OCBC TREASURY RESEARCH

Research Monitor (June)

1 June 2023

Treasury Research & Strategy
+65 6530 8384

Key Themes

1. **As the uncertainty around the US debt ceiling subsidies, markets have re-priced expectations for another near-term interest rate hike by the US Federal Reserve.** Following a tentative deal between the Republicans and the White House, and approval by the House of Representatives, it now goes to the Senate. However, market attention is now turning to the likely upcoming flurry of Treasury issuance (possibly exceeding US$1 trillion in the coming 3-6 months) to rebuild the Treasury General Account when the deal clears Senate as well. The question then is whether this would significantly tighten liquidity conditions but would essentially boil down to whether the T-bill buyers like money-market funds would simply rotate from the Fed's Reserve Repurchase Facility. One silver lining is that Fed's Jefferson and Harker have signalled a potential "skip" to rate hikes at the June FOMC, notwithstanding the solid US economic data from the upward revision to Q1 GDP growth, strong labour market data and sticky core inflation pressures.

2. **The global growth picture remains uneven.** While the economic momentum in the US seems to be holding up, growth in EU is slowing perceptibly. Germany, the biggest economy in the bloc, slipped into a technical recession in 1Q23 GDP as the economy contracted 0.3% QoQ on a seasonally adjusted basis, following a contraction of 0.5% in Q4 '22. Similarly in Asia, Taiwan shrank 2.87% YoY while Singapore and Indonesia contracted 0.4% QoQ sa and 0.92% QoQ respectively in 1Q23.

3. **China's key growth indicators for April fell also short of expectations as the mobility-driven recovery may have peaked.** Weak external demand and a sluggish recovery in the property market pose significant challenges for China's near-term recovery. Hence, calls for easing monetary policy have intensified although PBoC kept its main policy rates unchanged. The recent downgrading of China's recovery outlook has exerted downward pressure on both RMB and RMB assets. We anticipate a near-term weakness in RMB due to two main factors. First, the carry trade is likely to persist, which could further suppress the RMB in the short run. Second, an upcoming dividend payout for companies listed in Hong Kong could place additional pressure on the RMB. On a more positive note, high-level dialogues between China and the US resumed in May. For example, China's top diplomat, Wang Yi, a member of the Politburo of the CPC Central Committee, met with US National Security Advisor, Jake Sullivan for more than 10 hours. These recent events reinforce our belief that a boundary exists in the US-China rivalry.

4. **Flash estimates* indicate that the OCBC SME Index is forecast to be at 50.8 in May 2023,** turning expansionary after two months of contraction. A moderation in energy prices may have provided some growth support, but the operating environment remains cautious amidst a backdrop of tight financial conditions and weakness in the global electronics industry.

5. Oil prices await further direction from OPEC meeting on 4th June. Prices fell to an average of US$71.57/bbl and US$75.45/bbl for WTI and Brent respectively from April's average of US$79.50/bbl and US$83.46/bbl but were temporarily lifted by a tentative agreement on the US debt ceiling and that has helped assuage fears of a US default, as well as a stronger-than-expected draw-down in US inventories.

**Using data until 21st May*

Asset Class Views

	House View	Trading Views
FX	**G-10 FX:** Seasonality trends in May gained the upper hand with USD broadly firmer against most currencies. As of writing, DXY was up nearly 3% for the month. Key drivers behind the move include 1/ a return of global growth concerns after Germany entered technical recession while China's reopening hopes faded on poor run of economic data; 2/ US inflation (actual and expectations) unexpectedly rebounded; 3/ hawkish Fedspeaks; 4/ reprice for less pessimistic US growth outlook after an upward revision to 1Q GDP (second reading revised to 1.3% ann. QoQ, up from 1.1% previously); 5/ sharp unwinding of dovish Fed expectations. On the latter, markets have fully unwound their dovish expectations. 30d fed fund futures are now even pricing in near 100% probability of a 25bp hike at Jul FOMC while a cut has been pushed out to Dec FoMC (and is less than 60% priced). On net, hawkish Fed speaks, better than expected US growth and slowing growth momentum elsewhere in Germany, China may still support USD momentum in the near term. But bias remains to sell rallies. Fed nearing end of tightening cycle typically implies limited room for USD upside. Moreover, dovish expectations have been entirely unwound and we still do not expect Fed to hike that once more but to remain status quo for most of the remainder of the year. Softer US data and more entrenched disinflation trend can help to keep USD bulls from breaking higher. On a medium-term basis, we keep to our view for a moderate-to-soft USD profile as Fed tightening goes into late cycle, with an "end-in-sight" potentially on the horizon. Recent FoMC meeting (3 May) added to conviction that current Fed tightening cycle is likely near its end. Key highlight from the FoMC was that policymakers no longer say they anticipate more firming of policy. We believe a more entrenched disinflation trend would reinforce the "end-in-sight" view while the easing of labor market tightness should see USD to trade softer. That said, USD's decline is not a one-way street. There will be instances of intermittent and sporadic USD upticks as USD still retain significant yield advantage and is a safe haven proxy to some extent. The risk of USD rebound could occur if markets (disorderly) reprice for more hawkish Fed or a broader market sell-off, growth concerns resurface.	Maintain view of a moderate to soft dollar profile. Expect range of 101 – 105 within wider range of 99 - 109.
	EUR looks on track to close ~3% lower for the month of Apr. This was largely due to USD resurgence, sharp widening in EU-UST yield differentials (-172bps from -110bps in mid-Apr), some comments from ECB officials that tightening cycle may be nearing an end and Germany entering technical recession (-0.3% in 1Q and -0.5% in 4Q 2022). Household consumption and government spending were the main drags while investment and trade were up. On ECB tightening cycle, Guindos said ECB has entered the 'home stretch' of policy tightening path and officials are returning to 25bp pace of hike. We reiterate that a downshift in pace of hike does not represent an ECB pivot as officials are still looking for further tightening. Lane said that services are feeding inflation, driving growth despite German recession while another council member Makhlouf said he is ready for 2 more hikes in Jun and Jul. To add, we opine that Fed is probably closer to a pivot than ECB and resumption of the convergence in ECB-Fed policy should still support EUR. As it stands, markets are still looking for about 2 more hikes from ECB this year. We remain mild-constructive on EUR's outlook on the back of still hawkish ECB and somewhat supported Euro-area growth. Germany slipping into a technical recession is a risk to monitor – whether it is a shallow or protracted period. So far, like most nations in the Euro-area, services sector is holding up much better than manufacturing. ECB survey of Professional Forecasters (SPF) also noted an upward revision to GDP growth for Euro-area to 0.6% for 2023. Softer energy prices (gas prices fell nearly 90% since Aug and now trades around 17-month low of under EUR30/MWh) also helped as it improves the overall outlook. Businesses, households and government finances can also cope better. There are also pockets of activity with car sales in Europe sustaining its rebound. On ECB's tightening policy, there are signs that the cycle could be nearing an end though data dependence will be key on future policy rate decisions. On net, we opined still-supported	Neutral near term. Buy dips preferred in 1.0620 – 1.0820 range within wider perimeters of 1.05 – 1.09.

growth in EU, somewhat hawkish ECB (vs. Fed possibly undertaking rate cut first) and potentially a moderate-to-soft USD profile should support EUR's recovery. Key risks to watch that may weigh on EUR outlook include (1) EU's growth momentum from here – if it falters; (2) whether there will be renewed escalation in Russian-Ukraine tensions – poses risks to energy and inflation or would there be a ceasefire scenario; (3) if USD strength returns with a vengeance (i.e. global risk-off); (4) if ECB unexpectedly signals a pause or dovish tilt.

