

Nov 27, 2024

Three Take-Aways

- 1) **Brent Oil hovered around \$73/bbl, shrugging off easing geopolitical tensions.**
- 2) **Risk sentiments fairly buoyed as FOMC minutes may have eased some fears of an overly hawkish Fed.**
- 3) **BoK to pause easing cycle amid heightened FX volatility and continued monitoring of housing market; but tailrisk on a hawkish cut amid higher growth risks and moderating inflation.**

MACRO THEME: Fairly Buoyed

- Following an initial knee-jerk reaction to Trump's tariff threats, risk sentiments recovered subsequently amid news of easing geo-political tensions and some relief that Fed was not as hawkish as expected.

- Israel reached a deal for a 60-day cease-fire with the Lebanese militant group Hezbollah after weeks of talks mediated by the US. But Brent Oil still hovered at around \$73/bbl levels, suggesting some caution on uncertainties associated with geopolitical flares.

- Meanwhile, FOMC minutes revealed that further easing towards the neutral rate would continue (albeit gradually) if dis-inflation progress continued and economy remained near maximum employment. Notably, uncertainties surrounding the level of neutral rate (and attendant restrictiveness of monetary policy) warranted cautious easing. The minutes also noted that downside risks to employment and growth have "decreased somewhat". Overall, the minutes may have eased some fears that the Fed was becoming too hawkish. Odds of 25bps cut in Dec increased from ~56% to ~63%.

Yields (2Y: +1.5bp; 10Y: +3.2bp; 30Y: +1.6bp)

- Front-end UST yield dipped while longer-end yields moved higher.

Equities (Nasdaq: +0.6%; S&P 500: +0.6%; Dow: +0.3%)

- US equities climbed.

FX (DXY: +0.2%)

- The USD broadly strengthened against G10 currencies. JPY bucked the trend and gained against the greenback, with USD/JPY dipping below mid-153. In addition to possible haven flows, some indications of the virtuous cycle between wages and inflation supported the JPY. Producer prices for services printed higher than expected, and the sub-component for services with a high labour cost rose 3.3% YoY in October. This could support the case for a hike at the Dec meeting, given that the BoJ Governor Ueda had been seen to be open to consider a possibility of a rate hike then.

- Commodity currencies, NOK, CAD and AUD underperformed. AUD traded below 65 cents.

- Elsewhere, EUR was oscillated around 1.05 levels while USD/SGD was mostly buoyant above mid-134 levels.

China: Tariffs Threats Lower Than Expected

- Despite Trump's tariff threats, sell-off in Chinese equities was not overly outsized (CSI300: -0.2%; Nasdaq Golden Dragon index: -0.6%). The more moderate sell-off could be due to some relief that the 10% additional tariffs hike on all Chinese imports, which put the average tariffs up to near 30%, would be lower than 50-60% mentioned in his previous interviews.

BoK: Holding Amid External Uncertainties

- We expect the Bank of Korea to keep rates unchanged at 3.25% on 28 November after their first 25bp rate cut in October. To be clear, we see this as a **temporary pause needed to see through the current period of heightened policy uncertainty and FX volatility** arising from Trump's election win and US policy trajectory rather than impediment from domestic conditions.

- Specifically, KRW depreciating 3.6% against the Greenback since their last meeting is perhaps the key consideration behind a hold as **other domestic conditions leans towards another rate cut**.

- Notably, **housing price momentum on a weekly basis in Seoul shows clear signs of waning** and household mortgage3820 loan growth also declined.

- That said, it remains to be seen if this can be suitably evaluated as the housing market cooling due to DSR curbs despite lower policy rate given that housing mortgage length tend to range in the 5-30 year tenors and may be less affected. Major financial institutions also reported higher average mortgage rates in October despite the rate cut. A cautious BoK may be inclined to signal the need for more time to assess the impact of the first cut on housing markets.

- Despite a strong external demand level, economic growth remains weak with Q3 GDP expanding only 0.1% QoQ SA and adds to the case for further easing in Q1 2025.

- High base effects from semiconductor growth also imply that **external demand is likely to become a drag on growth in 2025** even if demand remain elevated at a high level. On the inflation front, signs are also pointing to another rate cut as core inflation dropped to 1.8% in October, though a depreciating KRW, reduced fuel tax cuts and higher industrial electricity prices warn of upside risks.

- All in, it is KRW weakness and a sense of caution that is preventing a BoK cut this November. As such, one should lookout for **tail risks that the BoK pulls off a hawkish rate cut** by "doing it now and then declaring a further hold for period of assessment" resulting in a steepening in yield curves.

