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WEEK AHEAD

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11-Oct-2024

Economic Calendar

•Survey results from Bloomberg, as of 11 Oct 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
15 Oct	**US**	**Empire Manufacturing**	**Oct**	**0.0**	**11.5**
	EZ	Industrial Production WDA YoY	Aug	-1.4%	-2.2%
	JP	Industrial Production MoM	Aug F	--	-3.3%
	GE	ZEW Survey Current Situation/Expectations	Oct	-85.0/--	-84.5/3.6
16 Oct	JP	Core Machine Orders MoM	Aug	0.1%	-0.1%
17 Oct	**US**	**Initial Jobless Claims**		**--**	**258k**
	US	Philadelphia Fed Business Outlook	Oct	3.0	1.7
	US	Industrial Production MoM	Sep	-0.1%	0.8%
	US	Retail Sales Advance/Ex Auto, Gas MoM	Sep	0.2%/0.3%	0.1%/0.2%
	EZ	**ECB Deposit Facility Rate**		**3.25%**	**3.50%**
	EZ	**CPI/Core YoY**	**Sep F**	**1.8%/2.7%**	**2.2%/2.7%**
	JP	Trade Balance	Sep	-¥263.0b	-¥703.2b
	JP	Tertiary Industry Index MoM	Aug	-0.3%	1.4%
18 Oct	US	Building Permits/Housing Starts	Sep	1465k/1350k	1470k/1356k
	JP	**CPI/Ex Fresh Food,Energy YoY**	**Sep**	**2.5%/2.0%**	**3.0%/2.0%**

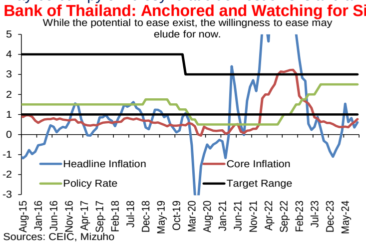
Asia

Date	Country	Event	Period	Survey*	Prior
15-25 Oct	CH	1-Yr Medium-Term Lending Facility Rate		2.00%	2.00%
14 Oct	CH	Exports/Imports YoY	Sep	6.0%/0.6%	8.7%/0.5%
	IN	**CPI /WPI YoY**	**Sep**	**5.1%/2.0%**	**3.7%/1.3%**
	SG	**MAS Monetary Policy**			
	SG	**GDP YoY/SA QoQ**	**3Q A**	**3.8%/2.0%**	**2.9%/0.4%**
15 Oct	ID	Exports/Imports YoY	Sep	7.2%/11.5%	7.1%/9.5%
	IN	Exports/Imports YoY	Sep	--	-9.3%/3.3%
16 Oct	**ID**	**BI-Rate**		**6.00%**	**6.00%**
	TH	**BoT Benchmark Interest Rate**		**2.50%**	**2.50%**
	PH	**BSP Overnight Borrowing Rate**		**6.00%**	**6.25%**
17 Oct	SG	Non-oil Domestic/Elect. Exports YoY	Sep	9.3%/--	10.7%/35.1%
	AU	**Unemployment Rate/Emp. Change**	**Sep**	**4.2%/25.0k**	**4.2%/47.5k**
18 Oct	CH	IP/Retail Sales/FAI (YTD) YoY	Sep	4.6%/2.5%/3.3%	4.5%/2.1%/3.4%
	CH	**GDP YoY/SA QoQ**	**3Q**	**4.5%/1.1%**	**4.7%/0.7%**
	MY	Exports/Imports YoY	Sep	7.0%/21.5%	12.1%/26.2%
	MY	**GDP YoY**	**3Q A**	**5.3%**	**5.9%**
	MY	**Malaysia 2025 Budget**			

