

Dec 02, 2024

## Three Take-Aways

1) Lower UST yields did little damage to shed USD dominance with JPY accounting for most gains on Tokyo CPI.

2) EUR plunged on France Finance Minister's comment that the government will not be blackmailed and worries about mid-week no-confidence vote rise.

3) Australia Q3 GDP to see a bump-up in momentum though durability remains in doubt.

## MACRO THEME: Evaluating Progress

- UST yields declined after markets reopened after the holiday. As we head into the likes of ISM reports and NFP print this week, Fed funds futures are now back to pricing in more than 4 cuts (including Dec 2024) by end 2025 which is a notable upgrade from the 3 cuts just a week ago. This though still falls short of the 4 cuts in 2025 indicated in the Fed's Dot Plot.

- Nonetheless, G10 peers hardly made inroads against the Greenback with the JPY being a notable exception. On top of Tokyo CPI outperformance last Friday, these gains will be further backstopped by comments published over the weekend from BoJ Governor Ueda who said that **next rate hike is "nearing in the sense that economic data are on track"**.

- While a slide in OAT yields narrowed the spread relative to Bunds alongside **S&P's decision to retain French sovereign ratings** at AA-, the **threat is far from over** with Marine le Pen set to initiate a no-confidence vote which could happen as early as Wednesday.

- In the same vein, with Israel reporting that they fired on Hezbollah targets in Lebanon on Sunday as they "removed threats that violated the ceasefire agreement", the ceasefire agreement appears highly conditional and fragile.

- Nonetheless, with Brent crude slipping to around US\$72/barrel, OPEC+ will also be assessing the extension of production curbs on 5 December. They will certainly be hoping that the weekend's release of China's manufacturing PMI sustaining above expansionary territory can set the tone for a firmer economic progress in 2025.

- Despite lower UST yields, EM-Asia FX is likely to see little reprieve as they face potential collateral damage from Trump's threat to impose 100% tariffs on BRICs who aim to weaken USD dominance.

**Yields (2Y: -7.6bp; 10Y: -9.4bp, 30Y: -7.6bp)**

- The 10Y-2Y portion continued to flatten amid the rally in USTs.

**Equities (Nasdaq: +0.8%; S&P: +0.6%; Dow: +0.4%)**

- Nasdaq led gains on semiconductor sector boosted by reports of US curbs being less strict than earlier expected.

**FX (DXY: -0.3%)**

- Notably this morning, the EUR has sunk towards the bottom half of mid-1.05 as France Finance Minister said that the country will not be blackmailed on Budget sparking worries of political turmoil.

- Following suit, the AUD has also dipped back to 65 cents erasing all of Friday's gains. USD/JPY rose above 150.

- In EM-Asia, USD/SGD is back above 1.34. BRICs members in South-East Asia include **Malaysia, Thailand, Indonesia and Vietnam and may see backlash from the latest round of Trump threats.**

## China: Cautious Recovery

- Weekend PMIs show manufacturing activity edging slight above expectations while services PMI slipped to 50 from 50.2.

- Higher new orders in the manufacturing sector bodes well on the surface but falling output prices also points to the soft spots in the demand environment. In terms of business size, small enterprises show a marked improvement as less firms remain in contractionary territory.

- Meanwhile, **deeper contraction of new orders in non-manufacturing sector** will be a worry about the strength of domestic consumption.

- Employment sub-measures for both fell.

## Australia Q3 GDP: Offsets

- We expect a slight bump up in growth for Q3 GDP on a QoQ SA basis to 0.4% from the 0.2% in Q2. On a YoY basis, growth is expected to remain flat at 1.0%. A bump up in domestic demand is likely to be offset by softer external demand.

- Household spending show some signs of recovery with real retail sales volumes rising 0.5%QoQ SA.

- Nonetheless, we note that on a per capita basis real retail sales continued contracting with a 0.1% fall in Q3 and the higher aggregate volumes came on the back of softer price growth.

- The underlying sensitivities to prices point to continued headwinds face by households. That said, resilient wage growth may be assisting marginally with QoQ wage growth of 0.8% which is significantly higher than pre-pandemic trends.

- Government consumption will continue to be supportive in Q3 as operating expenses remain elevated in Q3 though public investments appear more vulnerable as net capital investments by the government softened. External demand is weakening on lower export revenue from major commodities such as metal ores, minerals, coal and other mineral fuel. Even as falling prices imply that in volume terms some commodities such as iron ore were higher than in Q2, falling prices in itself reflect the lacklustre demand.

- All in, a bump-up in quarterly growth momentum will not convincingly shed doubts on growth risks in 2025 and in turn this print is a backstop for AUD slippages rather than a stage for durable rally.

