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WEEK AHEAD

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16-Aug-2024

Economic Calendar

•Survey results from Bloomberg, as of 16 Aug 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
19 Aug	**US**	**Leading Index**	**Jul**	**-0.3%**	**-0.2%**
	JP	Core Machine Orders YoY	Jun	1.1%	10.8%
20 Aug	US	Philadelphia Fed Non-Manufacturing Activity	Aug	--	-19.1
	EZ	**CPI/Core YoY**	**Jul F**	**2.6%/2.9%**	**2.5%/2.9%**
21 Aug	JP	Trade Balance	Jul	-¥273.4b	¥224.0b
	US	FOMC Meeting Minutes			
22 Aug	US	Initial Jobless Claims		--	227k
	US	PMI Mfg/Services (US, EZ, JP)	Aug P		
	US	**Chicago Fed Nat Activity Index**	**Jul**	**--**	**5.0%**
	US	**Kansas City Fed Mfg. Activity**	**Aug**	**--**	**-13**
	EZ	ECB Account of July Rate Decision			
	EZ	Consumer Confidence	Aug P	--	-13.0
22-24 Aug		Jackson Hole Economic Symposium			
23 Aug	US	New Home Sales	Jul	631k	617k
	US	Kansas City Fed Services Activity	Aug	--	-4
	JP	**Natl CPI/Ex Fresh Food, Energy YoY**	**Jul**	**2.7%/1.9%**	**2.8%/2.2%**

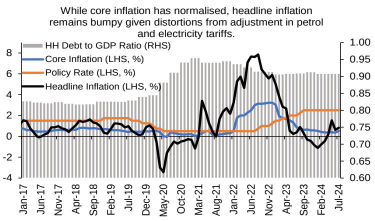
Asia

Date	Country	Event	Period	Survey*	Prior
19 Aug	MY	Exports/Imports YoY	Jul	10.3%/15.3%	1.7%/17.8%
	TH	**GDP YoY/SA QoQ**	**2Q**	**2.1%/0.9%**	**1.5%/1.1%**
	PH	BoP Overall	Jul	--	-$155m
20 Aug	**CH**	**1Y/5Y Loan Prime Rate**		**3.35%/3.85%**	**3.35%/3.85%**
	AU	RBA Minutes of Aug. Policy Meeting			
	TW	BoP Current Account Balance	2Q	--	$29111m
21 Aug	**ID**	**BI-Rate**		**6.25%**	**6.25%**
	KR	PPI YoY	Jul	--	2.5%
	TH	**BoT Benchmark Interest Rate**		**2.50%**	**2.50%**
22 Aug	ID	BoP Current Account Balance	2Q	-$2408m	-$2161m
	KR	**BOK Base Rate**		**3.50%**	**3.50%**
	MY	**CPI YoY**	**Jul**	**2.1%**	**2.0%**
	TW	Unemployment Rate	Jul	3.3%	3.3%
23 Aug	**SG**	**CPI/Core YoY**	**Jul**	**2.7%/2.9%**	**2.4%/2.9%**
	TW	Industrial Production YoY	Jul	13.2%	13.2%

Week-in-brief: Growth Spotlight

- Growth considerations arguably took the spotlight the past week, as US retail sales outperformance and lower initial jobless claims erased the declines in yields on the PPI downside surprise. Looking ahead, volatility may ebb at the margin barring sharp surprises from second tier activity data.
- Thus far, Fed officials' views on growth outlook have been a mixed bag and **markets will look to Jackson Hole (22-24 Aug) where Fed Chair Powell will get to give his take on recent data**.
- Meanwhile, **RBNZ's 25bp cut this week was motivated by growth concerns.** Forecasts showed growth contraction in Q2, Q3 2024 while inflation was broadly on track towards target. Nonetheless, RBNZ noted that policy will need to remain restrictive, with pace of further easing conditional on inflation.
- Over in EM Asia, **BSP also cut its benchmark interest rate** by 25bps, while noting that the economy would operate at negative output gap in the near term and expressing confidence in continued dis-inflationary path. BSP highlighted more easing forthcoming (25bps cut in Oct/Dec), but the possibility of two 25bps cuts in Q4 may be more material than BSP has signalled, insofar as moderating inflation in coming months should afford room for more easing in real rate terms, and this is barring any domestic growth deterioration. Next week, Thailand Q2 GDP growth should pick up, albeit still remaining below-trend. Hospitality-sectors should aid services growth while industrial production continue to be weighed down by declines in motor vehicle production. Notwithstanding this, **growth on a moderate recovery path gives reason for BoT to hold rates**, while headline inflation likely to creep up into the target range as effects of higher diesel price cap feed through.
- Furthermore, a BoT hold will be an anchor of stability amid heightened political and policy uncertainty with the change of PM. On the same day, **BI is expected to hold amid stable growth, moderating food inflation. Despite stronger IDR since the last meeting**, any easing by BI is unlikely to commence before the Fed as FX volatility risks remains. Finally, **BoK should hold as KRW volatility risks remains, alongside rising house prices in Seoul and continued increase in mortgage debt**; but **BoK could flag scope of easing** given that underlying dis-inflation is broadening within the CPI basket even as core inflation remains sticky.
- All in, with dis-inflationary trajectory largely on track, markets would be increasingly attuned to downside risks to growth on policy normalisation hopes.

