



Weekly Macro Views (WMV)

Treasury Research & Strategy (9th August 2022)

Weekly Macro Update

Key Global Events for this week:

8 th August	9 th August	10 th August	11 th August	12 th August
<ul style="list-style-type: none"> - JN BoP Current Account Balance - TA Exports YoY - SI Foreign Reserves 	<ul style="list-style-type: none"> - PH GDP YoY - CH Money Supply M2 YoY - AU Westpac Consumer Conf SA MoM 	<ul style="list-style-type: none"> - CH CPI YoY - US CPI YoY - GE CPI YoY - JN PPI YoY 	<ul style="list-style-type: none"> - US Initial Jobless Claims - SI GDP YoY - US PPI Final Demand MoM 	<ul style="list-style-type: none"> - UK GDP QoQ - US U. of Mich. Sentiment - HK GDP YoY - MA GDP YoY

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Global: Central Banks • Global: BoE delivered its biggest hike of 50bps in 27 years • Global: BoT set to initiate its first rate hike in nearly 4 years • Global: US July nonfarm payrolls surprised on the upside 	Asia	<ul style="list-style-type: none"> • MO: Gaming revenue hit the lowest level since 2003 • CN: Record high goods trade surplus • CN: Narrowing service trade deficit • MY: Reserves uptick • ID: GDP surprise
Asia	<ul style="list-style-type: none"> • SG: Retail sales boomed in June • HK: Real GDP contracted by 1.4% in 2Q • HK: Retail sales recorded moderated year-on-year decline 	Asset Class	<ul style="list-style-type: none"> • ESG: China's new green bond guidelines and green growth plan • FX & Rates: Global yields jumped upon strong July NFP results
		Asset Flows	<ul style="list-style-type: none"> • Asset Flows

Global: Central Banks

Forecast – Key Rates

Bank of Thailand (BoT)



