



Economic Calendar

Date	Country	Event	Period	Survey*	Prior
14 Jan	US	Federal Budget Balance	Dec	--	-\$366.8b
	US	PPI Final Demand/Ex Food, Energy YoY	Dec	--	3.0%/3.4%
	JP	BoP Current Account Balance	Nov	¥2693.6b	¥2456.9b
	JP	Trade Balance BoP Basis	Nov	-¥18.4b	-¥155.7b
	JP	Eco Watchers Survey Current/Outlook SA	Dec	49.6/50.0	49.4/49.4
15 Jan	US	Empire Manufacturing	Jan	-2.0	0.2
	US	CPI/Ex Food, Energy YoY	Dec	2.9%/3.3%	2.7%/3.3%
	US	Real Avg Weekly Earnings YoY	Dec	--	1.0%
	EZ	Industrial Production SA MoM	Nov	--	0.0%
	JP	Machine Tool Orders YoY	Dec P	--	3.0%
16 Jan	US	Initial Jobless Claims		--	201k
	US	Retail Sales Advance/Ex Auto, Gas MoM	Dec	0.5%/0.4%	0.7%/0.2%
	US	Philadelphia Fed Business Outlook	Jan	-8.0	-16.4
	EZ	Trade Balance SA	Nov	--	6.1b
	EZ	ECB Account of Dec. 11-12 Meeting			
	JP	PPI YoY	Dec	3.8%	3.7%
17 Jan	US	Housing Starts/Building Permits	Dec/P	1315k/1458k	1289k/1493k
	US	Industrial Production MoM	Dec	0.3%	-0.1%
	EZ	ECB Current Account SA	Nov	--	25.8b
	EZ	CPI/Core YoY	Dec F	--	2.4%/2.7%

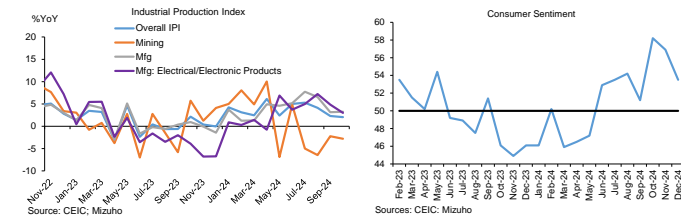
Week-in-brief: Opening Up?

- This week, USD continued to rise higher as early hopes of a toned down plan for Trump tariffs were quickly dashed and a rise in US jobs openings backed up Fed officials and FOMC minutes which reiterated the case for cautious rate cuts. US equities could not hold onto the higher opening at the start of the week as euphoria on tech faded and prospects of tighter monetary policy weighed. UST yield curve continued to steepen as long end yields rise ahead of Trump's inauguration on 20 Jan as tax cuts loom.
- For tonight, market expectations are ratcheting higher for a buoyed NFP print.
- The US was not alone on their fiscal woes as fears of soaring fiscal deficits saw a surge in Gilt yields and the GBP sold off as well amid signs of softer price pressures and employment.
- Meanwhile, weak consumer spending in Japan continue to restrain bets for a January BoJ hike though it remains very much on the table.
- EM-Asia will continue to worry about China's recovery as the latest CPI print at 0.1% YoY did little to alleviate deflation concerns. Across the region, the BSP saw room for rate cuts even as inflation accelerated to 2.9% in December. Consequently, the PHP underperformed.
- The AUD also headed lower as lower than expected retail sales conspired with lower trimmed mean inflation to pave the way for the RBA to cut rates.
- Vietnam's economy outperformed as Q4 GDP growth of 7.6% resulted in overall 2024 growth of 7.1% to exceed official target as exports demand remain robust to bolster the manufacturing sector alongside strong activity in the services sector.
- Looking ahead, the Fed and markets will need to contend with interpreting the December CPI print next week. Markets will also get a further assessment of economic conditions in China.
- In Korea, the BoK though will have to contemplate the need to provide further pre-emptive support to growth amid the political drama. Given that inflation remains well contained and housing price momentum in Seoul has slowed, the macroeconomic conditions are appropriate for a further normalisation of monetary policy. We expect a 25bp cut and for BoK Governor Rhee to signal cautious calibration and the need for an assessment period after three cuts.
- Bank Indonesia though will stand pat as their hands are tied. With growth still holding up, IDR weakness takes precedence and the recently watered down VAT implemented engenders more fiscal policy worries. In Malaysia, amid base effects, growth is expected to moderate to around 4.5% for Q4 as weather woes hit the agricultural and construction sector to offset services sector resilience. For 2024, growth is likely to reach 5% which is around the mid-point of the official range.
- All in, we ought to remain open to the increasingly varied outcomes and tail risks confronting markets as we prepare for Trump 2.0.

