Weekly Macro Views (WMV)

Global Markets Research & Strategy

5th December 2023

Weekly Macro Update

Key Global Data for this week:

4th December	5th December	6th December	7th December	8th December
- US Durable Goods Orders - US Factory Orders - AU Melbourne Institute Inflation MoM - JN Monetary Base YoY	- SK CPI YoY - JN Tokyo CPI Ex-Fresh Food YoY - SK GDP YoY - PH CPI YoY	- AU GDP SA QoQ - US ADP Employment Change - US MBA Mortgage Applications - TA CPI YoY	- US Initial Jobless Claims - EC GDP - TH CPI YoY - GE Industrial Production SA MoM	- US Change in Nonfarm Payrolls - JN GDP - JN BoP Current Account Balance - GE CPI YoY

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** Central Bank Watch • **Global:** 3Q US Growth Revised Upwards • **Global:** Eurozone Inflation Eased in November • **Global:** US ISM Manufacturing Flat in November • **Global:** Improvements in Manufacturing Activity
Asia	• **SG:** Manufacturing Activity Continued to Recover • **SG:** Median Real Incomes fell 2.3% YoY in 2023 • **SG:** Financially Resilient • **HK:** Diverging trend between housing prices and rent continues

Asia	• **HK:** Still weak trade performance but lower base helped • **MO:** Gross gaming revenues returning to 70% of 2019-levels • **ID:** Inflation Rose in November • **TH:** Policy Rate Kept Unchanged
Asset Class	• **Oil:** OPEC+ Announced Cuts for 1Q24 • **FX & Rates:** Data-Heavy Week
Asset Flows	• **Asset Flows**

OCBC

Source: Bloomberg, OCBC

Global: Central Banks

Forecast – Key Rates

Reserve Bank of Australia (RBA)	Bank of Canada (BoC)	Reserve Bank of India (RBI)
Tuesday, 5th December	**Wednesday, 6th December**	**Friday, 8th December**

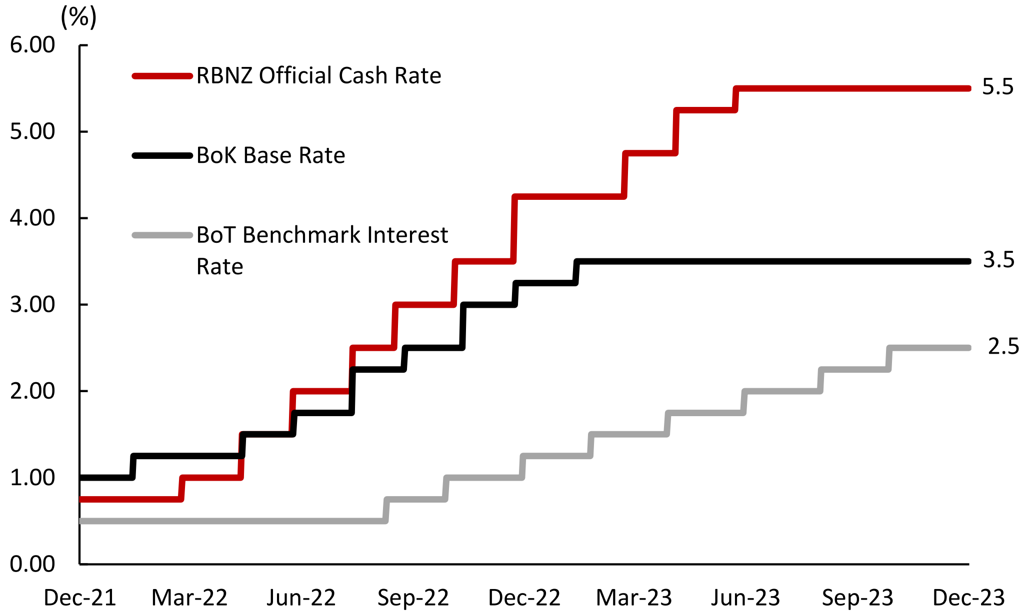
House Views

Cash Rate Target	*Policy Interest Rate*	*Repurchase Rate*
Likely *hold* at *4.35%*	**Likely *hold* at *5.00%***	**Likely *hold* at *6.50%***

Source: Bloomberg, OCBC

Global: Central Bank Watch

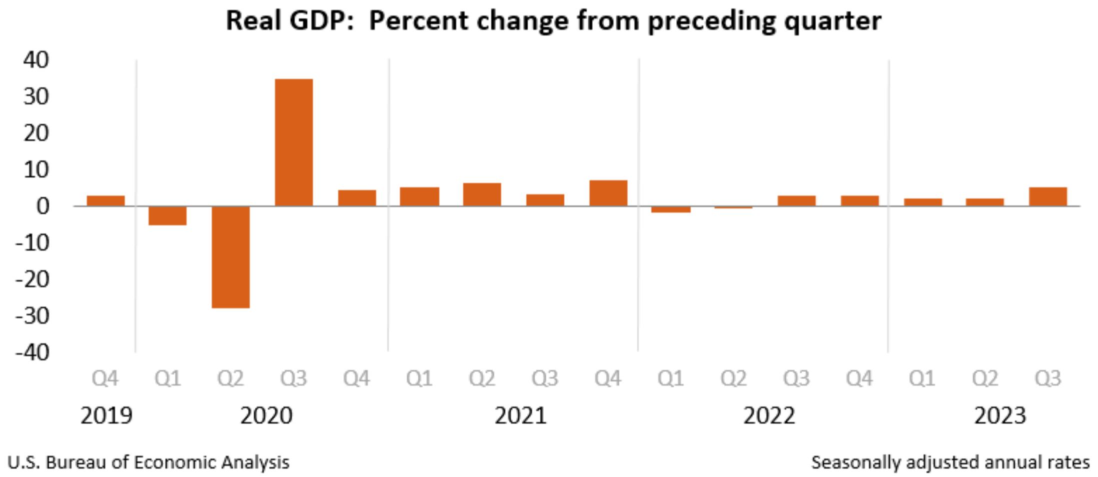
- Last week, the Bank of Thailand (BoT), Reserve Bank of New Zealand (RBNZ), and the Bank of Korea (BoK) held their respective monetary policy meetings. All three central banks kept their respective policy rates on hold. Notably, the BoK downwardly revised their 2024 growth forecast to 2.1% YoY and commented that “the inflation path is expected to be higher than previously forecast”. The Board will maintain a restrictive policy stance for a “sufficiently long period of time” versus a “considerable time.” Moreover, the RBNZ’s monetary policy statement noted that inflation remains too high and was of concern; some members have low tolerance for slow CPI moderation and that rates may need to rise if CPI is stronger than expected.
- In the week ahead, the Reserve Bank of Australia (RBA), Bank of Canada (BoC), and the Reserve Bank of India (RBI) will be holding their monetary policy committee meetings, where we and the market expects rates to be kept on hold.

