Weekly Macro Views (WMV)

Global Markets Research & Strategy

5 May 2025

Weekly Macro Update

Key Global Data for this week:

5 May	6 May	7 May	8 May	9 May
• **ID** GDP YoY • **US** ISM Services Index • **US** S&P US Composite PMI	• **CH** Caixin China PMI Composite • **EC** HCOB Eurozone Composite PMI • **EC** PPI YoY • **IN** HSBC India PMI Composite • **UK** S&P Global UK Composite PMI	• **HK** S&P Global Hong Kong PMI • **JN** Jibun Bank Japan Composite PMI • **TH** CPI YoY	• **MA** BNM Overnight Policy Rate • **MA** Industrial Production • **UK** Bank of England Bank Rate • **US** FOMC Rate Decision	• **JN** Leading Index CI

Summary of Macro Views:

Global	• **Global:** Central Banks • **US:** GDP growth contracted in 1Q25 • **US:** Consumer spending higher ahead of tariffs • **US:** Softer manufacturing sector sentiment • **US:** Mixed labour market signals • **EC**: 1Q25 GDP growth beats expectations • **JN**: BoJ Holds at 0.5%
Asia	• **SG**: General Elections 2025 • **SG**: Incoming data becoming more mixed • **SG**: PASFTA to enter into force • **CH:** Early impact of tariff • **CH:** Escalate to deescalate • **HK**: Economy grew by 3.1% YoY in 1Q25 • **HK**: Strong-side convertibility undertaking triggered • **HK**: Housing price and rent trends still diverging

Asia	• **ASEAN:** Weaker PMI readings • **ID**: Headline inflation back to target • **ID:** Slowing 1Q25 GDP growth adds to the case for rate cuts • **ID:** Slowing realized investment growth in 1Q25 • **MY**: Dealing with tariffs; BNM likely on hold
Asset Class	• **ESG**: Controversial US efforts to boost deep-sea mining industry • **FX & Rates:** TWD Leads Gains • **Global Asset Flows**

Global: Central Banks

Forecast – Key Rates

Bank Negara Malaysia (BNM)	**Bank of England (BoE)**	**Federal Open Market Committee (FOMC)**
Thursday, 8th May	**Thursday, 8th May**	**Thursday, 8th May**

House Views

Overnight Policy Rate	*Bank Rate*	*Fed Funds Target Rate*
Likely *hold* at 3.00%	**Likely *cut* *by* *25bps* from *4.50% to 4.25%***	**Likely *hold* *at* *4.25% - 4.50%***

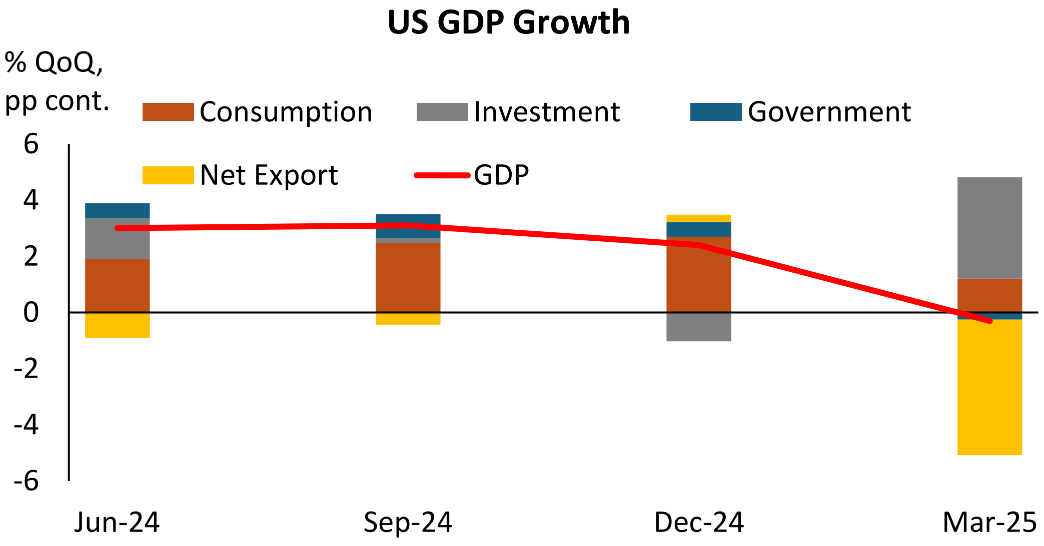
OCBC Bank

Source: OCBC, Bloomberg

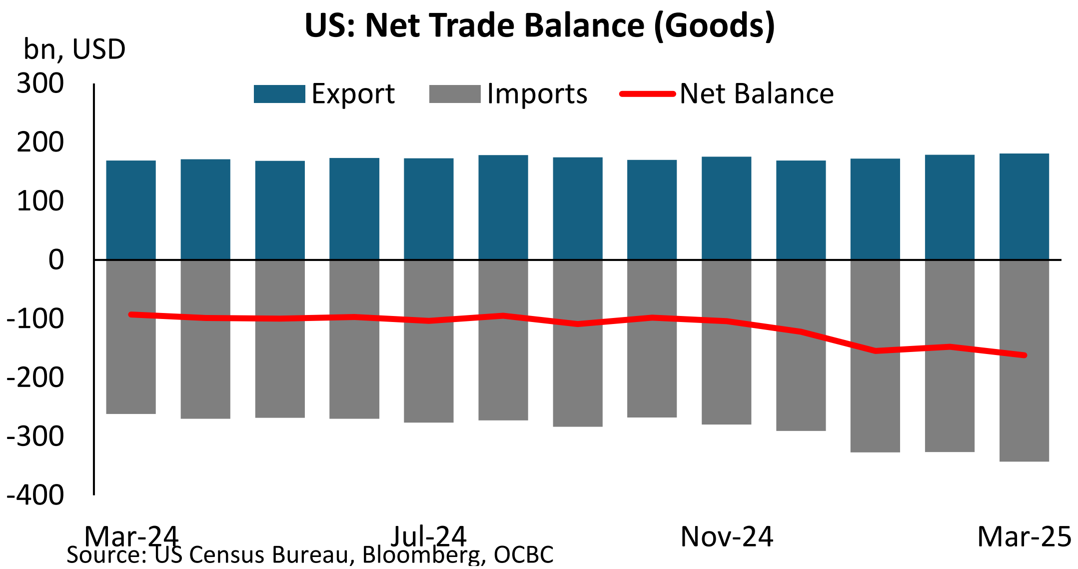
US: GDP growth contracted in 1Q25

- The US economy shrank by 0.3% QoQ saar in 1Q25, after growing by 2.4% in 4Q24. The contraction was driven by a surge in imports (41.3% QoQ in 1Q25 from -1.9% QoQ in 4Q24) reflecting businesses and consumers' frontloading attempt to prevent price hikes led by tariffs. Exports grew marginally (1.8% QoQ from -0.2% QoQ). Consequently, net exports shaved off 4.83 percentage points (pp) from headline GDP growth in 1Q25 after adding 0.26pp in 4Q24.

- Focusing on trade activities, goods imports soared to a historical high USD342.7bn in March from USD326.4bn in February. The good trade deficit also widened to USD162bn, another all-time high. The Commerce Department's Census Bureau stated an increase in consumer good imports, which grew by 27.5% in March, was the main driver of a deepened trade deficit.



Source: BEA, Bloomberg, OCBC

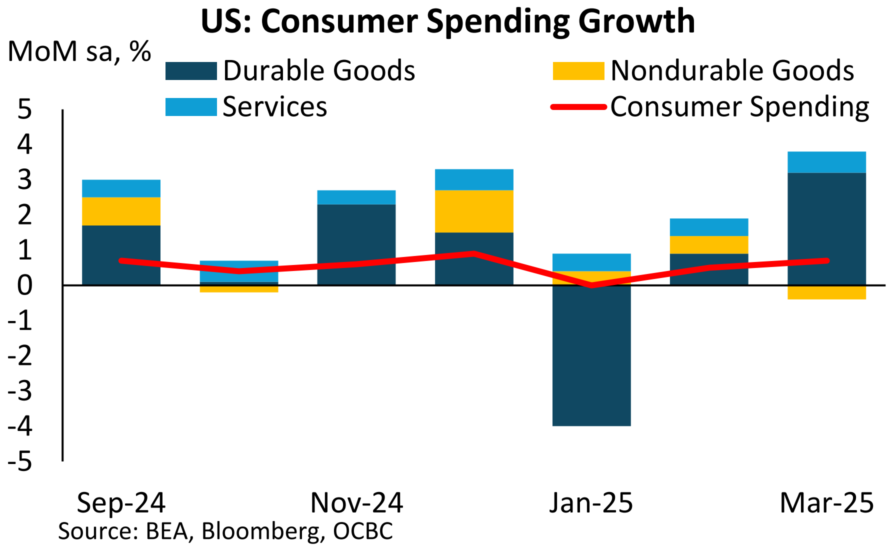


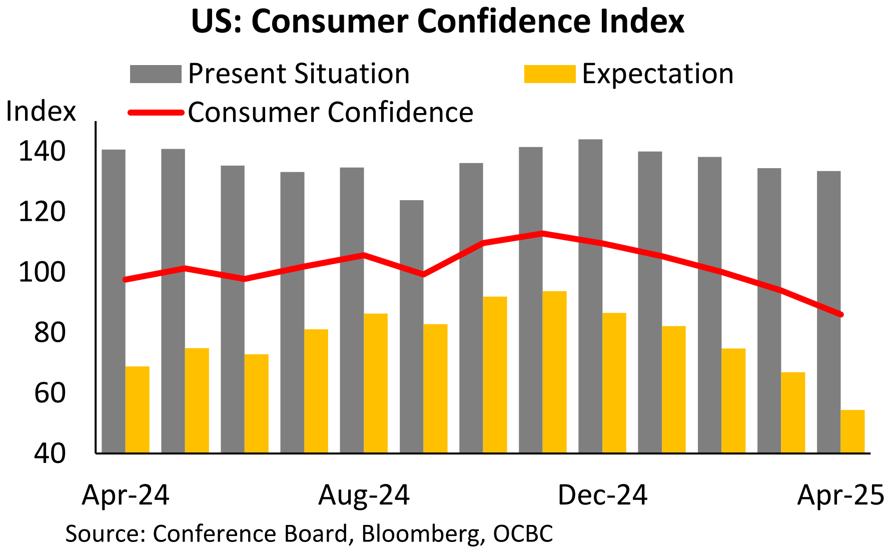
Source: US Census Bureau, Bloomberg, OCBC

Source: BEA, US Census Bureau, US Department of Commerce, Bloomberg, OCBC

US: Consumer spending higher ahead of tariffs

- Consumer spending increased by 0.7% month-over-month (MoM) seasonally adjusted (sa) in March from 0.5% MoM sa in February (Consensus: 0.6%). The main drivers of consumer spending were higher purchases of durable goods, which rose by 3.2% MoM sa, with automobile vehicles and parts leading the surge at 7.7%. Mirroring the widening of the goods trade deficit in March, the growth in consumer spending reflected the frontloading of imports ahead of tariffs.
- The outlook for consumer spending is likely to be weaker, as consumer sentiment worsened. Specifically, the Conference Board Consumer Confidence Index (CCI) dropped to its lowest level since the onset of the pandemic, falling to 86.0 in April from 93.9 in March. Consumers perceive both the present situation and future expectations to have deteriorated substantially. All three components of expectations - business conditions, employment prospects, and future income - have fallen sharply, suggesting pessimism about the future and implying that concerns about the economy have spread to consumers' own personal situations.

