OCBC TREASURY RESEARCH

Research Monitor (August)

1 August 2022

Treasury Research & Strategy
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Key Themes

1. **A less hawkish and data-dependent Fed going forward is music to markets' ears?** Recent weakness in the economic data, namely that the US economy has entered a technical recession (defined as two consecutive quarters of sequential contraction) in the first half of this year, has boosted hopes that the Fed would also slow down its hectic pace of rate hikes from the current 75bps clip to a more digestible 50bps or even 25bps at the subsequent meetings later this year. Whether this "bad news is good news" theme will sustain to lift market risk appetite given that recent Fed rhetoric remains fairly fixated on bringing inflation back down to its 2% target, or even materialise for other economies like the Eurozone or China remains to be seen.

2. **Recession fears have been fighting with inflation for pole position to be the biggest risk factor into 3Q22.** The IMF has slashed its global growth forecast again from 3.6% to 3.2% for 2022 and from 4.4% to 3.6% for 2023. The key downgrades were for the US (from 3.7% to 2.3% in 2022 and 1.0% in 2023) due to high inflation and faster rate hikes, China (from 4.4% to 3.3% amid Covid flare-ups/shutdowns and the deepening property crisis), and Europe (2.6% in 2022 and 1.2% in 2023 due to spillovers from the war in Ukraine). Even the Asia-Pacific region is not immune with their growth forecast cut to 4.2% for 2022 and 4.6% for 2023. The IMF tips the first priority for policymakers to combat inflation given it tips global price pressures to surge 6.6% and 9.5% in advanced and emerging economies respectively. This reinforces our worry that policy mistakes will be a major risk for the 2H22 outlook as they walk a policy tightrope. Another potential black swan event to watch is US House Speaker Nancy Pelosi's possible visit to Taiwan which would heighten geopolitical tensions.

3. **China's positive cyclical improvement was clouded by renewed concerns about the housing market and deteriorating COVID situation.** It is probably the first time in modern Chinese history that China's property market is not responding to easing policies due to concerns about job security and income growth. The recovery of property sales in June was disrupted by surging requests for mortgage suspension in July. Nevertheless, we don't think the recent mortgage boycott is China's Lehman moment. Given China's healthy household balance sheet, the recent mortgage boycott is more due to a lack of willingness to pay rather than the inability to as protestors is attempting to pressure the government to intervene. China is likely to set up bailout funds to revive the stalled unfinished projects. Nevertheless, the financing of the bailout funds remains to be seen. The July Politburo meeting approved the additional CNY1.47 trillion issuance of local government special bond in 2H22. Fiscal policy will play an increasing role in the 2H22 while monetary policy is likely to take a backseat.

4. **Flash estimates* indicate that the OCBC SME Index (SMEI) is expected to continue growing at 51.6 in July continuing from the strong growth of 52.4 observed in June.** Businesses continue their path to recovery although global headwinds persist, with inflationary pressures and supply side challenges.

5. **Brent appears to have found a short-term bottom just below the $94 per barrel handle in mid-July and has regained the US$100 region for now.** Still with the surprise contraction in China's factory activity, market players will be focused on the outcome of the upcoming OPEC+ meeting to decide the September quota**.**

**Using data until 21st July*

Asset Class Views

	House View	Trading Views
FX	**G-10 FX:** It is again a month of two halves for the broad dollar. The subdued risk sentiment and central bank dynamics – difficulty to out-hawk the Fed near-term - extended the broad dollar strength into the early part of July. Since mid-July, recession fears within the US itself coupled with increased hawkishness at the BoE and the ECB have pushed DXY lower. The Fed did deliver a 75bps hike; however, the FOMC outcome was seen as dovish in that the Fed dropped forward guidance, and Powell mentioned the pace of tightening has to slow at some point – despite that this was not entirely unexpected. The softness of the broad dollar came earlier than we had expected. We do not see the FOMC outcome as dovish, and we continue to expect the Fed funds target rate to rise to 3.25-3.50% by year-end. Still, with other central banks catching up, the broad dollar has started to show some signs of softness. The ECB hiked policy rates by 50bps, more than the initial guidance of a 25bps move, but the MPC statement is less hawkish. The ECB remains as a laggard in monetary policy in terms of both policy rates and the balance sheet. Yield differentials did not turn for the better for the EUR with the rebounds in the EUR primarily driven by the dollar weakness. There is room for the ECB to play catch up. However, market is not convinced until the ECB delivers more. On balance, EUR is likely to trade in a range of 1.0000-1.0417 on a multi-week horizon. The GBPS outperformed in recent sessions, as BoE was seen as catching up in terms of monetary tightening at a time when market pared back rate hike expectations for the Fed. Beyond the BoE August MPC, GBPS OIS is pricing in additional rate hikes of 118bps for the remainder of the cycle, versus USD OIS pricing of 90bps. The fate of the sterling depends on if these expected rate hikes materialize. An announcement on active bond selling is also due to be made at the August MPC; investors will compare the pace of QT with that at the Fed. The extended upward move in USD/JPY was primarily driven by monetary policy divergence; as such, the Yen gained upon the lower US yields of late. The bar still appears high for the Bank of Japan to remove its YCC while we see the recent UST rally as overdone. Next support for USD/JPY sits at 132.00, while topside is at 135.00.	Dollar shows signs of softness as the monetary policy gap may not widen further. GBPS has potential to outperform if BoE delivers.
	Asian FX and SGD: USD/CNH was trading in a slightly higher range over the past month. Near-term outlook is not optimistic for the RMB, with the Politburo meeting downplaying China's 5.5% growth target (presumably with risk to the downside) and not offering large-scale stimulus package. Expect range for USD/CNH at 6.7000-6.8300. MAS recentred its SGD NEER to the prevailing level in an off-cycle move on 14 July 2022, while leaving the slope and band width unchanged. Our SGD NEER model continues to assume a +1.5% slope and a +/-2.0% band width. The SGD NEER has moved further higher after the initial jump upon the off-cycle policy action, and it was trading around 1.0% above the new mid-point at the time of writing. Given the higher SGD policy band, any downward move in USD/SGD is not as limited as before. Range for USD/SGD is seen at 1.3671-1.3834.	USD/SGD in range of 1.3671-1.3834 USD/CNH in range of 6.7000-6.8300