The PBoC Paradox

- Clearly, the slump in CGB yields is not welcome by the PBoC, given the association with deflationary spirals. But slumping CGB yields are the symptom, not the driver of deflationary dynamics in the economy. Whereas the mechanics of propping up yields will dampen the efficacy of rate cuts (to spur the economy) and could inconveniently drain liquidity.
- Given this inherent conflict in policy objectives, the PBoC ought to train its efforts on unqualified policy easing. Moreover, it could help to accentuate policy transmission via efforts to maintain the net interest margins of banks (via programs to incentivize/subsidize lending). This ought to be a means to restoring confidence, which is imperative, if not a precondition, to averting entrenched deflation risks.
- The trade-off though may be some CNY pressures in the near-term may be hard to avert. But it may be managed such that trade-weighted CNY stability is not unduly compromised.

Malaysia Q4 GDP: Moderate

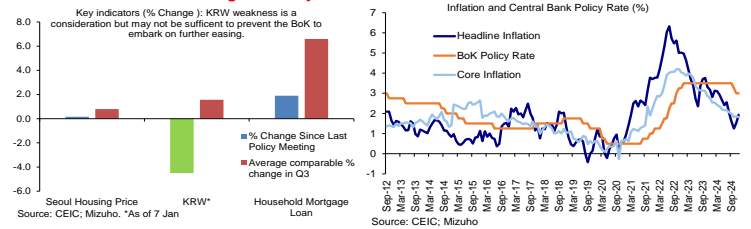


- Malaysia's Q4 GDP is expected to moderate to around 4.5% from Q3's 5.3% YoY growth, and growth for 2024 should register at around 5.0%, near the midpoint of the government's 4.8-5.3% estimate. Agriculture is expected to moderate and may even dip into contraction (Q3: 3.9%) amid adverse weather in Q4. Floods sweeping through Malaysia have damaged paddy fields and hit harvesting of palm oil. Notably, crude palm oil production has fallen by ~8% in the Oct-Nov period compared to a year ago.
- Mining and quarrying should remain in contraction territory (Q3: -3.9%) as industrial production shows little signs of improvement. While manufacturing sector remains resilient, growth should moderate (Q3: 5.6%) on base effects. Industrial production has also been seeing signs of moderation. Construction growth could moderate (Q3: 19.9%) amid disruptions from adverse weather. Industrial production of iron and steel grew by only 2.8% YoY in Oct, compared to 7.6% YoY in Q3. Nonetheless, services ought to remain supported (Q3: 5.2%) and be a key driver of growth as consumer confidence remains buoyant.
- All in, Malaysia's growth is expected to moderate amid base effects and some seasonal factors, but underlying drivers is expected to remain resilient.

\*Survey results from Bloomberg, as of 10 January 2025. The lists are not exhaustive and only meant to highlight key data/events

