MIZUHO

Mizuho Bank, Ltd. Asia and Oceania Treasury Department
Tel: 65-6805-2000 Fax: 65-6805-2095

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

WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 8 Nov 2024; The lists are not exhaustive and only meant to highlight key data/events

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Date	Country	Event	Period	Survey*	Prior
11 Nov	JP	BoP Current Account Balance	Sep	¥3432.7b	¥3803.6b
	JP	Eco Watchers Survey Outlook/Current SA	Oct	49.2/47.1	49.7/47.8
12 Nov	JP	Machine Tool Orders YoY	Oct P	--	-6.4%
	GE	ZEW Survey Expectations/Current	Nov	--	13.1/-86.9
13 Nov	**US**	**CPI/ Ex Food and Energy YoY**	**Oct**	**2.6%/3.3%**	**2.4%/3.3%**
	US	Real Avg Hourly Earning YoY	Oct	--	1.4%
	EZ	Industrial Production WDA YoY	Sep	--	0.1%
	JP	PPI YoY	Oct	2.9%	2.8%
14 Nov	US	Initial Jobless Claims		--	221k
	US	PPI Final DD/ Ex Food and Energy YoY	Oct	2.3%/--	1.8%/2.8%
	EZ	**GDP SA YoY/QoQ**	**3Q P**	**--**	**0.9%/0.4%**
	EZ	Employment YoY	3Q P	--	0.8%
	EZ	ECB Account of Oct. 16-17 Meeting			
15 Nov	US	Retail Sales Adv/ Ex Auto and Gas MoM	Oct	0.3%/0.3%	0.4%/0.7%
	US	Industrial Production MoM	Oct	-0.2%	-0.3%
	US	Empire Manufacturing	Nov	3.5	-11.9
	JP	GDP Deflator YoY	3Q P	2.8%	3.2%
	JP	**GDP Annualized SA QoQ**	**3Q P**	**0.6%**	**2.9%**
	JP	Industrial Production MoM	Sep F	--	1.4%
	JP	Tertiary Industry Index MoM	Sep	0.2%	-1.1%

Asia

Date	Country	Event	Period	Survey*	Prior
11-14 Nov	CH	Aggregate Financing CNY YTD	Oct	27164.0b	25664.2b
	CH	New Yuan Loans CNY YTD	Oct	16520.3b	16020.3b
14-18 Nov	IN	Exports/Imports YoY	Oct	--	0.5%/1.6%
15-25 Nov	CH	1-Yr Medium-Term Lending Facility Rate		2.00%	2.00%
11 Nov	CH	FDI YTD YoY CNY	Oct	--	-30.4%
	ID	Consumer Confidence Index	Oct	--	123.5
12 Nov	AU	Westpac Consumer Conf SA MoM	Nov	--	6.2%
	IN	**CPI YoY**	**Oct**	**5.9%**	**5.5%**
	IN	Industrial Production YoY	Sep	--	-0.1%
13 Nov	AU	Wage Price Index YoY	3Q	3.6%	4.1%
	KR	**Unemployment rate SA**	**Oct**	**2.6%**	**2.5%**
14 Nov	**AU**	**Employment Change/Unemp. Rate**	**Oct**	**25.0k/4.1%**	**64.1k/4.1%**
	IN	Wholesale Prices YoY	Oct	2.3%	1.8%
	TH	Consumer Confidence Economic	Oct	--	48.8
15 Nov	CH	Industrial Production/Retail Sales YoY	Oct	5.4%/3.8%	5.4%/3.2%
	CH	Surveyed Jobless Rate	Oct	5.1%	5.1%
	CH	FAI/Property Investment YTD YoY	Oct	3.5%/-9.9%	3.4%/-10.1%
	CH	New Home Prices MoM	Oct	--	-0.7%
	CH	Residential Property Sales YTD YoY	Oct	--	-24.0%
	PH	Overseas Cash Remittances YoY	Sep	3.3%	3.2%
	ID	Exports/Imports YoY	Oct	2.5%/3.2%	6.4%/8.6%
	MY	BoP Current Account Balance MYR	3Q	--	3.0b
	MY	**GDP YoY**	**3Q F**	**5.3%**	**5.3%**

Week-in-brief: More Turbulence to Come?

