Weekly Macro Views (WMV)

Global Markets Research & Strategy

1st April 2024

Weekly Macro Update

Key Global Data for this week:

1 April	2 April	3 April	4 April	5 April
• **US** ISM Manufacturing • **CH** Caixin China PMI Mfg • **SK** Exports YoY • **CA** S&P Global Manufacturing PMI • **US** S&P Global Manufacturing PMI • **ID** S&P Global PMI Mfg	• **SK** CPI YoY • **GE** CPI YoY • **EC** HCOB Eurozone Manufacturing PMI • **UK** S&P Global UK Manufacturing PMI	• **HK** Retail Sales Value YoY • **US** ADP Employment Change • **US** MBA Mortgage Applications • **EC** CPI MoM • **US** ISM Services Index • **EC** CPI Estimate YoY	• **US** Initial Jobless Claims • **AU** Building Approvals MoM • **US** Trade Balance • **NZ** Building Permits MoM • **UK** S&P Global UK Services PMI	• **US** Change in Nonfarm Payrolls • **IN** RBI Repurchase Rate • **TH** CPI YoY • **US** Unemployment Rate • **PH** CPI YoY • **SI** Retail Sales YoY

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** No Surprise from US PCE Data • **Global:** Eurozone Consumer Confidence Edged Up in March • **Global:** SK Industrial Production Rides Semicon Rebound • **Global:** Tokyo Core CPI Slows, But BoJ Target Intact
Asia	• **SG:** Feb Industrial Production Surprised on the Upside • **CN:** 1Q GDP growth forecast was revised higher; this is not a quantitative easing

Asia	• **ID:** Food Drives March CPI Higher • **VN:** Steady Inflation; Slower Growth at the Start of 2024 • **TH:** Mixed February Economic Activity
Asset Class	• **Commodities:** Prices to Remain Supported • **ESG:** China ETS preparing to include Aluminium sector • **FX & Rates:** Holding Pattern

OCBC

Global: Central Bank

Forecast – Key Rates

Reserve Bank of India (RBI)

Friday, 5th April

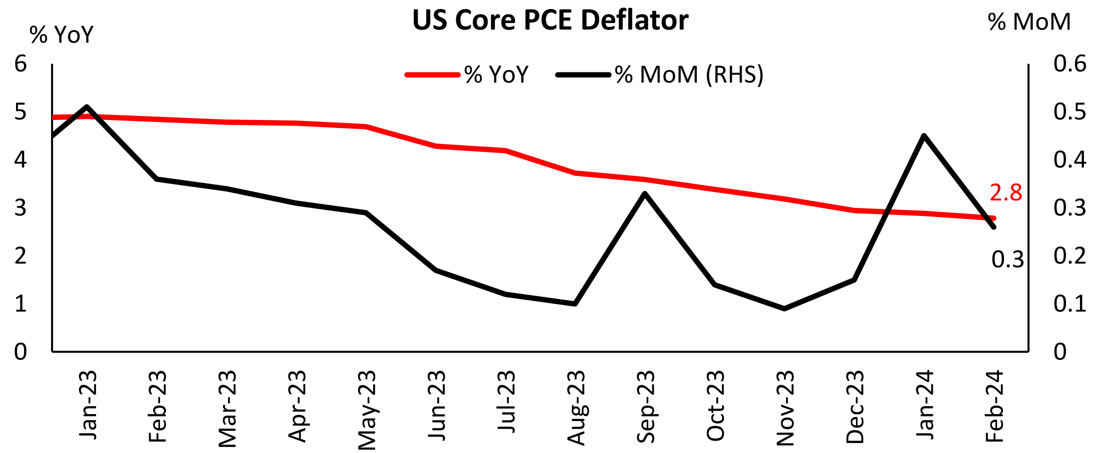
House Views

Repurchase Rate

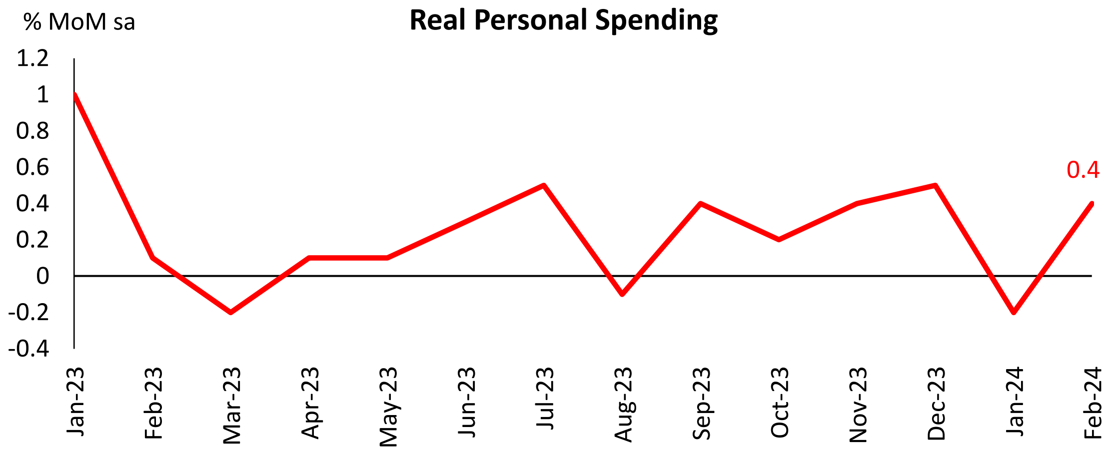
Likely *hold* at 6.50%

Global: No Surprise from US PCE Data

- The core PCE deflator - the Fed's preferred inflation measure, printed an increase of 2.8% YoY (0.3% MoM) in February from 2.9% YoY (0.5% MoM) in January. Both the annual and sequential measures were in-line with consensus expectations, and the annual measure marked the slowest increase of the index since 2021.
- That said, real personal spending rebounded to 0.4% MoM from -0.2% in January, with services spending boosted by international travel, transportation and financial services. Fed Chair Powell has thus pushed back on rate cut expectations, reiterating that while the inflation figures were "pretty much in-line with expectations" there is still no rush to cut policy rates.
- The FOMC will have one more PCE report due 26 April before its 2 May meeting, and we continue to expect a softening labour market and weaker personal income growth to drag on consumer spending in the coming months. We maintain our base-case of a 100bps of cuts this year starting in late 2Q24.



Source: BEA, Bloomberg, OCBC.



