

Dec 16, 2024

## Three Take-Aways

1) **Cautious sentiments amid quiet calendar, ahead of FOMC and simmering geopolitics.**

2) **Bank Indonesia to hold on Wednesday on rupiah woes.**

3) **Bank of Thailand ease to complement their efforts to restructure debt and anchor macro-financial stability.**

## MACRO THEME: Cautious Sentiments

- Cautious sentiments dominated amid a quiet data calendar last Friday, FOMC was due, and with geopolitics simmering in the background.

- UST yields climbed further while US equities were little changed. Brent crude rose amid the prospect of tighter sanctions on Russia and Iran overshadowed IEA's projections for a supply glut next year.

**Yields (2Y: +5.4bp; 10Y: +6.9bp, 30Y: +5.6bp)**

- UST yields climbed further.

**Equities (Nasdaq: -0.2%; S&P: +0.0%; Dow: +0.1%)**

- US equities traded mixed.

## FX (DXY: +0.0%)

- The USD traded mixed against the G10 currencies.

- EUR led gains, moving to around 1.05 levels as expectations of aggressive moves were tempered. ECB Holzmann said it would be wrong for ECB to cut interest rates with the sole purpose of stimulating the economy, highlighting the price stability mandate of the ECB, while ECB Kazaks cautioned against lowering interest rates to accommodative territory.

- JPY led losses, with USD/JPY climbing to around mid-153 levels.

- Down under, AUD hovered above mid-63 cents and elsewhere, USD/SGD was buoyant above mid-1.34 levels.

- Over the weekend, South Korea's parliament voted to oust Yoon from office. The decision requires approval from Korea's Constitutional Court, which has 180 days to make its decision and could reinstate Yoon if it decides the impeachment isn't valid. Court approval would trigger a presidential election within 60 days. Following the impeachment vote, BoK vowed to stabilise financial markets and highlighted the importance of "uninterrupted implementation" of key fiscal and economic measures.

## China: Palpable Disappointment?

- Disappointment to the CEWC broad-brush statements was palpable with CSI300 closing -2.4% lower.

- The lacklustre response may have prompted more vows by policymakers over the weekend. China News Service reported that government will promote the property market through measures such as increasing demand and controlling the supply of land for new

development. The Ministry of Finance said it will implement more effective and sustained fiscal policies next year, as well as improve macroeconomic regulations. But lack of details may still mean that a boost to sentiments may be found wanting.

- In addition, the China Securities Regulatory Commission said it will enhance market monitoring for futures and spot trading, and strengthen supervision of margin trading, derivatives and quantitative trading.

## Bank Indonesia: Rupiah Woes Persist

- We expect Bank Indonesia to stand pat at the next meeting (18 Dec) as USD/IDR languishing around 16,000 levels (~0.8% weaker compared to last meeting) is likely too weak for BI's comfort.

- Their concerns are expressly displayed by recent interventions in the market, which BI has characterised as "quite bold". Meanwhile, Governor Warjiyo also remarked in end-November that BI will focus on rupiah even as they look for room to cut rates. Moreover, weighted winning yields at BI auctions have been trending upwards since the last meeting, which could suggest BI's inclination toward higher yields to attract more inflows.

- In addition, there have been no material changes since the last meeting in October. Inflation remains stable at 1.6% in November (Oct: 1.7%), while consumer confidence edged up. So while we acknowledge that there have been signs of growth risks, with Q3 household spending contracting 0.5% on a QoQ basis and moderating retail sales growth, these risks have not risen materially to move the dial towards a cut as consumer confidence improved in November and IDR remains weak.

- In sum, rupiah stability will remain the focus at the upcoming meeting, and guide another hold.

## Bank of Thailand: Complement or Substitute?

- For the upcoming meeting (18 Dec), we are leaning towards an **out of consensus 25bp cut to complement their recently announced debt relief measures.**

- To be clear, we are not saying that the BoT is going against their word at their previous meeting that this will not be an easing cycle. **This is not an easing cycle and also not going away from neutral into accommodative monetary policy stance.**

- Since their surprise rate cut in October, data showed that **NPLs continued to surge across all categories in Q3 led by credit card loans.** A rate cut would serve to complement the debt restructuring which will cost the government up 0.2% of GDP.

- A 25bp cut to 2.0% will still imply that the BoT's stance remains broadly neutral and consistent with longer term potential growth. Furthermore, inflation remains well short of the BoT's range.

