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WEEK AHEAD

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06-Dec-2024

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Economic Calendar

•Survey results from Bloomberg, as of 6 Dec 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
09 Dec	US	Wholesale Inventories MoM	Oct F	--	0.2%
	EZ	Sentix Investor Confidence	Dec	-13.2	-12.8
	JP	BoP Current Account Balance	Oct	¥2332.6b	¥1717.1b
	JP	Eco Watchers Survey Current/Outlook SA	Nov	47.3/48.7	47.5/48.3
	JP	GDP SA QoQ	3Q F	0.3%	0.2%
10 Dec	JP	Machine Tool Orders YoY	Nov P	--	9.4%
11 Dec	**US**	**CPI/Ex Food and Energy YoY**	**Nov**	**2.7%/3.3%**	**2.6%/3.3%**
	US	Real Avg Weekly Earnings YoY	Nov	--	1.4%
	JP	BSI Large All Industry QoQ	4Q	--	5.1
	JP	PPI YoY	Nov	3.4%	3.4%
12 Dec	US	Initial Jobless Claims		--	224k
	US	PPI Final Demand/Ex Food, Energy YoY	Nov	--	2.4%/3.1%
	EZ	**ECB Deposit Facility Rate**		**3.00%**	**3.25%**
13 Dec	EZ	Industrial Production WDA YoY	Oct	--	-2.8%
	JP	Tankan Large Non-Mfg Index/Outlook	4Q	32/28	34/28
	JP	Tankan Large Mfg Index/Outlook	4Q	13/12	13/14
	JP	Tankan Large All Industry Capex	4Q	9.9%	10.6%
	JP	Industrial Production YoY	Oct F	--	1.6%

Asia

Date	Country	Event	Period	Survey*	Prior
09-15 Dec	CH	Aggregate Financing CNY YTD	Nov	29680.0b	27060.0b
	CH	New Yuan Loans CNY YTD	Nov	17510.0b	16520.0b
09-13 Dec	TH	Consumer Confidence Economic	Nov	--	4960.0%
11-18 Dec	CH	FDI YTD YoY CNY	Nov	--	-29.8%
11-12 Dec	**CH**	**Central Economic Work Conference**			
13-16 Dec	IN	Exports/Imports YoY	Nov	--	17.2%/3.9%
09 Dec	**CH**	**CPI/PPI YoY**	**Nov**	**0.4%/-2.8%**	**0.3%/-2.9%**
	ID	Consumer Confidence Index	Nov	--	121.1
	TW	Exports/Imports YoY	Nov	8.1%/18.5%	8.4%/6.5%
10 Dec	CH	Exports/Imports YoY	Nov	8.7%/1.0%	12.7%/-2.3%
	AU	**RBA Cash Rate Target**		**4.35%**	**4.35%**
	MY	Industrial Production YoY	Oct	--	2.3%
	PH	Exports/Imports YoY	Oct	-3.2%/6.0%	-7.6%/9.9%
11 Dec	**KR**	**Unemployment rate SA**	**Nov**	**--**	**2.7%**
12 Dec	AU	Employment Change	Nov	25.0k	15.9k
	AU	**Unemployment Rate**	**Nov**	**4.2%**	**4.1%**
	IN	**CPI YoY**	**Nov**	**5.5%**	**6.2%**
	IN	Industrial Production YoY	Oct	3.6%	3.1%

