MIZUHO

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WEEK AHEAD

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15-Nov-2024

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Economic Calendar

•Survey results from Bloomberg, as of 15 Nov 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
18 Nov	US	New York Fed Services Business Activity	Nov	--	-2.2
	EZ	Trade Balance SA	Sep	--	11.0b
	JP	Core Machine Orders MoM	Sep	1.5%	-1.9%
19 Nov	US	Building Permits/Housing Starts	Oct	1442k/1338k	1425k/1354k
	EZ	ECB Current Account SA	Sep	--	31.5b
	EZ	**CPI/Core YoY**	**Oct F**	**--**	**2.0%/2.7%**
20 Nov	JP	Trade Balance	Oct	-¥427.1b	-¥294.1b
	JP	Machine Tool Orders YoY	Oct F	--	9.3%
21 Nov	US	Existing Home Sales	Oct	3.88m	3.84m
	US	**Initial Jobless Claims**		**--**	**217k**
	US	Philadelphia Fed Business Outlook	Nov	5.0	10.3
	US	Leading Index	Oct	-0.3%	-0.5%
	EZ	Consumer Confidence	Nov P	-12.2	-12.5
22 Nov	US	U. of Mich. Sentiment/Expectations	Nov F	72.0/--	73.0/78.5
	US	U. of Mich. 1Y/5-10Y Inflation	Nov F	--	2.6%/3.1%
		Mfg/Services PMI (US, EZ, JP)	Nov P	--	--
	US	Kansas City Fed Manf. Activity	Nov	--	-4
	JP	**Natl CPI/Ex Fresh Food, Energy YoY**	**Oct**	**2.3%/2.2%**	**2.5%/2.1%**
23 Nov	US	Kansas City Fed Services Activity	Nov	--	5

Asia

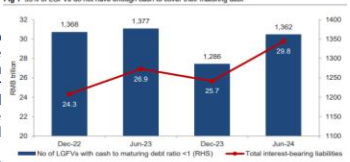
Date	Country	Event	Period	Survey*	Prior
15-18 Nov	CH	FDI YTD YoY CNY	Oct	--	-30.4%
15-25 Nov	CH	1-Yr Medium-Term Lending Facility Rate		2.00%	2.00%
18 Nov	SG	Non-oil Domestic/Electronics Exports YoY	Oct	4.0%/--	2.7%/4.0%
	TH	**GDP YoY/SA QoQ**	**3Q**	**2.5%/0.8%**	**2.3%/0.8%**
19 Nov	AU	RBA Minutes of Nov. Policy Meeting			
	MY	Exports/Imports YoY	Oct	--	-0.3%/10.9%
	PH	BoP Overall	Oct	--	$3526m
20 Nov	CH	1Y/5Y Loan Prime Rate		3.10%/3.60%	3.10%/3.60%
	ID	**BI-Rate**		**6.00%**	**6.00%**
	KR	PPI YoY	Oct	--	1.0%
	TW	BoP Current Account Balance	3Q	--	$21819m
	TW	Export Orders YoY	Oct	4.4%	4.6%
21 Nov	ID	BoP Current Account Balance	3Q	-$2600m	-$3021m
	KR	Exports/Imports 20 Days YoY	Nov	--	-2.9%/-10.1%
22 Nov	**MY**	**CPI YoY**	**Oct**	**1.8%**	**1.8%**
	TW	**Unemployment Rate**	**Oct**	**--**	**3.4%**
	SG	**GDP YoY/SA QoQ**	**3Q F**	**4.6%/2.5%**	**4.1%/2.1%**

