



# Weekly Macro Views (WMV)

Treasury Research & Strategy (5th October 2021)

# Weekly Macro Update

## Key Global Events for this week:

4 <sup>th</sup> October	5 <sup>th</sup> October	6 <sup>th</sup> October	7 <sup>th</sup> October	8 <sup>th</sup> October
<ul style="list-style-type: none"> <li>- US Durable Goods Orders</li> <li>- US Factory Orders</li> <li>- US Cap Goods Orders Nondef Ex Air</li> <li>- AU Melbourne Institute Inflation MoM</li> <li>- SI Purchasing Managers Index</li> <li>- CA Building Permits MoM</li> </ul>	<ul style="list-style-type: none"> <li>- RBA Cash Rate Target</li> <li>- TH CPI YoY</li> <li>- JN Tokyo CPI Ex-Fresh Food YoY</li> <li>- SK CPI YoY</li> <li>- AU Trade Balance</li> <li>- PH CPI YoY</li> <li>- SI Retail Sales YoY</li> <li>- US Trade Balance</li> <li>- US ISM Services</li> </ul>	<ul style="list-style-type: none"> <li>- RBNZ Official Cash Rate</li> <li>- US MBA Mortgage Applications</li> <li>- US ADP Employment Change</li> <li>- UK Markit/CIPS UK Construction PMI</li> <li>- GE Factory Orders MoM</li> <li>- HK Markit PMI</li> </ul>	<ul style="list-style-type: none"> <li>- US Initial Jobless Claims</li> <li>- GE Industrial Production SA MoM</li> <li>- SI GDP YoY</li> <li>- SK BoP Current Account Balance</li> <li>- CH Foreign Reserves</li> <li>- HK Foreign Reserves</li> </ul>	<ul style="list-style-type: none"> <li>- US Change in Nonfarm Payrolls</li> <li>- JN BoP Current Account Balance</li> <li>- CA Unemployment Rate</li> <li>- US Unemployment Rate</li> <li>- CA Net Change in Employment</li> <li>- TH Foreign Reserves</li> </ul>

## Summary of Macro Views:

<b>Global</b>	<ul style="list-style-type: none"> <li>• <b>Global:</b> US Q2 GDP growth revised</li> <li>• <b>Global:</b> UK economy grows faster than expected</li> <li>• <b>Global:</b> US consumer confidence still low</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>SG:</b> S'pore home prices up for 6th straight quarter</li> <li>• <b>SG:</b> Singapore's total population posts record fall</li> <li>• <b>HK:</b> HKD deposits dropped and RMB deposits rose</li> <li>• <b>HK:</b> E-vouchers scheme juiced up retail sales</li> </ul>

<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>Macau:</b> Gaming sector's recovery remains subdued</li> <li>• <b>CH:</b> Still attractive return to foreign investors</li> </ul>
<b>Asset Class</b>	<ul style="list-style-type: none"> <li>• <b>FX &amp; Rates:</b> USD retreated and UST yields softened</li> </ul>
<b>Asset Flows</b>	<ul style="list-style-type: none"> <li>• <b>Asset Flows</b></li> </ul>

# Global: US debt ceiling a continuing concern

- House Democrats are hoping to break a stalemate on US\$550bn new spending bill, with House Speaker Pelosi planning for a Friday vote.
- **Other key developments:** Personal income rose 0.2% in August, while personal spending climbed 0.4%. Core PCE prices also rose more than expected by 0.3% mom (3.6% YoY), the highest since 1991.
- **Key data release are as follows:**
  - 4th October: US Durable Goods Orders, US Factory Orders, US Cap Goods Orders Nondef Ex Air, AU Melbourne Institute Inflation MoM, SI Purchasing Managers Index, CA Building Permits MoM
  - 5th October: RBA Cash Rate Target, TH CPI YoY, JN Tokyo CPI Ex-Fresh Food YoY, SK CPI YoY, AU Trade Balance, PH CPI YoY, SI Retail Sales YoY, US Trade Balance, US ISM Services
  - 6th October: RBNZ Official Cash Rate, US MBA Mortgage Applications, US ADP Employment Change, UK Markit/CIPS UK Construction PMI, GE Factory Orders MoM, HK Markit PMI
  - 7th October: US Initial Jobless Claims, GE Industrial Production SA MoM, SI GDP YoY, SK BoP Current Account Balance, CH Foreign Reserves, HK Foreign Reserves
  - 8th October: US Change in Nonfarm Payrolls, JN BoP Current Account Balance, CA Unemployment Rate, US Unemployment Rate, CA Net Change in Employment, TH Foreign Reserves

