Weekly Macro Views (WMV)

Global Markets Research & Strategy

8th April 2024

Weekly Macro Update

Key Global Data for this week:

8 April	9 April	10 April	11 April	12 April
• **PH** BSP Overnight Borrowing Rate • **MA** Industrial Production YoY • **JN** BoP Current Account Balance • **JN** Trade Balance BoP Basis • **JN** Labor Cash Earnings YoY	• **TA** CPI YoY • **CH** Money Supply M2 YoY • **AU** Westpac Consumer Conf SA MoM • **JN** Machine Tool Orders YoY	• **TH** BoT Benchmark Interest Rate • **NZ** RBNZ Official Cash Rate • **CA** Bank of Canada Rate Decision • **US** CPI YoY	• **EC** ECB Main Refinancing Rate • **EC** ECB Deposit Facility Rate • **CH** CPI YoY • **PH** Exports YoY	• **JN** Industrial Production MoM • **SK** BOK Base Rate • **SI** GDP YoY • **IN** Industrial Production YoY • **US** U. of Mich. Sentiment

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** Mixed Readings on US ISM Surveys • **Global:** US NFP – Strong Headline Growth Masks Softness in Labour Data • **Global:** Euro Inflation Trends Down, Services Still Sticky • **Global:** South Korea – March CPI Still Elevated
Asia	• **SG**: Electronics and Manufacturing PMI Gained Traction in March • **SG**: Retail Sales Uplifted by CNY and Chinese Visitors • **CN:** Short Term Solutions to Fill The Gap • **HK**: Retail Sales Surprised to the Downside • **MO**: Gross Gaming Revenue Refreshed Post-Covid High

Asia	• **MY:** Industrial Production Momentum Holds • **TH:** Incoming Data Will Support A More Patient BOT Stance • **TH:** Wider Medium-Term Fiscal Deficits • **PH:** BSP on Hold As Inflation Remains A Bugbear • **PH:** Medium-Term Forecast Changes
Asset Class	• **Crude Oil:** Prices May Trend Modestly Lower Ahead • **ESG: ESG:** Ongoing Efforts to Increase Confidence in Voluntary Carbon Markets • **FX & Rates** • **Credit Research**

OCBC

Global: Central Banks

Forecast – Key Rates

Bangko Sentral ng Pilipinas (BSP)	Bank of Thailand (BoT)	Reserve Bank of New Zealand (RBNZ)	Bank of Canada (BoC)
Monday, 8th April	**Wednesday, 10th April**	**Wednesday, 10th April**	**Wednesday, 10th April**

House Views

Overnight Borrowing Rate	*Benchmark Interest Rate*	*Cash Rate*	*Policy Interest Rate*
Held at 6.50%	**Likely hold at 2.50%**	**Likely hold at 5.50%**	**Likely hold at 5.00%**

Source: OCBC, Bloomberg

Global: Central Banks

Forecast – Key Rates

European Central Bank (ECB)	Bank of Korea (BoK)	Monetary Authority of Singapore (MAS)
Thursday, 11th April	**Friday, 12th April**	**Friday, 12th April**

House Views

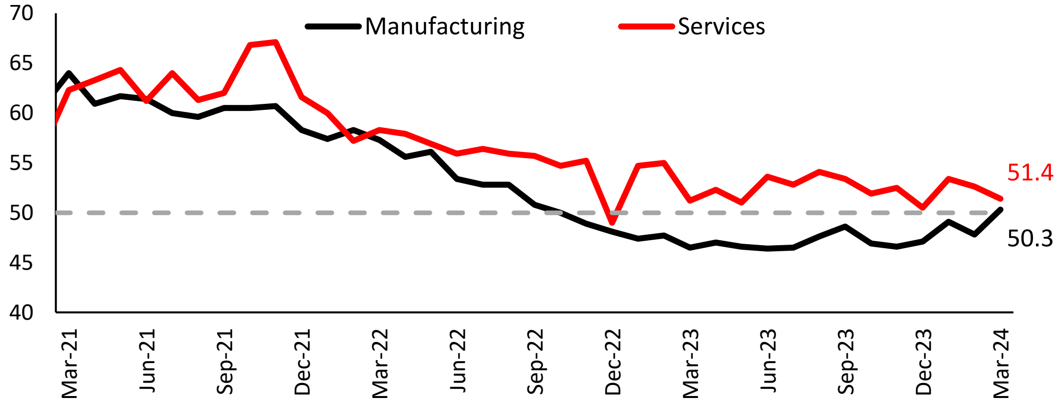
European Central Bank (ECB)	Bank of Korea (BoK)	Monetary Authority of Singapore (MAS)
Deposit Facility Rate	*Policy Interest Rate*	*S$NEER policy stance*
Likely hold at 4.00%	**Likely hold at 3.50%**	**Likely maintain**
Main Refinancing Rate		
Likely hold at 4.50%		

Source: OCBC, Bloomberg

Global: Mixed Readings on US ISM

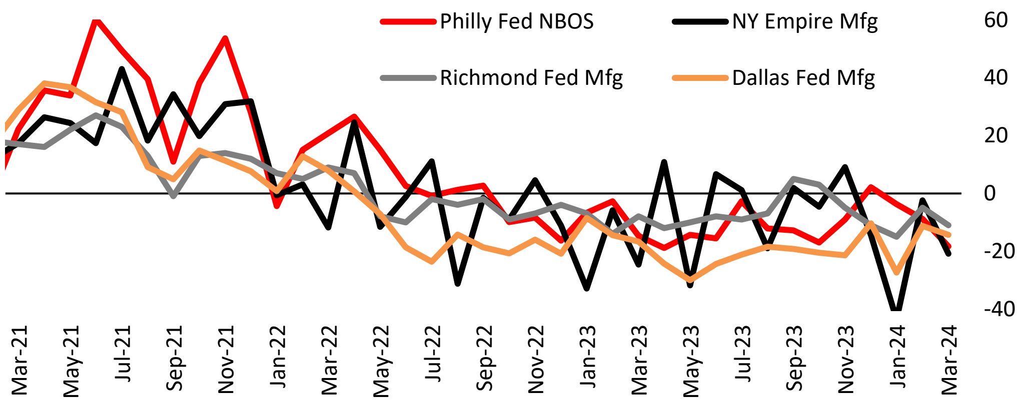
- March manufacturing ISM came in better-than-expected, rising to 50.3 (consensus: 48.3) from 47.8 prior. March figures mark the first print above 50.0 since September 2022, signaling possible sectoral expansion after 18 months underwater. The uptick was driven mainly by new orders, returning to expansion at 51.4 from 49.2 in February, while the employment sub-index was the main drag, remaining contractionary at 47.4, albeit improving from 45.9 in January.
- Services ISM came in lower-than-expected, falling to 51.4 (consensus: 52.8) in March from 52.6 in February. Sub-components saw broad-based drags, with new orders falling for the first time in 2024 (Mar: 54.4; Feb: 56.1), employment contracting for the 4th month running (Mar: 48.5; Feb: 48.0) and prices-paid trending lower (Mar: 53.4; Feb: 58.6).
- Overall, the overarching narrative of a cooling economy remains intact, with continued signals of labour market loosening in both manufacturing and services ISM sub indices. Lower 'prices paid' components bode well for stickier services disinflation.