Week-in-brief: Swinging Sentiments and Concerns

- Sentiments swung wildly this week as China's return faltered (as equities sank) over NDRC disappointment necessitating the weekend Finance Minister announcement. Cautious FOMC minutes and hot US CPI also dented markets' hopes for sharp easing in November and USD bears were disappointed yet again.
- The swinging sentiment is not over as **forthcoming announcements by the Ministry of Finance this weekend have kept hopes alive**, albeit may be more discerning towards details of the stimulus.
- In EM-Asia, the mood was tentative as well with the CNH outperformance unable to lift any regional peers against the tide of a stronger Greenback.
- Aided by announcement of FTSE WGBI inclusion, KRW was little changed with further supported by the **Bank of Korea who enacted a hawkish cut** of 25bps. November cut appears ruled out as house prices remain a concern even as household debt showed signs of slowing, FX risks have eased and inflation looks to be managed.
- Meanwhile, **RBI had a rather dovish hold as theychanged its policy stance to "neutral"**, setting the stage for easing as food inflation looks to ease and core inflation broadly contained.
- Next week, **ECB speakers corralling around a 25bps cut sets expectations for further easing** amid growth risks even if there remain some upside risks to inflation.
- **In Singapore, MAS is expected to hold** as current stance of modest appreciation is in good place to guide core inflation back towards its long-run trend with growth remaining firm.
- Amid the **return** of IDR stability concerns, **Bank Indonesia is expected to stand pat** while **Bank of Thailand looks to be on a dovish hold amid increasing credit risks**.
- **BSP is expected to cut**, and we see a **material chance of a jumbo cut** with inflation undershooting BSP's target band and lack of improvement to domestic consumption indicators.
- **Malaysia Q3 GDP should moderate on high base effects** but would be a sequential expansion with manufacturing and services as key drivers. **Resilient growth could set the stage for bold budget measures**, with details on fuel subsidy rationalisation and possibility of tax reforms expected.
- All in, while the directional cues of policy trajectory may be evident, the path for EM-Asia central banks may be bumpy on idiosyncratic domestic risks and a king USD refusing to abdicate.

Bank of Thailand: Anchored and Watching for Signals

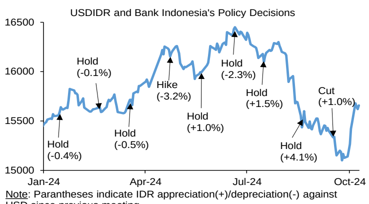


Sources: CEIC, Mizuho

- For the BoT's upcoming meeting, it is perhaps time to contemplate the possibility of easing in the quarters ahead and send appropriate conditional signaling. To be upfront, **we do not think that a lifting the inflation target forcing the BoT to ease is on the cards.**
- Furthermore, given that undershooting the lower limit has occurred more often than not, it will not be a key driver of the BoT's policy calculus considering that growth expansion remains the baseline. Wider macroeconomic stability and anchored inflation expectations remains the over-arching objective. Forcibly achieving the inflation target is not on the BoT's radar as they have continued to attribute the current bout of lower inflation to supply and external related factors rather than lacklustre demand necessitating rate cuts. These factors ranged from **lower raw food and energy prices and also cheap imported goods from China.**
- Admittedly, there is **room for the BoT to ease policy** though elevated debt levels and the government's fiscal transfers posed financial stability and upside inflation risk have restrained the BoT thus far. Looking ahead, the continuous creep up in NPLs on autos and housing as well as pockets of weakness in agriculture, retail trade and services **may begin to weigh on the BoT's policy calculus. As such, we put a 20% chance of a rate cut at this meeting should the BoT choose to act pre-emptively.**
- At this juncture, amid accentuated THB volatility and still uncertain impact of recent stimulus on growth, the **BoT will more likely stand pat at this meeting to anchor policy stability**.