GBP's bullish ascend since end-2022 saw some signs of moderation in May amid broad USD strength, risk-off sentiments and renewed fears of UK stagflation risks. Hotter than expected CPI print (8.7% YoY in Apr vs. 8.2% expected) saw a jump in expectations for further tightening while expectations of peak rate shifted higher to 5.47%, vs. pre-CPI release of around 5%. But the hawkish repricing of BoE did not translate into stronger GBP as we argued that the issue of higher prices for longer and tighter financial conditions would put further strains on UK consumer and this should also bring back stagflation risks for the UK economy.

Corrective pullback underway. Look for GBP to trade in 1.22 – 1.25 range within wider range of 1.2130 – 1.2680.

We remained slightly neutral-mild constructive in our GBP outlook as UK growth outlook may not be as bad as feared, BoE is still somewhat hawkish, domestic credibility is restored, post-Brexit EU-UK relations are on the mend while softer energy prices offer relief with government finances, businesses, and households. OBR, BoE and a UK think tank, NIESR are no longer expecting UK to enter into a recession. On net, a moderate-to-soft USD profile, tentative signs of improvement in growth outlook, fading Brexit concerns should allow for GBP to recover. Risk to our outlook is the pockets of concerns in some aspects of domestic fundamentals (stagflation risk, consumer squeeze, etc.) that could still restraint GBP's recovery to some extent. On BoE policy bias, our take from last MPC was that current episode of monetary tightening that began in Dec-2021 may have reached restrictive territories and as much as official(s) would like to pause rate hikes, they need evidence (such as faster pace of deceleration in inflation, easing labour market tightness, etc.) to support their decision to pause. But sticky inflation suggest that BoE officials may have to keep the tightening bias intact and hope for inflationary pressures to ease more materially.

USDJPY extended its run-up past 140-levels, tracking the surge in 2y UST yield as markets unwound dovish Fed expectations while BoJ shows little hint to make any shift on policy for now. Sizeable USD carry could keep the pair supported until the market expectations on Fed shifts less hawkish. For the month, USDJPY is up nearly 3%.

Near term range of 138 – 142 to hold, within wider range of 135 - 145.

We retain bias to sell rallies for USDJPY. Our house view still expects the BoJ to move away from YCC regime at some stage later this year as inflationary pressures broaden and upward pressure on wage growth remains intact. At the last BoJ MPC (28 Apr), a policy review was unveiled as expected but the projected timeframe for the review (up to 1 – 1.5years) was much longer than expected. But later on, BoJ Governor Ueda clarified that policy change is still possible during policy review. We opined BoJ is buying time, and this suggests that JPY bulls may have to be more patient. We doubt BoJ will use the full 18 months review duration, but it also appears that the next MPC (16th Jun) may be too soon to expect any policy shift. Broadly over a medium-term, we expect USDJPY to trade lower on the back of a moderate-to-soft USD profile (as Fed tightening stretches into late cycle and that USD can fall when pause or pivot comes into play) and expectation for further BoJ shift towards policy normalisation amid higher inflationary pressures in Japan. Japan's Keidanren business lobby which represents 1,494 companies in Japan (as of Apr 2022) said that the average increase sealed at the conclusion of the wage talks this year was the "biggest in about 30years". Earlier, Japan's largest union (UA Zensen), which is the largest industrial union in Japan with 18 unions under its umbrella has unveiled that it has sealed a 5.28% average pay increase with employers during annual wage negotiations while other Japanese corporates such as Sumco (silicon wafer maker) said it would implement up to 6% wage increase, Oriental Land (operator of Disneyland/sea) reported raising wages by ~7%.

	AUD continued to drift lower by another 1% for month of May to its lowest level since Nov-2022. Global growth concerns, decline in commodity prices including copper, iron ore, resurgence in USD strength, ongoing depreciation in RMB and a push back in China reopening trade were some of the factors underpinning AUD's underperformance. But as of writing, there are signs that the sell-off in hard commodity may be moderating. AUD being a proxy trade can ride on the potential rebound in copper assuming RMB depreciation doesn't turn disorderly. Looking out, we still favour AUD to trade higher on the back of China reopening, possibly warmer ties between Australia and China, and a more moderate-to-soft USD profile (as Fed nears end tightening cycle). On AU-China relations, development has been promising: 1/ China imports of Australian timber resumed since mid-May (halted since late 2020 and is worth approx. A$600mio); 2/ Discussions have been progressing to remove 80% tariff on Australian barley; 3/ China's top steelmaker and 3 central government-backed utilities have resumed coal imports from Australia earlier this year; 4/ wine, crayfish, hay, and meat are outstanding items that could potentially see restrictions lifted by Beijing; 5/ Australia PM could visit President Xi in Beijing in Sep or Oct. We have shared that the tourism, education and property sectors in Australia could benefit if relations between China and Australia further warm up, and this can be a positive for AUD. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if USD strength or Fed tightening cycle unexpectedly extends; 3/ global growth outlook – if DM's slowdown deteriorates; 4/ any market risk-off event.	Near term softness may linger. Range of 0.6360 – 0.6760 likely to hold.
FX	**Asian FX and SGD:** USDCNH continued to drift higher, breaching 7.12 (also a 6-month high). Disappointing set of China activity data, significant slowdown in loans and credit growth, softer manufacturing PMIs and very subdued inflationary pressure were evidence that China's reopening story is losing momentum and markets are increasingly impatient. The soft patch in China data has also fuelled expectations for rate cuts. In addition, absence of any explicit push back from policymakers is fuelling confidence in driving the pair higher. Daily RMB fix continues to come in consistent with Bloomberg consensus expectations and that somewhat gave the impression that policymakers may be walking the talk in allowing markets to play a greater role in price discovery. But we believe the PBoC statement (targeted at curbing speculation) issued on 19 May suggests that RMB depreciation in an "orderly manner" may well be within tolerable limits of policymakers, to some extent. Elsewhere CNH-CNY basis spread remains largely stable. Widening of the spread is typically a proxy indication for rapid RMB depreciation. But this round, there seems to be no such risk, for now. On net, path of least resistance for USDCNH is to the upside considering negative RMB carry, push-back in China reopening momentum and foreign outflows. We do caution that sustained price action above 7.11/7.12 levels could risk de-anchoring of AXJ sentiments and expose China reopening FX proxy such as THB, MYR to further pressure. Any turn in USDCNH to the downside will probably require some of these conditions to play out: 1/ Fed goes on extended pause or cut rates; 2/global growth prospects improve; 3/ China reopening boost comes about; 4/ foreign fund inflows return.	Upside bias in the interim Range of 7.08 – 7.20 likely to hold.
	MYR has largely depreciated for the month of May, in line with most Asian FX. But MYR's underperformance (<3% decline vs. USD) stood out and may persist due to a multitude of exogenous factors including RMB depreciation, resurgence in USD strength, much higher UST yields, broad softness in oil prices while on the domestic side of things, shrinking current account surplus in Malaysia and lesser impetus for BNM to tighten monetary policy after headline CPI slipped. In particular, the current round of RMB depreciation (past key levels) is having an impact more on China-reopening FX proxies such as MYR vs. its traditional China proxy (such as AUD, KRW) as the unwinding of China reopening trade spreads to supposedly-tourism beneficiaries such as MYR. The unfortunate part for now is that RMB is at risk of further depreciation pressure due to negative RMB carry, dimming prospects of China reopening momentum (soft patch in economic activity) and foreign portfolio outflows. For the situation to improve, some of these exogenous factors need to turn around. In particular, RMB depreciation needs to slow or reverse, China data to pick up (to	Near term risks to the upside. Range of 4.60 – 4.65 likely within wider range of 4.55 – 4.68.

