

Economic Calendar
G3

Date	Country	Event	Period	Survey*	Prior
24 Dec	US	New Home Sales	Nov	665k	610k
	US	Durable Goods Orders/Nonfed Ex Air	Nov P	-0.3%/0.1%	0.3%/-0.2%
27 Dec	JP	Jobless Rate/Job-To-Applicant Ratio	Nov	2.5%/1.3	2.5%/1.3
	JP	Industrial Production YoY	Nov P	-3.5%	1.4%
03 Jan	US	ISM Manufacturing/Prices Paid	Dec	48.5/--	48.4/50.3
07 Jan	US	JOLTS Job Openings	Nov	--	7744k
	US	ISM Services Index/Prices Paid	Dec	53.5/--	58.2/52.1
	EZ	Unemployment Rate	Nov	--	6.3%
	EZ	CPI Estimate/Core YoY	Dec P	--	2.3%/2.7%
08 Jan	US	ADP Employment Change	Dec	--	146k
	US	FOMC Meeting Minutes			
09 Jan	JP	Labor/Real Cash Earnings YoY	Nov	--	2.6%/0.0%
10 Jan	US	Change in Nonfarm Payrolls	Dec	--	227k
	US	Unemployment Rate	Dec	--	4.2%

Dear Friends, Valued Clients & Colleagues,
2024 has been an eventful year with political upheavals and significant policy shifts. And 2025 has the making of an equally dynamic year. As the year draws to a close, we want to take this opportunity to wish you and your loved ones all the best for the New Year and thank you for your support and readership. This will be the last "Macro Week Ahead" publication for the year.
We will resume on 10th January.

Week-in-brief: (Not) The Last Act

- While the year draws to a close, a flurry of central bank policy decisions in the past week left some sort of a cliff-hanger as we head into the new year. In other words, this is at most an intermission, and definitely not the last act.

- Unsurprisingly, the Fed stole the show, shocking markets (as evidenced by the jump in USD and UST yields) as it **turned hawkish on the delta**. Longer-end UST yield curve was also pulled higher on expectations of higher US debt. The US government risks a shutdown amid a bill impasse as Trump fights for the removal of debt ceiling to pass a stopgap funding measure. How the Fed navigates uncertainty from Trump 2.0 is set to play out next year.

- **BOJ** also had its fair share as it **urged for patience**, setting out a preference for more wage data (namely, spring wage negotiations) before deciding on next steps. Governor Ueda remarked that certain degree of information was expected on wages by next meeting, while the big picture of wage trend would likely be clear in March or April.

- In FX, actions were dictated by the second derivative of monetary policy, i.e. shifts in the rate of change of ongoing global rate cut, given that the direction of travel for policy is expected to be down (except BoJ). The GBP weakened on **BOE's** dovish hold as policymakers voted 6-3 to hold policy rates at 4.75%, but signalled more easing to come. **Norges Bank** held its benchmark rate at 4.5%, but signalled a probable cut in March. **Riksbank** cut rates but signalled that its easing campaign is likely near its end. Remarks by officials suggested one more cut in first half next year if outlook remained unchanged.

- In Asia, **Bank of Thailand** held on to a dovish hold, as it monitors the effects of debt restructuring efforts. **Bank Indonesia** held rates amid rupiah woes, and said it would guard the rupiah "boldly". **BSP** retained its easing bias but said that 100bps rate cuts in 2025 was too much, which could suggest more measured pace of easing. **CBC** kept rates unchanged but expressed that recent housing curbs had some effect, which could possibly pave the way for some easing.

- All said, what is clear is perhaps that it is not the end to a volatility amid diverging policy trajectories, uncertainties surrounding Trump 2.0 in addition to geopolitical tensions. So, buckle up!

