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WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 2 Aug 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
05 Aug	US	ISM Services Index/Prices Paid	Jul	51.3/-	48.8/56.3
	EZ	Sentix Investor Confidence	Aug	--	-7.3
	EZ	PPI YoY	Jun	--	-4.2%
06 Aug	US	Trade Balance	Jun	-$72.6b	-$75.1b
	EZ	Retail Sales YoY	Jun	--	0.3%
	JP	Labor/Real Cash Earnings YoY	Jun	2.4%/-0.9%	2.0%/-1.3%
07 Aug	JP	Coincident Index/Leading Index CI	Jun P	113.8/108.9	117.1/111.2
08 Aug	US	Initial Jobless Claims		--	249k
	US	Wholesale Inventories MoM	Jun F	--	0.2%
	JP	BoP Current Account Balance	Jun	¥1873.7b	¥2849.9b
	JP	Eco Watchers Survey Current/Outlook SA	Jul	--	47.0/47.9

Asia

Date	Country	Event	Period	Survey*	Prior
05 Aug	CH	Caixin China PMI Services	Jul	51.5	51.2
	SG	Retail Sales/Ex Auto YoY	Jun	4.0%/--	2.2%/0.0%
	ID	**GDP YoY/QoQ**	**2Q**	**5.0%/3.7%**	**5.1%/-0.8%**
06 Aug	**AU**	**RBA Cash Rate Target**		**4.35%**	**4.35%**
	PH	**CPI YoY 2018=100**	**Jul**	**3.7%**	**3.7%**
	PH	Exports/Imports YoY	Jun	-5.4%/-1.5%	-3.1%/0.0%
	TW	PPI YoY	Jul	--	3.5%
	TW	**CPI/Core YoY**	**Jul**	**2.6%/1.9%**	**2.4%/1.8%**
07 Aug	CH	Exports/Imports YoY	Jul	9.4%/3.0%	8.6%/-2.3%
	KR	BoP Current Account Balance	Jun	--	$8922.5m
	PH	**Unemployment Rate**	**Jun**	**--**	**4.1%**
	TH	**CPI/Core YoY**	**Jul**	**0.7%/0.4%**	**0.6%/0.4%**
08 Aug	**IN**	**RBI Repurchase Rate**		**6.50%**	**6.50%**
	PH	**GDP YoY/SA QoQ**	**2Q**	**7.2%/0.9%**	**5.7%/1.3%**
	TW	Exports/Imports YoY	Jul	5.9%/10.7%	23.5%/33.9%
09 Aug	CH	BoP Current Account Balance	2Q P	--	$39.2b
	CH	**CPI/PPI YoY**	**Jul**	**0.3%/--**	**0.2%/-0.8%**
	MY	Industrial Production YoY	Jun	4.7%	2.4%

Week-in-brief: Shifting Calibrations

- Market action this week was **dominated by shifting calibrations at FOMC and BoJ. The Fed had a more emphatic focus on whether it may be "behind the curve" on rate cuts**, with jobs shifting from being a source of inflation risks (wage-price spirals) to a potential catalyst for sharper rate cuts ahead conspired with the disappointing ISM manufacturing print.
- **BoJ surprised markets with a hike, although the gradual tapering of bond purchases disappointed** amid expectations of greater reductions. But the latter is worth better appreciation. Point being, pre-determined bond reduction plan not only mitigates risk of adverse liquidity shocks/yield volatility, it also helps re-focus guidance to policy rates, arguably rates (hikes) and enhance JPY traction, as BoJ grapples with the balance between growth, inflation and JPY risks.
- Adding to the fold, **geopolitics tensions ratcheted up** where an apparent retaliation by Israel in response to an attack on Golan Heights **killed Hamas political leader and their second in command** risks further escalations with Iran's warnings of more attacks. Gold surged around 3% in contrast to Brent crude prices which ended rather flat around US$80/barrel as demand concerns loomed.
- Over in EM Asia, any shifts were much more subdued. Vietnam's high frequency economic data remains buoyant; but rising financial risks on rising NPL and political stability risks amid changing leadership bear watching. Taiwan Q2 GDP moderated to 5.1% YoY (Q1: 6.5%), a marginal expansion on a SA QoQ basis, as moderating exports growth and accelerating imports growth offset strong growth in investment and government consumption.
- Down Under, moderating core inflation in June is unlikely to move the needle for the RBA meeting on 6 August. We expect the RBA to hold firm. Point being, the CPI data is insufficient to bring forward RBA's forecast that inflation will only return to its target in 2026. On the other end, mixed jobs data is insufficient to justify tighter labour markets and motivate another hike, amid concerns of stretched households.
- The RBI is also expected to hold on 8 August as inflation at the upper half of the target band and continue INR underperformance highlight the need for a hawkish hold to ensure stability.
- Elsewhere, Indonesia growth is expected to moderate to 4.9% (Q1: 5.1%) amid mixed growth across different sectors. Meanwhile, in the Philippines, manufacturing and services should power the economy to see >6% YoY growth (Q1: 5.7%). Nonetheless, increasing signs of domestic weakness would increase further odds of a cut at BSP's August meeting, especially with consistent remarks from BSP officials on the possibility of an August cut since the May meeting.
- All in, even amid a light G3 calendar next week, EM Asia FX could still move on shifting policy calculus, ongoing elections and geopolitical undercurrents.