Week-in-brief: Trump Returns and Risks

- Market action this week was littered with Trump overtones. Surging Bitcoin prices and resurgent USD trampling over G10 peers and EM-Asia FX with JPY, THB and MYR losing more than 2% against the Greenback. Soaring UST yields amid a **steeper UST yield curve** is also telling of markets **watching out for US fiscal risks** as Donald Trump fills up his administration with loyalist to implement his vision. Higher UST yields and stronger USD also decimated gold prices this week as it fell 5%. Reports of Senator Lummis pushing for a bill to sell the Fed's gold to buy BTC is not helping the precious metal. Brent crude also took a 2% hit as demand woes from China linger as stimulus announcement continue to fall short of market expectations.
- While the likes of the US equities appear to have flatlined this week, one ought to wonder how far Trump trades could go. Even as the economist in us warn about risks of taking speculative trades going too far, Keynes' **animal spirits** come to mind that human emotion can drive a lot of financial decisions especially in an uncertain Trump 2.0. Specifically, with a Republican sweep, one has all the more to fear about how far trade and fiscal policies will go.
- As for monetary policy, the stalled CPI print alongside the accelerating PPI print saw **Fed Chair Powell become increasingly cautious** saying that in this situation what it calls for is us to be careful as inflation is not at the 2% goal yet. Bets for a 25bp cut in December swung lower. While Powell may espouse reasonable grounds of not factoring in Trump policies considering that they are not implemented, the case for aggregate "Trump" policies to aid rate cuts appear weak and the **uncertainty may be keeping monetary policy static to retain reaction room**.
- Across the Atlantic, the EUR languished around mid-1.05 as the EZ ponder about the economy hit from trade war as the likes of the Bundesbank warn of a 1% of GDP hit to Germany's economy.
- Down Under, the softer employment gains was not unexpected given that job openings have been declining. This report though is not pivotal to RBA's monetary policy trajectory.
- While the RBA remains uncertain on Trump's policy, Governor Bullock was far more critical on Bitcoin saying that it is not money and has no role in the Australian economy. In Thailand, the sight of the next BoT chairman being a political appointee came at an unfortunate time for the THB especially as earlier JPY tailwinds turn headwinds which sent the THB weaker.
- Looking ahead, it is unsurprising to expect that EM-Asia central banks may not be severely constrained in their potential to ease monetary policy. Reflecting so, **Bank Indonesia is set to stand pat on 20 November as rupiah stability concerns grow.** Meanwhile, Thailand's Q3 GDP growth is likely to hold around Q2's level as economic activity remain reliant on external demand and government spending while domestic private demand remains weak amid low economic and consumer confidence.
- All in, following on from the likes of the BoK this week, Asia central banks for the upcoming week may warn of excessive FX volatility and intervene to ensure macroeconomic stability as they brace for Trump's return.

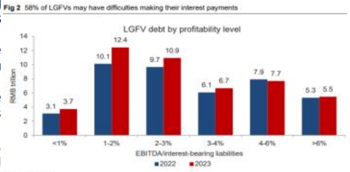
China: Interpreting the RMB10tn Debt Swap Plan

Fig 1 53% of LGFVs do not have enough cash to cover their maturing debt



Source: Wind, Mizuho

Fig 2 58% of LGFVs may have difficulties making their interest payments



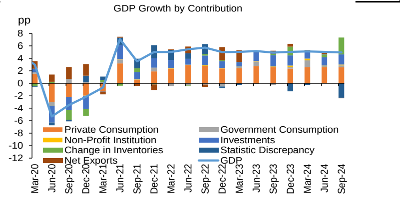
Source: Wind, Mizuho

- Last Friday, China announced a RMB10tn relief plan to following the conclusion of the NPC's Standing Committee meeting. The plan includes a RMB6tn increase (20%) in the debt ceiling for special local government bonds over the next three years (RMB2tn per year) and an additional allocation of RMB4tn in special bond issuance over the next five years (RMB0.8tn/year) to repay hidden local debt.
- Markets shrugged the package off, with equity indices reversing previous gains and 10-year CGB yields reaching a new low since late September. We attribute this disappointment mainly to three aspects:
1) While the total size of the package was RMB10tn, the incremental amount is only RMB6tn, aligning with an earlier Reuters report and delivered no surprise.
2) The fiscal stimulus lacked additional support for the property market or domestic consumption, which was widely expected.
3) No fiscal support was mentioned at the central level, despite the official promise of ample room for increasing the central government's fiscal deficit.
- Furthermore, the government acknowledged only RMB14.3tn of hidden local debt, significantly lower than market/IMF estimates. Hidden debt is primarily raised through local government financing vehicles (LGFVs). LGFV debt is estimated to vary between RMB40-65tn, with a significant proportion of LGFVs looking to have difficulties servicing their debt *(see charts above).* While this does not necessarily lead to a debt default given LGFV's close ties to local governments and relatively easy access to bank loans, the situation could drag on local fiscal conditions amid decline in land sales revenue.
- Nonetheless, the debt swap program is expected to alleviate the debt burden on local governments overall. Given that more than half of the debt swap (RMB5.6tn) will be implemented within the next 14 months, we believe the impact of this five-year plan will be front-loaded and thus more positive than market expectations. Looking ahead, we anticipate further fiscal support targeting domestic consumption in the coming months, and we believe policymakers will likely raise China's fiscal deficit notably above 3%, as they set nextyear's GDP growth target at the Government Economic Work Conference expected this Dec.

