

Tuesday, October 10, 2017**MAS MPS Preview – Stand pat?**

- The MAS Monetary Policy Statement (MPS) is once again upon us and global economic activity is on a more sanguine footing compared to 6 months ago. To boot, note that since the summer, core G7 central banks have shed their excessively accommodative rhetoric and established themselves on a more neutral plane, although Asian central banks have remained relatively reserved in terms of their growth and inflation outlooks by comparison (with Asian curves in general lagging their G10 counterparts).
- On inflation, aggregate measures of price pressures (both global and Asian, headline and core) have troughed but remain essentially stable with little in the way of an abrupt pick up in upward momentum, especially with global crude prices still muted.
- On the domestic front, headline growth numbers are expected to remain supported into 2018 although our simulations indicate little immediate impetus for a distinct and strong positive output gap till 2H 18. On the inflation front, the authorities have noted that conditions in the labor market remain slack and that this is expected to dampen underlying wage growth as well as any pass-through effects.
- Our simulations also portend little in the way of overshooting with respect to expected trend headline and core inflation for 2018, although core numbers are expected to breach the 2.00% handle (but remain well away from the historically sensitive 3% level) in the coming months. While a case can be made for tightening the language of its forward guidance (i.e., removing the clause, “for an extended period”) to anchor inflation expectations, we believe the monetary authority would retain sufficient latitude and flexibility if it deferred this subtle change in posture till the April 2018 MPS.
- **Overall, we expect the MAS to retain its zero-percent trend for the SGD NEER this Friday at its MPS, with the width and the level at which it is centered unchanged.** Behaviorally, the SGD NEER has continued to persist (only) slightly above parity since the April MPS. This has not been on the back of outsized positive growth and inflation headlines but more a consequence of broad-based USD weakness as well as SGD outperformance against the North Asian currencies.

Corporate FX &
Structured Products
Tel: 6349-1888 / 1881
Fixed Income &
Structured Products
Tel: 6349-1810

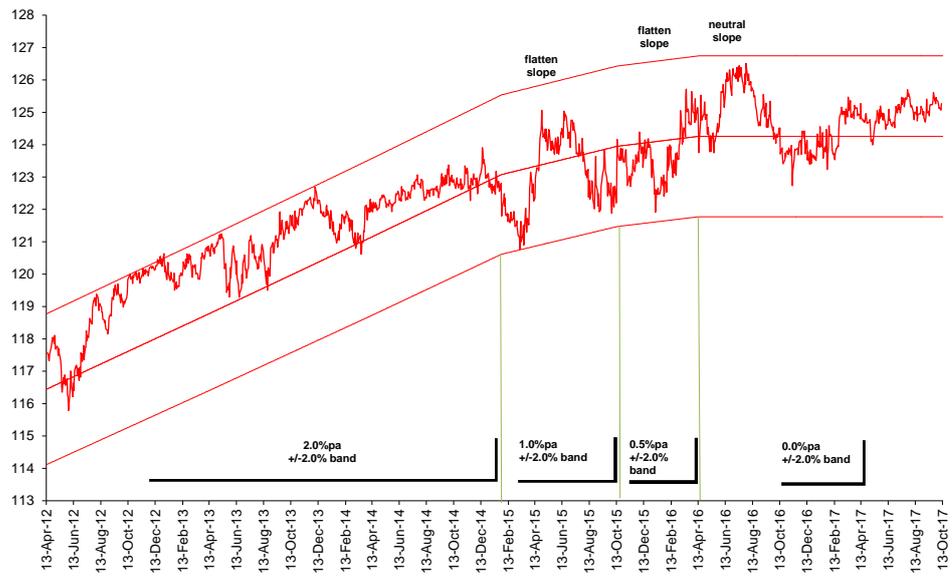
Investments &
Structured Product
Tel: 6349-1886

Interest Rate Derivatives
Tel: 6349-1899

Treasury Research &
Strategy
Tel: 6530-4887

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com

SGD NEER



Source: OCBC Bank

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.