Week-in-brief: Of Deliberations and Disruptions

- Markets digested this week's slew of data as it contemplates central banks' upcoming decisions.
- Amid mixed economic data and continued cautious tones from FedSpeak, **odds of a 25bps cut by Fed in December increased from 66% to ~70%**, as direction of policy travel remains tilted to more easing.
- In Japan, **odds of a 25bps hike by BoJ in December tumbled from ~66% a week ago to about ~40%** amid reports from a Japanese news outlet that BoJ will not hike in December and as BoJ Nakamura (dove) expressed concerns about the sustainability of wage increases, even as he left open the possibility of a Dec hike.
- Meanwhile, **OPEC's decision to further delay of output restoration** (from the voluntary curbs in 2023) while may be due to deliberation of softer crude prices, may not turn the tide decisively for the softening trend amid demand woes and over-supply from non-OPEC countries.
- While **RBI held rates on inconvenient inflation prints, it was a dovish one as it cut cash reserve ratio to boost liquidity in the banking system.** RBI also lowered its growth forecast for the year to 6.6% (prev: 7.2%) and raised its inflation forecast to 4.8% (prev: 4.5%).
- **Over in Vietnam, the Prime Minister has set a growth target of 8% in 2025**, which is markedly higher than the National Assembly's range of 6.5-7% range. While there is potential to achieve the targets amid ongoing infrastructure projects and robust FDI growth, anti-graft drive risks slowing investment disbursement while geopolitical uncertainty may see Vietnam being caught in the crosshairs of trade wars.
- In addition to policy deliberations, there were political disruptions as well.
- The **lasting aftermath caused by South Korea President Yoon's short-lived martial law imposition** led to KRW's and KOSPI's underperformance, while the **French no-confidence vote that ousted PM Barnier** meant the search for a new Prime Minister, who would have to pass a budget through under similar constraints as his/her predecessor.
- Down under, Australia GDP disappointed on tepid consumption and weak exports, despite a surge in government consumption. Mounting growth risks saw **OIS pricing for the first cut by RBA was shifted earlier to April 2025, from May 2025**.
- Indeed, **RBA is expected to hold rates at the upcoming meeting** amid bumpiness in the trimmed mean and higher services inflation amid a still robust labour market.
- ECB is expected to proceed with another rate cut as growth risks and taming inflation beefs the case for easing. Nonetheless, EUR's directionality will likely be on ECB 2025 growth and inflation outlook.
- All in, it was certainly a busy week as we head into the last month of the year. But volatility is likely still on the table with a slew of central bank decisions into the middle of the month.

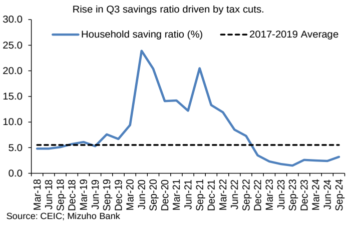
ECB: Cautious Easing

- We expect ECB to proceed with another 25bps cut at the upcoming meeting (12 Dec), but could be a hawkish cut as ECB amid heightened uncertainty.
- **The case for further easing remains given growth risks and taming inflation.** While Q3 GDP printed higher-than-expected, higher-frequency and forward-looking indicators do not paint a rosy picture. Industrial production and November PMIs pointing to contracting economic activity. Meanwhile, inflation touched ECB's 2% target in October but edged higher to 2.3% in November due to base effects in fuel prices.
- Nonetheless, hawkish notes have been already evident in recent remarks. ECB Lagarde has remarked that the fight against inflation is approaching its end but has not been won yet, while ECB Schnabel saw limited room for easing, warning that policy easing should not move into accommodative territory and downplayed recession risks.
- With Lagarde's comment that ECB will have to move from backward to forward looking, focus will likely be on any revisions to the macroeconomic projections for growth and inflation.

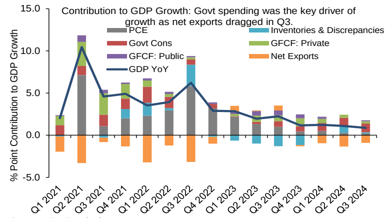
OPEC Delays to Ward Off Bears

- The **OPEC's further delay of output restoration** (from the "voluntary curbs in 2023) is apparently **an attempt to ward off an outright bear market**. But this also comes *at the risk of losing market share.* This **delay entails two dimensions**. The first is the timing of **the start** of output restoration. The other is **the pace** of phased **restoration schedule**.
  - The **kick-off for a phased 2.2MBpD restoration**, initially earmarked to begin in October, has been **pushed out for the third time to April 2025**.
  - And the **phased restoration** will **stretch over 18-month**s now (into September 2026), from earlier plans to be spread over 12-months.
- **Oil markets barely took notice**, with a **conspicuous absence of any boost to crude prices**. The argument that markets fully anticipated this further delay by OPEC explains why prices remain subdued. But it is **no comfort for the broader softening trend in crude prices** since mid-2024 (from $85 to $72 Brent). Which reflects the **ramp-up in US-led oil output elsewhere** (Brazil, Canada etc.) **conspiring with a softer demand outlook**. Consequently, the grim reality for the OPEC is that its past (and now extended) ***output restraint may end up providing very little price compensation for the OPEC to reap***. Moreover, someone else might have taken a bite out of its lunch as the **OPEC's prolonged curbs inadvertently painted itself into a more compromised market share positioning**.
- Admittedly, **Trump 2.0 provides opportunities for OPEC to seize**. Especially if the screws on Iran sanctions are tightened and OPEC has an opening to displace Iranian crude supply. *But equally*, Trump 2.0 also entails constrains. A prominent one is the **threat of demand dampeners (on price) in the context of China tariffs**, which are ostensibly a feature of Trump 2.0. But **a *curveball risk for the OPEC* is Scott Bassent's** (the Treasury Secretary nominee) ***desire to raise US output by*** (the equivalent of) ***3MBpd***. If realized, this poses **a sizable headwind for the OPEC** and Saudi's ability to foster cohesion in the cartel.