# Global: Central Banks

## Forecast – Key Rates

Reserve Bank of Australia  
(RBA)



Tuesday, 5th Oct

*Cash Rate*

Likely **hold** at **0.10%**

Reserve Bank of New  
Zealand (RBNZ)



Wednesday, 6th Oct

**House Views**

*Cash Rate*

Likely **hike 25 bps** to **0.50%**

Reserve Bank of India  
(RBI)



Friday, 8th Oct

*Repurchase Rate*

Likely **hold** at **4.00%**

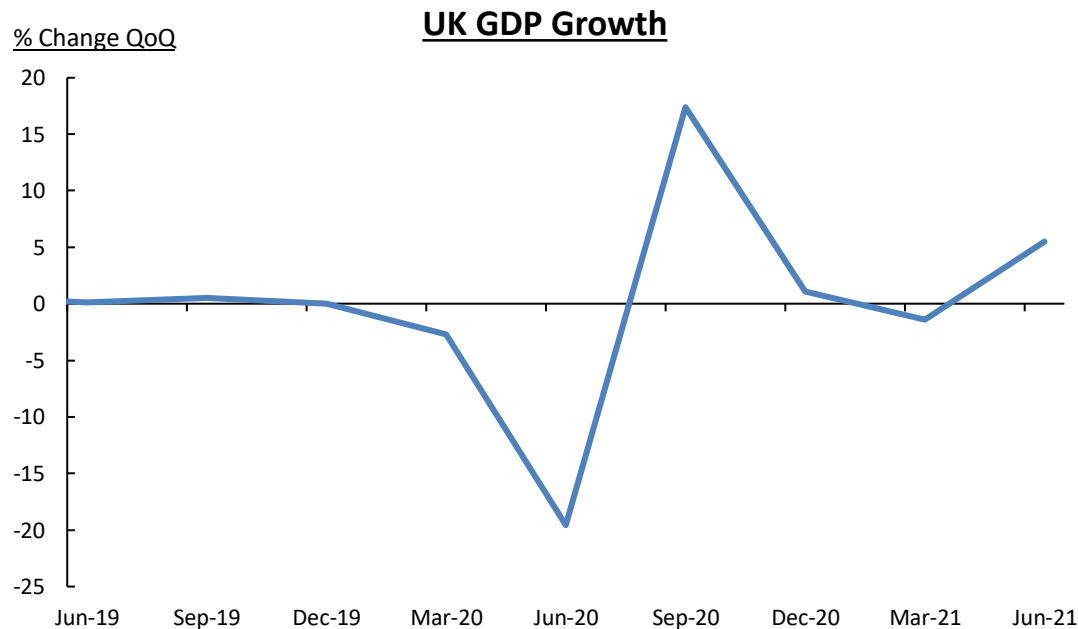
# Global: US Q2 GDP growth revised

- The U.S. economy grew at 6.7% qoq in Q2, a revised print from the initially reported 6.6%.
- Rise in consumer spending was faster than expected at 12.0% qoq and exports were revised to show a 7.6% qoq increase instead of 6.6%.
- Economic growth is expected to slow a bit in the Q3 because of the Delta Variant but the Federal Reserve projects GDP to come in at about 7.0% in 2021.



# Global: UK economy grows faster than expected

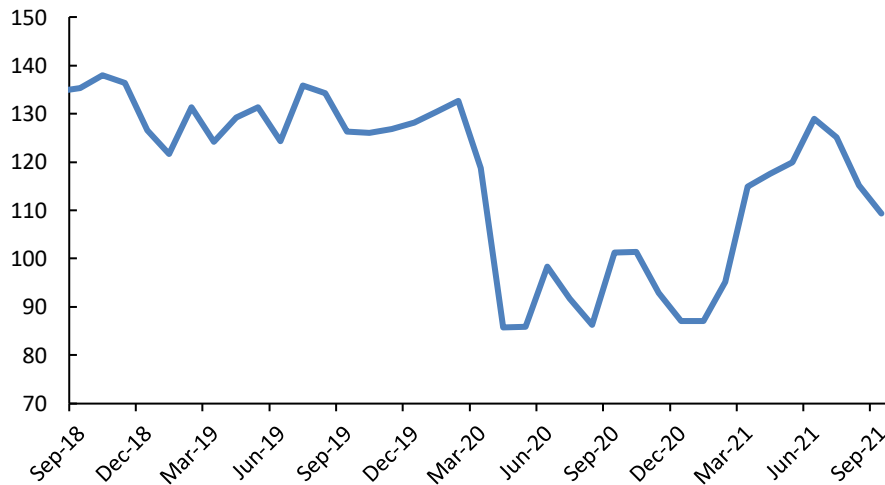
- The UK economy grew faster than expected in Q2 2021 on strong performance from the healthcare and services sectors.
- UK GDP increased 5.5% qoq in Q2, higher than estimates of 4.8%.
- Growth was driven by services in the F&B and accommodation space where output increased by 87.6% qoq.
- Manufacturing sector output increased 1.8% qoq in Q2, this is despite chip shortages which hampered car production.