BOT: Positions and Paths

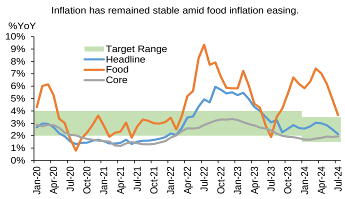


Source: CEIC: Mizuho

- We expect the BoT to keep rates on hold at their upcoming meeting (21 August).
- Core inflation has returned to pre-covid rates and headline inflation for June at 0.8% is still below the BoT's target range of 1-3%.
- The **state of inflation is no real reason for immediate easing** given that **headline inflation is likely to creep up into the target range** as effects of higher diesel price cap continue to bite.
- More importantly, it is worth recapping that the BoT views the current policy rate as "consistent with improving growth and inflation outlook, while **fostering macro-financial stability in the longer term**".
- While growth may indeed be below trend, it remains on a moderate recovery path. With the government's **digital wallet plans in Q4** imparting both growth impulse and fiscal risks in an unfavourable risk-reward ratio, **it adds to the case for the BoT to keep to the current rates.**
- Specifically, **household debt ratio is at a significantly elevated position** above 90% of GDP relative to the 83% pre-Covid (2016-18 average) ratio and the BoT has embarked on credit initiatives to **deleverage** and therefore would not want unnecessary monetary easing to complicate the process.
- As for FX, THB gains on weaker UST yields and positive JPY spillovers in recent weeks **provide room but not cause to ease.** We keep our call for a continued rate hold for the rest of 2024 and expect **improving underlying THB fundamentals on tourism flows to be subjected to bumpy gyrations from fiscal worries.**

BI: Comfortable Hold

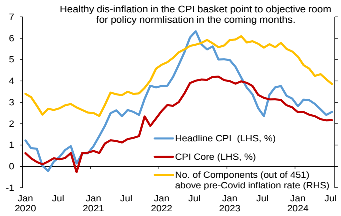
- It should be a comfortable hold by BI at the upcoming meeting on 21 August.
- Macrofundamentals have been broadly stable. GDP moderated slightly to 5.0% YoY in Q2 (Q1: 5.1%) while private consumption held up and exports registered a 6.8% YoY growth. Meanwhile, inflation has been stable with food inflation moderating since May. In addition, the worst for IDR may have been over with Fed cuts imminent, and BoJ hinting at a pause to further hikes. The IDR has appreciated ~2.6% since the last meeting, while SRBI auctions indicated healthy demand with weighted cut-off yields trending down since the last meeting while bid amounts remain supported.



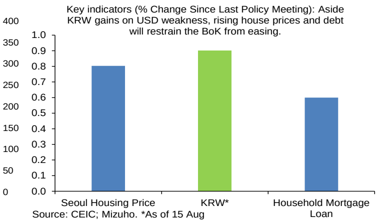
Source: CEIC; Mizuho

- While IDR strength coupled with stable fundamentals may make a case for policy normalisation, we think it is unlikely at this juncture. Point being, BI's references to its view on Fed have eased expectations that BI is unlikely to frontrun the Fed. Specifically, BI signalled that scope of easing would be dependent on FFR, UST yields and USD strength, while being much more conservative in its Fed cut expectations (at July meeting, BI only say a higher chance of cut in Nov, vs markets' expectation of 1 cut in Sep). Accordingly, it is unlikely that BI would risk an IDR sell-off on a surprise cut. In addition, that IDR"s recent gains is arguably on the back of some return to carry trades may mean that the IDR is not yet out of the woods. Reason being, Fed pivots on demand shocks risks inciting "risk-off", which could be accentuated by JPY carry unwind. Accordingly, BI is likely to play the cautious game for now.

