

Economic Calendar

*Survey results from Bloomberg, as of 21 Jan 2022; The lists are not exhaustive and only meant to highlight key data/events.

Date	Country	Event	Period	Survey*	Prior
24 Jan	US	Chicago Fed Nat Activity Index	Dec	--	0.37
	EZ	PMI - Mfg/Services	Jan P	57.8/52.5	58/53.1
	JP	PMI - Mfg/Services	Jan P	--	54.3/52.1
25 Jan	US	Conf. Board Consumer Confidence	Jan	113	115.8
	US	Richmond Fed Manufact. Index	Jan	14.0	16.0
	GE	IFO Current Assessment/Business Climate	Jan	95.7/94.2	96.9/94.7
26 Jan	US	New Home Sales	Dec	770k	744k
	US	Wholesale Inventories MoM	Dec P	1.4%	1.4%
	JP	Leading Index C/Coincident Index	Nov F	--	103/93.6
	JP	PPI Services YoY	Dec	--	1.1%
	US	FOMC Rate Decision		0.00%-0.25%	0.00%-0.25%
27 Jan	US	Initial Jobless Claims	22-Jan	--	286k
	US	GDP Price Index	4Q A	5.9%	6.0%
	US	Durable Goods Orders/Nonfed Ex Air	Dec P	-0.4%/0.3%	2.6%/0%
	US	GDP Annualized QoQ	4Q A	5.7%	2.3%
	US	Personal Consumption	4Q A	2.6%	2.0%
	JP	Machine Tool Orders YoY	Dec F	--	40.5%
28 Jan	US	U. of Mich. Sentiment	Jan F	68.8	68.8
	US	Kansas City Fed Manf. Activity	Jan	--	24.0
	US	PCE Deflator/Core YoY	Dec	4.8%/-	5.7%/4.7%
	EZ	Consumer Confidence	Jan F	--	--

Date	Country	Event	Period	Survey*	Prior
24 Jan	SG	CPI/Core YoY	Dec	3.7%/1.8%	3.8%/1.6%
	AU	PMI - Mfg/Services	Jan P	--	57.7/55.1
25 Jan	AU	NAB Business Conditions/Confidence	Dec	--	12.0/12.0
	AU	CPI YoY	4Q	3.2%	3.0%
	KR	GDP YoY	4Q P	3.9%	4.0%
	VN	Trade Balance	Jan	\$4150m	\$2542m
	VN	Industrial Production YoY	Jan	--	8.7%
	VN	CPI YoY	Jan	2.3%	1.8%
	VN	Retail Sales YTD YoY	Jan	--	-3.8%
26 Jan	SG	Industrial Production YoY	Dec	11.50%	14.6%
	KR	Consumer Confidence	Jan	--	103.9
27 Jan	SG	Unemployment rate SA	4Q	--	2.6%
	AU	Westpac Leading Index MoM	Dec	--	0.1%
	PH	Trade Balance	Dec	-\$4600m	-\$4706m
	PH	GDP YoY	4Q	6.4%	7.1%
28 Jan	AU	PPI YoY	4Q	--	2.9%
	KR	Industrial Production YoY	Dec	2.0%	5.9%
	MY	Trade Balance MYR	Dec	20.6b	18.9b
	VN	PMI Mfg	Jan	--	62.5

