MIZUHO

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WEEK AHEAD

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01-Nov-2024

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Economic Calendar

•Survey results from Bloomberg, as of 1 Nov 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
04 Nov	US	Factory Orders	Sep	-0.4%	-0.2%
	US	Durable Goods Orders/Nondef Ex Air	Sep F	--	-0.8%/0.5%
	EZ	Manufacturing PMI	Oct F	--	45.9
	EZ	Sentix Investor Confidence	Nov	-12.6	-13.8
05 Nov	US	Trade Balance	Sep	-$74.5b	-$70.4b
	US	ISM Services Index/Prices Paid	Oct	53.5/-	54.9/59.4
	US	**US Elections**			
06 Nov	EZ	PPI YoY	Sep	-3.4%	-2.3%
07 Nov	US	Initial Jobless Claims		--	216k
	US	Wholesale Inventories MoM	Sep F	--	-0.1%
	EZ	Retail Sales YoY	Sep	1.5%	0.8%
	JP	Labor/Real Cash Earnings YoY	Sep	3.0%/0.1%	2.8%/-0.8%
	US	**FOMC Decision (Lower/Upper Bound)**		**4.50%/4.75%**	**4.75%/5.00%**
08 Nov	US	U. of Mich. Sentiment/Expectations	Nov P	70.6/--	70.5/74.1
	US	U. of Mich. 1Y/5-10Y Inflation	Nov P	--	2.7%/3.0%
	JP	Coincident Index/Leading Index CI	Sep P	115.5/109.0	114.0/106.9

Asia

Date	Country	Event	Period	Survey*	Prior
04-08 Nov	CH	National People's Congress Meeting			
05 Nov	CH	Caixin China PMI Services	Oct	50.5	50.3
	SG	Retail Sales/Ex Auto YoY	Sep	--/--	0.6%/-1.5%
	AU	**RBA Cash Rate Target**		**4.35%**	**4.35%**
	ID	**GDP YoY/QoQ**	**3Q**	**5.0%/1.6%**	**5.1%/3.8%**
	KR	CPI/Ex Food and Energy YoY	Oct	1.4%/1.9%	1.6%/2.0%
	PH	CPI YoY	Oct	2.4%	1.9%
06 Nov	**MY**	**BNM Overnight Policy Rate**		**3.00%**	**3.00%**
	PH	Unemployment Rate	Sep	--	4.0%
	TW	CPI/Core YoY	Oct	1.8%/1.7%	1.8%/1.8%
	VN	Trade Balance	Oct	$3000m	$2291m
	VN	Industrial Production/Retail Sales YoY	Oct	--/--	10.8%/7.6%
	VN	CPI YoY	Oct	2.9%	2.6%
	TH	CPI/Core YoY	Oct	1.0%/0.8%	0.6%/0.8%
07 Nov	CH	Exports/Imports YoY	Oct	4.8%/-2.8%	2.4%/0.3%
	AU	Trade Balance	Sep	A$5274m	A$5644m
	KR	BoP Current Account Balance	Sep	--	$6595.3m
	PH	**GDP YoY/SA QoQ**	**3Q**	**5.7%/1.8%**	**6.3%/0.5%**
08 Nov	CH	BoP Current Account Balance	3Q P	--	$54.5b
	MY	Industrial Production YoY	Sep	3.3%	4.1%
09 Nov	**CH**	**CPI/PPI YoY**	**Oct**	**--**	**0.4%/-2.8%**

