MIZUHO

WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 3 May 2024; The lists are not exhaustive and only meant to highlight key data/events

Yellow highlight indicate actual data

G3

Date	Country	Event	Period	Survey*	Prior
06 May	EZ	Services PMI	Apr F	--	52.9
	EZ	PPI YoY	Mar	--	-8.3%
	EZ	**Sentix Investor Confidence**	**May**	**--**	**-5.9**
07 May	**EZ**	**Retail Sales MoM**	**Mar**	**--**	**-0.5%**
	JP	PMI Services	Apr F	--	54.6
08 May	US	Wholesale Inventories MoM	Mar F	-0.4%	-0.4%
09 May	**US**	**Initial Jobless Claims**		**--**	**208k**
	JP	Coincident Index/Leading Index CI	Mar P	114.0/111.1	111.6/111.8
	JP	Labor/Real Cash Earnings YoY	Mar	1.4%/-1.5%	1.4%/-1.8%
10 May	US	U. of Mich. Sentiment/Expectations	May P	77.0/--	77.2/76.0
	US	U. of Mich. 1Y/5-10Y Inflation	May P	--	3.2%/3.0%
	JP	BoP Current Account Balance	Mar	¥3440.7b	¥2644.2b
	JP	Eco Watchers Survey Current/Outlook SA	Apr	50.3/51.6	49.8/51.2

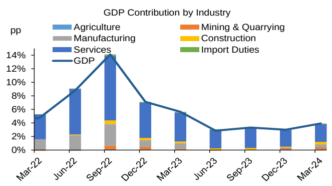
Asia

Date	Country	Event	Period	Survey*	Prior
06 May	CH	Caixin China PMI Services	Apr	52.5	52.7
	ID	**GDP YoY/QoQ**	**1Q**	**5.1%/-0.9%**	**5.0%/0.5%**
07 May	**AU**	**RBA Cash Rate Target**		**4.35%**	**4.35%**
	AU	Retail Sales Ex Inflation QoQ	1Q	-0.3%	0.3%
	PH	**CPI YoY 2018=100**	**Apr**	**4.1%**	**3.7%**
	TW	**CPI/Core YoY**	**Apr**	**2.1%/--**	**2.1%/2.1%**
	TW	PPI YoY	Apr	--	0.3%
08 May	PH	Exports/Imports YoY	Mar	-1.8%/-4.8%	15.7%/6.3%
	PH	Unemployment Rate	Mar	--	3.5%
	TW	Exports/Imports YoY	Apr	7.9%/6.6%	18.9%/7.1%
09 May	CH	Exports/Imports YoY	Apr	3.0%/4.0%	-7.5%/-1.9%
	KR	BoP Current Account Balance	Mar	--	$6858.3m
	MY	**BNM Overnight Policy Rate**		**3.00%**	**3.00%**
	PH	**GDP YoY/SA QoQ**	**1Q**	**5.5%/2.0%**	**5.5%/2.1%**
10 May	CH	BoP Current Account Balance	1Q P	--	$56.2b
	IN	Industrial Production YoY	Mar	5.3%	5.7%
	MY	Industrial Production YoY	Mar	1.3%	3.1%
11 May	**CH**	**CPI/PPI YoY**	**Apr**	**--**	**0.1%/-2.8%**
9-15 May	CH	Agg. Financing/New Yuan Loans CNY YTD	Apr	--	12930b/9460b

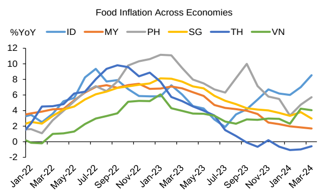
Week-in-brief: Riding, Not Turning The Tide

- This week, there was admittedly relief from Fed Chair Powell's re-iteration of rate cuts being a case of "when, not if" as well as an easing of the pace of Quantitative tightening which will be implemented from June. Amid the **softer UST yields and lower oil prices this week, EM-Asia FX saw broad relief on the tide of a weaker USD after recent testing times.**
- Nonetheless, **for the upcoming week, EM-Asia central banks will certainly not be complacent about turning the tide against the Greenback**.
- **Indonesia Q1 GDP print on Monday is expected to retain buoyancy above 5%** on strong retail sales in part due to fiscal support and external demand recovery. This in turn affirms the policy space behind BI's decision to proceed with their rate hike to stabilise the IDR.
- Down Under, we expect the **RBA on Tuesday will keep rates unchanged and stick to** their previous mantra of not ruling in or out future changes in their cash rate. Insufficient Q1 dis-inflation backs the rate hold while weak retail sales reduce hike chatters to a soft whisper.
- On **Thursday, the BNM will hold their ground** despite the lower than expected March inflation as Q1 growth outturn was encouraging on the back of budding manufacturing recovery and resilient services growth. While their neutral policy stance implying the lack of necessity to ease is a net support to the MYR in a time of softer UST yields, lower energy prices adds a dampener.
- On the same day, **Philippines Q1 GDP will likely improve on Q4's 5.6% YoY** print though a sequential momentum slowdown. Electronics provide manufacturing relief and tourism back the robust services activity though the agricultural sector look set to face the wrath of higher temperatures.
- All in, while EM-Asia is likely afforded relief on FX and growth front in a data light week for G3, China activity indicators and the CNH may end up the swing factor.