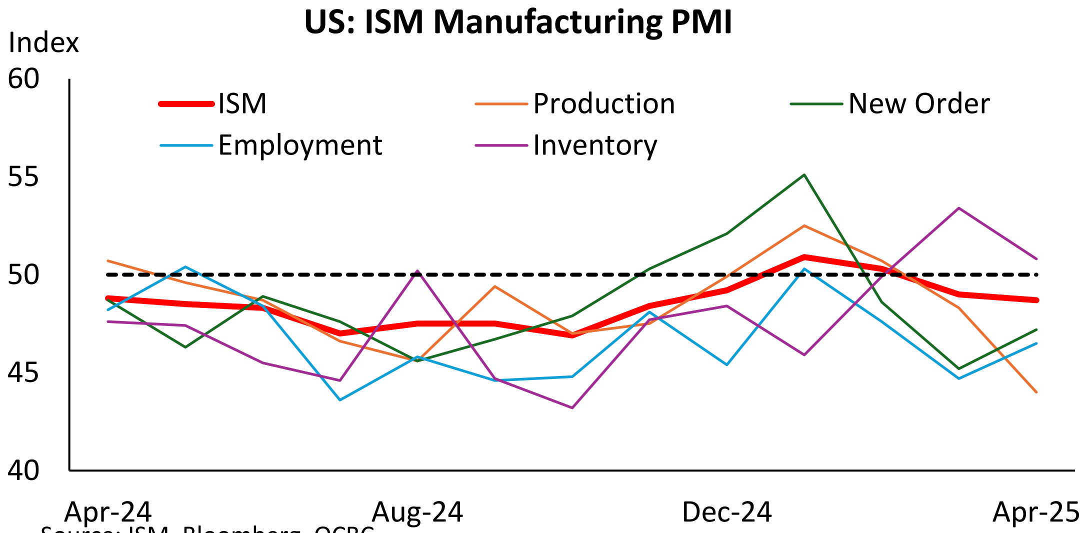




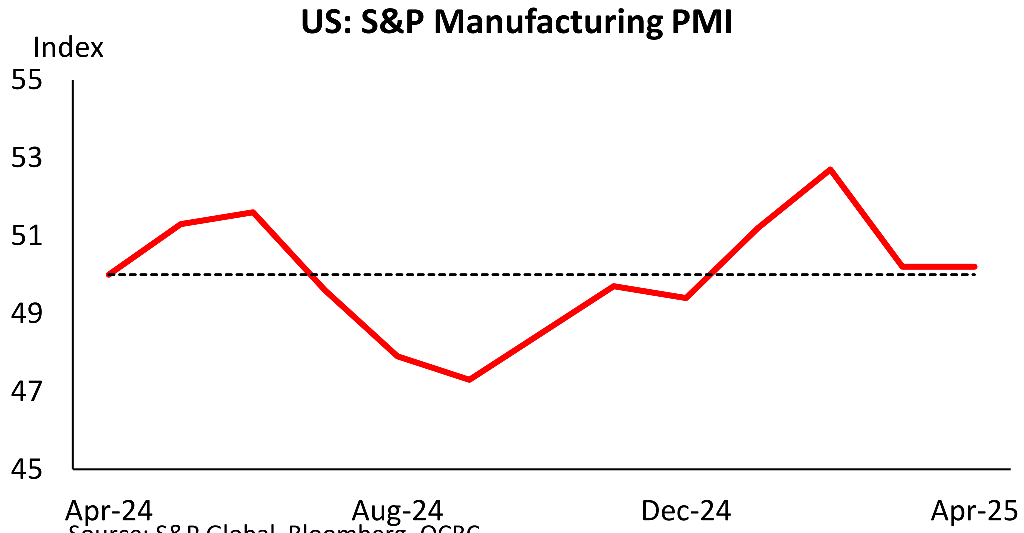
Source: BEA, Conference Board, Bloomberg, OCBC

US: Softer manufacturing sector sentiment

- ISM manufacturing came in at 48.7 for April compared to 49 in March. It was above consensus (47.9) but reflected weakness, i.e. a reading below 50, nonetheless across key subcomponents including employment and new orders. The price paid subcomponent showed a modestly higher reading of 69.8 in April compared to 69.4 in March.
- ISM Manufacturing has been below the expansion-contraction threshold of 50 in March and April, reflecting a dampening of sentiment in the sector, largely associated with the imposition of tariffs.
- Meanwhile, the April S&P Manufacturing PMI held steady at 50.2. According to S&P, the drags on manufacturing activities were a decline in new export orders, influenced by the international trade environment.



Source: ISM, Bloomberg, OCBC



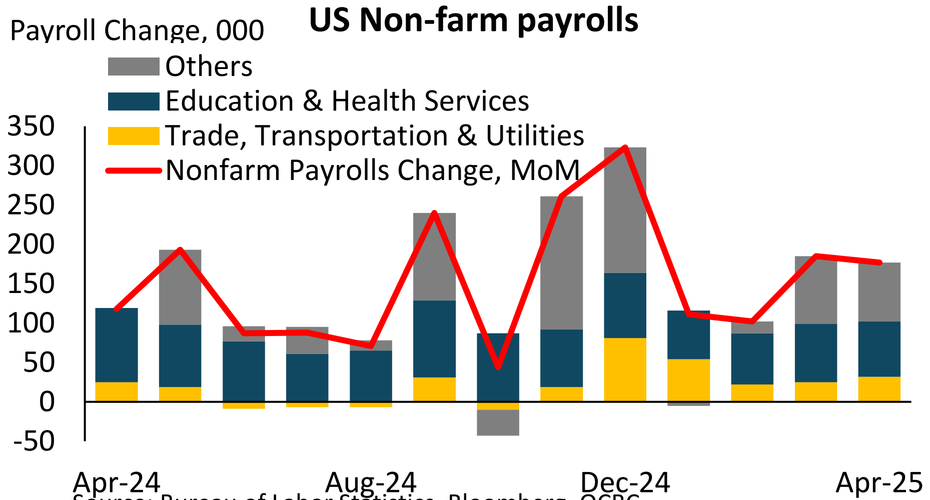
Source: S&P Global, Bloomberg, OCBC

OCBC

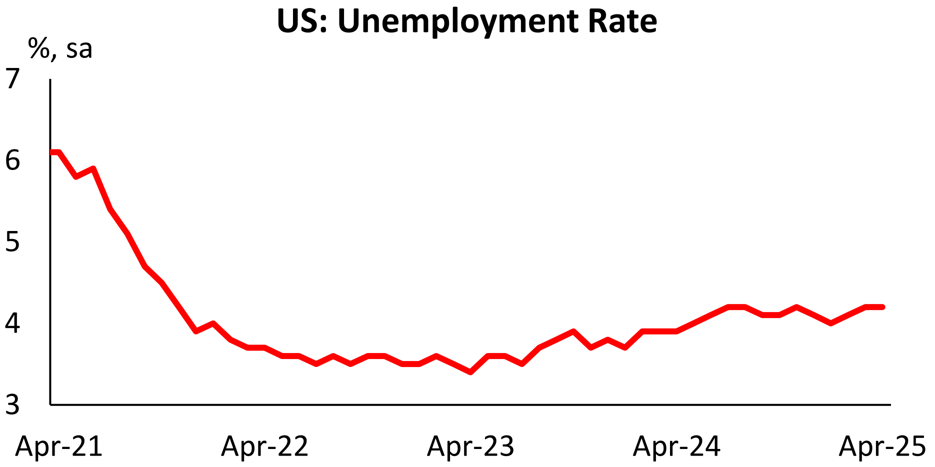
Source: ISM, S&P Global, Bloomberg, OCBC

US: Mixed labour market signals

- Nonfarm payrolls rose by more than expected to 177k in April (consensus: 135k) but was lower than 185k in March. The figures for February and March were revised lower by 58k, broadly offsetting gains in March.
- Details show that the increase in nonfarm payrolls was largely driven by the education and health services sectors (70k), followed by the trade, transportation, and utilities (32k). Other sectors such as leisure and hospitality (24k), the professional and business services sector (17k), and financial activities (14k) also saw higher payrolls in April. Manufacturing was the only industry that experienced a job loss (-1k).
- The unemployment rate in April remained steady at 4.2%, aligning with market expectations. Meanwhile, hourly earnings rose by 3.8% year-over-year (YoY), slightly below estimates of 3.9%. Overall, the April labour market data was mixed amidst an increasingly uncertain macroeconomic backdrop.