Wednesday, 10th August

House Views

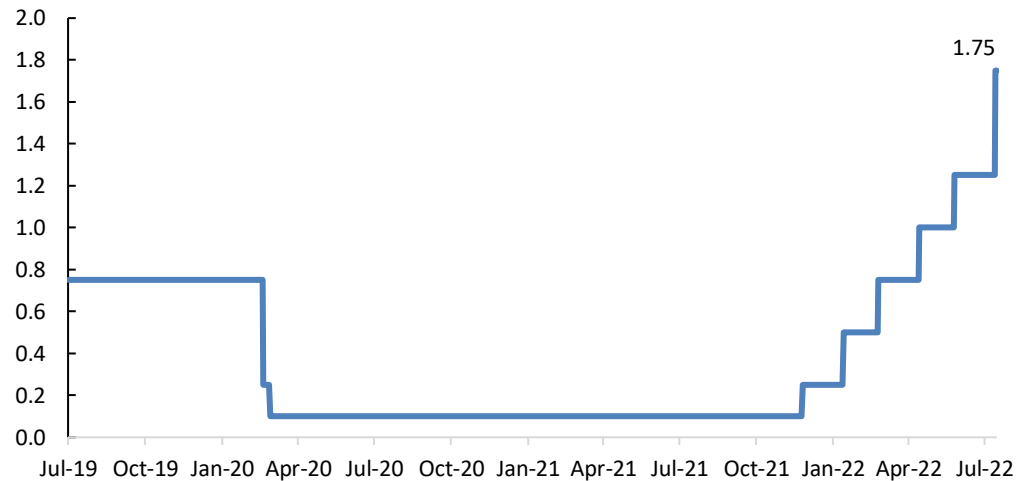
Benchmark Interest Rate

Likely *hike* by *25bps*
from *0.50%* to *0.75%*

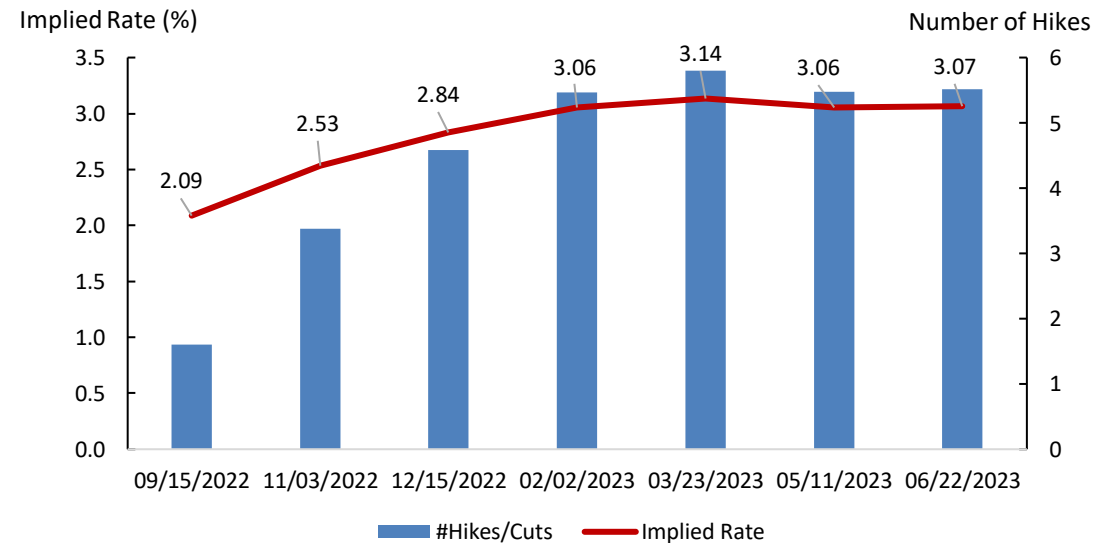
Global: BoE delivered its biggest hike of 50bps in 27 years

- BoE hiked its benchmark rate for the sixth straight time by 50bps to 1.75%, marking its biggest move in 27 years.
- BoE governor Bailey also flagged that inflation may peak at 13.3% in October and that “all options are on the table for our September meeting and beyond that”, but warned that a recession will start in 4Q22 and last through 2023.
- He also outlined plans to actively sell around GBP10bn a quarter, evenly across “buckets” of short, medium and long tenors. Following a confirmatory vote in September and including redemptions, the BoE’s holdings of gilts should fall around GBP80bn in the first year, while sales of its holdings of corporate bonds will also start in the week of 19 September.
- BoE will also launch a new Short-Term Repo facility to keep short-term market rates close to its policy rate.