BNM: Holding the Ground



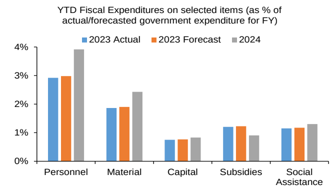
Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- We expect **BNM to continue standing pat** at the upcoming meeting (on 9 May). Malaysia's **growth pickup was encouraging**, printing at 3.9% YoY in Q1'24. Notably, manufacturing growth grew by 1.9% (Q4: -0.3%) and further tailwinds from electronics cycle recovery could be expected in the coming quarters. Construction also accelerated to 9.8% YoY (Q4: 3.5%) while services remained resilient at 4.4% (Q4: 4.2%).
- Meanwhile, **inflationary pressures remains manageable**. March inflation of 1.8% YoY inflation came in below expectations (2.0%) and remains stable despite the increase in services tax effective 1 March. Nonetheless, services inflation was key driver of inflation. Of note is that food price pressures in the nation remain benign -- a sharp contrast to neighbouring Indonesia, Philippines and Vietnam.
- Furthermore, we reiterate our view that **BNM will not hike rates in an attempt to stabilise the MYR** even as MYR has weakened ~0.8% against the greenback since the last meeting.
- As we have previously argued, a hike on the basis of MYR stability would mean a shfit to policy considerations from inflation and growth and could dent BNM's credibility. Instead, in addition to encouraging repatriation and conversion of foreign investment income (as stated in the previous policy statement), BNM could be expected to step into the FX markets to ensure financial markets remain "orderly", as officials have already cautioned. Malaysia's FX reserves (in import cover terms) have remained relatively stable.

Indonesia Q1 GDP: Supportive

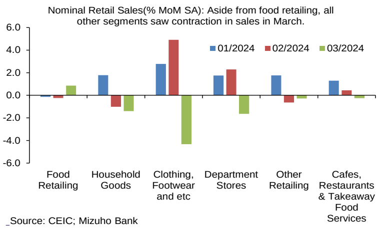


Source: CEIC; Mizuho Bank

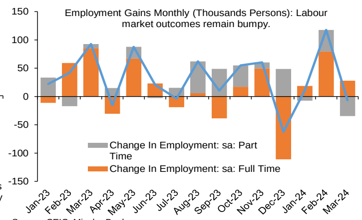
Source: CEIC; Mizuho Bank

- We expect Indonesia's growth to **pick up to above 5.0% YoY in Q1'2024** (Q4: 5.0%).
- **Wholesale/retail trade could see further acceleration** (Q4: 4.1% YoY), in view of elections (which typically boost spending) in early February. High frequency data supports this conjecture, as retail sales grew at an average of 2.7% YoY in Q1'24, while consumer sentiment remains supportive.
- Fiscal spending on personnel grew by 42.9% YoY in Q1 could also suggest wage raises for civil sector employees. With the month-long Eid al-Fitr celebrations from mid-April, wholesale/retail trade should remain supported, but strong growth in government expenditure on social assistance (~28% YoY) could be potentially worrying insofar that growth could be in part be assisted by increased social assistance.
- Meanwhile, **construction should remain resilient** (Q4: 7.7% YoY) as Finance Minister Indrawti had affrimed that the government's continued infrastructure push would continue under the new government. Transportation & storage and ICT sectors should continue to reap spillovers from the improved connectivity. Externally-oriented sectors like manufacturing and mining should also be supported as the former should follow trends of modest recovery in electronics cycle regionally (Q4: 4.1%), while demand for coal and iron/steel have remained resilient despite falling prices (Q4: 7.5%).
- All in, Indonesia's growth looks to be stable as government push through key policies, although downside risks persists on external trade headwinds and a stretched consumer wallets.