US Manufacturing & Service PMI



Source: Bloomberg, OCBC

US Regional Mfg Surveys

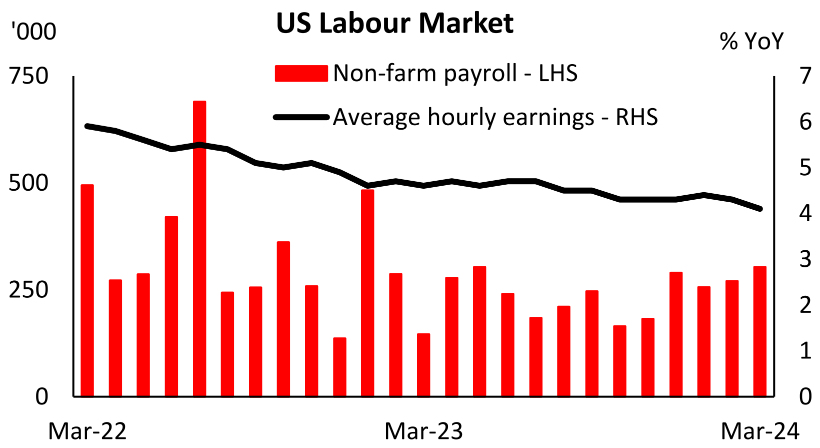


Source: Bloomberg, OCBC

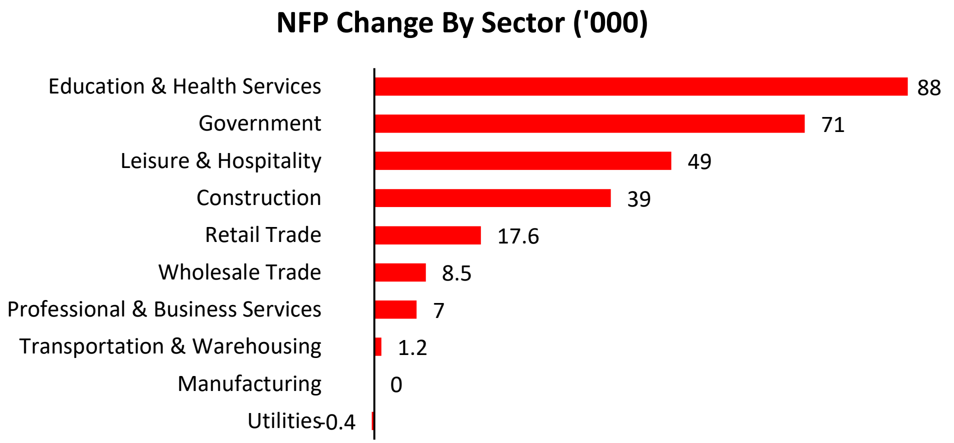
Source: Bloomberg, OCBC.

Global: US NFP – Solid Headline Growth

- Nonfarm payrolls rose to 303k in March, faster than the upwardly revised 275k in February and above consensus expectations of a 214k gain. The unemployment rate came in at 3.8%, down from 3.9% prior, while average hourly earnings increased slightly to 0.3% MoM from 0.2% MoM in February.
- Employment gains remain elevated by historical standards, though growth continues to be supported by expansions in certain sectors, namely education and health services (88k) and government (71k). Payroll gains for retail trade fell to 18k (Feb: 23k), while employment for manufacturing, wholesale trade, transportation and business services were either flat or little changed. The report also showed full-time employment down for the 4th consecutive month (Mar: 132.94mn; Feb: 132.95mn), the lowest level of full-time employment since January 2023, while part-time employment reached historical highs of 28.632mn.
- Overall, breakdowns in the employment report shows that the labour market may not be as tight as headline figures suggest, and wage growth will likely continue to moderate to feed into the disinflation narrative.



Source: US Bureau of Labour Statistics, Bloomberg, OCBC

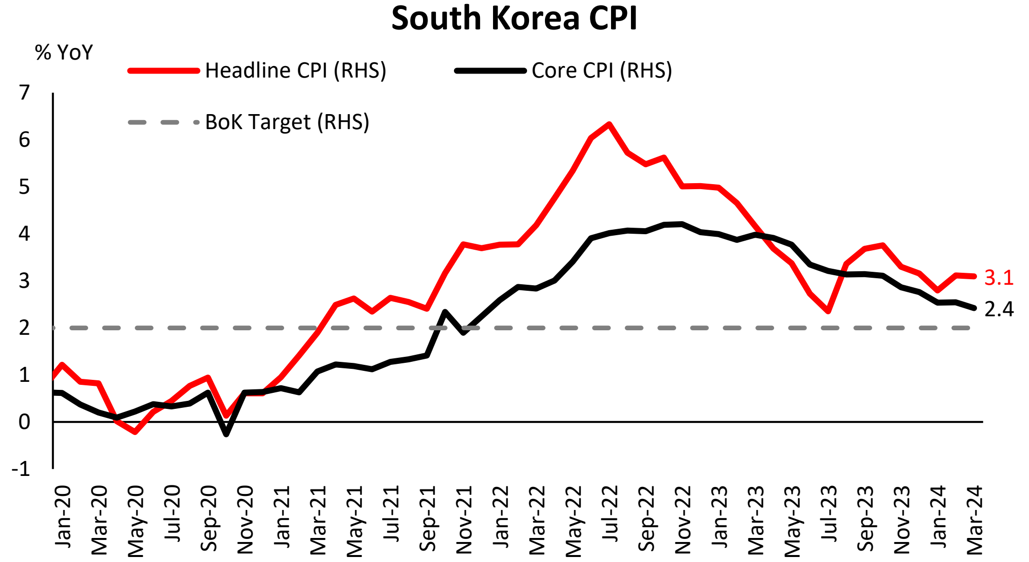


Source: CEIC, OCBC.

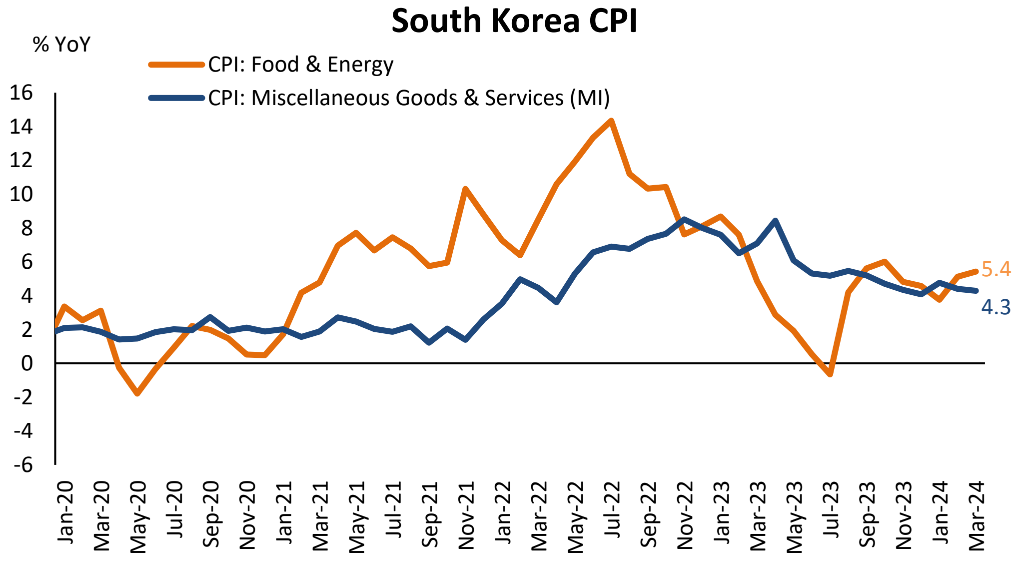
Source: BLS, Bloomberg, CEIC, OCBC.

Global: South Korea – March CPI Still Elevated

- Headline CPI remained steady in March at 3.1% YoY, above consensus expectations of 3.0% YoY. The core measure, which excludes food & energy, edged down slightly to 2.4% YoY versus 2.5% in February, matching consensus. The uptick was driven primarily by food and energy inflation, which reaccelerated to 5.4% YoY versus 5.1% prior. Personal services inflation remained elevated as well at 4.3% YoY, edging down slightly relative to 4.4% YoY in February.
- On a sequential basis, however, headline inflation fell to 0.1% MoM from 0.5% MoM in February, below market expectations of 0.3% MoM increase. It pointed to the lowest reading since December.
- Minister for Finance Choi Sang-mok said the agricultural produce and oil price stabilisation will be the government's priority, and the BoK's press release similarly highlighted that a sharp rise in oil and agriculture commodities could mean the overall inflation slowdown "could be bumpy rather than smooth."



Source: CEIC, OCBC.

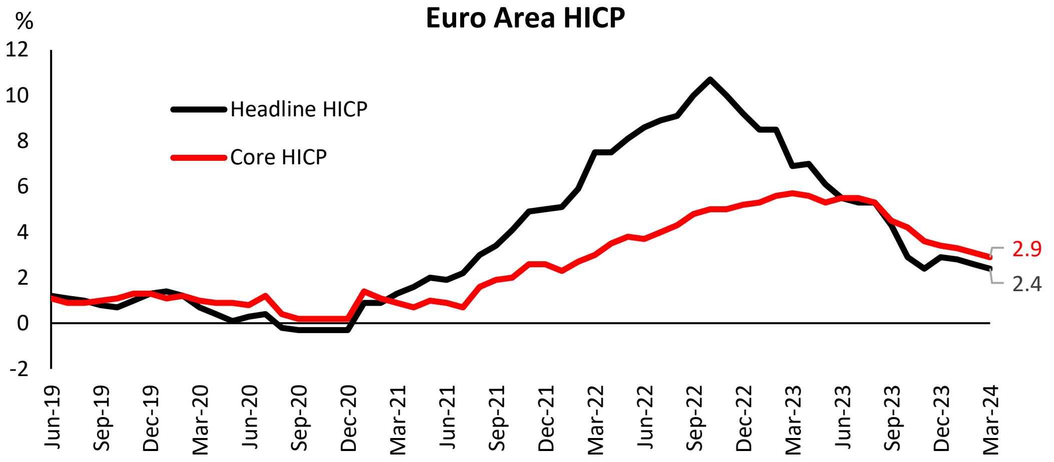


Source: CEIC, OCBC.