China: Pushing on a String Risks

"It takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!" – **Red Queen, Through the Looking Glass**

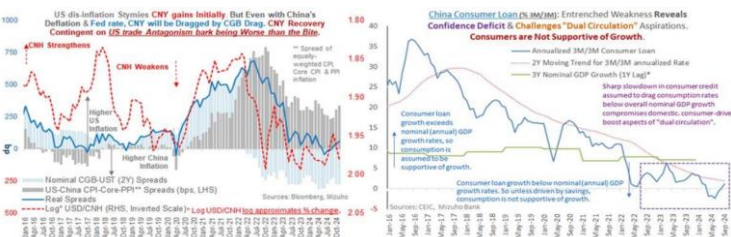
- With no convincing signs of a ground-up pick-up in consumption and confidence, **Beijing is confronted by the risk of "too little, too late" stimulus**. In fact, excitement about the CEWC's allusion to "moderately loose" monetary policy – exceptional easing stance by Beijing's standards – may prove premature, possibly misguided. Especially given that on **most broader measures** (loans growth to aggregate financing) **credit growth was a significant shortfall, indicative of both demand and supply restraints**. To be sure, **China's loans growth** was not all that grim, with **some signs of a buoyancy in "shadow banking"**. Nonetheless, the underlying growth in **consumer credit is languishing too far below** what may be considered sufficient to sustain broad-based growth at 4-5%.

- Another worry is that "policy lags" argument to **console disappointment and counsel patience** (on pipeline stimulus) elsewhere not only **loses potency** for China but may inadvertently prolong and deepen economic pain.

- For one, and most importantly, **China's system of credit guidance/quasi-quota ought to shorten policy lags** considerably. And so, **misguided "patience"** (based on experience elsewhere) may turn out to be **miscalculated delays that unnecessarily amplify pain and further hobble the desired recovery**. Moreover, bias for credit to be directed to SOEs (state-owned enterprises) may in aggregate mask distributional unevenness that could suppress growth multipliers. In addition, this may be further exacerbated by unhealthy low net interest margins that dis-incentivize banks from lending.

- The upshot is that **PBOC must seriously confront the risk that it is currently "pushing on a string"**, with policy efficacy impaired. And so, the **PBOCs risks being lulled into misleading comfort about sufficiency of on policy stimulus**. Whereas historical gauges of policy response may be flawed.

- **Down the line**, this could translate into significant pressures on **Chinese bond yields as deflation risks mock futile efforts to reflate the economy**. And it may take ever more effort to support CGB yields and the CNY when pushing on a string.



Asia

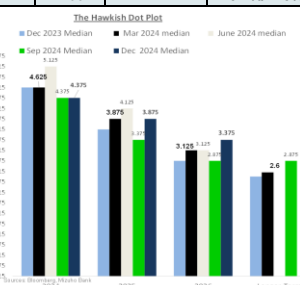
Date	Country	Event	Period	Survey*	Prior
20-25 Dec	CH	1-Yr Medium-Term Lending Facility Rate		2.0%	2.0%
23 Dec	SG	CPI/Core YoY	Nov	1.8%/2.1%	1.4%/2.1%
	TW	Industrial Production YoY	Nov	9.3%	8.9%
	TW	Unemployment Rate	Nov	3.4%	3.4%
24 Dec	AU	RBA Minutes of Dec. Policy Meeting			
26 Dec	SG	Industrial Production YoY	Nov	9.8%	1.2%
30 Dec	KR	Industrial Production YoY	Nov	0.5%	6.3%
31 Dec	CH	Mfg/Non-Mfg PMI	Dec	50.2/50.2	50.3/50.0
	KR	CPI/Ex Food, Energy YoY	Dec	1.7%/1.9%	1.5%/1.9%
02-03 Jan	ID	CPI/Core YoY	Dec	1.4%/--	1.6%/2.3%
03-06 Jan	PH	CPI YoY 2018=100	Dec	--	2.5%
06 Jan	CH	Caixin China PMI Services	Dec	--	5150.0%
	TH	CPI/Core YoY	Dec	1.5%/0.8%	1.0%/0.8%
	VN	GDP/CPI YoY	4Q/Dec	6.9%/3.2%	7.4%/2.8%
07 Jan	TW	CPI/Core YoY	Dec	2.1%/--	2.1%/1.7%
08 Jan	AU	CPI/Trimmed Mean YoY	Nov	2.2%/--	2.1%/3.5%
10 Jan	IN	Industrial Production YoY	Nov	--	3.5%
	MY	Industrial Production YoY	Nov	--	2.1%
09-12 Jan	CH	CPI/PPi YoY	Dec	--	0.2%/-2.5%

Fed: The Problem with Partial Assumptions

- Insofar that the Fed's hawkish pivot accompanying (and essentially overwhelming!) the 25bp cut only partially incorporates Trump 2.0 risks, it may be problematic.

