MIZUHO
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WEEK AHEAD

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29-Apr-2024

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Economic Calendar

•Survey results from Bloomberg, as of 26 Apr 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
29 Apr	US	Dallas Fed Manf. Activity	Apr	-11.3	-14.4
	EZ	**Economic Confidence**	**Apr**	**96.7**	**96.3**
30 Apr	**US**	**Conf. Board Consumer Confidence/Exp**	**Apr**	**104/--**	**104.7/73.8**
	US	MNI Chicago PMI	Apr	45.0	41.4
	EZ	**CPI Estimate/Core YoY**	**Apr**	**2.4%/2.6%**	**2.4%/2.9%**
	EZ	**GDP SA YoY/SA QoQ**	**1Q A**	**0.2%/0.1%**	**0.1%/-0.1%**
	JP	Job-To-Applicant Ratio/Jobless Rate	Mar	1.3/2.5%	1.3/2.6%
	JP	**Retail Sales YoY**	**Mar**	**2.4%**	**4.7%**
	JP	**Industrial Production YoY**	**Mar P**	**-6.3%**	**-3.9%**
01 May	US	JOLTS Job Openings	Mar	8680k	8756k
	US	**ADP Employment Change**	**Apr**	**180k**	**184k**
	US	**ISM Manufacturing/Prices Paid**	**Apr**	**50.1/55.2**	**50.3/55.8**
	US	**FOMC Decision (Lower/Upper Bound)**		**5.25%/5.50%**	**5.25%/5.50%**
02 May	US	Trade Balance	Mar	-$67.3b	-$68.9b
	US	**Initial Jobless Claims**		**210k**	**207k**
03 May	**US**	**NFP Chg/Unemployment Rate**	**Apr**	**250k/3.8%**	**303k/3.8%**
	US	**ISM Services Index/Prices Paid**	**Apr**	**52.0/-**	**51.4/53.4**
	US	Avg Hourly Earnings MoM	Apr	0.3%	0.3%
	EZ	Unemployment Rate	Mar	6.5%	6.5%

Asia

Date	Country	Event	Period	Survey*	Prior
29 Apr	VN	Trade Balance	Apr	$2011m	$2930m
	VN	**Retail Sales YoY**	**Apr**	**--**	**9.2%**
	VN	**Industrial Production YoY**	**Apr**	**--**	**4.1%**
	VN	**CPI YoY**	**Apr**	**4.4%**	**4.0%**
30 Apr	CH	Caixin China PMI Mfg	Apr	51.0	51.1
	CH	Mfg/Non-Mfg PMI	Apr	50.3/52.3	50.8/53.0
	AU	**Retail Sales MoM**	**Mar**	**0.2%**	**0.3%**
	KR	**Industrial Production YoY**	**Mar**	**3.8%**	**4.8%**
	TH	**BoP Current Account Balance**	**Mar**	**$2050m**	**$1965m**
	TH	Exports/Imports YoY	Mar	--	2.5%/3.1%
	TW	**GDP YoY**	**1Q A**	**5.9%**	**4.9%**
	SG	Unemployment rate SA	Mar	2.0%	2.0%
01 May	KR	Exports/Imports YoY	Apr	--	3.1%/-12.3%
02 May	SG	Purchasing Managers/Elect. Sector Index	Apr	--	50.7/50.8
	AU	Trade Balance	Mar	A$7300m	A$7280m
	AU	**Building Approvals MoM**	**Mar**	**3.7%**	**-1.9%**
	ID	**CPI/Core YoY**	**Apr**	**3.1%/1.8%**	**3.1%/1.8%**
	KR	**CPI/Ex Food and Energy YoY**	**Apr**	**3.0%/2.4%**	**3.1%/2.4%**
03 May	**SG**	**Retail Sales/Ex Auto YoY**	**Mar**	**2.8%/-**	**8.4%/9.4%**

Week-in-brief: Self Doubt

- The week is **ripe for self doubt** *as* the Fed's **dilemma** this week **conspires with** the BoJ's multi-dimensional **disappointment** last week. What's more, **with the sheer intensity of geo-political risks** that persist, the Fed may be more undecided than decidedly hawkish.
- A **good dose of self-doubt** may thus **not only be advisable, but arguably desirable**.
- This is as much **for brutal bond bears** as it may be for **re-emergent market bulls** (after recent earnings optimism). Admittedly, USD will have a fair share of impetus either way, but *USD bears will do well with self-doubt*. But perhaps *received wisdom on correlations is where self doubt may manifest most intensely;* as familiar/expected bond, equities and FX correlations are stress tested.