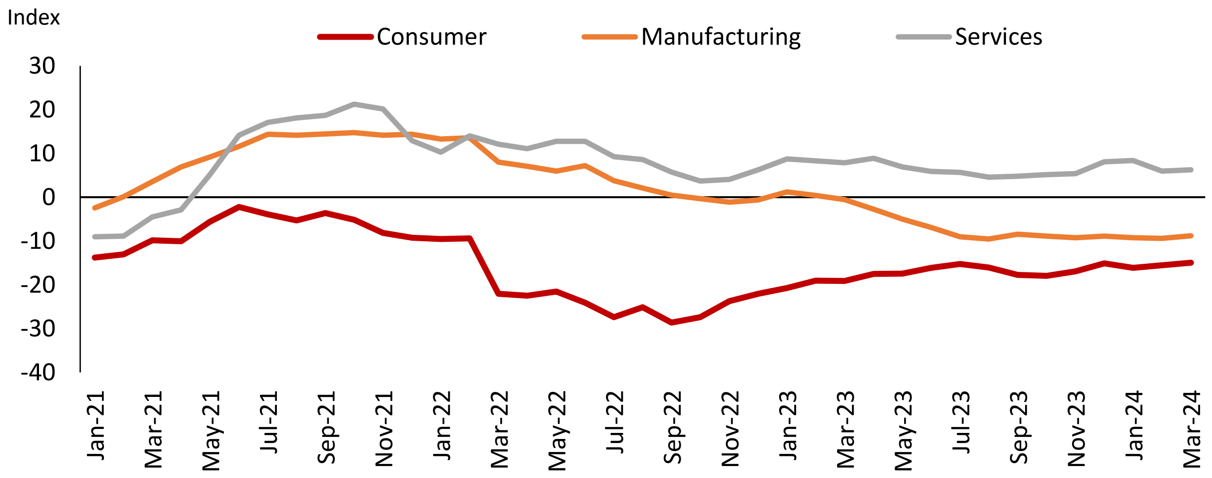
Source: BEA, Bloomberg, OCBC.

Source: BEA, Bloomberg, OCBC.

Global: Eurozone Confidence Indicators Edged Up in March

- The economic sentiment indicator[1] for March saw a modest rise from to 96.3 from 95.5 prior, with the improvements being broad-based across manufacturing (Mar: -8.8; Feb: -9.4), services (Mar: 6.3; Feb: 6.0) and consumer (Mar: -14.9; Feb: -15.5) confidence indicators.
- Manufacturing confidence, which holds the largest weightage (40%) in the overall sentiment measure, showed the strongest reading since September 2023. The indicator for order books (Mar: -18.6; Feb: -20.0) and export orders (Mar: -19.8; Feb: -21.8) appear to have bottomed out, possibly implying a turnaround in manufacturing demand.
- The confidence measures largely match trends seen in March PMI which saw improved headline figures but still dragged down by weaker manufacturing. All in all, while there are hints of green shoots in the Eurozone economy, getting past stagnation recorded in 4Q23 will continue to hinge on improved global conditions which is likely more pronounced in 2H24.

Eurozone confidence indicators

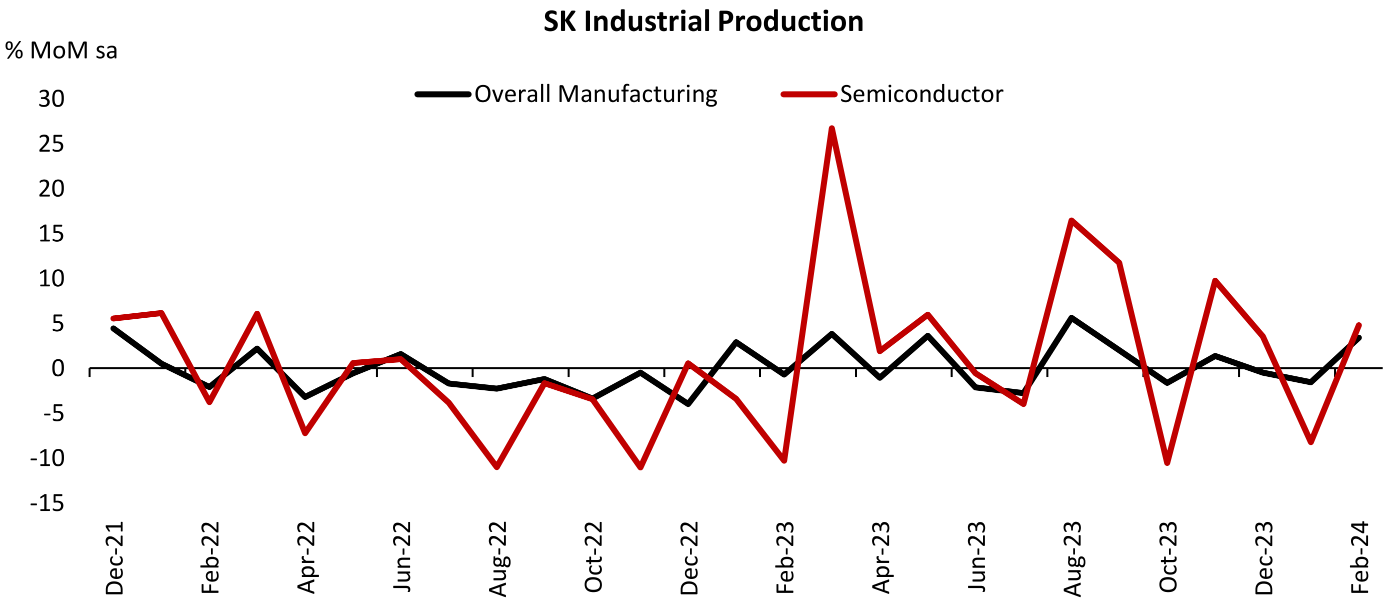


Source: Bloomberg, OCBC.

