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25-Mar-2024

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Economic Calendar

•Survey results from Bloomberg, as of 22 Mar 2024; The lists are not exhaustive and only meant to highlight key data/events

G3

Date	Country	Event	Period	Survey*	Prior
25 Mar	**US**	**New Home Sales**	**Feb**	**675k**	**661k**
	US	**Chicago Fed Nat Activity Index**	**Feb**	**-0.3**	**-0.3**
	US	**Dallas Fed Manf. Activity**	**Mar**	**-11.5**	**-11.3**
	JP	Coincident Index/Leading Index CI	Jan F	--	110.2/109.9
26 Mar	US	Conf. Board Consumer Confidence	Mar	106.8	106.7
	US	Durable Goods Orders/Nondef Ex Air	Feb P	1.2%/0.1%	-6.2%/0%
	US	Richmond Fed Manufact. Index	Mar	--	-5.0
27 Mar	**EZ**	**Consumer Confidence**	**Mar F**	**--**	**-14.9**
28 Mar	US	Initial Jobless/Continuing Claims		213k/1816k	210k/1807k
	US	U. of Mich. Sentiment/Expectations	Mar F	76.6/--	76.5/74.6
	US	U. of Mich. 1Y/5-10Y Inflation	Mar F	--	3.0%/2.9%
	US	**MNI Chicago PMI**	**Mar**	**46.0**	**44.0**
	US	**GDP Annualized QoQ**	**4Q T**	**3.2%**	**3.2%**
	US	Kansas City Fed Manf. Activity	Mar	--	-4.0
29 Mar	**US**	**PCE/Core Deflator YoY**	**Feb**	**2.5%/2.8%**	**2.4%/2.8%**
	US	Personal Income/Spending	Feb	0.4%/0.5%	1.0%/0.2%
	US	Wholesale Inventories MoM	Feb P	0.2%	-0.3%
	JP	Industrial Production YoY	Feb P	-2.7%	-1.5%
	JP	Jobless Rate/Job-To-Applicant Ratio	Feb	2.4%/1.3	2.4%/1.3
	JP	Retail Sales YoY	Feb	2.9%	2.1%

Asia

Yellow highlight indicate actual data

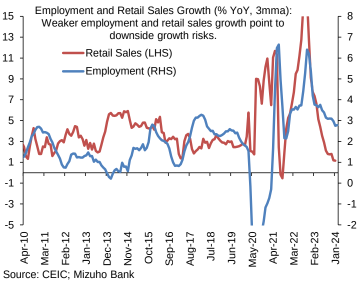
Date	Country	Event	Period	Survey*	Prior
26-28 Mar	IN	BoP Current Account Balance	4Q	-$12.0b	-$8.3b
25 Mar	**SG**	**CPI/Core YoY**	**Feb**	**3.2%/3.4%**	**2.9%/3.1%**
	MY	**CPI YoY**	**Feb**	**1.5%**	**1.5%**
	TW	**Industrial Production YoY**	**Feb**	**0.0%**	**16.0%**
26 Mar	**SG**	**Industrial Production YoY**	**Feb**	**0.5%**	**1.1%**
27 Mar	CH	Industrial Profits YoY	Feb	--	16.8%
	AU	**CPI YoY**	**Feb**	**3.5%**	**3.4%**
28 Mar	**AU**	**Retail Sales MoM**	**Feb**	**0.4%**	**1.1%**
29 Mar	CH	BoP Current Account Balance	4Q F	--	$55.2b
	KR	**Industrial Production YoY**	**Feb**	**2.3%**	**12.9%**
	TH	BoP Current Account Balance	Feb	-$1100m	-$191m
	VN	Retail Sales YoY	Mar	--	8.5%
	VN	**GDP YoY**	**1Q**	**6.3%**	**6.7%**
	VN	**CPI YoY**	**Mar**	**4.2%**	**4.0%**
	VN	Exports/Imports YoY	Mar	10.8%/8.0%	-5.0%/1.8%
	VN	Industrial Production YoY	Mar	--	-6.8%
31 Mar	CH	Manufacturing/Non-manufacturing PMI	Mar	50.0/-	49.1/51.4

Week-in-brief: Policy Doves & Geo-political Hawks

"Have some wine," the March Hare said in an encouraging tone ...
"I don't see any wine," Alice remarked ... "There isn't any," said the March Hare
- Alice in Wonderland, A Mad Tea Party, Chapter VII