BoJ & JPY: Interim Patience, Not Suspended Intervention
- For the record *BoJ disappointed by not "tapering" bond purchases.*
- And in turn, *markets reciprocated* disappointment by stumping the BoJ *with aggressive JPY selling* (USD/JPY surge mid-155 to low-158).
- The **absence of a distinct hawkish flex** by the BoJ **appears to have been the bugbear**.
- But even **BoJ hawks have cause for self-doubt** *given conditional demand recovery.*
- **At least to be patient** as evidence widens and the recovery entrenches.
- Admittedly, ***JPY bears appear to have suspended self-doubt***, ***defying intervention threats*** to push JPY to multi-decade lows of 158+. But perhaps best to reinstate self-doubt at record lows of JPY amid elevated MoF intervention threats and FOMC uncertainty.

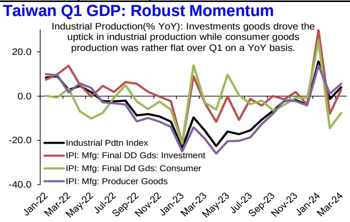
Fed-FOMC: High Hawkish Bar
- Not unlike the BoJ, **the FOMC** (Wed), **may see greater appeal in a dash of self-doubt** *rather than decided abandonment of rate cut plans.* Fact is, with mixed data and a clouded outlook, contemplation offers is far more sensible than hasty conclusions (that age disastrously).
- As such, **despite hotter inflation prints** and **robust jobs data**, the *Fed will probably prefer interim patience to intense hawkish flip.* And in any case, the **bar is fairly high for a further hawkish jolt** that unwaveringly guides yields significantly higher. Especially **given** that rates **markets have scaled back rate cuts bets for the year to fewer than 2** (vs. the three indicated in the 'Dot Plot').
- What's more, *even after the March core PCE relief,* **UST yields remain elevated** with the 2Y flirting with 5% and 10Y just below 4.7%. So, the FOMC statement and/or Chair Powell will have to be unambiguously hawkish, at least suspending rate cut plans, to invoke an emphatic hawkish reflex.

EM Asia's Precarious State & Stability
- In contrast to BoJ hawks restrained and the FOMC's higher hawkish bar, **Bank Indonesia *"surprised"*** (not us!) **with a 25bp hike** last week.
- This **reflects the stress of "higher for longer rates" conspiring with unrelenting CNH pressures**. And this is *not peculiar to Indonesia.*
- **Extended currency weakness in EM Asia**, far lower than during Oct '22 peak USD (at 112 DXY vs. 106 now) **speak to precarious policy-FX risks**.
- **Self doubt is inevitable**; be it in terms of policy adequacies/appropriateness or market valuations, with **potentially dire impact on macro-stability**. Lingering pressures on AXJ and attendant pressures upwards on rates, especially if liquidity tightening is a reflex to defend FX, are par for the course.

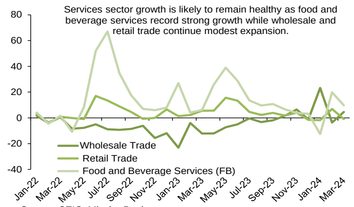
FOMC: Muddled or Measured

- Heading into the **May FOMC**, where ***no policy action is expected***, the question is **whether the (hawkish) messaging will be measured** on what may thus far be an overdone hawkish reflex **or muddled** *in terms of the conflicting risks and elevated uncertainty.*
- For the record, **with expectations of a Fed hold baked in for May and no 'Dot Plot (or SEP) refresh due**, **qualitative hawkish calibrations** by means of the *policy statement* and (more likely) *press conference* will be **what markets obsess over**.
- To be sure, **hawkish shifts on the back of solid jobs** and **hot/sticky inflation fully baked in** *ought to set a higher bar for a further significant and sustained hawkish trigger.*
- Fact is, with **2Y yields effectively flirting with 5%** and the **10Y near 4.7% -** *respectively ~35bp and ~45bp higher since the March FOMC* - it **would take an emphatic trigger to get these yields to lift off and be supported**.
- Put differently, **with markets now betting on and pricing in fewer than 2 cuts** (vs. 3 cuts in the March 'Dot Plot'), the **likelihood of policy signals that unequivocally flag such unbridled hawkish outburst** is perhaps being **over-estimated**.
- For one, the ***latest stagflation-type jolt*** from **materially softer-than-expected growth** (Q1 GDP) alongside **hot inflation out-run** (and in the Fed's preferred core PCE measure at that) ***compounds the dilemma*** and ***clouds the outlook* rather than compelling a more hawkish flex**.
- What's more, with **Fed now holding the "higher for longer"** stance ***late-2023 through H1 2024,*** the **need for proactive hawkish steps** is **greatly diminished**; while ***the case for aggressively further deferring and dampening the degree of rate cuts*** out into 2025 **remains unascertained**. That is, still data-dependent, and no more certain.
- All said, the **intent will be to measure increased propensity to maintain policy restraint**.
- But the **risk is that the messaging comes out muddled**; as some cues play up hawkish tendencies while others suggest a propensity to cut soon enough.
- A **high bar for hawkish surprise** with 2Y yields near 5% means that it **may make sense to fade excessive UST sell-off** (spikes in yields).
- Especially given that consequent sell-off in markets will tend to trigger bets on Fed rate cuts to check financial risks. But the USD is likely to retain its tone either on "risk off" or hawkish signals.