RBA: Neither In Nor Out



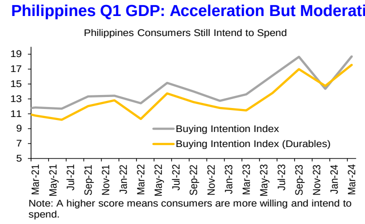
_Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

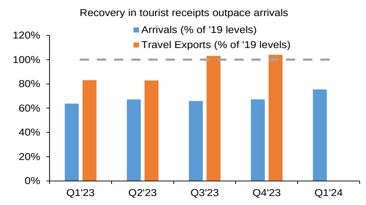
Amid all the volatility of the AUD and buzz surrounding Australia's latest inflation print, **our base case for the RBA is to keep rates unchanged. In their own words, the situation remains that they cannot afford to "rule in or out future changes in the cash rate target"**. Here's why.
- **First**, **inflation is hardly changed their previous meeting in March** which only had the benefit of January's headline inflation which stood at 3.4%. February's 3.4% and March's 3.5% merely affirms the lack of disinflation.
- That said, **underlying services inflation rising** to 4.2% and 3.9% in February and March is utterly uncomfortable from the lows of 3.7% at the start of 2024, given the importance of the services sector.
- Q1 goods dis-inflation is hardly relief as global oil prices remain at inflationary territory at this point.
- **Second**, bumpy labour market outturns accompanied by a creep up of the unemployment rate restrains the RBA from hikes.
- **Third**, **broad nominal retail sales weakness in March also** keeps RBA on the edge about the risks of activity slowdown though aggregate Q1 retail activity still posted robust growth.
- On balance, the RBA **will likely persist with a similar statement to March** and warn about the two way risks on both ends of growth and inflation. Consequently, AUD bulls will find it hard to surmount above mid-66 cents in the clear absence of a dovish Fed.
- Nonetheless, AUD bears will also not be able to confidently see slippages with 64 cents without a clear sense of marked domestic economic slowdown amid firmer China activity in the interim.

Philippines Q1 GDP: Acceleration But Moderation



Note: A higher score means consumers are more willing and intend to spend.

Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- We expect **Philippines Q1 GDP to come in at 5.9% YoY**, accelerating from 5.6% in Q4. This would however, be a growth moderation on seasonally-adjusted QoQ basis.
- The **manufacturing sector could see a lift** (Q4: 0.5% YoY) as we see an acceleration in electronic exports since the start of the year. **Construction activity is also expected to accelerate** (Q4: 8.4%) following NEDA's comments in January on its intention to accelerate the execution of infrastructure projects (31 Jan). This is likely reflected in the acceleration in government expenditures to 10.7% YoY in Q1'24 (Q4: 1.7%). **Wholesale/retail trade should also stay supported** (Q4: 5.2%) as Philippines consumers have demonstrated an increased intention to spend.
- Meanwhile, **services is likely to continue to grow at a faster pace, powered by strong tourism recovery.** Philippines post-pandemic recovery has seen tourist receipts outpacing arrivals.
- We suspect that this outperfromance in tourist revenue recovery (relative to regional peers) could be attributed to some success in tourism board's focus on attracting higher-spending tourists from oil-rich Middle East countries as well as healthy recovery in American and South Korean tourists. That recovery of Chinese and Japanese tourists have some way to go suggest that this sector would remain supported in coming months.
- Nonetheless, **agriculture growth could moderate** (Q4: 1.3%) on possibly poorer harvest as the nation endures a heat wave. Notably, prices of rice have continued to climb during this harvest season (when prices typically fall) and could in part be due to supply constraints, prompting President Marcos to lift barriers on rice imports on 22 April.
- All in, growth is expected to be supportive, and could buy some policy room for the BSP to tighten policy further, especially if inflation exceeds BSP's 2-4% target range and a struggling PHP.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	152.92	-5.410	-3.42%	151.00	~	155.00
EUR/USD	1.0737	0.0044	0.41%	1.060	~	1.080
USD/SGD	1.3524	-0.010	-0.76%	1.3450	~	1.3620
USD/THB	36.78	-0.18	-0.49%	36.60	~	37.00
USD/MYR	4.734	-0.034	-0.71%	4.720	~	4.760
USD/IDR	16088	-122	-0.75%	16,000	~	16,200
JPY/SGD	0.8844	0.024	2.75%	0.868	~	0.902
AUD/USD	0.6579	0.005	0.70%	0.646	~	0.664
USD/INR	83.47	0.118	0.14%	83.1	~	83.6
USD/PHP	57.41	-0.281	-0.49%	57.0	~	57.8

^Weekly change.