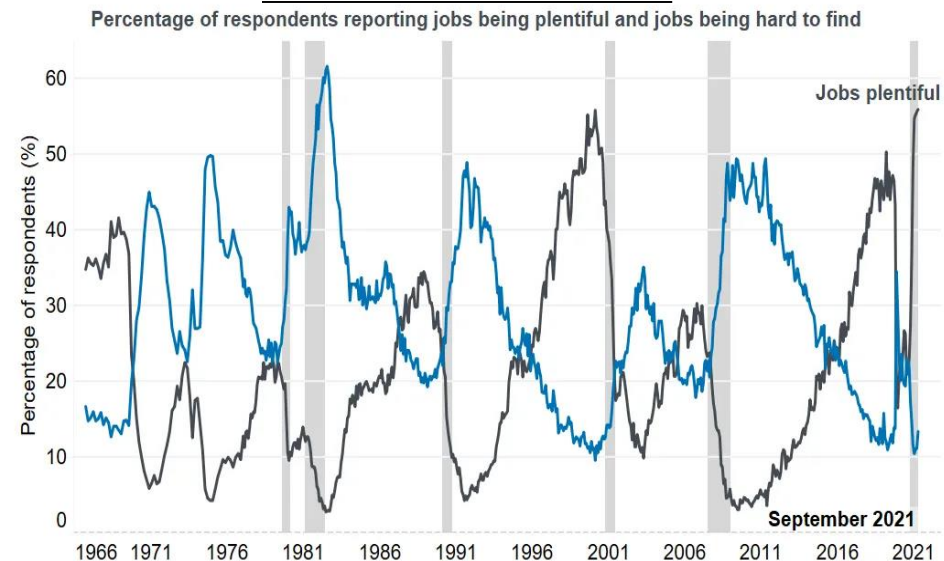
# Global: US consumer confidence still low

- US consumer sentiment fell for a third straight month as the Delta variant and inflation continue to dampen consumer spending.
- The survey from the Conference Board Consumer Confidence Index fell from 115.2 in August to 109.3 in September.
- The Conference Board's labour market differential also fell this month from 44.4 in August to 42.5 in September.
- The labour market differential closely correlates to unemployment and the current data demonstrates a slackened labour market.

**US Conference Board Consumer Confidence Index**



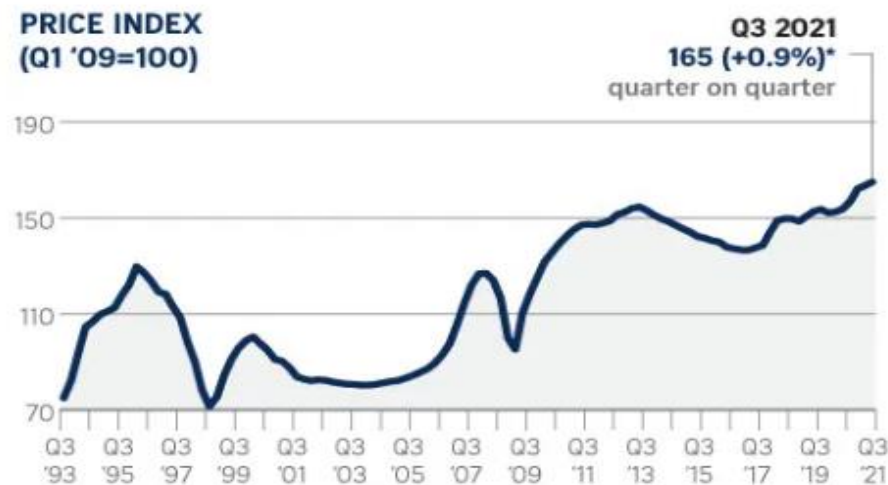
**Labour Market Differential**



# SG: S'pore home prices up for 6<sup>th</sup> straight quarter

- Singapore private home prices climbed 0.9% qoq in Q3 following a 0.8% qoq increase in Q2.
- Year on year, private home prices increased by 7.3% in Q3, with a year-to-date increase of 5.1% in the first 9 months of 2021 compared to just 2.2% the whole of last year.
- Prices of landed properties climbed 2.5% in Q3 compared with a 0.3% fall in the previous quarter.
- The broad index from URA increased 1.5 points from 163.5 in Q2 to 165.0 in Q3. This is an increase of 0.9% qoq compared to 0.8% in the previous quarter