Source: Bureau of Labor Statistics, Bloomberg, OCBC



Source: Bureau of Labor Statistics, Bloomberg, OCBC

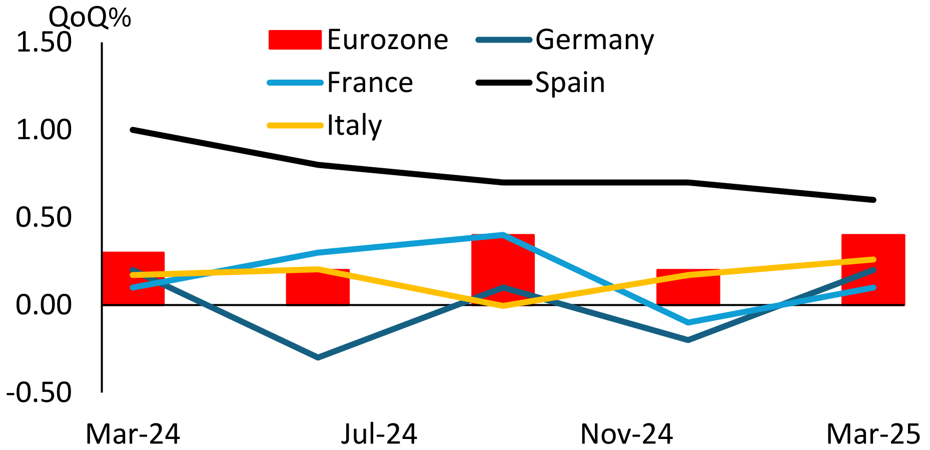
OCBC

Source: Bureau of Labor Statistics, Bloomberg, OCBC

Eurozone: 1Q25 GDP growth beats expectations

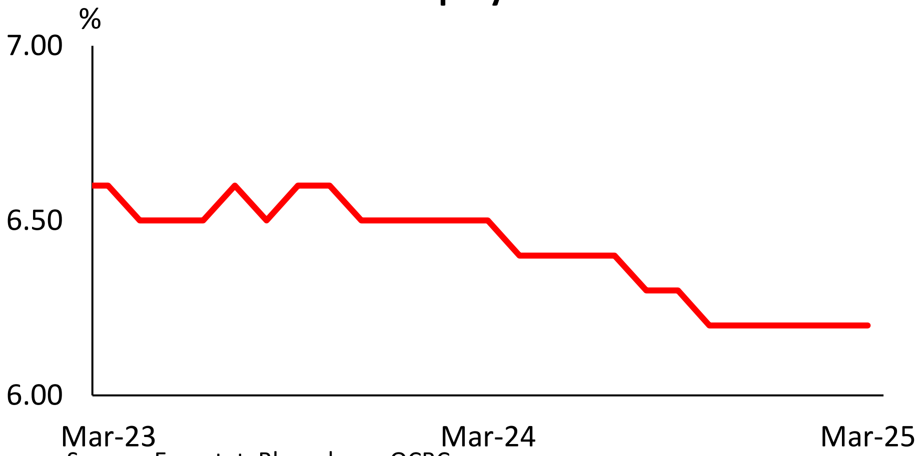
- The advance print showed that the Eurozone expanded by 0.4% QoQ in 1Q25 from 0.2% QoQ swda in 4Q24 (Consensus: 0.2%). Among major economies, Germany grew by 0.2% after contracting 0.2% in 4Q24. France also recovered from the decline in last quarter, with a growth rate of 0.1% from -0.1% in 4Q24. Spain expanded by 0.6%, 0.1pp lower than 4Q25, while Italy increased by 0.3.
- Despite the economic expansion, tariffs remain a concern for Eurozone. The April IMF World Economic Outlook (WEO) slashed its 2025 GDP Growth Forecast to 0.8% YoY, down from 1% YoY in the January WEO. This is closer to our estimate of 0.9% for 2025.
- Meanwhile, the unemployment rate held steady at 6.2% in March, indicating some stabilization of labour market conditions.

Eurozone: GDP Growth Rate



Source: Eurostat, German Federal Statistical Office, INE, INSEE, ISTAT

EU: Unemployment Rate

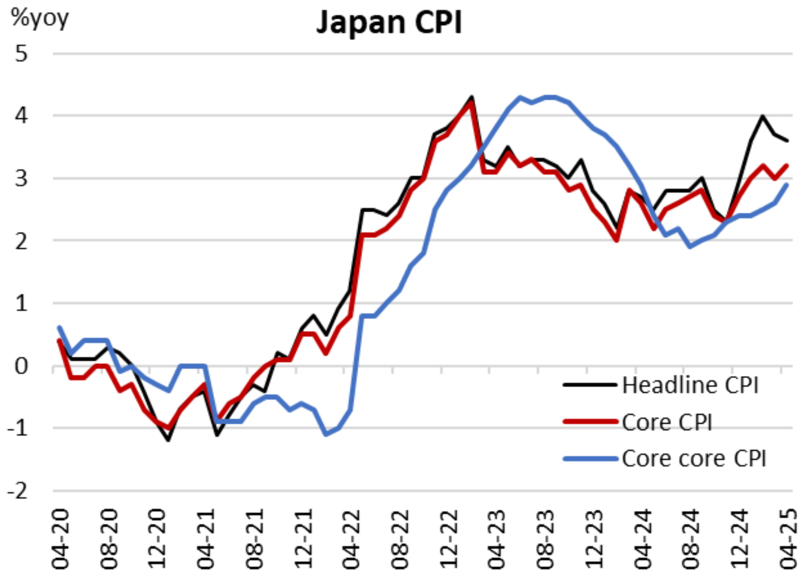


Source: Eurostat, Bloomberg, OCBC

Source: BEA, Bloomberg, OCBC

Japan: BoJ Holds at 0.5%

- BoJ kept its rate unchanged as expected and sounded much less hawkish. It downgraded its assessment on both growth and inflation. Core CPI median is forecast at +2.2% in FY25 and +1.7% in FY26. Real GDP median forecast for FY25 is +0.5% and +0.7% in FY26. BoJ assessed that the risks to growth and inflation were to the downside. At its previous meeting in March, BoJ has assessed that the risks to inflation were to the upside.
- BoJ stated that growth “is likely to moderate” compared to its previous assessment of “growing at a pace above its potential”. Additionally, the timeline for inflation to stay sustainably at 2% target has been pushed out. In the interim, ”underlying inflation is likely to be sluggish, mainly due to the deceleration in the economy”.
- We continue to expect BoJ to hike its policy rate by a cumulative 50bps in 2025.



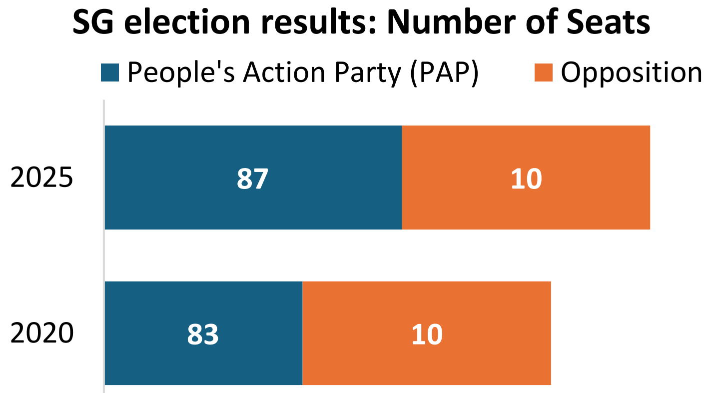
Source: Blomberg, OCBC Research

Median forecasts of policy board members

	Real GDP		Core CPI	
	FY2025	FY2026	FY2025	FY2026
April Forecast	+0.5%	+0.7%	+2.2%	+1.7%
January Forecast	+1.1%	+1.0%	+2.4%	+2.0%

Singapore: General Elections 2025

- Singapore held its general election on 3rd May. The People's Action Party (PAP), under Prime Minister Lawrence Wong, won a landslide victory by securing 87 out of 97 seats in the parliament. The party also saw an increase in the popular vote share, up to 65.57% from 61.2% in the 2020 General Election. The Workers' Party remained the largest opposition party.



Source: Election department of Singapore, Nikkei Asia.

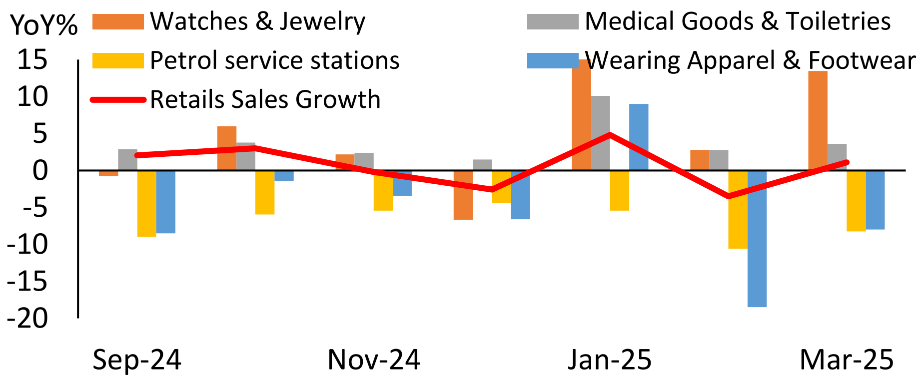
Vote shares (%)	PAP	WP	SUP	PPP	SPP	PSP	RDU	PAR	SDP	IND 1	SDA	IND 2	NSP
Aljunied (GRC)	40.32	59.68											
Ang Mo Kio (GRC)	78.95		10.84	10.21									
Bishan-Toa Payoh (GRC)	75.21				24.79								
Bukit Gombak (SMC)	75.83					24.17							
Bukit Panjang (SMC)	61.41				38.59								
Chua Chu Kang (GRC)	63.59					36.41							
East Coast (GRC)	58.76					41.24							
Holland-Bukit Timah (GRC)	79.29						20.71						
Hougang (SMC)	37.83	62.17											
Jalan Besar (GRC)	75.21							24.79					
Jalan Kayu (SMC)	51.47	48.53											
Jurong Central (SMC)	80.51						19.49						
Jurong East-Bukit Batok (GRC)	76.66						23.34						
Kebun Baru (SMC)	68.5					31.5							
Marine Parade-Braddell Heights (GRC)	Walkover												
Marsiling-Yew Tee (GRC)	73.46								26.54				
Marymount (SMC)	70.7					29.3							
Mountbatten (SMC)	63.84									36.16			
Nee Soon (GRC)	73.81						26.19						
Pasir Ris-Changi (GRC)	67.66										32.34		
Pioneer (SMC)	65.42					34.58							
Potong Pasir (SMC)	69.18				22.47			8.35					
Punggol (GRC)	55.17	44.83											
Queenstown (SMC)	81.12							18.88					
Radin Mas (SMC)	69.17							7.36				23.47	
Sembawang (GRC)	67.75								29.93				2.32
Sembawang West (SMC)	53.19								46.81				
Sengkang (GRC)	43.69	56.31											
Tampines (GRC)	52.02	47.37		0.43									0.18
Tampines Changkat (SMC)	56.17	43.83											
Tanjong Pagar (GRC)	81.03							18.97					
West Coast-Jurong West (GRC)	60.01					39.99							
Yio Chu Kang (SMC)	78.73							21.27					

OCBC

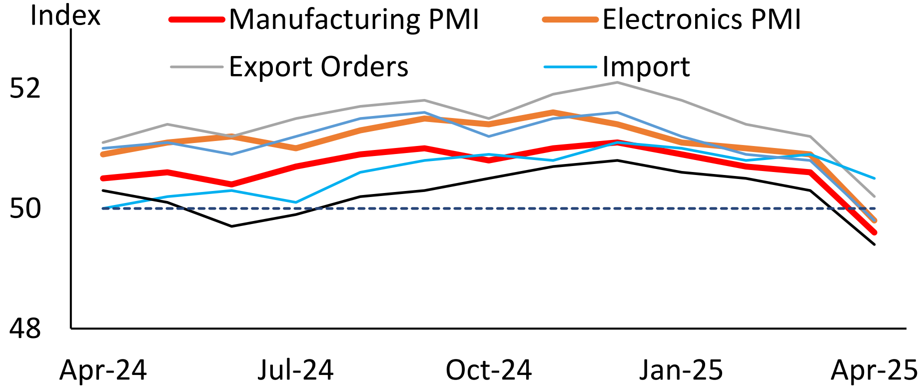
Source: The Straits Times, Nikkei.