	bring back hopes of China reopening trade), Fed pause to be in place (i.e. tightening cycle to end or pivot) so as to see USD strength fade and UST yields ease lower. But looking out, we continue to expect MYR to recover some lost grounds on the back of 1/ expectations of softer USD and UST yields as Fed nears end of tightening cycle; 2/ China reopening story should return again in 2H 2023 and that should benefit MY inbound tourism and trade; 3/ BNM still in policy normalisation cycle and could possibly tighten at later time if inflationary pressures prove sustained. In consideration of the above factors, we continue to maintain a constructive outlook on MYR. Recall that BNM's outlook for inflation in 2023 remains tilted to the upside. In particular, the plan to float chick and eggs price in Jul-2023 is another upward risk for inflation. Other upside risks highlighted by BNM include worsening geopolitical conflict leading to higher commodity prices, extreme weather conditions, stronger-than-expected demand from China and higher input costs due to exchange rate developments. Separately the BNM MPS (9 Mar), statement also indicated that *further normalisation to the degree of monetary policy accommodation would be informed by the evolving conditions and their implications to the domestic inflation and growth outlook.*	
	USDSGD remains better bid, rising nearly 2.5% on a trough to peak basis this month. The move higher was due to sharp rebound in USD (owing to repricing of less pessimistic US growth and unwinding of dovish Fed) as well as ongoing RMB weakness. On the latter, Chinese policymakers are not displaying a strong pushback on RMB depreciation and this resulted in a feedback loop to softer RMB, which had came on the back of softer than expected China data. These factors highlighted (i.e. RMB softness, USD strength and signs of global growth slowing) could still keep USDSGD somewhat supported. We remained less bullish-to-neutral on SGD outlook. The case for further MAS tightening in October has probably diminished post-dovish assessment of global, SG outlook and their view on inflation to ease materially into end 2023. Nonetheless we expect market consensus for long S$NEER should continue to fade while we maintain our bias for short S$ vs. long IDR (carry), A$ (China reopening, commodity proxy), and EUR (policy divergence). On USDSGD, we expect a mild downward trajectory over the forecast horizon owing to the moderate-to-soft USD view (on Fed nearing end of tightening cycle) and China reopening optimism (temporarily delayed and should provide some support to sentiments and regional growth in 2H).	Slight risks to the upside. Range of 1.34 – 1.36 within wider perimeters of 1.3350 - 1.3660.

	House View	Trading Views	
Commodities	Latest production numbers show that OPEC+ members are collectively undershooting their production quotas. This will likely be a source of stress ahead of the next OPEC+ meeting scheduled on 4th June. Both Saudi Energy Minister Prince Abdulaziz bin Salman and Russian Deputy Prime Minister Alexander Novak issued conflicting signals regarding the group's output policy. This source of uncertainty will see prices continue to trade range bound until there is a clearer direction. Nevertheless, we remain structurally bullish on oil in the medium term on expectations of a tighter oil supply balance. Supporting this, key agencies such as the EIA (9 May 2023) have raised their 2023 forecast for world oil demand growth, citing growth coming from non-OECD Asia, led by China and India.	Despite supply disruption caused by wildfires in Alberta, Canada (Canada's main oil-producing province), market jitters of a weaker global economic outlook and a lack of progress in the US debt ceiling talks weighed on oil prices at the first half of the month to an average of US$71.57/bbl and US$75.45/bbl for WTI and Brent respectively from April's average of US$79.50/bbl and US$83.46/bbl. Nevertheless, prices were temporarily lifted by a tentative agreement on the US debt ceiling and that has helped assuage fears of a US default, as well as a stronger-than-expected draw-down in US inventories.	→

OCBC TREASURY RESEARCH

Research Monitor (June)

1 June 2023

	House View	Trading Views[1]	
Rates	Market has pushed up Fed funds rate expectations, almost fully pricing in a 25bp hike by the July FOMC meeting, and around one cut thereafter. Factors that have led to this repricing higher include recent Fed commentaries and the May FOMC minutes which revealed that a pause is not a done deal, and firmer than expected economic data. Market's year-end expectation has become more in line with our base case, with a slightly different profile from ours – we expect no more hike and no rate cut this year, i.e. we expect the Fed funds rate target range to stay at 5.00-5.25% through to year-end. Market pricing has also moved towards the 150bps of cuts we have penciled in for 2024. We remain of the view that the FOMC can afford to pause at the June MPC meeting, while assessing impact of past tightening on inflation, especially when the FOMC members themselves see high uncertainty on both the inflation and policy rate outlook. Rates at restrictive levels shall continue to work their way through to combating inflation pressure even without additional rate hike. The key, however, is to manage policy rate and hence inflation expectation through the notion that "a pause is not necessarily an end". If this notion gains traction in driving market expectations, it would then be an easier decision for the Committee to pause. We expect the BoE to deliver a 25bp hike at the June MPC meeting. UK April inflation came in higher than expected on both headline and core readings. The evidence that the BoE is looking for, in order to "rest" is not there yet. Still, GBP OIS pricing in cumulative hikes of 100bps look overly hawkish to us. The ECB is also likely to hike its key policy depo rate by 25bp at the June MPC meeting. Recent ECB commentaries have been mixed but largely suggested that the central bank is near the end of the tightening cycle.	**USD rates**: The UST curve bear flattened over the past month as market added to rate hike expectation and pared back rate cut bets. The 2Y UST yield is likely to trade in a higher range of 4.10-4.50%. The 2s10s segment at -70bps/-65bps may be seen as good entry levels for steepening positions. The T-bill yield curve shall steepen as supply comes back to the market as and when the debt ceiling deal is confirmed.	→
		Asian rates: SGD rates underperformed USD rates in early May but reverted to outperformance thereafter; SGD-USD rate spreads have become more negative over the past month, against our medium-term view for the spreads to turn less negative. While the tendency was for SGD rates to outperform USD rates on an uptrend, SGD-USD rate differentials look overly negative. On levels, we expect SGD OIS to rise mildly from here, and stay mostly stable through Q3, before easing towards year-end and more so in 2024.	↑
		IndoGBs outperformed USTs substantially in May as the sell-off in USTs did not spill over onto the domestic bonds. MoF issued at below indicative amounts at the recent sukuk and conventional bond auctions, as there was no funding pressure. According to Finance Minister, budget surplus stood at IDR234.7trn as of end April; net bond issuance amounted to IDR240trn, 35% of full year target. IndoGB-UST yield differentials have been further compressed especially at the front-end; chasing the yields lower is not preferred, and any foreign inflows may be concentrated at longer tenors.	↑
		MGS have been resilient outperforming USTs in the past month. We expect 3Y MGS to trade around current level in a range of 3.35-3.45% as the yield spread with OPR looks fair. We have an upward bias to 5Y and 10Y MGS yields on resilient economic growth and compressed yield spreads over US yields. 3M KLIBOR have been grinding lower, despite the latest OPR hike; the move is in line with our expectation for some normalization in the 3M KLIBOR-OPR spread while liquidity appears supportive. We have penciled in a level of 3.40% for 3M KLIBOR, but the move may be very slow from here.	↑
		CNY rates. Repo-IRS have been on a downtrend since late April, as data mostly printed on the soft/weak sideAlthough LPR and MLF rate have been kept unchanged, expectation is for an accommodative monetary policy. Our medium-term higher CNY rate view did not pan out as economic recovery has not come as strong; we have turned neutral CNY rates near term.	→