	House View	Trading Views[1]	
Rates	USTs rallied over the past month but underperformed Bunds and AGBs. The FOMC delivered another 75bps hike in line with expectations. Initial market reaction reflected investors took the outcome together with post-meeting comments as dovish. There will be less forward guidance with the rate decision reverting to being data-dependant. As such, market's own interpretation of economic data will be more important in driving yield direction, with trading range staying wide given the uncertainty over the rate hiking path, the expectation of which fluctuates with growth assessment and the risk sentiment in the absence of guidance. The Fed remains committed to bringing inflation back to target. We keep our call for the Fed funds target rate to rise to 3.25-3.50% by year-end, while seeing higher uncertainty as to whether the Fed will be able to deliver one more (25bps) hike that we have pencilled in for Q1-2023. We do not expect an easing cycle to kick in right after rate peaks; if recession risk intensifies, the more likely scenario will be for a lower terminate rate rather than imminent rate cuts. The ECB started its hiking cycle by a 50bps move, instead of the earlier guidance of 25bps, in line with our expectation for a hawkish surprise. However, the statement sounded less hawkish in that they describe such a move as "front-loading" when the ECB is apparently a laggard. Thus far only few of the 25-member Governing Council spoke about the rate hike prospects since the July MPC meeting. We see another 50bps hike at the September MPC meeting as likely.	**USD rates:** The UST curve bullish flattened over the past month, amid recession fears while market held onto near-term rate hike expectations. Market pricing of the terminal rate went lower to 3.25-3.50%, from 3.50-3.75% a couple of weeks back. The 2Y UST yield appears low compared to the market pricing of and our expected terminal rate. Risk is the recent bond rally is overdone.	↑
		Asian rates: SGD rates underperformed USD rates despite MAS off-cycle tightening, amid flush USD liquidity and the broad dollar strength, while spot had already moved a fair bit in response to the MAS action. The higher implied SGD rates also led to high MAS bill yields, with the auction yields being in line with the implied rates from the USD LIBOR curve. Over the cycle, we see room for a resumption of SGD rates outperformance. The SGS curve flattened, partly taking cue from the UST curve, and partly on the high bill yields. We expect the SGS curve to steepen vis-à-vis the UST curve.	↑
		IndoGB yields have retraced lower after hitting intra-month highs, still ending the month higher. The latest sukuk auction had low award ratios for long-end bonds, and MoF sold addition bonds via a GSO. This suggests yield levels at 7.40% and above for long-end bond are probably seen as too high. BI has started selling bonds in the secondary market, with impact on front-end yields limited for now, probably as the domestic bonds benefited from the global bond rally, while the bank book might have been taking up some of the slack. We look for range-trading for the weeks ahead and caution against chasing the rally.	↑
		The **MGS** curve flattened with the 3Y yield little changed on the month which is still well ahead of the policy OPR. Near-term we maintain our expected range of 3.45-3.55% for the 3Y yield. Estimate for energy-related subsidies have been revised higher again; netting out expectedly higher revenue and reduced spending elsewhere, there is probably still a shortfall of MYR19bn that needs to be funded, but the government said there is limited ability to fund subsidies via debt.	→
		In **China**, market liquidity appears adequate, if no flush, as reflected by the low market repo rates versus OMO rates, and low NCD rates versus MLF rate. The MLF maturity profile is getting heavier in the months ahead. Some liquidity injections are likely on a multi-month horizon while the chance of an outright interest rate cut looks small. We maintain our range trading view for CNY rates and CGBs.	→