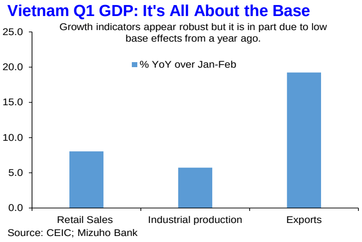
- The **"March madness" endures**. *Markets are getting high on wine that might not be there.*
- Or at the very least the *intoxication with notions of dovish convergence,* which to be fair are not unwarranted, *may be blindsided by geo-political aggravations.*
- **Yields** have **swung about wildly**, with recent downswing partly eroding some of pick-up since Feb.
- Although most of this **recent pullback has been on global policy pivot expectations**. **BoJ** rate **hikes** and **Fed** hold with **hawkish economic revisions** have been **interpreted to be dovish**.
- *Sticky inflation,* it appears, is *not really a sticking point* for policy pivot. Some, like the BoE, have made this explicit. Others, such as the **Fed** are increasingly **alluding to a lower hurdle to cut**.
- The resultant conspiracy of **dovish policy convergence** squares with ***"risk on"*** *bullish bonds.*
- **But** flaring conflict risks with **geo-political hawks** taking center-stage **warn that bond market rallies** (entailing softer yields) **may take on a** ***distinct "risk off" flavour***.
- And that underlines **a truly "mad March"**. Where **unfettered "risk on" surges** on Wall St, initially defied sticky inflation before leaning in to dovish policy hues. But **now confronts "risk off"** despite perceptions of a dovish inflection in global policy as geo-political hawks threaten to overtake.
- And this **resonates much farther than just Russia** and **Gaza**, where temperatures are rising.
- Watching **Russian response in Ukraine**, and *perhaps* beyond *into the Middle East* remains a case of a *wide open field ripe for being blind-sided.* Meanwhile, rising **diplomatic tensions over Rafah** in Gaza means that **scope for political miscalculations, and attendant volatility, are heightened**.
- To be sure, **Beijing has inadvertently stumbled into** this arena where *policy doves* are *challenged by geo-economic hawks.* The **CNH slump** late last week **speaks volumes** on this.
- On one hand, **scope for policy stimulus** appears to be **raising hopes in some camps**.
- A **surge in credit growth** is certainly **at the sharp end of policy stimulus hopes**.
- And Premier Li Qiang has also alluded to having the capacity to push out more policy stimulus.
- But the *PBoC removing renminbi backstop* from its tightly controlled daily (onshore CNY) fixing *resulting in a massive drop in the offshore CNH* speaks volumes of sharp policy trade-off.'
- Two things stand out. First, and most conspicuous, is the fact that the **semblance of CNH stability** has been **heavily reliant on PBoC support**; ***implicitly trades off the ability to ease policy.***
- Second, ***despite textbook policy space to cut rates*** on deflation, t **CNH is unduly under stress**; **defying the additional buffer** that ought to be expected **from a Current Account surplus**.
- And this arguably **reflects the geo-political/geo-economic pressures on** the **CNH**.
- So even as policy doves sweeten the ground, geo-political hawks caution against complacency.
- This is a situation where opportunism and fear collide. And one in which "risk on" is unlikely to thrive, whilst bets against the USD (and other haven assets) will remain an exercise in restraint.
- Malaysia's steady inflation masks policy dilemma, while Singapore's inflation pick-up overstate scope for policy response. One way or another, **Beijing's policy-geopolitical bind will undermine AXJ**, including ringgit and SGD. And **caution could rule the roost** for the time being.

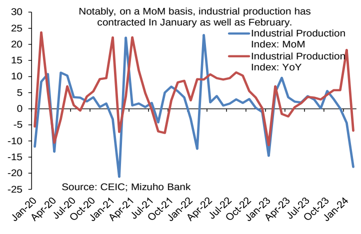
Australia: Seasonal Bumps or Underlying Strength?



- Inevitably, the **Taylor Swift effect would have bumped up both the February print of CPI (27 March) and retail sales (28 March)**
- While concert related categories such as "other retailing" and "Cafes, restaurants and takeaway food services" will enjoy a direct boost, it also **obfuscates the ability to ascertain the transmission for the February employment strength (+116k jobs) to the underlying strength of private consumption**.
- Nonetheless, we will watch on the extent of uptick in household goods and department store sales to assess household resilience.
- On CPI, the concert demand boost would also lead to **inflationary effects**, **directly** pushing up prices in the 'Recreation and Culture" category as **hotel room rates and airfares soared given their robust dynamic pricing abilities.**
- Considering that the indirect demand for food and related restaurant services is likely to come through higher volumes, inflationary impact is likely milder.
- Aside from the services related price surge, **headline inflation is also likely to be bumped up by higher petrol and diesel prices alongside increase in electricity spot prices** in most states except Queensland.
- All in, these two way risks necessitate the RBA's more balanced take on "not ruling anything in or out" in their statement last week. As for the AUD, bulls will perhaps need to look for comfort from trade normalisation with China rather than policy normalisation. Even the former is more a backstop rather than