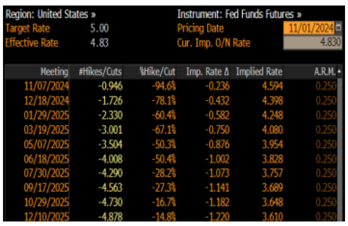
Week-in-brief: Electing Winners

- This past week has shown that **electing winners is far from easy** and calls are almost too close to be made in reality and even calls on tech was called into doubt as US equities plunged on earnings.
- GBP had a **reversal of fortunes** from early week outperformance to lead losses among G10 peers as it tumbled alongside the gilts sell off. Specifically, expected fiscal caution in the UK budget turned into **fears** on **outsized borrowing and fiscal led inflation upsized risks.**
- Meanwhile, the EUR led gains as **both GDP and CPI prints surprising on the upside questioned whether the Eurozone paled in comparison to US exceptionalism.** That said, these bilateral comparisons also necessitates a positioning perspective as markets had earlier in the week still held outsized bets of 41% odds of a 50bps cut which were at risk of being trimmed.
- On that note, a **trimming of betting odds for Trump's lead over Harris at the elections next week** sent some Trump trades weaker as crypto prices fell at the end of this week.
- Looking ahead, while US elections remain the headline event for next week, **FOMC decision in the middle of the week** is a reminder that monetary policy will stll be the key driver after the initial political reactions fade. The Fed remains on course for another widely expected 25bps cut next week.
- Down Under, the **RBA will stand pat** as underlying inflation remains stubborn as reflected by much smaller trimmed mean dis-inflation. Nonetheless, **AUD bulls are hardly winning** despite the RBA's rate hold as deference to higher UST yields and caution over China stimulus weighed.
- Similarly, in Malaysia, **the BNM will keep rates unchanged** at 3% as inflation remains managed and growth resilient. In turn, the spotlight is on fiscal reforms but that alone may not make the MYR a clear winner should China's NPC disappoint and/or US elections threatened the CNH.
- In the same vein, our expectations for resilient Q3 growth in Indonesia to stay at around 5% on supportive consumption and investments is hardly a boost for IDR amid a dull commodity outlook.
- Meanwhile, Q3 growth in the Philippines looks to moderate to a still healthy 5.9% from Q2's 6.3%, the risks lie in a more skewed growth as domestic consumption weakens and external demand firms.
- All in, voting may be straight forward but declaring a victory is far from easy especially if a photo finish becomes contested in an AI era.

US Elections: Binary Outcomes, Not Risks

- With US elections around the corner next week, the tendency for higher long-end yields, a steeper curve and stronger USD are being asserted. This partly reflects the growing probability of a Trump 2.0 outcome in what is still a tight race (with margin of error accounted for).
- But equally, **market risks are not strictly binary**, ***even if the election outcome is***. Instead, **an entire continuum** of *fiscal, inflation* and *geo-political* risks will influence markets.
- To that end, a **steeper curve *amid sharpening fiscal deterioration*** is **broadly consistent** outcome with either Republican or Democrat victory. Specifically, as the **more pronounced drag on front-end yields** resulting from of *Fed easing* accentuates the steepening effects (as relatively lower front-end).
- A notable nuance is that a split Harris victory may square with softer yields as Republican are likely to block Democrat spending plans. The **Greenback** is also **inclined to stronger**, in the Trump 2.0 scenario. But **in any case**, at the USD will be **broadly resilient** given a conspiracy of *geo-political risks/uncertainty (including trade conflict), relative US exceptionalism* and *steeper UST curve.*
- **Flow-through volatility** from CNY (due to Trump 2.0 trade antagonism) and **downside risks to AXJ**, *led by THB and MYR,* is significant.
- Especially given the step-up in sensitivities ("CNY-beta"). But equally, this is not a static relationship.
- So, ***AUD and KRW vulnerabilities should not be underestimated*** given longer-run sensitivities.
- On the other hand, **MYR may be better placed on strategic investment-driven CNY beta lift**. But **in any case**, at the USD will be **broadly resilient** given a conspiracy of *geo-political risks/uncertainty.*

FOMC: On Course



Region: United States »		Instrument: Fed Funds Futures »	
Target Rate	5.00	Pricing Date	11/01/2024
Effective Rate	4.83	Cur. Imp. O/N Rate	4.830

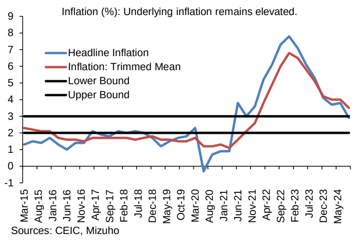
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
11/07/2024	-0.946	-94.6%	-0.236	4.594	0.250
12/18/2024	-1.726	-78.1%	-0.432	4.398	0.250
01/29/2025	-2.330	-60.4%	-0.582	4.248	0.250
03/19/2025	-3.001	-67.1%	-0.750	4.080	0.250
05/07/2025	-3.504	-50.3%	-0.876	3.954	0.250
06/18/2025	-4.008	-50.4%	-1.002	3.828	0.250
07/30/2025	-4.290	-28.2%	-1.073	3.757	0.250
09/17/2025	-4.563	-27.3%	-1.141	3.689	0.250
10/29/2025	-4.730	-16.7%	-1.182	3.648	0.250
12/10/2025	-4.878	-14.8%	-1.220	3.610	0.250

- Ahead of the FOMC decision next week, **markets are pricing in a 95% chance of a 25bp rate cut** prior to NFP release tonight. This is **in line with our expectations** for the November meeting as well.
- Admittedly, some of the economic data (NFP in early Oct and GDP) has strengthened.
- Nonetheless, it does not blow the calibrated rate cuts reflected in the September Dot plot and the scenario which Fed speakers continue to envisage off course.
- Incoming data for the next month (Nov NFP: 6 Dec; CPI: 11 Dec) will be watched more closely.
- Crucially, these releases may dictate shifts in the December Dot Plot which may be the bigger mover.
- **For now, the upcoming US elections is likely to drown out Fed obsession.**

