MIZUHO

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WEEK AHEAD

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13-Dec-2024

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Economic Calendar

•Survey results from Bloomberg, as of 13 Dec 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
16 Dec	US	Empire Manufacturing	Dec	5.8	31.2
	JP	Tertiary Industry Index MoM	Oct	-0.1%	-0.2%
	JP	Core Machine Orders YoY	Oct	0.7%	-4.8%
17 Dec	US	Retail Sales Advance/Ex Auto,Gas MoM	Nov	0.5%/0.5%	0.4%/0.1%
	US	Industrial Production MoM	Nov	0.2%	-0.3%
	EZ	Trade Balance SA	Oct	--	13.6b
	GE	IFO Business Climate/Expectations	Dec	--/--	85.7/87.2
	GE	ZEW Survey Current Situation/Expectations	Dec	--/--	-91.4/7.4
18 Dec	US	Building Permits/Housing Starts	Nov	1430k/1344k	1419k/1311k
	EZ	**CPI/Core YoY**	**Nov F**	**2.3%/2.7%**	**2.0%/2.7%**
	JP	Trade Balance	Nov	-¥689.8b	-¥462.1b
	US	**FOMC Decision (Lower/Upper Bound)**		**4.25%4.50%**	**4.50%/4.75%**
19 Dec	US	Existing Home Sales	Nov	4.01m	3.96m
	US	Initial Jobless Claims		--	242k
	US	GDP Annualized QoQ	3Q T	2.9%	2.8%
	US	Leading Index	Nov	-0.2%	-0.4%
	US	Philadelphia Fed Business Outlook	Dec	2.2	-5.5
	JP	**BOJ Target Rate**		**0.25%**	**0.25%**
20 Dec	**US**	**PCE/Core Deflator YoY**	**Nov**	**2.5%/2.9%**	**2.3%/2.8%**
	US	Personal Income/Spending	Nov	0.4%/0.5%	0.6%/0.4%
	US	Kansas City Fed Mfg Activity	Dec	--	-2.0
	EZ	Consumer Confidence	Dec P	-13.2	-13.7
	JP	**Natl CPI/Ex Fresh Food,Energy YoY**	**Nov**	**2.9%/2.4%**	**2.3%/2.3%**

Asia

Date	Country	Event	Period	Survey*	Prior
16-18 Dec	CH	FDI YTD YoY CNY	Nov	--	-29.8%
16-25 Dec	**CH**	**1-Yr Medium-Term Lending Facility Rate**		**2.00%**	**2.00%**
16 Dec	CH	Industrial Production YoY	Nov	5.3%	5.3%
	CH	Surveyed Jobless Rate	Nov	5.0%	5.0%
	CH	**Retail Sales YoY**	**Nov**	**5.0%**	**4.8%**
	CH	FAI/Property Investments YTD YoY	Nov	3.5%/--	3.4%/-10.3%
	CH	New Home Prices MoM	Nov	--	-0.5%
	ID	Exports/Imports YoY	Nov	6.1%/6.4%	10.3%/17.5%
	IN	Wholesale Prices YoY	Nov	2.1%	2.4%
	PH	Overseas Cash Remittances YoY	Oct	3.1%	3.3%
	IN	Exports/Imports YoY	Nov	--	17.2%/3.9%
17 Dec	SG	Non-oil Domestic/Electronics Exports YoY	Nov	-0.3%/--	-4.6%/2.6%
18 Dec	**ID**	**BI-Rate**		**5.75%**	**6.00%**
	MY	Exports/Imports YoY	Nov	0.3%/3.7%	1.6%/2.6%
	TH	**BoT Benchmark Interest Rate**		**2.25%**	**2.25%**
19 Dec	PH	BoP Overall	Nov	--	-$724m
	PH	**BSP Overnight Borrowing Rate**		**5.75%**	**6.00%**
	TW	**CBC Benchmark Interest Rate**		**2.00%**	**2.00%**
20 Dec	CH	1Y/5Y Prime Rate		3.10%/3.60%	3.10%/3.60%
	KR	PPI YoY	Nov	--	1.0%
	MY	**CPI YoY**	**Nov**	**2.0%**	**1.9%**
	TW	Export Orders YoY	Nov	6.8%	4.9%