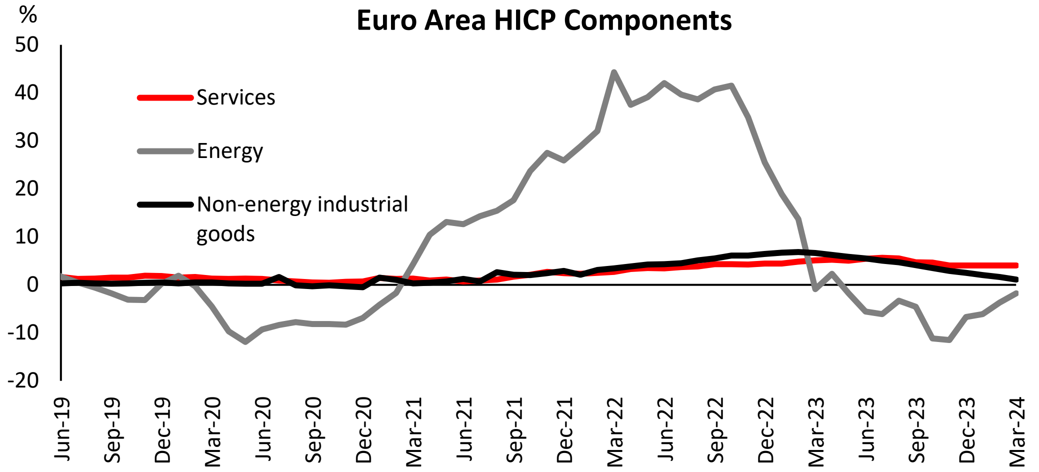
Source: CEIC, OCBC.

Global: Euro Inflation Trends Down, Services Still Sticky

- Flash estimates from Eurostat showed Euro area headline inflation decelerating to 2.4% YoY in March versus 2.6% prior, slightly below consensus expectations of 2.5%. Core inflation fell to 2.9% YoY compared to 3.1% in February, also a touch lower than consensus estimates of 3.0%.
- By components, services inflation remains elevated, printing 4.0% YoY (unchanged versus February) while food, alcohol & tobacco fell sharply to 2.7% YoY versus 3.9% prior, thus being the main drag on the headline figure. Energy inflation disinflation continued to take place, printing -1.8% YoY in March compared to -3.7% in February while non-energy industrial goods inflation fell to 1.1% YoY (February: 1.6%).
- Next key release to watch will be the 1Q24 jobs report due mid-May, which will guide the ECB's assessment on whether the labour market has loosened sufficiently to ease wage pressures and services inflation. We maintain our view for the ECB to beginning trimming policy rates in June, as hinted by Lagarde's rhetoric that they "will know a little more in April, but we will know a lot more in June".



Source: Eurostat, OCBC.

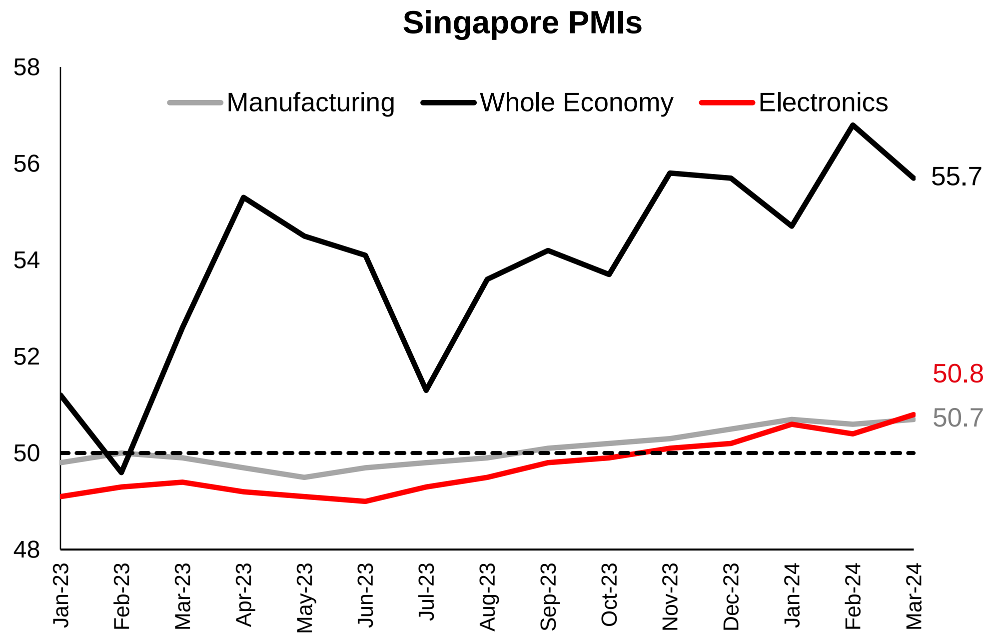


Source: Eurostat, OCBC.

Source: BEA, Bloomberg, OCBC.

SG: Electronics and Manufacturing PMI Gained Traction in March

- The manufacturing and electronics PMIs accelerated to 50.7 (+0.1 point) and 50.8 (+0.4 points) in March, suggesting that the February prints were a temporary blip which were likely attributable to the Lunar New Year festive season. The March readings also marked the 7th and 5th consecutive month of expansion above the 50-threshold.
- Manufacturing PMI saw imports, input prices and future business gauges moderate slightly March, whilst the supplier deliveries index remained in contraction for the 10th straight month, albeit the contraction pace narrowed. For the electronics, the output gauge resurfaced to expansion territory after two months of contraction, alongside faster expansion in finished goods, imports, order backlog, and future business. Notably, the input price index had expanded for 11 consecutive months.
- The noticeable uptrend in the future business gauge for the electronics PMI is commendable, but that for the manufacturing PMI is less stellar in comparison. The contributing reasons for the latter could be the continued uncertainties arising from the geopolitical tensions and still elevated interest rate environment that was referenced to. That said, Singapore's manufacturing sector should see its growth pace strengthen in 1H24, paving the way for a modest recovery back to positive growth territory for full-year 2024.

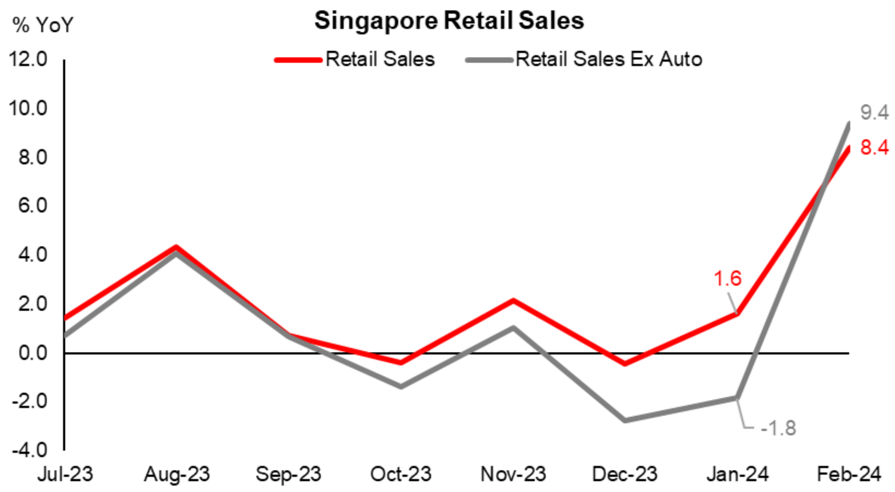


Source: S&P Global, SIPMM, OCBC.