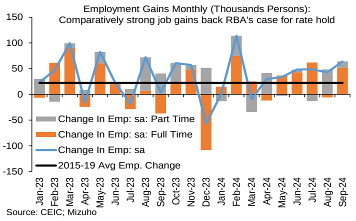
- It was no doubt a very eventful (and volatile) week.
- The **surge in USD strength as Trump led the vote tally (followed by subsequent win)** saw central bank, including BoJ and BI commenting on excessive FX movements.
- Meanwhile **UST yields climbed to the tune of 8-17bps across the curve following Trump's win** amid expectations of more tariffs, deporting of immigrants and extension of tax cuts, which could put pressure on prices, wages and US debt heft. But the treasuries sell-off was perhaps overdone as yields fell 6-10bps the next trading session despite the **Fed looking to rethink about slowing the pace of rate cuts even as it delivered a widely-expected 25bps cut**. Notably, the statement removed "greater confidence" about inflation moving towards target, which could suggest more volatility as expectations adjust according to data and Trump's policy moves.
- Taking precedence from Tesla's stock movement to Musk's remarks, Musk's appointment to the new Department of Government Efficiency and comments that he could slash about $2tn out of the federal budget (~1/3 of government fiscal spending in FY23/24) raises tail risks of sudden jolts to USTs.
- Elsewhere, there was a slew of central bank decisions. Riksbank had a jumbo 50bps cut and remained on course to cut in December and in H1 2025; Norges Bank stood pat and looks to stay on hold until end-2024, while BoE cut rates by 25bps but appeared cautious on easing too quickly as it watches the impact of the UK Budget.
- In Asia Pacific, RBA held rates and continued to warn of a slow return of inflation to their target range. Meanwhile, BNM stuck to a steady hold, as economic outlook remained strong while inflation stable.
- Meanwhile, Indonesia GDP moderated slightly in Q3, but contracting household consumption on a QoQ basis warrants closer monitoring; while Philippines GDP moderated sharply to 5.2% YoY in Q3, from 6.4% YoY in Q2, on the back of a sharp drop in government spending and deteriorating external sector as exports contracts while import grew.
- Against this backdrop is the meeting of the National People's Congress standing committee, where more details of policy stimulus expected following the conclusion of the meeting today. As the Chinese economy looks to face further headwinds on Trump's tariffs and more companies seeking to reshore their bases, it remains to be seen if the policy stimulus can deliver the necessary confidence boost.
- In the week ahead, Australia's jobs data should still show robust hiring as more people enter the workforce amid cost-of-living pressures; while wage growth could show some stickiness due to matching frictions.
- Meanwhile, China's economic activity indicators in October is poised to indicate broad-based recovery on the back of recent monetary easing and a surge in local government bond issuance since August; but CPI could ease further due to declining food prices.
- All in, while it is comparatively lighter calendar next week, developments such as the shaping up of Trump's new administration will likely mean more turbulence in markets for the upcoming week.

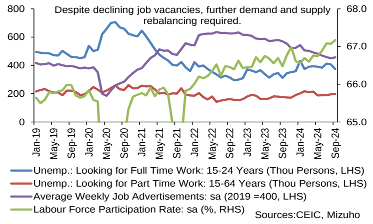
Kicking the Tyes on "Trump-flation"