Week-in-brief: Calling the Shots

- As UST yields rose this week, USD gained traction with the **DXY heading towards 107 with the CPI and PPI prints igniting worries of stalling inflation.**
- G10 peers played key roles though. the **BoJ dialling back hopes of a rate hike** next week as **they are more likely to remain patient next week due to fragile household confidence and potential demand shocks from Trump 2.0**. The CHF also plummeted on **SNB's large 50bp cut**.
- While China's CEWC **promising strong fiscal and monetary support** likely assisted the AUD, the RBA's data dependence also imply that the robust jobs gain allowed the AUD's milder slippage.
- That said, China equities had little to lean specifics in the statement to lean on and CSI 300 was sent lower this week. In India, slight weakness in the INR should not distract from **a new Governor calling the shots at the RBI** who may look to bolster growth and pivot towards a dovish policy trajectory.
- Looking ahead, the FOMC is set to embark on another 25 bp cut which will be couched in caveats and the Dot Plot may face the risk of being dampened in terms of the number of cuts. The **likelihood is that this may end up a hawkish cut.**
- In Asia, we are **making an out of consensus calls** for **Bank Indonesia to stand pat** on account of IDR woes and also for the **Bank of Thailand to ease** to complement their efforts to restructure debt and anchor macro-financial stability. Meanwhile, we expect the CBC to keep rates unchanged as inflation remains sticky while the BSP will easing on downside growth risk amid tolerance for a weaker PHP. All in, even as the Fed calls the shots, everyone wants a say.

FOMC: Of Cuts & Caveats

- Despite the stickiness in inflation data, the **FOMC remains on course to cut another 25bp**. Nonetheless, the cut will be **couched in caveats** **about** a **slower pace of conditional cuts** ahead rather than unqualified and unfettered easing. A few key points worth noting are;

1. At current levels of rates, the Fed's policy remains restrictive, even with the full suite of cuts as per the Sep 'Dot Plot'(cumulative 200bp into end-2025)
2. Inflation, while sticky, is not necessarily re-accelerating alarmingly.
3. There remains a lot of two-way uncertainty around the path of rates ahead.
4. Whilst jobs is resilient, the signals are mixed, and risks of overheating are far better contained.

On account of the first point, it is patently clear that suspending cuts in December will be premature and an overreaction. What more, in concert, this also dictates that the **direction of travel (lower) in policy rates need not be abruptly suspended**. Certainly not reversed.
- **Even if the pace of rate cuts may be justifiably slowed** whilst in-coming economic data is assessed. In fact, it is **highly likely** that the Fed will dampen the pace of cuts for 2025 (from the current guidance for 4 cuts to 3 cuts) flagged in the 'Dot Plot".
- *Essentially*, this is likely to frame the Dec FOMC move (if we are right) as **a hawkish cut**.
- Nonetheless, **scope for a surge in UST yields and the USD from the hawkish** aspect of the **cut** may be **limited** insofar that this outcome is widely expected.
- Especially if the press conference reveals a Fed that is concerned about two-way risks, including negative demand shocks, rather than being asymmetrically obsessed about "Trump-flation".

BoJ - Patience

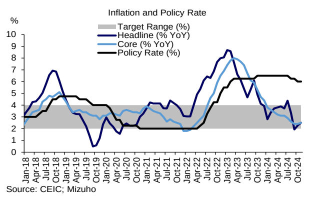
- We expect that the **BoJ will stand pat** at the December meeting. Not because it can afford to pause and assess. But rather because it cannot afford to hike prematurely (and hastily) at this juncture.
- Admittedly, inflation at the margin leans in favour of tightening. What's more, waves of JPY weakness (and volatility) suggest that higher JPY rates to backstop the JPY may not be a bad idea.
But this would be at he very least myopic, if not wholly misguided.
- Here's why. First, despite sticky inflation, household confidence (and propensity to consume) remains fragile. Crucially, rate hikes ahead of Trump 2.0 tariffs, threaten to amplify (rather than alleviate) potential demand shocks.
- The upshot is that hiking at this juncture may intensify economic pain without providing relief for the JPY (which needs other tools to contain near-term downside volatility).
- Whereas a more considered and gradual approach to tightening will help insure against excessive economic pain now and unwelcome upside JPY volatility (which may as a worst case involve Japanese equity market stress) later. Simply put the BoJ cannot afford to not be patient.

Bank of Thailand - Complement or Substitute?