BNM: Steady Hold

- **BNM is set to hold at 3.00%** amid resilient growth and moderate upside risks to inflation.
- **Q3 Advance GDP print affirmed the resiliency of Malaysia's manufacturing, services and construction sectors**. Looking ahead, the country remains well-positioned to benefit from manufacturing tailwinds, and continued FDI inflows into the country amid fading political uncertainty.
- Domestic-oriented services sector will likely benefit from supported wage growth (median wages of the formal sector grew by 4.9% YoY in Q2) and measures from Budget 2025 underpinning consumption. Notably, targeted cost-of-living measures and labour markets reforms (e.g. minimum wage increases, tax incentives to increase labour force participation rate) will continue to support growth. In addition, infrastructure projects to upgrade facilities or improve connectivity raises longer run potential.
- Meanwhile, **inflation remains stable**, despite the rollout of expanded scope of services tax and hikes in water tariffs earlier on in the year. Admittedly, there are upside risks to the inflation outlook on the expansion of scope for sales and services tax (details await), RON95 subsidy rationalisation (scheduled for mid-2025) and pass-through from higher wages. Given the momentum of price increases observed from similar developments in 2024, we expect upside risks to be moderate.
- All in, BNM is expected to continue anchoring stability and keep rates at current levels.

RBA: Policy Distortions, FX Deference



Sources: CEIC, Mizuho

- Without a doubt, the RBA's upcoming meeting will be **an expected rate hold**. This is in line with our call for a hold until Q2 2025.
- Q3 headline inflation declining to 2.8% from 3.8% to fall within the RBA's target range will be dismissed given the substantial distortion by government measures.
- Reflecting so, the **trimmed mean Q3 CPI inflation is at a much higher 3.5% YoY with a much smaller dis-inflation from Q2's 4.0%.**
- Furthermore, the distortions from administrative measures are all expected bias to the downside to lower cost of living and can be observed across many components.

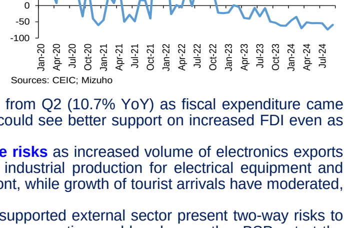
Aside from the well-noted electricity rebates, rent inflation was also and will continue to be restrained by Commonwealth Rent Assistance.
- Even the likes of transportation cost was distorted by introduction of free fare travel period in some cities on transition of new ticketing systems.
- While dis-inflation on a trimmed mean basis is a welcomed sight, a sticky services inflation at 4.6% in Q3, edging higher from the 4.5% in Q2 is a clear impediment to reach the RBA's target.
- Furthermore, **labour markets remain very robust** with September's 64k gains higher than the 42.6k in August and driven by full time jobs. Given the widely expected nature of the upcoming decision, **AUD will defer towards US election outcomes, FOMC decision and China's NPC.**

Indonesia Q3 GDP: Moderate Growth

- **Indonesia's growth is expected to moderate slightly to 4.9% YoY** (Q2: 5.0%), but would still be a QoQ expansion.
- Consumption is likely to be the bright spot, as retail sales grew 5.0% YoY in Q3, accelerating from 0.7% in Q2 while non-performing consumption loans remains stable. Government expenditure is expected to moderate as spending on personnel and material contracted in July and August.
- While investments would still remain supportive, it should moderate from Q2's growth of 4.4% YoY). Notably, government expenditure on capital grew by 9.6% YoY in the first two months of Q3 (Q2: +39.6%) while cement construction moderated to 2.4% in the first two months of Q3 (Q2: +4.5%).
- The external sector could be better supported as a deteriorating goods balance could be offset by an improvement in the services balance. The goods balance is expected to deteriorate on slumping plam exports and contracting iron and steel exports alongside increased imports.
- Commodities outlook do not look great either, with coal production plummeting -7.2% against Q2's expansion of 2.2%. Nonetheless, services growth should be buoyant as visitor arrivals was similar growth in Q2 and could hold up. All in, Indonesia's is expected to continue registering stable growth amid supported domestic consumption, but mixed growth on the external front.
- As we have previously argued, supportive domestic conditions ought to provide room for Bank Indonesia to cut rates in a staggered manner, as balance of risks still tilt towards rupiah-stability.