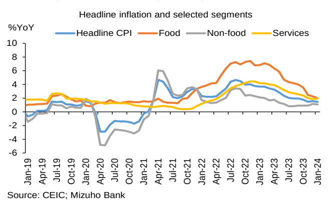
Vietnam Q1 GDP: It's All About the Base





- Following the Q4 2023 growth of 6.7% YoY, **Vietnam is likely to post above 5% YoY growth** in Q1 2023 with **upside risks accruing to the low base effects from a year ago.**
- On the manufacturing sector, activity has undergone some seasonal slowing.
- **Industrial production contracted on a MoM basis by 4.4% and 18% in January and February respectively.** The latter was driven by lower number of working days due to Tet festivities.
- From a year ago, industrial production which increased by 5.8% over **Feb and Jan 2024** though this is somewhat flattered by the sharp contraction last year. Nonetheless, external **demand recovery is also reflected by the 19.2% YoY growth in exports.** That said, the industrial sector **recovery** is still a **cautious and incomplete one** with employment still 0.5% lower than a year ago.
- As for March, manufacturing is likely to pick up as Vietnam's March PMI remain in expansionary territory and that of major trading partners have also improved.
- On the domestic front, nominal **retail sales grew 8.1% YoY** over January and February pointing to robust services sector activity as international visitor arrivals grew 68.7% YoY over the same period.
- Given the inflationary pressures, real value added growth in services is likely to be more subdued.
- On that note, while we **expect March headline CPI inflation to soften** after the Tet induced seasonal peak, core inflation remain sticky above 2.5% YoY is a significant distance from recent historical average (1.7% over 2016-19) continues to be a huge discomfort for households.
- As such, despite growth concerns, it remains the case that the SBV monetary policy stance will be kept unchanged on ensuring both price and VND stability.

Malaysia: Price (of) Policies



Est. CPI weights	Group	Taxable Services	Tax Rate: Previous	Tax Rate: New (eff 1 Mar)
11.2%	A	Accommodation	6%	8%
	B	Food and Beverage	6%	6%
	C	Nightclubs, Dance Halls, Cabarets, Health & Wellness centres, massage parlours, public houses and beer houses	6%	8%
		Karaoke centre services **(*NEW*)**	0%	8%
	D	Private Club	6%	8%
	E	Golf Club and Golf Driving Range	6%	8%
	F	Betting and Gaming	6%	8%
	G	Professionals	6%	8%
	H	Credit Card and Charge Card	25RM per annum	
	I	Other Service Providers	6%	8%
		Delivery services (except for delivery of F&B), Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft **(*NEW*)**	0%	8%
		Logistics **(*NEW*)**	0%	6%

*Food & beverages, telecommunications services, vehicle parking space services and logistics services are subject to tax rate of 6%.
Source: Malaysia Ministry of Finance; Mizuho Bank

- While the upcoming headline inflation in Malaysia in February is set to hover around January's 1.5%, **inflation is likely to tick up in coming months** as the slew of policies announced in Budget 2024 last October come into effect.
- The 2pp increase in services tax effective 1 Mar is likely to further fuel services inflation, and **could add ~0.2% point to the overall headline number.** (See Table above). **While the service tax increase notably excluded F&B services**, **food inflation on El Nino-induced shocks remain relevant**. Of note is also the **addition of logistics as a new taxable service group,** which could add to freight costs while Malaysia awaits tageted fuel subsidies to be implemented in 2H'24.
- Moreover, **wage policies could underpin price pressures**. In particular, we expect the conclusion of the minimum wage review to be forthcoming in 2Q'24 or latest 3Q'24, and there is a high likelihood of another increase in the minimum wage in aligning with the cost of living increase since 2022 (last increase was in May'22 from RM1,200 to RM1,500 and benefited ~6m workers). However, we expect minimal increase in aggregate labour costs with the Progressive Wage Policy (set to be piloted in 3Q'24) given the pilot nature and cautious take-up rate.
- Beyond inflation, **these policies also have a direct impact on Malaysia's fiscal health**.
- Alongside the service tax increase, other tax reforms including capital gains tax and luxury goods would serve to increase the revenue base. We estimate that these reforms could raise revenues by 0.6% of GDP. Nonetheless, the key to a smaller fiscal deficit would lay with the details of fuel subsidies reforms, given that subsidies is estimated to account ~3.1% of GDP in 2023. However, subsidy rationalisation is undeniably more contentious and risks expending on PM Anwar's political capital. Furthermore, efficacy is contingent on appropriate mechanisms to ensure that subsidies reach the intended groups.