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

	House View	Trading Views	
Credit	US credit markets observed a slight recovery with a pickup in new US Investment Grade and High Yield issuances. US IG issuances rose sharply and totalled ~USD154bn, roughly double MoM from ~USD73bn. US HY issuances rose slightly to ~USD22bn, up by ~5% MoM from ~USD21bn, as at time of writing. Similar to the US, Asiadollar credit saw rising dispersion during May with the Bloomberg Asia USD IG Index Average OAS tightening by ~8bps MoM to 127bps and the Bloomberg Asia USD HY Index Average OAS High Yield widening by ~47bps MoM to 1025bps as at time of writing. Ongoing negative news on China high yield credit, in particular property issuers continue to influence sentiments while lagging primary market issuances in Asiadollar are providing technical support for Asia IG credit amidst the pressing US debt ceiling issue alongside uncertainty in US interest rates. AxJ USD issuances saw some recovery in May with issuance totalling ~USD7bn as at time of writing up from ~USD5.1bn issued in the prior month, albeit concentrated in select IG spaces. AxJ USD bond issuances could trend upwards in June as the White House and Republicans came to an in-principle agreement to raise the debt ceiling. The SGD space was relatively muted this month given earnings, with no new issuances priced for the first two weeks before ~SGD298mn in SGD issuances by three issuers. The end of the month saw HSBC Holdings PLC price a SGD600mn 6NC5 senior unsecured bond. Moving into next month, the markets await the Fed's next steps during the upcoming FOMC meeting, as well as for primary market issuance volumes to stabilise. Recession and rates continue to make for a selective credit space.	**CMZB 5.7% '33c28s (Tier 2):** • Commerzbank AG ("CMZB") is Germany's second largest publicly listed bank after Deutsche Bank AG. Headquartered in Frankfurt, it had total assets of EUR497.4bn as at 31 March 2023. Its largest single shareholder at 15.6% is Germany's Special Fund for Financial Market Stabilization, set up during the Global Financial Crisis to stabilize Germany's banking system. The next largest shareholdings comprise institutional investors including BlackRock Inc and Norges Bank. • CMZB reported a solid improvement in pre-tax profits for 1Q2023 on a QoQ and YoY basis with EUR871mn for the 3 months to 31 March 2023, up 64.8% YoY and 78.5% QoQ. YoY performance was driven primarily by a 85.3% YoY fall in risk results or impairment allowances while the QoQ performance was due to both better revenue performance and lower operating expenses as well as a 69.3% QoQ fall in risk results. • Revenue performance has been solid but is expected to taper off in 2023 and further improvement is unlikely judging by net interest income performance on a QoQ basis that was influenced by deposit costs. This is expected to be balanced by cost performance, contained risk results and further progress with CMZB's transformation. As such, management have confirmed the 2023 outlook and the bank is on track to meet its 2023 targets. • This Tier 2 has the highest reset spread amongst European Tier 2 SGD papers and offers better risk adjusted returns in our view. **AAREIT 5.65%-PERP and AAREIT 5.375%-PERP:** • AIMS AMP REIT ("AAREIT"), is a smaller industrial REIT with total assets of SGD2.3bn as at 31 March 2023. The REIT holds 29 properties (including a 49%-stake in a business park property in Macquarie Park, Australia). AIMS Financial Group ("AIMS"), a privately owned non-bank financial services and investment group based in Australia is the Sponsor. Sponsor and other relevant parties hold ~10% of units in AAREIT. • Gross revenue and net property income ("NPI") was SGD84.2mn (up 9.1% YoY) and SGD61.4mn (up 10.6% YoY) respectively for the second half of the financial year ended 31 March 2023 ("2HFY2023"). As at 31 March 2023, reported aggregate leverage was 36.1% (does not include perpetuals as debt) while adjusted interest coverage ratio (includes perpetual distribution) was 2.3x. We think the adjusted interest coverage is closer to the floor in the short term, with 88% of debt fixed (or hedged) and no debt due in FY2024. AAREIT faces SGD229mn (~28% of debt due) in FY2025. • The AAREIT 5.65%-PERP was priced in August 2020 with a wide reset spread of 520.7bps above 5Y SOR (comes with fallback language) while the AAREIT 5.375%-PERP was priced in August 2021. This perpetual has a smaller reset spread at 465.4bps, though above 5Y SORA. The perpetuals are trading at an ask YTC of ~6.2-6.6% and we see a good chance that both will be called at their first call dates in 2.3 to 3.3 years' time.	↑ ↑