Bank Indonesia: Return of Rupiah Woes

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

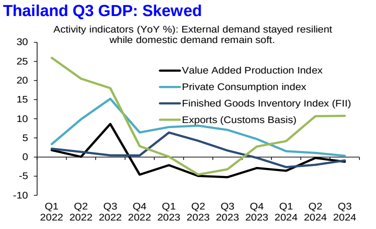
GDP Growth by Contribution



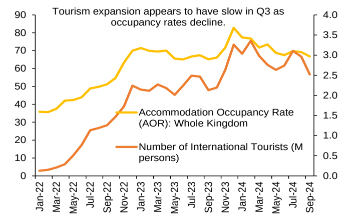
Source: CEIC; Mizuho

- **Bank Indonesia is expected to stand pat** at the upcoming meeting (20 Nov**) amid return of rupiah woes**.
- While BI has stated that it will look for room to ease, with rupiah ~2.7% weaker since the October meeting, now is certainly not the time. Notably, Bank Indonesia had already paused its easing cycle amid rupiah weakness in October.
- Bank Indonesia has also recently reiterated amid the USD surge in the lead-up to Trump's win that short-term focus remains on stability, even as it still sees room for further rate cuts on low CPI. In addition, weighted average cut-off yields at SRBI auctions have been edging higher since the October meeting, which may indicate the need for higher yields to attract continued inflows.
- Finally, Bank Indonesia has always kept a close eye on monitoring FFR and Fed moves. With money markets paring odds of a December cut and shaping up Trump's administration/policies likely to mean heightened uncertainty (and attendant FX volatility), Bank Indonesia is likely to hold.
- Meanwhile, macrofundamentals are still broadly stable. **Q3 growth moderated slightly**, but **contracting household consumption on a QoQ basis warrants closer monitoring**.
- **Inflation also looks to remain stable, although there could be some upside risks in 2025 on subsidies reforms**. In early November, Energy Minister Lahadalia said that the government is finalising a policy review that includes an option to replace its current subsidies for gasoline, diesel and other transportation fuels with cash-handouts for poor citizens. The government is also reviewing subsidies for electricity. Nonetheless, subsidies for LPG, or cooking gas, and fuel used specifically by public transport will be maintained. Should subsidy reforms take place, we expect the impact on inflation to be modest, but IDR could get some support on indications of better fiscal health to support high expenditure programs (e.g. free lunch) under Prabowo.
- All in, Bank Indonesia is expected to stand pat as rupiah woes return.