RBA: Stagflation Complications



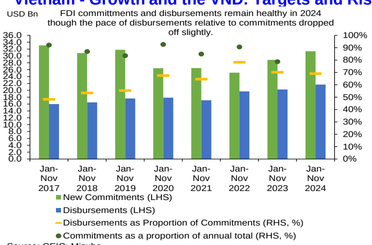
Source: CEIC; Mizuho Bank



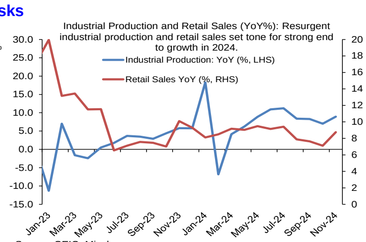
Source: CEIC; Mizuho

- While we expect the RBA to **stand pat at their upcoming meeting on the 10 December**, we retain our call for a 25bp cut in Q2 2025 as pressures from slowing growth start to mount.
- Our key area of concern is still the diminished household savings buffer and the recent Q3 uptake is no durable relief as it stemmed from the Stage 3 tax cuts implemented from July 2024.
- **Private consumption growth** continued to slow in Q3 to just 0.4% YoY in Q3 contributing a **mere 0.2%pt to overall GDP growth** which came in at a dismal 0.9% YoY.
- **Government consumption was the main driver** of growth contributing 1%-pt to growth while net exports was expectedly a drag. Notably, **energy rebates drove much of these spending**.
- The implication being that **despite these energy rebates and tax cuts, households expenditure remain tepid.** In fact, even the subdued inflation figures were a result of those electricity rebates.
- **The stagflation woes** is unlikely to be lost on the RBA given that absent the bump in government spending, growth much weaker and inflation would be much higher.
- Admittedly, the bumpy trimmed mean inflation is restraining the RBA from embarking on easing especially as **service inflation climbed in recent months reaching 4.8% YoY in Oct 2024**.
- The robust of the labour market is also aiding the RBA to stick to their current stance as the softer 15.9k employment gains (relative to Sept's 61.3k) with no job losses on both full time and part time basis for October is unlikely to distract from the record low unemployment rate and firm wage growth.
- All in, AUD bulls will get little boost from this meeting. The risks may skew to the downside as it is increasingly hard for the RBA not to detail these growth concerns in their statement even as they seek to impose their inflation fighting credibility. That said, markets are already noting such sentiments as the AUD underperformed all G10 peers this week.

Vietnam - Growth and the VND: Targets and Risks



Source: CEIC; Mizuho



Source: CEIC; Mizuho

- Retail sales and industrial production improved to 8.8% and 8.9% respectively in November. The latter continues to be boosted by strong demand for electronics components and communications equipment and the likes of apparel and footwear also saw steady expansion.
- Consequently, we have revised up Vietnam's 2024 full year growth to 7.0%
- Looking ahead, Vietnam's PM has set a **GDP growth target of 8%** in 2025 which is significantly higher than the **National Assembly's range of 6.5-7% range**.
- Admittedly, there is certainly potential to achieve these loft targets given that infrastructure projects such as expressways and airports are seen as key drivers. The flip side though is that the **chronic slow pace of public investment disbursement seen in 2024** as officials became wary amid the anti-graft drive **is a tough one to resolve** given that the governance drive will persist in 2025.
- Barring unfortunate scandals, achieving credit growth target set by the SBV to support growth is also highly feasible. Furthermore, FDI committments continue robust growth which can aid further capital spending in 2025. That said, the business climate may become more uncertain heading into Trump 2.0 which may end up hindering growth as Vietnam may be caught in the crosshairs of trade wars.
- Even amid these fundamental growth allure, we continue to flag VND risks into 2025 as the diminished FX reserves may face difficulties being rebuilt as the Trump administration may keep a close eye on attempts by the authorities to buy USD as the risk is that **the SBV may then be perceived as being a currency manipulator by suppressing FX strength.**