Macroeconomic Views

	House View	Key Themes
US	The Fed hiked its Fed funds rate by another 25bps during its May meeting, bringing the rate to 5.25%. Fed chair Powell commented, "stresses in the banking sector could mean that interest rates won't have to be as high to control inflation.", which was interpreted as the Fed being comfortable for a pause, should the inflation data support the stanceThe May FOMC meeting minutes also suggests a tilt toward less aggressive policy. The stronger-than-expected economic data and hotter-than-expected inflation data have fuelled the market repricing for the Fed fund rate trajectory. Our base case is for the Fed to hold at its June FOMC meeting.	US economy remained relatively resilient with 1Q23 GDP being upwards revised to 1.3% QoQ annualised from 1.1%. On the sentiment front, the manufacturing PMI fell back to contractionary territory at 48.5 in May, after briefly touching above 50 in April (50.2), while services PMI improved for the 5th consecutive month to 55.1 in May. The University of Michigan sentiment plummeted from April's 63.5 to 59.2 in May. Inflation remained elevated and sticky, with the headline CPI cooling slightly to 4.9% YoY in April, from 5.0% in March, while on monthly basis, it accelerated by 0.4%, faster than March's 0.1% MoM growth. The core PCE deflator also upticked by more than expected in April at 4.7% YoY (4.6% in March) and 0.4% MoM. The debt ceiling bill is making its way to Senate even as the X-date approaches, which is suggested to be 5 June by Treasury Secretary Yellen.
EU	The ECB hiked its benchmark rates for the 7th time by another 25bps, to bring its deposit rate and main refinancing rate up to 3.5% and 3.75%, respectively. The ECB remained hawkish, with the ECB President Lagarde commented, "Inflation outlook is too high and for too long" and "We are not done yet, we are not pausing based on the information I have today.". Our base case is a 25bp hike in June MPC meeting.	Europe's inflation remained sticky in April, where the headline inflation slightly picked up to 7.0% YoY (6.9% in Mar) and core CPI slightly cooled to 5.6% from the peak of 5.7% YoY in the prior month. On the growth front, the eurozone expanded slightly by 0.1% QoQ sa (1.3% YoY sa) in 1Q23 but Germany sank into a technical recession after the downward revision of its GDP to -0.3% from a flat 0%. Industrial production contracted by 4.1% MoM in March (-1.4% YoY), as compared to a positive growth in the prior month. Retail sales also contracted more than expected by 1.2% MoM (-3.8% YoY). The manufacturing PMI has contracted for the 4th straight month to 44.6 in May (45.8 in April) and ZEW survey expectations also fell to -9.4 in May, from 6.4 in April. The economic confidence, industrial confidence and services all dropped in May, with only the consumer confidence improving slightly by 0.1 to -17.4.
Japan	According to the 5th union data collection for the 2023 Shunto Spring Wage Negotiation has brought the base pay up by 2.14% and the nominal wage up by 3.67%, as of 8 May, marking a 30-year high. The rise in nominal wages is expected to bring about higher real wages and to boost the consumer spending, which is also an area where Japan has struggled with to achieve sustainable growth. While the former BoJ chief Economist, Toshitaka Sekine opined that BoJ may raise its 10-year JGB target as early as its June meeting, the current BoJ Governor Ueda reiterated the central bank's commitment to maintain ultra-loose policy, ruling out the chance of a near-term tweak to YCC. Our house view is that a policy tweak is likely later this year.	Japan has seen some pickup across domestic production, external trade, and sentiments. 1Q23 GDP has surprised on the upside with growth of 0.4% (1.6% annualised SA QoQ). The trade deficit narrowed further in April (Exports: 2.5% MoM sa; Imports: 0.1% MoM sa). April industrial production contracted slightly by 0.3% YoY, while the March industrial production was revised up to 1.1% MoM, from 0.8%. Retail sales picked up by 5% YoY in April, despite being lower than expected. The jobless rate edged down further from 2.8% to 2.6%. The May manufacturing PMI entered the expansionary territory for the first time since October 2022 at 50.8 versus 49.5 in April. Inflation has accelerated in April, where the national CPI rose to 3.5% YoY in April (3.2% in Mar) and the core CPI (excluding fresh food) rose to 3.4% YoY (3.1% in Mar), the new core CPI (excluding fresh food and energy) printed at 4.1% (3.8% in Mar), marking the 11th straight increase since May 2022, despite slightly undershoot the consensus forecast of 4.2%.

Research Monitor (June)

1 June 2023

	House View	Key Themes
Singapore	Our 2023 full-year GDP growth forecast remains around 1.5% YoY, predicated on 2Q23 GDP growth improving to about 1.8% YoY. 2H23 is likely to herald a modest manufacturing recovery compared to the same period last year even though the full year is still likely to see a YoY contraction. External demand conditions remain lacklustre which may imply NODX momentum to remain mired in YoY contraction territory until 3Q23. There is a risk that the global electronics demand recovery may be postponed towards the latter part of the year or even early 2023, however, the demand for computer power needed to drive the generative AI industry boom may potentially be the next growth driver. Our 2023 headline and core inflation forecasts currently stand at 5.0% YoY and 4.0% YoY respectively.	1Q23 GDP growth was revised up to 0.4% YoY (-0.4% QoQ sa), versus the initial flash estimate of 0.1% YoY (-0.7% QoQ sa). The main contributor to the upward revision was the manufacturing performance as the March industrial production came in better than expected. EnterpriseSingapore downgraded its 2023 NODX forecast from -2% to 0% previously to -8% to -10% YoY, citing a worse than expected 1Q NODX contraction of 16.2% YoY, lower oil prices and a sluggish petrochemical sector outlook. This revised NODX forecast range is significantly worse than our current 2023 NODX growth forecast of around -3% YoY. Headline inflation accelerated to 5.7% YoY (0.1% MoM nsa) in April, up from 5.5% YoY (0.5% MoM nsa) in March. The base effects should continue to favour some disinflation in the coming months, assuming that global commodity prices remain well-behaved and domestic labour market conditions start to soften sightly given the downshift in the global economy.
Indonesia	Slowing growth and inflation affords BI some space to manoeuvre in terms of pausing the rate hiking cycle. In fact, BI implicitly implied that it could cut rates, if the opportunity presents itself. However, with the re-pricing of the US Fed rate hike expectations to include another rate hike by July, the scope for BI to sound overtly dovish has diminished. That said, external pressures remain contained insofar as the IDR depreciation has been less pronounced that regional peers and the current account will sustain, albeit narrowing from 2022 levels.	Q1 GDP remained stable at 5.0% YoY relative to Q4 '22. On the domestic demand front, household consumption growth was resilient at 4.5% YoY in Q1 (Q4 '22: 4.5%) consistent with the monthly activity data; government spending growth picked up to 4.0% YoY from -4.8% in Q42. These more than offset slower investment growth (2.1% from 3.3%). Despite this strength in domestic demand, import growth slowed to 2.8% YoY from 6.3% in Q4 while export growth eased to 11.7% YoY from 14.9% in Q4. For the rest of the year, we expect a moderation in growth momentum in line with our 2023 GDP growth forecast of 4.8% YoY (2022: 5.3%). Meanwhile, headline inflation eased further to 4.3% YoY in April from 5.0% in March while core inflation eased to lesser extent (2.8% YoY from 2.9% in March).
China	The Chinese economy accelerated further to 4.5% YoY (2.2% QoQ) in the first quarter of 2023. The latest strong growth number warranted the upward revision of 2023 GDP forecast. We expect China's economy to grow more than 6% YoY in the first half of 2023 on the back of supportive base effect in the second quarter. For the whole year, we expect growth to accelerate to about 5.7% YoY in 2023 bucking a trend of global slowdown.	China's key growth indicators for April fell short of expectations, despite an acceleration in both industrial production and retail sales growth. The April data reveals two crucial points. Firstly, China's industrial sectors are grappling with the effects of weakened external demand. Secondly, this recovery cycle differs from past cycles, being primarily driven by the resurgence in people's mobility. Nevertheless, this mobility-driven recovery may have peaked, and future consumption recovery will depend on the demand for more significant ticket items such as cars and housing. It's worth noting, however, that property sales have once again decelerated. The recent downgrading of China's recovery outlook has exerted downward pressure on both RMB and RMB assets. On monetary policy, China continued to keep its key policy rates unchanged in May. However, market expectations on further easing heightened fuelled by weaker than expected recovery.