Taiwan Q1 GDP: Robust Momentum



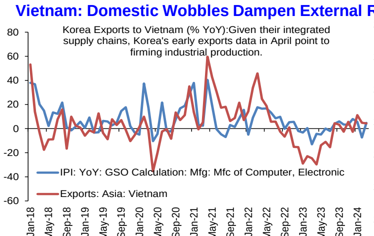
Source: CEIC; Mizuho Bank



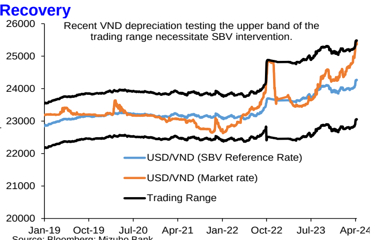
Source: CEIC; Mizuho Bank

- Following Korea's GDP outperformance, we expect **Taiwan's Q1 GDP to follow suit and record above 6% YoY following Q4's 4.9% YoY** as exports grew 16.3% YoY in Q1.
- **Led by the electronics recovery,** the manufacturing sector should provide stronger support to Q1 growth as industrial production expanded 1.6% QoQ on a seasonally adjusted basis translating to a 6.1% YoY growth. Nonetheless, amid strong demand for capital goods, **lacklustre consumer goods demand is a notable softspot** which is also reflected by a weak 1.1% YoY growth in retail trade.
- Nonetheless, with wholesale trade growing 8.2% YoY and food and beverage services up 4.0% YoY, **domestic facing services sector remains rather resilient** in part **due to robust average monthly regular earnings amid a tight labour market. The real estate services sector activity is also likely to remain robust alongside the continued climb in house prices.**
- On balance, underneath the likely stellar YoY print flattered by base effects, the **sequential QoQ growth is still expected to slow** but **remain marginal above historical trend growth** (~0.6% QoQ) after expanding at an average of 2.0% QoQ for 3 consecutive quarters.
- Looking ahead, the **electronics tailwind will have more impediments to contend with**.
- A key reason behind the CBC's surprise hike in March, the **electricity tariff hikes** by an average of 11% implemented from April will **chip off both industrial profits and household budgets.**
- Industrial users will be hit harder by around 15-25% while household experienced a 3-5% depending on usage. Furthermore, recent earthquakes would have temporarily dampen tourism activity in Q2 though a quick bounce back is still expected.
- All in, despite these administrative and unfortunate bumps to activity, **the growth picture allows the**

Vietnam: Domestic Wobbles Dampen External Recovery



Source: CEIC; Mizuho Bank



Source: Bloomberg; Mizuho Bank

- **Industrial production for April in Vietnam is likely to remain firm** with a more favourable external environment. Higher frequency trade indicators indicate that Korea's first 20 day exports to Vietnam remains robust, staying around March levels to chalk up a 26.6% YoY on low base effects.
- Imports from Korea are key inputs to downstream electronics production in Vietnam and as such the manufacturing sector activity is likely to see continued expansion.
- The uncertainty though lies in the lower end textile and apparel industries which holds a significant share of production in the economy, though a reported pick-up in orders in April bodes well.
- Nonetheless, while there may be silver linings for external facing sectors, the **wobbles in domestic real estate, construction and banking sectors cast a worrying overhang.**
- Corporate bond markets remain a worry with 210trillion VND (2% of GDP) of bonds due for the remaining 3 quarters of 2024 of which 37% belong to the real estate sector that continues to face cash flow challenges and accumulated unfinished inventory. **Worries are not unfounded given that almost two thirds of corporate bond defaults thus far stem from the real estate sector.**
- Further denting confidence, **the revelation of the staggering scale of funds needed to rescue Saigon Commercial Bank is a sharp reminder of financial sector credit and asset quality woes**, though much of the rescue ought to have been deployed since last year.
- Meanwhile, **headline inflation is expected to stay elevated and exceed the 4% mark** with petrol prices picking up on average in April compared to March. Furthermore, the sight of VND depreciation worsening import price pressures will further worry the SBV on top on-going banking rescue needs.
- On balance, **VND stability may continue to be compromised amid the low FX reserve cover** as **still uncertain growth recovery does not provide sufficient room for a rate hike**.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	158.33	3.690	2.39%	155.00	~	161.00
EUR/USD	1.0693	0.0037	0.35%	1.060	~	1.077
USD/SGD	1.3628	0.002	0.13%	1.3500	~	1.3670
USD/THB	36.96	0.1	0.27%	36.70	~	37.20
USD/MYR	4.768	-0.0152	-0.32%	4.750	~	4.790
USD/IDR	16210	-45	-0.28%	16,000	~	16,320
JPY/SGD	0.8607	-0.020	-2.25%	0.839	~	0.882
AUD/USD	0.6533	0.012	1.79%	0.646	~	0.658
USD/INR	83.35	-0.120	-0.14%	83.1	~	83.7
USD/PHP	57.691	0.059	0.10%	57.2	~	58.0