Singapore: Incoming data becoming more mixed

- The March retail sales print of 1.1% YoY (-2.8% MoM sa) is slightly below our forecast of 1.5% YoY (-0.9% MoM sa), even though it marked a rebound from the February revised print of -3.5% YoY (3.0% MoM sa). The key retail segments that expanded in March were watches & jewellery, recreational goods, supermarkets & hypermarkets, motor vehicles, furniture & household equipment and computer & telecommunications equipment whereas the largest drags came from wearing apparel & footwear, petrol service stations, optical goods & books, food & alcohol, mini-marts & convenience stores, department stores. 2Q25 retail sales may still expand modestly since the 2Q24 base is not particularly challenging. That said, the risks are clearly skewed to the downside given that the official GDP growth forecast has been reduced from 1-3% to 0-2% YoY.
- The Singapore Institute of Purchasing and Materials Management (SIPMM) Manufacturing PMI was 49.6 in April, down from 50.6 in March, signaling a subduing manufacturing industry. It also marked the first contraction in manufacturing activities since September 2023. Looking at components of PMI, the import index declined to 50.5 from 50.9, while the export order index dropped to 50.2 from 51.2, suggesting the impact of international trade environment on the manufacturing sector; the new order index and the employment index decreased to 49.8 and 49.4, down from 50.8 and 50.3, respectively, entering a contraction territory. Moreover, the electronics PMI was 49.8, 1.1 pp lower than March.



Source: Singstat, Bloomberg, OCBC



Source: SIPMM, Bloomberg, OCBC

Source: Singstat, SIPPM, Bloomberg, OCBC.

Singapore: PASFTA to enter into force

- On 3rd May, the Pacific Alliance-Singapore Free Trade Agreement (PASFTA) entered into force. Members of PASFTA included Singapore, Chile, Colombia, Mexico and Peru, with the latter four belonging to the Pacific Alliance (PA) bloc. PASFTA was signed by every member country on 26th Jan 2022, with Singapore being the first to ratify (July 2022), followed by Peru (Feb 2023).
- PASFTA includes twenty-five chapters regarding disciplines like rules of origin, technical barriers to trade, e-commerce, and government procurement, etc. To facilitate trades and economic cooperation, member countries enjoy benefits such as tariff elimination, government procurement opportunities, no customs duties on electronic transmissions, and the removal of barriers to the supply of maritime transport services. Etc.

Sep 2017	July 2021	Jan 2022	July 2022	Feb 2023	May 2025
The negotiation for PASFTA started, with the PA launched negotiations with Singapore	The PASFTA negotiation concluded in July, with Singapore being represented by then Minister for Trade and Industry Gan Kim Yong.	Singapore and the PA signed the PASFTA at the 16th Pacific Alliance Summit. It also meant that Singapore became the first Partner State of the PA.	Singapore ratified PASFTA, becoming the first country to do so.	Peru became the second country to ratify PASFTA	PASFTA entered into force.

Source: Various News Sources, MITI, OCBC.

Singapore: PASFTA to enter into force (2)

- In 2024, the Pacific Alliance was the 9th largest economy, globally, with a total population of 235mn. In the same year, Singapore's bilateral trade with the PA was SGD12.5bn (USD9.6bn), which amounted more than a third of Singapore's total trade with the Latin American and Caribbean Region. More than 100 Singaporean companies, including Shopee and Taiger, have operations in the PA.
- Main exports by Singapore to the Pacific Alliance include electronic circuits, machineries, minerals, vehicle parts, and gas turbines. In exchange, Singapore imports agricultural products, including cocoa beans, chilled vegetables, and avocados, as week as products like wine and tequila, from the PA.
- With the entry into force, PASFTA becomes an economic bloc that has a total GDP of more than $2.6trn.

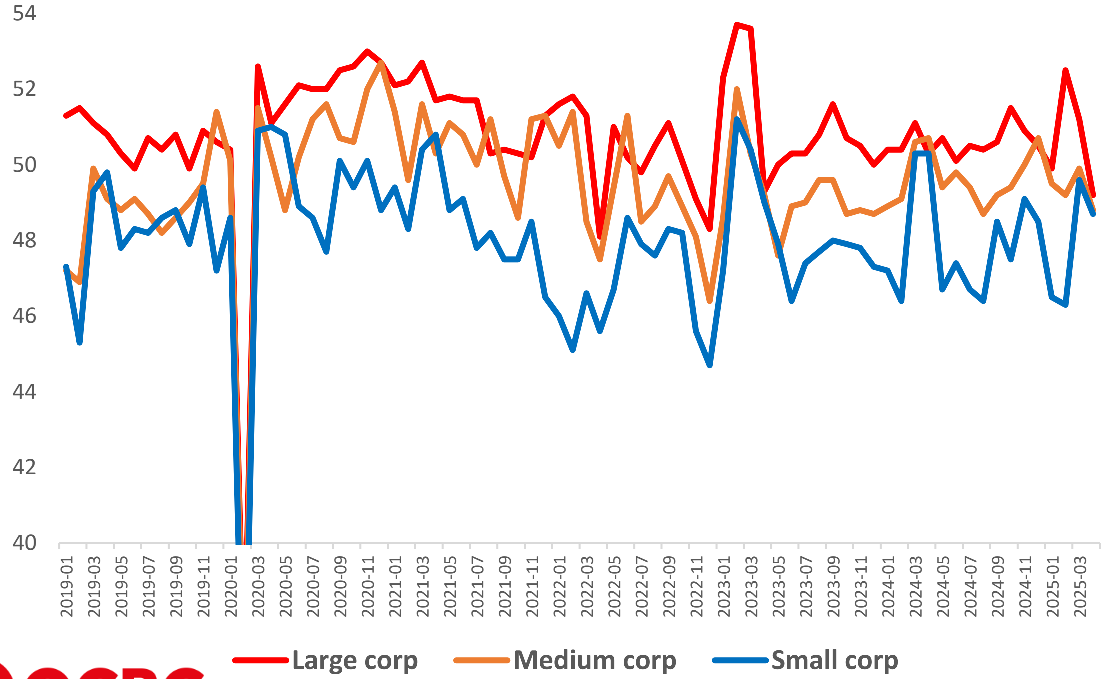
	Export by Singapore	Export to Singapore
Mexico	Electronic circuits, telephone sets, storage devices, medical instruments, and data processing machines	Tequila
Colombia	Vehicle parts, electronic integrated circuits, refined petroleum products, and precious stones	Coffee and chocolates
Peru	Machinery, minerals, agri-produce, prepared food, and mechanical appliances	Chilled vegetables and cocoa beans
Chile	Agri-product, Turbo jets and gas turbines, electrical components, frozen fish, wine, and chemicals	Frozen salmon and wine

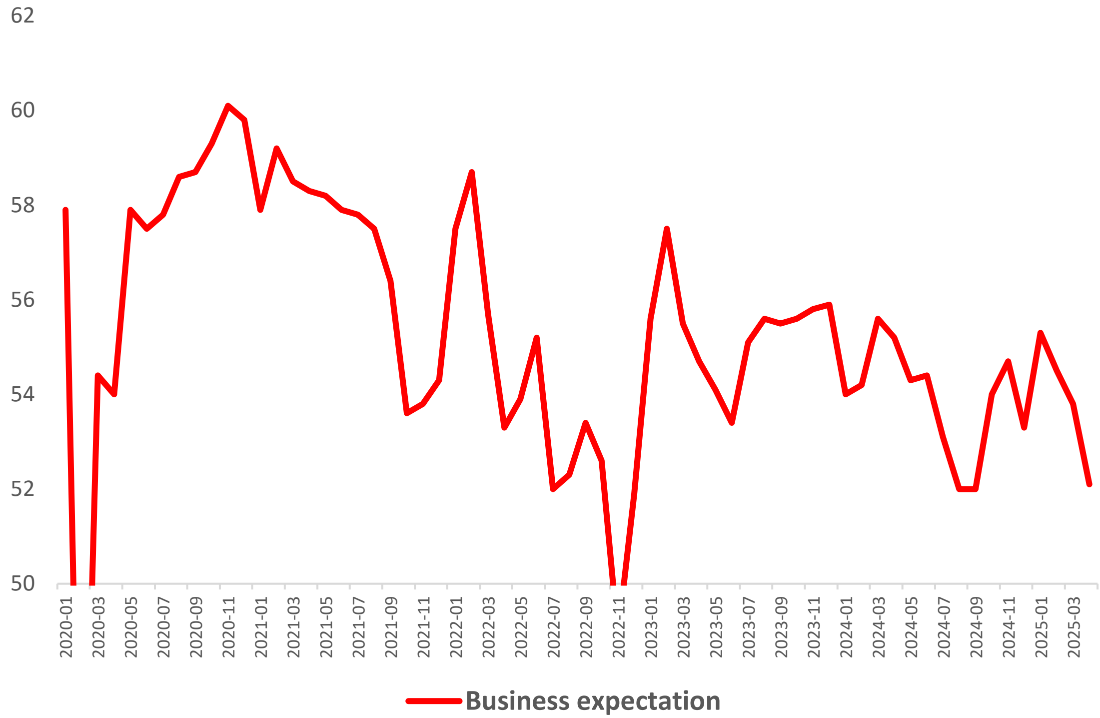
OCBC

Source: CAN, the Straits Times, OCBC.