	House View	Key Themes
Hong Kong	The recovery was both internally and externally driven in the first quarter, with the former being the more prominent force. Improvement was reflected in nearly all metrics of economic health. In the coming quarters, we expect the momentum will largely sustain. Yet, we stay cautious to the considerable headwinds, including Fed's "high for longer" stance, China's slow recovery and marked correction in the equity market. On rate front, HKD rates are likely to stay elevated as liquidity tightened. Any shift in demand for Hong Kong dollar or the inflow-outflow picture will likely trigger sharp moves in rate space, specifically in the front-end.	Hong Kong exits from pandemic-induced recession, with real GDP expanding by 2.7% YoY in the first quarter of 2023, reversing the four-quarter decline recorded last year. The growth was attributable to the solid revival of domestic consumption and sharp rebound of inbound tourism, on the back of full-fledged reopening and gradual resumption of economic activities. On seasonally adjusted basis, Hong Kong's GDP grew by 5.3% QoQ. Most of the components showed stronger performance in the first quarter of 2023, representing a turnaround compared to last year. Zooming in, private consumption expenditure and services exports rose notably faster by 13.0% YoY (Q4 2022: +1.7% YoY) and 16.5% YoY (Q4: +0.6% YoY) respectively, while gross domestic fixed capital formation turned to year-on-year increase of 5.8% (Q4: -8.9% YoY). On the other hand, on the back of scaled back stimulus package, government consumption expenditure expanded at a slower pace of 0.9% YoY (4Q: +9.1% YoY). Meanwhile, exports of goods continued to weigh on growth, plunging further by 18.7% YoY (4Q: -24.9% YoY).
Macau	Capturing the pent-up travel demand and with gradual removal of supply side constraints, the momentum saw in the first quarter is likely to persist as the quarter progressed. We expect the gross gaming revenue to return to around 60-70% of the pre-pandemic level, while total tourism spending may jump to around 80% of the pre-pandemic level. Therefore, we revised upward our growth forecast for Macau from 46% to 54% in 2023. Furthermore, the labour market should tighten further, with the unemployment rate pitched at 2.7% in 2023.	In 1Q23, Macau's GDP surged by 38.8% YoY, reversing the five-quarter decline. Comparing with the pre-pandemic level in 1Q 2019, Macau's GDP was down by 33.2%. The rebound was mostly led by external demand which skyrocketed 410.6% YoY. Specifically, exports of services recorded an impressive year-on-year increase of 71.5%, as exports of gaming services and tourism services soared by 100.0% YoY and 72.9% YoY respectively. Nonetheless, private consumption expenditure still posed a drag, albeit falling slower by 7.5% YoY, on the back of decrease in population and resumption of outbound travel after the border reopening. Gross fixed capital formation also recorded shallower decline of 0.5% YoY, as year-on-year increase in public construction investment at 28.2% (specifically the construction of public housing and the further Macao-Taipa bridge) offset most of the decline in private construction investment at 17.5%. Meanwhile, public consumption expenditure soared by 30.1% YoY, amid increased economic relief measures. Driven by the government spending, domestic demand expanded by 1.6% YoY.

Research Monitor (June)

1 June 2023

	House View	Key Themes
Malaysia	Bank Negara Malaysia surprised with a 25bp rate hike at its 3 May meeting and has left the door on further rate hikes, if needed. A re-pricing of Fed rate hike expectations and sustained MYR depreciation justify BNM's hawkish pause. Our view is that weakening growth, particularly exports, and easing inflation reduces the need for BNM to further tighten policy. Admittedly, this is a close call especially against a volatile external backdrop, which could tilt the balance in favour of BNM hiking by another 25bp hike at its 6 July meeting. Moreover, pipeline inflationary pressures are building ahead of the government's plan to introduce targeted fuel and electricity subsidies in H2 2023 or 2024.	The Q1 GDP print confirmed that an external growth slowdown is underway, even as the economy grew 5.6% YoY from 7.1% in Q4. Goods exports growth fell to -8.5% YoY from +3.3% in Q4 while contraction in goods imports was deeper at -10.7% YoY from +3.8% in Q4. The weakness in import growth was consistent with the narrower contribution of 4.3pp from domestic final demand versus 6.3pp in Q4. This external sector slowdown portends weaker growth for the rest of 2023. Hence, we maintain our 2023 GDP growth forecast of 4.4% YoY. The weakness in external demand extended into April trade, with exports and imports growth slowing. Even accounting for the moving Hari Raya Holidays, the trade weakness was evident. As such, this will continue to weigh on the current account surplus, which narrowed to 0.9% of GDP in Q1 '23 from 5.9% in Q4. For 2023, we expect the current account surplus to narrow to 2.4% of GDP, slightly below BNM's 2.5-3.5% forecast range.
Thailand	Stronger-than-expected Q1 GDP print and further stabilisation of the inflation data has led to a 25bp rate hike at BOT's 31 May meeting, which is within our expectations. BOT's tone remains hawkish and as such, it has not closed the door on further hikes. The volatile external backdrop, from a re-pricing of Fed rate hike expectations and associated THB depreciation pressures, justify this bias. Nevertheless, we are less optimistic than the BOT in terms of growth and inflation. Therefore, we expect BOT to remain on hold for the rest of the year. The political situation remains fluid as the Move Forward party did not secure an outright majority at the 14 May elections and faces challenges to secure enough votes to form the next government. The election timeline suggests that a new government is expected to be formed by August. This will allow for timely passage of the FY24 budget in September, ahead of the start of the new fiscal year in October. Delays in government formation will not only hurt sentiment but also push out the timeline for the FY24 budget.	The 14 May elections concluded with the Move Forward Party winning the most (~30%) seats in the Lower House. This was followed closely by Pheu Thai Party (~28%) in second place and in distant third, the Bhumjaithai Party (~14%) of seats. The incumbent party, Palang Pra-charath Party, and incumbent PM Prayut Chan-o-cha's United Thai Nation Party came in at 4th and 5th place, respectively. Move Forward Party's PM candidate Pita Limjaroenrat has entered a Memorandum of Understanding with his coalition partners and currently holds 312 out of the 500 seats in the Lower House. To be elected as the next Prime Minister of Thailand, Pita Limjaroenrat would still the backing of 64 additional members of the Lower House and Senate. 1Q23 GDP growth came in at 2.7% YoY from 1.4% in 4Q22. Nevertheless, we expect the country's economy to slow down in H2, in line with anaemic external demand. We therefore maintain our 2023 GDP growth of 3.0% YoY. Reflecting weak external demand, customs exports and imports growth in April contracted further to -7.6% and -7.3% from -4.2% and -7.1%, respectively. As a result, the trade balance shifted to a deficit of USD1.5bn from a surplus of USD2.7bn in March.

