MIZUHO

WEEK AHEAD

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25-Oct-2024

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Economic Calendar

•Survey results from Bloomberg, as of 25 Oct 2024; The lists are not exhaustive and only meant to highlight key data/events

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Date	Country	Event	Period	Survey*	Prior
28 Oct	US	Dallas Fed Mfg Activity	Oct	-9.0	-9.0
29 Oct	US	JOLTS Job Openings	Sep	7900k	8040k
	US	Advance Goods Trade Balance	Sep	-$96.0b	-$94.3b
	US	Conf. Board Consumer Confidence	Oct	98.8	98.7
	US	Wholesale Inventories MoM	Sep P	--	0.1%
	JP	**Jobless Rate/Job-To-Applicant Ratio**	**Sep**	**2.5%/1.2**	**2.5%/1.2**
30 Oct	US	ADP Employment Change	Oct	98k	143k
	US	**GDP Annualized QoQ**	**3Q A**	**3.0%**	**3.0%**
	US	Pending Home Sales MoM	Sep	--	0.6%
	EZ	**GDP SA YoY/QoQ**	**3Q A**	**0.8%/0.2%**	**0.6%/0.2%**
31 Oct	**US**	**Initial Jobless Claims**		**--**	**227k**
	US	MNI Chicago PMI	Oct	--	46.6
	US	**PCE/Core Deflator YoY**	**Sep**	**2.1%/2.6%**	**2.2%/2.7%**
	US	Personal Income/Spending	Sep	0.4%/0.4%	0.2%/0.2%
	EZ	**CPI Estimate/Core YoY**	**Oct**	**1.9%/2.6%**	**1.7%/2.7%**
	EZ	**Unemployment Rate**	**Sep**	**6.4%**	**6.4%**
	JP	Retail Sales YoY	Sep	2.2%	3.1%
	JP	**BOJ Target Rate**		**0.25%**	**0.25%**
	JP	Industrial Production YoY	Sep P	-3.2%	-4.9%
01 Nov	**US**	**Change in Nonfarm Payrolls**	**Oct**	**120k**	**254k**
	US	ISM Manufacturing/Prices Paid	Oct	47.6/-	47.2/48.3
	US	**Unemployment Rate**	**Oct**	**4.1%**	**4.1%**

Asia

Date	Country	Event	Period	Survey*	Prior
28-31 Oct	KR	Retail Sales YoY	Sep	--	9.2%
29-30 Oct	**SG**	**Unemployment rate SA**	**Sep**	**--**	**2.0%**
30 Oct	**AU**	**CPI/Trimmed Mean YoY**	**Sep**	**2.9%/3.5%**	**2.7%/3.4%**
	IN	Fiscal Deficit YTD INR	Sep	--	4352b
31 Oct	CH	Mfg/Non-Mfg PMI	Oct	50.0/50.5	49.8/50.0
	AU	Retail Sales MoM	Sep	0.2%	0.7%
	AU	Building Approvals MoM	Sep	2.1%	-6.1%
	KR	Industrial Production YoY	Sep	-0.5%	3.8%
	TH	BoP Current Account Balance	Sep	--	$1362m
	TH	Exports/Imports YoY	Sep	--	11.4%/8.5%
	TW	**GDP YoY**	**3Q A**	**3.4%**	**5.1%**
01 Nov	CH	Caixin China PMI Mfg	Oct	--	49.3
	AU	PPI YoY	3Q	--	4.8%
	ID	**CPI/Core YoY**	**Oct**	**1.7%/2.1%**	**1.8%/2.1%**
	KR	Exports/Imports YoY	Oct	6.3%/-0.9%	7.5%/2.2%
		Mfg PMI (ID, KR, MY, TH, TW, VN)	Oct	--	--
02 Nov	SG	Purchasing Managers/Elect. Sector Index	Oct	--	51.0/51.5