BI: Staggered Cuts

- Even as Bank Indonesia (BI) has commenced the easing cycle with the 25bps cut at the Sep meeting, **we expect BI to pause at the upcoming meeting on rupiah stability concerns**.
- That rupiah stability concerns are once again at the top of policymakers' minds are evident in officials' comments. Bank Indonesia Susianto said on 7 Oct that BI will intervene in spot, DNDF, and bond markets to support the rupiah as IDR breached 15,600 levels. These statements are reminiscent of those made in June (when IDR was at above 16,200 levels) and a marked distinction from comments in 20 Sep when Susianto said that volatility was manageable.



Note: Parantheses indicate IDR appreciation(+)/depreciation(-) against USD since previous meeting.
Sources: Bloomberg; Mizuho

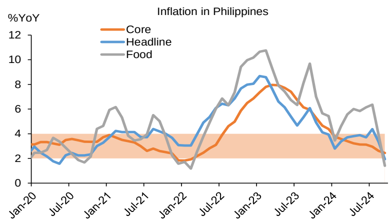
- And as we have argued in Mizuho Flash (23 August), **we expect BI's easing to be staggered**, where BI will likely ride on IDR strength to cut, and hold when there is volatility. This is because we think that BI would likely prefer to maintain a good real yield differential against US to draw inflows. Furthermore, with one meeting per month till year-end (and Fed having 2 meetings in Q4), there is no pressing urgency for Bank Indonesia to cut at this juncture.
- Afterall, growth remains supported. Domestic consumption looks to be fairly support, with retail sales accelerated in the first two months of Q3, even if consumer sentiment edged slightly lower.
- Meanwhile, inflation remains very managed, moving even lower the bottom-half of BI's target range.
- All in, BI's has the policy room to pause in mid-cycle given supportive fundamentals. IDR will continue to move with broad AxJ moves, and we do not expect outsized reaction from this meeting.

MAS: Sweet Spot

- The MAS is set to stay on hold, defying the global easing wave, but arguably still in a policy sweet spot. This certainly derives from balanced growth-inflation risks.
- Specifically, disinflation that is insufficient despite being encouraging and arguably sticky price pressures by some measures. On the other, growth remains resilient even as the dispersion of two-way risks mount. But not just that.
- The unique self-acclimatizing characteristics of the MAS' exchange rate policy, articulated via managed appreciation bias and volatility bounds of a trade-weighted SGD (S$NEER), inherently mitigate the need for over-calibration.
- Finally, a "rich" S$NEER (at the hawkish extreme of the policy bands) simultaneously constitutes emphatic restraint (to anchor inflation expectations) and scope for defacto easing within the policy bands to initially "absorb" demand shocks. SGD impact from MAS-specific cues is likely to be limited, with USD-, JPY- and/or CNY-induced volatility the far greater risk.

BSP: Easing Bias

- For the upcoming meeting, we attribute a 65% probability for BSP to cut by 50bps, and 35% probability for BSP to cut by 25bps. Regardless, **BSP's easing bias is likely to be retained, especially as the latest inflation print imparts confidence for further cuts**. September's inflation printed at 1.9%, undershooting BSP's 2-4% inflation target range, and with BSP remarking BSP also remarked that balance of risks to CPI outlook still on the downside for 2024-25.
- In addition, **with real policy rates still restrictive, BSP has a cause to cut**. Real policy rates are at 4.3%, more than 350bps higher than



Source: CEIC; Mizuho

- **Our call for a faster pace of cuts also takes into account growth concerns**. Growth risks persists. domestic sector, and could potentially see another print of QoQ contraction. Notably, e-commerce transaction value in Q3 is about 63% lower compared to a year ago (Q2: -53% YoY), and only about ~50% 2019 levels for the same period.
- Amid growth risks, we think that any PHP stability concerns would also take a backseat. Recent comments by BSP does not indicate excessive concerns on the PHP even as the currency underperformed regional peers during the recent period of USD weakness.
- To be clear, a 50bps cut would not be all that surprising. Afterall, Finance Minister and BSP Board member Recto has remarked that CPI gives BSP more room for aggressive easing, in addition to his earlier comments that he would support a 50bps cut. **BSP has also signalled a shift to dovish stance with its RRR cut in September**.

