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WEEK AHEAD

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07-Feb-2025

Economic Calendar

•Survey results from Bloomberg, as of 7 February 2025; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
10 Feb	EZ	Sentix Investor Confidence	Feb	-18.0	-17.7
	JP	BoP Current Account Balance	Dec	¥1364.5b	¥3352.5b
	JP	Eco Watchers Survey Current/Outlook SA	Jan	49.7/49.0	49.9/48.8
11 Feb	US	NY Fed 1-Yr Inflation Expectations	Jan	--	3.0%
12 Feb	**US**	**CPI/Core YoY**	**Jan**	**2.9%/3.2%**	**2.9%/3.2%**
	JP	**Machine Tool Orders YoY**	**Jan P**	**--**	**12.6%**
13 Feb	US	Initial Jobless Claims		--	219k
	US	PPI Final Demand/Ex Food & Energy YoY	Jan	3.2%/3.3%	3.3%/3.5%
	EZ	**Industrial Production WDA YoY**	**Dec**	**-2.7%**	**-1.9%**
	JP	PPI YoY	Jan	4.0%	3.8%
14 Feb	**US**	**Industrial Production MoM**	**Jan**	**0.3%**	**0.9%**
	US	Retail Sales Adv/Ex Auto and Gas MoM	Jan	0%/--	0.4%/0.3%
	EZ	**GDP SA QoQ/ YoY**	**4Q P**	**0.0%/0.9%**	**0.0%/0.9%**

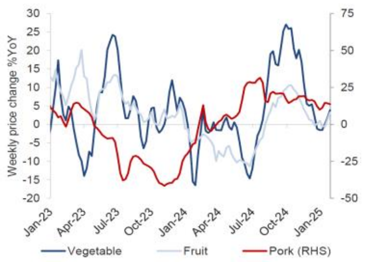
Asia

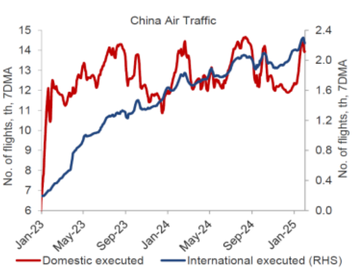
Date	Country	Event	Period	Survey*	Prior
10-13 Feb	CH	Aggregate Financing CNY YTD	Jan	6500b	32255.8b
	CH	New Yuan Loans CNY YTD	Jan	4565b	18087.3b
09 Feb	**CH**	**CPI/PPI YoY**	**Jan**	**0.4%/-2.2%**	**0.1%/-2.3%**
11 Feb	CH	FDI YTD YoY CNY	Jan	--	-27.1%
	AU	Westpac Consumer Conf SA MoM	Feb	--	-0.7%
	AU	NAB Business Confidence	Jan	--	-2.0
	ID	Consumer Confidence Index	Jan	--	127.70
12 Feb	IN	CPI YoY	Jan	4.6%	5.2%
	IN	Industrial Production YoY	Dec	3.8%	5.2%
	IN	Exports/Imports YoY	Jan	--	-1.0%/4.9%
13 Feb	**PH**	**BSP Overnight Borrowing Rate**		**5.50%**	**5.75%**
	TH	Consumer Confidence Economic	Jan	--	51.4
14 Feb	**IN**	**Wholesale Prices YoY**	**Jan**	**2.5%**	**2.4%**
	KR	Unemployment rate SA	Jan	--	3.7%
	MY	GDP YoY	4Q F	4.8%	4.8%
	CH	BoP Current Account Balance	4Q P	--	$147.6b