Week-in-brief: Fed & Vlad (imir Putin) Risks

- **Headline events and risks will dominate market attention this week**; with much of the attention being hogged by Wednesday's FOMC and the escalating **Russia-Ukraine situation**, teetering on military action.
- As a result of which, **caution, if not outright "risk off"**, may well be the theme amid complex, and inter-dependent network of macro and market triggers - **Fed and Vlad (Russia-Ukraine) risks**.
- Starting with the **Fed**, prospects of **"sooner and faster" tightening** (entailing ramped-up pace and path of rate hikes and QT that's looming closer than earlier expected) has already triggered a **significant tech sell-off in**.
- The **Nasdaq down 12% for the year and >14% off its highs from late-Nov.** is in **"correction" territory** and at **risk of slumping into a "bear market"**, defined as a 20% drop from recent highs.
- But insofar that this **tech-panic "risk off"** is premised on rising rates and prospects of **tighter liquidity stressing low/negative yielding assets and negative cash-flow** (cash-burn) assets running on the promise of future returns, the **Fed sell-off risk may apply more widely on weak balance sheets and cash-flows**.
- Moreover, if accompanied by a **stronger USD**, EMs (including Asia) may feel the heat more acutely as the woes of rising rates and tighter liquidity will be compounded by a **stronger USD exposing EMs to higher imported inflation, greater twin deficit slippage and vulnerabilities from external USD-denominated debt**.
- In that context, **Russia-Ukraine threat is not only on potential for generalized risk sentiments**; but also present **real challenges in terms of rising oil/energy prices and sharp liquidity/USD squeeze**.
- In other words, a hawkish Fed and Ukraine-Russia risks may very oddly manifest as "risk off" resonance.
- This is likely to show up as **softer equities and a firmer USD** (especially against EM) coinciding with **higher energy prices**. Question though is **whether UST yields will be nudged higher by a hawkish Fed or slump further on geo-political "risk off"**. The answer is not clear, but this only adds to potential for volatility.
- Meanwhile, any cheer of **underlying growth recovery in Q4 GDP** (Korea: Tue; Philippines: Thu) will remain

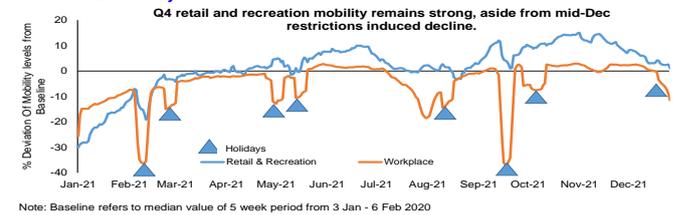
FOMC: March ADO

- To oversimplify, this week's **Jan FOMC will be all about what the Fed is setting the stage for** in terms of **QE wind-down, rate lift-off and QT** (balance sheet run-off); **especially for March FOMC when rate lift-off and QE wind-down are likely to converge**.
- And to this end, there will be **"March ADO"** about what the Fed will have to say about;
 - the **pace and path of rate lift-off**, as well as;
 - QT, which has been billed to be "sooner and faster"**.
- To be sure, the Fed's **"sooner and faster"** narrative is set to resonate at the Jan FOMC as well, where **baseline expectations are for the Fed to conclude QE by March, if not sooner**.
- But "taper" is water under the bridge. Whereas, any hawkish surprise in terms of QE wind-down (taper) will merely be the stage-setting for rate lift-off in March.
- So this FOMC will be the **teaser and test-run for a "live" March meeting, when rate lift-off is set to commence** with next to no down time for acclimatization from QE termination.
- And the **rhetoric this week will be scrutinised** for any signs of a **quantitative hawkish element to lift off in March, comprising a 50bps rate hike**; for which, there is a **non-negligible minority bet**.
- Particularly as **40-year high inflation, amid signs of wage-price risks** from an exceptionally tight job market, **prime the Fed for a more hawkish pivot**.
- So while there may not be much by way of policy action outside of taper acceleration, **Jan FOMC is set to be all about March ADO**. And in the absence of 'Dot Plot' updates to confirm that the FOMC consensus has moved up to 4-5 hikes for 2022 (from 3 in the Dec 'Dot Plot'), the **statement and press conference will be closely monitored**.
- Despite hawkish UST yield upside mostly being priced in and geo-political risks may also temper, the slight bias may still be for **upside in UST yields**; with the **front-end likely to be more sensitive to allusions to "sooner and faster" hikes**. And a firmer USD could very well follow.