RBI: Holding Horses

Justifiably Resisting Scope to Cut: The **RBI will hold its horses** for now despite headline indicators suggest scope for cut. And ***justifiably so*** as a **look under the hood reveals far less wiggle room**.

Inflation Needs Tyre-Kicking: Admittedly, **inflation has been a lot tamer than feared**. ***But*** trouble is, in price pressures remain **liable to upside tendencies** (as was evident from June's pick-up from May). What's more, **inflation continues to be at the upper side of the RBI's 4+/-2%-pt target range**. Which highlights the risks of premature easing.

Headline Fiscal Leeway: On the surface, there is prima facie case to suggest that incremental fiscal tightening allows for monetary easing to compensate. And the principle of assessing policy collectively on fiscal-monetary impulse flawed in and of itself.

Specifically, recent **post-election** Budget tightening FY25 deficit to 4.9% (of GDP) from preliminary target of 5.1% arguably posits monetary easing scope from **a 0.2%-pt fiscal tightening impulse.**

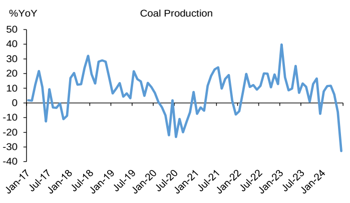
Undermined by Dividend Impulse: But that **does not withstand scrutiny**. Not when the **RBI divided windfall of 0.4%-pt** of GDP, which **more than offsets** is considered.

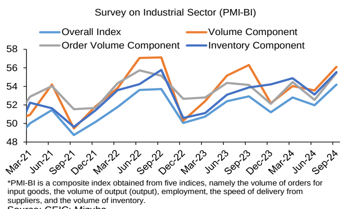
So, in effect, the dividend cash-flows will provide a ***first pass boost of 0.2%-pt*** of GDP. Which means spending multipliers ***add to inflationary flows***.

Rupee Bugbear: **Finally, rupee pressure re-surfacing**, with the **INR under-performing in July**, is a **stark reminder that front-running the Fed could exacerbate risks to macro-/FX-stability**.

The upshot is that *a hold is the low bar*, with a hawkish hold a more rigorous means, *to ensure stability.*

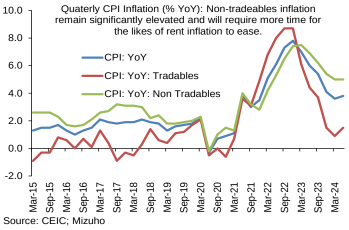
Indonesia Q2 GDP: Moderation

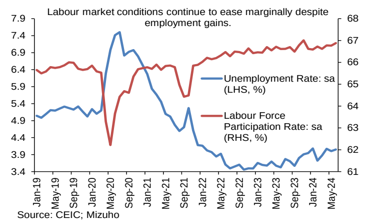




- **Indonesia's GDP growth remains supported but could moderate to 4.9% YoY** (Q1: 5.1%).
- **Agriculture could remain in contractionary territory** (Q1: -3.5% YoY) as the National Food Agency estimated a decline in rice production in the January-July period compared to a year ago as rainfall remained patchy in some regions. Meanwhile, **mining & quarrying should see a deterioration** (Q1: 9.3%) as coal production fell -11.5% YoY in Apr-Jun period (Q1: +10.3%).
- **Manufacturing is expected to remain supported** (Q1: 4.1%). While export volume of manufactured goods in April grew 21.3% YoY (Q1: 30.0%), improving forward-looking business sentiments could reflect a better-than-expected Q2.
- **Construction should accelerate** (Q1: 7.6% YoY) as cement consumption remains strong. Apr-May consumption was 7.7% higher compared to the equivalent period a year ago (Q1: 0.0%).
- On the services side, **wholesale & retail trade could moderate** (Q1: 4.6% YoY) as average retail sales declined to 1.1% YoY in Q2 (Q1: 5.6% YoY), but **information and communication growth should remain resilient** as the government's infrastructure push towards greater connectivity and digitalisation should have spillovers on attendant sectors. Notably, government expenditure on capital in Q2 saw a growth of 39.6% (Q1: 17.8%) suggested increased investments in Q2.
- Taken together, amid some moderation, Indonesia's growth remains supported and would buy time for Bank Indonesia to take time to contemplate before embarking on an easing cycle.