	House View	Key Themes
South Korea	Bank of Korea (BoK) kept its benchmark rate unchanged at 3.5% in its May meeting, in line with our expectation. BOK lowered its economic growth forecast by 2pp to 1.4% for 2023, which slightly below the IMF's latest projection of 1.5%. BoK Governor Lee Chang-yong said at a press conference after the May PMC meeting, "We should acknowledge low growth as a reality and quickly respond to it." With inflation continuing its downward trend and the weak growth, we expect BoK to keep its policy rate unchanged at 3.50% for the rest of 2023.	The price pressure continues to cool in April, with CPI fell to 3.7% YoY (4.2% in March), its lowest reading in 14 months and close to BoK's target of 3.5% for 2023. Core CPI also cooled to 4.6% YoY. On monthly basis, the price has also slowed down in its growing pace, including export and import prices. On trade front, both the exports contracted more than expected, by 14.2% YoY (-13.8% in March) and -13.3% YoY (-6.4% in March) respectively, despite trade deficit narrowing to USD2.6bn from USD4.6bn in March. The May Exports and Imports 20 days data have also suggested a deeper contraction. On domestic production, the industrial production contracted further by 8.9% YoY in April, lower than the expectation of -7.8% YoY and March's -7.6%. However, retail sales marked a positive year-on-year growth by 4%, despite slower than 6% in March.
Philippines	BSP paused its prolonged rate hiking cycle at its 18 May meeting to assess the impact of the cumulative 425bp in rate hikes since mid-2022. Although BSP remains on a hawkish pause, with BSP Governor Medalla maintaining that the central bank will keep a close eye on inflationary pressures, the need for further rate hikes may be reduced. The Governor stated his inclination to keep the policy rate unchanged for the next 2-3 key rate meetings, i.e. passed Q3 '23. Our view is that the incoming data from now until end-Q3 will support a pause from BSP rather than incremental hikes, with inflation and growth slowing. That said, the biggest external risk factors remain the US Fed rate hike expectations. If the US Fed hikes further, there is a risk that BSP may follow through with additional hikes, particularly if PHP depreciation pressures become intense.	Headline inflation slowed to 6.6% YoY in April from 7.6% YoY in March while core inflation eased more modestly to 7.9% YoY from 8.0%. BSP paused its rate hiking cycle in May on expectations that further easing of inflationary pressures is in the pipeline. Meanwhile, Q1 GDP growth eased to 6.4% YoY from 7.1% in Q4 '23. From a domestic demand standpoint, strong growth in government spending (6.2% YoY from 3.3% in Q4) and investment (10.4% YoY from 6.0% in Q4) more than offset the moderation in household consumption (6.3% YoY from 7.0% in Q4), implying the impact of the BSP's tightening (a cumulative 425bp since May 2022) on slowing consumption growth. As a result, domestic final demand contributed to 7.9pp to headline GDP growth from 7.0pp in Q4 '23. On the external front, weaknesses in both goods and services export growth have led to net exports shaving off 1.6pp in Q1 after adding 1.1pp in Q4. Consistent with the regional outlook, growth momentum is expected to moderate for the rest of the year. As such, we maintain our 2023 GDP growth forecast of 6.0% YoY (2022: 7.6%).
ASEAN-5	The Q1 GDP prints for the ASEAN-4 economies pointed to divergence between strong domestic demand and worsening external demand. This has implications not just growth for the rest of the year but also core inflation pressures, which most central banks in the region have deemed sticky. It also sets the stage for a divergence in central bank actions in H2 2023. BNM and BOT are likely to remain hawkish, vigilant of inflation and external pressures while BI and BSP look for an opportunity to start sounding dovish, before eventually cutting rates. The timing of rate cuts, however, depend on expectations of further US Fed rate hikes and associated external pressures, including depreciation pressures on the local currencies.	Across the ASEAN-4 countries, domestic final demand (private and government consumption as well as investment spending) improved in Q1 '23 while goods exports slowed perceptibly, underscoring the divergence between domestic demand resilience and external demand weakness. Even within external demand, the weakness in goods exports was apparent while services exports, namely driven by tourism inflows, held up well. Looking ahead, we expect some weakness from external demand to have a knock-on effect onto domestic demand in H2 '23. This knock-on effect may be exacerbated for Thailand within the ASEAN-4 space, as the impact of election spending fades and political realities take hold. The inflow of tourism from China could have some offsetting impact but so far tourism in the region has been driven by countries other than China.

FX/Rates Forecast

USD Interest Rates	Current	Q223	Q323	Q423	Q124
FFTR upper	5.25	5.25	5.25	5.25	4.75
SOFR	5.06	5.05	5.05	5.05	4.55
3M SOFR OIS	5.28	5.25	5.25	5.25	4.75
6M SOFR OIS	5.30	5.35	5.35	5.20	4.70
1Y SOFR OIS	5.10	5.05	5.05	4.85	4.15
2Y SOFR OIS	4.36	4.35	4.35	4.20	3.70
5Y SOFR OIS	3.59	3.65	3.65	3.60	3.30
10Y SOFR OIS	3.42	3.45	3.45	3.40	3.30
15Y SOFR OIS	3.42	3.45	3.45	3.40	3.35
20Y SOFR OIS	3.38	3.40	3.40	3.35	3.30
30Y SOFR OIS	3.19	3.20	3.20	3.15	3.20
SGD Interest Rates	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
SORA	3.95	3.85	3.85	3.85	3.55
1M SIBOR	3.95	4.00	4.15	4.25	3.85
3M SIBOR	4.09	4.15	4.25	4.35	3.85
3M SGD OIS	3.65	3.70	3.75	3.75	3.40
6M SGD OIS	3.59	3.65	3.70	3.70	3.50
1Y SGD OIS	3.50	3.55	3.60	3.60	3.24
2Y SGD OIS	3.24	3.30	3.40	3.35	3.00
3Y SGD OIS	3.09	3.20	3.28	3.25	3.05
5Y SGD OIS	2.97	3.10	3.15	3.15	3.10
10Y SGD OIS	2.94	3.00	3.05	3.10	3.20
15Y SGD OIS	2.89	2.98	3.03	3.08	3.18
20Y SGD OIS	2.80	2.96	3.01	3.06	3.16
MYR Interest Rates	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
OPR	3.00	3.00	3.00	3.00	3.00
1M MYR KLIBOR	3.19	3.15	3.15	3.15	3.15
3M MYR KLIBOR	3.46	3.45	3.40	3.40	3.40
6M MYR KLIBOR	3.57	3.55	3.55	3.55	3.55
12M MYR KLIBOR	3.79	3.75	3.75	3.70	3.60
1Y MYR IRS	3.49	3.45	3.45	3.45	3.35
2Y MYR IRS	3.47	3.45	3.45	3.45	3.35
3Y MYR IRS	3.46	3.50	3.50	3.50	3.45
5Y MYR IRS	3.50	3.60	3.60	3.60	3.55
10Y MYR IRS	3.75	3.80	3.90	4.00	3.95
15Y MYR IRS	3.94	4.10	4.20	4.30	4.25
20Y MYR IRS	4.00	4.15	4.25	4.35	4.30
HKD Interest Rates	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
1M HKD HIBOR	4.51	4.60	4.60	4.60	4.20
3M HKD HIBOR	4.77	4.80	4.80	4.80	4.40
2Y HKD IRS	4.20	4.00	4.00	3.85	3.60
5Y HKD IRS	3.79	3.75	3.75	3.75	3.65
10Y HKD IRS	3.67	3.70	3.70	3.70	3.70

Research Monitor (June)

1 June 2023

UST yields	Current	Q223	Q323	Q423	Q124
2Y UST	4.44	4.30	4.30	4.20	3.70
5Y UST	3.80	3.70	3.70	3.60	3.40
10Y UST	3.68	3.65	3.65	3.65	3.55
30Y UST	3.88	3.85	3.85	3.85	3.75
SGS yields	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
2Y SGS	3.25	3.20	3.20	3.05	2.75
5Y SGS	2.86	2.90	2.90	2.90	2.80
10Y SGS	2.82	2.90	2.90	2.90	3.00
15Y SGS	2.63	2.72	2.75	2.75	2.85
20Y SGS	2.52	2.65	2.65	2.65	2.80
30Y SGS	2.28	2.40	2.55	2.55	2.60
MGS yields	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
3Y MGS	3.41	3.40	3.40	3.40	3.30
5Y MGS	3.48	3.55	3.60	3.60	3.60
10Y MGS	3.74	3.90	4.00	4.05	4.05
IndoGB yields	**Current**	**Q223**	**Q323**	**Q423**	**Q124**
2Y IndoGB	5.68	5.75	5.75	5.50	5.00
5Y IndoGB	6.05	6.05	6.05	5.85	5.40
10Y IndoGB	6.39	6.50	6.50	6.20	6.00