Malaysia Q3 GDP: Resilient Growth

- Following the stellar outrun in Q2 (5.9% YoY), Q3 GDP is expected to moderate to 5.2% due to high base effects, but would still represent an expansion on a QoQ basis.
- For **agriculture** (Q2: 7.2% YoY), improved crude palm oil production levels from last quarter still falls short on a year ago basis. For **construction** (Q2: 17.3%), despite output levels posting a 10.4% YoY improvement in July , high base effects is likely to come in Aug and Sep. Meanwhile, contracting mining production (-4.9% YoY) presents downside risks for **mining & quarrying** activity (Q2: 2.7% YoY).
- Despite high base effects, we see potential for **manufacturing to accelerate** (Q2: 4.7% YoY) as high-frequency indicators look promising. Industrial production grew at 7.8% YoY in Jul-Aug, against a 4.9% YoY average expansion for Q2. In addition, the acceleration of both imports and exports of electrical/electronic products in Jul-Aug point to resilient final demand driving need for imported inputs.
- In addition, services (Q2: 5.9%) could also be better supported. Consumer sentiments have been buoyant (above 50) since June, with industrial production of consumer-oriented sectors posting 4.4% YoY growth, even if levels are lower compared to Q2 levels.

Malaysia 2025 Budget: Bold?

- **The backdrop of resilient growth could see bold moves at the upcoming 2025 Budget** (18 Oct), especially as fiscal balance hints that more efforts are needed to achieve the goal of fiscal consolidation. Despite the services tax increase in Q1'24, as at **end-August YTD revenues was -1.6% lower** compared to a year ago; while **expenditures were 1.9% higher YoY** despite rolling out diesel subsidy rationalisation. This could mean potential slippages from the 4.3% target this year.
- Accordingly, the government would need **more measures to achieve a fiscal deficit target** of 3.5% by 2026 stipulated under the Medium Term Fiscal Framework.
- To bolster the government's coffers, we expect updates or at the **very least initial hints of possibility of RON95 subsidy rationalisation in 2025**, of which details remains scant but was originally scheduled to be rolled out in 2H'24. We also see a small possibility to reintroduce the GST (to replace the SST).
- Meanwhile, cost of living measures are expected to be less generous compared to Budget 2024. In particular, **STR handouts could be calibrated** taking into account inflation trending lower, and some catch-up in wages. Using manufacturing wages as a proxy, wages are about ~11% compared to 2019 levels, while the CPI basket is about ~10% higher compared to 2019 levels. Nonetheless, **we expect cash transfers and electricity rebates to the hardcore poor to continue.**
- Finally, initiatives to upskill the workforce and schemes to attract more investments could be expected.
- All in, Budget 2025 should convey the Anwar's administration continued efforts towards fiscal consolidation. With **possible tax reforms, targeted subsidies and cost of living measures, these could help pave the way of a fiscal deficit target of around 4.0% of GDP for 2025.**

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	148.68	-0.020	-0.01%	144.00	~	151.00
EUR/USD	1.0951	-0.0023	-0.21%	1.090	~	1.110
USD/SGD	1.305	0.000	0.04%	1.2900	~	1.3140
USD/THB	33.3	0.263	0.80%	33.00	~	33.80
USD/MYR	4.2835	0.0638	1.51%	4.260	~	4.330
USD/IDR	15580	95	0.61%	15,550	~	15,850
JPY/SGD	0.8777	0.001	0.06%	0.854	~	0.913
AUD/USD	0.6741	-0.005	-0.79%	0.668	~	0.685
USD/INR	84.07	0.093	0.11%	83.9	~	84.3
USD/PHP	57.211	0.926	1.65%	56.9	~	58.2

^Weekly change.