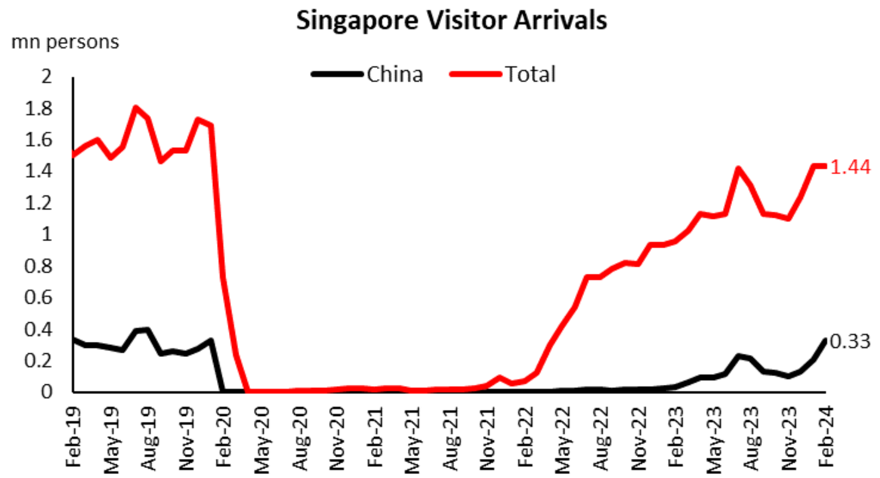
Source: S&P Global, SIPMM, OCBC.

SG: Retail Sales Uplifted by CNY and Chinese Visitors

- February retail sales surged 8.4% YoY against consensus expectations of 1.9% YoY and our forecast of 2.1% YoY. Retail sales ex-motor vehicles performed even better at 9.4% YoY.
- One key contributing factor was the CNY festive season which fell in February this year vs January last year. The 30-day visa-free travel arrangement between China and Singapore from 9 February also meant Singapore welcomed more Chinese visitors during this period. Chinese visitors overtook Indonesia to account for 22.7% of the 1.44 million total visitors to Singapore in February.
- For the full year 2024, our retail sales forecast is for 3-4% YoY growth, which will be an improvement over the 2.2% growth seen in 2023. While domestic labour market conditions are tipped to soften slightly as the year progresses, and this could potentially dampen domestic consumption appetite, nevertheless, the mitigating factor is that STB is upbeat about the 2024 international visitor arrival forecast at 15-16 million to bring in S$26-27.5 billion in tourism receipts.



Source: Bloomberg, OCBC.



Source: STB, OCBC

OCBC

Source: STB, Bloomberg, OCBC.

CN: Short Term Solutions to Fill The Gap

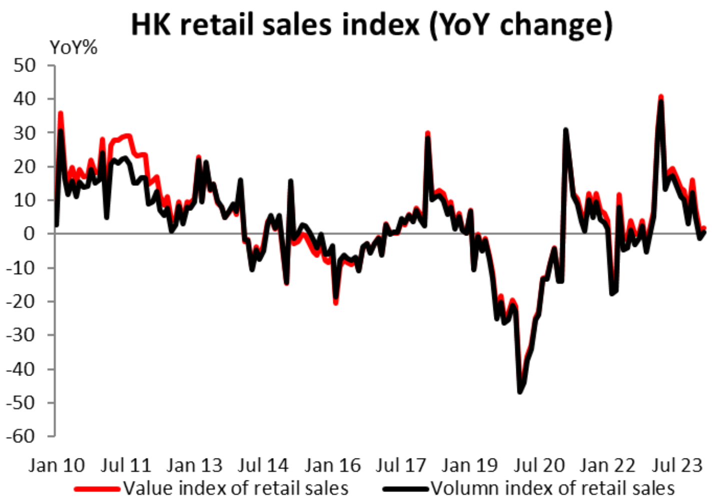
- The government is choosing to push for equipment upgrade and trade-ins of consumer goods given the softening property market. By stimulating consumption in bulk items like home appliances and automobiles, this initiative enhances the likelihood of the economy reaching its growth target without relying heavily on the property market.
- The previous round of trade-in programs for household appliances started as a pilot project in June 2009 and was expanded nationwide in April 2011. Data from the Ministry of Commerce reveals that during the period from 2009 to 2011, the central government allocated a cumulative subsidy of CNY30bn, resulting in a direct consumption surge totaling CNY342bn.

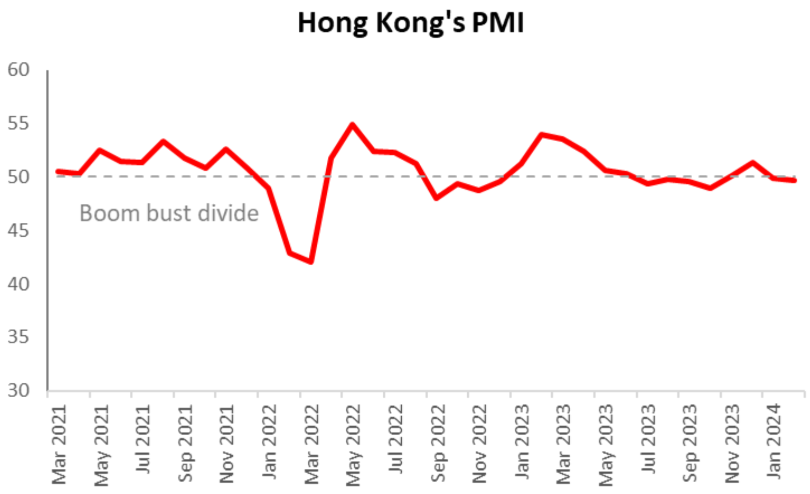
Key quantified target by 2027	
Equipment upgrade	• Investments in equipment in sectors such as industry, agriculture, construction, transportation, education, cultural tourism, and healthcare in China are expected to increase by more than 25% compared to 2023. • Penetration rate of digital R&D design tools in large-scale industrial enterprises will exceed 90% • Proportion of key processes in large industrial enterprises that are computer numerically controlled will exceed 75%.
Trade in	• The amount of scrapped cars is expected to double compared to 2023 • The volume of second-hand car transactions is projected to increase by 45%. • The volume of scrapped household appliances is anticipated to increase by 30%, • The proportion of recycled materials in resource supply will be further enhanced.
Energy saving	The proportion of production capacity with energy efficiency reaching basic energy-saving levels and environmental performance reaching A-level standards is set to significantly increase. After a two-year hiatus, the government work report once again announced the target of reducing energy consumption by 2.5%.

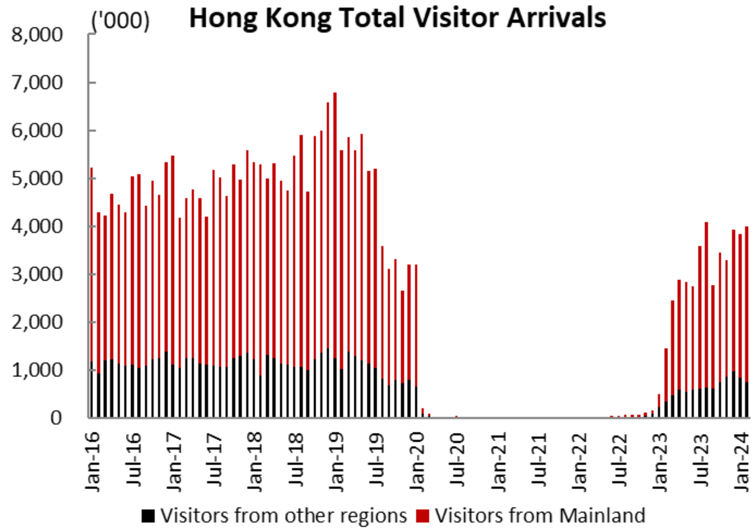
Source: Wind, CEIC, OCBC

HK: Retail Sales Surprised to the Downside

- Hong Kong's total retail sales in February rose by 1.9% YoY in value terms, surprising market to the downside, probably due to more outbound travels during the New Year holidays. In the first two months, the retail sales increased by 1.4% YoY in value terms. On sequential terms, total value and volume of retail sales both dropped by 7.6% in February. Breakdown by component, sales value of "consumer durable" (-25.1% YoY) recorded the sharpest decline in February, while that of "supermarkets" (+14.1% YoY) rose by the most.
- Changes in consumption patterns of residents and visitors continued to pose challenges for local retailers, and we expect to see slower growth in overall retail sales in periods ahead.
- Hong Kong's PMI rebounded to 50.9 in March, up from that of 49.7 in February, buoyed by the increase in new orders sub-index. Meanwhile, all of the five major components of PMI showed signs of improvement. Within the total, new order sub-index rose for the first time since early this year.