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	147.06	-3.060	-2.04%	147.50	~	152.00
EUR/USD	1.0939	0.0102	0.94%	1.070	~	1.086
USD/SGD	1.3305	-0.013	-1.00%	1.3400	~	1.3550
USD/THB	35.420	-0.525	-1.46%	35.80	~	36.80
USD/MYR	4.6835	-0.063	-1.32%	4.690	~	4.760
USD/IDR	15590	-110	-0.70%	15,600	~	16,200
JPY/SGD	0.9053	0.010	1.15%	0.882	~	0.919
AUD/USD	0.6624	0.010	1.49%	0.646	~	0.656
USD/INR	82.79	-0.120	-0.14%	82.9	~	83.9
USD/PHP	55.579	-0.447	-0.80%	55.8	~	57.0

^Weekly change.

FX Outlook: Reminbi Rumbles

- Admittedly, the ~1% **drop in the CNH** last week to test 7.28 has **scaled back** considerably to 7.23+.
- ***But*** the **inherent volatility, and underlying risks are not absolved meaningfully**.
- Fact is, that the **CNH** went **weak in the knees the moment PBoC removed fixing support** speaks volumes about the ***conspicuous absence of secular confidence in CNH***.
- In turn, this brings into **sharp focus the binding policy trade-offs/costs** that the PBoC faces.
- But the rumblings in CNH don't stop there. anything but. The rest of Asia feels the reverberations.
- So, **despite CNH reclaiming a lot of ground** in early week trades, **latent downside risks** mean that **AXJ will be marked by caution** not cavalier "risk on".
- Especially *as swirling geo-political risks favour being long USD for refuge.*
- What's more, relative policy posturing also support USD. Fact is, **despite the dovish shades from March FOMC**, the ***USD is likely to retain compartative policy allure*** given;
  i) the idea of "*competitive pivot" gaining currency,* thereby checking the misguided notion of unilaterally shorting USD on pivot bets, and;
  ii) US exceptionalism that underpins the notion of other global central bankls likely leap-frogging the Fed (with the SNB being a case in point).
- The CNY is both a consequence of Beijing's propensity (alebit backed by capacity) for policy easing and a cause for sharp policy trade-offs that frustrate the PBoC.
- There is **no easy policy optimization**, with *highy uncertain externalities compounding complexity.*
- In turn, this conundrum is *likely to add a CNH risk premium to other AXJ currencies.*
- For now, we expect the initial easy gains in AXJ, backed by CNH rebound, to be quickly faded on caution. Further geo-political risk fade might underpin AXJ.
- But this is likely to be shallow, with the **under-currents of risk warn of USD resurgence that impedes, if not sets back, AXJ in fits and bursts**.

Bond Yield (%)

22-Mar	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.728	25.4	4.306	23.1	Flattening
GER	2.940	18.8	2.440	17.5	Flattening
JPY	0.178	-0.7	0.770	4.6	Steepening
SGD	3.433	11.6	3.063	9.7	Flattening
AUD	3.858	14.5	4.129	0.1	Flattening
GBP	4.303	7.9	4.096	12.5	Steepening

Stock Market

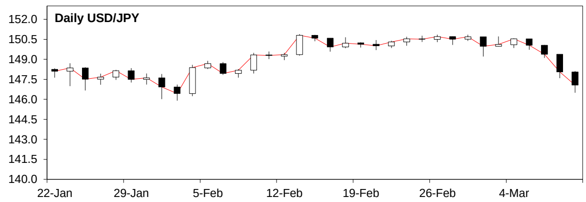
	Close	% Chg
S&P 500 (US)	5,123.69	-0.26
Nikkei (JP)	39,688.94	-0.56
EuroStoxx (EU)	4,961.11	1.35
FTSE STI (SG)	3,147.09	0.36
JKSE (ID)	7,381.91	0.96
PSEI (PH)	6,942.21	0.33
KLCI (MY)	1,539.86	0.12
SET (TH)	1,386.42	1.39
SENSEX (IN)	74,119.39	0.42
ASX (AU)	7,846.98	1.31