## Private home price index



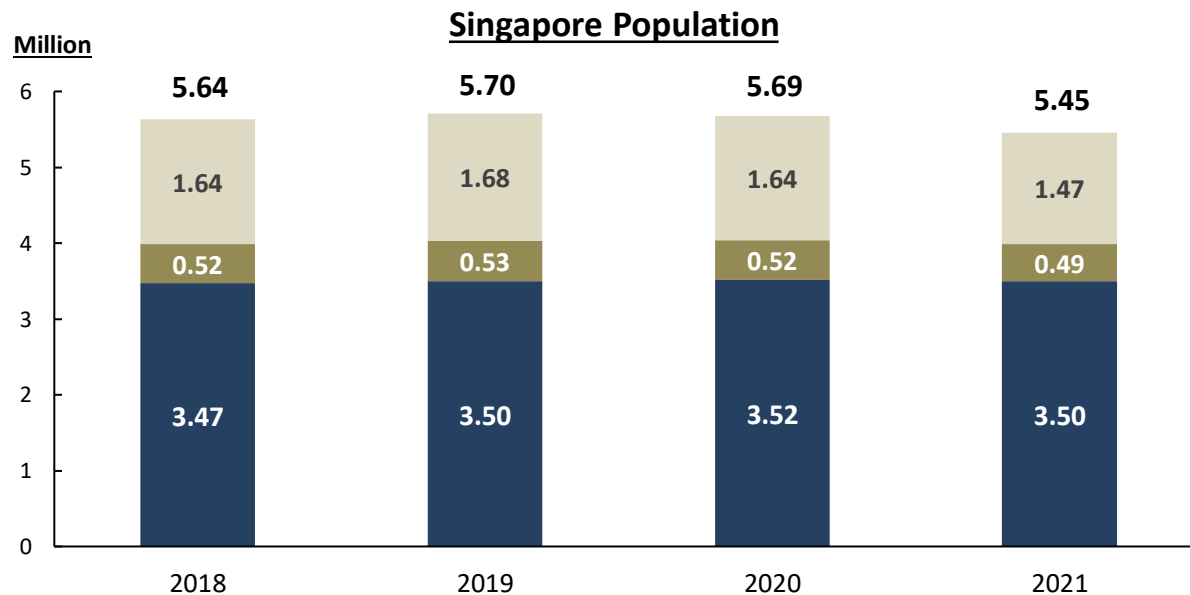
**OCBC Bank**

Source: Straits Times, URA



# SG: Singapore's total population posts record fall

- Singapore registered 4.1% a record dip in its population numbers since 1950 due to the impact of Covid-19.
- Singapore's total population fell to 5.45 million in June 2021 from 5.69 million in June 2020.
- The decline was largely attributed to a fall in the non-resident population which fell to 1.47 million in June 2021 from 1.64 million in June 2020, a 10.7% yoy drop.
- Singapore citizen population decreased by about 0.7% yoy to 3.5 million while permanent resident population fell about 6.2% yoy to 0.49 million.