FX: JPY Intervention Risks" Of "Live" & Line

- The **elephant in the FX room** this week must be emphatic JPY intervention*. So the **temptation** is **to define triggers and thresholds**. That **would be a mistake**.

- For one, we think **JPY intervention risks remain "live"** *given entrenched USD/JPY and rate spread imbalances.* Admittedly, there is **no straight-forward mapping for UST-JGB spreads** and USD/JPY. But suffice to say USD/JPY 150 appears rich enough.

- And so, *to test 155-160 at current yield spreads veers into speculative territory.* Unless the proposition is one of a structural break in USD/JPY UST-JGB spread equilibrium, warranting higher corresponding USD/JPY levels now. That is not implausible. But it will not, as yet, convince the BoJ and MoF that JPY is fairly valued. And more importantly, that speculative forves are not at work.

- For that reason, JPY intervention risks remain "live". The intended message is, **speculators cannot afford complacency as MoF remain vigilant**.

- Second, there is no "line in the sand" to authoritatively determine "safe zones" for speculators. Fact is, the BoJ and MoF are only too acutely aware that large USD swings easily shift relative FX goal-posts. So it will be imprudent to engage in rigid, and worse, futile interventions, which come at a high cost to FX reserves and credibility. Instead, calculated and opportunistic market action for maximum effect is preferred. And the MoF is practiced in this.

- What's more, the element **of unknown and surprise** are key advantages that the BoJ and MoF will want to retain. Admittedly, declaring that JPY intervention risks remain "live" appears redundant after USD/JPY has been hammered down to 153+ after testing 160 earlier this week. But it is important to acknowledge that this is not a one and dusted. And that the **moves, exploit, but are not exclusively driven by, lower UST yields and USD.**

- Outsized JPY gains and exaggerated Cross/JPY volatility corresponding to the moves in yields (be it UST or JGB yields) reflect intervention risks at work.

- Crucially, it warns of rising hidden costs associated with JPY-funded "carry trades" as brutal capital losses from intervention risk wiping out "carry" gains.

- Herein lies the **duality of JPY for EM Asia FX**. On one hand, excessive JPY losses drag on EM Asia FX reflecting the sympathetic JPY-AXJ correlations from supply-chains and investment channels. Yet on the other, **sharp JPY surge squeezing out "carry" trades can dent high-yielding AXJ too**.

- For now, it may be prudent to be **cautious on high-yielding EM currencies that have benefitted from JPY-funded carry demand.**

Bond Yield (%)

30-Apr	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.873	-12.0	4.581	-8.2	Steepening
GER	2.980	0.3	2.540	-3.3	Flattening
JPY	0.279	-0.1	0.889	1.1	Steepening
SGD	3.435	-3.5	3.381	-6.0	Flattening
AUD	4.093	-8.5	4.407	0.1	Steepening
GBP	4.437	-2.4	4.285	-3.7	Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	5,064.20	-0.70
Nikkei (JP)	38,236.07	0.79
EuroStoxx (EU)	4,890.61	-2.32
FTSE STI (SG)	3,306.24	0.80
JKSE (ID)	7,111.29	1.07
PSEI (PH)	6,635.75	0.11
KLCI (MY)	1,586.49	0.72
SET (TH)	1,363.25	0.24
SENSEX (IN)	74,611.11	1.19
ASX (AU)	7,634.90	0.78

US Treasuries: Turning Into Corners?

- UST yields sank this week on relief rally from Fed Chair Powell establishing **rate cuts as a "when not" if proposition.**

- Furthermore, it is also perhaps worthwhile to recap details of a slow pace of QT. Effective June, the Fed will reduce QT cap for Treasuries from US$60bn/mth to 25bn/mth. And whilst MBS reduction cap is maintained at US$35bn/mth, any residual MBS reinvestment quota will be redirected to US Treasuries.

- A slower balance sheet run off will provide liquidity relief at the margin. In addition, we saw markedly lower oil prices this week as US inventories soared and this would have added relief for headline inflation and Fed doves.

- Certainly, there may be more room for markets to push forward rate cuts into late Q3, having already earlier shift the first cut to November (post FOMC) from December prior to FOMC.

- That said, further decline in UST yields would rely on softening economic data which may not be present in the data light week ahead. Instead, re-iterating patience from Fed speakers may remind UST bulls not to overrun into a corner.

FX Brief:

1) JPY: Despite massive drop to test 160, JPY ended stronger at 153 on intervention risks that contine to linger.

2) EUR: Post-FOMC relief that softened USD allowed EUR to be buoyed around 1.07 but sustained upside may be limited given firming June cut.

3) AUD: Some scope for traction exploting post-FOMC USD slippage presents itself with the RBa meet. But anything above 66 cents may look stretched if China data fail to impress.