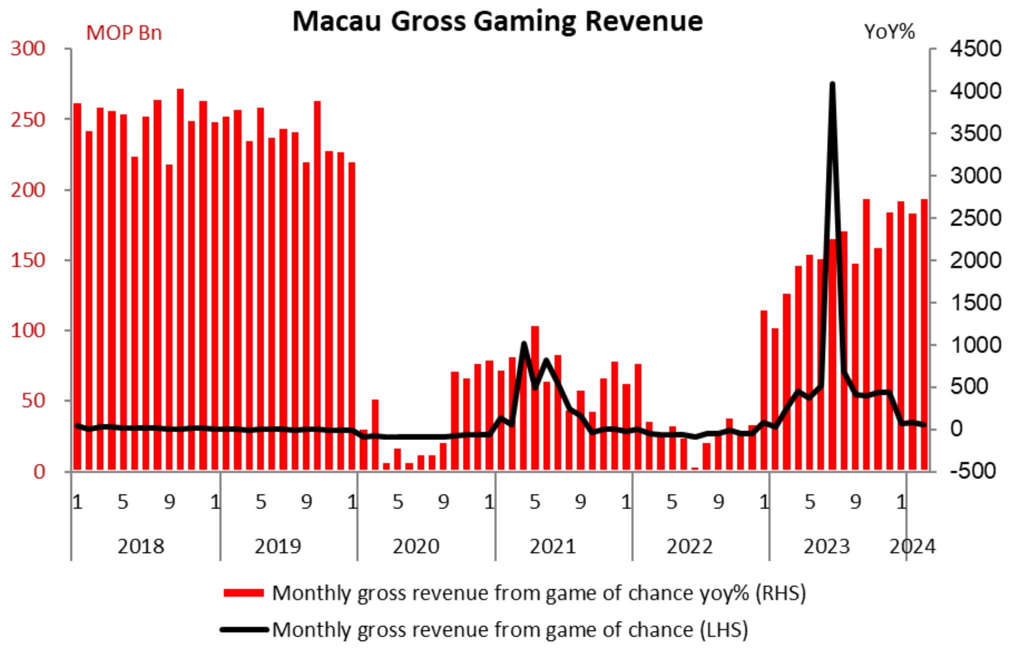




Source: HK Census and Statistics Department, S&P Global, Bloomberg, OCBC

MO: Gross Gaming Revenue Refreshed Post-Covid High

- Gross gaming revenue grew 53.1% YoY and 5.5% MoM to MOP19.50bn in March, refreshing the post-Covid high. Comparing with the same period in 2019, the gross gaming revenue in March was down by 24.5%.
- For 1Q24, gross gaming revenue rose by 5.9% over the previous quarter to reach MOP57.33 billion. Broadly, the gaming sector in Macau continued to hold up well in recent weeks. Based on the current trajectory, we expect to see around 20% year-on-year growth in gross gaming revenue this year.
- Separately, Macau saw a daily average of just above 100,000 visitor arrivals for the four-day Easter period (113.6k per day in February), according to official data, noting that the Easter season is not a holiday on the Chinese mainland.



Source: DICJ, OCBC

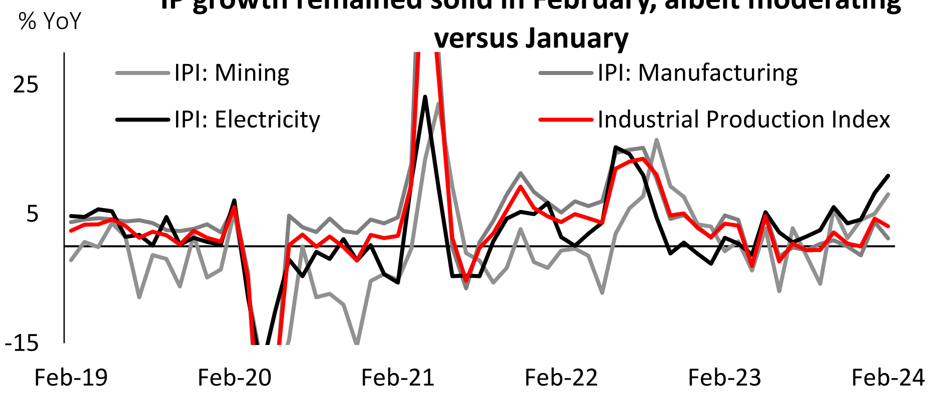
Malaysia: Industrial Production Momentum Holds

- Industrial production (IP) growth surprised to the upside increasing 3.1% YoY versus 4.3% in January. IP growth in the mining and electricity sectors improved to 8.1% YoY and 10.9% YoY versus 5.0% and 8.3% in January, respectively. Growth in the manufacturing sector eased to 1.2% YoY versus 3.7% in January.

- By orientation, growth in export-oriented IP dropped to -0.1% YoY in February versus 1.6% in January while domestic-oriented IP slowed to 3.8% versus 8.0% in January. That said, there are clearer signs of stabilization in IP growth momentum.

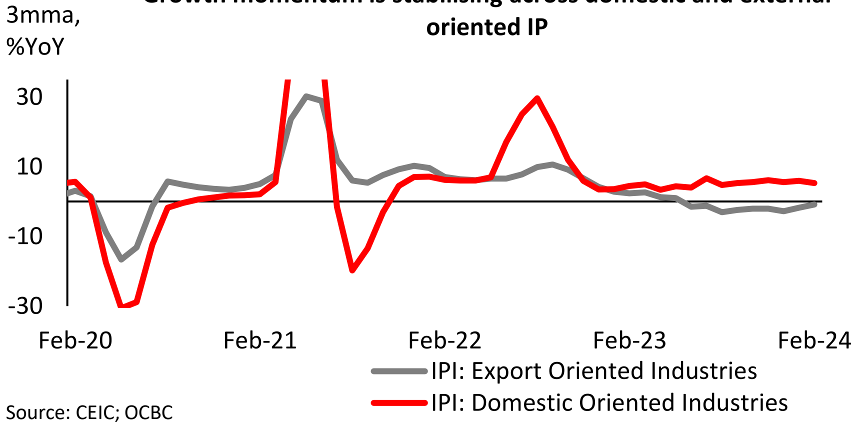
- IP growth averaged 3.7% YoY in January and February versus 0.8% in 4Q23 underscoring better growth momentum. This remains supportive of our view that GDP growth will gradually improve in 2024 and average 4.2% YoY versus 3.7% in 2023.

IP growth remained solid in February, albeit moderating versus January



Source: CEIC; OCBC

Growth momentum is stabilising across domestic and external oriented IP



Source: CEIC; OCBC

Source: CEIC, OCBC.

Thailand: Incoming Data Will Support A More Patient BOT Stance

- Headline inflation remained negative for the sixth consecutive month in March (-0.5% YoY versus -0.8% in February). Meanwhile, core inflation was stable at 0.4% YoY in March, similar to February. The drivers of inflation remained subdued, with food and transportation inflation declining modestly.

- We revise lower our 2024 average headline inflation forecast to 1.2% YoY from 2.0% previously. This not only reflects the lower-than-expected 1Q24 headline inflation outcome of -0.8% YoY but also government policies to keep the cost-of-living pressures contained. Notwithstanding, our forecast is still for higher headline inflation in the coming quarters.

- From a monetary policy standpoint, our base case is for BOT to keep its policy rate unchanged at 2.50% on 10 April given that the latest growth-inflation prints suggest some stabilisation. More importantly, we do not think the BOT will want to front run US Federal Reserve rate cuts, especially given recent THB underperformance relative to regional peers, seasonal dividend repatriation in 2Q and rising global oil prices. Our house view is for the US Federal Reserve to begin cutting its policy rate in June 2024.

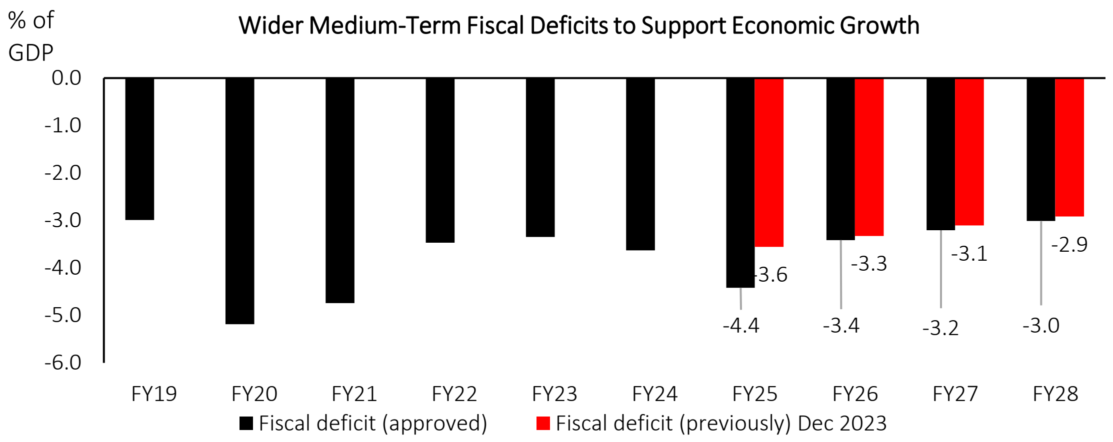
- Notwithstanding, it is a matter of time before the BOT cuts rates, but we maintain that the rate cutting cycle will be shallow. We expect the first 25bp rate cut in June followed by another 25bp in 3Q24.