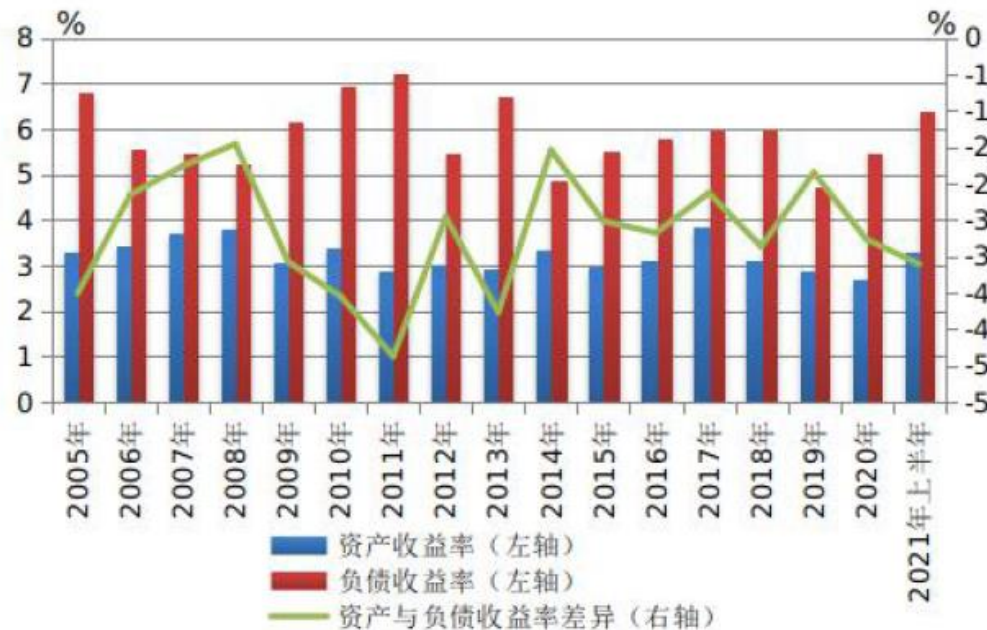
**OCBC Bank**

■ Singapore Citizens ■ PR ■ Non Residents

Source: Department of Statistics, OCBC Singapore

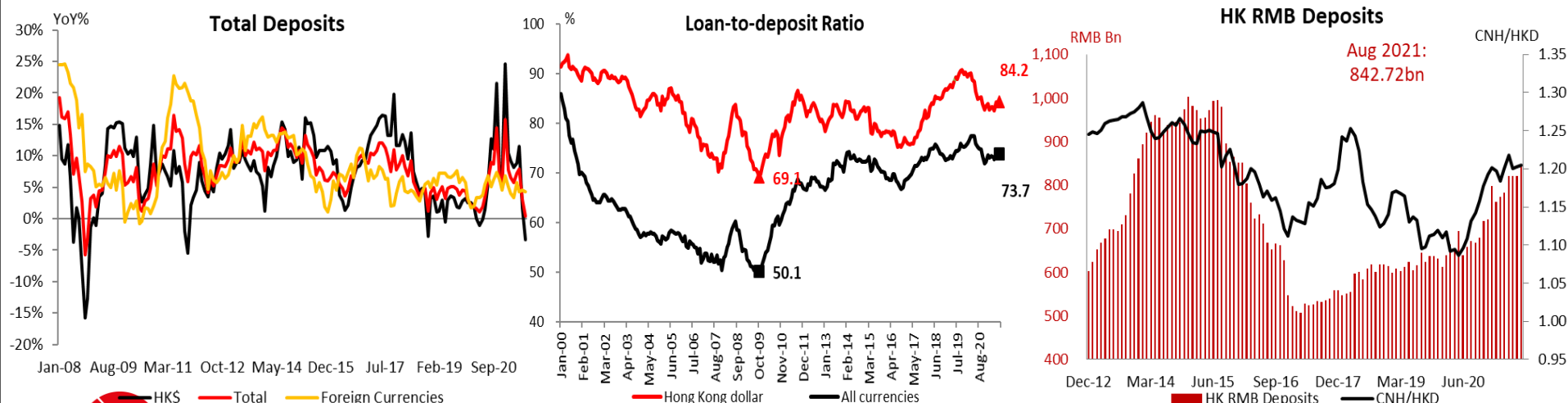
# China: Still attractive return to foreign investors

- Chinese currency regulator SAFE remained positive on the outbreak of portfolio inflows in its latest first half Balance of Payment report. China's non-reserve financial and capital account returned to surplus again in the first half of 2021, first surplus since 2019. The steady inflows under direct investment and portfolio investment offset the outflows from alternative investment.
- China continued to offer exciting investment opportunities for foreigners with total rate of return in the first half of 2021 stood at 6.4% much higher than 3.3% rate of return earned by China's investment in the world.



# HK: HKD deposits dropped and RMB deposits rose

- On the financial sector front, as market volatility may remain high amid inflation concerns and the Fed's plan to start tapering by end of this year, HKD deposits' yoy growth may have peaked and therefore HKD loan-to-deposit ratio (LDR, rebounded to 84.2% in August) may have troughed. Still, without strong loan demand, the near-term upside of both HKD LDR and local rates are expected to be limited.
- Elsewhere, HKMA is studying the feasibility of expanding the use of RMB in Hong Kong stock trading. Though it may take some time for the idea to materialize, the HKMA's move reinforces two big trends. First, we may see further financial integration between Hong Kong and China especially among the Greater Bay Area going forward. Second, Hong Kong continues to play a key role in supporting RMB internationalization. As such, we expect HK's RMB deposits (+25.5% yoy to the highest since January 2016 at RMB842.7 billion) to increase further in the medium to long term.