US Treasuries: Haven

- It looks like **haven demand** just **might underpin** the **softening in UST yields**.
- Russia stepping up Ukraine offensive, but not yet revealing the full extent of its response (and retribution) for the terrorist attacks in Moscow over the weekend, means that **geo-political flares might keep haven assets in demand**.
- Which means that **USTs are likely to remain bid**; ***suppressing yield upside.***
- Moreover, Powell's clues that "last mile" dis-inflation is less of an impediemnt, opening the door to less impeded cuts, chimes in with downside in yields.
- What's more, the **policy drift elsewhere** has also had similar impact;.
- In particuklar, with the *BoE's watering down of "sticky" inflation* being the l*atest cue for yields to drfit lower on both sides of the Atlantic.*
- All said though, **concerns about supply (of bonds) and sticky inflation data** likely to be the **awkward** visitors in headlines means that ***downside in yields is more a matter of forays than unchecked trends for now***.
- Expect 10Y yields to be checked on dips to 4.10% ahead of 4.05% while 2Y could test 4.5% and softer. **Slight preference for bull steepening**.

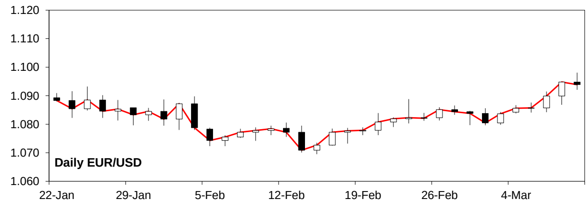
JPY: Step Up, Not Charged Up

- JPY bulls could not make gains as well telegraphed communications before the **meeting meant the NIRP exit was somewhat anticipated.**
- With inflation staying elevated last week, JPY bulls may continue to stage opportunistic bids around 152. Nonetheless, any JPY rally against the Greenback continued to rest on propsects of lower UST yields given the **peristence of JGB buying by the BoJ**.
- However, global competitive pivot backdrop imply that relative JPY strength may prevail.
- All in, we expect a 147-152 trading range for the USD/JPY.



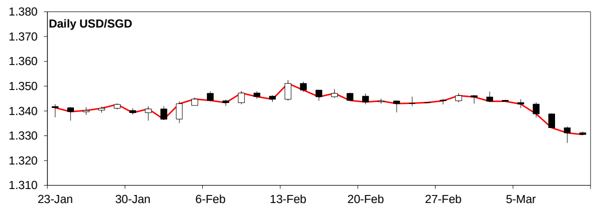
EUR: Leapfrog, Leap Down

- Despite not being in policy action last week, the SNB's surprise cut, BoE's dovish signals alongside ECB President Lagarde stating that "we cannot wait until we have all the information" and "risk being too late" affirmed bets for a June cut and saw the EUR end below mid-1.08.
- Looking ahead, absence of any notable data releases this week and an ECB that is likely to continue its rhetoric on a June cut will keep EUR under pressure, especially against a dimmed China outlook. .
- All in, EUR looks to move below 1.08 for the week, with any recovery above mid-1.08 restrained.



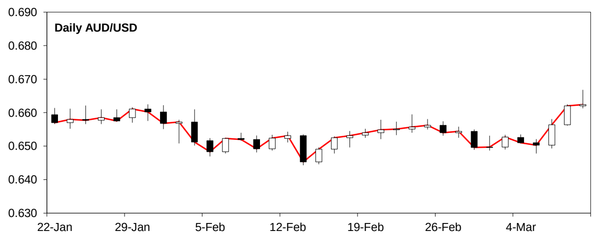
SGD: Spillovers

- Last week, USD/SGD traded within mid-1.33 to mid-1.34 range for most of last week, before briefly tested the 1.35 handle on a weak CNH.
- A weaker CNH could see some pressure on the SGD in the week ahead, especially with China industrial profits due and sentiments still weak.
- Moreover, SGD could see further pressure on a weaker EUR on growing confidence of a June cut, as well as data showing that US exceptionalism prove durable (as indicated from the durable goods order release) and US last-mile dis-inflation challenges persists (as indicated from the PCE/Core Deflator). Especially so against a risk-off backdrop.
- All in, we expect USD/SGD to trade within 1.34 to mid-1.35 band for the week ahead.



AUD: Far From Swift

- Admittedly, the AUD outperformed regional peers amid the USD weakness last week even as their GDP growth outturn remains worrying.
- That said, the **weaker consumption from households will remain a worry for AUD bulls and looks to restrain rallies above mid-67 cents this week.**
- While February inflation may rise on the the 'Swift' effect, RBA bulls will rightfully look past it but it remains inevitable that any policy certainty need from the inflation trajectory is then delayed to later months.
- **As such, we caution against swift rallies while acknowledging RBA relatively "not ruling out" hawkish stance to backstop 65 cents.**



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