BoE Official Cash Rate

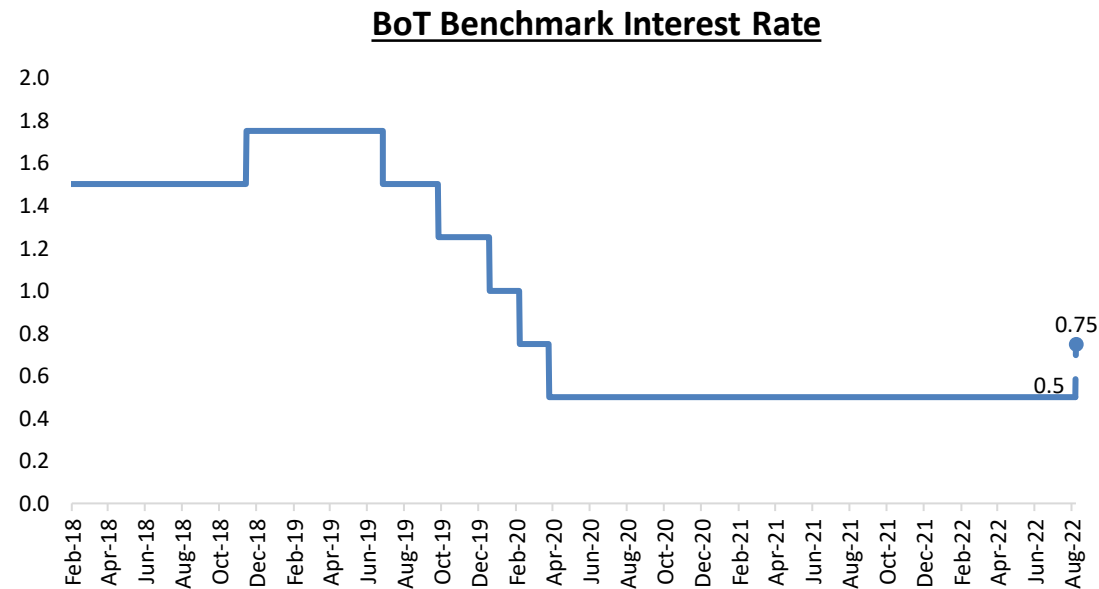


UK Implied Overnight Rate & Number of Hikes



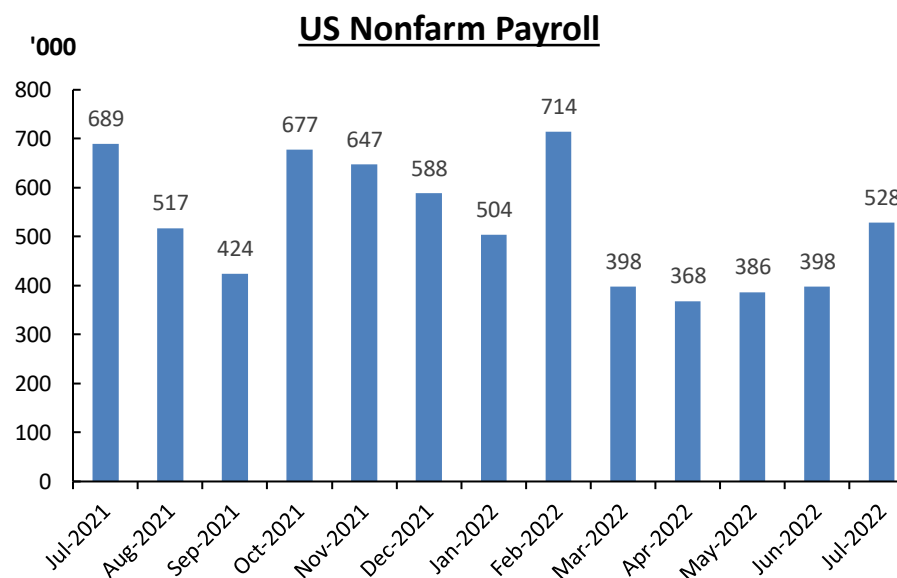
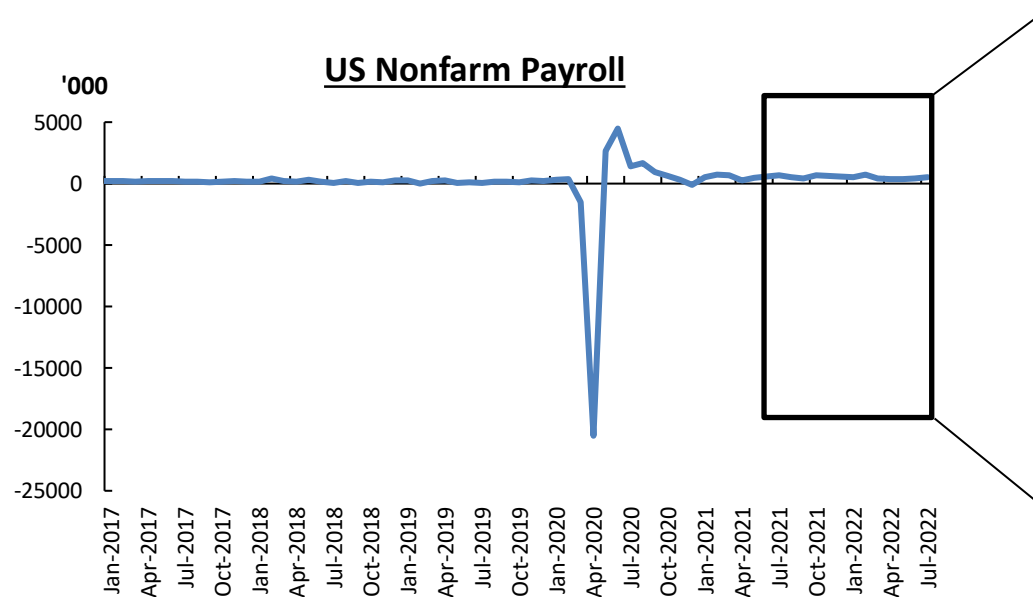
Global: BoT set to initiate its first rate hike in nearly 4 years

