

Nov 21, 2024

Three Take-Aways

1) Cautious FedSpeak sent yields higher; odds of a 25bps cut in December is now just slightly higher than a coin-toss.

2) Chinese banks left 1Y/5Y Loan Prime Rates Unchanged; Bank Indonesia stood pat as policy focus turns to IDR stability.

3) Indonesia Current Account deficit (as % of GDP) could further widen amid deteriorating trade balance.

MACRO THEME: Treading Cautiously

- Amid a quiet data calendar, cautious tone in FedSpeak led yields higher. While Fed Cook acknowledged that it would be appropriate to move the policy rate towards a more neutral stance over time, she remarked that the "magnitude and timing" of reductions will depend on incoming data and the economic outlook. She also added that she anticipated dis-inflation progress to be bumpy.

- Meanwhile, Fed Bowman urged caution on further rate cuts, recognising that the inflation goal has not been achieved while closely watching the evolution of the labour market. Fed Bowman also noted that the 12-month measure of core PCE, the Fed's preferred inflation gauge, has moved sideways at around 2.7% since May. Based on preliminary data, she viewed that progress may be limited in October.

- Odds of a 25bps cut declined to 52.3%, compared to 59.1% a day earlier.

Yields (2Y: +3.5bp; 10Y: +1.5bp; 30Y: +1.5bp)

- UST yield curve moved higher in a flattening move.

Equities (Nasdaq: -0.1%; S&P 500: +0.0%; Dow: +0.3%)

- US equities traded mixed.

FX (DXY: +0.5%)

- USD gained against G10 currencies amid higher UST yields.

- GBP was relatively more supported following a hotter-than-expected CPI print pushed back expectations of BoE's easing. UK Oct headline CPI showed its largest monthly increase, rising by 2.3% YoY (exp: 2.2%) while core CPI rose 3.3% (exp: 3.1%). The rise was largely driven by a well-anticipated rise in energy costs after a 10% increase in the UK's energy price cap for households in October. With inflation well above the 2% target and services inflation remaining elevated at 5%, BoE officials looks to be wary over interest rates cuts, especially amid growing inflationary threats both domestically (in the form of an expansionary budget) and externally (global economic uncertainties).

- EUR performed in the middle of the pack, moving below mid-1.05 as markets shrugged off EZ wage growth surge amid mixed ECB speech on the pace and extent of easing. Q3 negotiated pay rose 5.4% from a year ago, up from 3.5% in the previous three months.

- ECB Stournaras (dove) saw 2% price goal reached at start of 2025, instead of Q4 2025 anticipated by most recent ECB projections, and observing that tight financing conditions have weighed on growth. Meanwhile, ECB Guindos (neutral) opined that projections don't show risk of undershooting 2% target. While rates need to be lowered, prudence was warranted.

- AUD briefly dipped below 65 cents while USD/JPY was buoyant above 155 levels.

- Elsewhere, USD/SGD moved higher to above 1.34 levels.

China: Chinese Banks Left LPR Unchanged

- Chinese banks left the 1Y and 5Y Loan Prime Rates unchanged at 3.1% and 3.6% unchanged, respectively. The rate decision was not surprising as the PBoC skipped its rate cut in October and November after the strong easing in late September.

Post-Bank Indonesia: Stability Focus

- As expected, Bank Indonesia held rates, remarking that policy was directed at stabilising IDR amid uncertainty. In particular, BI observed higher global economic risks on increasingly geopolitical tensions and trade fragmentation, as well as spillovers from higher UST yields to EM Asia currencies, including the IDR.

- BI's outlook on the Fed policy trajectory was noticeably more uncertain. BI now saw FFR cuts to be "more limited" but stopped short of expressing a view on FFR trajectory. At the Oct meeting, BI had commented that it saw possible FFR cuts in Nov and Dec each, and 3-4 cuts in 2025.

- Nonetheless, BI still saw room for easing, albeit more limited, as focus turns to IDR stability. Accordingly, the odds are tilted to another hold in December for now, absent a durable surge in IDR strength.

Indonesia Q3 Current Account: Risks to a Wider Deficit

- Indonesia's current account deficit has been widening for two consecutive quarters (Q4'23: -0.4% of GDP; Q1: -0.7%; Q2: -0.9%) and we expect the deficit to widen further in Q3 on a smaller goods surplus.

- Goods surplus (Q2: 2.9% of GDP) is expected to narrow following a deteriorating trade balance. Trade balance in Q2 was ~USD8bn, while trade balance in Q3 was ~USD6.5bn on the back of continued contraction in animal & vegetable oil/fats and iron & steel, on top of moderating growth in manufactured goods even as mineral fuels exports saw some recovery into expansion territory on low base effects.