Thailand Q3 GDP: Skewed



Source: CEIC; Mizuho Bank



Source: CEIC, Mizuho

- For the upcoming Q3 GDP print, we expect growth to remain around Q2's 2.3% mark (below consensus: 2.5%) which represents a slower QoQ expansion of 0.6% on a seasonally adjusted basis.
- **Growth is likely to be driven by strong external demand** as exports (customs basis) growth remain resilient in Q3 growing 10.7% YoY. That said, the weak **value added** production growth points to the manufacturing base facing a confluence of drag from higher costs and weak domestic demand.
- Reflecting the weakness in domestic demand, private consumption index showed a slower growth of just 0.3% YoY in Q3 down from the 1.1% YoY growth in Q2. This **is in line with weaker consumer confidence in Q3.**
- Similarly, private investment index also continued falling in Q3 alongside **worsening business confidence**. The continued drawdown in inventory levels also reflects underlying caution in rebuilding stock levels. Nonetheless, government spending is expected to provide support after the enactment of the Budget Act.
- Meanwhile, the services sector growth is also likely to remain around the 2.0% mark as tourist arrivals slow with less visitors from China and Japan as well as Europe. Admittedly, some seasonal factors such as China's Golden week is at play.
- On balance, the worry for the BoT and THB may go beyond the GDP print itself given that the weak GDP print will again incite calls for easing by the administration and bring unwanted attention to central independence restrain the THB's recovery prospects.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	155.71	3.070	2.01%	154.50	~	159.00
EUR/USD	1.0554	-0.0164	-1.53%	1.045	~	1.062
USD/SGD	1.3422	0.017	1.26%	1.3380	~	1.3520
USD/THB	34.833	0.815	2.40%	34.70	~	35.30
USD/MYR	4.4722	0.0897	2.05%	4.460	~	4.520
USD/IDR	15855	185	1.18%	15,750	~	16,100
JPY/SGD	0.8619	-0.006	-0.75%	0.842	~	0.875
AUD/USD	0.6462	-0.012	-1.84%	0.638	~	0.652
USD/INR	84.41	0.030	0.04%	84.3	~	84.7
USD/PHP	58.743	0.470	0.81%	58.5	~	59.2

^Weekly change.

Bond Yield (%)

15-Nov	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.333	7.9	4.437	13.3	Steepening
GER	2.098	-7.7	2.342	-2.1	Steepening
JPY	0.541	4.9	1.058	6.9	Steepening
SGD	2.825	11.0	2.918	11.5	Steepening
AUD	4.157	9.0	4.634	0.1	Flattening
GBP	4.421	0.5	4.491	5.8	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,949.17	-0.77
Nikkei (JP)	38,642.91	-2.17
EuroStoxx (EU)	4,833.53	0.64
FTSE STI (SG)	3,743.52	0.51
JKSE (ID)	7,164.81	-1.68
PSEI (PH)	6,676.65	-4.31
KLCI (MY)	1,594.40	-1.66
SET (TH)	1,439.88	-1.69
SENSEX (IN)	77,580.31	-2.40
ASX (AU)	8,285.15	-0.12

FX: Unyielding USD Strength

- The USD strength was unyielding amid Trump gained unified control of the elected branches of government, and higher yields on FedSpeak that reiterated the prospect of slowing the pace of rate cuts.
- DXY climbed ~2.3% from around mid-104 levels to around 107 levels presently.
- G10 currencies softened by 1.7% against the greenback on average.
- JPY led losses, weakening by 2.5% against the greenback compared to a week ago, prompting comments from Finance Minister Kato that authorities would respond appropriately against excessive moves.

EM-Asia: Unspared

- EM Asia FX was unspared from broad USD strength, weakening by ~1.0% on average across the board.
- ThB led losses amid JPY spillovers as well as concerns over the outlook of Bank of Thailand's independenc. Reports surfaced that a critic of BoT's monetary policy will be appointed as BoT's chairman, and could possibly sway policy decisions through influencing committee composition despite not sitting on the monetary policy committee.
- MYR also underperformed as it appears more susceptible to moves in UST yields compared to peers, which could be a function of BNM standing pat which in turn leaves external forces a more dominant driver of MYR movements.

USTs: Not So Fast?

- UST yields surged in a steepener this week as Trump appointees amid a Republican sweep imparted fiscal worries to aid the curve steepening.
- Admittedly for the week ahead, the **direction of travel is up for UST yields** especially after Fed **Chair Powell appear to be paring back the case for a december cut**.
- For 2Y UST yields, they may attempt to approach 4.50% next week though **durablity to surpass is in doubt** especially as markets have already returned to price in only just 3 cuts till end 2025.
- For longer end 10Y UST yields, the doubt to retake 4.50% may be even larger which implies that steepening may also slow.
- That said, the catalyst for further yield surge may come from the form of reports of Trump's allies edging for infrastructure spending and corporate tax cuts. Eyes will be on the appoint of the Treasury Secretary under the Trump administration.

FX Brief:

1) JPY: Heightened two-way volatility expected as expectations of BoJ and Fed policy trajectories adjust.

2) EUR: Declines could be backstoppped at around mid-1.04 levels as ECB minutes revealed diverging opinions on disinflationary trend despite growth risks.

3) AUD: Unlifted oil prices and China woes could see dips below 64 cents.