Week-in-brief: Opening Shots, Re-alignment and Closures

- Amid substantial turbulence, **markets looked out for anchors of longer term stability this week.**
- After last weekend's executive orders igniting the first major salvo of tariffs, Canada and Mexico sought re-alignment with President Donald Trump offering concessions on border issues and successfully delaying tariffs by 30 days.
- **China though did not avoid the higher tariffs** and retaliated with measures such as tariffs on US energy and selected autos. While markets have acknowledged these rather measured responses, a clouded timeline to negotiations will weigh on the **multiple fissures between the two countries**.
- Specifically, Panama canal issues, revoking duty free small parcel rules from China and differences over the South China Sea are some of the multiple flashpoints accentuated under the new administration. Financial markets **turned to US Treasury Scott Bessent whose unchanged debt plans, focus on US energy dominance, re-alignment on Fed independence to realign focus on longer term UST yields** led to longer end UST yields falling and lower oil prices. Accordingly, the USD softened this week.
- Across the Atlantic, the **Bank Of England lowered rates by 25bps** was widely expected though with **two of the nine members voting for a 50bps cut, the GBP underpeformed G10 peers** even as their forecast of slower growth and higher inflation warn of more two sided risks.
- In Japan, the JPY outperformed this week as **earnings and household consumption data outperformed** alongside hawkish undertones from BoJ officials with Naoki Tamura calling for more interest rate hikes. **Caution should be in abundance as the BoJ realigns towards an elusive neutral from the other direction (hikes rather than cuts).**
- In Asia, Vietnam's CPI upside surged to 3.6% was largely on account of Tet effects and administrative measures rather than concerns over runaway inflation. In turn, calls for SBV tightening are largely misplaced especially amid global trade complications.
- Meanwhile, the **RBI kicked off their easing cycle** with a widely expected **25bp cut** to 6.25% which was a unanimous decision, disappointing those who were looking for an upsized cut as INR gained on Friday. Nonetheless, the **scope for easing imply that INR still underperformed this week.** Given the benign inflation forecast and his allusion that **there is space to focus on growth, the easing bias is retained** even though explicit forward guidance was absent.
- On FX, Governor Malhotra saying that central bank interventions are to smoothen excessive and disruptive volatility without targeting specific levels. This allows for **appropriate FX reserves utilisation and tempers speculative bets of excessive weakness**.
- Looking ahead, we expect **the BSP to continue their easing cycle on 13 February** as Q4 growth continue to underwhelm and inflation pressures remain relatively managed within their target range.
- Without a doubt, **US CPI will be of key focus** to renew interest on prospects of further Fed rate cuts. Even as the week ahead looks to be relatively calmer, there will hardly be any closure to the various macroeconomic issues that have sprung upon us. Haven bids will likely be retained even as risk taking behaviours may attempt a comeback.

China: New Year Distortions

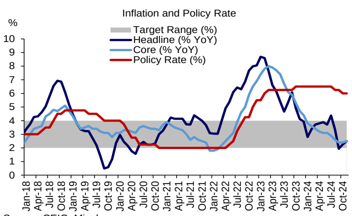




Source: CEIC, Wind, Mizuho

- The weakness in January's official PMI was largely exaggerated by this year's earlier-than-usual Lunar New Year holiday. Both the raw material and producer price indices improved in the manufacturing survey, suggesting that **disrupted supply, rather than slowing demand, was behind the weakness.**
- Additionally, China's service sector remained relatively resilient, with solid tourism demand observed during the holiday, with domestic trips and tourism revenue up 5.9% and 7.0% YoY, respectively. According to the State Taxation Administration, national goods consumption grew 9.9% YoY, and services consumption rose 12.3% YoY during the CNY holiday.
- On the **credit** side, while we **anticipate a rise in new loans and total social financing due to favorable seasonality at the start of the year**, credit growth is likely to have slowed in YoY terms. Over the past few weeks, the PBoC implemented several measures to curb the rate rally onshore, including suspending repurchases of CGBs from the secondary market and withdrawing interbank liquidity through OMOs and MLFs. As a result, elevated interbank rates in January may have curbed credit growth, especially short-term financing.
- On the **inflation** front, YoY **growth in consumer prices is expected to pick up in January amid strong demand ahead of the CNY**. High-frequency indicators suggest that YoY growth in wholesale prices for fresh vegetables and fruit accelerated throughout January and fuel prices significantly increased. Factory prices are likely to see a muted sequential decline in January, given the improved manufacturing price indices in January's PMI survey.
- While we anticipate **continued deflation pressure and weak credit growth in China**, Lunar New Year effects are expected to have the most significant influence on the January economic indicators due next week.