- BOT is widely expected to deliver its first rate hike of 25bps in nearly 4 years to 1.75% on this Wednesday as July headline CPI of 7.61% well exceeds its 1-3% inflation target.
- Back in the June MPC meeting, the Committee voted 4-3 to keep its benchmark rate unchanged at 0.50%, with 3 members voting for a 25bps hike.
- BoT's latest growth projection from its June meeting stands at 3.3% in 2022 and 4.2% in 2023, while headline inflation forecast stands at 6.2% in 2022, which it then expects will ease back to its target range of 1-3% in 2023.



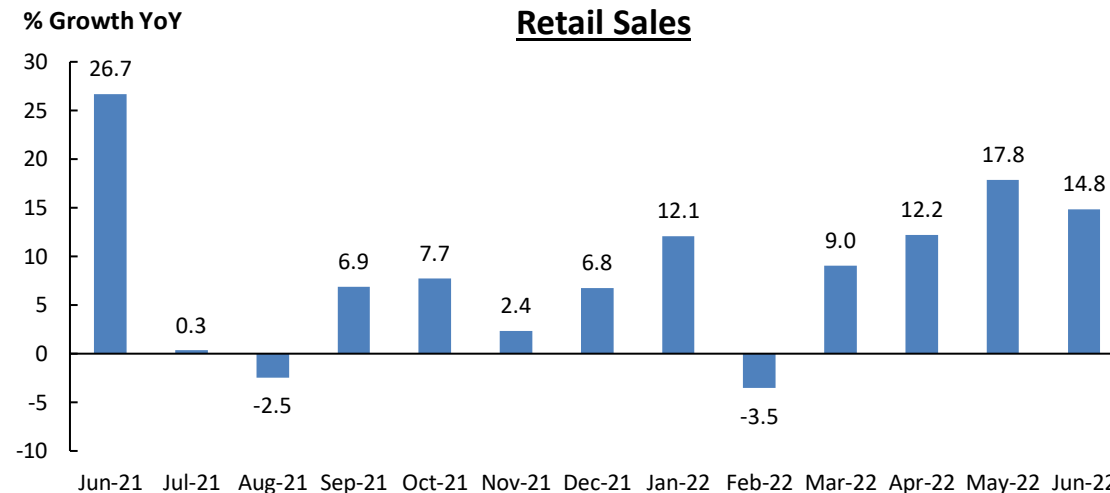
Global: US July nonfarm payrolls surprised on the upside

- The July nonfarm payrolls printed at a blockbuster 5-month high of 528k, beating market expectations of 250k, while the June estimate was also revised higher to 398k with the net two-month upward revision at 28k.
- The unemployment rate also unexpectedly fell from 3.6% to a 50-year low of 3.5% while the average hourly earnings accelerated from an upwardly revised 0.4% MoM in June to 0.5% in July.
- The still-tight labour market fuelled markets' concerns of persistently high inflation. At this juncture, the Fed funds future market is leaning towards a 75bps rather than 50bps rate hike in the September meeting as several Fed officials remained generally hawkish and in favour of frontloading rate hikes to combat inflation till the year-end.



SG: Retail sales boomed in June

- Retail sales rose for a fourth straight month and expanded at a double-digit pace for the third straight month by 14.8% YoY in June.
- With the return of overseas visitors, there has been a strong pickup in department store sales, food & alcohol, wearing apparel & footwear, watches & jewellery, and recreational goods. Petrol service station sales were also higher, likely boosted by the higher crude oil prices due to the low base last year.
- Looking ahead, the retail sales outlook should remain positive on-year assuming that visitor arrivals remain healthy with more international events including F1, various pop concerts and flurry of MICE events in the pipeline for the rest of the year.
- We upgrade our full-year 2022 retail sales forecast from 7-8% to 9-10% YoY, close to the 11.1% seen in 2021.