Source: Bloomberg, OCBC. [1]Note: Refers to the Economic Sentiment Indicator from European Commission's Business and Consumer Survey

Global: South Korea IP Rides Semiconductor Rebound

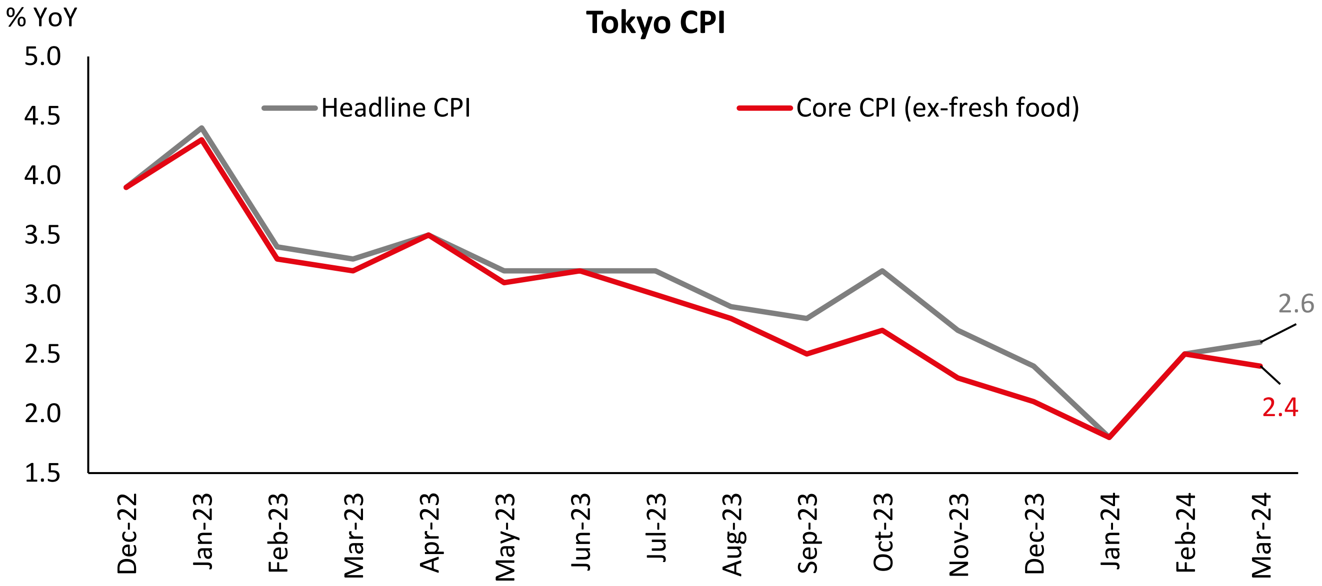
- Industrial production grew by 3.1% MoM in February, far above consensus expectations of 0.5% MoM and rebounding from a 1.3% MoM contraction in January. Semiconductor output expanded by 4.8% MoM, reversing the 8.2% MoM decrease in January, while machinery production also rebounded to 10.3% MoM from -10.8% MoM prior.
- February figures add to our case regarding the possible recovery of the global electronics cycle, and industrial production output should continue to expand in March driven by robust external demand for AI memory chips. A fragile recovery in China continues to be a drag for South Korean factories and exporters and may offset some of the traction from global semiconductor demand.



Source: Bloomberg, OCBC.

Global: Tokyo Core CPI Slows, But BoJ Target Intact

- Tokyo Core CPI ex fresh food – a leading indicator for nationwide core CPI, eased to 2.4% YoY in March versus 2.5% prior, matching consensus expectations. Core CPI ex fresh food and energy also slowed to 2.9% YoY compared to 3.1% in February while the headline measure edged up slightly to 2.6% YoY, against the February print and consensus expectations of 2.5% YoY.
- Weaker Tokyo CPI may still be reflective of tepid domestic demand conditions being carried forward into 2024. Note the revised 4Q23 GDP print (released in early March) showed that private final consumption contracted for the quarter.
- Notwithstanding, the core gauges are still elevated and consistent with the BoJ's decision to remove the Negative Interest Rate Policy (NIRP) in March 2024.

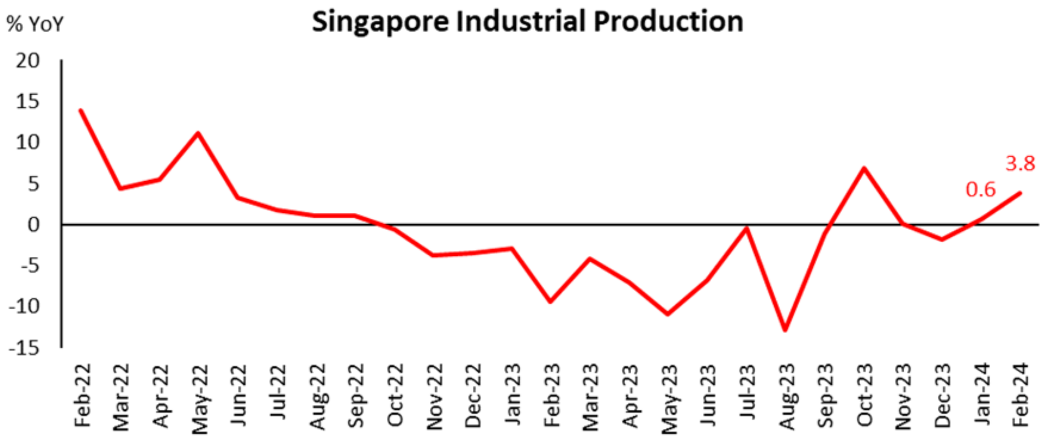


Source: Bloomberg, Statistics Bureau of Japan.

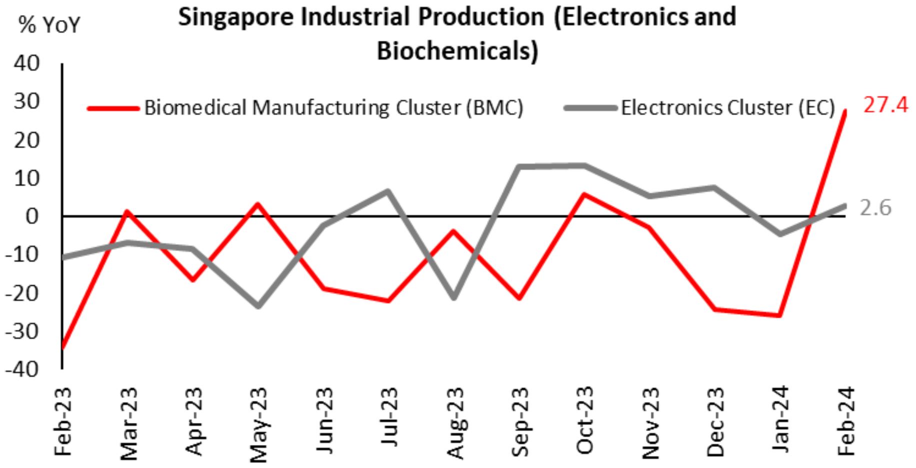
Source: Bloomberg, Statistics Bureau of Japan, OCBC.