China: Why the PBoC May Turn Out More Aggressively Dovish

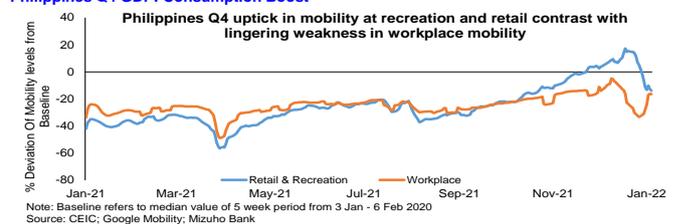
- Chinese President Xi warning of **"serious negative spillovers"** should **"major economies slam the brakes or take a U-turn in their monetary policies"** at the Davos speaks to **Beijing's worries that an overly hawkish Fed could not only dampen, but derail its plans to support the economy**.
- **Already coming off a weak underlying momentum**, growth teetering on slipping below 4% amid **regulatory and property market crackdowns** piling on above COVID variant disruptions, **Chinese policy-makers are not unaware of the need to row upstream against the currents**.
- Crucially, a **far more hawkish Fed was not yet fully revealed as of Beijing's CEWC** (in Dec), the top policy setting committee for economic policies. So, the **CEWC's uncharacteristic allusion to a trifecta headwinds to growth constituting: i) demand contraction; ii) supply constraints, and; iii) confidence deficit; as the premise for unambiguous pivot to monetary stimulus, probably understates the current dovish inclinations of the PBoC**.
- What this means is that **President Xi was clearly cautioning against an overly aggressive pace of rate hikes** by the Fed, is likely to underscore an even **more intense pace of front-loaded PBoC easing** than might have been expected based on the CEWC back in December.
- Fact is the **case for pre-emptive cushioning against a hawkish Fed is growing**, so RRR cuts as well as a deepening of recent LPR and MLF cuts may be introduced back on the table.

Korea Q4 GDP: Steady



- **Q4 GDP release on Tuesday** is set for a small sequential expansion from Q3, in turn registering an above 3% print on a YoY basis.
- Despite the **mid-Dec 21 tightening of social distancing rule**, mobility data shows that **Q4 traffic to retail and recreation places remain well (more than 10%) above baseline**.
- Admittedly, this may not directly translate to similar magnitudes of growth in private consumption but a conservative estimate would continue to imply **continued growth in household expenditure for Q4**.
- Business capital expenditure are also set to underpin and expand a steady pace in Q4 as facilities investments remain critical for major conglomerates in the country seeking to achieve dominance in the silicon chip and higher end electronic manufacturing industries.
- Industrial production and **goods trade will likely drive Q4 growth with strong external demand** amid workplace levels returning to normalcy as indicated by mobility data.
- On the services trade front, while **tourism revenues are still largely absent, freight services continue to bolster receipts as shipping rates remain elevated** with the Baltic dry index still lofty despite coming off recent highs.

Philippines Q4 GDP: Consumption Boost



- **Q4 GDP is expected to record above 5% increase** amid contrasting fortunes within the economy.
- Amid **resumption in global economic activities in Q4, inflows of remittances** will continue to bolster private consumption as **mobility at recreation and retail places improved** from early Q4.
- In contrast, **workplace mobility displays lingering weakness** aligns with reported underutilisation of manufacturing capacities, reflecting **incomplete recovery in industrial production and lackluster export demand**.
- Looking ahead, re-implementation of social distancing measures may dampen 2022 Q1 activity while pre-election spending boost will provide a much welcomed boost.

Bank Negara Malaysia: Not A Strong Hold

- Last Thursday, the Bank Negara Malaysia has expectedly maintained their Overnight Policy Rate (OPR) at 1.75%.
 - The **BNM's hold on policy rates may be weakening as they are put in a position facing sharp trade off between trying to buy time for the still weak and incomplete economic recovery or face consequent capital outflows and MYR sell off**.
 - In our Mizuho Flash, we explore the motivation and ability for BNM to hold rates and the accompanying risks for the MYR surrounding a prolonged rate hold.
- https://www.mizuhogroup.com/binaries/content/assets/pdf/singapore/macro/ad-hoc/flash/mizuho-flash_malaysia_220121.pdf

Forex Rate

	Close*	Chg [^]	% Chg [^]	Week Forecast	
USD/JPY	114.19	-1.370	-1.19%	113.30	- 115.60
EUR/USD	1.1411	0.0051	0.45%	1.125	- 1.146
USD/SGD	1.3477	-0.008	-0.59%	1.3420	- 1.3580
USD/THB	33.206	-0.404	-1.20%	32.70	- 33.60
USD/MYR	4.178	-0.029	-0.70%	4.170	- 4.210
USD/IDR	14296	-55	-0.38%	14,260	- 14,400
JPY/SGD	1.1805	0.007	0.62%	1.161	- 1.199
AUD/USD	0.7208	0.003	0.38%	0.707	- 0.728
USD/INR	74.15	-0.154	-0.21%	74.1	- 74.9
USD/PHP	51.115	-0.236	-0.46%	51.1	- 52.1