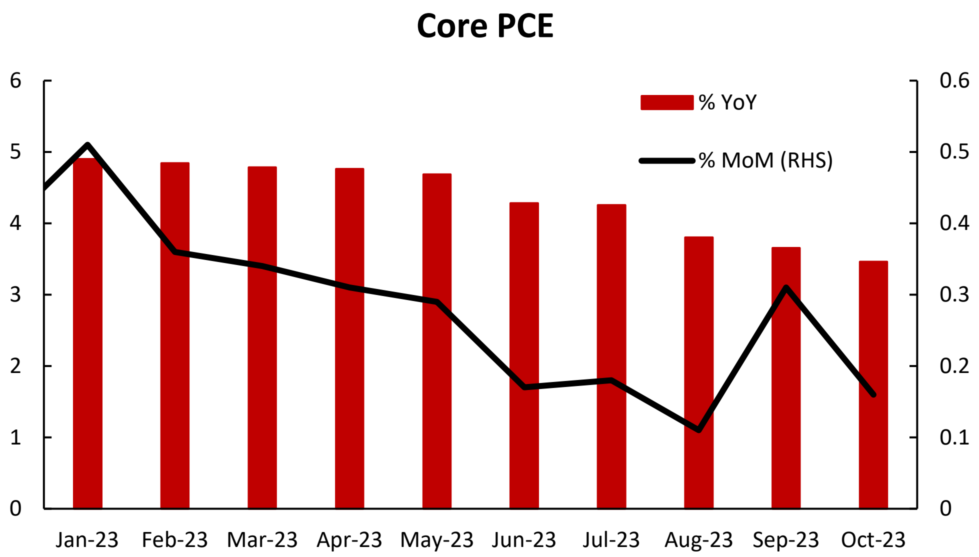


Source: Bloomberg, OCBC

Global: 3Q US Growth Revised Upwards

- Second estimates indicate that the US economy grew at a much faster 5.2% QoQ annualised in 3Q against initial estimates for a 4.9% expansion. According to the Bureau of Economic Analysis, the upward revision primarily reflects upward revisions to non-residential fixed investment and state & local government spending which offset downward revisions to consumer spending.
- Meanwhile, additional support to the soft-landing narrative came from core PCE data in October, which eased to 3.5% YoY (0.2% MoM) in line with consensus expectations, from 3.7% YoY (0.3% MoM) previously.

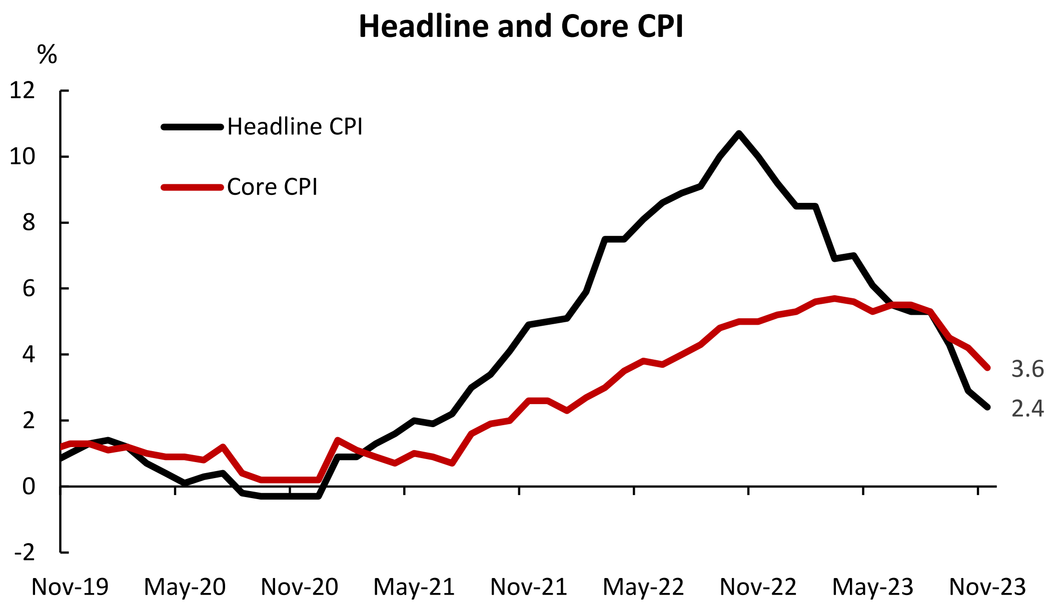




Source: Bureau of Economic Analysis, Bloomberg

Global: Eurozone Inflation Eased in November

- Estimates show that Eurozone's headline inflation eased to 2.4% YoY (-0.5% MoM) in November against 2.9% (0.1% MoM) in October. Core inflation also eased to 3.6% YoY from 4.2% previously. Drivers to November's figure were broad based with 'food, alcohol & tobacco' (6.9% YoY vs. 7.5% in October), 'non-energy industrial goods' (2.9% vs. 3.5%), and 'services' (4.0% vs. 4.6%) increasing by a slower pace. Notably, 'energy' prices continued its steep decline by 11.5% YoY in November from -11.1% in the previous month.

