MIZUHO

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WEEK AHEAD

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Economic Calendar

•Survey results from Bloomberg, as of 12 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
15 Apr	US	Retail Sales Advance/Ex Auto and Gas MoM	Mar	0.4%/0.3%	0.6%/0.3%
	US	**Empire Manufacturing**	**Apr**	**-5.0**	**-20.9**
	EZ	Industrial Production WDA YoY	Feb	-5.5%	-6.7%
	JP	Core Machine Orders YoY	Feb	-1.8%	-10.9%
16 Apr	US	Building Permits/Housing Starts	Mar	1510k/1482k	1524k/1521k
	US	Industrial Production MoM	Mar	0.4%	0.1%
	GE	**ZEW Survey Current/Expectations**	**Apr**	**-76.0/35.5**	**-80.5/31.7**
17 Apr	**EZ**	**CPI/Core YoY**	**Mar F**	**2.4%/2.9%**	**2.4%/2.9%**
	JP	Trade Balance	Mar	-¥323.4b	-¥377.8b
	US	Federal Reserve Releases Beige Book			
18 Apr	US	Initial Jobless Claims		215k	211k
	US	**Philadelphia Fed Business Outlook**	**Apr**	**2.3**	**320.0%**
	EZ	ECB Current Account SA	Feb	--	39.4b
	JP	Tertiary Industry Index MoM	Feb	0.4%	0.3%
19 Apr	**JP**	**Natl CPI/Ex Fresh Food, Energy YoY**	**Mar**	**2.8%/3.0%**	**2.8%/3.2%**

Asia

Date	Country	Event	Period	Survey*	Prior
12 Apr	CH	Agg. Financing/New Yuan Loans CNY YTD	Mar	1293b/9460b	8060b/6370b
15-18 Apr	CH	FDI YTD YoY CNY	Mar	--	-19.9%
15 Apr	**CH**	**1-Yr Medium-Term Lending Facility Rate**		**2.50%**	**2.50%**
	IN	Exports/Imports YoY	Mar	--	11.9%/12.2%
	IN	**Wholesale Prices YoY**	**Mar**	**0.6%**	**0.2%**
	PH	Overseas Cash Remittances YoY	Feb	0.024	2.7%
16 Apr	CH	Industrial Production YoY	Mar	6.0%	--
	CH	Retail Sales YoY	Mar	4.8%	--
	CH	Fixed Assets Ex Rural YTD YoY	Mar	4.1%	4.2%
	CH	**GDP YoY/SA QoQ**	**1Q**	**4.8%/1.5%**	**5.2%/1.0%**
	CH	Property Investment YTD YoY	Mar	-9.2%	-9.0%
17 Apr	SG	Non-oil Domestic/Electronic Exports YoY	Mar	-7.2%/-	-0.1%/5.2%
18 Apr	**AU**	**Unemployment Rate**	**Mar**	**3.9%**	**3.7%**
19 Apr	**MY**	**GDP YoY**	**1Q A**	**3.9%**	**3.0%**
	MY	Exports/Imports YoY	Mar	-2.9%/6.0%	-0.8%/4.7%
	PH	BoP Overall	Mar	--	-$196m

Week-in-brief: Non-Escalation

- A **non-escalation** of *geo-political threat* is arguably what's **backstopped "risk off"**. **Oil (Brent) has calmed** to $90 from a $92 surge. **Gold's $2400+ surge has eased**. And **equity futures** are **green**.
- *But* equally, **sentiments remain intensely cautious**; as *elevated Middle-East threats* regardless of the current non-escalation of Iran-Israel conflict *collides with stalled economic exuberance.*
- Against this backdrop of **persistent caution and terse risk sentiments**, it makes sense that **UST yields have eased** (6-7bp lower across the curve) whilst the **USD** is **considerably elevated** (near-106 for DXY).
- Upshot being, **non-escalation of geo-political risks** though should **not be confused with unfettered resumption of risk appetite**. Hence, **consistent with caution** and restrained equities/ EM assets.
- And so, **despite softer UST yields** (likely backstopped with no further sharp drop in yields from haven demand), USD is likely to be buoyed at the expense of subdued currencies elsewhere.