[1] Arrows point to direction of interest rates and bond yields

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	House View	Trading Views	
Credit	UST 10Y yields fell by **20bps** overall MoM to **2.68%** as at 29 July amidst a relatively busy month of important economic data releases, quarterly corporate earnings and the Federal Reserve (“Fed”) pursuing its most aggressive monetary policy since the 1980s inflation storm. UST 10Y yields reached a peak of **3.08%** on 8 July, in the same week which saw a third inversion between UST 2Y yield and UST 10Y yield this year, and dropped to as low as **2.75%** on 22 July after risk off sentiments intensified following weak economic data from the real estate front and various key corporates slashing their forward guidance including Walmart, the world’s largest company by revenue. The inversion between the UST 2Y yield and UST 10Y yield, a closely watched recession indicator, has remained so as at time of writing. Notably, Consumer Price Index ("CPI”) figures for June came in at a staggering 9.1% YoY and showed the fastest pace of inflation since November 1981. Market expectations for a 100bps rate hike for July quickly rose in the days following CPI release, although such expectations were subsequently doused by a slew of Fedspeak from several Fed officials including St Louis Fed President James Bullard, the titular hawk within the Federal Open Market Committee (“FOMC”). On 28 July, the Fed announced a 75bps rate hike for July which was approved unanimously, marking its second consecutive 75 bps rate hike following June’s as Fed Chairman Jerome Powell vows to not surrender in the inflation battle and that "restoring price stability is just something we have got to do". In the US market, US investment grade issuances decreased to ~**USD89bn**, decreasing by **~34%** MoM although it was up **~99%** YoY**.** Issuances were lower for the US high yield market as well, falling to ~**USD2bn**, down **~84%** MoM and **~92%** YoY. Notably, the number of issuers fell from 21 issuers in June to just five issuers in July as recessionary woes and aggressive monetary policy looms over the high yield space highlighted by widening credit spreads and increasing cost of funding. The Asiadollar space recorded lower issuances at ~**USD8.9bn** in June, which is **~46%** lower MoM and **~70%** lower YoY. The largest deal of the month was priced by Lenovo, which priced a total of USD1.25bn across two senior unsecured bonds at T+265bps and T+350bps respectively. Similarly, the SGD space recorded relatively lower issuances at **~SGD1.9bn** in June. This is **~50%** lower MoM and **~4%** lower YoY. Notably, there were only seven issuers who came to the market, with majority of the issuances coming from financial institutions, further highlighting the strong demand being observed for bank capital from investors. Excluding the SGD1.1bn bond issuance from the Housing & Development Board, the largest deal of the month was priced by BNP Paribas SA, which priced a SGD300mn 10NC5 Tier 2 subordinated bond at 5.25%, tightening from an IPT of 5.5% area. With the conclusion of July’s FOMC, the Feds may have restored some credibility in their commitment towards bringing down inflation. Further, while consensus has increased for peak inflation to be behind us following the drop in energy prices, fears of a Fed induced recession arriving sooner than later has risen as the economy begins to show signs of slowing. Alongside the worsening property and banking sector in China as well as the energy crisis in Europe, more volatility and prolonged uncertainty can be expected in the macroeconomic backdrop and may continue to present challenges for issuers needing to refinance in the short to medium term and for investors seeking adequate returns.	• **SUNSP 3.355% ’25s:** With the reopening of borders and also a robust pipeline of MICE activities in 2022 and 2023, we like SUNSP. SUNSP is expected to benefit from MICE activities for its convention sector and also tourist receipt for its mall sector as we expect higher footfall.	↑
		• **SGREIT 3.15% ‘25s:** As tourists return to Singapore, shopping centres along the Orchard Road belt may experience higher footfall and this may translate to higher tourist spend. SGREIT who has stakes in Wisma Atria and Ngee Ann City (Takashimaya) would benefit from this.	↑