- Point being, halving of 2025 'Dot Plot' rate reduction to 50bp was presumably premised on hawkish economic upgrades; comprising inflation projections bumped up and unemployment nudged lower.

- At face value, the proportionate 50bp inflation-jobs (PCE up 40bp and unemployment down 10bp) hawkish upgrade appears to square with the hawkish 50bp 'Dot Plot' shift. But the trouble is, the assumptions of "Trump-flation" risk are at best incomplete. At worst, outright biased. To be sure, it is revealed that uncertainty around inflation forecasts have increased materially. Nonetheless, despite the uncertainty, the emphasis appears to be on the upside bias in Trump 2.0 for inflation.



- Specifically, less uncertain (and coincidentally **reflationary**) outcomes such as **tax cuts** and **deregulation** are ostensibly being incorporated by some. In contrast, more uncertain outcomes related to trade tariffs (and consequent retaliation), with **distinctly adverse economic effects**, are omitted from economic forecasts. It is understandable to preclude the complexities of uncertainty. But it is **mistake to confuse the uncertain for the improbable**.

- The precise outcomes from trade antagonism may be highly uncertain. But there are significant probabilities of global trade friction, to the detriment of US (onshore) demand (after higher import prices are borne*). Moreover, **dis-inflation from money-multiplier suppression** resulting from **Bessent's fiscal deficit reduction plans** alongside **cost slashing ambitions of minted DOGE** also appear to be out of the Fed's calculus.

- So, what's potentially problematic is that **Trump 2.0** appears to be **framed with the bias reflation** whilst **under-accounting for adverse demand risks** as well as **unfamiliar dis-inflation dynamics**. In turn, this suggests that the Fed's hawkish flex may be inadvertently overdone. The **resultant curve ball** for markets from this may be **UST yields unexpectedly turning sharply lower** heading into 2025.

- "Knightian uncertainty" (derived from Frank Knight's characterization of uncertainty) refers to the inability to predict (ascribe probabilities to outcomes), hence quantify due to unknowns that cannot be modelled. But these are not necessarily proportionately improbable.

Post-EM Asia Central Banks: Tortured Doves?

- In contrast to Fed the passive hawk, EM Asia central banks appear more like tortured doves faced with tough choices on spillovers from the US, while domestic risks are not giving a leg-up.

- Bank Indonesia is perhaps the prime example, holding rates on rupiah stability concerns even as it continued to look for room to ease. IDR weakness has arguably forced BI's hand to intervene in the FX markets. Already, prior FOMC it had characterised its interventions as "quite bold", and as IDR extended losses post-FOMC, BI said it will guard the rupiah "boldly". The next easing appears distant for BI insofar as USD strength holds up, especially as Fed's hawkish pivot likely caught BI by surprise. BI had expected before FOMC that FFR cuts may be pushed back to March and June. We now expect the next BI cut to be in Q2'25, with material risks of further delay into Q3'25.

- Meanwhile, even as BSP cut by 25bps and retained its easing bias, signs of stress are showing, with BSP commenting that it was concerned about pass-through from weak PHP. While BSP said it would continue easing barring any data surprises, BSP noted that 100bps cumulative cuts in 2025 may be a bit too much, suggesting that it was looking towards a more measured pace of easing.

- **CBC kept rates unchanged** and highlighted that US tariff impact had not been accounted for and will be the main uncertainty in 2025. While expressing that recent housing curbs were yielding some effect, we are of the view that CBC will be cautious in easing and would wait until Q2 2025 to ease unless there is a material tariff directly being imposed on Taiwan.

- Bank of Thailand proceeded with a dovish hold, an unanimous decision, largely motivated by a wait-and-see approach on the debt alleviation programme. Nonetheless, a hold in the face of THB headwinds and questions on their independence weaker THB would also be helpful. More importantly, further rate cuts are not ruled out in Q1 2025 with the BoT's press conference reminding us that neutral rates should perhaps be viewed as a "zone" rather than a point estimate.

- All in, USD strength and uncertainties surrounding Trump 2.0 policies mean EM Asia central banks would have to grapple with currency and/or trade headwinds, and could mean tough choices ahead especially if domestic growth are showing signs of faltering (e.g. Indonesia, Philippines, South Korea).