- In the rates and FX space, **long-end led surge in UST yields alongside corresponding USD ascendancy** is the **unequivocal "Trump-flation trade"**. Admittedly, the **reflex to double down on Trump-flation** trades on an **unchallenged Trump 2.0, backed by a likely Red Wave*** is *understandable. But* this may be *overdone.* And the sheer speed and amplitude of (long-end) surge in UST yields alongside USD strength warrant **kicking the tyres on Trump-flation**.
- The **broad strokes of Trump-flation derives from** the *presumed* **reflationary effects** from with Trump's most strident policy positions. In particular, from expectations of a *fiscal blowout* (from largely unfunded tax cuts), broad-spectrum *tariffs on imports* and harsh *immigration crackdown* (threatening mass deportations). In aggregate, these policies are **expected to lift inflation**, as well as **boost US growth** (albeit very unevenly across industries/institutions and at a high economic cost**). ***Crucially***, the **assumption** is **that Trump-flation will force the Fed to dramatically dial-back**, if not effectively suspend, **rate cut plans**.In other words, the **"Trump-flation trades"** are **dependent on** a conspiracy of *reflationary pressures* and *(less dovish) Fed response.* And **markets may be overestimating both** conditions.
- First, **reflation risks from Trump 2.0** may be **exaggerated** *as actual fiscal, tariff* and *immigration shocks turn out milder in their execution.*
  - Fiscal: Potential for cost cuts (accompanying tax cuts) to temper fiscal deterioration, especially if led by Elon Musk.
  - Tariffs: Shock and awe tariffs announcements are bargaining chips, whereas Trump is *likely to dial-down actual, effective tariff implementation* given it hurts American consumers too.
  - Immigration: Similarly *business push back on labour concerns* and legal/administrative hurdles could significantly *temper actual deportations.*
- Above all, it is **too presumptuous** and one-sided **to assume that the Fed will relinquish its easing bias** given *asymmetry of risks* and *policy transmission woes.*
  - Asymmetry of Risks: Overriding threats to demand amid global shocks/geo-politics/lagged effects of elevated rates raise the threshold for inflation-driven policy response.
  - Policy Transmission Woes: And *stubbornly elevated "higher for longer" yields defying rate cuts* suggest policy transmission from cuts is impaired, possibly requiring more (not less) easing.
- Upshot being, **UST yields may be ultimately**, *after interim upside volatility,* **set to head a lot lower** from here in a ***bull steepening*** move.
- Relative US exceptionalism, especially at the expense of trade partners, could however more durably dampen USD pullback that coincides with softer UST yields.

* Referring to Republican dominance of Congress given assured (albeit slim) Senate Majority, and a House that looks like it could flip to the Republicans as well (at the point of writing)
** To other global economies, globalization and in terms worsening inequalities within the US.

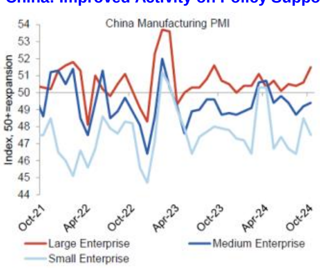
Australia Jobs: Rebalancing In Progress





- Australia's job market has stayed robust thus far in a sharp contrast to the tepid growth backdrop. A holistic assessment points to room for further labour demand supply rebalancing.
- First, **employment gains** have been remarkably strong **in 2024** averaging 41k from January to September which is almost **double the 22k average posted from 2015-19** and also significantly **above** the 31k monthly average in **2023.**
- In turn, as positions are filled, **vacancies have continued to decline in 2024,** though they are still higher compared to 2019. Given inflationary pressures, elevated rents and mortgage rates and **diminished household savings ratio, the rise in labour force participation rate is not surprising as more households look for work**.
- In fact, we expect cost of living stresses to nudge further uptick in participation rates to provide labour market slack and restrain wage growth as the pace of employment gains return to trend.
- Nonetheless, wage growth may not moderate as fast as one envisage. As job vacancies decline and the unemployed persons looking for work stayed low, labour frictions may begin to rise especially as demand may become more skill specific while the supply of labour contract.
- While this may serve to moderate the extent of job gains, there is also a **potential for perverse gain in wage growth due to matching frictions.**
- On balance, despite robust hiring, growth risks remain skewed to the downside especially if the savings ratio and productivity growth remains low.

China: Improved Activity on Policy Support



China's economic activity growth in October is poised to gain from recent monetary easing and a surge in local government bond issuance since August.
- The official PMI survey indicates that large manufacturing enterprises spearheaded the sector's improvement in October, with their PMI reaching a year-high, signalling a **positive month for industrial production** on the back of easier bank loans.
-China's export growth for October exceeded all market forecasts, reaching a new high since March 2023. That said, this surge is likely attributed to delayed shipments from September due to typhoons that affected shipping ports in China's Pearl River Delta and Yangtze River Delta. On average, exports rose 7.4% YoY during September and October, slightly slower than the 8.7% increase in August. Additionally, the recovery in October's exports was widespread across commodities and destinations.
- Looking ahead, we anticipate moderating external demand and potential additional tariffs on US imports to pose a challenge to China's trade outlook next year. Against this backdrop, the Trump victory is expected to exert further pressure on the Chinese government to increase its budget deficit in order to bolster domestic demand, particularly consumption.
- Regarding activity indicators, we project a broad-based recovery in October. The surge in special-purpose local government bond issuance since August is expected to drive a **faster increase in fixed asset investment.** At the same time, government subsidies on home appliance trade-ins favour a **continued recovery in retail sales.** Notably, sales of passenger vehicles rose 10% YoY over the past four weeks, up from 4.5% in September
- However, **CPI inflation is projected to ease** further due to declining food prices. Weekly wholesale prices for fresh vegetables and pork fell by 13% and 11%, respectively, from their recent peaks due to favorable weather conditions