Philippines Q3 GDP: Two-way risks

- Philippines Q3 GDP is expected to moderate to 5.9% (Q2: 6.3%), but we see two-way risks which could engender furher skewed growth profil.
- **Domestic consumption remains a key downside risk** and there is some possibility that there could be another QoQ contraction. Notably, while e-commerce transactions have been contracting since late 2022, the contraction then could in part be attributed to consumers returning back to physical stores post-Covid, but continued and worsening contraction into 2024 suggests tepid consumer spending.
- E-commerce transaction value in Q3 was ~63% lower compared to a year ago (Q2: -53% YoY) and only ~50% of 2019 levels.



Sources: CEIC; Mizuho

- Meanwhile, government consumption could moderate from Q2 (10.7% YoY) as fiscal expenditure came down (6.4% vs Q2: 17.8%). Nonetheless, investments could see better support on increased FDI even as construction activity moderated.
- **Moving to the external sector, we see some upside risks** as increased volume of electronics exports (and imports as proxy of inputs) alongside supportive industrial production for electrical equipment and machinery suggest resilient demand. On the services front, while growth of tourist arrivals have moderated, tourism receipts are expected to remain supportive.
- All in, downside risks to domestic consumption while supported external sector present two-way risks to the print. Notably, continued deterioration in household consumption could nudge another BSP cut at the next meeting.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	152.66	0.640	0.42%	148.00	~	154.00
EUR/USD	1.0866	0.0043	0.40%	1.075	~	1.093
USD/SGD	1.3246	0.005	0.35%	1.3100	~	1.3290
USD/THB	33.903	0.12	0.36%	33.40	~	34.10
USD/MYR	4.385	0.0465	1.07%	4.320	~	4.400
USD/IDR	15720	80	0.51%	15,450	~	15,800
JPY/SGD	0.8679	0.000	-0.06%	0.851	~	0.898
AUD/USD	0.6558	-0.007	-1.07%	0.650	~	0.670
USD/INR	84.08	0.007	0.01%	83.9	~	84.3
USD/PHP	58.115	-0.218	-0.37%	57.4	~	58.4

^Weekly change.

FX: King USD Not Abdicating

- The USD was somewhat stronger ahead of US elections, as Trump bets supported a stronger USD, though some challengers appeared. **EUR outperformed** as both GDP and Inflation print remain resilient to reduce odds of an outsized ECB cut in December.
- GBP sank this week as Chancellor Reeves sparked a sell-off with her announced budget showing more borrowing in the years ahead.
- AUD led losses among G10 towards mid-65 cents as soft household spending alongside CPI dis-inflation add on to depreciation pressures despite higher front end AGB yields.
- Despite being weaker for most of the week on political uncertainty with LDP lossing its majority, JPY managed to remain relatively unchanged as Governor Ueda signalled a live meeting in December amid a decision to stand pat this week.

EM-Asia: Softer As Well

- Similarly, EM Asia FX broadly softened against the greenback.
- KRW was one of the few outliers that gained against the USD, as Finance Minister Choi promised to reduce excessive KRW volatility following BoK Governor's warning last Friday that the weaker KRW is now a factor in rate decisions.
- MYR led losses amid higher UST yields and on jitters ahead of US election.
- Similarly, THB slipped even as the BoT affirmed that the inflation target remains unchanged even after discussion with the MoF who initially appear to nudge for a higher target.

Bond Yield (%)

1-Nov	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.185	8.0	4.287	4.7	Flattening
GER	2.278	17.1	2.403	11.3	Flattening
JPY	0.444	0.9	0.931	-0.6	Flattening
SGD	2.710	4.3	2.825	1.4	Flattening
AUD	4.057	12.5	4.535	0.1	Flattening
GBP	4.416	25.9	4.442	21.1	Flattening

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: Lofty Heights Doesn't Exclude Steepening

- As expected, UST yields continue to climb this week as US economic data appear resilient and US elections buoyed UST yields.
- Nonetheless, given that markets are now pricing in one less cut than the Fed's Dot pot by end-2025, the richness of yields ought to be pretty evident.
- That said, a **steepening could still be the base case next week**, with longer end yields being backstopped by higher fiscal no matter the election outcomes and the tendency for lower front end yields should uncertainty on a contested outcome emerge.
- The risk though is that given the lofty yields, one could be blind sided by a Trump-Elon Musk team to streamline federal expenses and send UST yields tumbling.
- All in, we expect 2Y yields to trade in the 4.00-4.25% range with **downside** bias while 10Y yield to stay buoyant above 4.10%.

FX Brief:

1) JPY: Barring an outsized NFP print surprise, JPY bears may struggle to retain traction and climbing above 153 to remain increasingly restrained as Governor Ueda appears on course for a year end hike.

