

**FX, Fixed income, Econ, Facts & Fallacies**

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**Factors to watch in 2025**

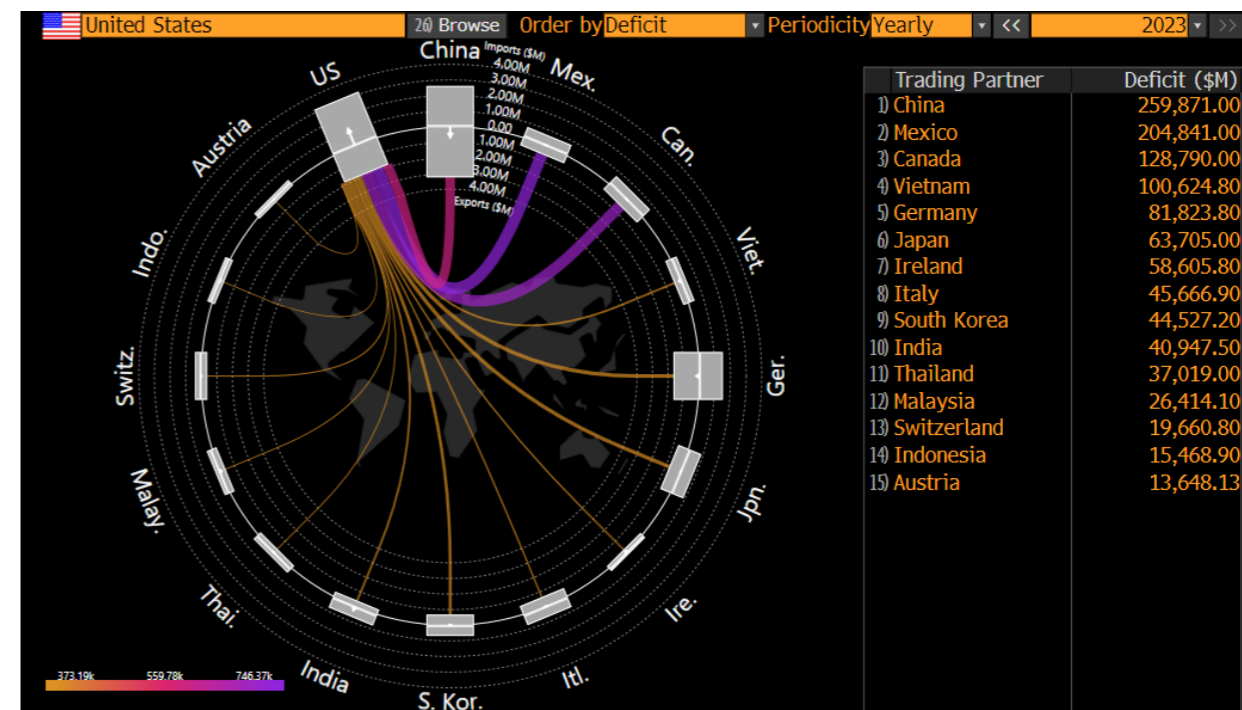
- In 2025, the new year comes with challenges carried forward. With uncertainty, these are factors to closely watch in 2025: Trump trade war 2.0, Global monetary easing cycle, China economy, BOT policy stance and geopolitical tensions.

Happy New Year 2025! The new year comes with challenges carried forward. With uncertainty, these are factors to closely watch in 2025:

**Trump trade war 2.0**

Trump's return brings back his distinctive political style. Among his policies, the market is most concerned about trade tariffs, which could potentially trigger Trade War 2.0. Unsurprisingly, China remains the primary target. However, this time, Mexico and Canada are also high on the list, given they hold some of the largest trade surpluses with the US (see Fig. 1). This policy is likely to affect not only these targeted countries but also global trade it did during his first term.

Figure 1: US trade deficit by country



Source: Bloomberg, KBank

**Global monetary easing cycle**

Since 2024, global monetary policy has been in an easing cycle, which has yet to conclude. However, the pace of easing remains uncertain, particularly after the Fed signaled it is in no rush to cut rates. The Fed's dot plot indicates only 2 rate cuts planned for the 8 meetings this year. A slower pace of easing could place additional pressure on the global economy.