- The RBA is also unlikely to hinge on this print as an inflection point for demand recovery to dictate policy direction.

## DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) Private Sector Credit MoM (Oct)	0.6%	0.5%	0.5%
(KR) Exports/Imports YoY (Nov)	1.4%/-2.4%	2.8%/-0.9%	4.6%/1.7%
(IN) GDP YoY (3Q)	5.4%	6.5%	6.7%
(KR) Industrial Production YoY (Oct)	6.3%	2.0%	-1.4%
(TH) BoP C/A Balance (Oct)	\$700m	\$600m	\$559m
(TH) Exports/Imports YoY (Oct)	14.2%/17.1%	--	1.1%/9.5%
(TW) GDP YoY (3Q P)	4.2%	4.0%	4.0%
(EZ) CPI Est./Core YoY (Nov/P)	2.3%/2.7%	2.3%/2.8%	2.0%/2.7%
(JP) Jobless Rate (Oct)	2.5%	2.5%	2.4%
(JP) Job-to-Applicant Ratio (Oct)	1.2	1.2	1.2
(JP) Industrial Production MoM (Oct P)	3.0%	4.0%	1.6%
(JP) Retail Sales YoY (Oct)	1.6%	2.0%	0.7%
(CH) Mfg/Non-Mfg PMI (Nov)	50.3/50.0	50.2/50.4	50.1/50.2
<b>Today</b>			
(ID) CPI/Core YoY (Nov)		1.5%/2.2%	1.7%/2.2%
(US) ISM Mfg (Nov)		47.6	46.5
(US) Unemployment Rate (Oct)		6.3%	6.3%

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	149.77	149.88	▼1.17%	149.00 - 153.00
EURUSD	1.0577	1.0543	+0.24%	1.0470 - 1.0650
GBPUSD	1.2735	1.2700	+0.38%	1.2600 - 1.2780
AUDUSD	0.6512	0.6501	+0.20%	0.6450 - 0.6550
DXY	105.7	--	▼0.29%	105.3 - 106.9
USDCNY	7.2467	--	+0.03%	7.2300 - 7.2700
USDCNH	7.2491	7.2578	▼0.01%	7.2300 - 7.2750
USDHKD	7.7820	7.7819	▼0.02%	7.7800 - 7.7870
USDSGD	1.3395	1.3412	▼0.27%	1.3350 - 1.3500
USDKRW	1398	1397	+0.00%	1385 - 1415
USDTWD	32.47	--	▼0.18%	32.40 - 32.70
USDINR	84.49	--	▼0.00%	84.30 - 84.70
USDIDR	15845	--	▼0.16%	15800 - 15950
USDMYR	4.448	4.445	+0.05%	4.420 - 4.470
USDPHP	58.64	--	▼0.09%	58.30 - 59.00
USDTHB	34.30	34.37	▼0.40%	34.20 - 34.70
USDVND	25346	25346	▼0.12%	25250 - 25450

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.153	4.170	-7.6	-9.4
JGB (JP)	0.583	1.039	0.6	-1.1
Bunds (GE)	1.945	2.086	-4.9	-3.9
Gilts (UK)	4.230	4.241	-4.3	-3.4
AGB (AU)	3.953	4.340	0.4	-2.1
SGS (SG)	2.754	2.748	-4.1	-3.7
CGB (CN)	1.367	2.028	-2.4	-0.9
KGB (KR)	2.755	2.669	-7.6	-7.6
SDL (IN)	6.743	6.625	0.6	0.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	158.41	158.01	▼0.93%
GBP/JPY	190.793	190.34	▼0.77%
JPY/SGD (100yen)	0.8946	0.8948	+0.94%
JPY/HKD (100yen)	5.1976	5.1921	+1.19%
CNH/JPY	20.654	20.685	▼1.26%
CNH/HKD	1.074	1.074	▼0.05%
EUR/GBP	0.83059	0.83015	▼0.15%
AUD/NZD	1.1001	1.1008	▼0.31%
EUR/CNH	7.6677	7.6515	+0.21%
GBP/CNH	9.2323	9.217	+0.37%