BSP: Continued Easing



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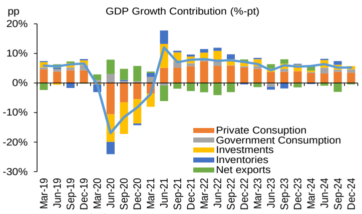
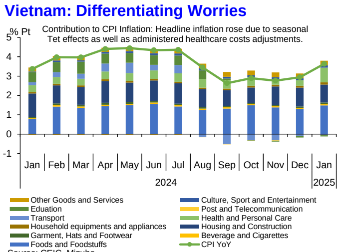


Source: CEIC; Mizuho

- Our view is that the **BSP will proceed with another 25bps cut at their upcoming meeting** (13 Feb). This is their only meeting in Q1 with the next one in early April and given the **weakening domestic growth situation and mounting external headwinds**, they will likely proceed with providing more monetary policy accommodation.
- While upside risks to inflation have been somewhat realised amid strong sequential momentum, inflation remains in the lower half of BSP's 2-4% target range.
- That said, **authorities remain vigilant in curbing price increases** annoucning measures to temper rice prices. The National Price Coordinating Council (NPCC) had approved a resolution urging the Department of Agriculture to declare a "food security emergency for rice". The declaration would allow the National Food Authority to release buffer stock rice to stabilise local prices.
- Meanwhile, growth risks have heightened in the face of external headwinds and waning domestic sentiment. Q4 growth at 5.2% YoY saw **overall growth for 2024 at 5.6% fall short of the official 6-6.5% target.** Private consumption growth in Q4 slowed from 5.2% in Q3 to 4.7%. Net exports remained a drag on growth. In addition, the meeting on 13 February was originally scheduled one week later on 20 February, but was brought earlier as Governor Remolona had a conflicting appointment. Notwithstanding that the change may purely be operational, the decision to move the meeting *earlier* rather than *later* may allude to **some urgency in acting pre-emptively**.
- All in, we expect another cut by BSP at this coming meeting amid concerns over renewed global trade tensions. Consequently, depreciation pressures on the PHP are to be expected even though the BSP will stem excessive volatility.

Vietnam: Differentiating Worries



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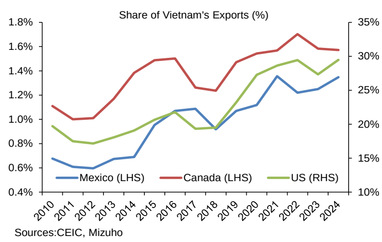


Sources:CEIC, Mizuho

- This week, Vietnam's **headline inflation printed higher** than expected at 3.6%, significantly above consensus expectations of 3.1%. The surge though was due to the **Tet holidays which drove demand for goods, food and travel as well as administered price increase for healthcare**.
- In turn, **this is not the big worry which** calls for the SBV to tighten the reins on monetary policy.
- Similarly, **a decline in industrial production of 9.2% MoM and a fall in 4.3% in exports for January** should not be causing panic to ease policy around growth given the significantly lower number of work days due to the festivities.
- On the external front, even though the big worry of being explicitly targeted by US President Donald Trump has not materialise, **Mexico and Canada being an increasingly important destination of Vietnam's exports even though their overall share is small** will imply that there will be a sectoral impact on growth should their negotiations fail to bear fruit.
- On that note, VND has managed to turn in a middle of the pack performance to gain 0.9% YTD. Nonetheless, the low FX reserves cover at below 3 months of import expenditure imply that we should remain cautious about accentuated downside risks.
- Pockets of uncertainty also lingers across various sectors as land price reforms saw fluctuations in auction prices and Trump 2.0 **portends uncertainty over the fate of many green energy projects**. In turn, soft spots over infrastructure projects may reveal themselves over the course of the year ahead.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	151.87	-3.320	-2.14%	149.00	~	154.00
EUR/USD	1.0386	0.0024	0.23%	1.030	~	1.051
USD/SGD	1.3506	-0.006	-0.46%	1.3390	~	1.3620
USD/THB	33.667	-0.006	-0.02%	33.40	~	34.60
USD/MYR	4.4353	-0.0249	-0.56%	4.330	~	4.500
USD/IDR	16275	-25	-0.15%	16,000	~	16,500
JPY/SGD	0.8891	0.015	1.73%	0.869	~	0.914
AUD/USD	0.6286	0.007	1.09%	0.620	~	0.640
USD/INR	87.43	0.816	0.94%	86.5	~	90.0
USD/PHP	58.014	-0.358	-0.61%	57.6	~	59.1

^Weekly change.