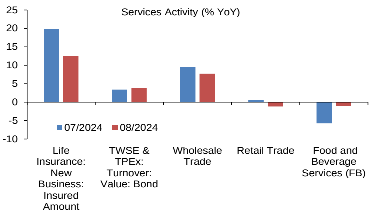
Week-in-brief: In the Woods

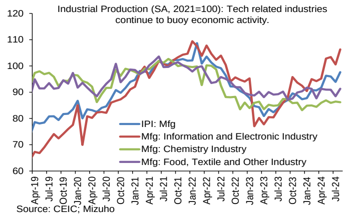
- Risk sentiments were soft this week with global equity indexes broadly lower. While growth risks remain in spotlight, cautious FedSpeak and imminent US elections leading yields higher may have triggered broad-based liquidation from risk-repricing.
- IMF downgraded global growth estimates for 2025 although US and Japan were notable outliers which saw upwards growth revisions for 2025.
- While China's growth forecast for 2025 was left unchanged at 4.5% and the 2024 downwards revision to 4.8% (from 5.0%) could be considered a belated downgraded, qualitative evidence suggests shaky confidence on China's growth. Notably, China's stimulus was merely flagged as an upside risk, and comments by IMF officials that China's recent barrage of fiscal measures fall short of what's needed to address deflationary risks.
- Meanwhile, the parade of briefings by Chinese officials in the past few weeks took a pause. Nonetheless, Chinese banks cut their loan prime rates by 25bps, following the quarter-point cut to bank deposit rates a week prior.
- South Korea GDP barely managed to eke out gains. Q3 GDP only managed a 0.1% QoQ expansion, against expectations of a 0.4% growth, which could allude to risks from a softening export rally.
- In the background, Brent Crude gyrated on geopolitical shocks and supply glut contemplations, adding to the deluge of considerations that markets have to consider.
- Against this backdrop, it is perhaps not surprising that risk sentiments took a backseat, supporting the USD. The DXY briefly tested mid-104 (from below mid-103 at the start of the week) before paring back gains to around 104 levels.
- Next week, BoJ is set to maintain status quo. As Governor Ueda had stressed, BoJ has time on its side. And patience may be path of least damage, especially as neutral rate levels yet to be ascertained and against the backdrop of risks of deflation risks re-emerging, fragile consumer and JPY considerations.
- US and EZ GDP releases could see two-way volatility as markets consider how the balance of risks shift on growth soft spots/ resiliency. US NFP will again take the spotlight as everyone contemplates if the US labour market is out of the woods or lost in the forest.
- Meanwhile, Taiwan's GDP is expected to moderate from Q2 on a year ago basis due to base effects, but would represent a faster quarter-on-quarter expansion. Our upbeat view takes into account resilient external demand, while firm domestic growth engine in finance and insurance sectors should offset some spots of weakness in retail sales and services.
- Down Under, sticky inflation print will prolong RBA hold though AUD rallies remains at risks of being faded as has been the case especially if the retail sales exhibit weakness.
- All in, markets are likely to be still navigating in the woods next week with heightened two-way volatility expected.

BoJ: Hold is the Path of Least Damage

- Status Quo: This will be an **uneventful Halloween meeting**, with the **BoJ set to maintain the status quo**, ***stopping only just short of guaranteeing a hold***.
- Determining Neutral: For a start, the **BoJ has yet to ascertain neutral rates**. Consequently, the BoJ is **reserving judgment on how much higher rate** will have to go.
- But No Rush to Get There: Admittedly, the BoJ has conceded that rates will have likely have to go higher, But equally, Governor Ueda has stressed no rush to get there.
- Long Shadow of Deflation: Especially given that the fading outburst of inflation, given justifiable reasons to be worried about deflation risks re-emerging.
- The Fragile Consumer: Point being, for the fragile consumer, wage increments that fall short of inflation, may translate into compromised consumption rather than virtuous wage-price dynamics that may be sustained.
- Adverse JPY-Earnings-Nikkei Dynamics: Crucially, the **BoJ is wary of adverse earnings and balance sheet shocks from sudden jump in the JPY** (working through negative JPY-Nikkei correlations) as was the case late- Jul through mid-Sep) after the BoJ hike.
- JPY Pressures Still a Risk-Nikkei Stability Caveat: Admittedly **JPY depreciating again since is still inconvenient in terms of imported inflation**. But is now a less severe a risk in the current global price cycle.
- The JPY-Nikkei Stability Caveat: And the **express conditioning of further policy action (hike)** on the **JPY and Nikkei stability speaks** to this.
- Nikkei Stability Edges Out Dampening JPY: And on balance, Nikkei downside risks appear to be a bigger worry. Hence a hike to lift the JPY (but at the expense of the Nikkei) is less compelling.
- Path of Least Damage: And so, the path of least damage may be to avoid a hike that induces unwelcome JPY strength that could exacerbate Nikkei sell-off.