- For the upcoming meeting, we are leaning towards an **out of consensus 25bp cut** to **complement their recently announced debt relief measures.**
- To be clear, we are not saying that the BoT is going against their word at their previous meeting that this will not be an easing cycle. **This is not an easing cycle and also not going away from neutral into accommodative monetary policy stance.**
- Since their surprise rate cut in October, data showed that **NPLs continued to surge across all categories in Q3 led by credit card loans**. A rate cut would serve to complement the debt restructuring which will cost the government up 0.2% of GDP.
- A 25bp cut to 2.0% will still imply that the BoT's stance remains broadly neutral and consistent with longer term potential growth. Furthermore, inflation remains well short of the BoT's range.
- While the THB may have depreciated around 1.6% since the previous meeting, their relative outperformance implies that on a trade weight basis provides some room for the **BoT to execute a macro-stability anchoring cut.**

BSP: Continued Easing

- We expect BSP to proceed with the third consecutive 25bps cut at the next meeting.
- While inflation since the last meeting on 16 Oct hasbeen edging up, the headline number remains in the bottom-half of BSP's 2-4% target band. Even as BSP flagged that balance of risks to CPI outlook has shifted to the upside on utilities and wages, this should not be misunderstood as inflation exceeding the target range, but rather that inflation in coming months could move higher *within* the target range. In fact, BSP also expressed its expectation for CPI to trend closer to the low end of target near term.

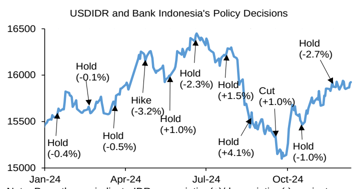


Source: CEIC; Mizuho

- Accordingly, the case for easing remains, especially amid growth risks. Q3 GDP disappointed, posting a sharp moderation to 5.2% YoY (from 6.3% in Q2) on weak exports and moderating government consumption growth. In addition, deteriorating trade balance coupled with continued bad weather poses downside risks to Philippines Q4 GDP outlook, even if household could provide some support on higher spending for the holiday season.
- Nonetheless, we think there is a tail risk for BSP to proceed with a dovish hold amid PHP pressure. BSP has confirmed FX intervention when PHP was flirting with the 59 level. But this remains a tail risk as BSP appears to be willing to tolerate PHP weakness at a higher USD/PHP level, with Governor Remolona expressing that USD/PHP may go to the 60 handle.

Bank Indonesia: Rupiah Woes Persist

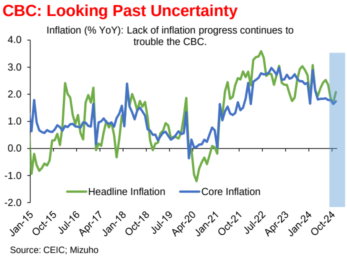
- We expect Bank Indonesia to stand pat at the next meeting as USD/IDR remains languishing above mid-15,500 (barely changed since the last meeting), and is likely too weak for BI's comfort.
- Their concerns are expressedly displayed by recent interventions in the market, which BI has characterised as "quite bold". Meanwhile, Governor Warjiyo also remarked in end-November that BI will focus on rupiah even as they look for room to cut rates. Moreover, weighted winning yields at BI auctions have been trending upwards since the last meeting, which could suggest BI's inclination toward higher yields to attract more inflows.



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

- In addition, there have been no material changes since the last meeting in October. Inflation remains stable at 1.6% in November (Oct: 1.7%), while consumer confidence edged up. So while we acknowledge that there have been signs of growth risks, with Q3 household spending contracting 0.5% on a QoQ basis and moderating retail sales growth, these risks have not risen materially to move the dial towards a cut as consumer confidence improved in November and IDR remains weak.
- In sum, rupiah stability will remain the focus at the upcoming meeting, and guide another hold.