4) CNH: Golden Week holidays saw some shine in CNH, exploiting post-FOMC USD slippage. Durably going sub-7.20 is the next challenge as post-FOMC relief fades.

5) INR: Rupee is one of the rare EM Asia currencies that is down, albeit fractionally, on the week rather than up. But this partly reflects earlier relative resilience. Equity flows watched.

6) SGD: Softer post-FOMC USD and coincident CNH support allowed for sub-1.36 dips. But underlying caution to stall ahead of 1.35 slide.

7) IDR: Relative rupiah underperformance remained a bugbear as late week gains in IDR remained at the softer end of post-FOMC bounce in regional currency.

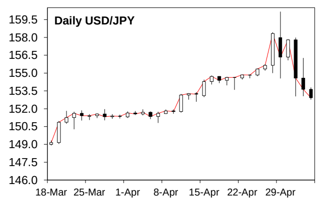
8) THB: Gains remain restrained despite another current account surplus print and higher CPI print backing continued BoT rate hold. This is telling of underlying domestic worries with the minimum wage policy in focus.

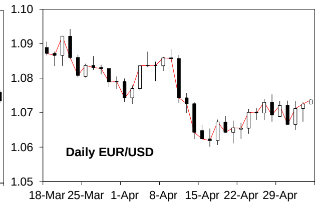
9) MYR: Firmer CNH imparts strength over the week, and USD/MYR fell below 4.75 levels post-FOMC - a level last seen prior Iran-Israel geopolitical flares and hot US inflation data.

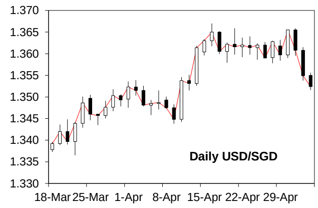
10) PHP: That USD/PHP still trade some distance away from the 57 handle post-FOMC points to lingering cautiousness on global geopolitics and macrobackdrop.

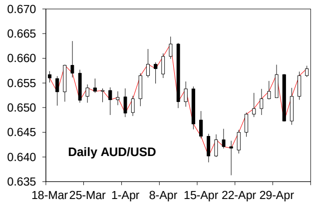
11) KRW: Outperformance among regional peers for the high beta currency. Export driven GDP outperformance the previous week coupled with this week's CPI stickiness aids the BoK's cause for keeing to their restrictive stance.

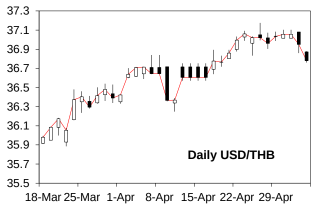
12) TWD: Moderate gains on GDP outperformance as foreign equity funds outflow may have weighed. CBC minutes leaned hawkish even as Economic Affairs Minister Wang opposed the hike.

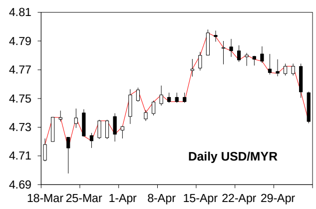


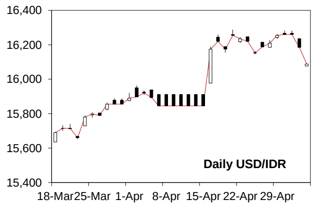


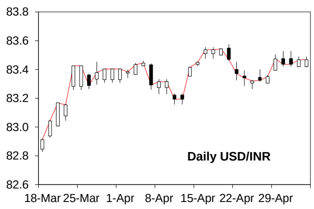


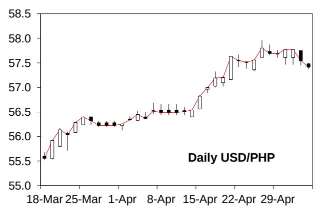


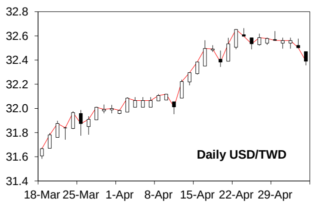


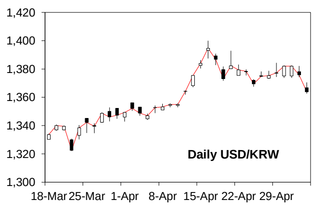


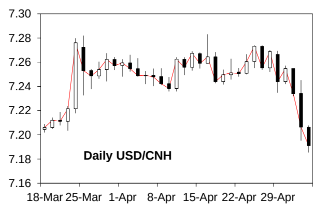












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