Taiwan Q3 GDP: Buoyant Growth

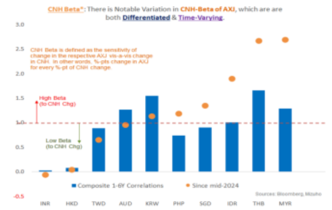


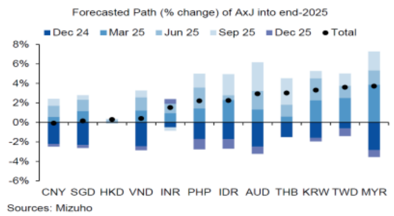


Source: CEIC; Mizuho

- We expect **Taiwan's Q3 GDP print to slow from the 5.1% print in Q2 to 3.7%** which is **above consensus estimates.** Trade will continue to be supportive, albeit with some moderation while domestic growth engines remain firm though consumption growth is likely to soften.
- The slowdown in YoY terms is in part due to base effects as we still expect an accelerate in growth momentum to record around a faster expansion from Q2's 0.3% QoQ growth.
- External demand appears to have stayed resilient. Trade balance improved 37% QoQ in Q3 as the surge in exports revenue far outpaced the increase in import expenditure.
- Reflecting this healthy demand, industrial production growth is robust, still showing a 1.2% QoQ SA expansion over July and August even after several quarters of stellar growth with the electronics industry continuing to be the key driver.
- On the services front, the finance and insurance sector output is likely to stay buoyant amid healthy new business in insurance, strong turnover in bond and stock exchanges and real estate market remains hot.
- That said, weaker retail sales and food and beverage services point to more cautious consumer. Nonetheless, a tight labour market with **unemployment rates at record low** implies that the moderation in private consumption growth will be a mild one.
- In turn, this growth is likely to back the CBC in keeping rates unchanged as they tackle sticky inflation and soaring housing prices.
- That said, the firm growth may not translate into tangible TWD rallies as elevated UST yields weigh and China stimulus gains are dampened by cross straits tensions.

AXJ - Deferential & Differentiated





- **Despite "peak USD" in October 2022**, **AXJ have not durably gotten off the back-foot** since the Fed tightening cycle that was initiated (with "taper) in late-2021.
- The good news is that **glimmers from the light at the end of the proverbial tunne**l are **appearing**, *as the Fed easing cycle kicks in.* **But** the reality is that the **path to sustained buoyancy in AXJ remains distant**. And to be sure, full reversion all around is uncertain. For now, **AXJ remains in the undulating woods** (of uncertainty/volatility).
- To be sure, the **prospects for sustained AXJ traction** is emerging. But it is **neither imminent nor even**. Instead, a conspiracy of headline risks leave **AXJ deferential to risk re-pricing** and **haven demand** for now. Whereas endeavors for **emphatic traction will only solidify into mid-2025** as *global easing cycle entrenches* and if *geo-political/trade risks are reasonably contained.*
- ***Even then,*** the **confluence and emphasis of enduring risk** outcomes, and the **time-varying sensitivities** suggest **highly differentiated performance** across AXJ.
- The upshot being:

1) Looking through all of these **highly-dynamic and unpredictable factors**, the **bigger picture is for AXJ to gain some traction into H2 2025**.
2) ***But*** this will **necessarily** be **a very bumpy course** further obfuscated by highly different post-pandemic starting points.
3) Meanwhile a **steepening UST yield curve** could, **on a relative basis, disadvantage higher-yielders**

- Across AXJ, and adjusting for various risks, *MYR remains in a relatively good position* as it benefits from a confluence of fiscal consolidation, relative monetary policy stability and inwards investments. Also of note is that the *THB also looks alluring insofar that tourism channels may be inspired* by China stimulus and JPY gains.