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	152.58	-0.430	-0.28%	150.00	~	154.00
EUR/USD	1.0767	-0.0067	-0.62%	1.075	~	1.093
USD/SGD	1.3232	-0.003	-0.22%	1.3150	~	1.3320
USD/THB	34.177	0.274	0.81%	33.40	~	34.10
USD/MYR	4.3875	0.0068	0.16%	4.340	~	4.450
USD/IDR	15670	-50	-0.32%	15,450	~	15,850
JPY/SGD	0.8671	0.000	0.03%	0.854	~	0.888
AUD/USD	0.6636	0.008	1.17%	0.650	~	0.670
USD/INR	84.38	0.294	0.35%	84.1	~	84.7
USD/PHP	58.273	0.158	0.27%	58.0	~	59.2

^Weekly change.

FX: Sell the Fact ?

- This week, the NOK and AUD led gains as some of the USD strength from Trump's re-election faded. The NOK led gains as the Norges Bank kept rates unchanged with oil prices remaining firm.
- Meanwhile, the Antipodeans facing lesser tariffs threats given their profile of exports also appreciated against the Greenback.
- AUD also may have benefitted from optimism over prospects of stronger China stimulus. That said, the risk of the NPC disappointing persist given China may not over-react.
-In contrast, EUR was weaker for the week as propsects of tariffs returned alongside defence related woes and Germany's political issues did not help.

EM-Asia: Tariff Woes

- Faced with renewed threats of trade tensions, EM Asia FX was broadly softer as well.
- IDR was a notable outlier perhaps in view of its commodity external facing orientiation and Bank Indonesia's caution on rate cuts.
- The likes of KRW and CNH weakened on threat of tariff woes and chip sector hit.
- PHP underperformed as Q3 growth undershoot expectations.
- INR also came under pressure amid foreign outflows from equities.

Bond Yield (%)

8-Nov	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.183	-2.2	4.316	-6.8	Flattening
GER	2.158	-8.5	2.383	-2.0	Steepening
JPY	0.492	4.8	0.989	5.8	Steepening
SGD	2.726	1.3	2.809	-2.7	Flattening
AUD	4.067	1.0	4.574	0.1	Flattening
GBP	4.392	-1.9	4.452	1.1	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,973.10	4.26
Nikkei (JP)	39,500.37	3.80
EuroStoxx (EU)	4,851.96	-0.53
FTSE STI (SG)	3,732.82	4.99
JKSE (ID)	7,283.75	-2.95
PSEI (PH)	6,977.18	-2.32
KLCI (MY)	1,623.06	1.19
SET (TH)	1,470.92	0.46
SENSEX (IN)	79,476.59	-0.31
ASX (AU)	8,295.13	2.17

USTs: Volatility Abound

- That UST yields were only 2-7bps lower compared to a week ago belied the volatility this week as expectations of Fed policy trajectory, US fiscal heft adjusted.
- Notably, the UST yield curve flattened, as Fed appears to ponder slowing the pace of rate cuts, thereby supporting front-end yields.
- Meanwhile, the longer-end was volatile as Trump's policies (e.g. deporting immigrants, tax cuts) risks raising price pressures/ adding to US fiscal deficit, while Musk's remasrks (in his capacity as head of the Department of Government Efficiency) that he could cut federal spending by almost a third could alleviate some fiscal pressure.
- Looking into the week ahead, markets would likely watch closely to FedSpeak (on more hints of policy trajectory), while Trump's remarks may deliver bouts of volatility to markets.
- All in, we expect 2Y to trade around 4.10-4.30% range while 10Y to trade around 4.20-4.50% range, with sharp moves possible.

FX Brief:

1) JPY: Volatile week as mid-week losses were pared back. JPY bears remain wary of intervention threats and potential BoJ amid signs of healthy wage gains. That said, spending worries among japanese households also backstop bulls from charging below 150.

2) EUR: Woes abound for EUR bulls as the EUR submerged below 1.09. Continued revelation of cross Atlantic strains imply a **tough recovery ahead** especially if tough talk from incoming President resumes.