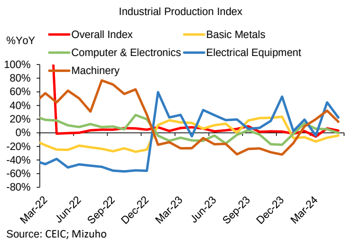
RBA: Unmoved

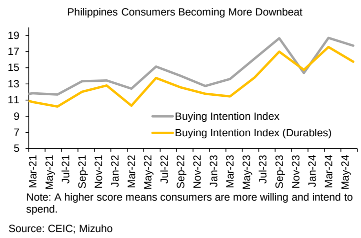




- We continue to expect **the RBA to keep rates unchanged at their meeting next week**.
- While markets had a significant reaction post June/Q2 CPI print with 3Y yields dropping 18bps and AUD slipping below 65 cents, the **RBA will likely have a much more measured response in terms of policy action**. **Point being, the RBA is unlikely to gain sufficient confidence to bring forward their projected trajectory of inflation's return to their target in 2026**.
- June's headline and trimmed mean at 3.8% and 4.1% respectively is still some distance away.
- On a quarterly basis, Q2 inflation for non-tradeables was sticky at 5.0% YoY similar to Q1 and will take more time to normalise especially given the tight housing market situation.
- Fortunately, tradeables inflation have returned back to pre-pandemic levels. That said, the Q2 bump-up in tradables inflation on fuel, fruit, vegetable as well as apparel underscores that further headline dis-inflation will need to rely on services rather than goods.
- Nonetheless, we retain the view that the bar for a hike remain a high one.
- While employment gains have indeed been robust with 125k of job gains in Q2, rising unemployment rate on the back of rising labour force participation rates indicate that overall conditions in the labour market have not tighten beyond the RBA's expectations to trigger wage price spiral fears.
- Furthermore, while nominal retail sales continued to show buoyancy growing 0.5% MoM in June which culminated in Q2's 0.7 QoQ expansion, real retail sales in volume terms actually contracted 0.3% QoQ, reflecting higher prices and stretched households.
- All in, the RBA will need to be patient and drag the rate hold for much longer. In the same vein, AUD bulls may also want to be patient and await for Fed cues.

Philippines Q2 GDP: Accelerate





- We expect **Philippines Q2 GDP to accelerate** to 6.2% YoY from Q1 (5.7% YoY).
- **Agriculture growth** is likely to deteriorate (Q1: 0.4% YoY) as the Philippines Statistics Department of Agriculture had in mid-June projected that palay production in 2Q likely tumbled by 8.4% YoY as farms reeled from the ill effects of the dryer weather conditions. The increase in average inventory levels of cereals compared to a year ago, likely reflects increased imports of grains.
- Meanwhile, **industry sector growth should accelerate** on multiple pillars. **Manufacturing should be supported** by a surge in production volume of electrical equipment in Apr-May on a YoY basis, while construction activity in April was buoyant. Meanwhile, **mining & quarrying could rebound slightly** as basic metals production in Apr-May contracted less than in Q1 (-5.7% YoY vs Q1: -9.1%) while production of fabricated metals accelerated (4.0% YoY vs Q1: 3.4%).
- On the services front, tourism-related sectors could see some moderation as the growth inflow of tourists have tapered as most of the easy tourism gains were mostly enjoyed in 2022 and 2023. Nonetheless, still positive growth should support spending in the hospitality related sectors.
- **Domestic consumption remains a risk to watch**, as consumer sentiments have become more downbeat with non-performing loans ticking up to average 3.2% of all loans in Apr-May, compared to an average of 3.1% in Q1. Nonetheless, wholesale and retail trade could hold up on low base effects.
- Meanwhile**, financial & insurance activities should accelerate** as higher financial markets turnover and continued rise in resident loan growth in April-May suggest robust activity levels.
- All in, Philippines economy should still stay robust but increasing signs of domestic weakness could mean more dovish inclinations at BSP August meeting.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	149.28	-4.620	-3.00%	147.00	~	152.00
EUR/USD	1.0804	-0.0045	-0.41%	1.078	~	1.097
USD/SGD	1.3336	-0.010	-0.71%	1.3340	~	1.3510
USD/THB	35.393	-0.692	-1.92%	35.00	~	35.80
USD/MYR	4.5085	-0.1468	-3.15%	4.500	~	4.620
USD/IDR	16200	-90	-0.55%	16,100	~	16,400
JPY/SGD	0.8934	0.021	2.38%	0.907	~	0.889
AUD/USD	0.6511	-0.005	-0.72%	0.645	~	0.670
USD/INR	83.75	0.024	0.03%	83.6	~	83.9
USD/PHP	58.1	-0.253	-0.43%	57.9	~	58.5

