock levels. Nonetheless, government spending is expected to provide support after the enactment of the Budget Act.

- Meanwhile, the services sector growth is also likely to remain around the 2.0% mark as tourist arrivals slow with less visitors from China and Japan as well as Europe. Admittedly, some seasonal factors such as China's Golden week is at play.

- On balance, the worry for the BoT and THB may go beyond the GDP print itself given that the weak GDP print will again incite calls for easing by the administration and bring unwanted attention to central independence restrain the THB's recovery prospects.

## DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(CH) Industrial Production YoY (Oct)	5.3%	5.6%	5.4%
(CH) Retail Sales YoY (Oct)	4.8%	3.8%	3.2%
(CH) Fixed Assets Ex Rural YTD YoY (Oct)	3.4%	3.5%	3.4%
(CH) Property Investment YTD YoY (Oct)	-10.3%	-9.9%	-10.1%
(PH) Cash Remittances YoY (Sep)	3.3%	3.2%	3.2%
(ID) Exports/Imports YoY (Oct)	10.3%/17.5%	3.5%/7.2%	6.3%/8.6%
(MY) BoP C/A Balance MYR (3Q)	2.2b	3.0b	3.0b
(MY) GDP YoY (3Q F)	5.3%	5.3%	5.3%
(US) Retail Sales Adv/Ex Auto, Gas MoM (I)	0.4%/0.1%	0.3%/0.3%	0.4%/0.7%
(US) Industrial Production Mom (Oct)	-0.3%	-0.4%	-0.6%
(US) Empire Manufacturing (Nov)	31.2	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%	0.2%	-1.1%
<b>Today</b>			
(SG) NODX/Elec. Exports YoY (Oct)		--	2.7%/4.0%
(TH) GDP YoY/SA QoQ		--	2.3%/0.8%
(US) New York Fed Svcs Business Activity (Nov)		--	-2.2
(EZ) Trade Balance SA (Sep)		--	11.0b
(JP) Core Machine Orders MoM (Sep)	-0.7%	1.5%	-1.9%

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	154.30	154.65	▼1.26%	152.00 - 157.50
EURUSD	1.0540	1.0534	+0.09%	1.0430 - 1.0640
GBPUSD	1.2618	1.2617	▼0.38%	1.2520 - 1.2730
AUDUSD	0.6462	0.6464	+0.12%	0.6380 - 0.6500
DX	106.7	--	+0.01%	106.3 - 107.3
USDCNY	7.2294	--	+0.03%	7.2000 - 7.2600
USDCNH	7.2370	7.2400	▼0.23%	7.2200 - 7.2800
USDHKD	7.7852	7.7866	+0.05%	7.7780 - 7.7920
USDSGD	1.3420	1.3425	▼0.31%	1.3350 - 1.3520
USDKRW	1395	1398	+0.00%	1385 - 1410
USDTWD	32.47	--	▼0.26%	32.30 - 32.70
USDINR	84.41	--	+0.00%	84.30 - 84.80
USDIDR	15855	--	+0.00%	15750 - 16000
USDMYR	4.475	4.475	▼0.24%	4.430 - 4.500
USDPHP	58.74	--	▼0.07%	58.20 - 59.00
USDTHB	34.82	34.79	▼0.78%	34.50 - 35.10
USDVND	25389	25391	▼0.02%	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)	4.305	4.440	-4.2	0.3
JGB (JP)	0.548	1.066	1.6	1.1
Bunds (GE)	2.116	2.354	2.0	1.5
Gilts (UK)	4.395	4.471	-2.3	-1.1
AGB (AU)	4.164	4.637	-2.4	-5.9
SGS (SG)	2.815	2.894	-1.3	-4.2
CGB (CN)	1.401	2.069	-0.6	-0.7
KGB (KR)	3.081	2.975	3.1	-4.2
SDL (IN)	6.864	6.731	-1.3	1.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	162.66	162.9	▼1.15%
GBP/JPY	194.759	195.108	▼1.60%
JPY/SGD (100yen)	0.8695	0.8681	+0.93%
JPY/HKD (100yen)	5.0438	5.0351	+1.29%
CNH/JPY	21.293	21.392	▼1.29%
CNH/HKD	1.0769	1.0771	+0.01%
EUR/GBP	0.83521	0.83494	+0.47%
AUD/NZD	1.1019	1.1025	▼0.13%
EUR/CNH	7.6292	7.6266	▼0.12%
GBP/CNH	9.1335	9.1343	▼0.59%