BoK: Necessary But Not Sufficient



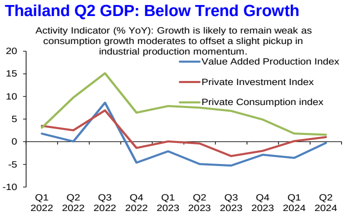
Source: CEIC, Mizuho



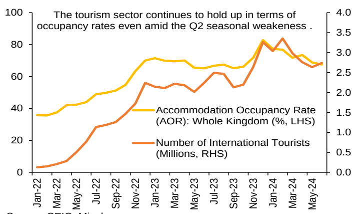
Source: CEIC; Mizuho. *As of 15 Aug

- At their upcoming meeting, we expect **the Bank of Korea to stand pat but also signal the possibility of easing in the months ahead.**
- It is important to recall that at their previous meeting, the BoK introduced three conditions which backed their case for a rate hold. These are: **1. FX volatility 2. increasing trend of housing prices and 3. implications of rising household debt on financial stability.**
- First, while KRW has managed to eked out small gains against USD, it remains hard to argue that volatility has gone down satisfactorily given heightened uncertainty from the carry trade unwinding.
- Second, weekly indicators show that **housing prices in the Seoul area continued rising** since the previous meeting and as such, fear of fueling escalating property prices will restrain the BoK for now.
- Third, **household mortgage debt increased at a similarly elevated pace in July compared to June** and also keeps the BoK on hold given their intent for continued deleveraging to improve financial stability.
- Nonetheless, our view remains that the **BoK is on course for calibrated easing in Q4** given that there is underlying dis-inflation broadening within the CPI basket even though core inflation remain sticky in July. On top of higher fruit and vegetable prices due to poor weather, headline inflation had a upward spike on rising petrol prices due to pricier oil imports as well as domestic adjustments of smaller fuel tax cuts. Bumpy headline dis-inflation is par for the course ahead.
- All in, the KRW gains and dis-inflation progress are necessary for BoK to normalise monetary policy but they are not sufficient given the domestic concerns of housing prices and debt.

Thailand Q2 GDP: Below Trend Growth



Source: CEIC; Mizuho



Source: CEIC, Mizuho

- We expect **Thailand's Q2 GDP to pick up from Q1's 1.5% to reach about 2.4% YoY in Q2** in part due to low base effects. Nonetheless, sequential QoQ growth momentum is expected to be sustained.
- The **contraction in industrial production has continued to moderate** aided by uptick in production in sectors such as food products as well as electrical and machinery equipment and Computer, Electronic & Optical Products.
- That said, **the decline in motor vehicle production** remains notable amid weak export demand, competition from China's automobile industry as well as subdued local sales. **Auto loan standards were tightened amid the BoT's efforts to encourage responsible lending** which better assess borrowers' ability to repay loans taking into account all obligations. This is also reflected by softer private consumption index with continued contraction in spending on durables on a YoY basis.
- Nonetheless, we expect **the services sector to** hold up as growth of expenditure on services hovers above 6% YoY. While the tourist arrivals have mellowed in Q2 as the peak travel season fades, hotels have managed to **retain elevated occupancy rates (69.9%) relative to pre-covid levels (68.1%) and room rates have also continued to rise to signal pricing power.**
- On balance, **this growth print remains a weak one** as it remains below their pre-pandemic trend of around 3% from 2013-19 and on-going much needed debt deleveraging efforts imply that the underperforming growth situation may persist.

Thailand Update: Political or Policy Change?