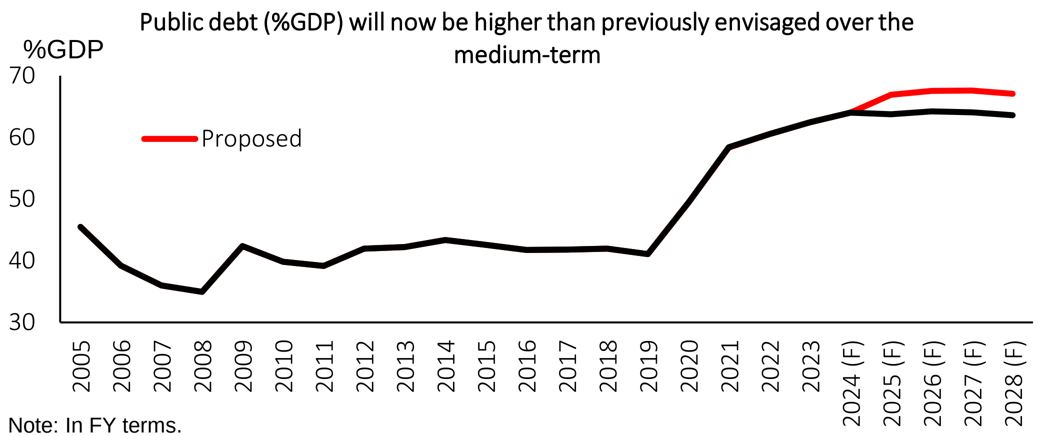
Drivers of inflation, %YoY	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Headline CPI	**0.3**	**-0.3**	**-0.4**	**-0.8**	**-1.1**	**-0.8**	**-0.5**
Food & Non Alcoholic Beverages	-0.1	-0.6	0.2	-0.6	-1.1	-1.0	-0.6
Apparel & Footwears	0.3	0.1	0.0	0.0	-0.1	-0.2	-0.1
Housing & Furnishing	-0.7	-0.7	-0.8	-0.7	-0.7	-0.8	-0.9
Medical & Personal Care	1.2	1.3	0.9	0.9	0.9	0.9	0.3
Transport & Communication	1.7	0.0	-1.8	-2.2	-2.5	-1.2	-0.4
Recreation, Reading, Education and Religion	0.6	0.6	0.6	0.7	0.6	0.5	0.5
Tobacco & Alcoholic Beverages	0.6	1.1	1.0	1.0	0.9	1.2	1.4
Core Consumer Price Index	**0.6**	**0.7**	**0.6**	**0.6**	**0.5**	**0.4**	**0.4**
Source: Ministry of Commerce, CEIC, OCBC							

Source: Ministry of Commerce, CEIC, OCBC.

Thailand: Wider Medium-Term Fiscal Deficits

- The cabinet revied its medium-term budget plan to account for wider fiscal deficits from FY25 until FY28. The biggest adjustment comes to the FY25 (i.e., starting October 2024 until September 2024) fiscal deficit to 4.4% of GDP compared to 3.6% previously.
- While the details are less clear, the significantly higher fiscal deficit for FY25 suggests that the government's digital wallet program of THB500bn may in part be financed by the budget deficit. The digital wallet program may be implemented in 4Q24 (which is the first quarter of FY25).
- The broader idea to widen the fiscal deficit, and slow the pace of fiscal consolidation, to support growth is viable provided the spending is directed towards to capital expenditures as opposed to current spending. It remains to be seen if this is case.





Note: In FY terms.
Source: PDMO; CEIC; OCBC

Source: PDMO, CEIC, OCBC.

Philippines: BSP on Hold As Inflation Remains A Bugbear

- March headline CPI rose by 3.7% YoY versus 3.4% in February, slightly above consensus expectations (OCBC and Consensus: 3.8%). Meanwhile, core inflation eased to 3.4% YoY versus 3.6% in February.

- The drivers of the headline inflation print were food (5.6% YoY versus 4.6%), health (3.2% YoY versus 3.0%), transport (2.1% YoY versus 1.2%), recreation (3.9% YoY versus 3.8%), and restaurants & accommodation services (5.6% YoY versus 5.3%). Specifically, rice inflation remain elevated which rose by 24.4% YoY in March versus 23.7% in February.

- For 1Q24, headline inflation averaged 3.3% YoY versus 4.3% in 4Q23. Looking ahead, we maintain our forecast for inflation to average 3.9% YoY in 2024, easing from 6.0% in 2023, implying higher inflation and at the upper-end of Bangko Sentral ng Pilipinas 2-4% target range. We expect a cumulative 100bp in rate cuts in 2024, starting in late 2Q24, mirroring the timing of US Federal Reserve rate cuts in our house view.

Drivers of inflation, %YoY	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Headline CPI inflation	**7.6**	**6.6**	**6.1**	**5.4**	**4.7**	**5.3**	**6.1**	**4.9**	**4.1**	**3.9**	**2.8**	**3.4**	**3.7**
Food & Non-Alcoholic Beverages	9.3	7.9	7.4	6.7	6.3	8.1	9.7	7.0	5.7	5.4	3.5	4.6	5.6
Alcoholic Beverages & Tobacco	12.2	12.7	12.3	11.6	10.9	10.1	9.8	9.3	9.0	9.0	8.4	8.6	6.7
Clothing & Footwear	5.0	5.1	5.1	5.1	4.8	4.8	4.7	4.8	4.3	4.2	3.8	3.6	3.6
Housing, Water, Electricity, Gas & Other Fuels	7.6	6.5	6.5	5.6	4.5	2.5	2.4	2.6	2.5	1.5	0.7	0.9	0.5
Furnishings, HH Equip & Routine HH Maintenance	6.2	6.1	6.2	6.0	5.8	5.6	5.4	5.3	4.7	4.5	3.9	3.3	3.2
Health	3.9	4.1	4.1	3.9	3.9	3.9	4.1	4.0	3.8	3.7	3.3	3.0	3.2
Transport	5.3	2.6	-0.5	-3.1	-4.7	0.2	1.2	1.0	-0.8	0.4	-0.3	1.2	2.1
Information & Communication	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.8	0.6	0.5	0.5	0.4	0.4
Recreation, Sport & Culture	4.6	4.7	4.9	4.8	4.7	4.9	5.1	5.0	4.9	4.2	4.0	3.8	3.9
Education Services	3.6	3.6	3.6	3.6	3.7	2.9	3.8	3.8	3.5	3.5	3.8	3.8	3.8
Restaurants & Accommodation Services	8.3	8.6	8.3	8.2	7.9	7.1	7.1	6.3	5.6	5.6	5.5	5.3	5.6
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.6
Personal Care & Misc Goods & Services	5.6	5.7	5.7	5.8	5.6	5.5	5.4	5.3	4.8	4.6	4.0	3.8	3.6
Core CPI	**8.0**	**7.9**	**7.7**	**7.4**	**6.7**	**6.1**	**5.9**	**5.3**	**4.7**	**4.4**	**3.8**	**3.6**	**3.4**

Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC.

Philippines: Medium-Term Forecast Changes

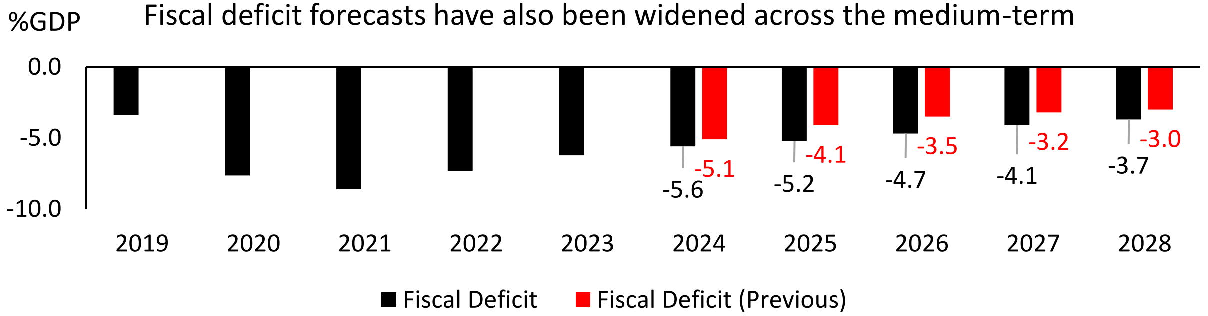
- The Development Budget Coordination Committee (DBCC) recalibrated the government's medium-term macroeconomic assumptions, fiscal program, and growth targets for FYs 2024 to 2028 to reflect domestic and global developments on 4 April 2024.