^Weekly change.

FX Outlook: Hawks Optional

- Meanwhile, **a firm USD could persist despite high hawkish bar**, ***which is accompanied by dampened yield upside***. Why? Well the **USD is not a one-trick pony overly-reliant on yields**. So **Fed Hawks are optional for USD to repel bears**.
- Instead, it is **poised to benefit from** (and be buoyed by) heightened uncertainty, comparative US exceptionalism and CNH woes.
- Admittedly, the cost-benefits favouring softer yields ought to dampen the USD; all else being equal.
- But the simple fact is, all else is not equal. In fact, it gets very close to being distinctly different.

1) CNH woes:

For one, **entrenched CNH pressures** means that the USD will naturally have greater allure; especially against EM Asia FX.

Notably, **CNH** (and CNY) is sharply (and oddly!) lower now than during "peak USD" back in October 2022, when USD Index was distinctly higher (112-114 vs 106 now)

More importantly, on-going CNH pressures appear to be more emphatic.

2) Wild JPY (Bears)

What's more, wild JPY pressures have some spill-over impact on EM Asia insofar that volatility and uncertainty don't compel carry gains

Yet the brutal shifts in relative JPY valuations* **compromise scope for AXJ appreciation**.

Especially given the degree of supply-chain shocks between Japan and the rest of EM Asia.

3) Spill-Over AXJ

Which in turn spell more spill-over drag on EM Asia FX, which reflect weakness in excess of Oct 2022 levels. So regardless of whether the Fed tempers hawkish inclinations, outright Fed hawks are not required to dampen AXJ.

*KRW and CNH strongest against JPY since since 20087 GFC and 1990s respectively, while SGD is at record high against JPY

Bond Yield (%)

26-Apr	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.993	0.7	4.663	4.2	Steepening
GER	2.977	-1.7	2.573	7.5	Steepening
JPY	0.280	2.8	0.878	3.8	Steepening
SGD	3.470	5.9	3.441	10.8	Steepening
AUD	4.178	30.7	4.517	0.1	Flattening
GBP	4.461	9.7	4.322	9.4	Flattening

Stock Market

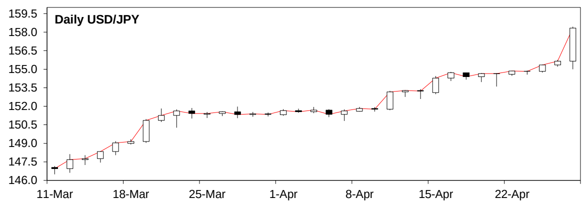
	Close	% Chg
S&P 500 (US)	5,099.96	2.67
Nikkei (JP)	37,934.76	2.34
EuroStoxx (EU)	5,006.85	1.80
FTSE STI (SG)	3,280.10	3.26
JKSE (ID)	7,036.08	-0.72
PSEI (PH)	6,628.75	2.88
KLCI (MY)	1,575.16	1.78
SET (TH)	1,359.94	2.09
SENSEX (IN)	73,730.16	0.88
ASX (AU)	7,575.91	0.11

US Treasuries: Bears Baked In!