Singapore: Feb Industrial Production Surprised on the Upside

- February industrial production surprised to the upside at 3.8% YoY growth (Consensus: 0.5% YoY), although January data was revised lower to 0.6% YoY from initial estimates of 1.1% YoY.
- The bright spots are the rebound in electronics (especially semiconductors) and biomedical clusters by 2.6% and 27.4% YoY respectively. The star performer within the electronics cluster were infocomms & consumer electronics (30.9% YoY), followed by a distant semiconductors (2.1%) and other electronic modules & components (0.3%), whilst computer peripherals and data storage shrank 10.7%.
- It remains to be seen if the momentum can continue into March. That said, we generally expect some continued growth momentum until 3Q24. For the full year 2024, we still looking for at least a 2% YoY improvement versus 2023. Given the large weightage of electronics, especially semiconductors, whether the global demand outlook can be sustained will be key.



Source: Bloomberg, OCBC

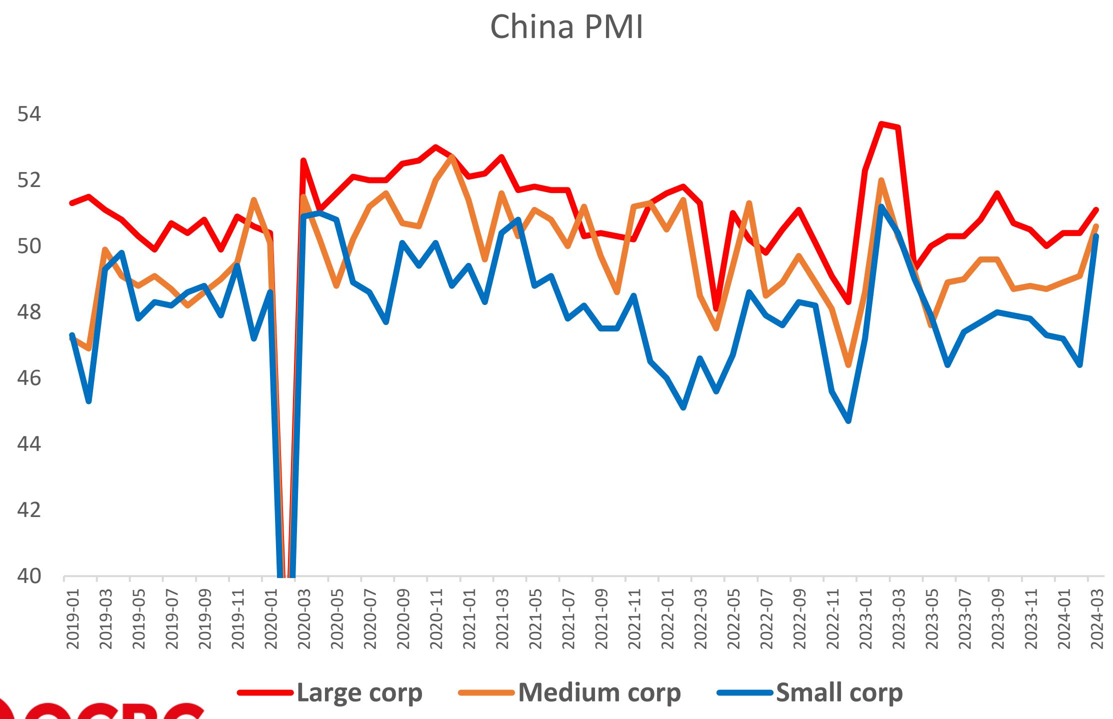


Source: Bloomberg, OCBC

Source: Bloomberg, OCBC.

China: 1Q GDP Growth Forecast was Revised Higher

- Purchasing Managers' Index (PMI) ended March with a boom. The manufacturing PMI rebounded sharply to 50.8 from 49.1. Both medium and small companies' PMI returned to expansion for the first time since March 2023
- The increase in finished goods inventory by 2.4% year-on-year in the first two months, accelerating from 2.1% in December, suggests that China's inventory cycle has reached a bottom.
- The stronger-than-expected manufacturing PMI in March, coupled with robust output in the first two months of the year, suggests the potential for further upside surprises in first-quarter GDP growth.



Source: Wind, CEIC, OCBC

China: This is Not a Quantitative Easing

- The publication of "Selected Excerpts of Xi Jinping's Discourses on Financial Work" has ignited widespread discussion in the market regarding the potential implementation of a Chinese-style quantitative easing (QE). Specifically, the excerpt highlighted the necessity for China to enrich its monetary policy toolbox and gradually increase the buying and selling of government bonds in the open market operations of the central bank.
- It's important to note that while China's central bank is not permitted to directly underwrite or subscribe to government bonds and other government securities, it is authorized to engage in the buying and selling of these bonds in the secondary market as part of its monetary policy implementation. Legally, trading government bonds and securities in the secondary market constitutes one of the central bank's methods of conducting open market operations, serving as a monetary policy tool.
- Traditionally, the People's Bank of China (PBoC) has primarily relied on adjusting the reserve requirement ratio (RRR) to manage long-term liquidity. However, with the current downward trend of the RRR gradually approaching a low of 7%, the scope for further RRR cuts will be constrained, particularly if the ratio nears around 5%. In this context, the purchase and sale of government bonds in the secondary market will complement the RRR adjustments, enhancing the flexibility of liquidity management. Furthermore, this approach will afford the central bank the ability to influence the yield curve, thereby providing additional mechanisms for monetary policy implementation.

OCBC

Source: Wind, CEIC, OCBC

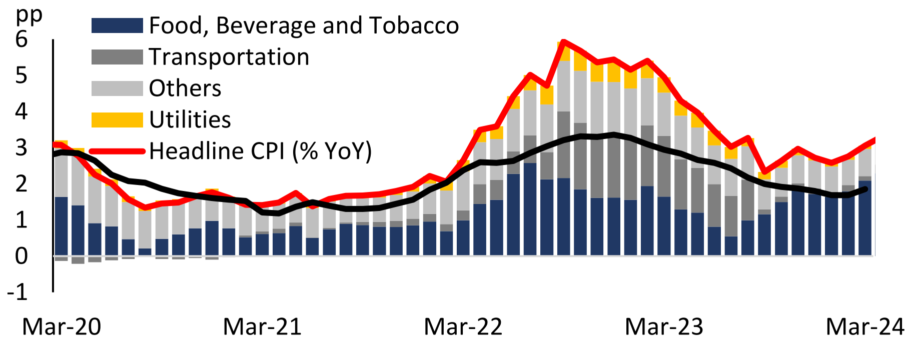
Indonesia: Food Drives March CPI Higher

- The headline CPI rose to 3.0% YoY in March versus 2.8% in February, above consensus expectations (OCBC: 3.1%, Consensus: 2.9%). Core inflation also picked up to 1.8% YoY in March versus 1.7% in February.