FX: Tough Fight

- As this week has shown, inflation is putting up a tough fight and one should not fight the Fed or the USD. USD continued to gain traction this week. While markets pare back Fed rate cut expectations, differentiation among G10 peers drove outcomes.
- The CAD slipped the most this week as markets raise expectations of a jumbo 50bp by the BOC.
- Similarly, the NZD dropped as the RBNZ took a 50bps cut to arrest weakening growth.
- In contrast, the JPY showed only marginal slippage as Deputy Governor Himino reaffirmed BoJ readiness to raise rates if projections hold firm.

EM-Asia: Complacency and Caution

- The stark PHP slippage this week, declining 1.7% is perhaps a warning to the BSP as markets begin to anticipate a 50bps cut next week especially amid a resurgence of UST yields and oil prices.
- The likes of MYR and THB gave up some of their stellar gains from September. The former's larger loss perhaps speaks to fiscal spillage risks heading into the Budget 2025 next week.
- The KRW held ground as the BoK undertook a hawkish cut at their meeting this week.
- While the INR appear to hold ground, a slight slippage for the USD/INR to cross the 84 remains notable given the RBI's propensity for stability and speaks to the headwinds from oil and UST yields. Furthermore, outflows from both equities and bonds weighed.
- While the CNH may have outperformed this week, high expectations of the weekend stimulus imply potential setup for disappointment next week.

Bond Yield (%)

11-Oct	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	3.966	4.4	4.073	10.6	Steepening
GER	2.243	4.6	2.262	5.4	Steepening
JPY	0.402	4.8	0.938	7.1	Steepening
SGD	2.711	17.9	2.794	6.3	Flattening
AUD	3.824	16.4	4.226	0.1	Flattening
GBP	4.180	5.2	4.213	8.5	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,780.05	0.50
Nikkei (JP)	39,605.80	2.51
EuroStoxx (EU)	4,969.40	0.29
FTSE STI (SG)	3,580.42	-0.24
JKSE (ID)	7,531.23	0.47
PSEI (PH)	7,310.32	-2.11
KLCI (MY)	1,632.90	0.18
SET (TH)	1,474.35	2.08
SENSEX (IN)	81,393.94	-0.36
ASX (AU)	8,214.51	0.79

USTs: Growth Focus?

- UST yields moved steadily higher across the week as FedSpeak and FOMC minutes drilled into markets the intent to ease gradually. Odds of a 25bps cut at November meeting has pared back from 99.8% from last Friday to 85.4% as at Thursday close.
- The UST yield curve steepened as election headlines served timely reminders on US fiscal balances while turmoil continued roiling in the Middle East.
- Notably as well, markets have appeared to be shifting more focus to jobs markets. Curiously, UST yields fell on Thursday on indications of jobs deterioration (on higher-than-expected jobless claims), and shurgged off a hotter inflation print. This could mean more accentuated two-way volatility with data on economic activity due next week.
- All in, we expect 2Y yields to trade around 3.85-4.05% range, while 10Y yields to trade in the 3.95-4.15% range.

FX Brief:

1) JPY: While BoJ officials may have aided JPY resilience this week, the setup of elevated UST yields and higher oil prices should warrant an abundance of caution for JPY bulls. That said, JPY bears wary of approaching 150 as FX Policy feedback loops remains fresh in their minds.

2) EUR: Rate cut by the ECB to cement pressures below 1.10 especially as growth woes imply absence of hawkish tones.

3) AUD: Sharp slippage this week as China stimulus disappointed and Fed expectations are recalibrated. Slippage below 67 cents remain a risk.

4) CNH: Fiscal stimulus may not be CNH boosting especially amid prospects of upsized issuances.

5) INR: Breached 84 levels late in the week following RBI's dovish hold. But expected to continue trading within a tight range on RBI-engineered INR stability.

6) SGD: MAS' likely hold and possibly a GDP outrun could see dips below 1.30 handle, but traction unlikely to be sustained absent a firmer CNH and as EUR could remain soft on ECB's cut.