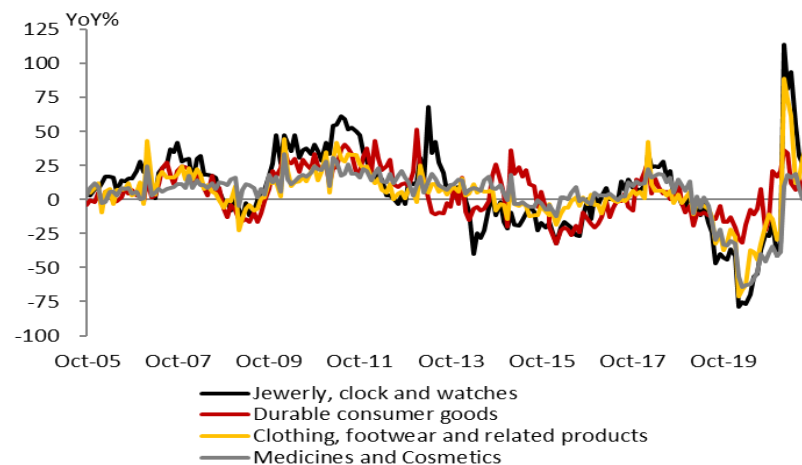
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Source: HKMA, OCBCWH

# HK: E-vouchers scheme juiced up retail sales

- Retail sales in value term surged 11.9% yoy in Aug, stronger than expected. This is attributable to low base effect and more importantly a combination of e-consumption vouchers, faster-than-expected improvement in labor market as well as the well-contained local epidemic.
- However, the e-consumption vouchers could be used for not only goods but also services and transportation. In other words, the economic benefit of the vouchers may not be fully reflected in the retail sales data. Also notable is that most of the retail outlets' sales value remained well below the level of August 2018 due to the absence of visitor spending. As such, even with the distribution of another instalment of e-consumption voucher on 1st October, retail sales may not return to the pre-pandemic level amid ongoing border controls. In short, retail sales may grow 5-10% yoy this year depending on the timing of border reopening.

	Aug-18	Aug-21	
All retail outlets	38109	28598	-25.0%
Food, alcoholic drinks and tobacco (other than supermarkets)	3526	2998	-15.0%
Supermarkets	4583	4749	3.6%
Fuels	864	1005	16.3%
Clothing, footwear and allied products	4412	2846	-35.5%
Consumer durable goods	5020	4974	-0.9%
Department stores	4137	2831	-31.6%
Jewellery, watches and clocks, and valuable gifts	7480	3167	-57.7%
Other consumer goods	8087	6029	-25.4%

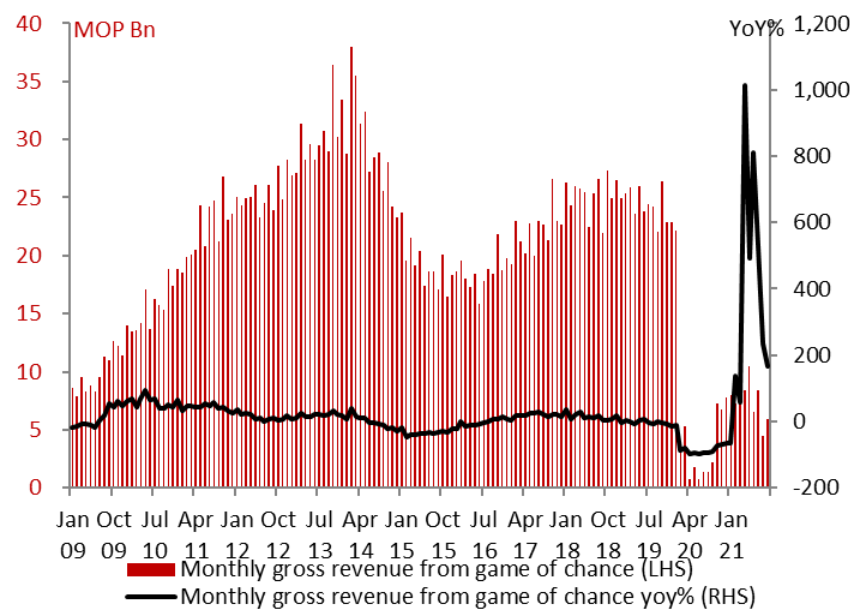


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Source: HK Census and Statistics Department, OCBCWH

# Macau: Gaming sector's recovery remains subdued

- Gross gaming revenue (GGR) increased by 165.9% yoy or 32.4% mom in August as travel restrictions and local containment measures have been relaxed.
- However, the GGR was still 73.4% lower compared to August 2019. Due to the rebound of local Covid-19 cases, the new containment measures look set to weigh on inbound tourism and gaming activities as the Golden Week Holiday effect may be undermined.
- As such, we further lower our full year GGR growth forecast from about 70% yoy to around 60% yoy. In this case, this year's gaming revenue may only return to about 32% of 2019's level.