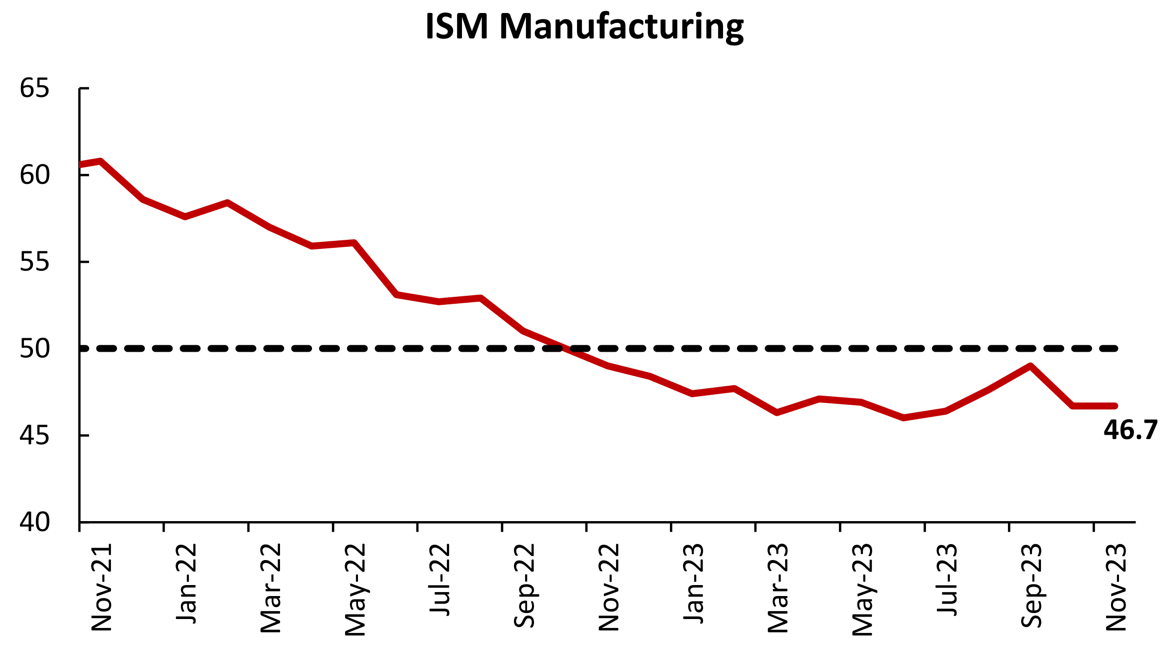


OCBC

Source: Bloomberg

Global: US ISM Manufacturing Flat in November

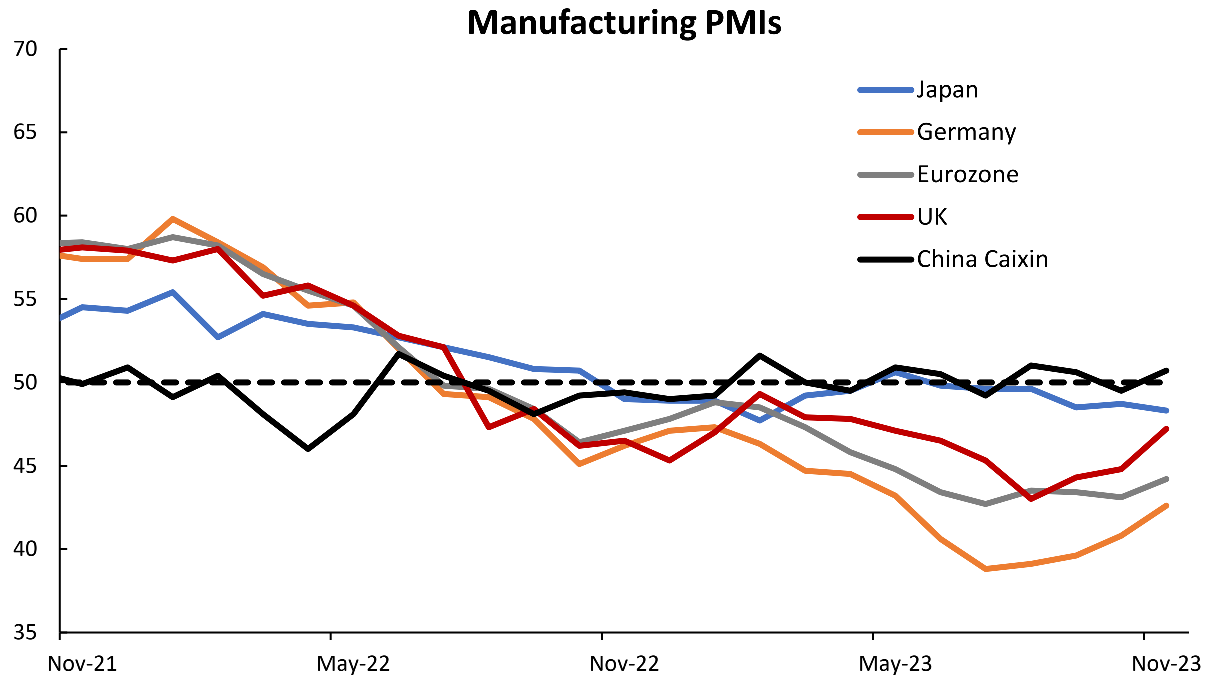
- Manufacturing activity showed no improvement in November as seen by the ISM manufacturing index. Notably, weakness was seen across the production (48.5 vs. 50.4), backlog of orders (39.3 vs. 42.2), supplier deliveries (46.2 vs. 47.7), employment (45.8 vs. 46.8), new export orders (46.0 vs. 49.4), and imports (46.2 vs. 47.9) gauges.
- November's figure marks 13 consecutive months of below expansion readings and implies that the U.S. manufacturing industry remains subdued with activity losing momentum as elevated credit conditions weigh on demand.



Source: Bloomberg

Global: Improvements in Manufacturing Activity

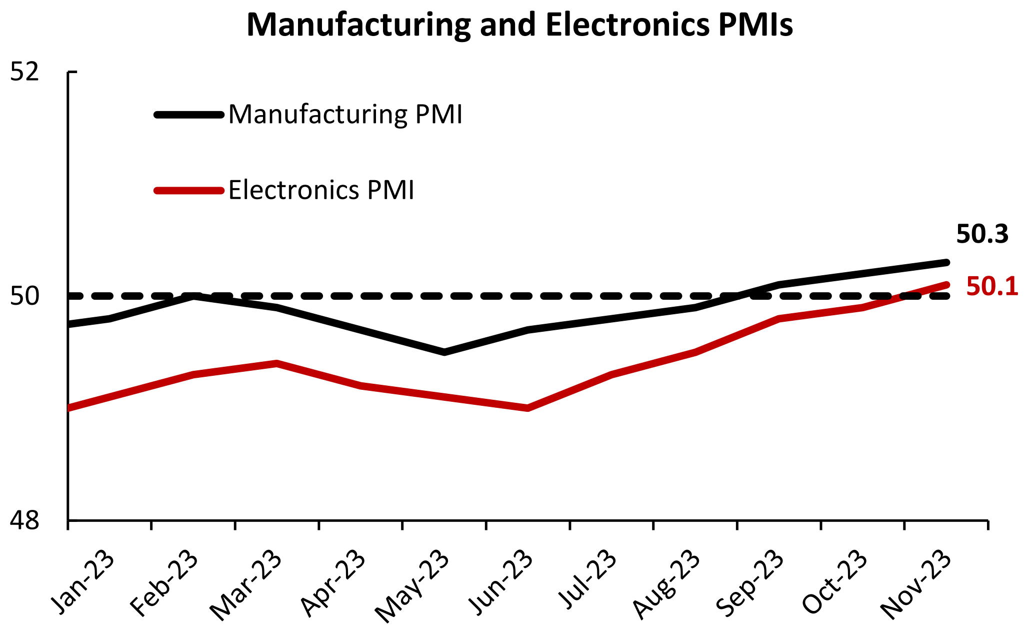
- Manufacturing PMIs mostly improved in November, albeit still below the expansion threshold of 50.0 except for China's Caixin index, which came to 50.7 in November from 49.5 in the previous month.
- Notably, Germany, the UK, and the Eurozone saw improvements to their manufacturing PMIs in November with the UK seeing the most improvement by 2.4 points to 47.2 from 44.8 in October.



Source: Bloomberg

Singapore: Manufacturing Activity Continued to Recover

- Manufacturing activity in November picked up pace for the third month in a row. Manufacturing PMI inched higher to 50.3 in November from 50.2 in the previous month. Primary drivers to the expansion were broad-based with improvements in the new exports (50.6 in November vs. 50.2), employment (50.4 vs. 50.2), and factory output (50.5 vs. 50.3) gauges. Additionally, the electronics gauge breached above the 50-threshold in November to 50.1 after 15 months in contraction.