FX	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
USD-JPY	138.00	135.00	130.00	129.00	128.00
EUR-USD	1.0800	1.0900	1.1000	1.1000	1.1100
GBP-USD	1.2400	1.2500	1.2600	1.2600	1.2700
AUD-USD	0.6800	0.6900	0.7000	0.7000	0.7100
NZD-USD	0.6200	0.6300	0.6400	0.6400	0.6500
USD-CAD	1.3500	1.3300	1.3200	1.3100	1.3000
USD-CHF	0.9000	0.9000	0.8900	0.8900	0.8900
USD-SEK	10.400	10.200	10.000	9.9000	9.9000
DXY	103.23	102.06	100.71	100.49	99.70
USD-SGD	1.3400	1.3300	1.3200	1.3100	1.3100
USD-CNY	7.1000	7.0000	6.9500	6.9000	6.8800
USD-CNH	7.1100	6.9900	6.9500	6.9000	6.8800
USD-THB	34.300	34.200	34.000	33.800	33.800
USD-IDR	14920	14850	14800	14750	14720
USD-MYR	4.5400	4.5200	4.5000	4.4600	4.4200
USD-KRW	1305.0	1275.0	1265.0	1260.0	1255.0
USD-TWD	30.600	30.500	30.400	30.300	30.200
USD-HKD	7.8400	7.8400	7.8300	7.8200	7.8200
USD-PHP	55.800	55.600	55.200	55.100	54.600
USD-INR	82.000	81.500	81.000	81.000	80.800
USD-VND	23400	23200	23200	23000	23000
EUR-JPY	149.04	147.15	143.00	141.90	142.08
EUR-GBP	0.8710	0.8720	0.8730	0.8730	0.8740
EUR-CHF	0.9720	0.9810	0.9790	0.9790	0.9879
EUR-SGD	1.4472	1.4497	1.452	1.441	1.4541
GBP-SGD	1.6616	1.6625	1.6632	1.6506	1.6637
AUD-SGD	0.9112	0.9177	0.924	0.917	0.9301
NZD-SGD	0.8308	0.8379	0.8448	0.8384	0.8515
CHF-SGD	1.4889	1.4778	1.4831	1.4719	1.4719
JPY-SGD	0.9710	0.9852	1.0154	1.0155	1.0234
SGD-MYR	3.3881	3.3985	3.4091	3.4046	3.3740
SGD-CNY	5.2985	5.2632	5.2652	5.2672	5.2519
SGD-IDR	11134	11165	11212	11260	11237
SGD-THB	25.597	25.714	25.758	25.802	25.802
SGD-PHP	41.642	41.805	41.818	42.061	41.679
SGD-CNH	5.3060	5.2556	5.2652	5.2672	5.2519
SGD-TWD	22.836	22.932	23.030	23.130	23.053
SGD-KRW	973.88	958.65	958.33	961.83	958.02
SGD-HKD	5.8507	5.8947	5.9318	5.9695	5.9695
SGD-JPY	102.98	101.50	98.484	98.473	97.710
Gold $/oz	2000.0	2030.0	2050.0	2050.0	2070.0

Source: OCBC Research (Latest Forecast Update: 31st May 2023)

Research Monitor (June)

1 June 2023

Macroeconomic Calendar

Date Time	C	Event	Period	Survey	Actual	Prior
02/06 07:00	SK	CPI YoY	May	3.40%	--	3.70%
02/06 07:00	SK	GDP YoY	1Q P	0.80%	--	0.80%
02/06 07:00	SK	GDP SA QoQ	1Q P	0.30%	--	0.30%
05/06 12:00	ID	CPI YoY	May	4.26%	--	4.33%
06/06 09:00	PH	CPI YoY 2018=100	May	6.10%	--	6.60%
06/06 11:30	TH	CPI YoY	May	1.60%	--	2.67%
06/06 16:00	TA	CPI YoY	May	--	--	2.35%
07/06 09:30	AU	GDP SA QoQ	1Q	--	--	0.50%
07/06 09:30	AU	GDP YoY	1Q	--	--	2.70%
08/06 07:50	JN	GDP SA QoQ	1Q F	--	--	0.40%
08/06 07:50	JN	GDP Annualized SA QoQ	1Q F	--	--	1.60%
08/06 07:50	JN	GDP Deflator YoY	1Q F	--	--	2.00%
08/06 17:00	EC	GDP SA QoQ	1Q F	--	--	0.10%
08/06 17:00	EC	GDP SA YoY	1Q F	--	--	1.30%
09/06 09:30	CH	CPI YoY	May	--	--	0.10%
12/06 20:00	IN	CPI YoY	May	--	--	4.70%
13/06 14:00	GE	CPI YoY	May F	--	--	--
13/06 20:30	US	CPI YoY	May	4.10%	--	4.90%
15/06 06:45	NZ	GDP SA QoQ	1Q	--	--	-0.60%
16/06 17:00	EC	CPI YoY	May F	--	--	--
21/06 14:00	UK	CPI YoY	May	--	--	8.70%
23/06 07:30	JN	Natl CPI YoY	May	--	--	3.50%
23/06 13:00	SI	CPI YoY	May	--	--	5.70%
25/06 10:00	VN	CPI YoY	Jun	--	--	2.43%
27/06 20:30	CA	CPI YoY	May	--	--	4.40%
29/06 20:00	GE	CPI YoY	Jun P	--	--	--
29/06 20:30	US	GDP Annualized QoQ	1Q T	--	--	1.30%
30/06 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Jun	--	--	3.20%
30/06 14:00	UK	GDP QoQ	1Q F	--	--	0.10%
30/06 14:00	UK	GDP YoY	1Q F	--	--	0.20%

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
06/06 12:30	AU	RBA Cash Rate Target	Jun-06	--	--	3.85%
07/06 22:00	CA	Bank of Canada Rate Decision	Jun-07	4.50%	--	4.50%
08/06 12:30	IN	RBI Repurchase Rate	Jun-08	--	--	6.50%
08/06 12:30	IN	RBI Cash Reserve Ratio	Jun-08	--	--	4.50%
15/06 02:00	US	FOMC Rate Decision (Upper Bound)	Jun-14	5.25%	--	5.25%
15/06 09:00	TA	CBC Benchmark Interest Rate	Jun-15	--	--	1.88%
15/06 20:15	EC	ECB Main Refinancing Rate	Jun-15	--	--	3.75%
15/06 20:15	EC	ECB Deposit Facility Rate	Jun-15	--	--	3.25%
15/06 20:15	EC	ECB Marginal Lending Facility	Jun-15	--	--	4.00%
16/06 08:00	JN	BOJ Policy Balance Rate	Jun-16	--	--	-0.10%
16/06 08:00	JN	BOJ 10-Yr Yield Target	Jun-16	--	--	0.00%
22/06 15:00	PH	BSP Overnight Borrowing Rate	Jun-22	--	--	6.25%
22/06 15:20	ID	Bank Indonesia 7D Reverse Repo	Jun-21	--	--	5.75%
22/06 19:00	UK	Bank of England Bank Rate	Jun-22	--	--	4.50%

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
herberthtwong@ocbcwh.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com