- The authorities revised the 2024 and 2025 GDP growth targets. The 2024 GDP growth target range at 6.0-7.0% is more in line with our forecast of 6.0%. The fiscal deficit forecasts were also widened across the medium-term reflecting a combination of lower revenue collections and higher expenditures.

- Notwithstanding, the government will continue to pursue tax reforms including Value-added Tax (VAT) on non-resident Digital Service Providers (DSPs); the Imposition of Excise Tax on Single-use Plastics (SUPs); the Package 4 of the Comprehensive Tax Reform Program (CTRP); the Rationalization of the Mining Fiscal Regime; and the Reform on the Motor Vehicle Users' Charge (MVUC).

% YoY	GDP Growth Assumptions (April 2024)	GDP Growth Assumptions (Dec 2023)
2024	6.0 – 7.0	6.5-7.5
2025	6.5 – 7.5	6.5-8.0
2026 – 2028	6.5 – 8.0	6.5-8.0

Fiscal deficit forecasts have also been widened across the medium-term



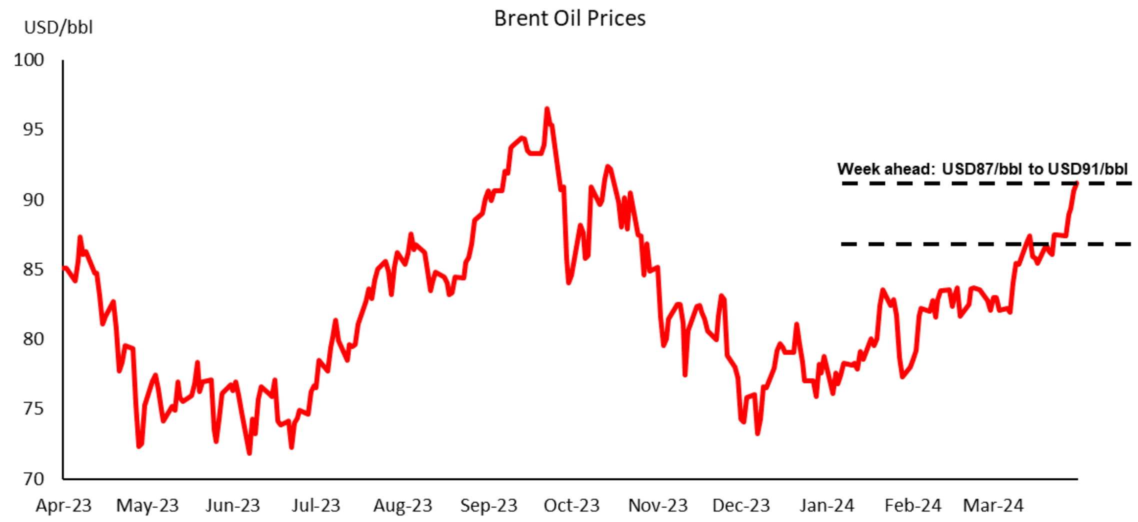
Source: DBCC; OCBC

Source: DBCC, OCBC.

Commodities

Crude Oil: Prices May Trend Modestly Lower Ahead

- Crude oil benchmarks extended their rally for a second consecutive week. Both WTI and Brent rose by more than 4.0% to settle at USD86.9/bbl and USD91.2/bbl.
- Last week, oil prices traded higher due to prospects of further supply tightening in the oil market. First, Mexico's state-owned company, Pemex, planned to "halt some crude exports over the next few months" to ensure sufficient supplies for the domestic petroleum production ahead of the country's presidential elections in June. Second, escalating geopolitical tensions in the Middle East provided further upside momentum for oil prices. Iran has linked Israel to the attack to its embassy in Syria and has vowed to retaliate.
- For the week ahead, we believe oil prices may trend modestly lower following reports of the withdrawal of some troop presence from Southern Gaza by Israel, and Israel having sent a team to Egypt to discuss a potential ceasefire with Hamas. Monthly reports from the EIA, OPEC and IEA will provide further insights into current trends, market dynamics and potential factors that may impact oil prices. We expect Brent oil prices to trade within a range of USD87-91/bbl.



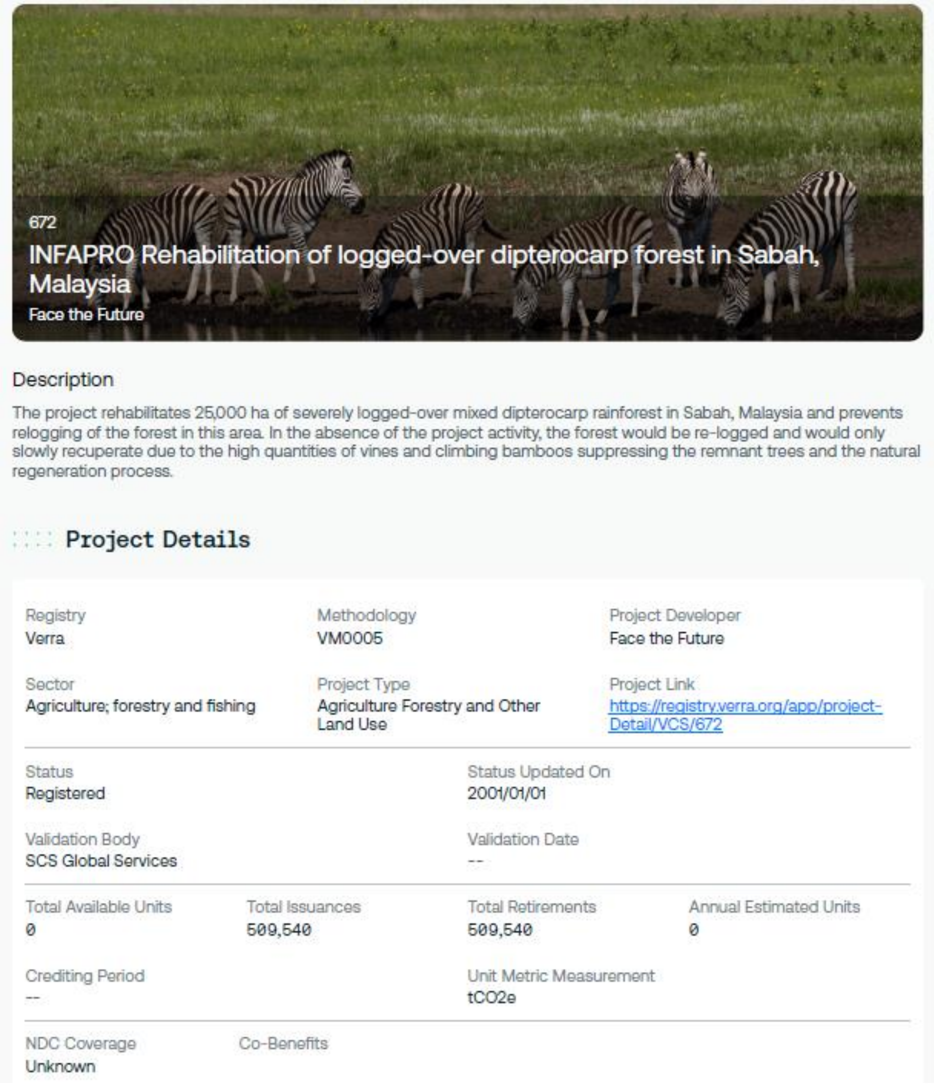
Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC

ESG

ESG: Ongoing Efforts to Increase Confidence in Voluntary Carbon Markets

- CAD Trust, a platform by the Singapore Government, World Bank and the International Emissions Trading Association, aims to enhance transparency and confidence in carbon markets by tracking the full cycle of carbon credits.
    - The data dashboard, launched at COP28 in Dec 2023, is publicly available and free. It has grown to cover 6 registries (including Verra) which represents 85% of all credits issued to date. It is set to expand coverage in 2024 by onboarding more registries. The top five source countries for visitors are the US, Britain, Singapore, India and Canada.
    - When more carbon credit registries are brought on board, this platform can enhance the transparency of carbon credits, minimise double counting and increase the overall integrity of carbon markets.
- The Integrity Council for Voluntary Carbon Markets (ICVCM) approved three voluntary carbon programmes for Core Carbon Principles (CCP) eligibility: (i) Gold Standard, (ii) American Carbon Registry and (iii) Climate Action Reserve. Verra's VCS is still pending approval, and will be assessed by May 2024 alongside ART TREES, Social Carbon and Isometric. This marks a step towards greater clarity in carbon markets through the labelling of credits issued via ICVCM's methodologies with the CCP stamp.