- In essence, the economic need and desire for EM Asia central banks to indulge in dovish moves will be tortured (and in some cases significantly stifled) by Fed/Trump/USD headwinds leading geo-economic uncertainties.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	156.83	3.180	2.07%	155.00	~	161.00
EUR/USD	1.0383	-0.0118	-1.12%	1.024	~	1.045
USD/SGD	1.3579	0.009	0.67%	1.3500	~	1.3720
USD/THB	34.522	0.395	1.16%	34.10	~	34.90
USD/MYR	4.5097	0.0602	1.35%	4.480	~	4.560
USD/IDR	16195	200	1.25%	16,050	~	16,500
JPY/SGD	0.8658	-0.012	-1.41%	0.839	~	0.885
AUD/USD	0.6246	-0.012	-1.82%	0.613	~	0.630
USD/INR	85.03	0.230	0.27%	84.9	~	85.3
USD/PHP	58.8	0.335	0.57%	58.5	~	59.1

^Weekly change.

FX: King USD

- The USD jumped on Fed's hawkish cut.
- The USD (DXY index) surged over 1% to just shy of 108.5 levels; arguably reflecting Fed (hawkish flex) and fear (risk aversion)
- NOK led declines as Norges Bank signalled a probable cut in March.
- JPY also underperformed on BoJ's preference to be cautious, wanting more data on wages first before proceeding with a hike.
- SEK was more supported as the central bank signalled its easing campaign is likely near its end. remarks by officials suggested one more cut in first half next year if outlook remained unchanged.

EM-Asia: Struggling

- A similar picture was seen in EM Asia as well, with sharp moves post-FOMC (THB and SGD down 1%).
- Overall, for the week, IDR and THB underperformed amid BI's and BOT's dovish hold, while PHP fared a little better as BSP looks towards more measured pace of easing into 2025.
- Notably, IDR's weakness has prompted Bank Indonesia to intervene in the FX markets post-FOMC and further remarked that they would guard the rupiah "boldly", while BSP alluded to pass-through to inflation from a weak PHP.
- MYR also underperformed amid high UST yields given its higher beta.
- TWD performed in the middle of the pack amid a CBC hold.
- While CNY was better supported, the USD/CNY fixing-survey gap widened to the largest level since July, mirroring mounting FX depreciation pressure due to USD strength and the PBoC's escalating efforts to defend the currency.

Bond Yield (%)

20-Dec	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.297	5.2	4.556	15.9	Steepening
GER	2.018	-4.5	2.295	4.1	Steepening
JPY	0.555	0.9	1.039	1.3	Steepening
SGD	2.827	9.5	2.923	21.3	Steepening
AUD	3.976	8.3	4.492	0.1	Flattening
GBP	4.409	11.1	4.589	17.9	Steepening