Read the full 36-page report covering AXJ FX & Rates here:
https://www.mizuhogroup.com/binaries/content/assets/pdf/singapore/macro/periodicals/fx/mizuho-fx-monthly-october-2024.pdf

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	152.02	2.490	1.67%	148.00	~	154.00
EUR/USD	1.0823	-0.0044	-0.40%	1.075	~	1.090
USD/SGD	1.32	0.010	0.76%	1.3100	~	1.3290
USD/THB	33.783	0.621	1.87%	33.15	~	34.20
USD/MYR	4.3385	0.0325	0.75%	4.300	~	4.390
USD/IDR	15640	175	1.13%	15,450	~	15,800
JPY/SGD	0.8684	-0.008	-0.88%	0.851	~	0.898
AUD/USD	0.6629	-0.008	-1.15%	0.660	~	0.677
USD/INR	84.08	0.002	0.00%	83.9	~	84.3
USD/PHP	58.333	0.808	1.40%	57.4	~	58.7

^Weekly change.

FX: King USD's Cutting Edge

- Higher UST yields have cement King USD's position this week rising against all G10 peers.
- Understandably, the JPY has taken the largest hit as BOJ Governor Ueda believes that he has enough time in an allusion to affirm that there will no hike next week.
- The Antipodeans (NZD and AUD) also suffered as worries on the efficacy of China stimulus grew. In additional, RBNZ Governor said that rates will continue to be less restrictive.
- The CAD also slipped after a widely expected 50bps cut.

EM-Asia: Lack of Edge

- Similarly, EM-Asia FX depreciated in a broad manner against the USD.
- The lack of an edge over the USD is apparent as rate cuts weighed, equities wobbled and growth worries mount with the relative CNH resilience unable to backstop Asian peers.
- Alongside a weaker JPY, THB led losses dropping 1.8% this week **despite BoT Governor calling further rate cuts a high bar.**
- KRW was hit by strong equities outflows and **a dismal growth print** which justified the BoK's earlier cut.
- VND depreication of 0.9% brings it to very close to the top of SBV's trading band and as such the VND remains a worrying prospect in the week ahead as **dwindling FX reserves** imply potential for adrupt depreciation adjustments.

Bond Yield (%)

25-Oct	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.057	10.9	4.188	10.5	Flattening
GER	2.079	-2.2	2.261	8.0	Steepening
JPY	0.435	1.5	0.937	-2.0	Flattening
SGD	2.668	1.2	2.806	1.7	Steepening
AUD	3.932	4.2	4.409	0.1	Flattening
GBP	4.119	13.0	4.214	15.9	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,809.86	-0.93
Nikkei (JP)	37,913.92	-2.74
EuroStoxx (EU)	4,920.69	-1.32
FTSE STI (SG)	3,589.79	-1.38
JKSE (ID)	7,707.08	-0.68
PSEI (PH)	7,314.23	-1.37
KLCI (MY)	1,623.37	-1.37
SET (TH)	1,462.76	-1.82
SENSEX (IN)	79,300.49	-2.37
ASX (AU)	8,211.29	-0.87

USTs: Climbing Higher

- UST yields continued to climb higher the past week.
- Notably, the UST yield curve flattened, as front-end was led higher by Fed officials corralling around gradual cuts, with Fed Funds futures now underpricing a 25bps cut in November and 150bps cuts by 2025.
- Regardless, this should not change the broader direction of a steeper curve on US debt heft regardless of whoever wins at the polls, while the direction for Fed to continue to ease remains.
- All things considered, we expect 2Y yields to trade around 3.00-4.20% range, while 10Y yields to trade in the 4.10-4.30% range.

FX Brief:

1) JPY: In the week of NFP, JPY bears ought to be worried about BoJ intervention adding to woes of potential NFP slippage. Buoyancy retained above 149 though 147 remains a plausible test on NFP weakness.

2) EUR: EUR bulls face potential opportunity for consolidation on sticky inflation dialing back ECB easing bets and potential for NFP slippage. Trading expected in the mid-1.07-1.09 range with potential upside bias.

3) AUD: Prolong rate hold being back sticky CPI print next week may allow buoyancy above 66 cents.