- Meanwhile, services deficit could should remain at around Q2 levels (-1.5% of GDP) as tourist arrivals have remained supportive. Tourist arrivals grew 18.2% YoY in Q3 compared to 18.3% YoY in Q2.

- Primary income deficit could remain around Q2 levels (-2.7% of GDP) while secondary income surplus remain stable at -0.4% of GDP.

- All in, we expect Indonesia's 2024 current account deficit to be around the upper bound of BI's 0.1-0.9% estimate.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(CH) 1Yr/5Y Loan Prime Rate	3.10%/3.60%	3.10%/3.60%	3.10%/3.60%
Bank Indonesia Policy Rate	6.00%	6.00%	6.00%
(KR) PPI YoY (Oct)	1.0%	--	1.0%
(JP) Exports/Imports YoY (oct)	3.1%/0.4%	1.0%/-1.9%	-1.7%/2.1%
(JP) Trade Balance (Oct)	-¥461.2b	-¥391.9b	-¥294.1b
(JP) Machine Tool Orders (Oct F)	9.4%	--	9.3%
ECB Financial Stability Review			
ECB Publishes Euro Area Negotiated Wages			
Today			
(ID) BoP C/A Balance (3Q)		-\$2948m	-\$3021m
(KR) Exports/Imports 20 Days YoY (Nov)	5.8%/-1.0%	--	-2.9%/-10.1%
(US) Existing Home Sales (Oct)		3.95m	3.84m
(US) Initial Jobless Claims		220k	217k
(US) Philadelphia Fed Business Outlook (Nov)		8.0	10.3
(US) Leading Index (Oct)		-0.3%	-0.5%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	155.44	155.31	+0.50%	153.00 - 157.00
EURUSD	1.0544	1.0546	▼0.49%	1.0450 - 1.0630
GBPUSD	1.2652	1.2654	▼0.24%	1.2530 - 1.2730
AUDUSD	0.6506	0.6512	▼0.40%	0.6440 - 0.6580
DXY	106.7	--	+0.45%	106.0 - 107.3
USDCNY	7.2455	--	+0.08%	7.2250 - 7.2650
USDCNH	7.2511	7.2499	+0.20%	7.2200 - 7.2800
USDHKD	7.7835	7.7830	+0.00%	7.7780 - 7.7920
USDSGD	1.3430	1.3428	+0.37%	1.3320 - 1.3480
USDKRW	1400	1400	+0.00%	1385 - 1405
USDTWD	32.50	--	+0.27%	32.30 - 32.70
USDINR	84.41	--	+0.00%	84.35 - 84.80
USDIDR	15865	--	+0.22%	15750 - 15950
USDMYR	4.471	4.475	▼0.03%	4.450 - 4.500
USDPHP	58.92	--	+0.17%	58.60 - 59.20
USDTHB	34.72	34.64	+0.34%	34.40 - 35.00
USDVND	25416	25423	+0.06%	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)	4.317	4.412	3.5	1.5
JGB (JP)	0.553	1.069	0.1	0.9
Bunds (GE)	2.127	2.349	-0.6	1.3
Gilts (UK)	4.400	4.468	-0.5	2.7
AGB (AU)	4.089	4.558	0.2	-0.5
SGS (SG)	2.826	2.880	0.7	2.1
CGB (CN)	1.393	2.089	-0.2	-0.8
KGB (KR)	3.018	2.929	1.5	3.5
SDL (IN)	6.846	6.702	0.0	0.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	163.88	163.78	+0.01%
GBP/JPY	196.665	196.515	+0.27%
JPY/SGD (100yen)	0.864	0.8646	▼0.08%
JPY/HKD (100yen)	5.0075	5.0114	▼0.49%
CNH/JPY	21.438	21.435	+0.39%
CNH/HKD	1.0744	1.0742	▼0.07%
EUR/GBP	0.83332	0.83341	▼0.26%
AUD/NZD	1.1071	1.1075	+0.20%
EUR/CNH	7.6459	7.6454	▼0.28%
GBP/CNH	9.1744	9.1737	▼0.01%