- While the THB may have depreciated around 1.6% since the previous meeting, their relative outperformance implies that on a trade weight basis provides some room for the **BoT to execute a macro-stability anchoring cut.**

## DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(EZ) Industrial Production WDA YoY (Oct)	-1.2%	-1.9%	-2.2%
(JP) Tankan Large Non-Mfg Index/Outlook	33/28	33/28	34/28
(JP) Tankan Large Mfg Index/Outlook (4Q)	1.1	13/12	13/14
(JP) Tankan Large All Industry Capex (4Q)	11.3%	10.0%	10.6%
(JP) Industrial Production YoY (Oct F)	1.4%	--	1.6%

## Today

(CH) Industrial production YoY (Nov)	5.5%	5.3%
(CH) Surveyed Jobless Rate (Nov)	5.0%	5.0%
(CH) Retail Sales YoY (Nov)	5.0%	4.8%
(CH) FAI/Property Investments YTD YoY (Nov)	3.5%/-	3.4%/-10.3%
(CH) New Home Prices MoM (Nov)	--	-0.5%
(ID) Exports/Imports YoY (Nov)	--	10.3%/17.5%
(IN) Wholesale Prices YoY (Nov)	2.1%	2.4%
(PH) Overseas Remittances YoY (Oct)	--	3.3%
(US) Empire Manufacturing (Dec)	3	31.2
(JP) Tertiary Industry Index MoM (Oct)	--	-0.2%
(JP) Core Machine Orders YoY (Oct)	0.7%	-4.8%

## FX DSGOUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	153.65	153.47	+0.67%	152.00 - 155.00
EURUSD	1.0501	1.0510	+0.32%	1.0400 - 1.0600
GBPUSD	1.2619	1.2627	▼0.43%	1.2540 - 1.2750
AUDUSD	0.6362	0.6366	▼0.11%	0.6320 - 0.6430
DXY	107.0	--	+0.04%	106.5 - 107.5
USDCNY	7.2736	--	+0.06%	7.2600 - 7.3000
USDCNH	7.2811	7.2772	+0.07%	7.2500 - 7.3100
USDHKD	7.7758	7.7756	+0.02%	7.7680 - 7.7840
USDSGD	1.3488	1.3482	+0.14%	1.3400 - 1.3560
USDKRW	1429	1435	+0.00%	1420 - 1445
USDTWD	32.51	--	+0.06%	32.40 - 32.70
USDINR	84.80	--	▼0.08%	84.60 - 85.10
USDIDR	15995	--	+0.44%	15900 - 16100
USDMYR	4.450	4.450	+0.25%	4.410 - 4.480
USDPHP	58.47	--	+0.38%	58.10 - 58.90
USDTHB	34.13	34.11	+0.85%	33.9 - 34.4
USDVND	25404	25404	+0.04%	25300 - 25500

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

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.247	4.398	5.4	6.9
JGB (JP)	0.556	1.034	-1.7	-0.9
Bunds (GE)	2.067	2.256	5.1	5.2
Gilts (UK)	4.303	4.411	3.4	4.9
AGB (AU)	3.900	4.290	1.4	2.6
SGS (SG)	2.761	2.726	2.1	1.3
CGB (CN)	1.176	1.773	-8.0	-3.8
KGB (KR)	2.680	2.653	5.6	5.4
SDL (IN)	6.728	6.669	0.0	-1.7

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	161.37	161.28	+1.00%
GBP/JPY	193.89	193.773	+0.23%
JPY/SGD (100yen)	0.8782	0.8785	▼0.48%
JPY/HKD (100yen)	5.0623	5.0667	▼0.60%
CNH/JPY	21.132	21.099	+0.73%
CNH/HKD	1.0691	1.069	▼0.06%
EUR/GBP	0.83223	0.83234	+0.76%
AUD/NZD	1.1042	1.1033	+0.04%
EUR/CNH	7.6446	7.648	+0.37%
GBP/CNH	9.1842	9.1886	▼0.40%