3) AUD: Outperformance amid Fed cut as optimism over China stimlus and the apparent lack of direct tariff threats engendered gains. Robust jobs could backstop 66 cents while any sign of contraction could allow testing mid-65 cents.

4) CNH: CNH bulls might have it hard to revert back towards 7.10 as stimulus optimism fades into issuances woes.

5) INR: Gradual climb toward mid-84 against strong USD backdrop. Should still remain in a tight range amid RBI-engineered stability but could test mid-84.

6) SGD: Looks to remain buoyant above 1.32 as Fed ponders the possibility of slowing its easing; while the bar for a durable CNH boost following NPC is arguably higher given headwinds on Trump's win.

7) IDR: Could retain traction above 15500 amid strong USD backdrop, with possible BI intervention near 16000 levels; news of subsidy reforms could provide some support.

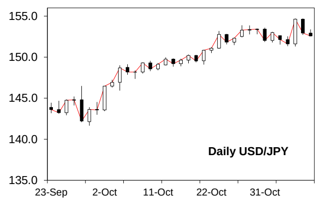
8) THB: Volatility remains accentuated and buoyancy to be retained above 33.5 as incoming administration takes shape and MAGA talk likely to resume.

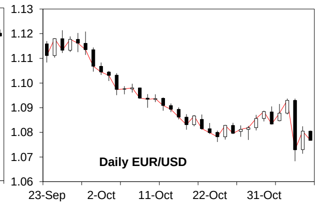
9) MYR: May get some support from CNH following NPC; but continued equity/bonds outflows could mean difficulty staying below 4.34.

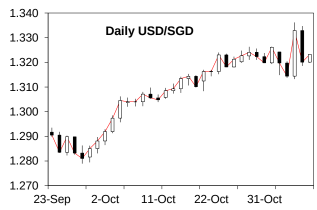
10) PHP: Growth risks in external sector on contracting exports could see test of 59 handle.

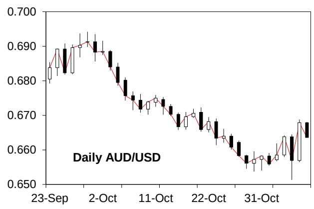
11) KRW: Buoyancy above 1350 to be retained as softer domestic inflation and impact of potential trade disruptions weigh. Verbal intervention to restrain near 1400.

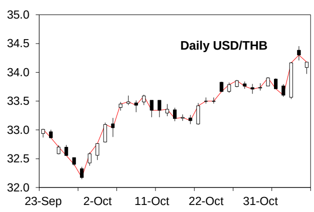
12) TWD: Trump 2.0 accentuates both tariffs related economic threats and cross straits geo-political risks as US defence cost and future propsects considered. Backstop above 32.0.

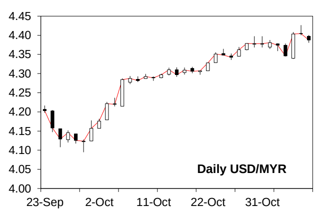


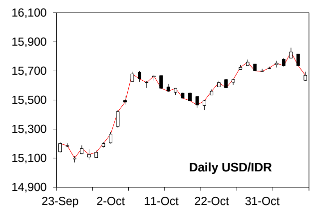


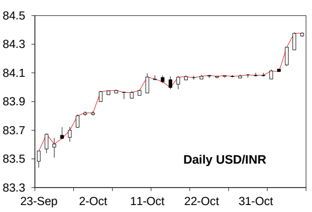


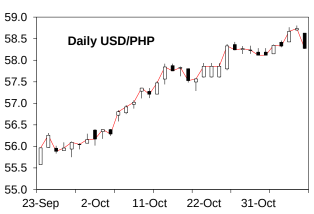


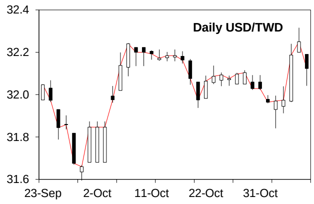


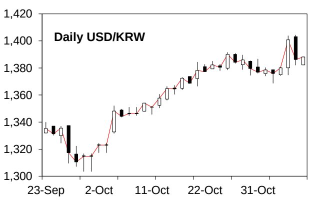


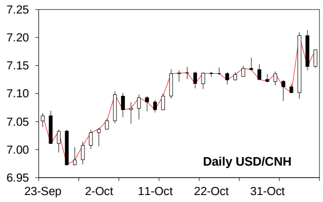












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