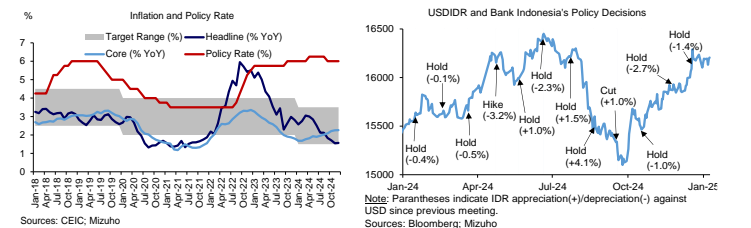
Date	Country	Event	Period	Survey*	Prior
13-15 Jan	CH	Agg. Fin./New Yuan Loans CNY YTD	Dec	31631b/17842b	29403b/17092b
13-18 Jan	CH	FDI YTD YoY CNY	Dec	--	-27.9%
13-15 Jan	IN	Exports/Imports YoY	Dec	--	-4.8%/27%
13 Jan	CH	Exports/Imports YoY	Dec	7.4%/-1.1%	6.7%/-3.9%
	IN	CPI YoY	Dec	5.3%	5.5%
	ID	Exports/Imports YoY	Dec	7.6%/5.0%	9.1%/0.0%
14 Jan	IN	Wholesale Prices YoY	Dec	2.2%	1.9%
15 Jan	ID	BI-Rate		6.00%	6.00%
	KR	Unemployment rate SA	Dec	2.8%	2.7%
	PH	Overseas Cash Remittances YoY	Nov	3.0%	2.7%
16 Jan	AU	Unemployment Rate/Emp. Change	Dec	4.0%/15k	3.9%/35.6k
	KR	BOK Base Rate		2.75%	3.00%
17 Jan	CH	Industrial Production YoY	Dec	5.4%	5.4%
	CH	Surveyed Jobless Rate	Dec	5.0%	5.0%
	CH	GDP YoY/SA QoQ	4Q	5.0%/1.7%	4.6%/0.9%
	CH	FAI/Property Investment YTD YoY	Dec	3.3%/--	3.3%/10.4%
	CH	Retail Sales YoY	Dec	3.5%	3.0%
	CH	New/Used Home Prices MoM	Dec	--	-0.2%/-0.4%
	SG	Non-oil Domestic/Electronic Exports YoY	Dec	7.8%/--	5.3%/23.2%
	MY	GDP/Annual YoY	4Q/2024 A	4.8%/5.1%	5.4%/3.7%

Bank of Korea: Front Loading Flexibility



- We expect a 25bp rate cut at the BoK's upcoming meeting. While the KRW's recent weakness is indeed an impediment to ease policy, the macro economic conditions remain appropriate for the BoK to pre-emptively support growth.
- The BoK revised growth lower to 1.9% in 2025 at their last meeting in November 2024.
- Since then, domestic politics which hogged headlines present more downside risks to growth via a slower pace of fiscal support even though the trimmed Budget 2025 was passed by the opposition.
- Furthermore, despite strong export growth, manufacturing PMI in December slipped back into contractionary territory after a brief expansion in November.
- Industrial production also contracted in November on a seasonally adjusted basis reflecting the weak activity levels in the manufacturing sector as the semiconductor tailwinds had limited spillovers.
- On the inflation front, December's headline CPI inflation bump up to 1.9% from November's 1.5% is of little worry as core inflation edged lower to 1.8% in November.
- Furthermore, housing price momentum in Seoul continued to wane in December 2024 alongside softer mortgage loan growth in November.
- Given that markets have already priced in 2 cuts for the rest of year, there may be little surprise if Governor Rhee decides to ease rates in Q1. We expect him to emphasize on a calibrated pace of cuts implemented flexibly as external and even domestic conditions remain highly volatile.

Bank Indonesia: Hands Tied



- Bank Indonesia is expected to stand pat at the upcoming meeting (15 Jan) as its hands are tied on multiple fronts.
- In addition to broad USD strength in the past few weeks, the watered down VAT implementation at the turn of the year have amplified concerns over Indonesia's fiscal health.
- Notably, the scope of a planned VAT increase from 11% to 12% was narrowed down to only luxury items, against expectations of a broader range of goods and services (with the exception of basic necessities like rice). The policy maneuver raises doubt on political will to contain its fiscal deficit, especially with President Prabowo's massive spending plans.
- The fiscal bugbear, coupled with broad USD strength, has seen IDR languishing around mid-16,200 levels and have prompted interventions from Bank Indonesia on the first trading day of the year.
- Meanwhile, cut-off yields at Bank Indonesia SRBI auctions have been edging higher since the last meeting, even as cut-off yields at BI's foreign currency auctions have edged down following the Fed's cuts. This could point to added pressure on Bank Indonesia to keep interest rates elevated to attract inflows.
- Macroeconomic fundamentals have remained broadly stable. CPI remained stable and is expected to remain so. Given the watered down VAT implementation to only target luxury goods, the pass-through to CPI is expected to be marginal; whereas details of subsidy fuel/electricity rationalisation plans remain scant. Meanwhile, infrastructure push and government spending on initiative such as free lunch programs ought to support growth. However, even as overall domestic consumption should remain supported, more discretion on spending on recreation goods amid buoyant growth in necessities and food and fuel could pose downside risks in coming quarters.
- All in, Bank Indonesia is on course for another hold at the January meeting.