Geo-politics & Non-Escalation:
- To be sure, **tensions and threats remain elevated**. There are just *too many moving parts* amid *mis-aligned incentives, hobbling any sustained de-escalation* that eventually defuses the wider situation.
- But, **efforts to contain Iran's attack mitigate risks of imminent and uncontrolled escalation**.
- That Iran had flagged the attack helped Israel and Allies intercept and significantly limit damage.
- Crucially, Iran has drawn a line under and around the attack.
- *Defining* the missile barrage attack *as a response to Israel's purported attack on Iran's embassy in Syria* and then *declaring "the matter ... deemed concluded"* **mitigates a tit-for-tat spiral of conflict**.
- Especially as; i) **US position to not support an Israeli counter-attack has diplomatic sway** and; ii) Israel must contend with strategic dis-advantage (and military culpability) if it chooses to respond.
- Bottom-line being, **qualified comfort about geo-political non-escalation does not negate caution** as **wider Middle East risks are nowhere near being defused**.

Economic Exuberance & Non-Escalation:
- What's more, a **coincident check on economic exuberance**, premised on a mix of *stretched US exceptionalism and premature China rejoice,* underpin cause for **restraint on risk appetite**.

US Exceptionalism:
- On the former, **disappointing US bank earnings** led by JP Morgan alongside a sharp **drop in U of Michigan consumer sentiments** set a higher bar for Wall St bulls to make an unfettered come-back.
- The upshot being, **bulls have a high bar to escalate optimism about US exceptionalism** that defies "higher for longer" to pull off a "no-landing" US cyclical upturn; in the midst of geo-political risks.

Premature China Cheer:
- An **unexpectedly sharp drop in exports** *suggest markets jolted out of linear interpolations of unfettered and resounding industrial recovery* **to re-align with a bumpy recovery path** from a soft base.
- Above all, *higher credit intensity** conspiring with *dampened growth multipliers* suggest a **case to dial back growth upgrades** that may otherwise have been inferred from recovering activity/resurgent credit.
- Not only is China's *industrial recovery from a soft base compromised by uncertain external demand recovery* in a high rates environment, but domestic growth impetus is also hampered and highly uneven.
- Especially as **consumer confidence deficit** collides with **entrenched property sector woes** and binding **local government constraints**; resulting in the ***expected lift from stimulus being dampened***.
- More so, **as policy stimulus is hampered to begin with**; given conflicting policy objectives between CNH/financial stability and credit stimulus. All said, China cheer is at least premature, if not overdone.

*a higher credit intensity (of growth) refers to a higher credit growth required to derive the same growth lift, all else equal.

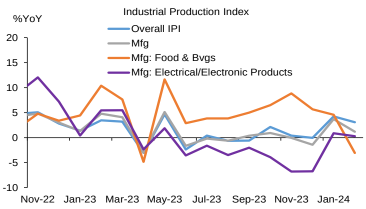
Checking Data Optimism:
- Accordingly, **China's Q1 GDP** release (Tue), may only elicit a more subdued cheer despite signs of *encouraging pick-up in QoQ momentum; given bumpy demand recovery amid bubbling geo-politics.* - Similarly, **Malaysia's Q1 GDP** (Fri), **despite being set up for a smart rebound towards 4% growth may be viewed with cautious optimism**; with emphasis on "cautious" for the time being.

Inflation-Policy Dynamics & Non-Escalation:
- With geo-political risks thrust into the spotlight, **Oil's an inconvenient inflation aggravation escalates as a risk, which in turn intensifies policy dilemma**. Which is, how to respond to unwelcome energy price/inflation shocks an exit from exceptionally restrictive "higher for longer" rates is assessed.
- Our sense sense is that policy rates will not need to be escalated despite Oil risks.
- Mainly as the ultimately demand dampening shocks from geo-political supply disruptions are considered.
- The consolation is **that OPEC+ has a higher hurdle to constrict supply**; providing some scope for supply relief (so long as geo-politics does not flare).

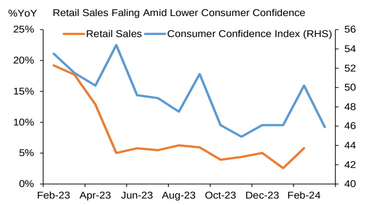
FX & Non-Escalation:
- Meanwhile, **caution will be reflected in pressures across EM Asia FX**. Especially as exceptionally USD strength casts a pall on currencies elsewhere, underpinned by China caution/CNH pressures.
- It appears despite softer UST yields, the **USD** appears **did not get the memo on non-escalation**.
- **USD strength has escalated**, even as (bank) earnings and consumer confidence disappointed.
- To some extent, this points **to "risk off" underpinning the Greenback**.
- And in particular, **geo-political "risk off" accentuating a clearer preference for USD** (alongside Gold).