Source: CAD Trust, S&P, The Straits Times

Source: CAD Trust

FX & Rates

FX & Rates

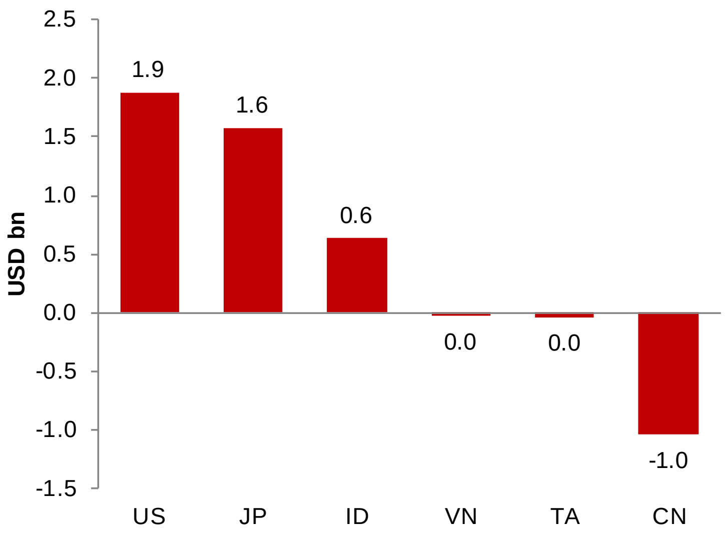
- UST yields jumped on the payroll release. Fed funds futures pared back rate cut expectation further, to a total of 64bps of cuts this year and to a 52% chance of a 25bp cut by June FOMC meeting. While our notion is that firm economic activity per se does not argue against easing, as long as the implication on inflation is not material, strong data means the Fed is in no rush to cut and this is reflected in market pricings and UST valuation.
- CPI report on Wednesday is the next to watch – headline YoY may see a mild pick-up because of the energy component. In terms of UST performances, breakevens rose across the curve, more notably at the front-end; the increase in the 10Y yield was still driven mainly by higher real yield rather than breakeven as it was strong economic activity that triggered the move. Levels to eye are 2.415% for the 10Y breakeven and 2.09% for the 10Y real yield, i.e. 4.51% for the nominal yield.
- Recent round of oil price increase may have near term implication on CPI reading. A higher-than-expected print may add modest support to the USD but a downside surprise may see USD react more to the downside. Asymmetric DXY price action to US data is likely in the interim.
- USDJPY continued to trade sideways. We remain cautious of intervention especially if moves are rapid or excessive. While it is of popular belief that 152 may be the line in the sand, we think it is also more of the magnitude of the move that may matter, when it comes to intervention risks.
- CNY rates. The bond market focus will be on the actual issuance plan for the CNY1trn of special bonds, with expectation for it to come to the market within this quarter. We believe most sales will be via auctions if the authorities would like to prepare for such supply to come for the years ahead. We continue to look for CNY rates and CGB yields to bottom out with a steepening bias to the yield curve. With USD/CNY fixing still anchored at the 7.09/10 levels, spot may continue to trade near the 2% cap intra-day which leaves a thin buffer for t/n – this is not a constraint on the fixing level though. On the offshore DF curve, the supported front-end appears to have some filtering through onto the back end, which did not fall much despite the higher USD rates. Still, on balance, the DF curve may exhibit a mild flattening bias near-term. On the data front, March aggregate financing, new yuan loans and money supply data will be out any time

Asset Flows

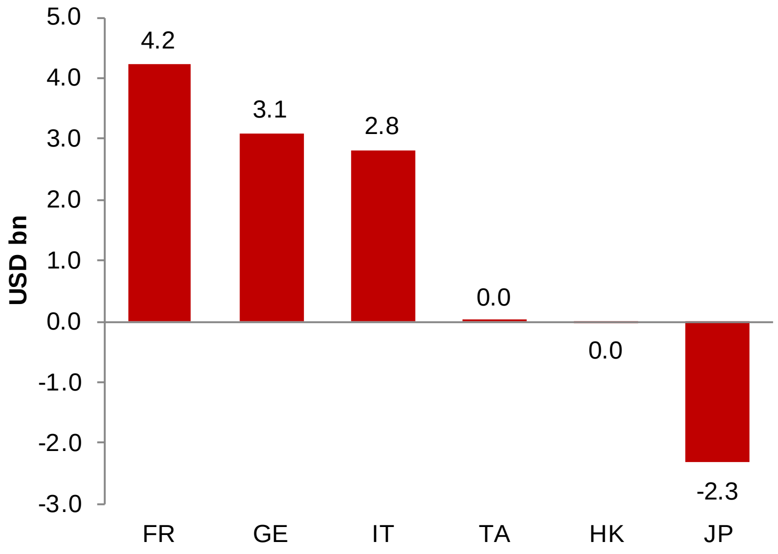
Global Equity & Bond Flows

- Global equity markets saw net inflows of $14.2bn for the week ending 3 April, a decrease from the inflows of $16.4bn last week.
- Global bond markets reported net inflows of $13.3bn, a decrease from last week's inflows of $15.1bn.

Equity top gainers & losers



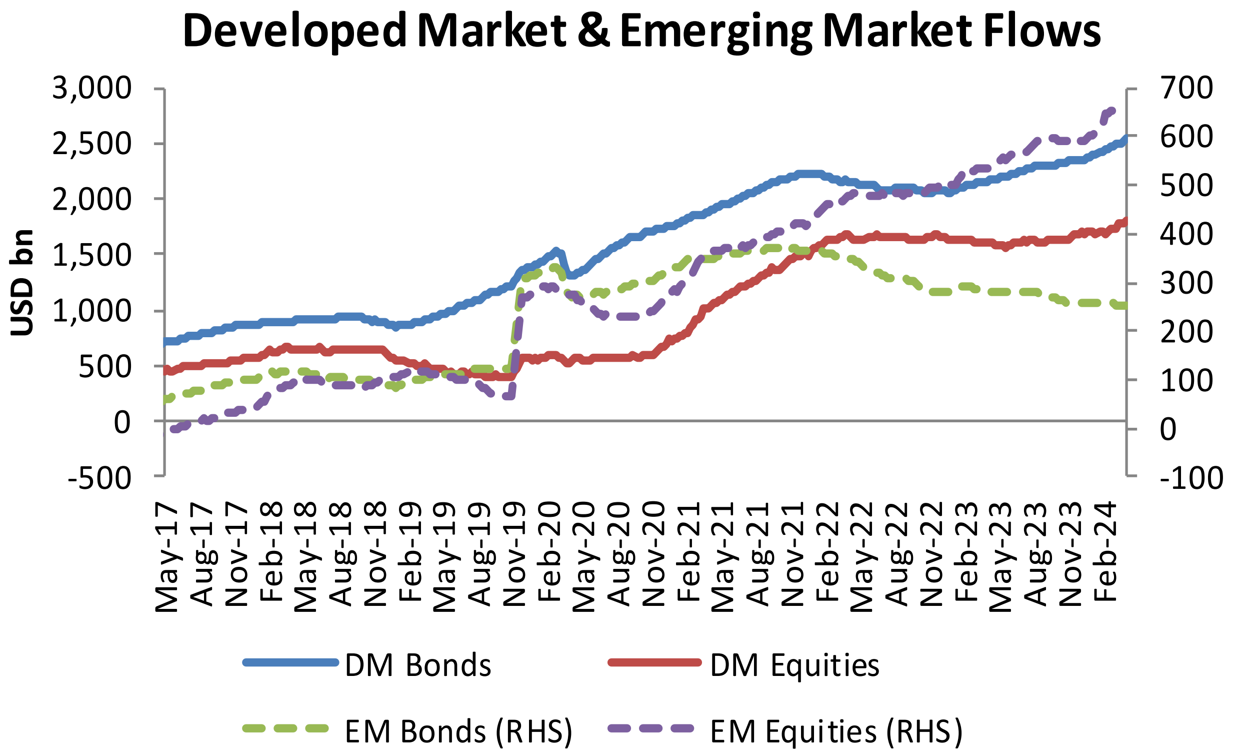
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($10.0bn) and Emerging Market Equities ($4.2bn) saw inflows.
- Developed Market Bond ($12.7bn) and Emerging Market Bond ($548.76mn) saw inflows.



Source: OCBC, EPFR

Thank you

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