Stock Market

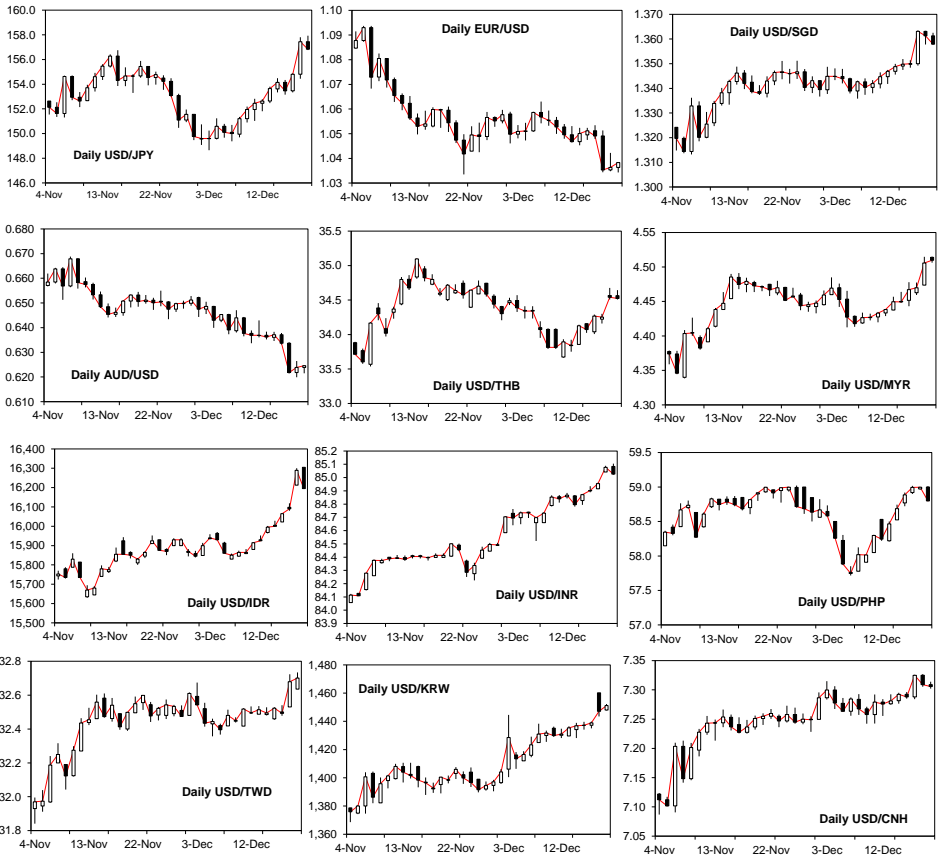
	Close	% Chg
S&P 500 (US)	5,867.08	-3.04
Nikkei (JP)	38,701.90	-1.95
EuroStoxx (EU)	4,879.00	-1.79
FTSE STI (SG)	3,728.46	-2.15
JKSE (ID)	7,002.49	-4.40
PSEI (PH)	6,406.38	-3.18
KLCI (MY)	1,598.30	-0.65
SET (TH)	1,364.23	-4.71
SENSEX (IN)	78,424.21	-4.52
ASX (AU)	8,066.96	-2.76

USTs: Policy & Politics

- The UST yield curve climbed (or rather surged) this week on Fed's hawkish cut and a government funding bill impasse complicated with implications of a removal of the federal debt ceiling.
- Post-FOMC alone, UST yields defied the cut to surge 11-12bp at both front-end (2Y) and long-end as focus was on "hawkish", not "cut".
- Even as front-end yields subsequently declined as the knee-jerk reaction to Fed's hawkish pivot faded somewhat, longer-end yields were further supported on uncertainty over US fiscal trajectory amid the bill impasse to fund the government through March 14 unless Trump gets his way to remove the fiscal ceiling.
- More upside volatility in the longer-end could be expected as policymakers attempt to push through a deal or face a shutdown, while action in 2Y yields may not see as large a move after Fed's hawkish pivot, which have seen markets pricing 1 cut in 2025 (compared to 2 in Dot plot).
- All in, expect 2Y yields to trade 4.20-4.40% and 10Y yields to trade in 4.35-4.75% range.

FX Brief:

- 1) JPY: BoJ's urge for patience and a hawkish Fed should retain buoyancy above 155 levels. To watch for breach of 160 handle as risks of intervention rises.
- 2) EUR: With ECB's dovish tendencies, it may be difficult for EUR to climb back to above mid-1.04 levels.
- 3) AUD: Growth risks which may force a more dovish RBA may mean tough rallies above 63 cents, especially as renminbi is unlikely to give any durable lift.
- 4) CNH: Despite higher UST yields, PBoC efforts likely kept CNH stable but could see steady depreciation towards 7.35 levels.
- 5) INR: Likely to retain traction around 85 levels but could some softening as FX accumulation turns into a nascent burn.
- 6) SGD: Should remain hovering above mid-1.35 levels as EUR and CNH are unlikely to give any durable boost.
- 7) IDR: Bank Indonesia's interventions should backstop declines towards 16,500 levels.
- 8) THB: Spillovers from JPY and dovish BoT could mean ascendancy towards 35 handle.
- 9) MYR: Higher UST yields led MYR lower, and MYR's higher beta should mean greater volatility ahead.
- 10) PHP: PHP languishing around 59 handle hints of BSP interventions. Even as BSP Governor Remolona had previously alluded to the possibility of seeing USD/PHP at 60, BSP may continue holding the line at 59 to buy some buffer into the new year.
- 11) KRW: Underperformance could continue as political woes while alleviated, is not eliminated. Likely to continue trading above 1440 levels.
- 12) TWD: Relatively lack of dovish hints by CBC could see TWD holding ground under 33 handle.



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