China: Early impact of tariff

- Despite resilient performance in the first quarter—reflected in China's macro surprise index reaching its highest level since May 2023, following the post-COVID reopening—the adverse effects of the trade war have started to surface in both sentiment and data. China's official Manufacturing Purchasing Managers' Index (PMI) declined to 49.0 in April, down 1.5 points from the previous month, falling back into contraction territory and marking the lowest level since December 2023. The sharper-than-seasonal decline was broad-based, with weakness observed across both supply and demand.





Source: Bloomberg, OCBC

China: Escalate to deescalate

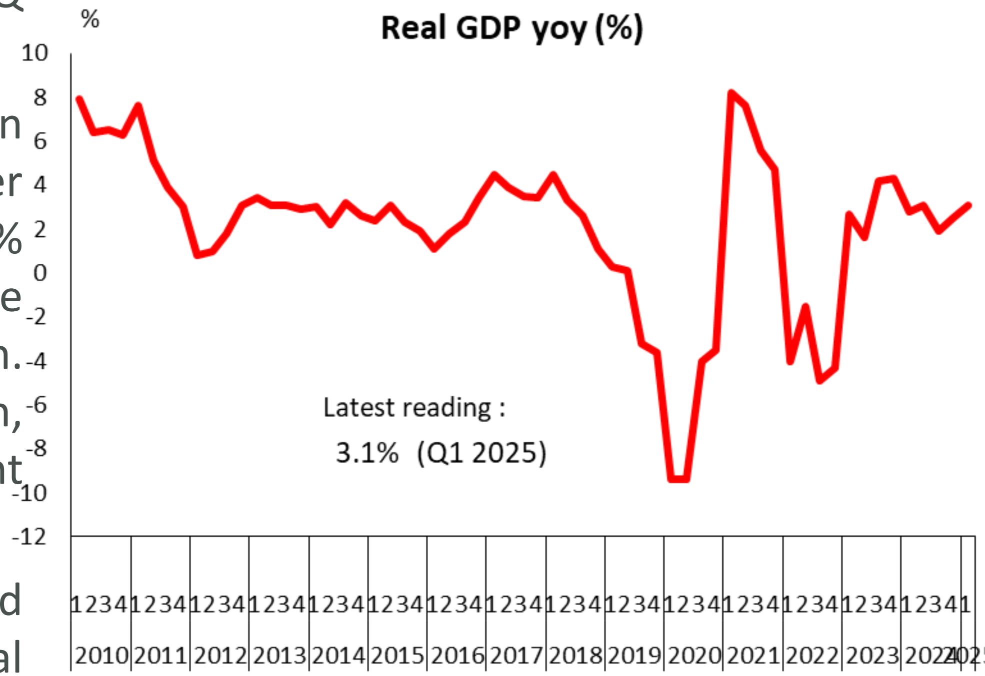
- In terms of trade war, China's Ministry of Foreign Affairs released a high-profile bilingual video last week titled "Never Kneel Down," warning against capitulating to external pressure. "Bowing to a bully is like drinking poison to quench thirst—it only deepens the crisis," the video stated. This messaging underscores Beijing's hardened stance and signals that meaningful engagement with Washington is unlikely in the near term unless the US suspends its reciprocal tariffs.

- However, markets appeared to discount the hardline rhetoric, instead responding positively to a more conciliatory statement from China's Ministry of Commerce, which noted that "the U.S. has recently conveyed messages through relevant parties, expressing a willingness to initiate talks with China, and China is currently evaluating this." The RMB, along with broader Asian currencies, rallied sharply despite a still-firm U.S. dollar index. It seems that China's escalate to deescalate strategy pays off.

Source: Bloomberg, OCBC

HK: Economy grew by 3.1% YoY in 1Q25

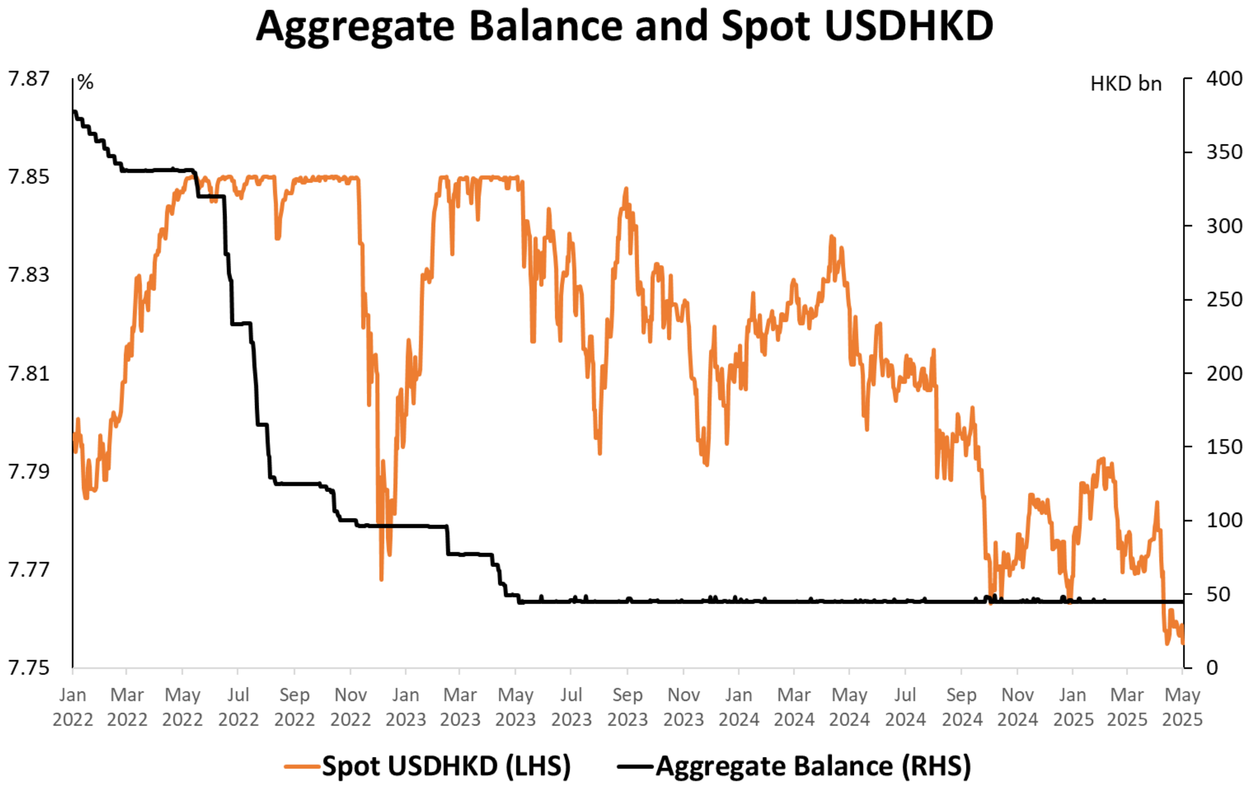
- According to advance estimate, real GDP growth accelerated to 3.1% YoY in 1Q25, from an upwardly revised 2.5% YoY in 4Q24, on the back of export boom. On a seasonally adjusted basis, the economy grew by 2.0% QoQ (4Q24: 0.9% QoQ).
- Private consumption expenditure contracted by a faster pace of 1.2% YoY in 1Q25 (4Q24: -0.2%), yet it was offset by brisk pace of expansion in other components of GDP. Growth in goods and service exports paced up to 8.7% YoY and 6.6% YoY respectively (4Q24: 1.3% YoY and 6.5% YoY), with the former due to front-loading of exports ahead of US' tariff implementation. Meanwhile, gross domestic fixed capital formation reverted to growth, increasing by 2.8% YoY (4Q24: -0.7% YoY). Growth in government consumption however slowed to 1.2% YoY (4Q24: 2.1% YoY).
- Our full-year GDP growth forecast for 2025 and 2026 is revised downward to 1.9% and 2.3% respectively, accounting for the slowdown in global growth and worsened US-China trade relationship. We expect to see soft patches in economic data in coming quarters, but recession is still not our baseline scenario.



Source: HK Census and Statistics Department, OCBC

HK: Strong-side convertibility undertaking triggered

- The Hong Kong Monetary Authority sold $46.5 billion Hong Kong dollars to the market last Saturday, as the strong-side Convertibility Undertaking was triggered for the first time in two years. The aggregate balance will rise to HK$91.3 billion as a result, providing some liquidity buffer for the upcoming market activities.
- Spot USDHKD is expected to stay close to the 7.75 handle in the near-term, as HKD liquidity tightened on investment-related inflows, pending IPOs and dividend payout activities.