- In Thailand, this week, the constitutional court **disqualified PM Strettha** in a court case on Wednesday for ethical violation and Pheu Thai Party leader **Paetongtarn Shinawatra was elected by parliament on Friday to be Thailand's 31st Prime Minister.**
- While the digital wallet may be a key Pheu Thai initiative that appears on course to continue, it remains to be seen if she will **plug the plug on the flagship project** amid speculation that **Thaksin disapproves of the plan amid widespread disagreement with various institutions such as the BoT.** Nonetheless, given the resources put in thus far and the late stage progress with signing up of recipients for the transfer had already commenced in August, **sunk cost fallacy instincts and political pressures to proceed implies that the decision is not an easy one.**
- Furthermore, given the impending cabinet appointments, this may not be as business as usual as it looks.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	148.97	3.170	2.17%	142.00	~	151.00
EUR/USD	1.0986	0.0043	0.39%	1.078	~	1.097
USD/SGD	1.32	-0.004	-0.27%	1.3110	~	1.3320
USD/THB	35.055	-0.275	-0.78%	34.90	~	35.60
USD/MYR	4.437	-0.0343	-0.77%	4.390	~	4.500
USD/IDR	15690	-205	-1.29%	15,300	~	16,000
JPY/SGD	0.8861	-0.022	-2.40%	0.923	~	0.882
AUD/USD	0.6633	0.008	1.22%	0.657	~	0.670
USD/INR	83.96	0.005	0.01%	83.6	~	84.2
USD/PHP	57.243	-0.090	-0.16%	56.6	~	57.5

^Weekly change.

FX: Not the Only Exception

- While the rage this week has been about **receding US recession risks** amid ongoing dis-inflation, a look at the **USD's performance among G10 peers tell us that they are far from being the only exception.**
- Specifically, UK GDP growth hasseen the **GBP outperformed** this week alongside the **AUD buoyed by strong job gains as RBA Governor Bullock pushed back on rate cuts.**
- Amid buoyed risk sentiments, the CHF slippped and the USD/JPY rose as carry trade returned alongside BoJ Governore Ueda being called to parliament being seen as a signal of caution on further hikes.

EM-Asia: Uneasy Easing?

- First, the return of **carry trades has seen the IDR** outperform this week ahead of Jokowi's last budget and the upcoming Bank Indonesia decision which will likely see them stand pat. That said, long IDR trades may increasingly feel uneasy with the uncertainty over Prabowo's new administration in August and the looming prospects of BI easing in Q4.
- THB gains were more restrained amid political change as Paetongtarn was elected as PM after mid-week dismsal of PM Strettha in a court ruling over an ethical violation.
- A BoT hold for next week will enable retention of some recent gains though further rallies may be constrained until more fiscal policy certainty is revealed.
- **PHP underperformed** being on the backfoot as the BSP opted to cut rates by 25bps in a calibrated easing move with more installed for Q4.
- After spectacular gains in recent weeks, MYR ceded some ground this week rather than a sign of changing underlying fundamentals.

Bond Yield (%)

16-Aug	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.085	3.2	3.905	-3.5	Flattening
GER	2.447	7.5	2.252	3.0	Flattening
JPY	0.342	6.8	0.863	2.8	Flattening
SGD	2.719	1.0	2.797	-3.8	Flattening
AUD	3.685	-8.9	3.926	0.1	Steepening
GBP	3.635	2.8	3.912	-3.0	Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	5,543.22	3.72
Nikkei (JP)	38,062.67	8.67
EuroStoxx (EU)	4,828.29	3.27
FTSE STI (SG)	3,352.15	2.77
JKSE (ID)	7,435.49	2.46
PSEI (PH)	6,847.37	3.00
KLCI (MY)	1,620.71	1.55
SET (TH)	1,300.14	0.24
SENSEX (IN)	80,064.64	0.45
ASX (AU)	7,971.05	2.49

USTs: Growth Focus Ahead

- The UST yield curve flattened.
- Notably, yields across the curve were pushed higher following retail sales outperformance and lower initial jobless, erasing declines from the softer PPI.
- CPI saw a more subdued reaction (compared to PPI) especially as underlying supercore services rose on a MoM basis.
- With attention turning towards growth and a slew of US economic activity data due, more two-way volatility could be expected in the coming week.
- Nonetheless, action could be reserved towards the second half of the week as front end yields look to Jackson Hole for Chair Powell's inclinations.
- Meanwhile, escalating geopolitical tensions presents further downside risks to yields. That said, wider Middle East conflict could aggitate oil bulls.
- All in, we expect 2Y yields to trade around 3.90-4.25% while 10Y yields to trade around 3.75-4.05%.

FX Brief:

1) JPY: Surging UST yields sent USDJPY soaring. Governor Ueda's parliament session will be closely watched.

2) EUR: US exceptionalism continues to provide stark contrast across the Atlantic. That said, ECB caution on cuts may allow backstop of slippages below 1.09.