- The uptick in March was primarily due to food inflation, which accelerated to 7.4% YoY in March compared to 6.4% in February. This contributed 2.1 percentage points (pp) to headline inflation, versus 1.8ppc in February. Specifically, retail rice prices rose by 20.1% YoY in March versus 19.3% in February.

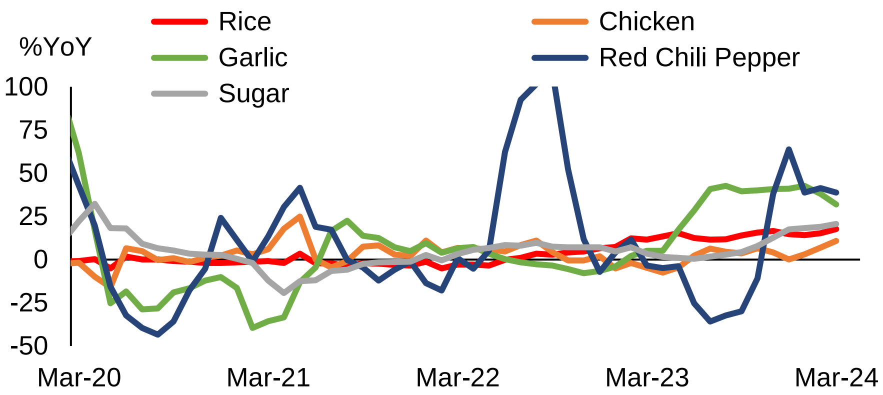
- Average 1Q24 inflation was stable at 2.8% YoY versus 4Q23. Looking ahead, we maintain our forecast for inflation to average 3.1% in 2024, easing relative to 3.7% in 2023, implying higher inflation in the coming months but still within Bank Indonesia's 1.5-3.5% range.

Higher CPI on the back of higher foodstuff inflation



Note: Others = Combined value of 'clothing and footwear', 'household equipment & routine maintenance', 'health', 'information, comm & financial service', 'recreation, sports, and culture', 'education', 'restaurant', & 'personal care and other services'.
Source: Statistics Indonesia; CEIC; OCBC.

Prices of staple items remain elevated

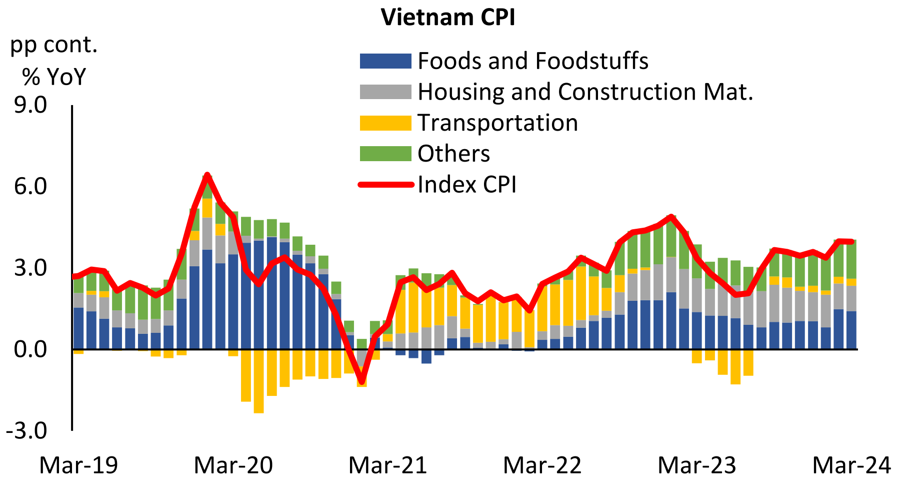


Note: Mar-24 figure is based on daily data through March 15, 2024.
Source: Bank Indonesia, CEIC, OCBC.

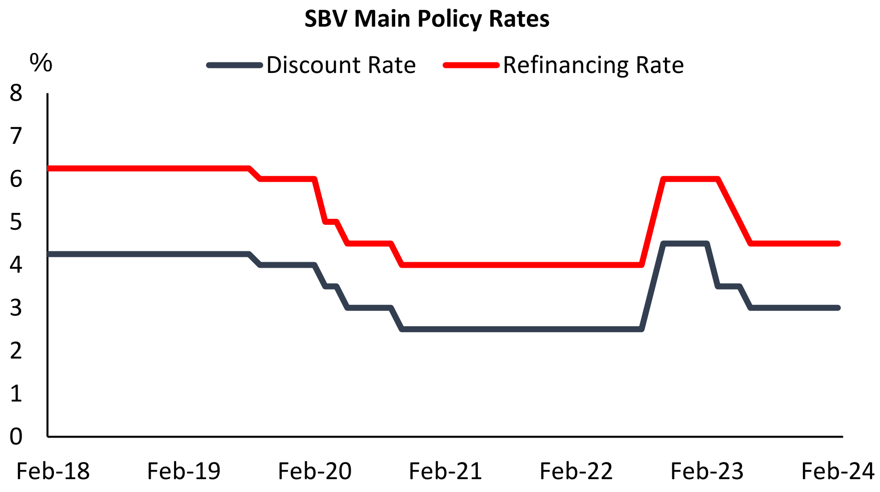
Source: Statistics Indonesia, CEIC, OCBC.

Vietnam: Steady Inflation

- Headline inflation steadied at 4.0% YoY in March. Higher transportation (2.7% versus 2.6% in February) and education (10.1% versus 8.6% in February) were offset by lower food/foodstuff inflation (4.05% YoY versus 4.2% in February). Meanwhile, core CPI eased slightly to 2.8% YoY in March from 3.0% in February.
- For 1Q24, headline inflation averaged 3.8% YoY versus 3.5% in 4Q23. Looking ahead, we forecast average headline inflation of 4.3% in 2024. This is within the State Bank of Vietnam (SBV) 4-4.5% headline inflation target range.
- Within target range inflation supports our view for SBV to cut its policy rate by a cumulative 50bp in 2024 following 150bp cuts in 2023. Recently, Prime Minister Pham Minh Chinh renewed pressure on the SBV to boost credit growth, as he urged banks to 'continue to cut rates, operations costs, administrative procedures.'