4) CNH: Measured depreciation presures in the past week, with USD/CNH moving from around 7.14 levels to 7.25 levels. Further weakness should be at a measured pace as PBoC anchors RMB sentiment through its CNY fixings.

5) INR: Should still remain in a tight range amid RBI-engineered stability but could test mid-84.

6) SGD: Breached the 1.34 levels amid weaker EUR and CNH. Could possibly test 1.35 levels as support for EUR and CNH remains weak.

7) IDR: A hold by Bank Indonesia is unlikely to turn the tide of a weakening rupiah amid broad USD strength, but could temper USD/IDR climb towards 16,000 levels.

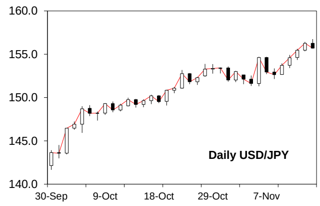
8) THB: Heightened risk premium associated with monetary policy trajectory, alongside spillovers from a weak JPY could see ascendancy towards mid-35 levels.

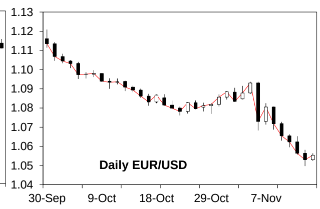
9) MYR: Could see durability over 4.50 levels should ascendancy of UST yields continue.

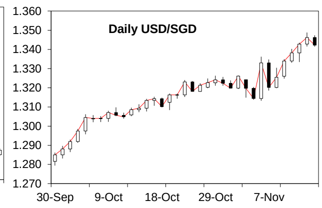
10) PHP: May continue trading below 59 handle as rather managed depreciation pressures in recent trading sessions hint at possible intervention.

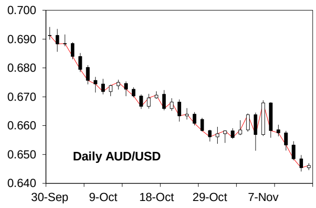
11) KRW: Weakness retained despite comments from Finance Minister Choi that actions would be taken to stabilise FX/financial market if needed. Buoyancy above 1400 will likely be retained.

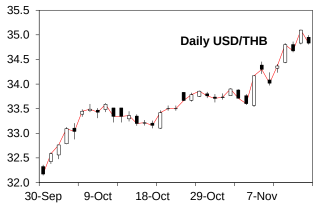
12) TWD: Equity outflows could continue as markets continue to contemplate impact of Trump's presidency on the chips industry. May see traction above mid-32 levels.

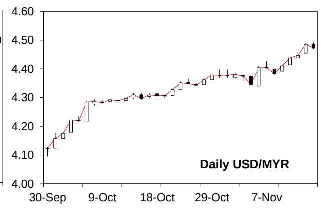


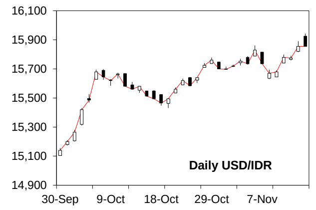


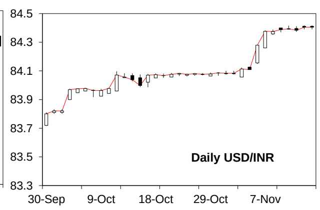


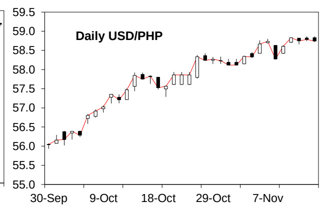


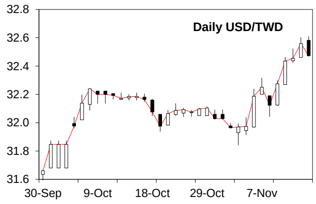


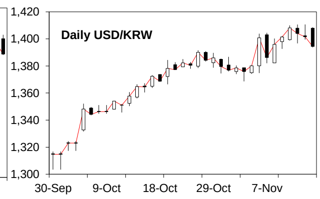


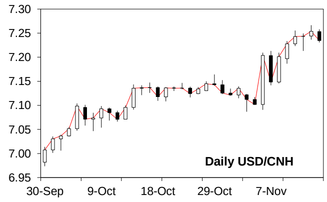












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