Macroeconomic Views

	House View	Key Themes
US	The Fed raised another 75bps to 2.25-2.5% at the July FOMC, marking the largest consecutive hike of 150bps since the early 1980s. Despite the FOMC remaining highly attentive to inflation risks, market players are hopeful that the Fed would pivot to a less hawkish policy approach for the remaining September, November and December meetings.	The US economy contacted 0.9% annualised QoQ in 2Q22, extending the 1.6% decline in 1Q22. However, the 2Q employment cost index and the June core PCE deflator rose 1.3% and 4.8% YoY (0.6% MoM) respectively, which may underpin the Fed's resolve to continue to tighten financial conditions in the face of a growth slowdown. The futures market is now eyeing a terminal Fed Funds rate around 3.3% region, but will the Powell put really materialise? Recession fears are clearly weighing on earnings guidance, however market eagerness to bargain hunt may imply volatile trading conditions to persist in 3Q.
EU	The ECB has hiked 50bps in a hawkish surprise in July. Give the prolonged Russia-Ukraine war continues to elevate energy prices and threaten to slow growth, it is unsurprising that the EU has already started seeing initial signs of a slowdown. The July composite and manufacturing PMIs contracted at 49.6 and 49.4 respectively, albeit services PMI still held in the expansionary zone at 50.6. The current climate of worsening energy crisis, persistently high inflationary pressures and rising borrowing costs are likely to put the EU in a precarious situation of higher recession risk for the second half of 2022.	The Eurozone expanded more than expected by 4.0% YoY (0.7% QoQ sa) in 2Q22, buoyed by a return of tourists, but this may set up 3Q for a fall given the ongoing energy crisis. The ECB also kicked off its first rate lift-off since 2011 by raising rates by 50bps, deviating from its previous guidance of 25bps. This comes after inflation hit a record high of 8.6% YoY, driven mainly by high energy and food prices. To make things worse, Russia's gas flow via the Nord Stream pipeline is only 20% of capacity which is likely to exacerbate the energy shock ahead of the winter season. EU economies have agreed to cut gas consumption by 15%, but will dampen economic activities. The ECB has introduced the Transmission Protection Instrument (TPI) to purchase bonds from highly indebted peripheral economies if their bond yields deviate significantly from other EU economies. Key to watch out for would be the Italy-Germany 10Y yield differential as the Italian 10Y yield has been tilted higher following PM Mario Draghi's recent resignation.
Japan	BoJ maintained its yield curve control policy once again while underscoring it has no intention to pivot its dovish stance in the near-term. It cited growth as a priority over inflation – which it believes is only temporary due to supply side pressures – given Japan's weak growth outlook. BoJ revised its 2022 GDP forecast down to 2.4% (vs. 2.9% April forecast) and 2022 CPI forecast up to 2.3% (vs. 1.9% April forecast). As global recession fears grow, some unwinding of USD positions and JPY buying as a safe haven play has started to emerge.	Hopes of border reopening are dampened as Japan's daily COVID cases hit renewed highs, which may threaten the short-term growth outlook in Japan. However, on a more positive note, June industrial production accelerated from -7.5% YoY in May to 8.9% in June – the fastest in 9 years, on the back of China's easing COVID restrictions which boosted exports demand by 19.4% YoY. Although growth may see further improvement with China's gradual recovery, the domestic COVID situation remains concerning. Unlike other G7 counterparts which are facing decades-high inflation, Japan's inflation remains tame at 2.4% YoY in June, a slight downtick from May's 2.5%. BoJ has expressed its commitment to continue with quantitative easing measures until it sees inflation stay around its 2% target "in a stable manner".

	House View	Key Themes
Singapore	After MAS tightened monetary policy settings in a second of-cycle move to re-center the S$NEER to its prevailing level, citing upward inflation risks, the S$NEER continues to trade north of its parity band. The official 2022 headline and core inflation forecast were also upgraded to 5-6% and 3-4% respectively, with no change to the GDP growth forecast of 3-4%. The government earlier unveiled a $1.5b assistance package to help businesses and households with rising cost-of-living issues. Given potential fresh shocks from global commodity markets and domestic wages pressures, further monetary policy tightening remains likely at the October MPS.	Total employment excluding foreign domestic workers rose 64.4k in 2Q22, the fastest in 14 years, but was largely driven by non-resident employment namely in construction and manufacturing. As of June, the overall, resident and citizen unemployment rates stood at 2.1%, 2.9% and 3.1% respectively after peaking in October 2020, MOM tips unemployment rates to stay low amid the tight labour market, albeit with the caveat that global risks remain Looking ahead, the local job market is likely to remain tight with 69% of firms planning to increase hiring in the next three months, up slightly from 68% in March, but wage pressures could be stabilising with a marginal pullback to 28% of firms indicating wage increases for their employees versus 31% three months ago. Meanwhile, the business expectations for the services sector was steady for 2H22 with a net 15% anticipating a more favourable business outlook, aided by the return of international visitors and resilient private consumption, whereas a net 8% of manufacturers tip a less conducive 2H22 outlook.
Indonesia	Bank Indonesia continued to keep its policy rate unchanged again at 3.50% in July. Although it highlighted an uptick in inflation risks, it maintained that they will remain manageable due to fiscal subsidies. We continue to see the risk of interest rate hike of 75bps this year, however, given the prevalence of price upticks, with the first rate hike coming in August after inflation prints turn up further. Already, July headline inflation came in at 4.94% YoY, higher than 4.82% expected and 4.35% of the prior month. Core inflation has ticked up to 2.86% from 2.63% before, as well.	Indonesia's President Jokowi went on a three-country visit in late July, starting from China, followed by Japan and South Korea. While geopolitical issues including the Russia-Ukraine war and the simmering tensions between China and the US are unlikely to be off the table altogether, from the Indonesian perspective, the topmost agenda is none other than economic ties, with trade and FDI boosts in mind. Maybe it is just a coincidence, but the sequence of Jokowi's visits tallies with the relative importance of the bilateral trades, for one. China is the biggest trading partner by far, with a share of around 25% of Indonesia's total. In 2021, total trade (exports plus imports) amounted to a hefty ~USD119.9bn. His three-day trip to China, Japan, dan South Korea brought Indonesia billions of dollars in investment pledges, with the most conservative estimates standing at $13 billion, as reported by The Jakarta Post. Indonesia expanded a cooperation agreement with South Korea on Thursday relating to the construction of a new capital city Nusantara.
China	China de-emphasized its growth target in the July Politburo meeting although it did not downgrade its growth target explicitly. We think China will have a higher tolerance for slower growth as long as job stability and price stability are not compromised. We cut China's GDP forecast to about 4.3% for 2022.	China's positive cyclical improvement was clouded by renewed concerns about the housing market and deteriorating COVID situation. It is probably the first time in modern Chinese history that China's property market is not responding to easing policies due to concerns about job security and income growth. The recovery of property sales in June was disrupted by surging requests for mortgage suspension in July. Nevertheless, we don't think the recent mortgage boycott is China's Lehman moment. Given China's healthy household balance sheet, the recent mortgage boycott is more due to a lack of willingness to pay rather than the inability to as protestors is attempting to pressure the government to intervene. China is likely to set up bailout funds to revive the stalled unfinished projects. Nevertheless, the financing of the bailout funds remains to be seen. The July Politburo meeting approved the additional CNY1.47 trillion issuance of local government special bond in 2H22. Fiscal policy will play an increasing role in the 2H22 while monetary policy is likely to take a backseat.