**Forex Rate**

	Close*	Chg <sup>^</sup>	% Chg <sup>^</sup>	Week Forecast	
USD/JPY	158.39	1.130	0.72%	155.00	~ 161.00
EUR/USD	1.0297	-0.0011	-0.11%	1.020	~ 1.040
USD/SGD	1.3693	-0.001	-0.07%	1.3550	~ 1.3850
USD/THB	34.623	0.165	0.48%	34.10	~ 35.00
USD/MYR	4.5005	0.0003	0.01%	4.460	~ 4.570
USD/IDR	16185	-5	-0.03%	16,000	~ 16,400
JPY/SGD	0.8644	-0.007	-0.77%	0.842	~ 0.894
AUD/USD	0.6193	-0.002	-0.37%	0.610	~ 0.630
USD/INR	85.90	0.121	0.14%	85.5	~ 86.5
USD/PHP	58.356	0.160	0.27%	58.0	~ 59.4

<sup>^</sup>Weekly change.

**FX: Exceptional USD**

- The USD strengthened against G10 currencies over the past week.
- GBP led losses despite Gilts yields surging (2Y: +9.8bps; 10Y: +21.8bps) amid concerns over the viability of fiscal cuts and debt sustainability.
- JPY also underperformed as cash earnings surprising on the upside was unable to turn the tide.
- CAD led gains following PM Trudeau's resignation, which raised hopes for restoring some political stability. Recent developments, notably resignation of Finance Minister Freeland on differences over Ottawa's response to prospective US trade nationalism under Trump 2.0, suggested internal rifts within the government.
- EUR was relatively supported, outperforming most G10 peers on expectations of slower rate cuts on some indications that growth may be more supported-than-expected (PMIs were revised upwards). OIS markets are now pricing fewer than 4 cuts in 2025, compared to 4 cuts a week ago.

**EM-Asia: Weaker**

- In line with trend, EM Asia FX were mostly weaker against the greenback.
- KRW is a notable outlier, leading gains after past few weeks of underperformance amid political uncertainty. Nonetheless, the currency remained 5.4% (the worst performer in EM Asia FX) weaker against the FX since the martial law saga.
- In the week, SGD, MYR, VND and CNY were better supported amid some stimulus from Chinese authorities in the form of subsidies for certain consumer products and boost funding for industrial upgrade.
- Meanwhile, THB underperformed amid JPY spillovers.

**Bond Yield (%)**

	7-Jan	2-yr	Chg (bp) <sup>^</sup>	10-yr	Chg (bp) <sup>^</sup>	Curve
USD	4.268	-1.1	4.690	9.2	Steepening	
GER	2.233	8.2	2.579	15.8	Steepening	
JPY	0.632	4.4	1.185	11.6	Steepening	
SGD	2.854	14.0	3.002	14.1	Steepening	
AUD	3.908	5.4	4.543	0.1	Flattening	
GBP	4.516	10.4	4.831	24.0	Steepening	