FX: Divergence

- At first glance, amid the declining UST yields, a backdrop of a DXY dropping to below 108 does not align with our theme of divergence.
- Nonetheless, **divergence in performance is apparent across G10 FX**.
- The JPY enjoyed significant outperformance surging more than 2% this week as the narrative of virtuous wage and consumption cycle took hold to back up hawkish tones from BoJ officials.
- CAD also saw gains on the deferment of tariffs.
- On the other end, the EUR is rather unchanged and still hovering below 1.04 as tariff threats loom with US President Trump affirming that they are on the radar.

EM-Asia: Soft Spots Revealed

- Similarly in Asia, even amid the lower UST yields, gains for Asia FX was far from unamious.
- The AUD gained as retail sales and household spending came in stronger than expected. Nonetheless, with markets already pricing in more than 90% chance of a rate in February, some downside volatility may become apparent in the week ahead.
- THe likes of **the INR underperformed** as the RBI proceeded with their widely expected rate cut.
- The **VND also underperformed** as the seasonal boost from the Tet holidays fades and equities outflows continued.
- Despite higher gold prices, lower UST yields and an elevated core inflation print, the **THB underperformed** as an advisor of the Prime Minister called for rate cuts to support the economy and the issue of BoT chairman selection comes back into focus.
- Meanwhile, KRW gained as BoK Governor Rhee warned against speculation of an interest rate cut in February.

Bond Yield (%)

7-Feb	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.237	4.0	4.454	-8.5	Flattening
GER	2.053	-4.9	2.373	-8.3	Flattening
JPY	0.791	8.2	1.291	5.9	Flattening
SGD	2.721	-5.8	2.814	-8.3	Flattening
AUD	3.754	-3.9	4.355	0.1	Steepening
GBP	4.172	-3.3	4.492	-4.4	Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	6,083.57	0.71
Nikkei (JP)	38,787.02	-1.98
EuroStoxx (EU)	5,356.63	1.32
FTSE STI (SG)	3,857.68	0.05
JKSE (ID)	6,713.32	-5.57
PSEI (PH)	6,154.99	4.99
KLCI (MY)	1,589.87	2.12
SET (TH)	1,256.67	-4.40
SENSEX (IN)	77,816.27	0.41
ASX (AU)	8,511.43	-0.24

USTs: Targets and Trajectory

- UST yields sank at the long end with Scott Bessent's debt issuance plans remaining unchanged providing comfort for UST bulls.
- On the front end, UST yields amid inflation fears, traded within our expectations in the 4.10-4.35% range and we retain our view for this range to be maintained as we expect the growth scrutiny and inflation concerns over the trade war impact to imply two way risks.
- That said, any early wobbles in the NFP print tonight or sharp slide in US CPI will see tests of 4.0% as the **Fed will be questioned on both sides of their mandate.**
- Similarly, while Bessent led tailwinds for UST bulls on the long end may have some legs, the actual impact of their fiscal consolidation efforts remains questionable especially if **tax cuts are both extended and expanded**.
- As such, we expect 10 year yields to trade around 4.30-4.55%.

FX Brief:

1) JPY: Economic data and BoJ hawks saw JPY outperformance amid slide in 10Y UST yields. Consolidation prospects around 151 rather than extended rallies as the UST leg of UST-JGB differentials may weigh.

2) EUR: Growth and tariff concerns weigh below 1.04. Rallies above 1.05 will elude as Trump antagonises.

3) AUD: Attempts to consolidate just below 62 cents remains our base case after recent gains rather than outright rallies even as recent retail sales may have outperformed.

4) CNH: Slight gains on weaker USD as economic data remain mixed. Without a sharp NFP/CPI slide, rallies to below 7.22 may elude given PBoC's easing pipeline.