Source: General Statistics Office, CEIC, OCBC.



Source: State Bank of Vietnam, CEIC, OCBC

Source: General Statistics Office, CEIC, OCBC.

Vietnam: Slower Growth at the Start of 2024

- 1Q24 GDP growth disappointed, easing to 5.7% YoY versus 6.7% in 4Q23 (Consensus: 6.4%) led by a broad-based slowdown across all key sectors, including agriculture, manufacturing, construction and services. Nonetheless, activity data for March pointed to some green shots with retail sales, industrial production, export and import growth improving.

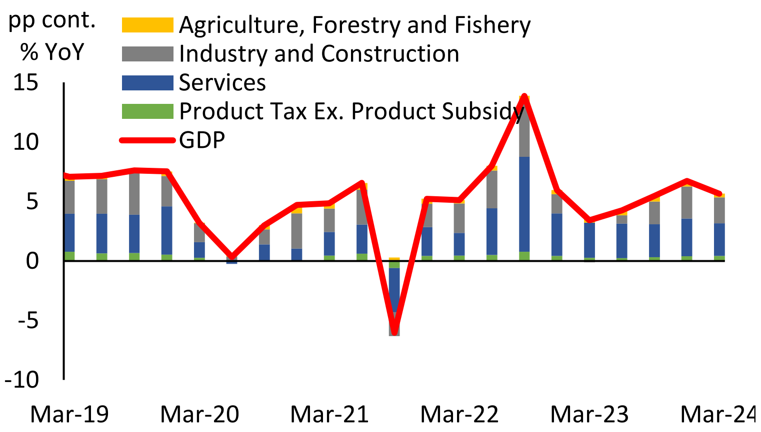
- Despite some disappointment in 1Q24 GDP growth, we expect a more sustained growth improvement in 2024 supported by higher electronics exports and more resilient domestic demand. Further improvements in the global electronics export cycle, continued pick up in inward FDI and manageable VND depreciation pressures have allowed the economy to remain competitive and attractive to foreign investments.

- As such, we upgrade our 2024 GDP growth forecast to 6.0% from 5.2% previously (2023: 5.0%).

GDP Growth					
% YoY	1Q-2023	2Q-2023	3Q-2023	4Q-2023	1Q-2024
GDP	3.4	4.2	5.5	6.7	5.7
Agriculture, Forestry and Fishery	2.9	3.8	4.3	4.1	3.0
Industry and Construction	-0.3	2.0	5.2	7.4	6.3
Services	6.9	6.6	6.4	7.3	6.1

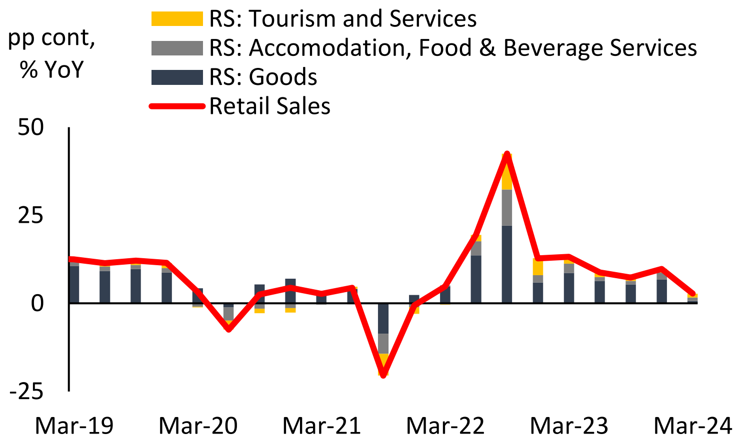
Source: General Statistics Office, CEIC, OCBC.

Real GDP Growth by Sector



Source: General Statistics Office, CEIC, OCBC.

Retail Sales



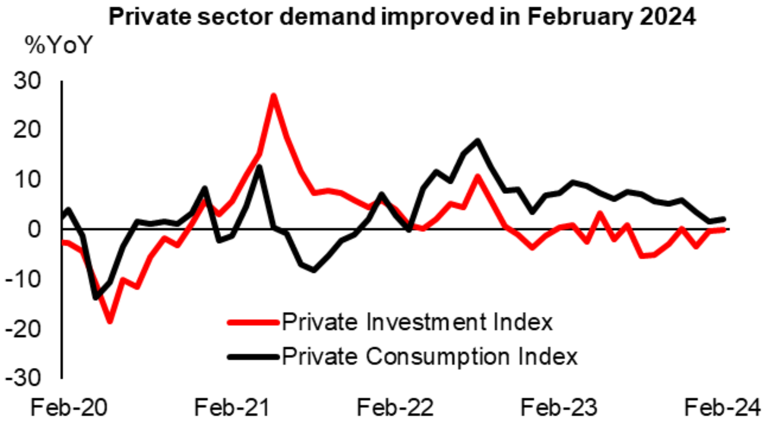
Source: General Statistics Office, CEIC, OCBC.

Thailand: Mixed February Economic Activity

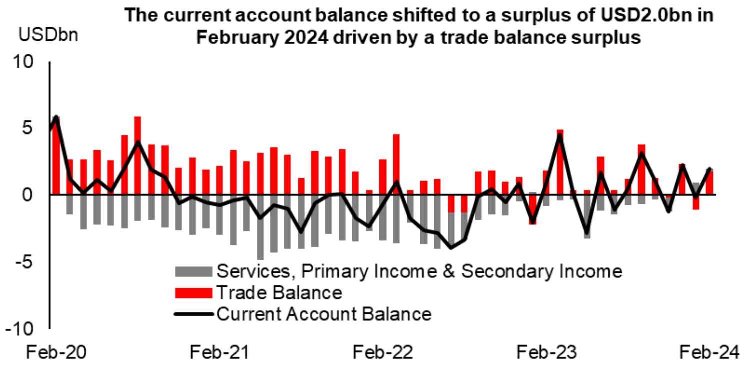
- Activity data was mixed in February. On the domestic demand front, growth in the private consumption index improved to 2.1% YoY versus 1.5% in January while growth in the private investment index was flat (January: -0.2%), albeit an improvement following two consecutive months of decline. Government spending remained the weakest link on the domestic demand front, declining by 32.4% YoY in February versus -5.1% in January. The Lower House passed the FY24 budget bill on 22 March, awaiting royal endorsement, implying some fiscal support in 2Q24.