- Looking ahead, there is potential to cut rates further in mid-2025 should US-China trade tensions escalate.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(KR) Retail Sales YoY (Oct)	6.7%	--	6.7%
(TH) Customs Trade Balance (Oct)	-\$794m	-\$402m	\$394m
(SG) Industrial Production YoY (Oct)	1.2%	2.6%	9.0%
(JP) PPI Services YoY (Oct)	2.9%	2.5%	2.8%
(US) New Homes Sales (Oct)	610k	725k	738k
(US) Consumer Confidence (Nov)	111.7	111.8	109.6
(US) Richmond Fed Mfg Index (Nov)	-14	-11	-14

FOMC Meeting Mintues

Today	Actual	Exp.	Prior
(CH) Industrial Profits YoY (Oct)	--	--	-27.1%
(AU) CPI/Trimmed mean YoY (Oct)	2.1%/3.5%	2.3%/--	2.1%/3.2%
(PH) Budget Balance PHP (Oct)	--	--	-273.3b
(US) Initial Jobless Claims	--	--	213k
(US) GDP Annualized QoQ (3Q S)	--	2.8%	2.8%
(US) Personal Consumption (3Q S)	--	--	3.7%
(US) PCE/Core Deflator YOY (Oct)	--	2.3%/2.8%	2.1%/2.7%
(US) Personal Income/Spending (Oct)	--	0.3%/0.4%	0.3%/0.5%
(US) Wholesale Inventories MoM (Oct P)	--	--	-0.2%
(US) Durable Goods Orders/Nondef Ex Air (Oct P)	--	0.5%/0.2%	-0.7%/0.7%
(US) MNI Chicago PMI (Nov)	--	--	41.6

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	153.08	153.02	▼0.75%	151.50 - 155.50
EURUSD	1.0489	1.0491	▼0.06%	1.0350 - 1.0580
GBPUSD	1.2569	1.2574	+0.01%	1.2480 - 1.2690
AUDUSD	0.6475	0.6474	▼0.45%	0.6410 - 0.6540
DXY	107.0	--	+0.18%	106.3 - 107.6
USDCNY	7.2502	--	+0.06%	7.2300 - 7.2700
USDCNH	7.2578	7.2571	+0.15%	7.2300 - 7.2800
USDHKD	7.7830	7.7827	+0.01%	7.7780 - 7.7870
USDSGD	1.3467	1.3461	+0.06%	1.3380 - 1.3550
USDKRW	1396	1397	+0.00%	1390 - 1410
USDTHW	32.52	--	+0.14%	32.30 - 32.70
USDINR	84.34	--	+0.06%	84.00 - 84.50
USDIDR	15930	--	+0.38%	15800 - 16050
USDMYR	4.458	4.460	+0.14%	4.440 - 4.480
USDPHP	59.00	--	+0.01%	58.70 - 59.20
USDTHB	34.70	34.74	+0.17%	34.50 - 35.10
USDVND	25413	25414	▼0.01%	25350 - 25600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.257	4.307	-1.5	3.2
JGB (JP)	0.585	1.063	-0.2	-0.6
Bunds (GE)	2.012	2.185	-0.6	-2.3
Gilts (UK)	4.329	4.352	1.1	0.9
AGB (AU)	4.018	4.445	-3.3	-3.9
SGS (SG)	2.818	2.816	0.5	-1.2
CGB (CN)	1.391	2.052	1.6	0.0
KGB (KR)	2.905	2.999	1.6	-1.5
SDL (IN)	6.855	6.714	0.6	-0.2

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	160.58	160.53	▼0.80%
GBP/JPY	192.423	192.393	▼0.72%
JPY/SGD (100yen)	0.8797	0.8797	+0.78%
JPY/HKD (100yen)	5.0835	5.0862	+0.72%
CNH/JPY	21.16	21.104	▼0.50%
CNH/HKD	1.0734	1.0734	▼0.06%
EUR/GBP	0.83444	0.83437	▼0.08%
AUD/NZD	1.1097	1.1093	▼0.26%
EUR/CNH	7.6131	7.6134	+0.11%
GBP/CNH	9.1223	9.1247	+0.16%