**Figure 2: Global rates and inflations**

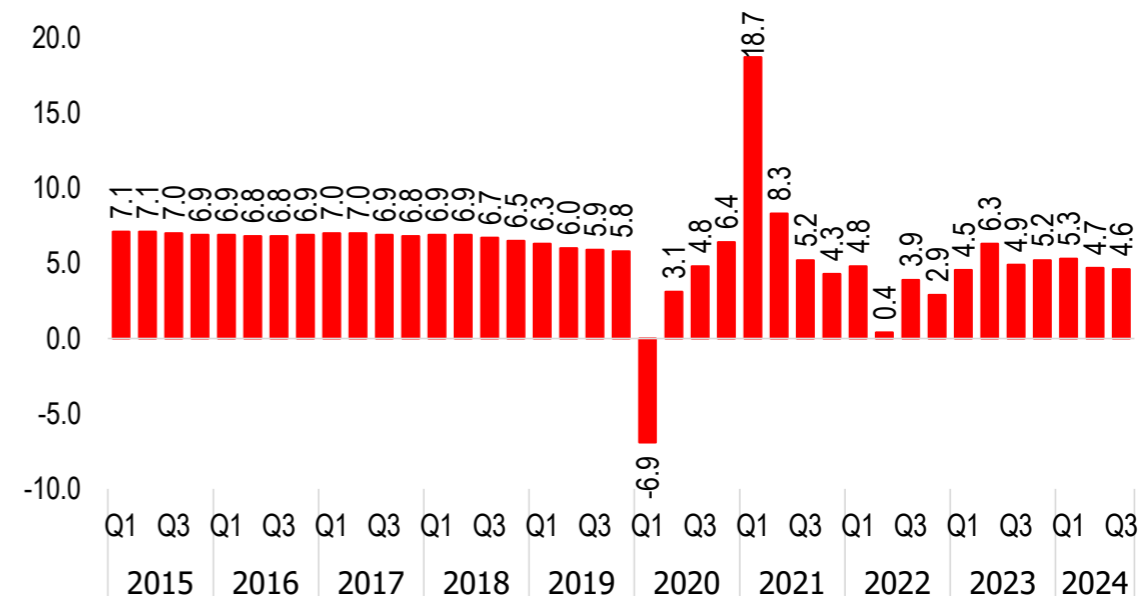
Country	Policy rate				Inflation		
	Spot rate (%)	2023 (%)	2024 (%)	2025F (%)	2023	2024F	2025F
US	4.50	5.50	4.50	<b>3.75</b>	4.13	2.90	<b>2.50</b>
Canada	3.25	5.00	3.25	<b>2.50</b>	7.38	2.40	<b>2.10</b>
EZ	3.00	4.00	3.00	<b>1.85</b>	5.47	2.40	<b>2.00</b>
UK	4.75	5.25	4.75	<b>3.70</b>	7.38	2.50	<b>2.50</b>
Switzerland	0.50	1.75	0.50	<b>0.25</b>	2.20	1.10	<b>0.70</b>
Japan	0.25	-0.10	0.25	<b>0.80</b>	3.25	2.60	<b>2.10</b>
Australia	4.35	4.35	4.35	<b>3.55</b>	5.63	3.20	<b>2.80</b>
China	2.00	1.80	1.50		0.24	0.30	<b>0.90</b>
India	6.50	6.50	6.50	<b>5.75</b>	5.66	4.80	<b>4.80</b>
Korea	3.00	3.50	3.00	<b>2.30</b>	3.62	2.30	<b>2.00</b>
Malaysia	3.00	3.00	3.00	<b>3.05</b>	2.50	1.90	<b>2.50</b>
Philippines	5.75	6.50	5.75	<b>5.00</b>	6.00	3.20	<b>2.90</b>
Thailand	2.25	1.25	2.25	<b>1.95</b>	1.25	0.50	<b>1.20</b>
Vietnam	4.50	4.50	4.50	<b>4.45</b>	3.26	3.70	<b>3.50</b>
Indonesia	6.00	6.00	6.00	<b>5.25</b>	3.75	2.30	<b>2.50</b>

Source: Bloomberg, KBank

**China economic outlook is still clouded**

China, the world's second-largest and leading Asian economy, has been grappling with a property crisis since 2020. The economic outlook remains uncertain as domestic consumption falters, evidenced by low CPI figures. GDP growth has slowed and appears to be settling into a "new normal" of around 5%, compared to the previous 7% (Fig 3). Additionally, Trump's trade policies could further pressure China's economy, given that exports have been a critical driver of its growth in recent years.

**Figure 3: China GDP**



Source: Bloomberg, KBank

**BOT monetary policy stance**

Amid the global monetary easing trend, the Bank of Thailand (BOT) is under increasing scrutiny as inflation has remained below target for several months. Although the BOT has not officially announced an easing cycle, it unexpectedly implemented its first rate cut in October 2024, lowering the policy rate from 2.50% to 2.25%. The next move remains undecided, but it coincides with the imminent selection of a new BOT governor. Dr.Sethaput Suthiwartnarueput's term ends in September, and his successor is expected to play a pivotal role in shaping the future direction of monetary policy.

### Geopolitical uncertainties

Geopolitical tensions have been a prominent issue for years and remain so this year. Interestingly, Trump has claimed he could end the Russia-Ukraine war within 24 hours of taking office. However, Gazprom ceased gas flows through Ukraine after the contract expired in December 2024, signalling ongoing challenges related to the conflict. Beyond Ukraine, global tensions continue to rise, particularly in the Middle East, where conflicts involve Israel, Palestine, Iran, Syria, and Lebanon.

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