[^] Changes are on weekly basis

FX: Will USD Bulls Reclaim Ground on Risk Aversion

- A combination of both a hawkish Fed and risk aversion led by mounting geopolitical threats posed by Russian troops may very well instigate USD bulls to reclaim ground.
- The caveat is that with a hawkish Fed already mostly priced in, positioning might have blunted USD strength. Or in other words, widely anticipated (and therefore priced) Fed cues may not, in and of themselves, be the decisive trigger for level shifts in the Greenback.
- Especially in the absence of an actual "hawkish surprise" that may further harden already rather extreme expectations of 4-5 hikes for 2022 and QT poised to kick-off later in 2022.
- Instead, it is more likely elevated uncertainty that accompany growing threats of Russian invasion of Ukraine, inadvertently triggering wider military conflict, that could incite USD bulls to make a broader break higher.
- As a result of which, sweeping USD strength could come to manifest. But this is of course subject to have exceptions such as classic safe haven such as Gold, JPY and CHF.
- How much safe-haven demand for USTs could dampen, or reverse upside in UST yields from a hawkish Fed, may be a question of interest in assessing USD/JPY drag;
- but certainly not for denying USD bulls more broadly if indeed Fed hawks are unfettered whereas geo-political risks mount on Russian calculus that is underterred by US and NATO.
- In which case, USD will rule the roost in a "risk off" environment, with the hawkish Fed merely a back-up to, rather than a leading cause of, a strong USD.
- EMs, and those hit by the prospect for higher energy prices from geopolitics may also be particularly vulnerable. And so a basket of USD, Oil and Gold may well outperform EM FX.

JPY: Between Haven & Hawks

- Capitulation in UST yields amid risk-off poses strong resistance, perhaps even send into a reversal, the hawkish cues that tend to set in motion JPY buoyancy.
- The tensions in USD/JPY are as real as can be with markets positioning for a hawkish Fed (and hence USD/JPY upside) diametrically opposed to geo-political risks from a precarious and escalating Russia-Ukraine situation that could easily invoke a forceful capitulation in UST yields and JPY surge (on the back of safe-haven demand).
- Between haven and (FOMC) hawks USD/JPY could be prone to wilder swings in a wider sub-113 to mid-115 range.
- Meanwhile, BoJ chief Kuroda's interview with CNBC stressing that Japan's situation is a far cry from US (in terms of fearing and having to respond to inflation) suggests more USD/JPY upside from a hawkish Fed; barring extreme "risk off".

EUR: Persistent Weakness

- EUR edged lower towards 1.13 as the ECB pushed back once again against rate hike bets despite elevated inflation rate (5%) last week, citing the risk of derailing economic recovery in the EU which remains weak relative to the US.
- Further exacerbated by an increasingly aggressive Fed, policy divergence will no doubt continue to play a major role in EUR weakness especially with the mid-week FOMC.
- That said, the ECB's Largard did leave room for pivoting by being "open to any change in inflation outlook" and adding that "projections in a couple of months could look different" which EUR bulls will take as a signal to hold on to their ECB rate hike bets.
- In the face of Omicron in the background while political tension continue to heighten as the US officially orders the family of diplomats to leave Ukraine, EUR will continue to be weighed down and we expect it to trade at the lower end between mid-1.12 to 1.14.

SGD: Safe haven?

- The second half of last week saw longer end UST yields combine with risk off sentiment to send the USD/SGD back to mid 1.34, after initial surge past 1.35 in the middle of the week.
- Given the free flow of capital in the financial hub, correlations between domestic interest rates with the Fed funds rate will imply and backstop excessive SGD weakness.
- That said, a surge in longer end UST yields will still see the pair surge above 1.35, with Fed hawkishness exceeding expectations provide further boost to mid-1.35.
- Though forays above 1.35 are likely to be shallow as CNY/CNH looks to impart resilience to SGD and the quasi-safe haven nature of the SGD may continue to be the supporting role.
- Given the nature of the S\$NEER band, declines below 1.34 may be limited.