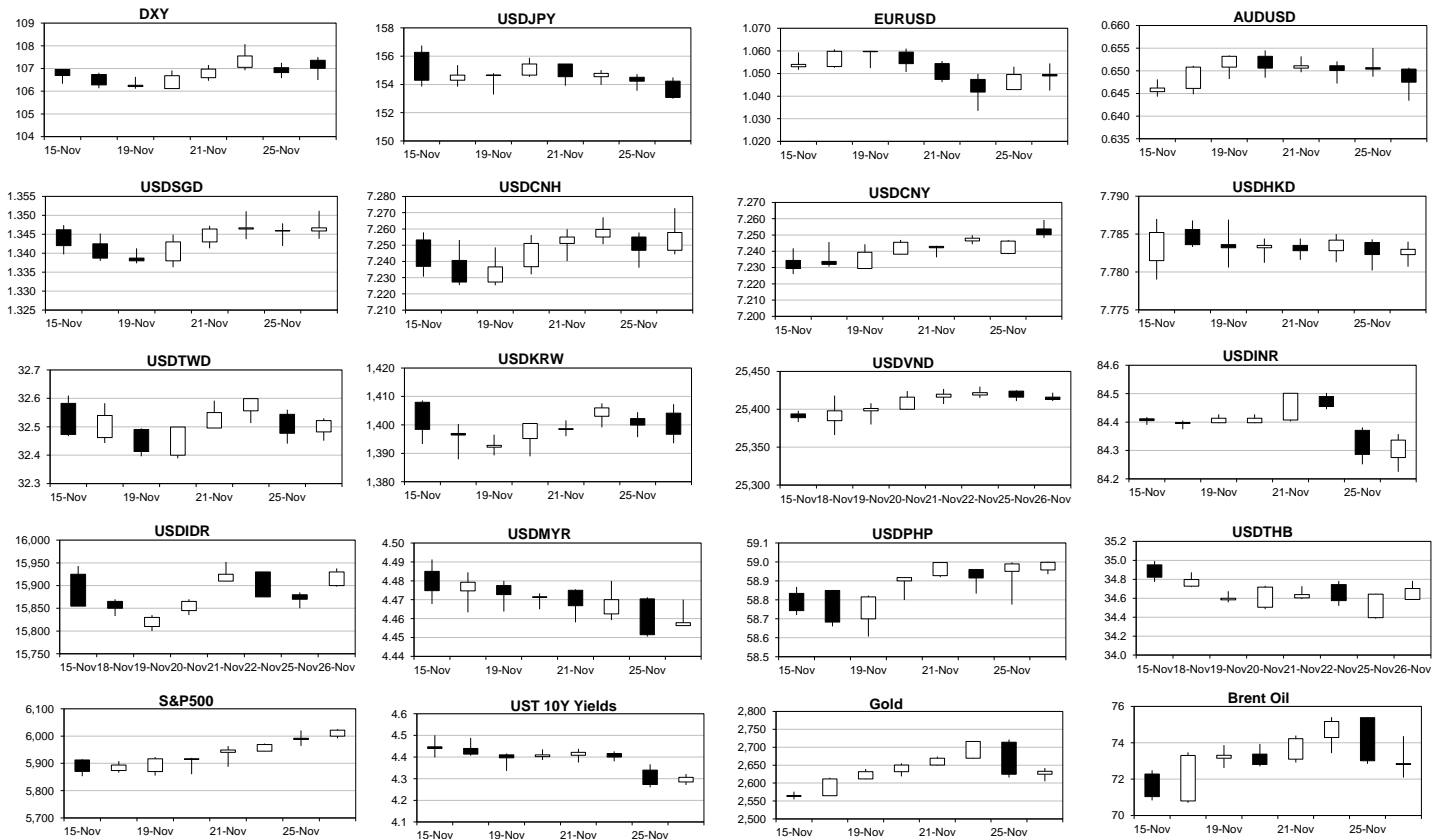
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6021.63	34.26	+0.57%
Nasdaq (US)	19175.58	120.74	+0.63%
DJIA (US)	44860.31	123.74	+0.28%
N225 (JP)	38442	-338.14	▼0.87%
STOXX50 (EU)	4761.99	-37.88	▼0.79%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4505.58	-20.84	▼0.46%
STI (SG)	3712.39	-19.00	▼0.51%
SHCOMP (CN)	3259.757	-4.00	▼0.12%
SZCOMP (CN)	1956.139	-18.75	▼0.95%
HSI (HK)	19159.2	8.21	+0.04%
SENSEX (IN)	80004.06	-105.79	▼0.13%
JSE (ID)	7245.888	-68.22	▼0.93%
KLSE (MY)	1603.15	5.70	+0.36%
PSE (PH)	6806.86	-43.14	▼0.63%
SET (TH)	1438.25	-5.06	▼0.35%
VNINDEX (VN)	1242.13	0.01	+0.60%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,884.13	-39.30	▼0.44%
IRON ORE (CN)	102.24	0.39	+0.02%
GOLD	2,633.15	8.14	+0.31%
SILVER	30.44	0.02	+0.70%
OIL (BRENT)	72.81	-0.20	▼0.27%
OIL (WTI)	68.77	-0.17	▼0.25%
NATURAL GAS	3.47	0.14	+0.47%

CHARTS



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