2) EUR: With GDP and inflation both surprising on the upside this week, EUR bulls may find courage to retake 1.09 next week though 1.10 test may be a high bar especially if Trump 2.0 era is ushered in.

3) AUD: Weaker performance as oil was softer for much of the week while retail sales and inflation remain uninspiring to AUD bulls being weighed down by UST yields.

4) CNH: PMIs uptick may allow CNH bulls to see some restrain of climb towards 7.15. Upsized issuances on stimulus may worry CNH even amid economic optimism next week.

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

6) SGD: Continue trading above 1.32 on stronger USD backdrop; but ascendancy to 1.33 levels may be tempered by stronger CNH should stimulus details help lift sentiments.

7) IDR: Could see sustained traction above mid-15,800 should FOMC highlight further gradualism in policy trajectory; verbal comments on possible FX intervention may be expected.

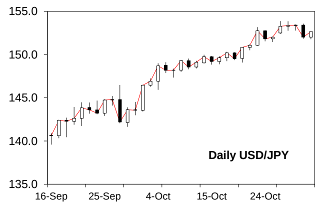
8) THB: Oil prices remain a key worry, US elections imparting CNH hit may see test of of 34 especially if NPC remains uninspiring.

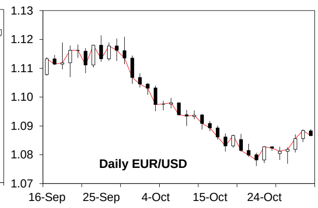
9) MYR: May test 4.40 handle should strong USD backdrop continues, possible CNH support from stimulus details at NPC should moderate excessive weakness; BNM meeting should be a non-event.

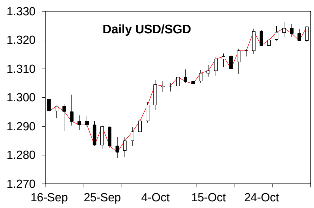
10) PHP: Expect continued buoyancy above 58 levels on stronger USD heading into US elections, but FOMC may see some two-way volatility. Softer GDP may renew BSP easing bets

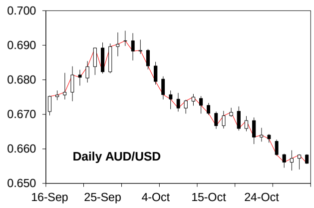
11) KRW: As expected, officials have begun sounding caution on the KRW which has led to an outperformance this week. While KRW remains a key worry for BoK, softening growth prospects may push bets for further easing.

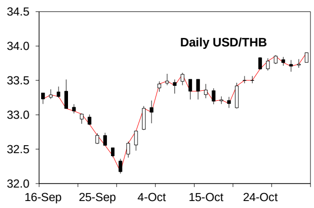
12) TWD: Amid outperforming Q3 GDP growth, TWD gained this week even as equity outflows intensified with month end flows like assisting.

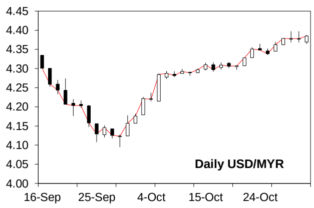


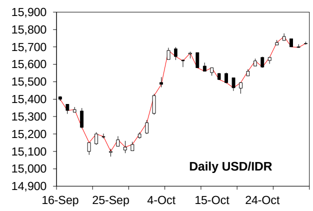


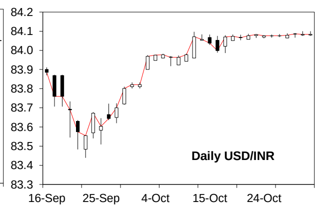


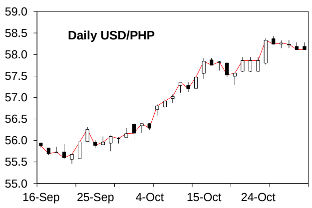


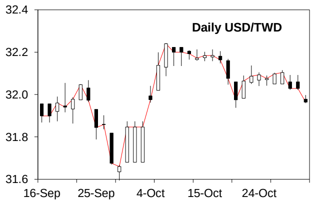


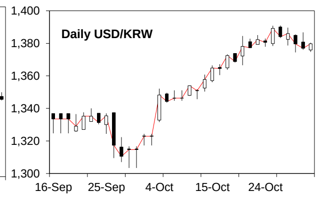


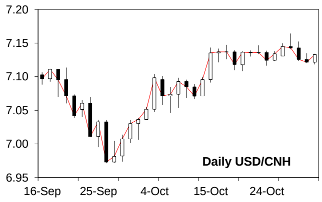












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