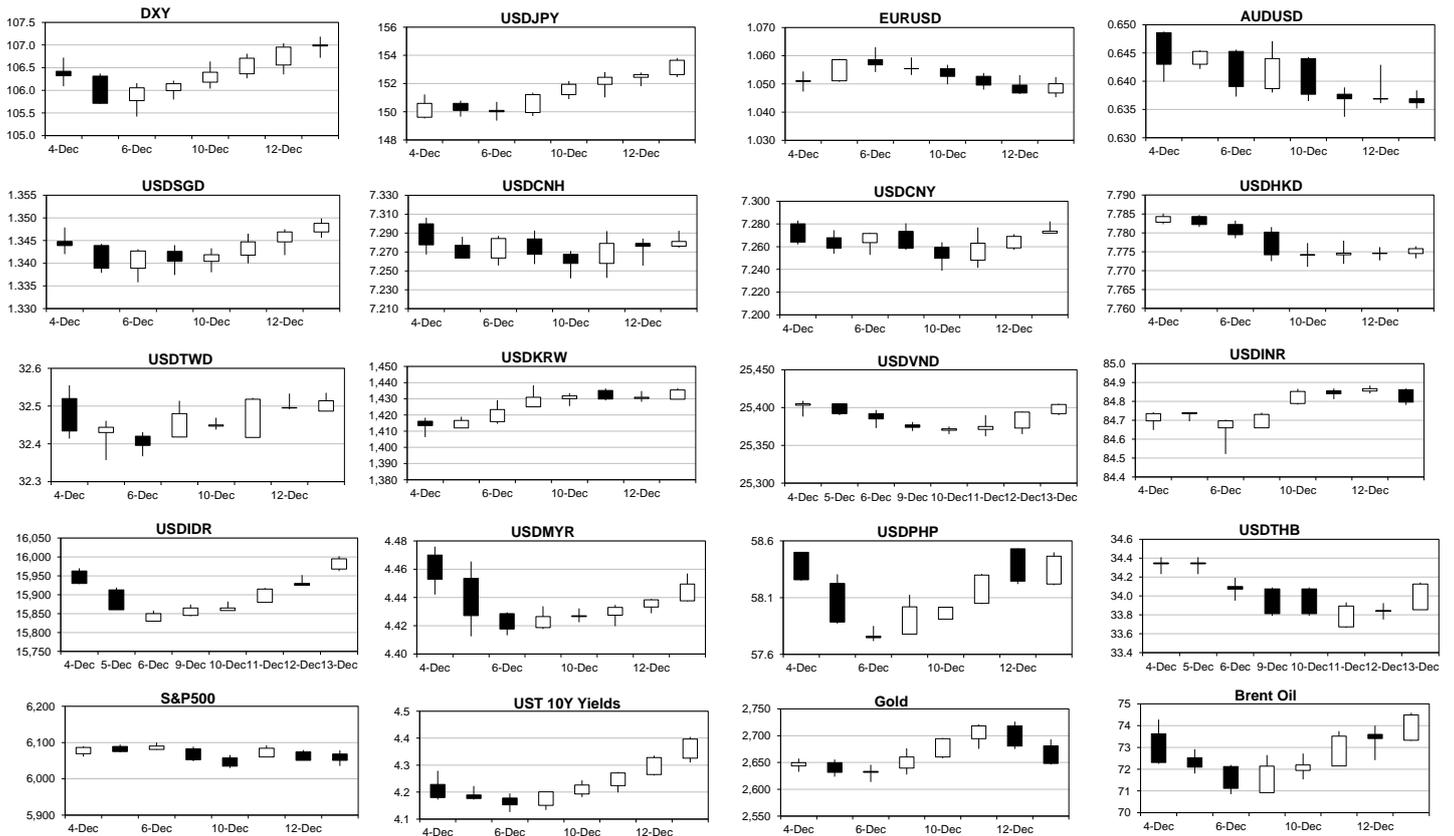
\*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6051.09	-0.16	▼0.00%
Nasdaq (US)	19926.72	23.88	+0.12%
DJIA (US)	43828.06	-86.06	▼0.20%
N225 (JP)	39470.44	-378.70	▼0.95%
STOXX50 (EU)	4967.95	2.42	+0.05%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4535.41	-7.15	▼0.16%
STI (SG)	3810.35	1.08	+0.03%
SHCOMP (CN)	3391.878	-69.62	▼2.01%
SZCOMP (CN)	2070.424	-42.47	▼2.01%
HSI (HK)	19971.24	-425.81	▼2.09%
SENSEX (IN)	82133.12	843.16	+1.04%
JSE (ID)	7324.789	-69.45	▼0.94%
KLSE (MY)	1608.75	6.67	+0.42%
PSE (PH)	6616.51	-24.84	▼0.37%
SET (TH)	1431.67	-8.22	▼0.57%
VNINDEX (VN)	1262.57	0.00	▼0.38%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,940.53	-32.09	▼0.36%
IRON ORE (CN)	105.06	0.84	▼1.05%
GOLD	2,648.23	-32.50	▼1.21%
SILVER	30.55	-0.18	▼5.07%
OIL (BRENT)	74.49	1.08	+1.47%
OIL (WTI)	71.29	1.27	+1.81%
NATURAL GAS	3.28	-0.44	▼1.43%

## CHARTS



## RESEARCH TEAM

Vishnu Varathan | Serena Zhou | Ken Cheung | Tan Boon Heng | Tan Jing Yi

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