- FOMC **is arguably the main** swing factor. ***But anticipation has probably baked in a lot of the hawkish tilt and bearish response*** (of higher yields). And so, in a meeting with no economic revisions (SEP) or 'Dot Plot' update **triggers have to be qualitative**.
- In other words, the statement and the press conference will be the focus.
- And **with 2Y effectively at 5%** and 10Y just shy of 4.7%, the **bar is arguably for distinct and durable surge in UST yields**.
- **Short of the Fed suspending rate cuts** for the year or hinting at risks of one more hike, 2Y yields are unlikely to exceed 5.2%-5.3% durably.
- **Especially given that 2Y yields tends to front-run policy intent**. That's to say, if the next move is a cut, upside in 2Y yields ought to be subdued.
- 10Y yields arguably have latent steepening tendencies yet to be exploited. But these, will predominantly be exploited as 2Y yields fall harder rather than 10Y yields surge from this point. For now, we expect 10Y yields to consolidate, albeit amidst greater two-way volatility, in the 4.56-4.82% range. And 2Y to slip back (to 4.88%-5.04%) on any surge past 5.15%

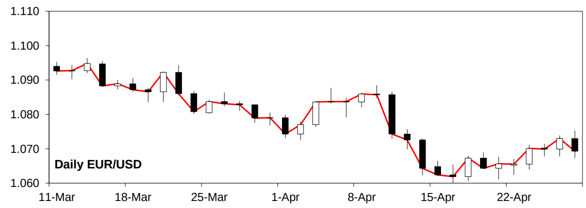
JPY: BoJ Accommodation

- With BoJ re-iterating their stance of maintaining their accommodative monetary policy stance, the USD/JPY soared to historical highs above 158.
- Govenor Ueda was not letting the weak JPY dictate policy moves just yet as he declared the insignificant impact on inflation and espoused the tailwinds for exporters. Jumping the inflation transmission mechanism is certainly not the mark of a calm and considered BoJ.
- The JPY weakened despite MoF jawboning and as such even interevention strength is now doubted. That said, the complacency is the risk on JPY intervention as the JPY heads above 160.
- All in, the USD/JPY is expected to retain buoyancy above 155 with a watchful eye in intervention.



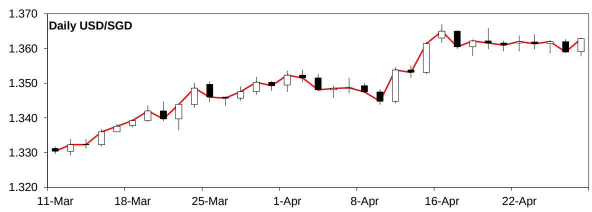
EUR: CPI Bumps, Not Bumping Policy

- The temptation at this juncture is to call a bottoming EUR. The risks is the mistaken extrapolation to a buoyant one especially as talk of bumpy EZ inflation obsfucate.
- First, given the weaker growth, a mere CPI bump is unlikely to derail the ECB's intent to cut rates in June unless it conspires with substantial wage growth.
- Second, the Fed-ECB rate spread will weigh on attempted recovery above 1.08.
- All in, the EUR is expected to trade sideways around mid-1.06-mid-1.07. Initial geo-poltical calm could see meek testing of 1.08.



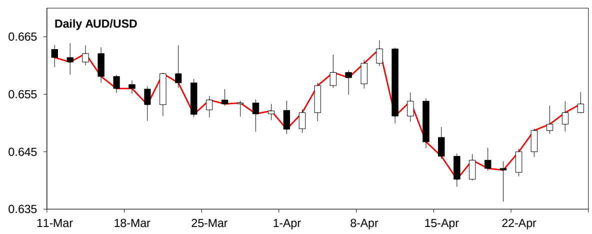
SGD: Restrained Volatility

- Last week, USD/SGD hovered around the 1.36 handle.
- Some two-way volatility could be expected this week with key event being the FOMC. Attention would be on how the Fed perceives the growth slowdown amid still-elevated inflation, as well as its confidence in steering towards a soft-landing scenario.
- Nonetheless, cautious sentiments on slower US growth could also restrain sharp movements in either direction, but in a likely asymmetric manner as an uninspired CNH and a weaker EUR (sluggish Eurozone GDP and continued dis-inflation prints this week to impart more confidence to ECB cuts) would temper SGD strength.
- All in, we expect USD/SGD to trade around mid-1.35 to 1.37 levels.



AUD: Pushing It Out, Not Higher

- Admittedly, the CPI print surprising on the upside elicited a large reaction on the AUD to recover above 65 cents. The RBA may be pushed back marginally in terms of rate cuts.
- That said, it is not cause for concern in terms of resurgent inflation at this juncture.
- Nonetheless, **AUD may be allowed a breather to consolidate sideways in the 65 cents region this week.**
- Reclaiming above 66 cents will require emphatic China outperformance on top of a dovish Powell presser.



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