CBC: Looking Past Uncertainty



Source: CEIC; Mizuho

- The CBC will likely keep rates unchanged at their upcoming meeting on 19 December. Since the last meeting in September, TWD has only depreciated 1.6% outperforming the majority of regional peers such as the SGD and the THB, with only the INR doing better which is an artefact of the RBI.
- While TWD does not provide a strong impetuous for a rate hold, **lack of inflation progress** imply that current stance is needed to guide inflation to target.
- Driven by strong private investment and restocking needs, **robust GDP growth** averaging 5.2% YoY for first 3 Q of 2024, significantly above 2015-19's 2.7% also implies that no immediate need for easing even though one may remain wary for tariffs implications.
- Admittedly, softer property prices seen in Taipei City for October may pave the way for easing in 2025 should the trend persist and growth weakens. Nonetheless, this is not the base case at this juncture as the labour market remains robust with the unemployment rate still near record lows.
- TWD bulls need to be watchful for cross straits tensions as reminded by frequent Chinese aircraft incursions.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	153.03	2.910	1.94%	147.00	~	155.00
EUR/USD	1.047	-0.0113	-1.07%	1.040	~	1.070
USD/SGD	1.3484	0.010	0.72%	1.3360	~	1.3560
USD/THB	34.073	0.11	0.32%	33.80	~	34.70
USD/MYR	4.4548	0.0393	0.89%	4.410	~	4.480
USD/IDR	15995	145	0.91%	15,700	~	16,200
JPY/SGD	0.8812	-0.011	-1.20%	0.862	~	0.922
AUD/USD	0.6367	-0.006	-0.96%	0.630	~	0.655
USD/INR	84.80	0.120	0.14%	84.6	~	85.1
USD/PHP	58.465	0.718	1.24%	57.5	~	59.1

^Weekly change.

FX: Triumphant USD

- The USD was triumphant as UST yields climbed, reflecting expectations of more cautious easing even as conviction of a Dec Fed cut increased.
- JPY led losses as expectations of a Dec hike by BoJ faded.
- CHF also underperformed as SNB delivered a surprise jumbo cut as it sought to head off gains in its currency.
- Meanwhile, commodity currencies NOK, AUD and CAD were better supported on Brent crude's buoyancy amid geo-political flares.
- In particular, AUD swung amid RBA's dovish hold, spillovers from Chinese authorities' suspected greater tolerance of CNH weakness, and better-than-expected jobs report.

EM-Asia: Renminbi Strength?

- Despite reports that Beijing could resort to CNY depreciation in response to, or to mitigate tariffs, CNH and CNY were better supported amid broad USD strength, underscoring that any higher tolerance for renminbi weakness (if any) would be gradual and measured.
- Afterall, CNY depreciation pressures accentuating wider China macro woes amid intensifying geo-political stress is a greater threat than any imagined relief sought from a weaker CNY*.
- PHP underperformed after last week's outperformance and ahead of BSP's meeting next week.
- KRW was little lifted as political uncertainty persists following President Yoon's martial law debacle.

Bond Yield (%)

13-Dec	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.188	8.4	4.320	16.7	Steepening
GER	2.028	3.5	2.217	11.3	Steepening
JPY	0.546	-3.0	1.026	-1.7	Steepening
SGD	2.738	3.8	2.727	5.0	Steepening
AUD	3.893	4.0	4.287	0.1	Flattening
GBP	4.249	-0.3	4.359	8.5	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	6,051.25	-0.64
Nikkei (JP)	39,470.44	0.97
EuroStoxx (EU)	4,968.59	-0.18
FTSE STI (SG)	3,818.66	0.59
JKSE (ID)	7,341.84	-0.55
PSEI (PH)	6,616.51	-1.67
KLCI (MY)	1,608.37	-0.30
SET (TH)	1,431.12	-1.44
SENSEX (IN)	81,922.30	0.26
ASX (AU)	8,295.96	-1.48

USTs: Cut Implications

- UST yields surged in a bear steepener this week as markets fret about stalling inflation.
- With the Fed looking to cut by 25bp next week, the temptation is to call for lower UST yields but given that markets have already adjusted to one cut less than the September Dot Plot, it may well be the Fed's turn to align with markets.
- Consequently, yields may not drop much for the coming week but yet the direction of travel being down imply that there is also not much room to go higher.
- We expect 2Y yields to trade in the 4.10%-4.25% range. Meanwhile, 10Y yields may trade in the 4.25-4.45% range with upside bias as Trump 2.0 approaches.

FX Brief:

1) JPY: Higher UST yields sank the JPY this week amid markets dialing back hope for a Dec rate hike by the BoJ with reports that they see little costs in delay a hike.

2) EUR: With the ECB cutting by 25bp and discussing the possibility of a 50bps cut, EUR bulls had little hope amid the broad USD strength. Next week, the base case is for consolidation around 1.04-1.05.

3) AUD: Even as the RBA remove allusions to not ruling anything in or out and had some confidence on inflation, data dependence imply that the robust jobs report and looser China policy allowed AUD to outperform with a mild slippage.