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	150.12	0.350	0.23%	147.00	~	153.00
EUR/USD	1.0583	0.0006	0.06%	1.043	~	1.070
USD/SGD	1.3387	-0.001	-0.06%	1.3300	~	1.3490
USD/THB	33.963	-0.339	-0.99%	33.80	~	34.70
USD/MYR	4.4155	-0.032	-0.72%	4.380	~	4.470
USD/IDR	15850	5	0.03%	15,700	~	16,000
JPY/SGD	0.8919	-0.003	-0.30%	0.869	~	0.918
AUD/USD	0.6429	-0.008	-1.27%	0.635	~	0.655
USD/INR	84.68	0.188	0.22%	84.4	~	85.0
USD/PHP	57.747	-0.888	-1.51%	57.3	~	58.5

^Weekly change.

FX: Muted Advances

- Even as UST yields soften this week, G10 peers found it hard to make decent ground against the Greenback.
- The AUD underperformed, slipping for than 1% this week as the Q3 GDP outturn underperformed expectations. EUR also weakened amid the political instability in France and retail sales disappointed.
- JPY was also rather flat even as UST yields slips with markets cautious about taking bets for a BoJ hike in December too far.

EM-Asia: Bumpy Ride

- Unsurprising, KRW led losses as the martial law episode raises their political risk premium with impeachment on the card for President Yoon.
- On the other end, PHP led gains as inflation bump up retains the need for BSP to be more calibrated in their easing cycle.
- While the THB also gained, Thailand's inflation bump up was not unlikely to be pivotal in reducing rate cut pressures. It is more likely that the sight of debt restructuring pressures imply relief on threat to financial instability. That said, THB bulls **should be wary of potential rate cut in December should the BoT decide that lower rates could complement the restructuring efforts.**

Bond Yield (%)

6-Dec	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.162	1.1	4.176	0.7	Flattening
GER	2.005	6.7	2.099	1.4	Flattening
JPY	0.576	0.0	1.043	1.3	Steepening
SGD	2.698	-2.5	2.669	-6.3	Flattening
AUD	3.853	-9.3	4.218	0.1	Steepening
GBP	4.245	1.9	4.261	2.1	Steepening

Stock Market

	Close	% Chg
S&P 500 (US)	6,075.11	0.71
Nikkei (JP)	39,091.17	2.31
EuroStoxx (EU)	4,951.58	3.06
FTSE STI (SG)	3,806.48	1.80
JKSE (ID)	7,349.30	3.30
PSEI (PH)	6,729.14	1.74
KLCI (MY)	1,613.12	1.18
SET (TH)	1,453.01	1.78
SENSEX (IN)	81,798.21	2.50
ASX (AU)	8,420.85	-0.18

USTs: Bias to Lower Yields?

- UST yields were little moved amid mixed US data, continued cautious rhetoric and ahead of the jobs report later today.
- Barring an overly hot jobs report which drastically change expectations of another 25bps cut at December meeting*, downward bias to yields should still be retained.
- Afterall, a calibrated approach towards neutral should not detract that the direction of travel for policy rates should be downwards.
- We expect 2Y yields to trade around 4.09-4.18% and 10Y yields to trade around 4.10-4.20%.

*Odds of a 25bps cut in December currently stand at ~70%.

FX Brief:

1) JPY: The NFP print will set the tone for JPY's upcoming week rather than bets for a cautious BoJ move. Even as wage gains look marginally supportive for a hike, JPY bulls looking for more gains may found themselves wanting as the stronger USD will fade near term impetuous to hike.

2) EUR: While we continue to expect nuoyancy above mid-1.04 retained, rallies towards 1.07 to fall short as Trump 2.0 and French woes restrain.

3) AUD: AUD bears are already accounting for the dismal growth into RBA decision in the coming week. Trading to languish around mid-63 cent-mid-65 cents with CEWC being the swing factor while dovish tones from RBA to add downside bias.