	House View	Key Themes
Hong Kong	For the rest of 2022, expect the HKD rates to be on a solid upward trend as hawkishness is seen everywhere. HIBOR fixings continued to play catch-up with LIBOR, yet the still supportive interbank liquidity is preventing the former from rising aggressively. We believe the FX-interest rate adjustment is not done for now. The rising interest rate continued to weigh on the property market. The housing price index declined further by 3.4% YoY in June. Our view remains that the residential property market will undergo mild price adjustment this year. While domestic price pressures remained in check so far, inflation will pick up in 2H22, due to higher energy and food costs.	Domestic demand in Hong Kong still largely held up while external demand shrank on the back of persistent COVID disruptions and multiple headwinds. Hong Kong's trade performance deteriorated recently with merchandise exports dropping 6.4% YoY. Nonetheless, the labour market situation saw broad-based improvement, with most of the major economic sectors registering lower unemployment and underemployment rates. On the exchange rate front, the weak-side convertibility undertaking was repeatedly triggered in July. The FX intervention amounted to HKD68bn thus far this round, causing the aggregate balance to fall to HKD165.259bn. HKMA raised its base rate to 2.75%, following the hike by Fed, as part of the pre-set formula. Reportedly, Hong Kong government planned to move to "5+2 model"/ "4+3 model" for arriving travellers, by cutting the hotel quarantine period to 4/5 days and adopting a health code system afterwards to limit the risk of spreading virus.
Macau	Taking into consideration the lockdown-like measures and weaker economic outlook, we have revised downward our GDP forecast for Macau in 2022. If Macau and its neighbouring Mainland city Zhuhai do not revert to more relaxed border measures soon (two-way quarantine free travel upon the presentation of negative PCR test results), the economy may see a contraction in 2022. For high frequency economic data, we expect to see very low visitor arrivals and gross gaming revenue figure in July and possibly August.	Amid the largest local COVID outbreak since the beginning of the pandemic, Macau announced the toughest movement control measures by far. Business premises were ordered to shut from 11 to 22 July. During this period, casinos and other non-essential businesses were suspended. Residents were required to stay at home unless for buying daily supplies, getting COVID tests or providing essential services. Most of the economic activities were brought to a standstill under the strict movement control measures. Gross gaming revenue and tourism related business receipts fell to zero during this period. Starting from 23 July, Macau entered a "consolidation phase", in which most of the businesses could resume businesses under some prescribed conditions. Casinos were allowed to reopen with a 50% cap on staffing.
Malaysia	Malaysia's headline inflation was 3.4% YoY in June, higher than expected. The culprit remains food prices, with the sub-index seeing a high print of 6.1% YoY. Moreover, there are further signs that price upticks are now felt beyond just the food and fuel categories, as well. Core inflation came in at a relatively hefty 3.0% YoY in June, compared to 2.4% before, marking the highest print since March 2016. At the end of 2021, core inflation stood at just 1.1% YoY. Given this context, even as our baseline case remains just one more 25bps hike this year (in the next Sep meeting), there may be more impetus for another 25bps move (in the last MPC in November), should there be more surges in the price prints, especially the core reading, in the coming months.	Malaysia's inflation fight is likely to continue to dominate policy calculations. For instance, the most recent June inflation print suggests that food prices remained the main driver, with the surge in chicken prices was the main push. Despite a continuation of subsidies, the poultry prices increased by 17.2% YoY in June compared to 13.4% in May. Given how chicken comprises the largest bulk of meat consumed – 46.1% by the relevant CPI weight – its dearer cost hurts the most. Meanwhile, the ugly effects of the global commodity price upticks can be seen clearly in the increase in the fuel price inflation, as well. Even though the RON95 petroleum continues to be subsidized, its unsubsidized brethren RON97 petroleum saw a considerable 80% surge in YoY terms to MYR4.77/lt from MYR2.67 in June last year. Hence, the subsidy policy on existing items is likely to remain in place, even as it cannot completely counterbalance the overall rise in prices. Indeed, the government estimated that, without the subsidies, inflation would have hit as high as 11% by now. Still, the subsidies come at a considerable cost on the fiscal front, with the government estimating that the bill as amounted to MYR80bn this year, with some form of rationalization including ascertaining which households deserve fuel subsidies the most to be expected at some point in time.