^Weekly change.

FX: Manuevering Turns, Slopes and Bumps

- While **the plunge in USTs has been rather emphatic this week, the consequent passthrough to the softer USD is much more muted** with the DXY still around 104.
- For one, **rising geo-political risks drove USD haven bids amid the souring risk sentiments**.
- CHF also enjoyed the flight to safety gains.
- The other driver **was an actual bump up of the BoJ policy rate alongside reduction in bond purchases which saw USD/JPY plunge** below 151 from 154 before the Powell's presser aid testing of sub-150.
- GBP led losses among the G10 peers as the BoE cut rates for the first time. The hawkish pushback for Governor Bailey was unable to restrain markets betting for more cuts in 2024.
- In turn, on the adverse spillovers from the GBP, the EUR continued to languish.

EM-Asia: Riding the Tide or Following the Crowd?

- The ability of EM-Asia FX to ride on the UST yields is clearly dependent on their respective prospects of joining the global easing cycle.
- Yet again, the THB was a clear beneficiary of the appreciating JPY this week given their positive correlations and a BoT holding onto their neutral stance.
- That said, the MYR was the notable outperformer in EM-Asia on improving fundamentals and continued declaration of support from major state firms. With the BNM keeping a firm hold on rates and not subject to the global easing cycle, **MYR rode the tide of lower UST yields.**
- In contrast, the likes of the IDR and PHP was unable to gain much given the likelihood of BI and BSP to join the global easing cycle later in the year.

Bond Yield (%)

2-Aug	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.145	-23.8	3.955	-23.9	Flattening
GER	2.409	-19.3	2.220	-18.4	Steepening
JPY	0.389	0.5	0.933	-11.9	Flattening
SGD	2.780	-20.5	2.761	-22.6	Flattening
AUD	3.794	-30.0	4.048	0.1	Steepening
GBP	3.643	-24.2	3.865	-23.2	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	5,446.68	-0.23
Nikkei (JP)	35,909.70	-4.67
EuroStoxx (EU)	4,706.65	-3.21
FTSE STI (SG)	3,381.92	-1.30
JKSE (ID)	7,317.13	0.40
PSEI (PH)	6,605.30	-1.79
KLCI (MY)	1,610.28	-0.16
SET (TH)	1,313.20	0.46
SENSEX (IN)	81,095.54	-0.29
ASX (AU)	7,943.24	0.28

USTs: Closing the Gap?

- **UST yield curve sold off sharply over** the past week, as Fed's policy calculus in growth-inflation trade-offs become more balanced in the face of downside risks to growth.
- Markets are now pricing in 4 cuts by January 2025, raising risks that markets could get ahead of itself and overprice the odds of faster cuts, which FedSpeak may seek to moderate.
- Complicating the direction is escalating geopolitical tensions in the Middle East, which could provide further support to USTs rally on haven flows; as well as concerns over US debt bloat amid election season. .
- Accordingly, further USTyields decline could be more tempered.
- In the coming week, we think that there could be a period of volatile consolidation for 2Y yields could trade around 4.05-4.30%, while 10Y yields trade around 3.90-4.10%.

FX Brief:

1) JPY: BoJ hike and rinban purchase reduction set stage for USDJPY to embark on "buoyant" crawl lower in a reflection of outsized yield gap which looks set to narrow.

2) EUR: Unemployment uptick and GBP woes saw the EUR dribble lower towards 1.08.