7) IDR: Could retain buoyancy above 15,500 levels as FedSpeak and FOMC minutes have seen a dial back in Fed rate cut expectations. A hold by IDR could backstop declines at 15.800.

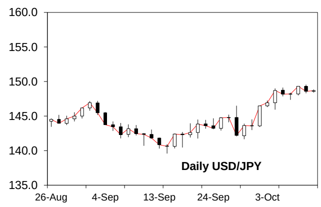
8) THB: 34 test remain a reality especially if oil prices climb higher and BoT display dovish hints in the communications.

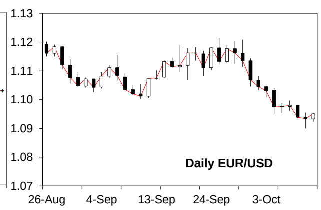
9) MYR: Underperform amid higher UST yields and need of more concrete details on China stimulus. Continued adjustments of Fed cut expectations could see further weakening but unlikely to head above 4.35 levels.

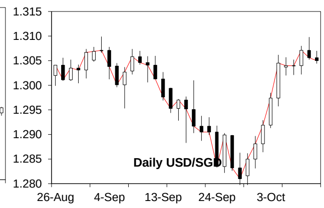
10) PHP: PHP's underperformance could plausibly indicate some positioning of a 50bps move. Accordingly, any sell-off on a 50bps cut (if realised) may be more subdued, and may backstop weakness at 58 handle.

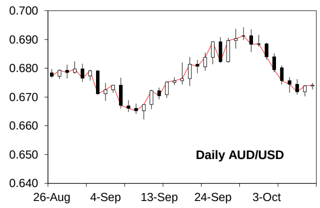
11) KRW: FTSE inclusion and BoK hold aided KRW to hold ground. Mild gains on China stimulus propsects though 1320 may elude.

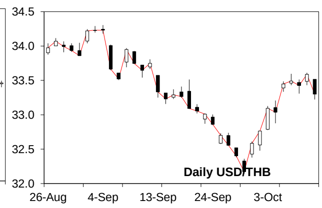
12) TWD: Middle of the pack performance persisted, weakening on broader USD strength.

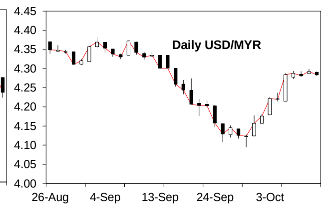


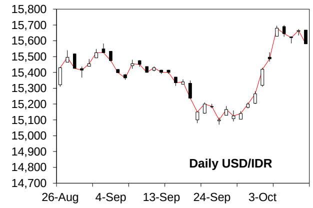


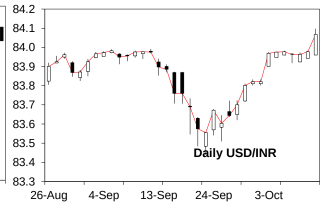


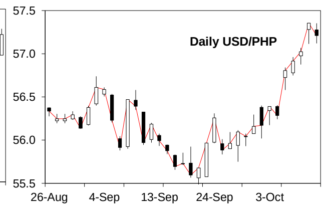


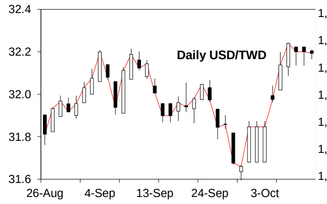


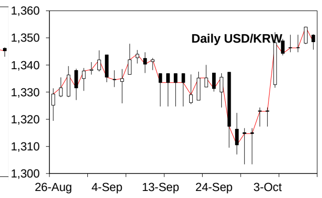


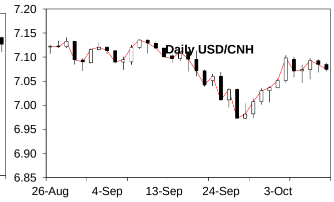












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