- Despite the mixed domestic demand picture, import growth picked up to 3.1% YoY in February (January: 1.5%) driven by capital, raw material and consumer goods imports. Meanwhile, export growth moderated to 2.5% YoY (January: 7.2%) partly driven by the seasonal impact from moving Lunar New Year holiday. Nonetheless, the trade balance flipped to a surplus of USD1.7bn from a deficit of USD1.1bn in January. Consequently, the current account balance also flipped to a surplus of USD2.0bn from a small deficit of USD0.2bn in January.

- Incoming data remains consistent with our 1Q24 GDP growth forecast of 2.5% (4Q23: 1.7%). For 2024, We forecast modest improvement to real GDP growth in 2024 to 2.8% YoY versus 2.0% in 2023 driven by better export growth and increased tourism activities. Bank of Thailand’s (BOT) decision on 10 April will be a nail-bitter. We expect BOT will remain on hold in April and deliver a 25bp rate cut in June when more data is available to BOT.



Source: CEIC, OCBC



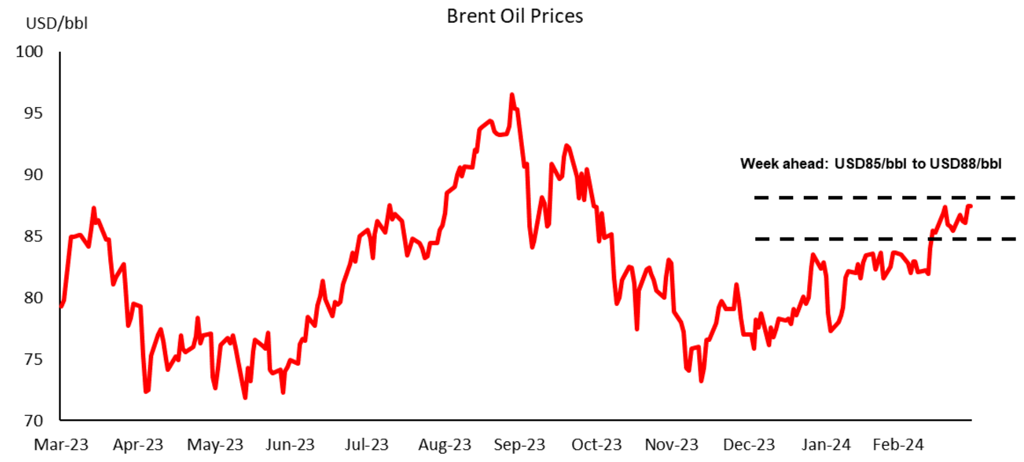
Source: CEIC, OCBC

Source: Bank of Thailand, CEIC, OCBC.

Commodities

Crude Oil: Prices to Remain Supported

- Crude oil benchmarks rose in March. WTI and Brent increased by 2.2% and 1.6% to close the month at USD83.2/bbl and USD87.5/bbl, respectively.
- Oil prices generally traded higher on the prospects of a tighter supply outlook: Several OPEC+ member countries will extend their production cuts to the middle of the year while geopolitical tensions in Europe saw attacks on energy infrastructure in Ukraine and Russia. Nonetheless, there were some offset from an unexpected weekly increase in US crude and gasoline inventories.
- For the week ahead, we expect oil prices to remain supported and trade modestly higher within a range of USD85-88/bbl. Although US gasoline inventories unexpected rose, gasoline inventories remained at the lower-end of the five-year range and should be closely watched as demand for gasoline during the US summer could rise.



Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC

ESG

ESG: China ETS preparing to include Aluminum sector

- In efforts to enroll the aluminum sector into the China ETS, China's Ministry of Ecology and Environment opened consultation till 31 Mar 2024 for the emission accounting, reporting and verification guidance for aluminum smelters. The China ETS has only covered the power generation sector since its launch in 2021, and this is the start of the expansion of the China ETS to include new sectors.
- This could increase costs for aluminum smelters that currently rely on thermal power, and may push them to adopt green technologies to reduce liable emissions under the ETS. Under the latest legislation, entities with annual emissions >26,000 mt will be covered under the ETS. Under this threshold, around 80 aluminum smelters will be considered as eligible.
- Aluminum smelters that consume renewable energy will benefit as smelters are allowed to report "zero emissions" from electricity consumption if they use captive non-fossil power generation units or purchase renewable electricity through power purchase agreements.
- In the long-term, more aluminum smelters are likely to relocate to regions with abundant renewable resources to reduce liable emissions under the ETS. Some have already transferred some of their capacities to provinces like Sichuan and Yunnan with abundant hydropower sources.
- The China ETS is expected to further expand to include other sectors like iron and steel, building materials, petrochemical and refining, chemicals, papermaking and aviation in the future, which will account for about 75% of China's total CO_2 emissions.

Source: S&P

FX & Rates

OCBC

FX & Rates: Holding Pattern

- USTs have been in a holding pattern over recent days, as market expectation settled at around 75bps of rate cuts this year in line with the median dot on the Fed's dot-plot; our base-case remains for 100bps of cuts. The PCE outcome shall support the case that the Fed is likely to cut rate by the June FOMC meeting – Fed funds futures price the chance at around 71%. Short end breakevens have eased from the highs in early March, as various price measures did not point to a sudden pile-up of inflation pressure again. On liquidity, usage at the Fed's overnight reverse repo rose to USD594bn on 28 March from USD518bn on the day before; there is net bills paydown of USD40bn this week but there is relatively heavy net coupon bond settlement of USD124.8bn on Monday.
- USD remains supported as Fed is in no hurry to cut. Fed Chair Powell reiterated on Fri that the US economy is strong and there is no need to be in a hurry to cut. He also said that policymakers can hold rates steady if inflation doesn't come down. USD may continue to stay supported until US data starts to show more signs of softening and this puts focus on the US data release this week: ISM mfg (Mon), ADP employment, ISM services (Wed) and payrolls report (Fri). Plenty of Fedspeaks is also lined up this week, including Fed Chair Powell (Thu).
- SGD rates. Tuesday brings the auctions of 4W and 12W MAS bills; 1M and 3M implied SGD rates were both trading at around 3.7% on Monday morning. SGD liquidity appears to have improved, which may lead to mildly lower cut-offs at MAS bills auctions on Tuesday, especially for the 4W bills. On OIS side, SGD OIS underperformed USD OIS in the past couple of weeks, as USD OIS eased; such underperformance was in line with historical pattern. The 2Y SGD-USD OIS spread was last at -134bps, versus -149bps in mid-March. Our medium-term view remains for SGD OIS to underperform USD OIS in a falling rates environment.