# Foreign Exchange & Interest Rates

# FX & Rates: USD retreated and UST yields softened

- USD saw another retreat on Friday, with GBP and NZD outperforming within the G-10 space. EUR-USD and USD-JPY were back flexing against the 1.1600 and 111.00 handles. DXY Index opened on Monday just shy of the 94.00 level.
- CFTC data revealed that net implied USD longs were added to by the non-commercial and leveraged accounts in the week ending 28 Sep. Long EUR positions for the non-commercial accounts, which started to build as the pandemic hit has not pared back to neutral levels.
- The higher yield curves across the DM space seemed to have introduced some strain in the usual cross-asset relationships. There is talk of slowing growth (even “stagflation”), and the unintuitively higher commodity prices. This combination arguably points to a broader risk-off environment amid a supply-side driven pressure on prices.
- UST yields softened further on Friday, but the move was timid which was better seen as a short-term correction rather than reflecting a reversal in the uptrend on a multi-month horizon. The pressure point on T bills with respect to the debt ceiling is on bills that mature on 21-28 October, i.e. “a few days” after 18 October as mentioned by Treasury’s Yellen.
- This week brings a slew of economic data in the US including Friday’s nonfarm payroll. The market has priced in the start of taper, but probably not the full impact of it depending on the pace. The 10Y yield is likely to hover around the 1.474 retracement level in the next few sessions.