**Stock Market**

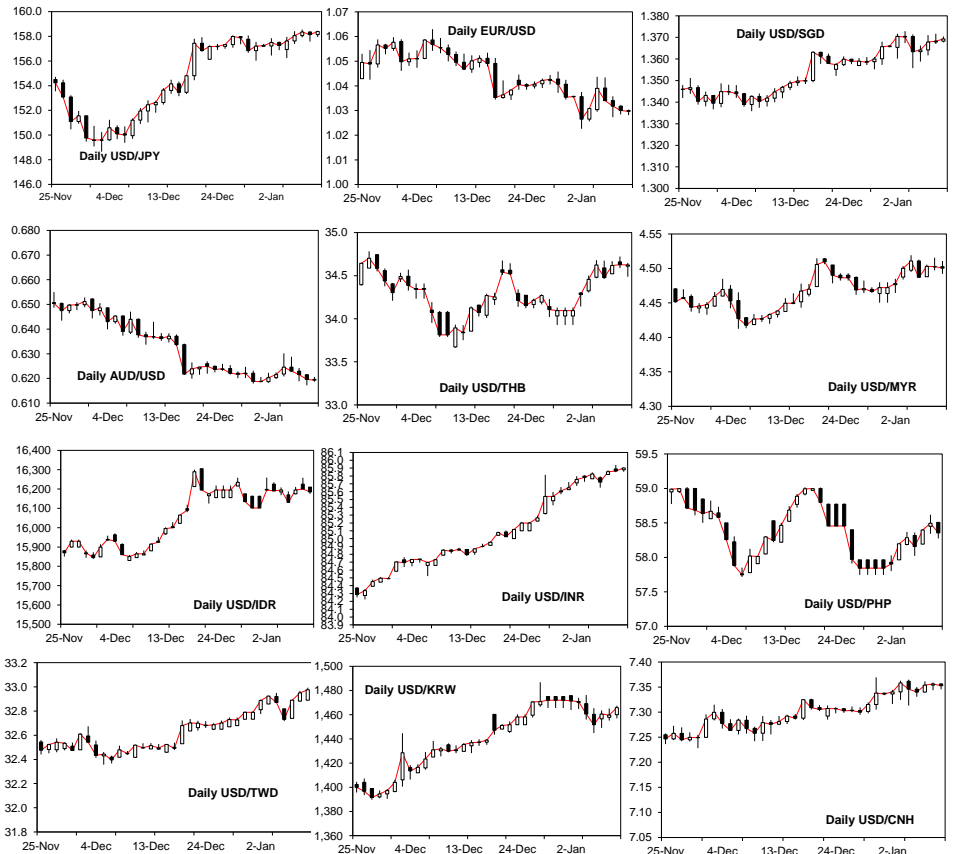
	Close	% Chg
S&P 500 (US)	5,918.25	-0.41
Nikkei (JP)	39,190.40	-1.77
EuroStoxx (EU)	5,017.91	3.01
FTSE STI (SG)	3,792.28	-0.25
JKSE (ID)	7,112.70	-0.72
PSEI (PH)	6,496.32	-1.63
KLCI (MY)	1,603.75	-1.58
SET (TH)	1,361.63	-1.67
SENSEX (IN)	77,671.31	-1.96
ASX (AU)	8,294.07	0.53

**USTs: Steepening at both ends?**

- UST yield curve steepened this week led by the long end. Inevitably, the fiscal concerns from Trump 2.0 imply that there will be upward pressures on longer end yields.
- Furthermore, long end yields were aided by the steady climb in oil prices.
- Looking ahead, steepening remains our base case.
- On the short end, given that markets are now pricing in only less than 2 cuts this year, these levels imply that there is substantial downside risk should the NFP underperform today. Even if the NFP remains resilient, any softening in US CPI can also pave the way for a couple of more cuts.
- All in, we expect 2Y yields to trade in the 4.10-4.35% range while the 10Y trades in the 4.6-4.9% range.

**FX Brief:**

- 1) JPY: Signs of weaker consumer spending dulls reports of wage gains. JPY bulls remain cautious ahead of NFP print tonight and CPI print next week. Buoyancy above 155 even on downside surprised. 160 levels to meet intervention risk.
- 2) EUR: Inflation pressures assisted EUR to prevent sharp slippage on slower pace of rate cuts. Nonetheless, the easing bias is return and rallies remain at risk of falling short.
- 3) AUD: Retail sales and CPI prints point to persistent weakness. Upcoming jobs report printing higher to see 63 cents consolidation at best while weakness to assist ventures towards 61 cents. Balance of risks tilted to the downside.
- 4) CNH: PBoC imparted stability to restrain sharp depreciation pressures but unlikely to provide much lift for bulls as deflation cloud weighs.
- 5) INR: Depreciation to persist as easing bias for RBI to grow. USD/INR on course for ascendency above 86 levels, albeit with some cautious test of RBI intervention.
- 6) SGD: Could see durability above 1.37 levels should US NFP print surprise on the upside, while more aggressive Chinese stimulus remains wanting. Test of 1.38 may be plausible.
- 7) IDR: Watered-down VAT increase have brought fiscal woes more prominently into the limelight. Bank Indonesia's expected hold is unlikely to see any durable rally, with risks tilted to the downside. But Bank Indonesia's interventions should backstop declines towards 16,500 levels.
- 8) THB: Volatility set to persist on JPY spillovers and USD swings are accentuated. China's woes may imply buoyancy above 34.2 for the week ahead.
- 9) MYR: Risks to weaker MYR amid higher UST yields, but may not see ascendency above mid-4.5 levels.
- 10) PHP: May breach 59 handle should US NFP be very strong. If so, next line to watch would be at 60.
- 11) KRW: Outperformed as the week passed with less political drama though a upcoming rate cut imply that bulls ought to remain cautious.
- 12) TWD: Slightly slippage amid USD strenght as trade outlook remains upbeat. Depreciation risks on Trump 2.0 remains.



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