3) AUD: Oppotunistic bulls may continue to restrain slippage below 65 cents with the RBA looking to hold longer than the Fed. Allure retained against high yield EM-Asia peers such as the PHP and IDR who face easing prospects.

4) CNH: Dismal PMIs continue to underscore growth risks though more concrete measures enable partial ride for CNH to gain on softer USD.

5) INR: Outflows this week could suggest that exuberance on index inclusion has somewhat faded; risks of less hawkish tilt by RBI could see moves towards 84 levels.

6) SGD: Could consolidate arond 1.34 handle amid relatively quiet US/EZ/CH data week, although some USD/SGD upside volatility could be seen if FedSpeak tempers rate cut expectations.

7) IDR: Fed's imminent Sep cut provides some breather, and could retain traction below 16,300; barring any further news that could further incite fiscal slippages fears.

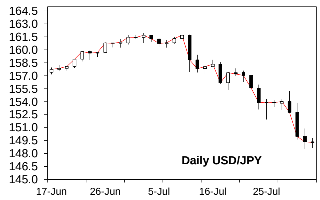
8) THB: Continued gains from JPY appreciation along with current account outperformance. At these levels, further rallies look stretched and consolidation is par for the course. While digital wallet boost may invite incipient flow, debt worries will be tabluted down the road.

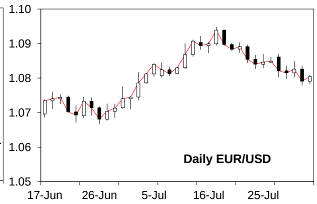
9) MYR: Outperformance would broadly continue, especially as BNM's prolonged hold would be a plus for rate differentials amid positive growth outlook. Could retain traction below 4.60 handle.

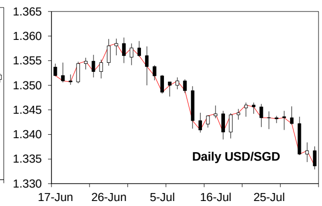
10) PHP: Within-target inflation and weakness in domestic consumption would mean continue underperformance vis-a-vis regional peers amid BSP's consistent remarks on the possibility of August cut. May still be unable to dip below 58 handle.

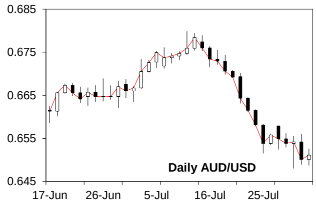
11) KRW: Gains from broader USD trends, lower UST yields and bumpy CPI at risk from intensifying tech sell-off.

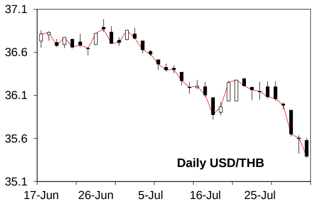
12) TWD: Inability to ride on weaker USD wave as equity outflows overwhelm.

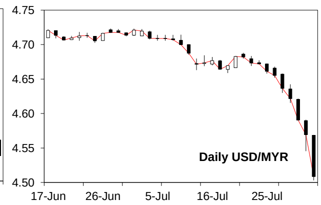


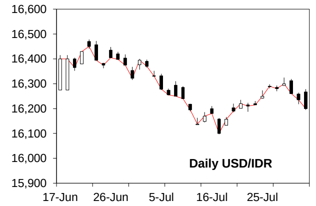


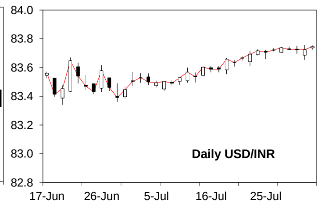


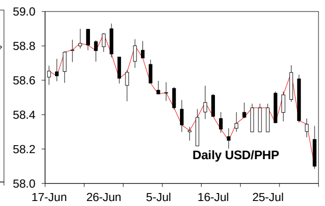


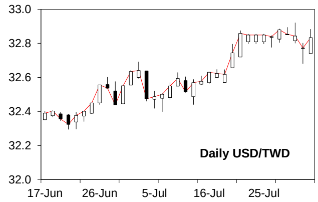


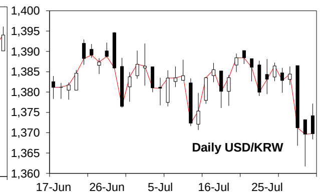


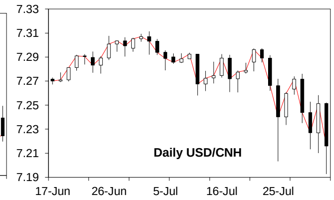












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