4) CNH: PMIs uptick may allow CNH bulls to see some restrain of climb towards 7.15.

5) INR: Tight trading range above 84 levels should be retained.

6) SGD: Briefly tested 1.32 amid broad USD strength in the middle of the week. Could see durability above 1.32 next week as heightened volatility into the week may mean a stronger USD on haven demand.

7) IDR: Declines likely to be backstopped at 15,800 as rupiah stability concerns likely to drag out BI's easing cycle.

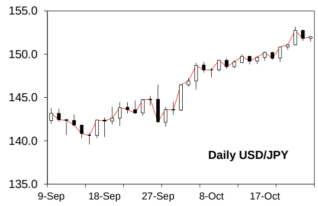
8) THB: Testing 34 remains on the cards should oil pressures ascend on renewed middle east conflict tension.

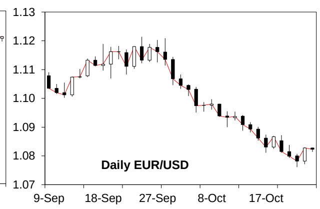
9) MYR: Moved higher to around mid-4.30 levels. Any CNH boost in the coming week (on concrete stimulus details) could push USD/MYR closer to 4.30 levels.

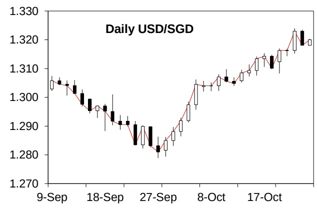
10) PHP: Breached 58 levels amid broad USD strength and BSP's easing inclinations. Sustained underperformance expected, and may see some remarks by BSP should USD/PHP approach 59 levels.

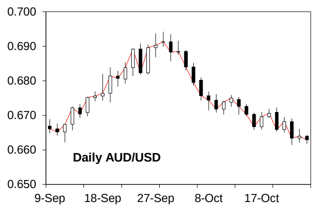
11) KRW: 1400 levels remains closely watched and bears may become wary on weak KRW weighing on BoK's policy calculus.

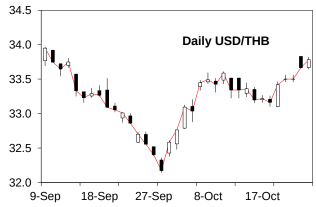
12) TWD: Foreign inflows into equities may have aided relative resilience this week. Expected growth buoyancy next week may allow a middle of the pack performance next week amid still elevated UST yields weighing.

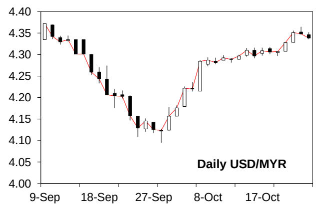


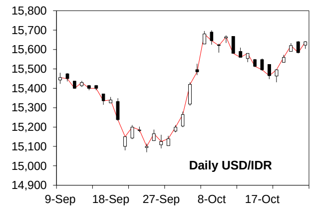


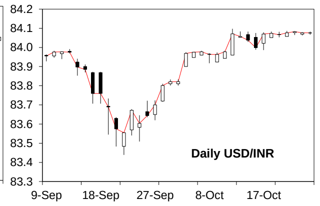


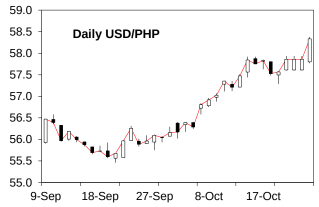


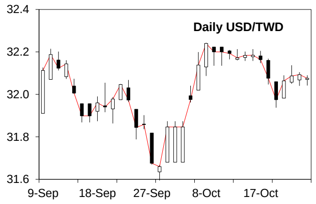


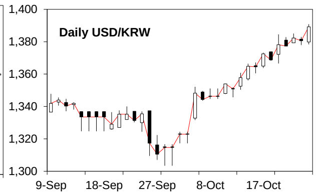


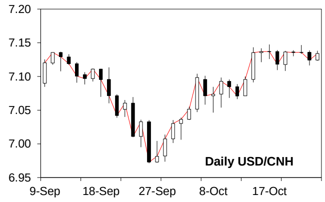












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