	House View	Key Themes
Thailand	We expect Thailand GDP to expand by 3.4% YoY in 2022, higher than the growth of 1.5% in 2021, as economic activity recovers in 2022.	Thailand's June CPI posted a higher-than-expected gain of 7.66%, higher than the 7.10% print in May. As inflation reaches a near 14-year high, driven by higher energy prices, BoT may take a hawkish pivot by starting to hike its benchmark rate soon.
South Korea	We expect the BoK to deliver another 50bps hike in its upcoming August meeting on the back of rising inflation. South Korea is also expected to expand by 2.7% YoY in 2022, lower than the growth of 4.3% in 2021 as external growth headwinds loom.	BoK hiked its benchmark rate by 50bps from 1.75% to 2.25% in the July meeting, as inflation hit a 24-year high of 6.0% YoY. Q2 advance GDP estimate came in higher-than-expected at 2.9% YoY, on the back of strong domestic consumption. However, exports took a hit from weaker export demand from China due to the China COVID lockdown restrictions. Recent data from China showed slow recovery in demand despite the lift in COVID restrictions, which may cap the growth momentum of South Korea in the near-term.
Philippines	We expect more rate hikes to come as BSP left the door open for further tightening to combat inflation and a weakening peso. BSP Governor Medalla signalled that future rate decisions in subsequent meetings will be more data-dependent and reassured markets that the recovering economy will be able to handle the rate increases.	BSP surprised markets by delivering an off-cycle 75bps rate hike in July in a bid to curb inflation which has hit a renewed high of 6.1% YoY in June – the highest since December 2018, and as the peso continued to weaken. However, BSP Governor Medalla ruled out the possibility of another off-cycle rate hike and reassured that another 75bps hike is not in the pipeline in the August meeting. Separately, trade deficit continued to widen further due to higher import sales driven by imported inflation – imports rose by 31.4% YoY, more than exports which was up by 6.2% YoY in June. We expect inflation, rising borrowing costs and a weakening peso to suppress the positive growth momentum in the second half of 2022.

FX/Rates Forecast

USD Interest Rates	Current	3Q22	4Q22	1Q23	2023
FFTR upper	2.50%	3.00%	3.50%	3.75%	3.75%
SOFR	2.28%	2.78%	3.28%	3.53%	3.53%
1M USD LIBOR	2.36%	2.88%	3.38%	3.63%	3.63%
3M USD LIBOR	2.79%	3.25%	3.70%	3.85%	3.85%
6M USD LIBOR	3.33%	3.65%	3.90%	4.05%	4.05%
12M USD LIBOR	3.71%	4.00%	4.15%	4.25%	4.25%
1Y USD IRS	3.37%	3.65%	3.95%	4.05%	4.05%
1Y SOFR OIS	3.06%	3.35%	3.65%	3.75%	3.83%
2Y USD IRS	3.17%	3.55%	3.90%	4.05%	4.20%
2Y SOFR OIS	2.86%	3.27%	3.62%	3.83%	3.98%
5Y USD IRS	2.73%	3.30%	3.70%	3.90%	4.22%
5Y SOFR OIS	2.44%	3.00%	3.42%	3.62%	3.97%
10Y USD IRS	2.74%	3.30%	3.70%	3.92%	4.27%
10Y SOFR OIS	2.45%	3.02%	3.42%	3.67%	4.02%
15Y USD IRS	2.86%	3.35%	3.75%	3.97%	4.32%
20Y USD IRS	2.88%	3.32%	3.75%	3.97%	4.37%
30Y USD IRS	2.75%	3.17%	3.60%	3.82%	4.27%
SGD Interest Rates	**Current**	**3Q22**	**4Q22**	**1Q23**	**2023**
SORA	2.14%	2.38%	2.73%	2.88%	2.93%
1M SIBOR	2.31%	2.58%	2.93%	2.93%	2.93%
1M SOR	2.35%	2.50%	2.80%	2.90%	3.02%
3M SIBOR	2.48%	2.75%	3.05%	3.10%	3.15%
3M SOR	2.66%	2.90%	3.10%	3.20%	3.22%
6M SOR	3.04%	3.20%	3.30%	3.40%	3.42%
1Y SGD IRS	2.83%	3.05%	3.15%	3.20%	3.25%
1Y SGD OIS	2.65%	2.85%	3.00%	3.05%	3.10%
2Y SGD IRS	2.75%	3.02%	3.27%	3.48%	3.63%
2Y SGD OIS	2.58%	2.77%	3.02%	3.23%	3.38%
5Y SGD IRS	2.69%	3.00%	3.27%	3.52%	3.87%
5Y SGD OIS	2.44%	2.75%	3.02%	3.27%	3.62%
10Y SGD IRS	2.73%	3.07%	3.37%	3.62%	3.97%
10Y SGD OIS	2.46%	2.82%	3.12%	3.37%	3.72%
15Y SGD IRS	2.82%	3.07%	3.37%	3.62%	3.99%
20Y SGD IRS	2.91%	3.09%	3.41%	3.66%	4.03%
30Y SGD IRS	2.87%	3.11%	3.43%	3.68%	4.05%
MYR Interest Rates	**Current**	**3Q22**	**4Q22**	**1Q23**	**2023**
OPR	2.25%	2.50%	2.50%	2.75%	2.75%
1M MYR KLIBOR	2.43%	2.40%	2.65%	2.90%	3.15%
3M MYR KLIBOR	2.68%	2.55%	2.80%	3.05%	3.30%
6M MYR KLIBOR	2.82%	2.70%	2.95%	3.20%	3.45%
12M MYR KLIBOR	2.92%	2.85%	3.10%	3.25%	3.45%
1Y MYR IRS	3.09%	3.10%	3.25%	3.35%	3.45%
2Y MYR IRS	3.31%	3.64%	3.80%	3.90%	4.00%
3Y MYR IRS	3.41%	3.75%	3.85%	3.95%	4.05%
5Y MYR IRS	3.51%	4.05%	4.15%	4.25%	4.35%
10Y MYR IRS	3.69%	4.35%	4.40%	4.45%	4.45%
15Y MYR IRS	4.06%	4.70%	4.70%	4.75%	4.75%
20Y MYR IRS	4.22%	4.85%	4.90%	4.92%	4.92%