Rates & Non-Escalation:
- In the **rates** space, a **"non-escalation"** pertaining to softer UST yields as a consequence of haven demand is probably in need of some nuance. In particular, a *preference for a steeper curve.*
- Admittedly, if threat of military conflict widens and **odds of spiralling into a Middle East War turn acute**, a **sharp slump in UST yields**, accompanied by **surge in Gold** and **USD**, are likely to be the knee-jerk.
- But with Oil also set to surge, and far more violently if the Straits of Hormuz (accounting for 20-25% of all seaborne crude passage) is compromised, consequent tensions in yields cannot be ruled out.
- **Sharper front-end yield pullback**, with *attendant steepening,* could be the **"hedged haven" UST demand**, dragging yields; as Oil's inflation expectations impact *tempers comparative long-end yield drop.*
- **Local EM rates are exposed to sharp widening in credit premium** (vis-a-vis USTs) on sustained geo-political flares; with economies with twin deficit and high oil import dependence (such as Philippines and India)

Malaysia Q1 GDP: Growth Rebound



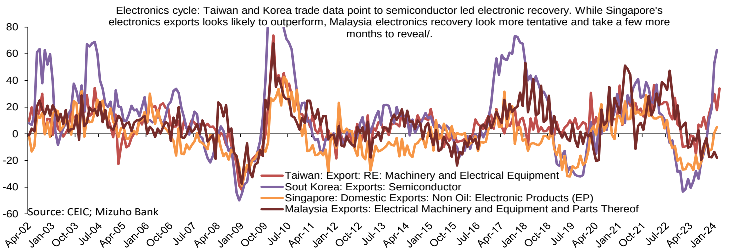
Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank

- We expect Malaysia's first quarter GDP to expand by 3.9% YoY from 3.0% in Q4'23. While the acceleration is in part due to favourable base effects, this would nonetheless be a **growth rebound** from Q4'23, where growth slowed -2.1% sequentially on a seasonally adjusted basis.
- In particular, we expect to see **a modest expansion to the manufacturing sector** from the slight 0.1% YoY contraction in Q4'23. Monthly industrial production data points to encouraging signs that the slump in electrical/electronics products have bottomed.
- However, we **remain relatively conservative on the magnitude of growth** as manufacturing sector as a whole still underperform the overall industrial sector. Moreover, on the external front, while average exports (on a volume basis) of manufactured goods in Jan-Feb have accelerated 25.2% from compared to the same period a year ago, imports of manufactured goods (which are lower-valued) have also accelerated 28.5%.
- Meanwhile, on the domestic front, **food & beverages industrial production growth has moderated sharply** in recent months, which could be an indication of stretched consumer wallets. Notably, retail sales have been trending downwards as consumer confidence falls.
- Next, we expect **services sector to accelerate** (Q4'23: 4.2%) as we expect more tourist arrivals and consequently higher tourism expenditures during the Lunar New Year period. Q1'24 could also be the quarter where the effects of visa-free entry for Chinese tourists (who spend more on average compared to other nationalities) effective in Dec'23 start to show.
- Meanwhile, **agriculture** growth should still pose modest growth (Q4'23: 1.9%) while construction would continue to hold up on large-scale infrastructure projects.
- All in, signs of external demand for manufactured goods are certainly encouraging, but strains domestically still warrant a watchful eye.

EM-Asia Trade: Recovery Amid Headwinds



- Semiconductors are undoubtedly integral in electronics production serving as a useful leading indicator considering its upstream nature.In EM-Asia, relative supply chain positioning is likely to differentiate the extent of gains from an electronic upcycle considering likely **high end nature of the semiconductor demand as production of higher end wafer in Taiwan soared.**
- Recent **recovery in semiconductor exports in Taiwan and Korea** and inventory drawdown in the former point to potential tailwinds for the electronics cycle recovery in the ASEAN region.
- Earlier this month, Vietnam, which relies on imports of inputs from Korea, exports of electronics, computers and components saw a 30.3% YoY growth in Q1.
- Coming up next, **Singapore's domestic electronics exports for March (17 Apr) is expected to record another robust YoY growth print with potential to outperform**.
- Ironically, despite its lack of direct relevance to Singapore's growth, the re-exports print may serve to affirm the electronics cycle upturn given Singapore's status as a distribution hub.
- Meanwhile, smaller YoY contraction in electrical machinery and equipment, alongside improved commodity demand, could help **Malaysia's March exports venture back into growth territory** from February's 0.8% YoY contraction With a **significant share of exports of intermediate** electronics products to **major trading partners US and China, their manufacturing PMIs beat bodes well.**
- Nonetheless, nominal export gains would likely be discounted when translated to real manufacturing growth. First, energy costs remain high and volatile conspiring with ever rising levels of energy needs in the industrial sector chasing for productivity up the technological ladder.
- Second, unresolved China-US trade tensions continue to imply emphasis on resilience in supply chain rather than just in time cost efficient approaches. All in, while EM-Asia welcomes improving trade flows, central banks remain vigilant on demand recovery amid on-going supply side cost shocks.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	153.23	1.610	1.06%	152.00	~	154.50
EUR/USD	1.0643	-0.0194	-1.79%	1.055	~	1.075
USD/SGD	1.3614	0.013	0.94%	1.3510	~	1.3660
USD/THB	36.605	-0.04	-0.11%	36.20	~	37.00
USD/MYR	4.7705	0.023	0.48%	4.740	~	4.810
USD/IDR	15845	0	0.00%	15,750	~	16,000
JPY/SGD	0.8881	-0.001	-0.16%	0.874	~	0.899
AUD/USD	0.6467	-0.011	-1.70%	0.641	~	0.660
USD/INR	83.42	0.123	0.15%	83.0	~	83.7
USD/PHP	56.54	0.025	0.04%	56.3	~	57.0