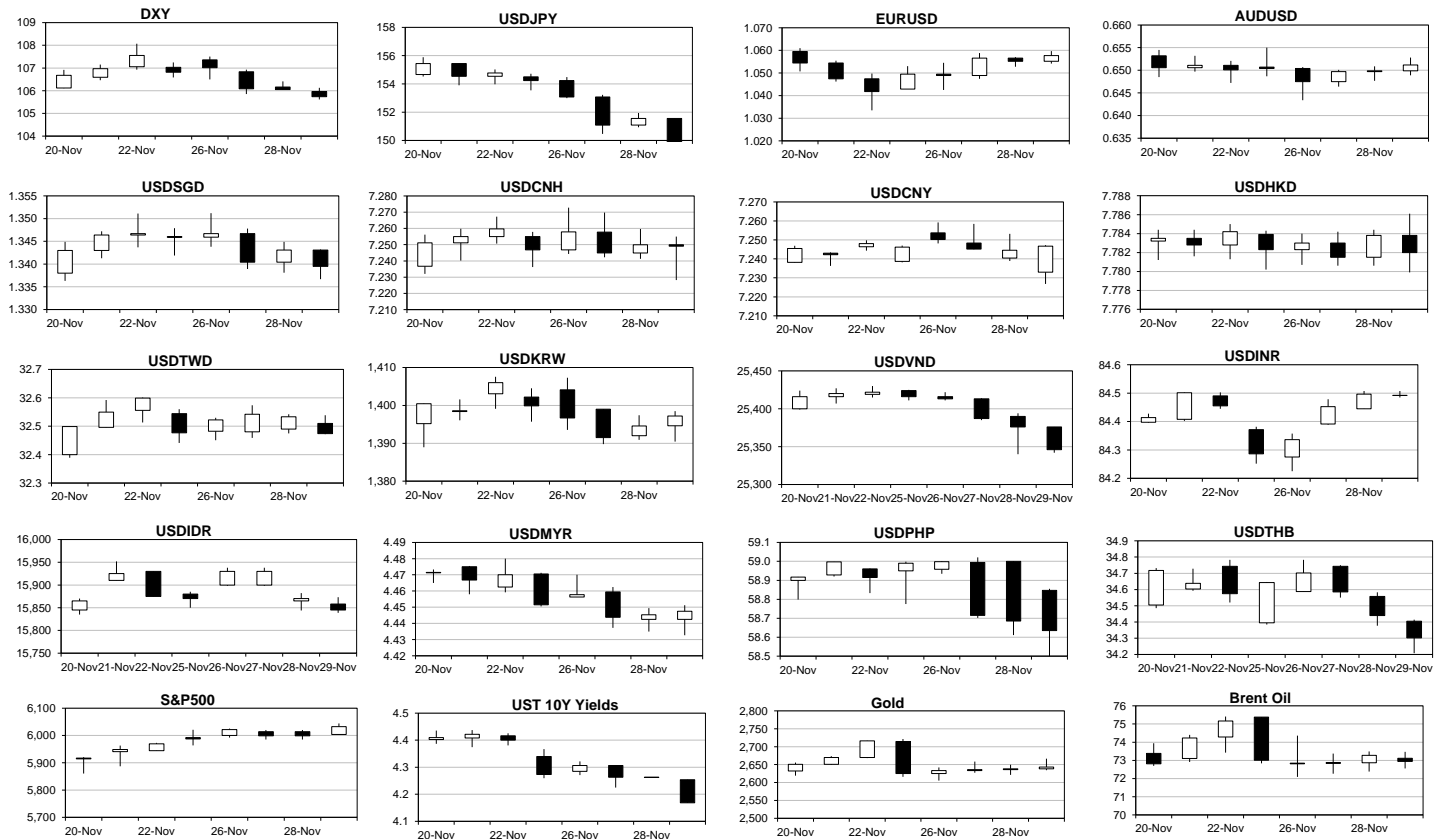
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6032.38	33.64	+0.56%
Nasdaq (US)	19218.17	157.69	+0.83%
DJIA (US)	44910.65	188.59	+0.42%
N225 (JP)	38208.03	-141.03	▼0.37%
STOXX50 (EU)	4804.4	45.75	+0.96%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4524.88	3.34	+0.07%
STI (SG)	3739.29	2.04	+0.05%
SHCOMP (CN)	3326.456	30.76	+0.93%
SZCOMP (CN)	2016.943	33.15	+1.67%
HSI (HK)	19423.61	56.65	+0.29%
SENSEX (IN)	79802.79	759.05	+0.96%
JSE (ID)	7114.266	-85.89	▼1.19%
KLSE (MY)	1594.29	-3.20	▼0.20%
PSE (PH)	6613.85	-24.69	▼0.37%
SET (TH)	1427.54	-0.47	▼0.03%
VNINDEX (VN)	1250.46	0.01	+0.67%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,891.85	7.50	+0.08%
IRON ORE (CN)	102.44	0.73	+0.05%
GOLD	2,643.15	5.23	+0.20%
SILVER	30.63	0.16	+4.96%
OIL (BRENT)	72.94	-0.34	▼0.46%
OIL (WTI)	68.00	-0.72	▼1.05%
NATURAL GAS	3.36	0.40	+1.33%

## CHARTS



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