3) AUD: As expected, a strong jobs report saw buoyancy above 66 cents as RBA Governor push back on rate cuts. Notably, with the current policy rates being characterised as "peak", AUD bulls will require slippage of UST yields for next leg of rally. Nonetheless, allure relative to AxJ low yielding AxJ peers retained.

4) CNH: Dismal economic data prolongs CNH weakness as more PBoC easing expected.

5) INR: Absence of any gains could suggest growth concerns, especially with industrial production disappointing and exports contracting. Could plausibly test 94 handle.

6) SGD: Risks tilted to a softer SGD on paring back of overextended Fed cut bets; especially as growth come into focus and with a slew of economic activity data due next week.

7) IDR: Possible dovish leanings by BI with Fed cuts imminent presents overall USD/IDR upside risks, even as target fiscal deficit at lower bound at previous range could provide some support to IDR;

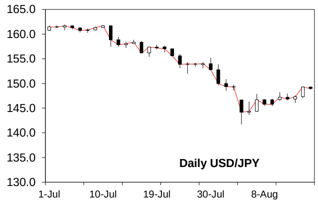
8) THB: THB to consolidate recent gains at around 35.0-35.5 amid BoT hold.

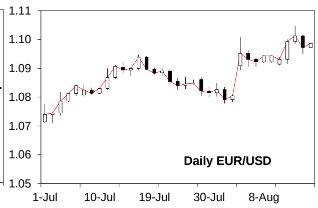
9) MYR: Looks to be consolidating around 4.45 levels. Breakout below 4.40 handle may be difficult amid mixed views on Fed Sep cut and without any strong CNH support.

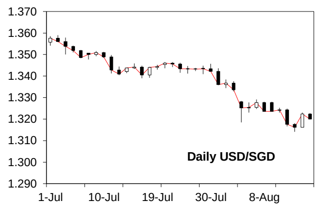
10) PHP: Unable to sustain durability below 57 handle following BSP's cuts. Nonetheless, relative real rate differentials could still support some return in carry trades

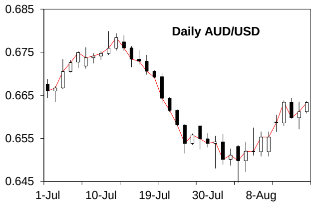
11) KRW: Return of foreign inflows to equities and bonds aided KRW recovery this week alongside lower unemployment to back continued BoK hold for the upcoming week.

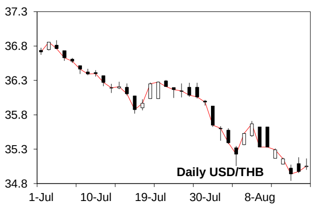
12) TWD: Improving tech related sentiment buoyed the TWD.

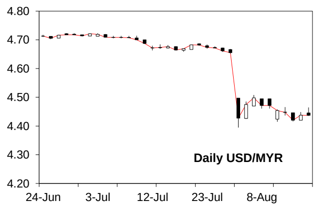


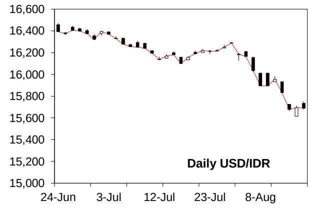


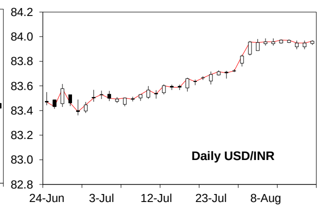


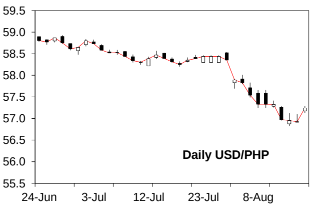


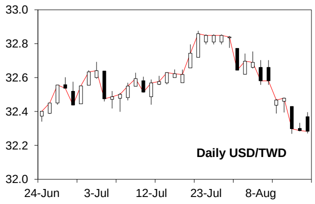


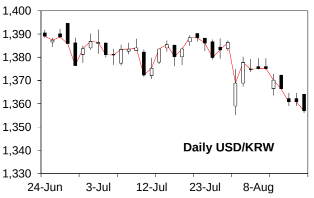


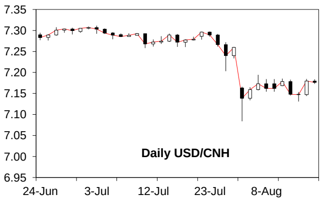












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