5) INR: Underperformed as the RBI cut by 25 bp in widely expected decision and weakness to persist even as Governor Malhorta says the MPC will take decision based on fresh assessment of macro outlook.

6) SGD: Softer USD backdrop to aid gains. Sideways consolidation around 1.34-1.36 expected as China data affirms softness and need for easing and consequent restrain on RMB gains.

7) IDR: GDP outturn not optimistic enough for IDR to chalk gains. Fiscal measures continue to buoy IDR above 16000.

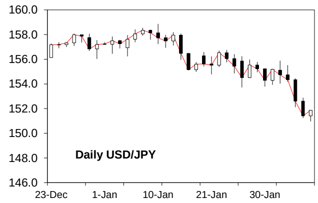
8) THB: Domestic woes led to underperformance. Two way gyrations around 34 levels expected ahead.

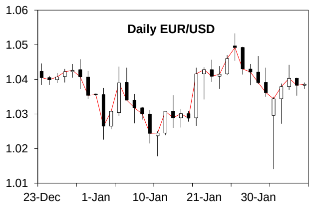
9) MYR: Rode on the tailwinds from a softer Greenback with the BNM outlook of stable rates being an anchor.

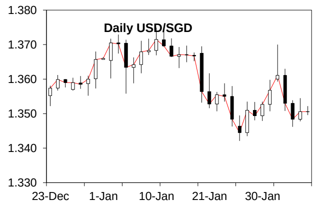
10) PHP: Outperformance this week despite political headlines may not endure for the week ahead especially with the BSP looking to ease policy further.

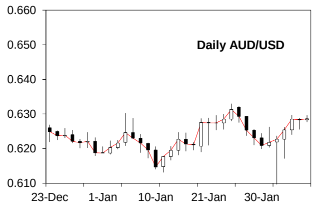
11) KRW: Gains on the back of caution BoK governor and lower UST yields. Weakness tempered but rallies may fade as rate cut factors are retained.

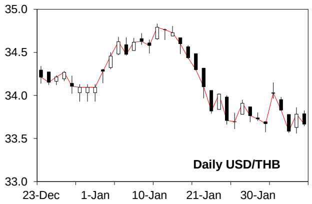
12) TWD: Slippage alongside foreign outflows from equities after the Lunary New Year Break. Risk off episode to continue weighing on recovery prospects toward 32.5.

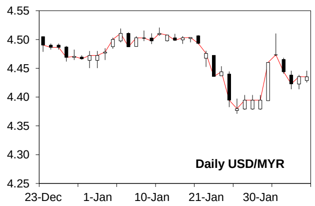


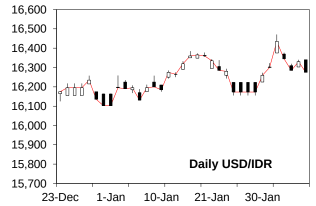


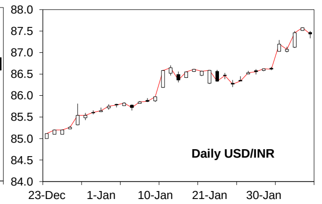


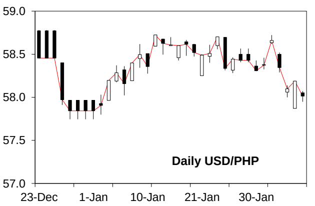


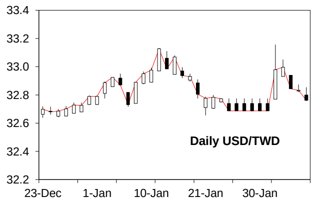


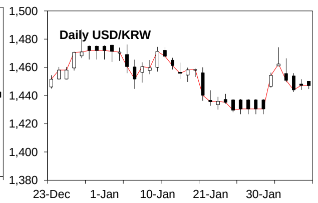


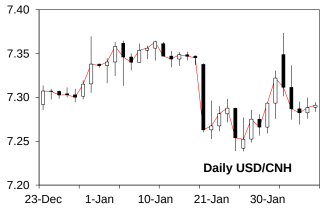












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