^Weekly change.

FX Outlook: Heads I Win, Tails You Lose

USD:

- The **USD appears to be a *"Heads I Win, Tails You Lose"* proposition for any FX challenger in**.
- **From hot jobs/inflation boost** for the Greenback ***that coincided with a surge in yields***, the **USD** is now *defying a drop in UST yields amid haven demand* (prompted by geo-political flares).
- Could geo-political premium for the USD fade? Sure, it could.
- Especially if signs of de-escalation come though in the context of wider calls for regional stability.
- But does that translate into a deep and sustained USD capitulation? Not necessarily. Perhaps even unlikely. Reason being, **regardless of geo-political risks** fading, *US exceptionalism accentuated by ECB "leapfrog" on pivot,* remains a key narrative for *backstopping the USD* (dragging EUR).
- And so, the **USD could easily switch to exceptionalism backstop** to mitigates shortfall in geo-political haven refuge. In other words, *geo-political risk relief is not necessarily unfettered USD retreat.*

EUR:

- As highlighted, scope for **EUR rebound** may be dampened as ECB talk increasingly alludes to both the likelihood of a June cut and a "de-coupling" from Fed policy, if that is what it takes.
- In which case, the premise of "pivot"-driven USD pullback is turned on its head.
- Whereas, Middle **East/Ukraine geo-political risks impose a double-whammy** of **proximity risk premium** as well as **far more compromised energy-related risks** compared to the US.

CNH:

- Any upside in GDP data and attendant economic optiimism is likely to be undermined last week's exports disappointment reflecting bumpy recovery rather than linear acceleration.
- Accordingly, this will highlight the policy dilemma confronting the PBoC.
- Specifically, the **sharp trade-off between** stability (including **CNH stability**) and necessary stimulus.
- In turn, this dilemma is **likely to weigh on the CNH**. More so, *as a dominant USD asserts.*
- US Treasury Sec Yellen leaving all options on the table to address China's overcapacity is also a thinly vieled threat of persistent geo-political headwinds directed at Beijing.
- And this will further undermine CNH; with attendant drag on AXJ.

Bond Yield (%)

12-Apr	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.897	14.7	4.522	12.0	Flattening
GER	2.847	-2.0	2.357	-3.8	Flattening
JPY	0.261	6.4	0.843	9.4	Steepening
SGD	3.407	-4.9	3.305	12.2	Steepening
AUD	3.892	16.0	4.263	0.1	Flattening
GBP	4.351	12.7	4.137	6.8	Flattening

Stock Market

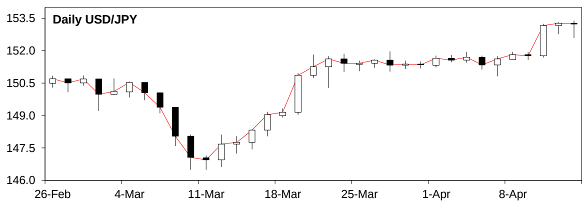
	Close	% Chg
S&P 500 (US)	5,123.41	-1.56
Nikkei (JP)	39,523.55	1.36
EuroStoxx (EU)	4,955.01	-1.19
FTSE STI (SG)	3,216.91	-0.04
JKSE (ID)	7,286.88	0.00
PSEI (PH)	6,659.39	-1.28
KLCI (MY)	1,551.04	-0.27
SET (TH)	1,396.38	1.51
SENSEX (IN)	74,244.90	0.00
ASX (AU)	7,788.08	0.19