4) CNH: PBoC fixing continue to restrain CNH slippage though underlying pressure unlikely to relent. Market keen for stimulus annoucement during CEWC will bring back depreciation pressures.

5) INR: Buoyancy above mid-84 levels could be sustained.

6) SGD: Recovery of EUR on fading French political premium and impending China Eocnomic Work Conference could provide support below 1.34 levels, barring a hot US jobs report.

7) IDR: Pending results of local elections could mean moderate rallies. Should retain buoyancy above mid-15,700 levels.

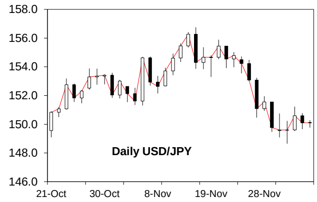
8) THB: Volatile nature persisted as it chalked up large gains on lower UST yields and debt restructuring hopes.

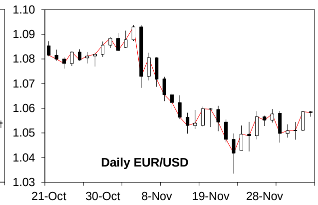
9) MYR: Two-way volatility on Monday expected following US NFP print tonight; but retain traction below 4.40 levels if UST yields trend lower.

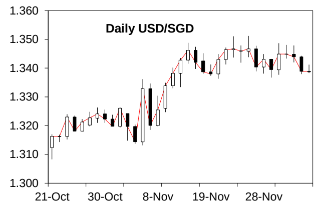
10) PHP: Outperformance this week unlikely to be sustained amid growth risk and inflation print still supporting a cut this December. Unlikely to see durable traction below mid-57 levels.

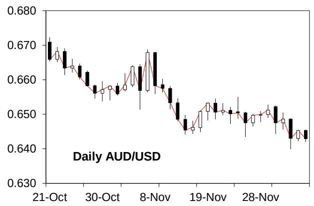
11) KRW: Political turmoil led to underperformance. With impeachment likely over the weekend, KRW recovery prospects dim. Sub-1400 may be a stretch even as some political uncertainty may fade on candidate clarity.

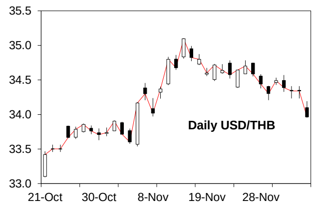
12) TWD: Bump up in CPI print aids the case for CBC to continue prolong rate hold and backstop the TWD.

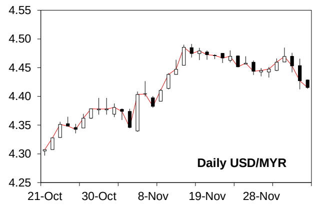


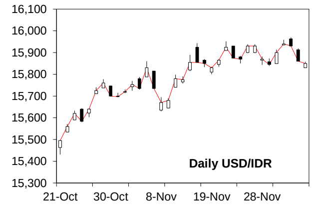


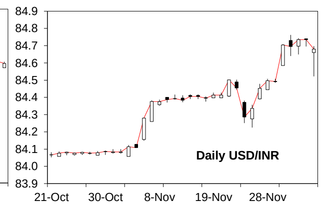


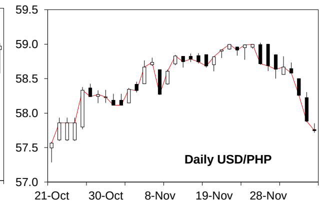


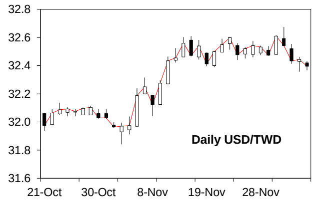


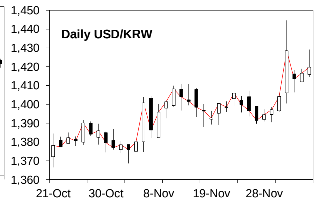


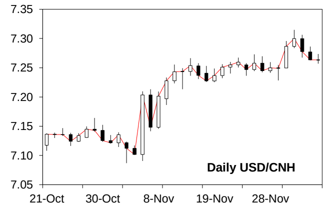












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