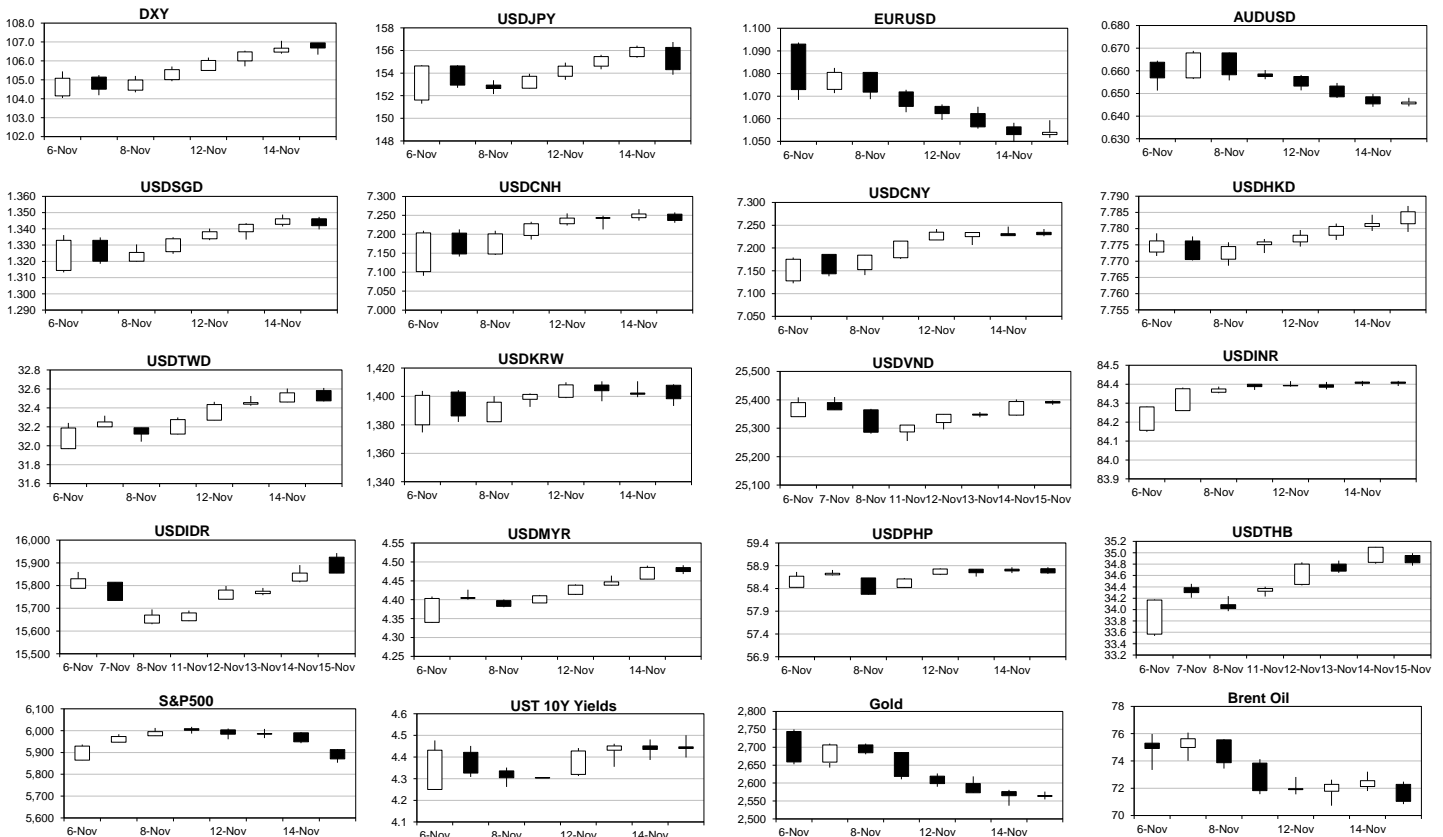
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G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5870.62	-78.55	▼1.32%
Nasdaq (US)	18680.12	-427.53	▼2.24%
DJIA (US)	43444.99	-305.87	▼0.70%
N225 (JP)	38642.91	107.21	+0.28%
STOXX50 (EU)	4794.85	-38.68	▼0.80%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4412.19	-5.06	▼0.11%
STI (SG)	3744.7	6.54	+0.17%
SHCOMP (CN)	3330.726	-49.11	▼1.45%
SZCOMP (CN)	2010.614	-49.62	▼2.41%
HSI (HK)	19426.34	-9.47	▼0.05%
SENSEX (IN)	77580.31	0.00	+0.00%
JSE (ID)	7161.258	-53.30	▼0.74%
KLSE (MY)	1592.44	-8.24	▼0.51%
PSE (PH)	6676.65	119.56	+1.82%
SET (TH)	1442.63	-7.49	▼0.52%
VNINDEX (VN)	1218.57	-0.01	▼1.08%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,881.89	19.90	+0.22%
IRON ORE (CN)	99.76	-3.56	▼0.82%
GOLD	2,563.25	-1.60	▼0.06%
SILVER	30.27	0.04	+1.36%
OIL (BRENT)	71.04	-1.52	▼2.09%
OIL (WTI)	67.02	-1.68	▼2.45%
NATURAL GAS	2.82	-0.18	▼0.59%

## CHARTS



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