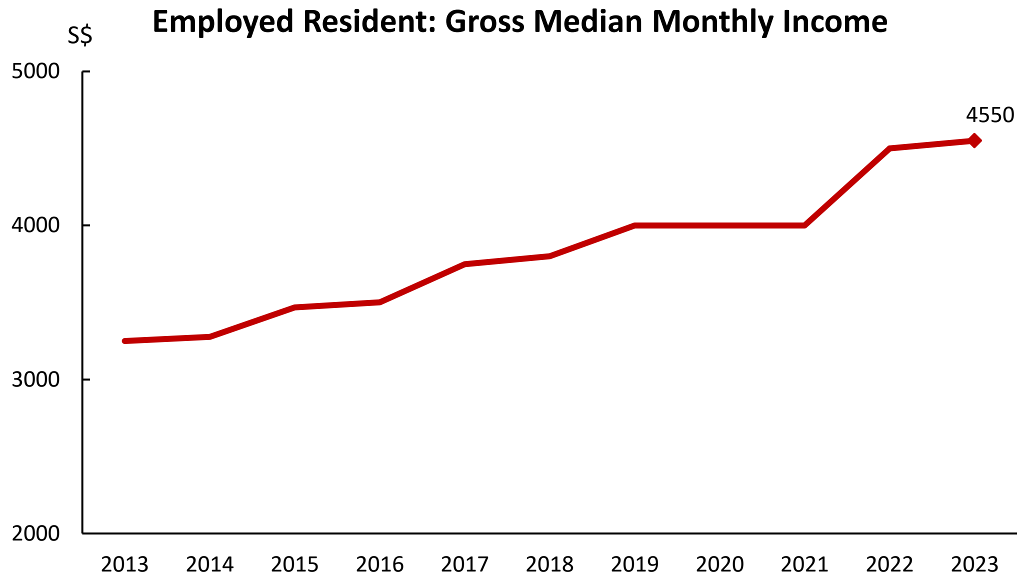


Source: CEIC, Ministry of Manpower

Singapore: Median Real Incomes fell 2.3% YoY in 2023

Singapore's employment rate remained the fourth highest compared to OECD countries, as per MOM

- The advance release of the 2023 labour report by the Ministry of Manpower (MOM) indicated that real incomes in fell 2.3% YoY for the median worker amid high inflation. Over the past ten years, however, real income achieved growth of 2.0% per annum since 2013.
- The MOM highlighted in their report that "economic headwinds will continue to weigh on the labour market going forward", and thus workers must make full use of available government programmes and must continue to upskill in order to remain competitive.



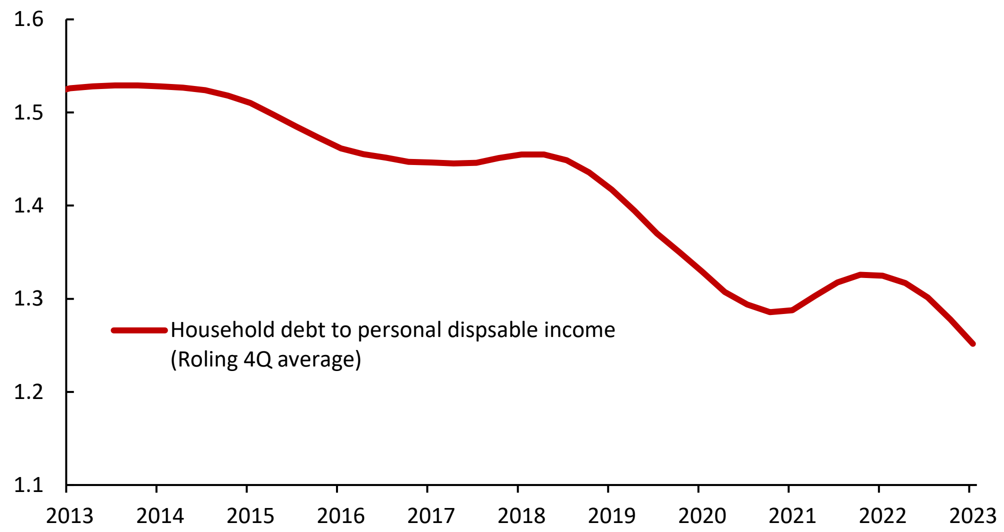
Source: CEIC, Ministry of Manpower

Singapore: Financially Resilient

The household sector has been resilient in the face of higher costs of living and debt service burdens

- The Monetary Authority of Singapore's (MAS) Annual Financial Stability Review, published 27 November, indicated that the household sector has been resilient in the face of higher costs of living and debt service burdens.
- According to the report, households' leverage risk has declined amid healthy income gains and as a result of paid down debt resulting in a decade-low household debt to personal disposable income ratio of 1.20x. The report also highlighted the risk to households who are due to refinance their mortgages in the near-term as these would be facing increased debt service costs. However, when the MAS conducted stress tests, they found that most households should be able to meet the increased debt servicing costs as most have enough buffers to manage income and interest rate shocks.