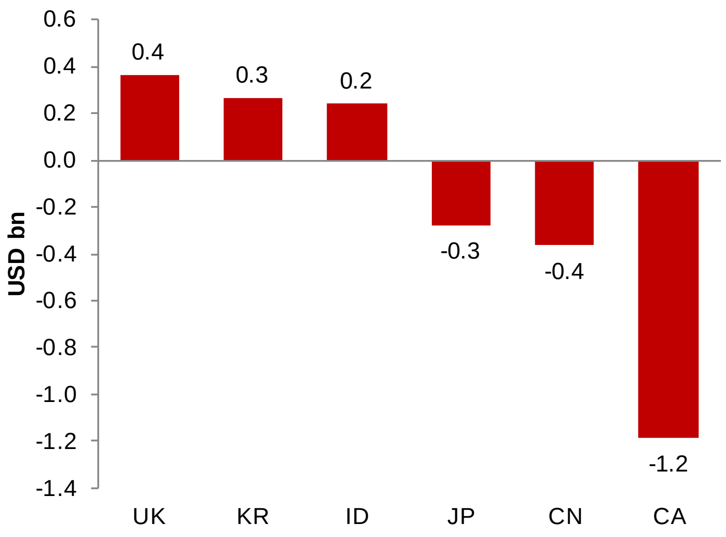
Source: S&P

Asset Flows

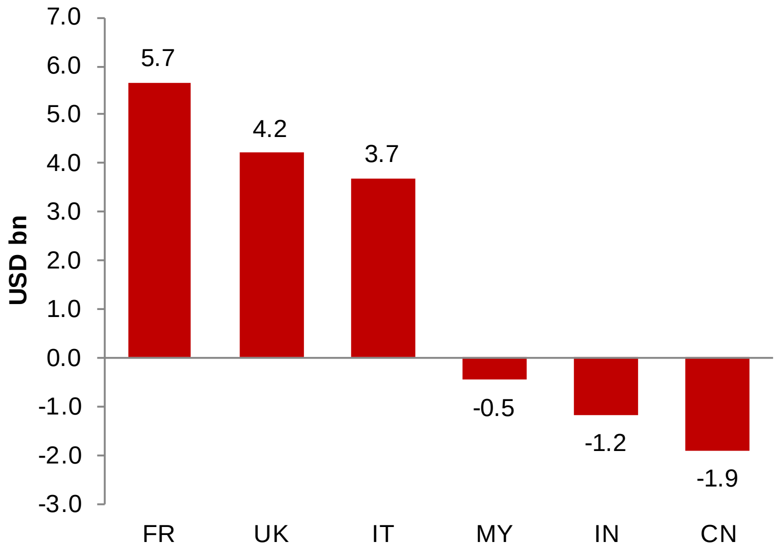
Global Equity & Bond Flows

- Global equity markets saw net inflows of $16.4bn, an increase from the outflows of $21.3bn last week.
- Global bond markets reported net inflows of $15.1bn, a decrease from last week's inflows of $5.4bn.

Equity top gainers & losers



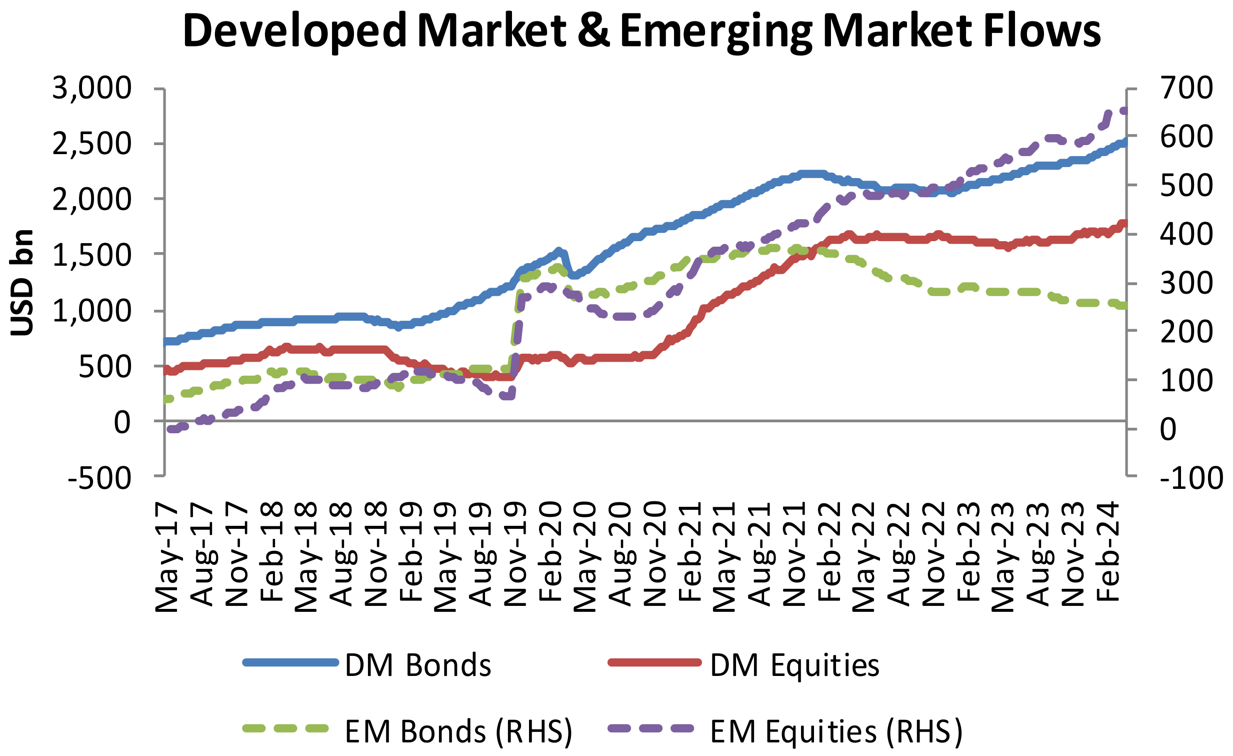
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($17.1bn) saw inflows while Emerging Market Equities ($774.46mn) saw outflows.
- Developed Market Bond ($16.7bn) saw inflows while Emerging Market Bond ($1.6bn) saw outflows.



Source: OCBC, EPFR

Thank you

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