US Treasuries: Conflicts and Trade-Offs

- Admittedly, UST yields surged again last week as hotter than expected CPI print saw a delugde of Fed speakers pushing back against rate cut expectations ranging from no cuts to 2 cuts. **Markets have certainly put the March Dot plot in the rear mirror by pricing in less than 50bps of cuts in 2024**.
- Nonetheless, **haven demand on direct Iran and Israel conflict dampened the surge in UST yields** towards the end of last week.
- This week, the intial reaction from a **conflict actualisation would undoubtedly be another bout of flight to safety.**
- That said, any sides of a wider conflict involving the US would again **raise propsects of more financing needs and also support energy prices which in turns buoy UST yields.** All in, 2Y yields trade in the 4.75-5.00% range while 10Y yields may remain volatile in the 4.35%-4.60% range.

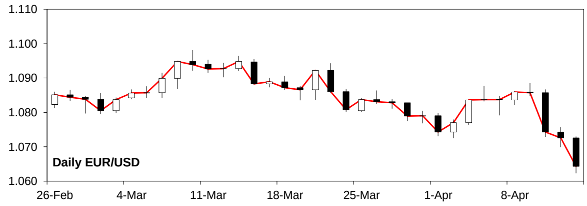
JPY: Buoyancy Retained

- The JPY is a BoJ problem with a Fed solution has been our mantra.
- With US CPI outperforming expectations inviting a surge in UST yields, the USD/JPY closed above 153 last week.
- Intervention risks remain relevant but the wider UST-JGB yield gap is a structural factor which needs to be taken into consideration.
- Furthermore, higher oil prices is a significant threat to the current account position.
- As such, buoyancy above 151 will be retained even as Japan CPI print may allow opportunistic JPY buying rather than meaningful JPY rallies.



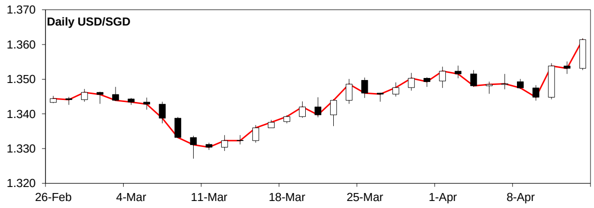
EUR: Settling Lower

- With the ECB decision laying the ground for a June cut colliding with US CPI outperformance, EUR was sent plunging below 1.07 last week. Amid geo-political worries and energy prices, EUR will be unable to shake off the lacklustre performance.
- Increasingly, the EUR appears more likely to trade around 1.07 this week rather than recovering above 1.08 especially as EZ final print CPI revision on higher oil prices is unlikely to move the policy needle.
- Meanwhile prospects of Germany economic improvements remain grounds for slowing slippages towards 1.06 rather than forcing rallies towards 1,08.



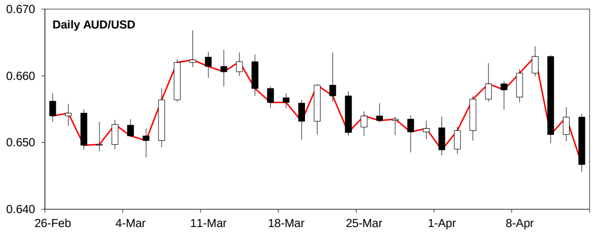
SGD: Buoyant

- USD/SGD headed above mid-1.35 on US hot inflation print and breached the 1.36 handle last Friday as risk-off sentiments took hold amid reports that Israel were bracing for a potential attack by iran. USD/SGD reaction post-MAS decision was relatively muted with the hold widely expected.
- With a relatively light calendar this week, **geo-political tensions are likely to take centre stage this week**, which could add pressure to the SGD should tensions rachet up.
- Meanwhile, a slew of China data released could still see catious sentiments on the Chinese economy following last week's disappointing exports numbers. Consequently, an uninspired CNH (even as it remains supported by PBoC's daily fixing) could see weak rallies for the SGD.
- All in, we expect USD/SGD to retain buoyancy above 1.35 levels.



AUD: Sub-65-Merged

- AUD is likely to struggle to regain durable traction towards, and beyond, 66 cents.
- Instead, sub-0.65 could prove to be near-term consolidation.
- Mainly as a **steadfast Fed view merges with the RBA's interim restraint on cuts**.
- In turn, tis undermines RBA edge over the Fed, keeping AUD submerged.
- What's mopre, **merging China industrial recovery views with a property/construction sector that is still in a slump** and global demand that is bumpy, may require **commodity multipliers for China may need to be dialed down**.
- And insofar that this **dampens resource sector upside**, via both output and investment channels, **AUD traction** could be **compromsied**, submerged for the time being.



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