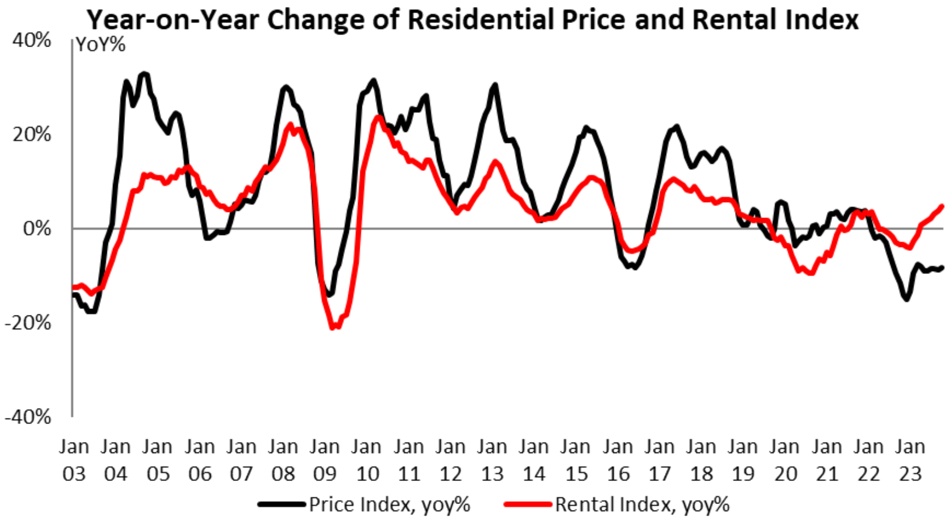
Household Wealth and Indebtedness

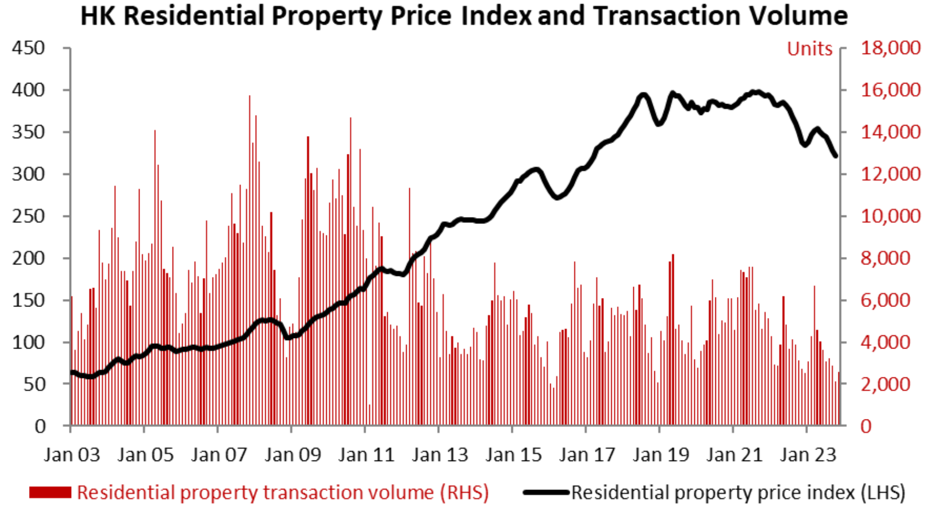


Source: MAS, Singstat, OCBC

HK: Diverging trend between housing prices and rent continues

- The diverging trend between housing prices and rent continued in Hong Kong. On a sequential basis, Hong Kong's residential property rental index rose for the seventh consecutive month, by 0.3% in October, while residential property price index fell by 2.2%, extend the six-month losing streak.
- On a year-on-year basis, the rental index increased by 4.7% in October. On the other hand, the residential property price index fell by 8.2% in October, widening the year-to-date loss to 4%. Trading activities stayed at subdued level, with the number of residential property transactions falling to 2,123 in October, the lowest since 2018.
- Since we are of the view that the July Fed hike was probably the last hike in this round, if history is any guide, Hong Kong's property market should see some stabilisation in the first half next year. At the same time, as the rental yield continues to rise, narrowing its gap with the mortgage rate, it should lend some support to the housing market.

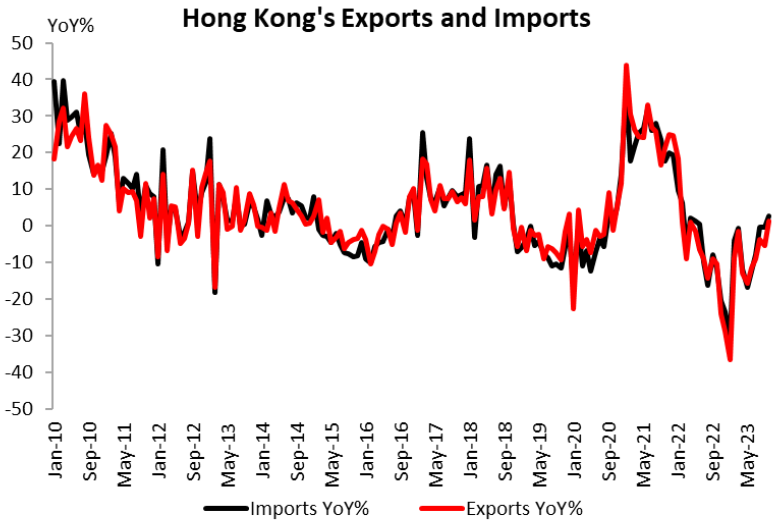


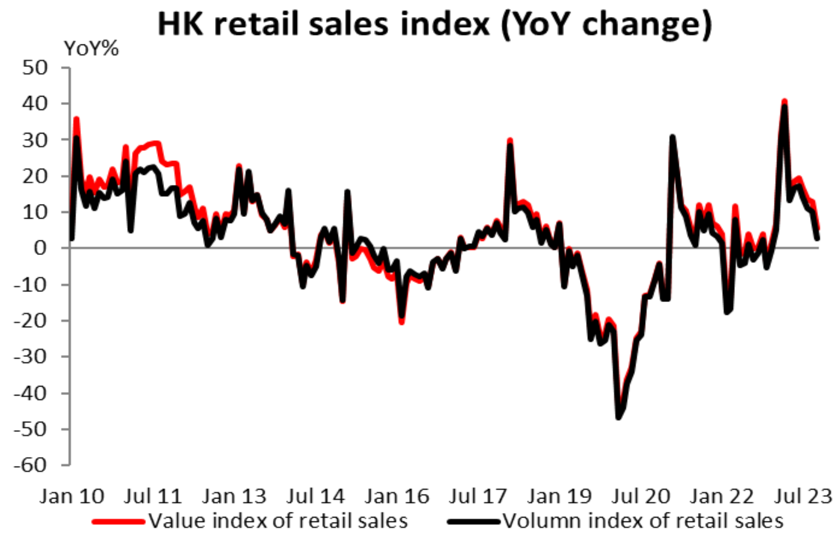


Source: HK Rating and Valuation Department, Land Registry, OCBC

HK: Still weak trade performance but lower base helped

- Hong Kong's merchandise export turned to a year-on-year increase in October 2023, ending the 15-month losing streak. Yet, on sequential terms, merchandise exports and imports shrank by 0.1% and 8.8% respectively in October, highlighting a still-weak trade performance. On year-to-year terms, merchandise exports and imports grew by 1.4% and 2.5% respectively in October (-5.3% YoY and -0.4% YoY respectively in September). During the month, trade deficit narrowed markedly to HK$25.8 billion (Sep: -HK$64.6 billion). We expect to see year-on-year growth for exports in the coming months amid a lower base.
- Due to the high base last year, the year-on-year growth of Hong Kong's retail sales slowed to 5.6% and 2.7% respectively in value and volume terms in October, the lowest since January this year. Yet, on sequential terms, retail sales rebounded by 6.3% in value terms, ending the five-month losing streak, partly due to more mainland visitors during the Golden week holiday. For the first 10 months of 2023, the value of total retail sales surged by 17.2% over the same period in 2022.