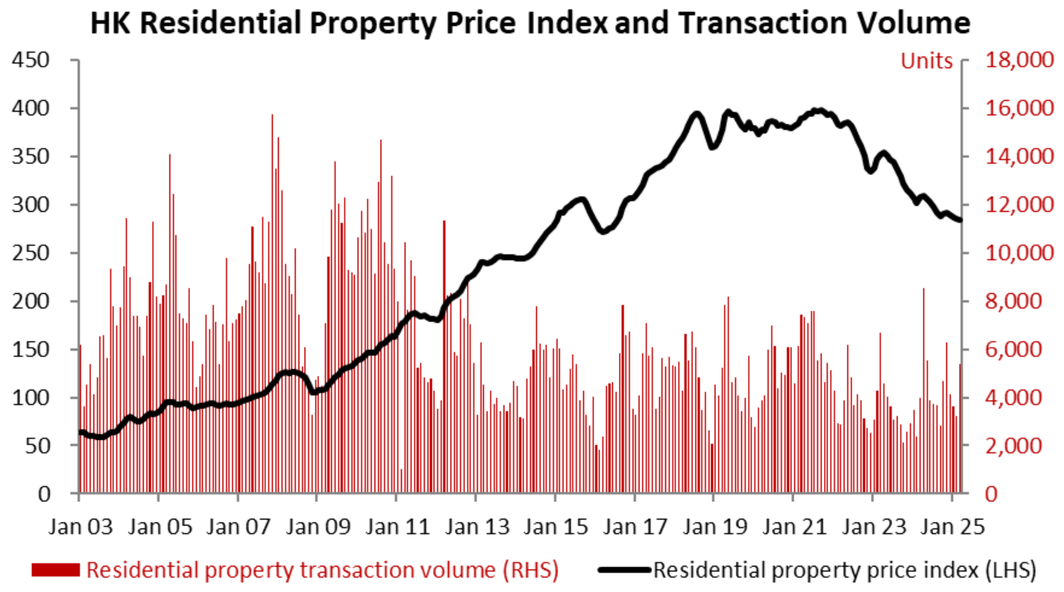


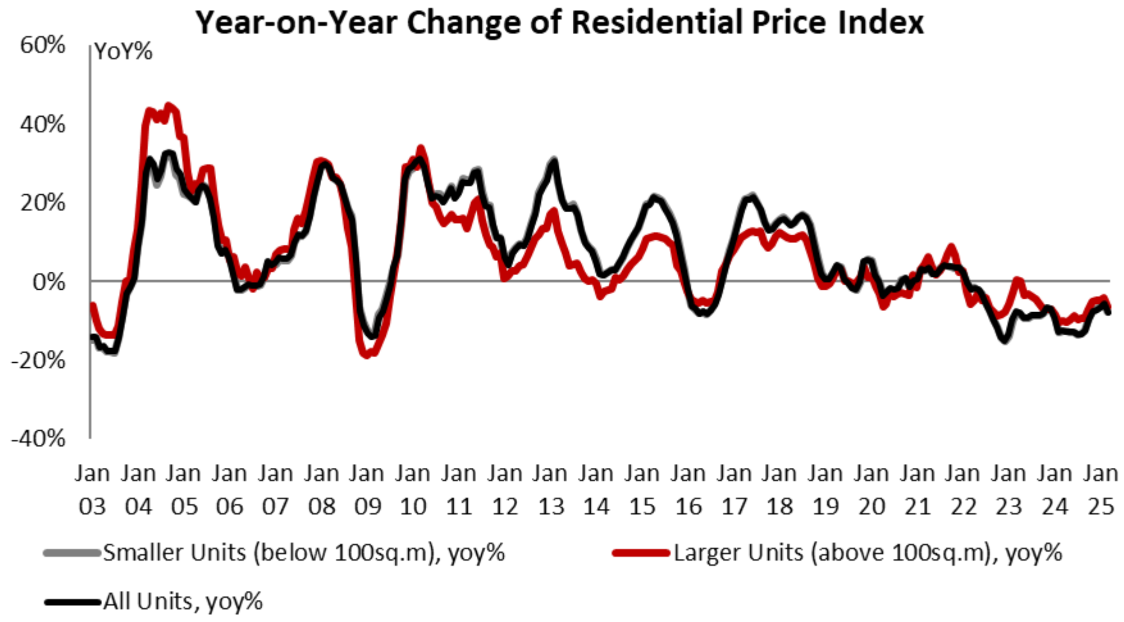
Source: Bloomberg, OCBC

HK: Housing price and rent trends still diverging

- Housing price and rent continued to show a diverging trend. The residential property price index fell for the fourth straight month, albeit at a slower pace of 0.5% MoM in March (-0.7% MoM and -0.6% in January and February), refreshing the 8-year low. Meanwhile, rental index extended the recent rally by 0.1% MoM in March (0.2% MoM in January and February). Trading activities bounced to four-month high of 5,367 cases in March, on the back of increase in launches of primary projects and reduction in stamp duty for some property transactions.

- The narrowing of buy-rent gap, further cut in prime rate, together with increases in non-local demand, will likely lend some support to the housing market. However, the heightened macroeconomic uncertainties still clouded the outlook. We expect the price index to stay largely flat in 2025, with decline in the first half of the year and a mild rebound in the latter half of the year.



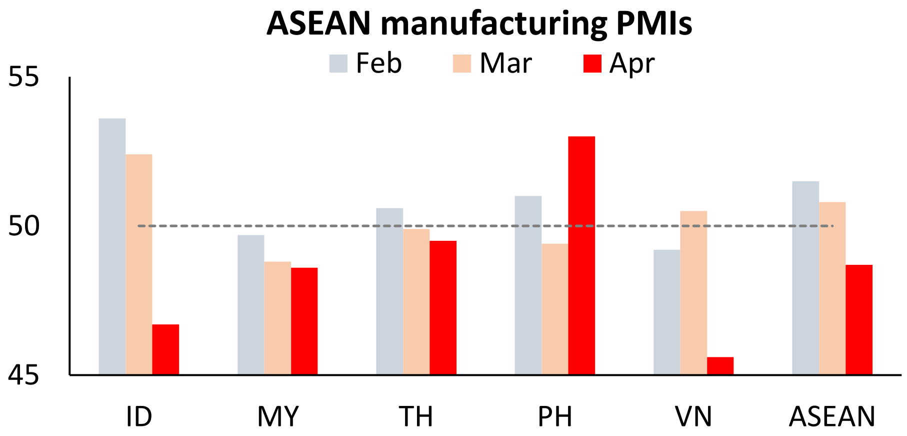


Source: HK Rating and Valuation Department, OCBC

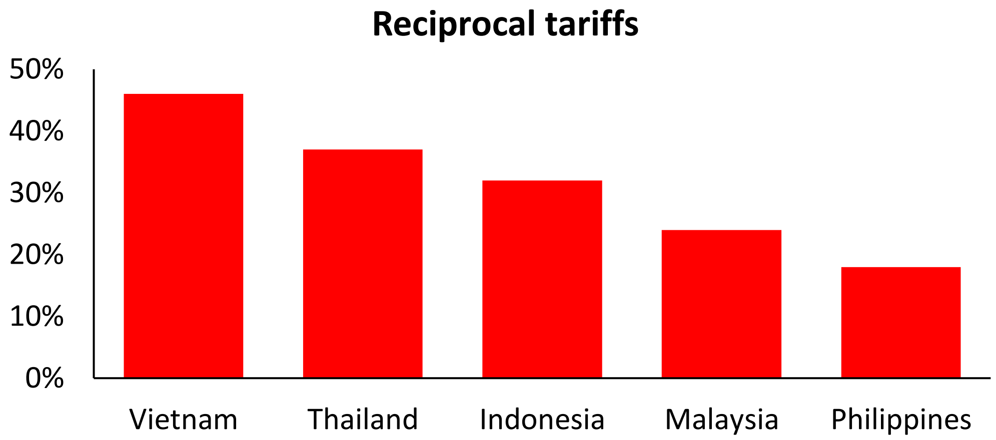
ASEAN: Weaker PMI readings

- Manufacturing sentiment deteriorated sharply across the ASEAN region in April in response to the broad-based reciprocal tariff announcement made by the US on April 2, 2025. Specifically, the manufacturing PMI fell to 48.7 in April from 20.8 in March, marking the first contraction (< 50) in 16 months and representing the weakest operating conditions since August 2021. Firms reported declining output and new orders, prompting them to lower their purchasing activities and workforce numbers. Additionally, the survey indicated that firms were the least optimistic about their production outlook since July 2020.

- Interestingly, manufacturing sentiment improved in the Philippines (53.0 from 49.4), as both output and new orders increased, alongside a higher level of purchasing activity. Nonetheless, companies signalled caution in expanding their workforce, with confidence among manufacturers falling to its second-lowest level on record, with some noting that the pickup in April was partly supported by election activities. Meanwhile, the manufacturing PMIs for Indonesia, Malaysia, Thailand, and Vietnam are all in contraction territory.



Source: S&P Global, Bloomberg, OCBC.

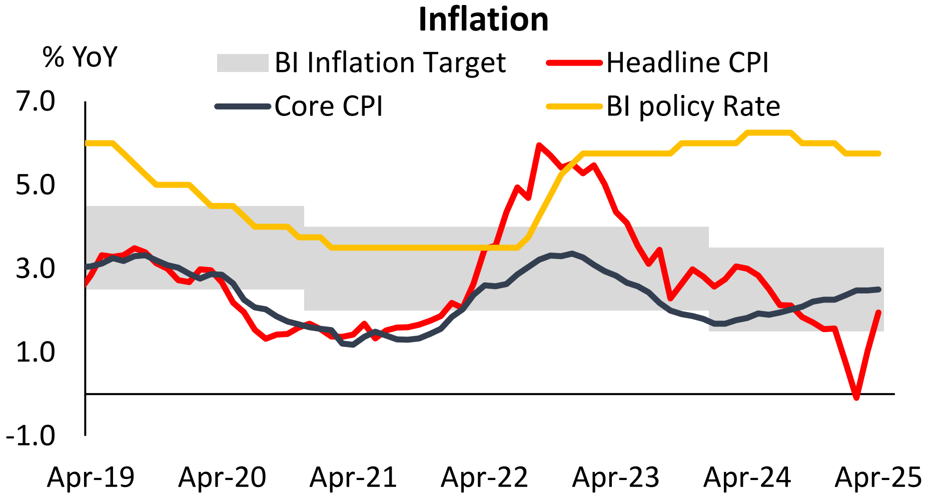


Source: White House, OCBC.

Source: BPS, CEIC, OCBC.

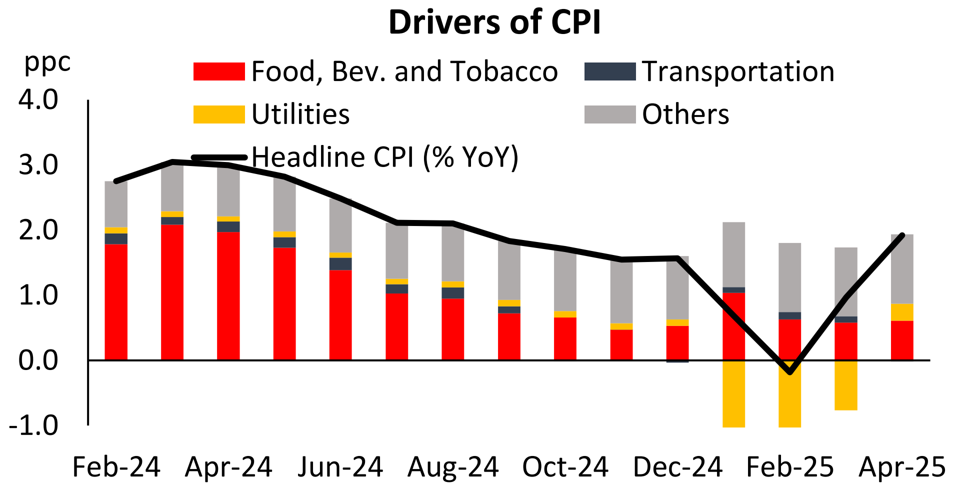
Indonesia: Headline inflation back to target

- Headline inflation rose by more than expected to 1.9% YoY in April (Consensus & OCBC: 1.5%) from 1.0% in March, with administered prices CPI picked up to 1.3% from -3.2% while the core print steadied at 2.5%. Looking at the components, higher CPI readings in food, beverages & tobacco (2.2% from 2.1%), housing, water, electricity & other fuel (1.6% from -4.7%), and personal care & other services (9.9% from 8.5%) more than offset the weaker CPI in transportation (-0.1% from 0.8%), clothing & footwear (0.9% from 1.4%), food provision/restaurants (2.1% from 2.3%), and household equipment & maintenance (0.9% from 1.0%).
- The April CPI print marks the first month since December 2024 in which the headline CPI returned to the central bank's target range of 2.5% ± 1% for 2025. We anticipate that the full-year CPI to ease 2.0% YoY in 2025, down from 2.3% in 2024.