AUD: Temporary CPI Support

- Indeed, the AUD lost buoyancy last week falling to below 0.72 with the commodity price slippage amid rising UST yields.
- This week, while AUD bulls look to CPI release on Tuesday for hints of RBA pivot, a higher than expected print may lend temporal strength as the initial surge may quickly give way to FOMC hawkishness.
- On the flip side, a modest inflation print while beneficial for the economy may see the AUD retreat as RBA-Fed divergence strengthens.
- Be prepare for volatility as we expect the AUD to trade within a larger range of 0.71 to 0.73 with a bias towards the downside to test mid-0.71.

Bond Yield (%)

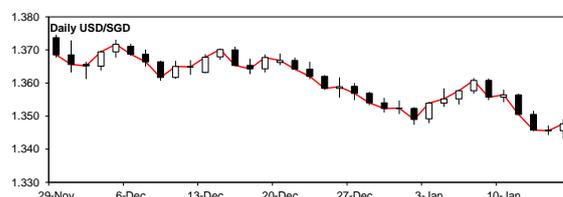
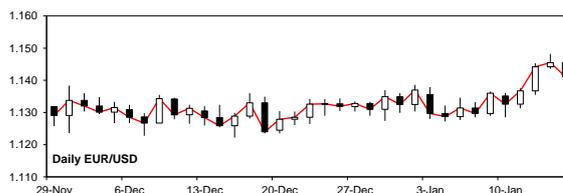
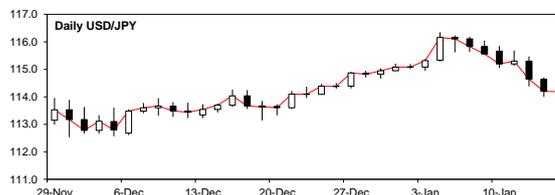
21-Jan	2-yr	Chg (bp) [^]	10-yr	Chg (bp) [^]	Curve
USD	1.001	3.4	1.758	-2.6	Flattening
GER	-0.632	-3.9	-0.068	-1.8	Steepening
JPY	-0.078	0.6	0.127	-0.4	Flattening
SGD	0.955	7.6	1.773	3.0	Flattening
AUD	0.825	14.0	1.913	0.1	Flattening
GBP	0.869	8.7	1.168	2.1	Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	4,397.94	-5.68
Nikkei (JP)	27,522.26	-2.14
EuroStoxx (EU)	4,229.56	-1.00
FTSE STI (SG)	3,294.86	0.39
JKSE (ID)	6,726.37	0.49
PSEI (PH)	7,293.52	0.44
KLCI (MY)	1,527.06	-1.82
SET (TH)	1,652.73	-1.19
SENSEX (IN)	59,037.18	-3.57
ASX (AU)	7,175.81	-2.95

US Treasuries: Hawkish FOMC & Geo-political Risks

- With 2Y yields up -3bps to stay above 1% and 10Y yields falling -3bps, the steepening of yield curve last week masked the tumultuous week in US Treasuries.
- This hid the notable movements of 2Y and 10Y yields hitting highs 1.06% and 1.87% last week, highlighting the massive volatility and UST sell-off that occurred and buybacks amid repositioning.
- As we emphasized last week, short terms rates being the primary instrument to tackle inflation are not in doubt within market wisdom.
- With FOMC in sight, belief in the Fed's resolve to tackle inflation became even more apparent as inflation expectations given by 10Y breakevens sank to 2.3%, a 3 month low since last Sept.
- The uncertainty last week with large yield swings at the long end largely stems from: uncertainty of QT actions in terms of form (runoff/direct sales) and its magnitudes;
- Thus, QT implied lifts in the credit/risk and term premiums may cause some distortion in the impact of the FOMC on the curve. But more so, the geo-political risks that may undermine upside bias in UST yields.
- Barring this, 2Y yields may continue to inch up with 10Y yields set to follow suit to land above 1.8%.



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