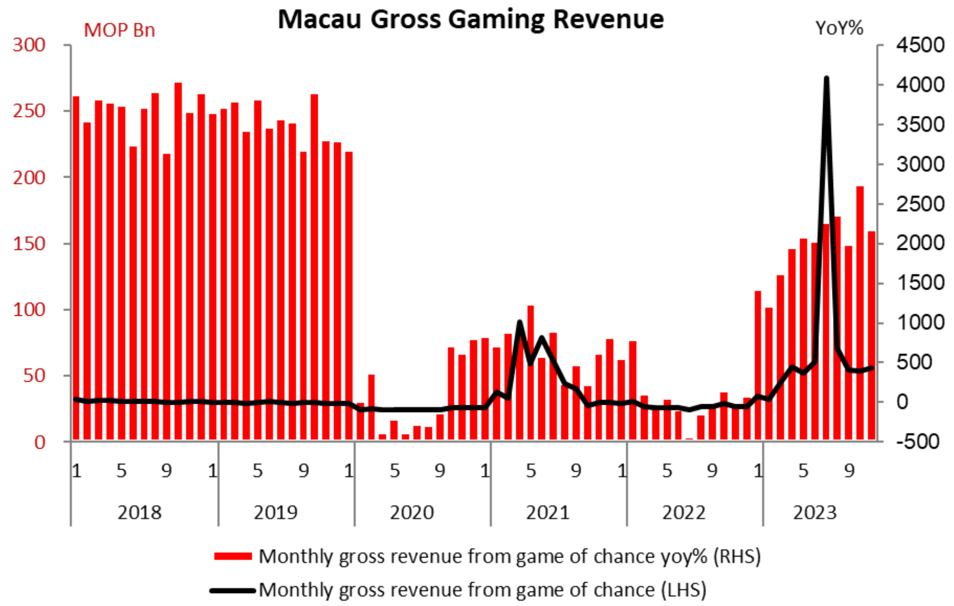


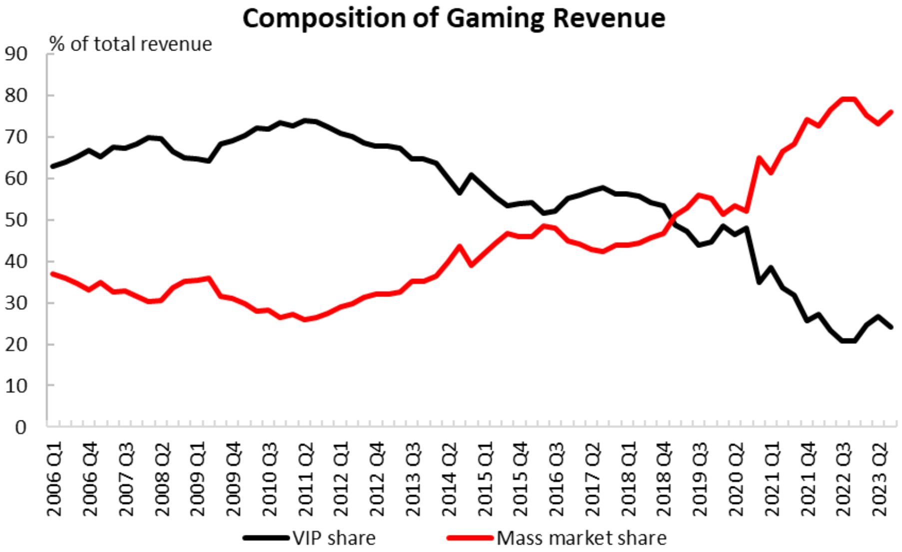
Source: HK Census and Statistics Department, OCBC

MO: Gross gaming revenues returning to 70% of 2019-levels

- Casino gross gaming revenues was down by 17.7% MoM in November (+435.0% YoY), to MOP16.04bn, against the high base during the eight-day Golden week holiday. In November alone, the gaming revenue reached 70.1% of pre-Covid levels in 2019. As for the first 11 months of 2023, the figure returned to 61% of 2019-levels, largely in line with our estimates.

- The recovery story continued for the mass and premium mass segments, with gross gaming revenue generated in the third quarter from these segments returning to 82.2% of the pre-Covid level (vs. 31.6% YoY in VIP segment). As a result, the share of mass market grew to above 75% again in the 3Q23. Going forward, casino concessionaires' investment on non-gaming amenities should continue to have positive spill-over on their gaming revenue for mass segment, while the same may not be true for the VIP segment under the stringent regulatory setting.





Source: DSEC, OCBC

Indonesia: Inflation Rose in November

- Headline CPI in Indonesia rose by 2.9% YoY in November (Consensus: 2.7%, OCBC: 2.8%) from 2.6% in October. Core inflation held steady at 1.9% YoY in November.

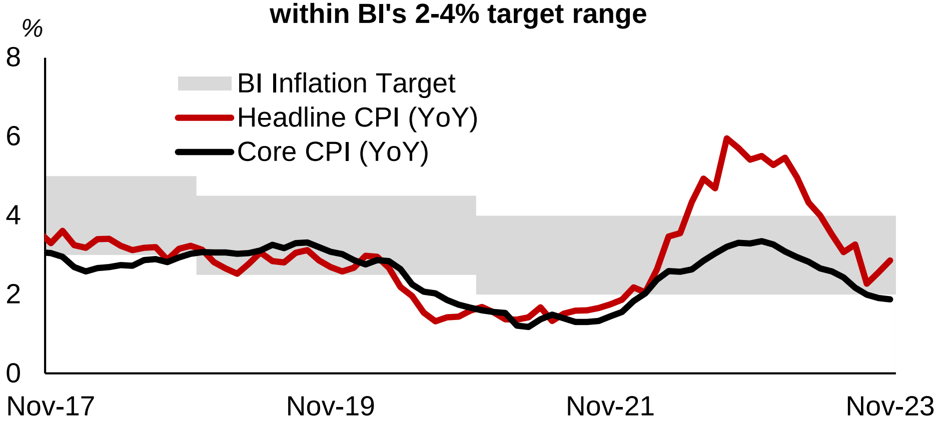
- The inflation uptick mainly stemmed from higher food prices, with the 'food, beverage, and tobacco' component rising 6.7% YoY in November from 5.4% in October. 'Transportation' and 'Personal Care and Other Services' components also rose in November. By contrast, utilities and clothing CPI eased in November versus October.

- The November print brings the year-to-date headline inflation to 3.8% YoY. Looking ahead, we maintain our full-year 2023 headline inflation forecast at 3.7%. This implies a stable price pressure at the end of the year.

Drivers of inflation, % YoY	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Headline CPI inflation	**5.3**	**5.5**	**5.0**	**4.3**	**4.0**	**3.5**	**3.1**	**3.3**	**2.3**	**2.6**	**2.9**
Food, Beverage and Tobacco	5.8	7.2	6.1	4.6	4.3	2.8	1.9	3.5	4.2	5.4	6.7
Clothing and Footwear	1.1	1.2	1.2	1.8	1.5	1.5	1.4	1.1	1.0	0.8	0.7
Housing,Water,Electricity & Other Fuel	3.6	3.4	2.7	2.5	2.5	2.5	2.0	1.4	1.3	1.2	1.1
Household Eqpmnt & Routine Maintenance	4.3	4.0	3.7	3.3	3.0	2.6	2.4	2.2	2.0	1.9	1.6
Health	3.0	2.9	2.7	2.6	2.5	2.6	2.7	2.7	2.1	2.0	2.0
Transportation	13.9	13.6	13.7	12.0	10.6	10.2	9.6	9.6	1.0	1.2	1.3
Information, Comm & Financial Service	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	0.1	0.1	0.1
Recreation, Sports, and Culture	2.9	2.6	2.5	2.4	2.2	2.2	2.0	1.9	1.6	1.5	1.4
Education	2.8	2.8	2.7	2.7	2.7	2.7	3.1	2.1	2.1	2.0	2.0
Food and Beverage Provision/Restaurant	4.5	4.1	4.0	3.8	3.4	3.3	3.1	2.9	2.4	2.2	2.2
Personal Care and Other Services	6.1	5.6	4.7	4.7	4.5	4.3	4.0	3.8	3.7	3.7	3.8
Core CPI inflation	**3.3**	**3.1**	**2.9**	**2.8**	**2.7**	**2.6**	**2.4**	**2.2**	**2.0**	**1.9**	**1.9**

Source: Statistics Indonesia, CEIC, OCBC

Although headline inflation rose in November, it remained within BI's 2-4% target range