Source: Statistics Indonesia (BPS), Bloomberg, OCBC.

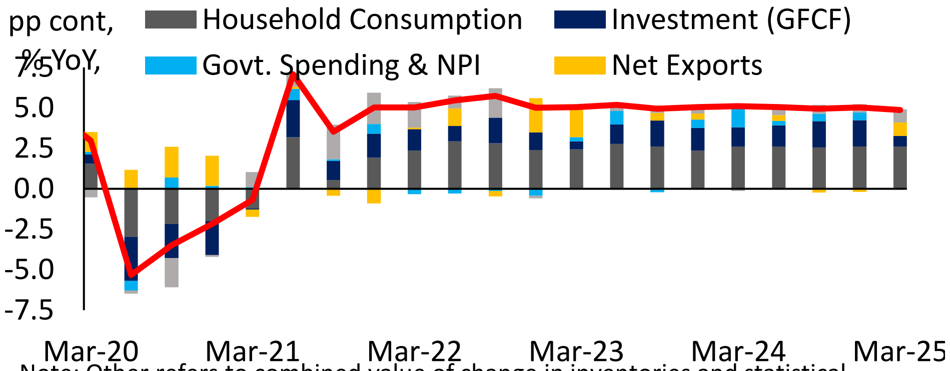
Source: BPS, CEIC, OCBC.



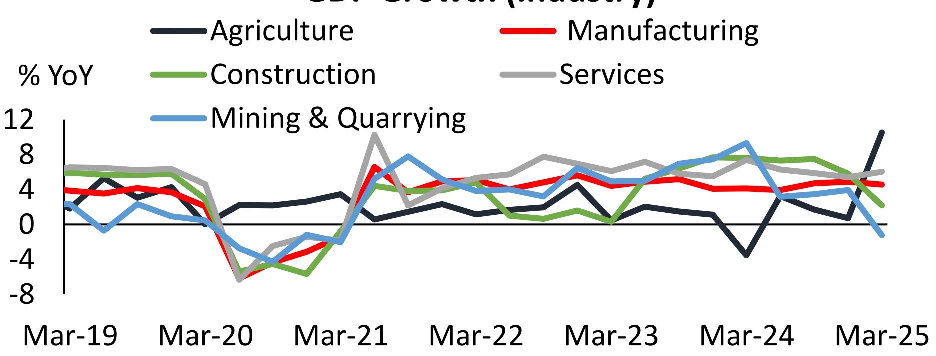
Source: Statistics Indonesia (BPS), Bloomberg, OCBC.

Indonesia: Slowing 1Q25 GDP growth adds to the case for rate cuts

- GDP growth slowed to 4.9% YoY in 1Q25 versus 5.0% in 2024 (Consensus: 4.9%; OCBC: 4.7%). The details are more telling, painting a picture of clearly weakening economic growth momentum in domestic demand drivers.
- Specifically, gross fixed investments slowed to 2.1% YoY versus 5.0% in 4Q24, likely reflecting slower construction sector growth as well as weaker commodities prices. Household spending also slowed marginally to 4.9% YoY versus 5.0% in 4Q24 despite the festive season. Corroborating this, import growth slowed to 4.0% YoY in 1Q25 versus 10.4% in 4Q24.
- We expect GDP growth to average 4.7% YoY in 2025, implying weaker growth in the coming quarters. IDR has gained by 2.7% versus USD since BI's meeting 23 April meeting. Foreigner holding of government bonds has been largely stable at 14.4% of total outstanding as of end-April 2025. Continued gains in IDR versus USD in the coming weeks will present BI with a good opportunity to ease by 25bp at its 21 May meeting. Our forecast is for the BI rate to be 5.25% by end-2025.



Note: Other refers to combined value of change in inventories and statistical discrepancies. Source: Statistics Indonesia (BPS), CEIC, OCBC.

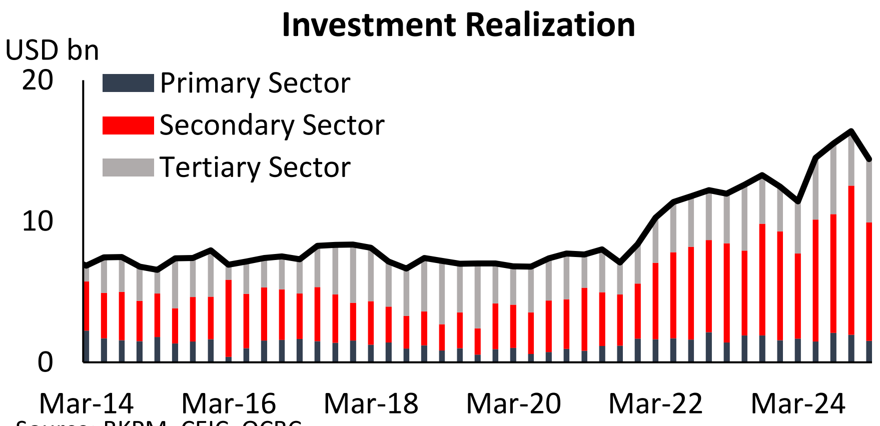


Note: Services = Combined value of Wholesales & Retail Trade, Repairs, Transportation & Storage, Accommodation & Food Beverages Activity, Information & Communication, Financial & Insurance Activity, Real Estate, Business Services, Public Admin, Défense & Social Security, Education Services, Human Health & Social Work Activity, Other Services

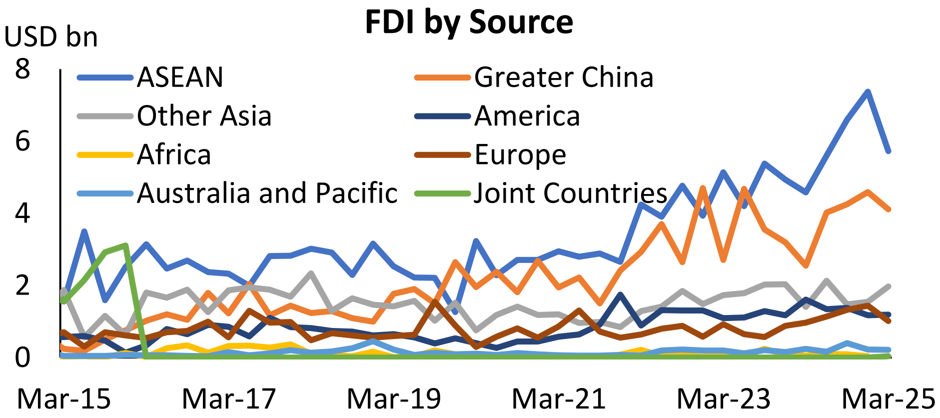
Source: BPS, CEIC, OCBC.

Indonesia: Slowing realized investment growth in 1Q25

- Foreign direct investment growth eased to 26.6% YoY to USD14.4bn (IDR230.4trn) in 1Q25 from 31.5% in 4Q24 (USD16.4bn) and accounted for 49.5% of total realized investment in 1Q25. By sector, the basic metal (USD3.6bn, 115.9% YoY) and mining (USD1.2bn, -11.5% YoY) sectors were among the key recipients of FDI, followed by transportation, warehouse, and telecommunication (USD1.1bn, -3.2%). Meanwhile, domestic direct investment growth accelerated to 47.3% YoY reaching IDR234.8trn in 1Q25, up from 14.1% (IDR207trn) in 4Q24. Combined total realized direct investment rose by 15.9% YoY reaching IDR465.2trn in 1Q25, and contributing up to 594.1k jobs, with investment outside Java accounted for 50.7%. Singapore (USD4.6bn), Hong Kong (USD2.2bn), and Mainland China (USD1.8bn) were the top three foreign investors.
- Commenting on the investment by LG, Investment and Downstreaming Minister Rosan Roeslani noted that the company remained committed to investment in Indonesia's EV battery ecosystem. Specifically, Minister Roeslani revealed that the company have completed the investment of USD1.1bn in battery cell production and plans to expand their investment by another USD1.7bn for the development and expansion of the battery cell plant.



Source: BKPM, CEIC, OCBC.
Source: Indonesia Investment Coordinating Board, CEIC, OCBC.



Note: ASEAN values are comprised of Brunei Darussalam, Cambodia, Singapore, Malaysia, the Philippines, Thailand, and Vietnam. Greater China includes Mainland China, Hong Kong, Macau, and Taiwan. Source: BKPM, CEIC, OCBC.

Malaysia: Dealing with tariffs; BNM likely on hold

- The government has postponed the expanded Sales and Service Tax (SST) rollout beyond 1 May 2025, with enforcement expected to begin after its gazettement on 1 June, as authorities refine the scope of the implementation.
- Additionally, the government plans to fully remove egg subsidies by August 2025, starting with a phased reduction that includes a 50% cut from 1 May. This decision is part of PM Anwar Ibrahim’s broader push for fiscal reform, which also encompasses plans to reduce fuel subsidies and expand the sales and service tax, although these initiatives have faced delays.
- We expect Bank Negara Malaysia (BNM) to maintain its policy rate at 3.00% during its upcoming meeting on Thursday (8 May, 3pm SGT). However, given the increasing need to support economic growth, we anticipate that the central bank will adopt a more dovish tone compared to its previous meetings.
- Notably, BNM Governor Abdul Rasheed Ghaffour indicated on 23 April, during an IMF event in Washington, that the country may revise its 2025 growth forecast of 4.5% to 5.5% due to escalating trade and tariff risks, although the bank will wait to assess global developments before making any changes.
- Looking ahead, we expect BNM to lower its policy rate by a cumulative 50bps in 2026; it could be brought forward if growth deteriorates rapidly in 2H25.

Source: BNM, CEIC, OCBC.