HKD Interest Rates	Current	3Q22	4Q22	1Q23	2023
1M HKD HIBOR	1.33%	1.50%	1.95%	2.15%	2.20%
3M HKD HIBOR	2.20%	2.38%	2.82%	2.88%	2.88%
2Y HKD IRS	3.04%	3.25%	3.40%	3.55%	3.75%
5Y HKD IRS	2.74%	3.20%	3.55%	3.70%	4.02%
10Y HKD IRS	2.79%	3.25%	3.60%	3.74%	4.07%

UST bond yields	Current	3Q22	4Q22	1Q23	2023
2Y UST	2.90%	3.30%	3.60%	3.65%	3.60%
5Y UST	2.69%	3.20%	3.50%	3.60%	3.80%
10Y UST	2.66%	3.10%	3.40%	3.50%	3.60%
30Y UST	3.02%	3.15%	3.45%	3.60%	3.70%
SGS bond yields	**Current**	**3Q22**	**4Q22**	**1Q23**	**2023**
2Y SGS	2.52%	2.60%	2.95%	3.10%	3.20%
5Y SGS	2.55%	2.85%	3.15%	3.20%	3.20%
10Y SGS	2.64%	2.90%	3.15%	3.25%	3.25%
15Y SGS	2.72%	2.96%	3.21%	3.31%	3.31%
20Y SGS	2.83%	2.97%	3.22%	3.32%	3.32%
30Y SGS	2.84%	2.89%	3.14%	3.24%	3.24%
MGS forecast	**Current**	**3Q22**	**4Q22**	**1Q23**	**2023**
3Y MGS	3.50%	3.55%	3.60%	3.65%	3.70%
5Y MGS	3.72%	3.80%	4.00%	4.10%	4.15%
10Y MGS	3.90%	4.25%	4.45%	4.50%	4.50%
IndoGB forecast	**Current**	**3Q22**	**4Q22**	**1Q23**	**2023**
2Y IndoGB	5.25%	5.35%	5.55%	5.55%	5.65%
5Y IndoGB	6.41%	6.40%	6.45%	6.50%	6.60%
10Y IndoGB	7.11%	7.30%	7.35%	7.35%	7.35%

Research Monitor (August)