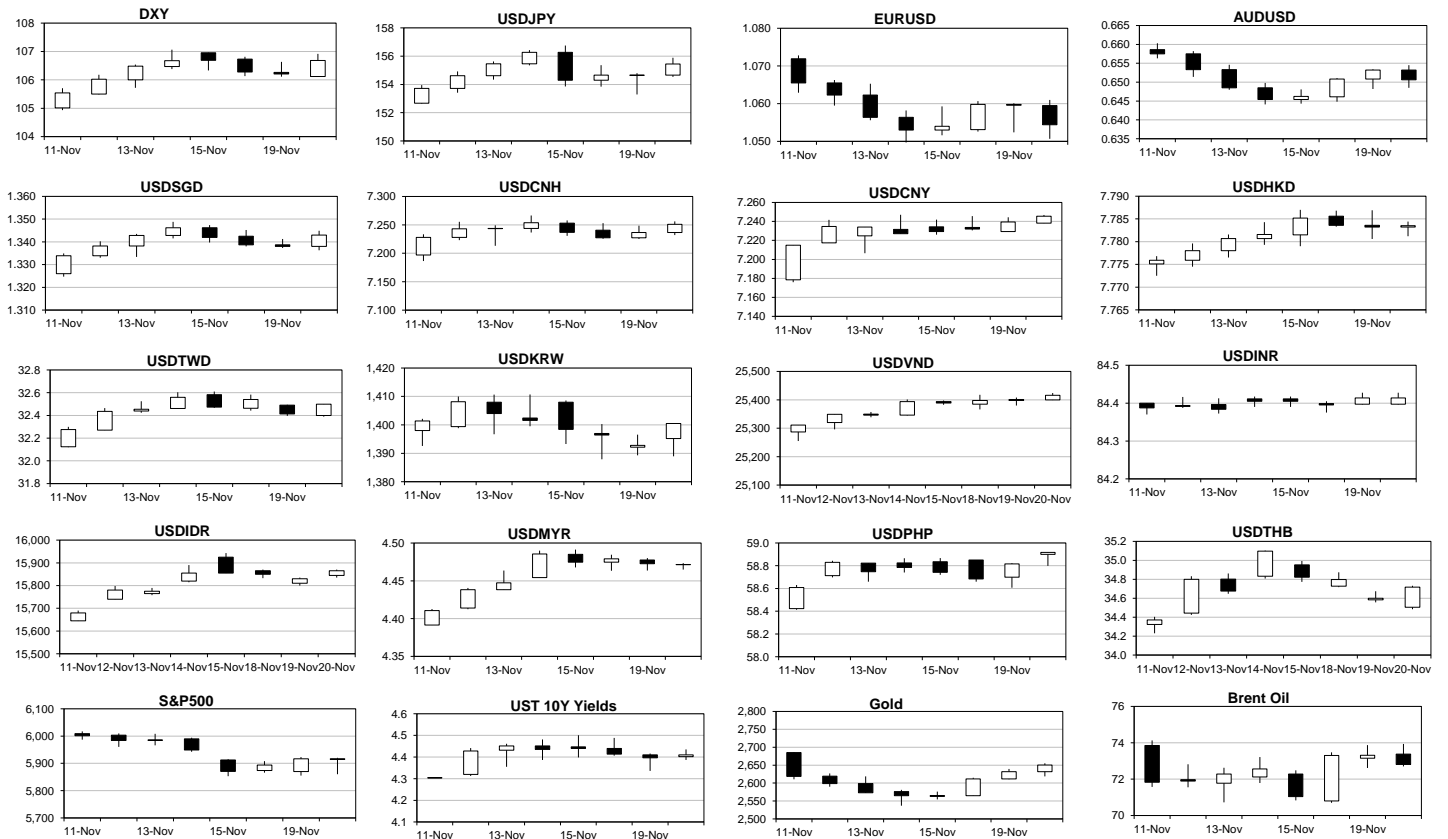
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5917.11	0.13	+0.00%
Nasdaq (US)	18966.14	-21.33	▼0.11%
DJIA (US)	43408.47	139.53	+0.32%
N225 (JP)	38352.34	-62.09	▼0.16%
STOXX50 (EU)	4729.71	-21.52	▼0.45%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4414.95	-12.11	▼0.27%
STI (SG)	3743.64	-14.33	▼0.38%
SHCOMP (CN)	3367.989	21.98	+0.66%
SZCOMP (CN)	2037.66	27.80	+1.38%
HSI (HK)	19705.01	41.34	+0.21%
SENSEX (IN)	77578.38	0.00	+0.00%
JSE (ID)	7180.335	-15.38	▼0.21%
KLSE (MY)	1598.18	-4.16	▼0.26%
PSE (PH)	6975.63	172.44	+2.53%
SET (TH)	1462.48	2.37	+0.16%
VNINDEX (VN)	1216.54	0.01	+0.95%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,968.02	1.43	+0.02%
IRON ORE (CN)	101.80	-0.07	▼0.05%
GOLD	2,650.60	18.52	+0.70%
SILVER	30.85	0.20	+6.50%
OIL (BRENT)	72.81	-0.50	▼0.68%
OIL (WTI)	68.87	-0.52	▼0.75%
NATURAL GAS	3.19	-0.36	▼1.15%

CHARTS



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