ESG

ESG: Controversial US efforts to boost deep-sea mining industry

- The Trump administration signed a controversial executive order to boost deep sea mining within the US and in international waters. Authorities are expected to develop a plan to map priority areas of the seabed, engage with partners for seabed mineral exploration and expedite the process for reviewing and issuing exploration and commercial recovery permits under the Deep Seabed Hard Mineral Resources Act.
- This is part of plans to create a robust domestic supply chain for critical minerals (e.g. nickel, copper) derived from seabed resources to support economic growth, while countering China’s dominance in the industry. Following the executive order, deep-sea mining firm The Metals Co is seeking a commercial recovery permit to mine the international seabed.
- The move bypasses the efforts by the United Nations’ International Seabed Authority (ISA) in developing mining standards in international waters. Deep sea mining is also a controversial industry due to its energy-intensive nature with high greenhouse gas emissions, impact on marine ecosystems, as well as impact on local communities that depend on these ecosystems for their livelihoods.
- Over 30 countries are in support of a deep-sea mining moratorium. Many countries, including China, have delayed issuing permits until countries agree on a framework for how such resources should be shared. This can raise greater geopolitical risks for the industry, with conflict in international waters over disputed resources likely on the horizon.

Source: The White House, IUCN, Reuters, OCBC

FX & Rates

FX & Rates: TWD Leads Gains

- **USD Rates.** UST yields rose by 7-13bps on Friday with the curve flatter, as payroll and labour market report alleviated growth worries. April non-farm payroll printed 177K, unemployment rate stayed at 4.2%, the underemployment rate edged lower to 7.8%, and hourly earnings eased to 0.2% MoM. These outcomes, together with the earlier reported JOLTS and job openings-to-unemployed ratio (which fell to 1.01) suggest the labour market is moving in line with gradual cooling. 10Y real yield went back to above 2% level; range of 10Y UST yield is seen at 4.28-4.41%. This week, there is net bills paydown of USD11bn, and net coupon bond settlement of USD30.8bn. There are auctions of USD58bn of 3Y, USD42bn of 10Y and USD25bn of 30Y coupon bonds. The sizes of 10Y and 30Y bonds are higher as usual in the first month of the refunding quarter. US Treasury is planning for same auction sizes for nominal coupon bonds in the May-Jul period as in the Feb-Apr period. It also said to maintain these sizes "for at least the next several quarters".

- **DXY.** USD traded softer as gains in AxJs spilled over to DM FX. Hopes of a US-China dialogue (although it may still be early days) and signs of progress on possible trade deals have reinforced the de-escalation thematic, helping to stabilise sentiments. Focus this week on ISM services (Mon) and FOMC (Thu), expectations are for Fed to stay on hold. A relatively resilient labour market (NFP surprised with +177k increase) and renewed focus on price stability justifies the Fed to keep policy rate on hold.

- **USDTWD.** TWD had the largest one-day gain since 1988 and the USDTWD decline continued in Mon morning (>4% move). The gains are catalysed by prospects of a dialogue between US and China, poor market liquidity and absence of FX support. We believe CBC's recent tolerance for TWD appreciation likely reflects a broader policy recalibration rather than just a tactical move tied to trade negotiations with US. That said, allowing the TWD to strengthen (in line with other FX) could help pre-empt any accusations of currency. A more market-determined TWD may also be helpful during US-TW trade talks. If USD softness persists, we expect hedge ratios to be raised more proactively. The momentum behind TWD strength may have legs if the broader de-escalation narrative holds, if tariff implication on growth proves more manageable than feared, and if broad-based USD weakness persists.

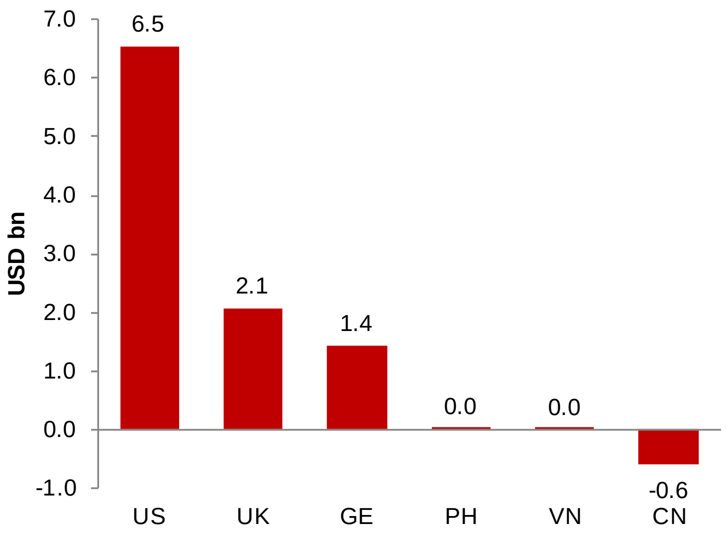
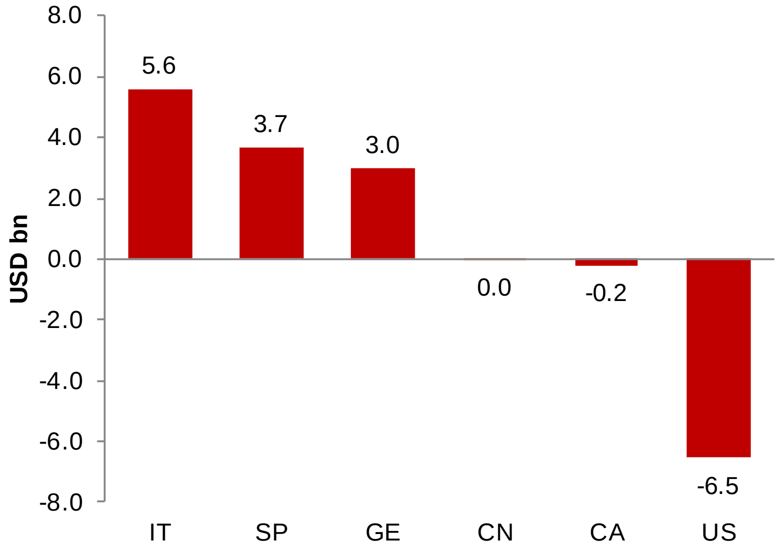
- **CNY Rates.** PBoC did CNY1.2trn of outright reverse repos in April, just rolled over the same amount of outright reverse repos that matured. The net CNY500bn injection via MLF in the month also means a shift to longer-term liquidity in terms of support. The key takeaways are probably that PBoC constantly adjusts its provision of liquidity in terms of amounts and tenors, while reserving some ammunition (i.e. RRR and/interest rates cuts) for periods with heightened need for support. The first batch of special bonds auctions were well received, suggesting PBoC's strategy has worked well thus far. In offshore, forward points are lower on forward outright moves; implied CNH rates fell alongside. Nevertheless, front-end implied CNH rates are off previous lows, and the gap with onshore rates narrowed. At current levels, and considering potential Southbound inflows, we turn neutral to front-end CNH rates versus looking for bottoming out previously.

OCBC

Asset Flows

Global Equity & Bond Flows

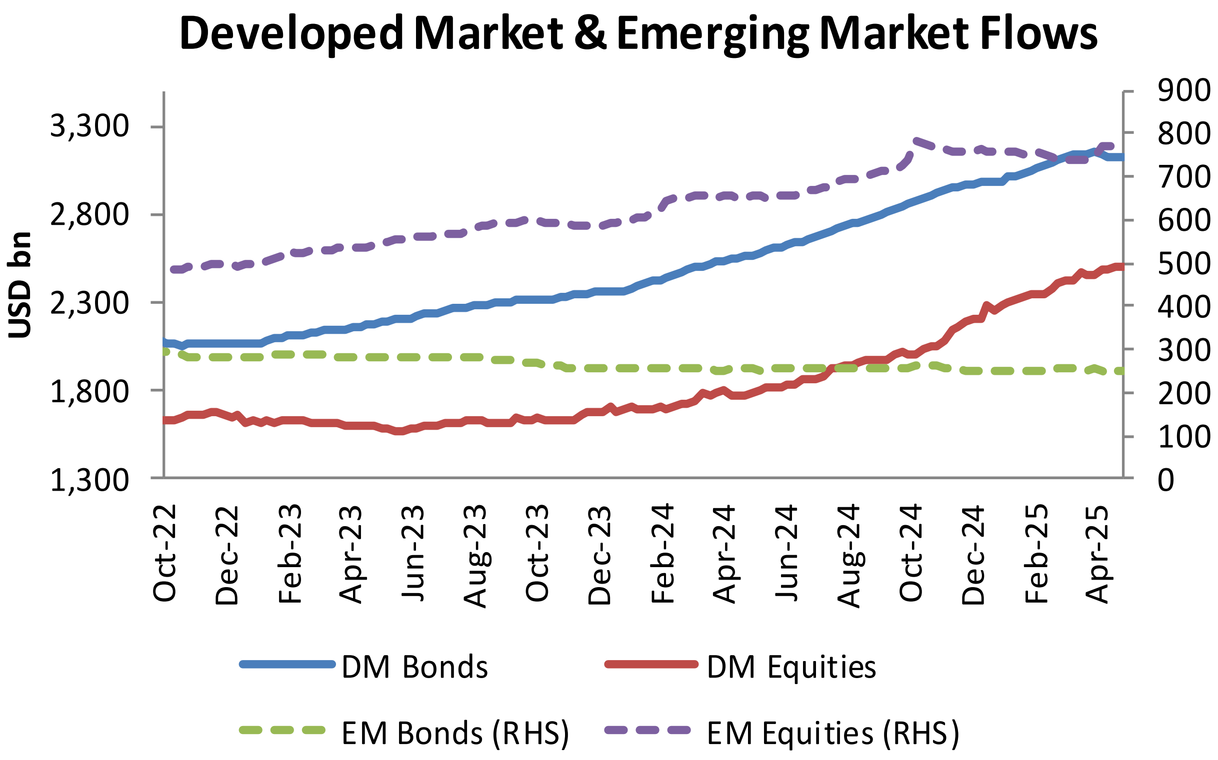
- Global equity markets saw net inflow of $8.0bn for the week ending 30 April 2025, a decrease from the inflow of $9.0bn last week.
- Global bond markets reported net inflows of $3.4bn, an increase from last week's outflows of $985mn.

Equity top gainers & losers	Bonds top gainers & losers
	

Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($8.1bn) saw inflows and Emerging Market Equities ($203mn) saw outflows.
- Developed Market Bond ($2.5bn) saw inflows and Emerging Market Bond ($863mn) saw inflows.



Source: OCBC, EPFR

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