1 August 2022

FX	Spot	Sep-22	Dec-22	Mar-23	Jun-23
USD-JPY	132.24	132.90	133.57	132.63	131.70
EUR-USD	1.0237	1.0283	1.0355	1.0438	1.0521
GBP-USD	1.2197	1.2234	1.2331	1.2430	1.2530
AUD-USD	0.7003	0.6996	0.7031	0.7080	0.7130
NZD-USD	0.6301	0.6320	0.6358	0.6383	0.6416
USD-CAD	1.2791	1.2753	1.2676	1.2613	1.2588
USD-CHF	0.9503	0.9493	0.9484	0.9475	0.9475
USD-SGD	1.3781	1.3726	1.3616	1.3507	1.3440
USD-CNY	6.7498	6.7431	6.7093	6.6758	6.6424
USD-THB	36.20	36.16	35.87	35.58	35.26
USD-IDR	14878	14848	14796	14685	14574
USD-MYR	4.4525	4.4436	4.4125	4.3772	4.3422
USD-KRW	1304.05	1300.14	1294.15	1277.33	1260.73
USD-TWD	29.997	30.057	29.877	29.718	29.559
USD-HKD	7.8500	7.8500	7.8400	7.8300	7.8200
USD-PHP	55.35	55.46	55.79	55.94	56.10
USD-INR	79.17	79.40	79.32	79.09	78.85
EUR-JPY	135.38	136.66	138.31	138.44	138.57
EUR-GBP	0.8394	0.8406	0.8397	0.8397	0.8397
EUR-CHF	0.9728	0.9762	0.9821	0.9889	0.9969
EUR-SGD	1.4108	1.4114	1.4100	1.4099	1.4140
GBP-SGD	1.6808	1.6792	1.6791	1.6790	1.6839
AUD-SGD	0.9650	0.9603	0.9573	0.9563	0.9582
NZD-SGD	0.8684	0.8675	0.8657	0.8622	0.8623
CHF-SGD	1.4502	1.4458	1.4357	1.4256	1.4185
JPY-SGD	1.0422	1.0328	1.0194	1.0184	1.0205
SGD-MYR	3.2309	3.2374	3.2406	3.2406	3.2309
SGD-CNY	4.8979	4.9127	4.9275	4.9424	4.9424

Research Monitor (August)

1 August 2022

Macroeconomic Calendar

Date Time	C	Event	Period	Surv(M)	Actual	Prior
01/08 12:00	ID	CPI YoY	Jul	4.84%	--	4.35%
02/08 07:00	SK	CPI YoY	Jul	--	--	6.00%
05/08 09:00	PH	CPI YoY 2018=100	Jul	--	--	6.10%
05/08 11:30	TH	CPI YoY	Jul	--	--	7.66%
05/08 12:00	ID	GDP YoY	2Q	--	--	5.01%
05/08 13:00	SI	Retail Sales YoY	Jun	--	--	17.80%
05/08 16:00	TA	CPI YoY	Jul	--	--	3.59%
05/08 20:30	US	Change in Nonfarm Payrolls	Jul	250k	--	372k
09/08 10:00	PH	GDP YoY	2Q	--	--	8.30%
10/08 09:30	CH	CPI YoY	Jul	--	--	2.50%
10/08 14:00	GE	CPI YoY	Jul F	--	--	--
10/08 20:30	US	CPI YoY	Jul	--	--	9.10%
12/08 12:00	MA	GDP YoY	2Q	--	--	5.00%
12/08 14:00	UK	GDP YoY	2Q P	--	--	8.70%
12/08 16:30	HK	GDP YoY	2Q F	--	--	--
12/08 20:00	IN	CPI YoY	Jul	--	--	7.01%
15/08 07:50	JN	GDP Annualized SA QoQ	2Q P	--	--	-0.50%
15/08 10:30	TH	GDP YoY	2Q	--	--	2.20%
16/08 20:30	CA	CPI YoY	Jul	--	--	8.10%
17/08 08:30	SI	Non-oil Domestic Exports YoY	Jul	--	--	9.00%
17/08 14:00	UK	CPI YoY	Jul	--	--	9.40%
18/08 17:00	EC	CPI YoY	Jul F	--	--	8.60%
22/08 09:00	SI	GDP YoY	2Q F	--	--	4.80%
22/08 16:30	HK	CPI Composite YoY	Jul	--	--	1.80%
23/08 13:00	SI	CPI YoY	Jul	--	--	6.70%
25/08 14:00	GE	GDP NSA YoY	2Q F	--	--	--
25/08 20:30	US	GDP Annualized QoQ	2Q S	--	--	--
26/08 12:00	MA	CPI YoY	Jul	--	--	3.40%
26/08 13:00	SI	Industrial Production YoY	Jul	--	--	2.20%
31/08 20:00	IN	GDP YoY	2Q	--	--	4.10%
31/08 20:30	CA	GDP YoY	Jun	--	--	--

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Surv(M)	Actual	Prior
08/02 12:30	AU	RBA Cash Rate Target	Aug-02	--	--	1.35%
08/04 19:00	UK	Bank of England Bank Rate	Aug-04	1.75%	--	1.25%
08/05 12:30	IN	RBI Repurchase Rate	Aug-05	--	--	4.90%
08/10 15:00	TH	BoT Benchmark Interest Rate	Aug-10	--	--	0.50%
08/17 10:00	NZ	RBNZ Official Cash Rate	Aug-17	--	--	2.50%
08/18 15:00	PH	BSP Overnight Borrowing Rate	Aug-18	--	--	3.25%
08/22 09:15	CH	1-Year Loan Prime Rate	Aug-22	--	--	3.70%
08/22 09:15	CH	5-Year Loan Prime Rate	Aug-22	--	--	4.45%
08/23 10:00	ID	Bank Indonesia 7D Reverse Repo	Aug-23	--	--	3.50%
08/25 08:00	SK	BoK 7-Day Repo Rate	Aug-25	--	--	2.25%

Source: Bloomberg

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