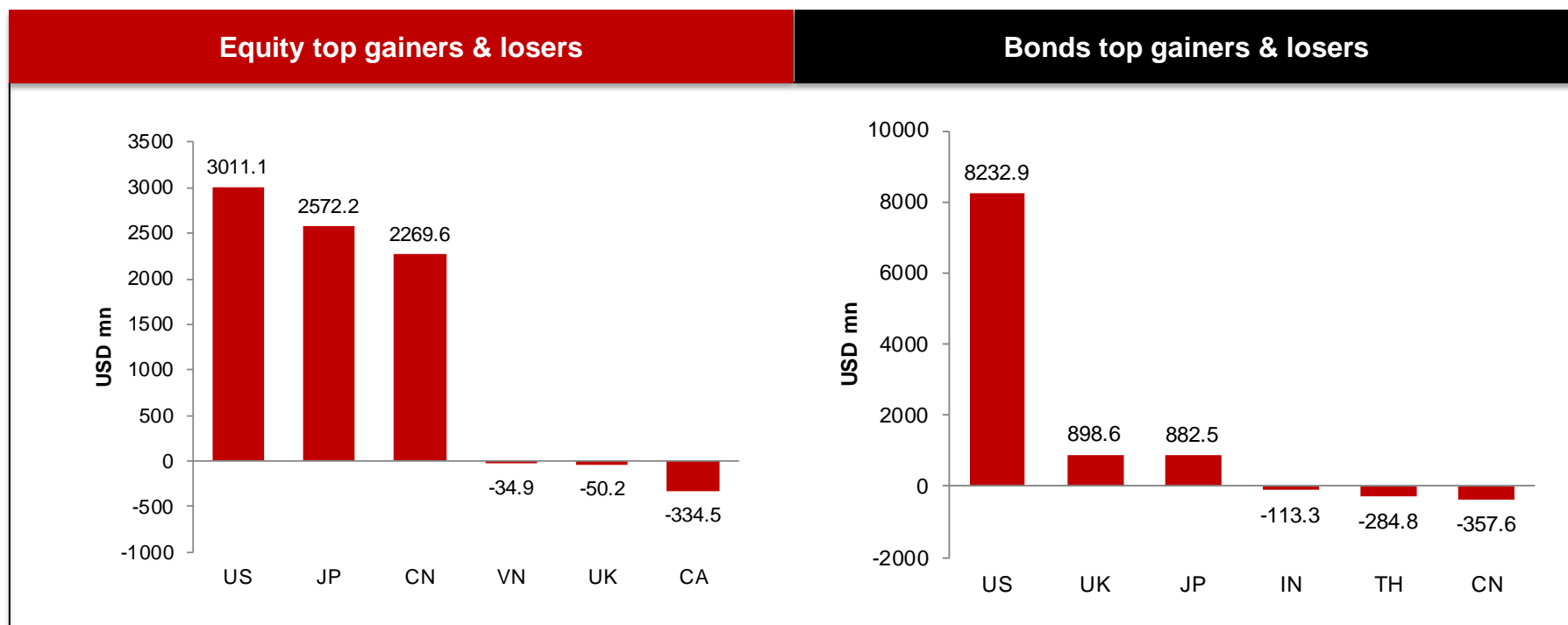


# Asset Flows



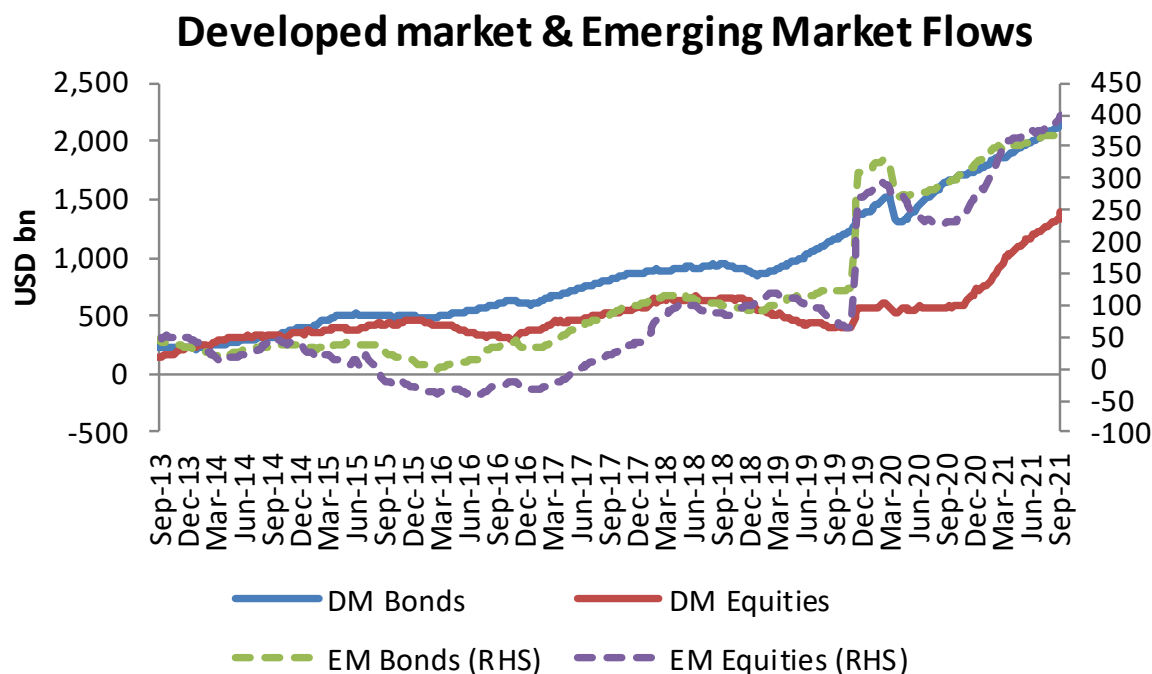
# Global Equity & Bond Flows

- Inflows in the global equity market for the week ended 29<sup>th</sup> September amounted to \$9.1bn, an increase from the outflow of \$24.2bn last week. Global bond market saw inflows amounting to \$8.1bn, a slight decrease from last week's inflows of \$10.0bn.



# DM & EM Flows

- DM equities saw \$6.7bn worth of inflows while the EM-space registered \$2.3bn worth of inflows.
- Elsewhere, the DM bond space posted inflows of \$10.5bn, while EM bonds registered outflows of \$24bn.





Thank You

# Treasury Research & Strategy

## Macro Research

**Selena Ling**

*Head of Research & Strategy*

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

*Head of Greater China Research*

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

*Malaysia & Indonesia*

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Howie Lee**

*Thailand & Commodities*

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

*Hong Kong & Macau*

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Herbert Wong**

*Hong Kong & Macau*

[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)

## FX/Rates Research

**Frances Cheung**

*Rates Strategist*

[FrancesCheung@ocbcwh.com](mailto:FrancesCheung@ocbcwh.com)

**Terence Wu**

*FX Strategist*

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Credit Research

**Andrew Wong**

*Credit Research Analyst*

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

*Credit Research Analyst*

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

*Credit Research Analyst*

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

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