Source: Statistics Indonesia (BPS), Bank Indonesia, CEIC, OCBC

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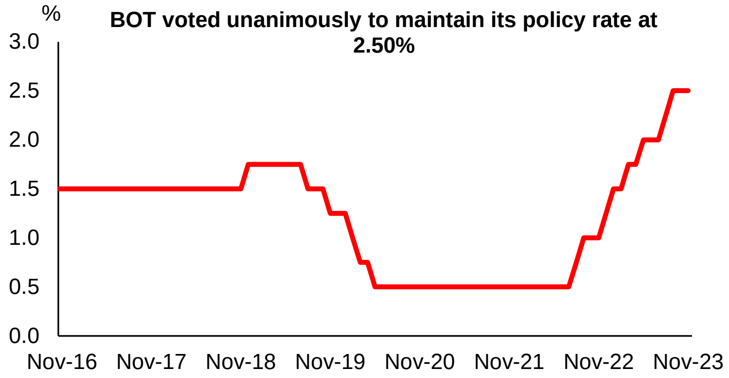
Thailand: Policy Rate Kept Unchanged

- Bank of Thailand (BOT) kept its policy rate unchanged at 2.50% (Consensus & OCBC: 2.50%) at its final MPC meeting for 2023. The Committee voted unanimously to maintain the policy rate at 2.50 percent. One MPC member was unable to attend the meeting.
- For 2023 and 2024, BOT downgraded its GDP growth projections to 2.4% and 3.8% from 2.8% and 4.4% respectively. Meanwhile, it lowered its 2023 and 2024 headline inflation forecast to 1.3% and 2.2% (above the mid-point of its 1-3% target range) from 1.6% and 2.6% respectively.
- BOT seems comfortable with the current level of the policy rate noting that it deems "the current policy interest rate is appropriate for supporting long-term sustainable growth". Looking ahead, the Committee stated that it will take into account growth and inflation outlook as well as associated risks in deliberating monetary policy.
- Given a sanguine growth-inflation mix, we expect BOT to remain on a prolonged pause through 2024. Inflationary pressures will likely rise in 2024 but remain within BOT's 1-3% target range given the low starting point. Higher inflation in 2024 will be driven by government policies including cash handouts and potential minimum wage hikes, in our view.

Date of MPC Decision	GDP			Headline Inflation			Core Inflation		
	2023F	2024F (Excl. Digital Wallet Programme)	2024F (Incl. Digital Wallet Programme)	2023F	2024F (Excl. Digital Wallet Programme)	2024F (Incl. Digital Wallet Programme)	2023F	2024F (Excl. Digital Wallet Programme)	2024F (Incl. Digital Wallet Programme)
Sep-23	2.8		4.4	1.6		2.6	1.4		2
Nov-23	2.4	3.2	3.8	1.3	2	2.2	1.3	1.2	1.5

Source: Bank of Thailand



Source: Bank ofThailand, CEIC, OCBC

Source: Bank of Thailand, CEIC, OCBC

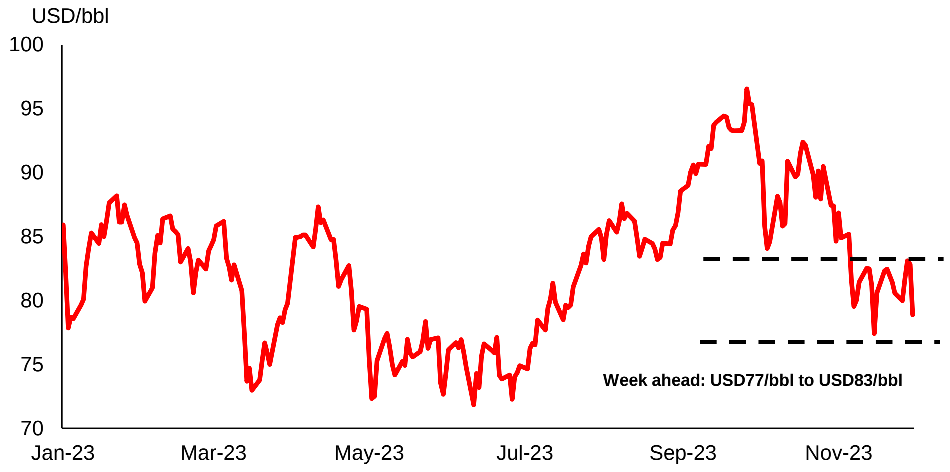
Commodities

Crude Oil: OPEC+ Announced Cuts for 1Q24

- WTI and Brent declined by ~2.0% last week to close lower at US$74.1/bbl and US$78.9/bbl respectively. Both oil benchmarks declined for a sixth consecutive week.
- The 36th OPEC and non-OPEC Ministerial Meeting concluded with the announcement of an additional voluntary cut of 2.2 mbpd in 1Q24. The announced cuts comprise of Saudi Arabia and Russia rolling over its existing additional voluntary cut of 1 mbpd and 0.3 mbpd. Seven member countries also contributed to the extra cut which sum to a total of 0.9 mbpd. These cuts will be "returned gradually subject to market conditions".
- Additionally, Brazil will join the OPEC+ Charter of Cooperation starting January 2024. Brazil currently produces ~3.2 mbpd of crude, according to S&P Global data.
- This week is heavy on the calendar, with ISM services data, JOLTS job openings (Tue); ADP employment, unit labour costs (Wed) and payrolls report, Uni. of Michigan sentiment, inflation expectations (Fri). There is also China's October trade data, CPI and PPI. We expect Brent prices to trade between US$77-83/bbl.

Country	Announced Cuts (mbpd)
Saudi Arabia	1.00
Russia*	0.50
Iraq	0.22
United Arab Emirates	0.16
Kuwait	0.14
Kazakhstan	0.08
Algeria	0.05
Oman	0.04
Total	**2.20**

Note: The announced voluntary cut by the Russian Federation of 0.5 mbpd, will be made from the average export levels of the months of May and June of 2023, and will consist of 0.3 mbpd of crude oil and 0.2 mbpd of refined products.
Source: OPEC, Bloomberg, OCBC



Source: Bloomberg, OCBC

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Source: Bloomberg, Reuters, OCBC

FX & Rates

OCBC

FX & Rates: Data-Heavy Week

- USTs rallied as market added to rate cut expectations, despite Powell tried to push back on rate cuts. Fed funds futures priced a 25bp cut at 69% by the March FOMC, and a total of around 125bps of cuts in 2024. This is mildly more dovish than our base-case for 100bps of cuts. The latest bout of rallies at the 5Y and 10Y segments could be partly attributable to positioning; speculators (5Y, 10Y), leveraged funds (5Y, 10Y) and asset managers (10Y) added a lot to short positions in the four weeks to 21 November. After the recent rallies, risk is for some upticks in yields especially at the longer end as the fiscal outlook has not changed – there are still upsized auctions to be digested this month and in Q1. Data are lining up this week - ISM services index, JOLT jobs opening, ADP employment chance, payroll and the labour market report, which will shape near-term market direction.