4) CNH: Even as yields slide, PBoC efforts likely kept CNH stable as CEWC pledge to keep currency at reasonable and equilibrium levels.

5) INR: Buoyancy above mid-84 levels could be sustained.

6) SGD: Could retain buoyancy above 1.34 levels amid lack of substantial boost to CNH from CEWC and a dovish ECB likely restraining EUR's gains.

7) IDR: Possible breach of 16,000 levels should Fed reveal hawkish tendencies. USD strength likely determines IDR directionality amid mixed expectations on Bank Indonesia's upcoming decision

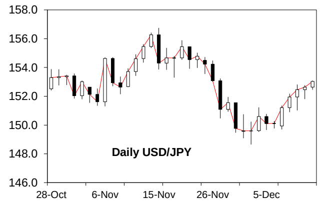
8) THB: Flat for the week as JPY tailwinds fade and restructuring relief give way to higher UST yields. BoT may ease to buoy USD/THB above 34.

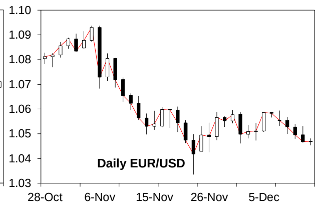
9) MYR: Weaker ringgit amid higher UST yields; Fed's SEP at FOMC would be instructive of policy trajectory and should see two-way volatility. Could see USD/MYR dipping to 4.40 or surge above 4.70.

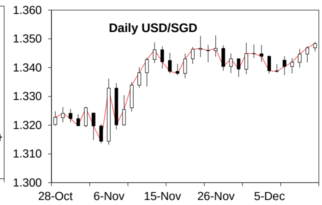
10) PHP: Another cut by BSP amid growth risks should see buoyancy above 58 levels. Even if BSP surprises with a hold, unlikely to see dips below mid-57 levels as cautious Fed should mean that USD remains supported.

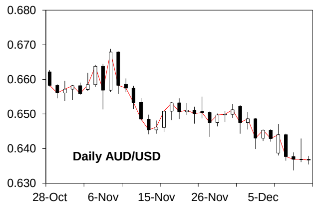
11) KRW: Staying weak as political drama plays out with authorities trying to impart relative stability.

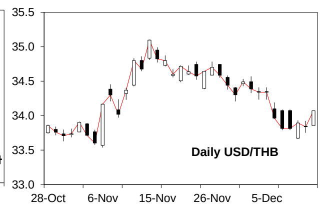
12) TWD: Strong exports growth alongside impending CBC hold aid relative mid of pack performance.

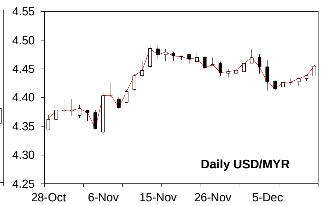


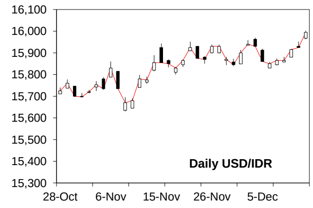


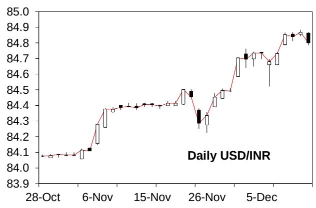


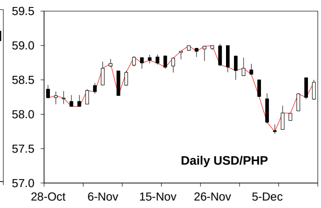


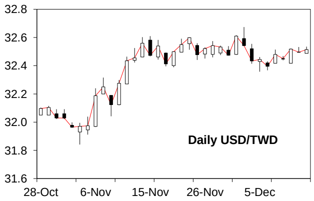


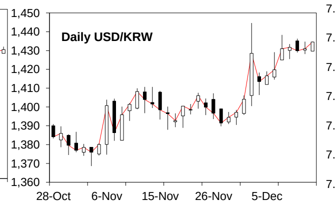


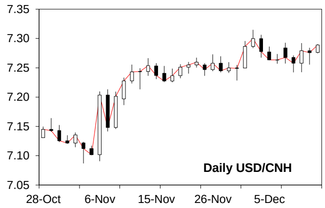












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