- USD had traded lower, tracking UST yields into Fri close. On data, ISM manufacturing came in softer, alongside ISM employment. Though Fed Chair Powell said it would be 'premature' to conclude with confidence that we have achieved a sufficiently restrictive stance or to speculate when policy might ease, markets appeared to shrug off those remarks. Fed fund futures saw an increase in expectations for Fed rate cut trajectory – now expecting the Fed to cut 125bps for 2024 (vs. 114bps the day before) and a 25bp cut in Mar is now >50% priced in. Markets may have gotten ahead of itself and could potentially be setting itself for a correction this week should US data surprise to the upside. This week is heavy on the calendar, with durable goods orders (today); ISM services data, JOLTS job openings (Tue); ADP employment, unit labor costs (Wed) and payrolls report, Uni of Michigan sentiment, inflation expectations (Fri).

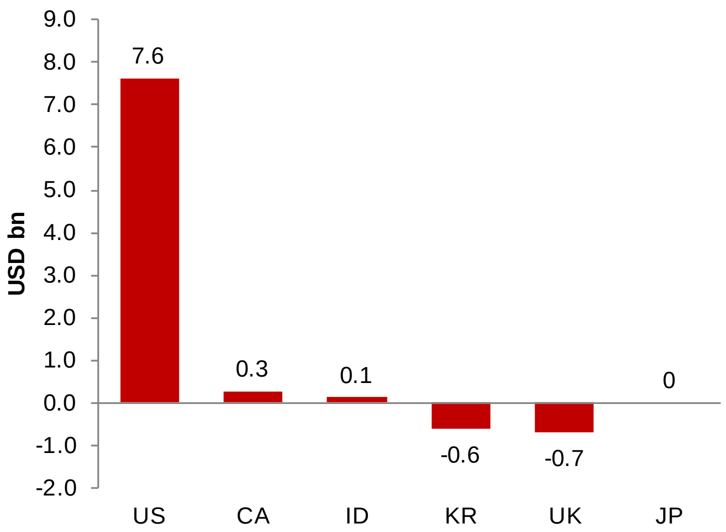
Source: OCBC, Bloomberg

Asset Flows

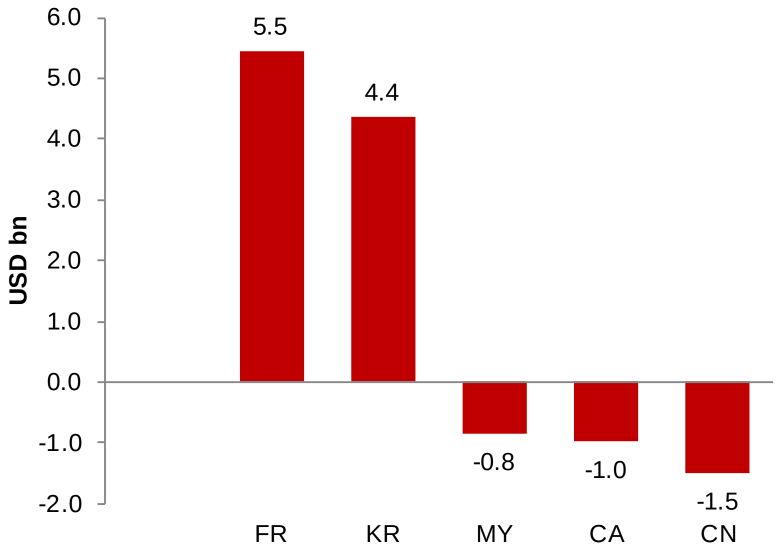
Global Equity & Bond Flows

- Global Equity Market saw an inflow of $2.6bn for the week ending 29th November, a decrease from the inflows of $12.9bn last week.
- Global Bond Market reported net inflows of $3.9bn, a decrease from last week's inflows of $6.6bn.

Equity top gainers & losers



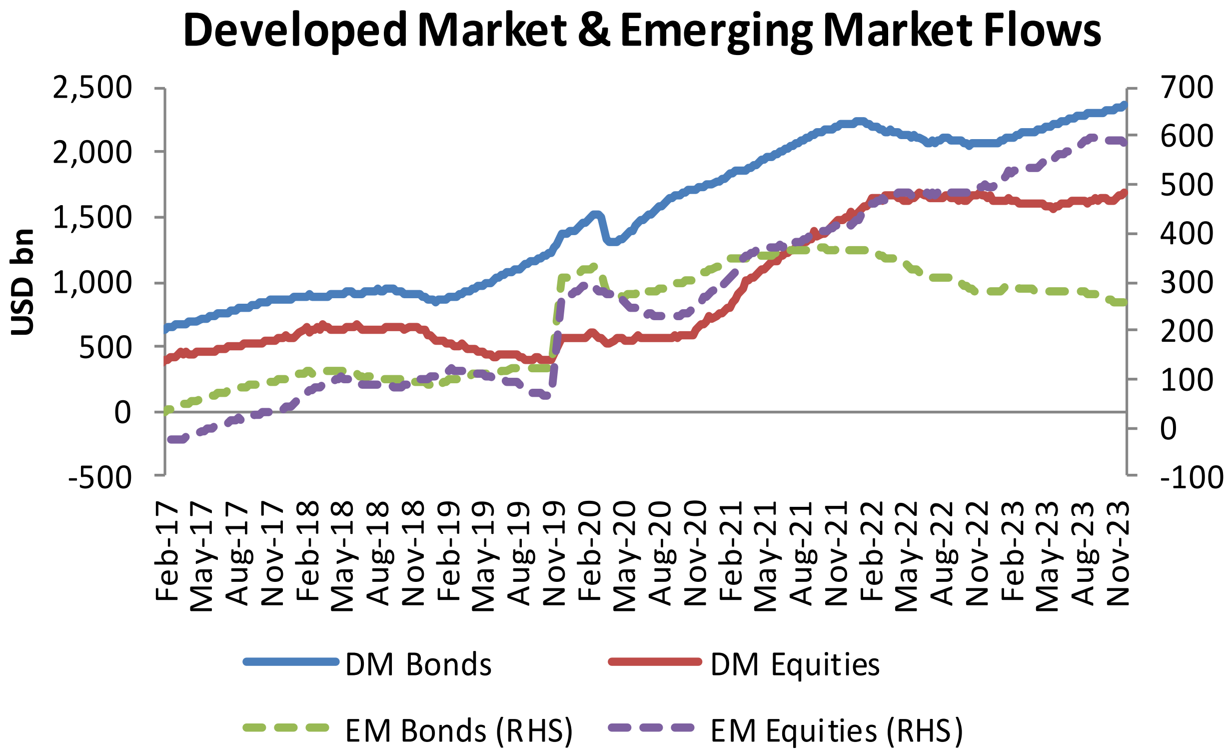
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($3.8bn) saw inflows while Emerging Market Equities ($1.1bn) saw outflows.
- Developed Market Bond ($3.7bn) and Emerging Market Bond ($0.2bn) saw inflows.



Source: OCBC, EPFR

Thank you

Global Markets 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

Co.Reg.no.: 193200032W

OCBC