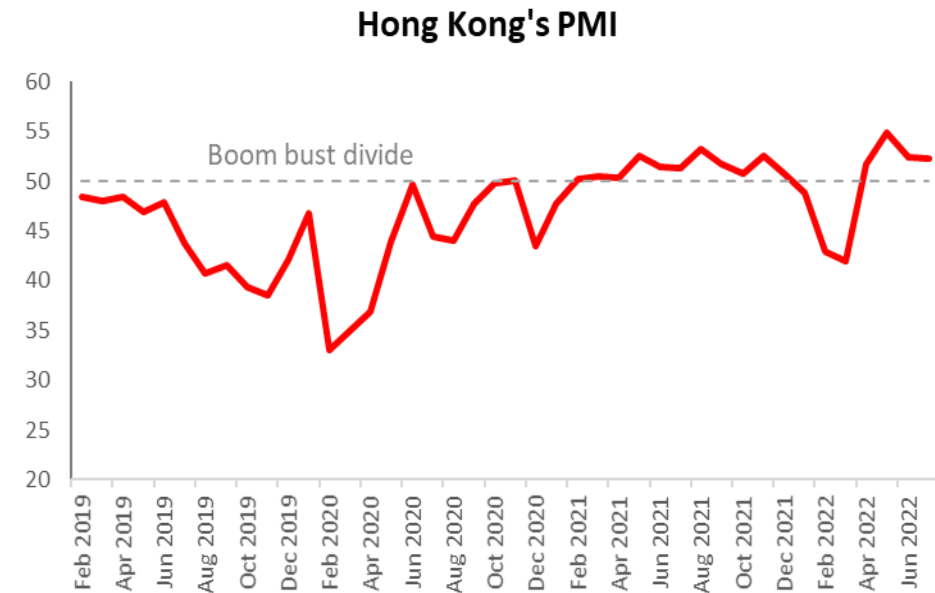
HK: Real GDP contracted by 1.4% in 2Q

- According to the advance estimates, Hong Kong's real GDP contracted by 1.4% YoY for the second quarter, extending the decline registered in the previous quarter (1Q: -3.9% YoY). External demand shrank notably on the back of multiple headwinds, including worsened global economic outlook, lingering geopolitical tensions, aggressive interest rate hikes by major central banks and COVID uncertainties in Mainland China, while domestic demand largely held up. On a seasonally adjusted basis, GDP expanded by 0.9% QoQ (1Q: -2.9% QoQ), as COVID disruptions subsided.
- Zooming in, year-on-year declines on exports of goods widened to 8.6% in 2Q (1Q: -4.5% YoY), completely offsetting the moderated declines/growth in other components. Gross domestic fixed capital formation recorded narrower decline of 3.0% from a year ago (1Q: -7.8% YoY), while that of private consumption expenditure stayed virtually unchanged (1Q: -5.8% YoY). On the other hand, on the back of massive COVID spending, government consumption expenditure expanded further by 13.0% YoY (1Q: +6.7% YoY).
- Given that the abovementioned external headwinds are likely to persist into the second half of 2022, the growth outlook for Hong Kong has deteriorated. We revised downward our full-year growth forecast for Hong Kong to -0.4% YoY. The government is also set to revise downward its full-year growth forecast of 1%-2% in mid-August.

GDP components	2021	4Q 2021 (YoY)	1Q 2022 (YoY)	2Q 2022 (YoY)	
GDP	6.3%	4.7%	-3.9%	-1.4%	↑
Private consumption expenditure	5.4%	5.3%	-5.8%	0.0%	↑
Government consumption expenditure	4.6%	4.1%	6.7%	13.0%	↑
Gross domestic fixed capital formation	9.8%	-0.6%	-7.8%	-3.0%	↑
Exports of goods	18.9%	13.5%	-4.5%	-8.6%	↓
Imports of goods	17.4%	9.9%	-5.9%	-6.2%	↓
Exports of services	1.5%	6.9%	-2.9%	1.8%	↑
Imports of services	1.7%	4.5%	-3.8%	-0.7%	↑

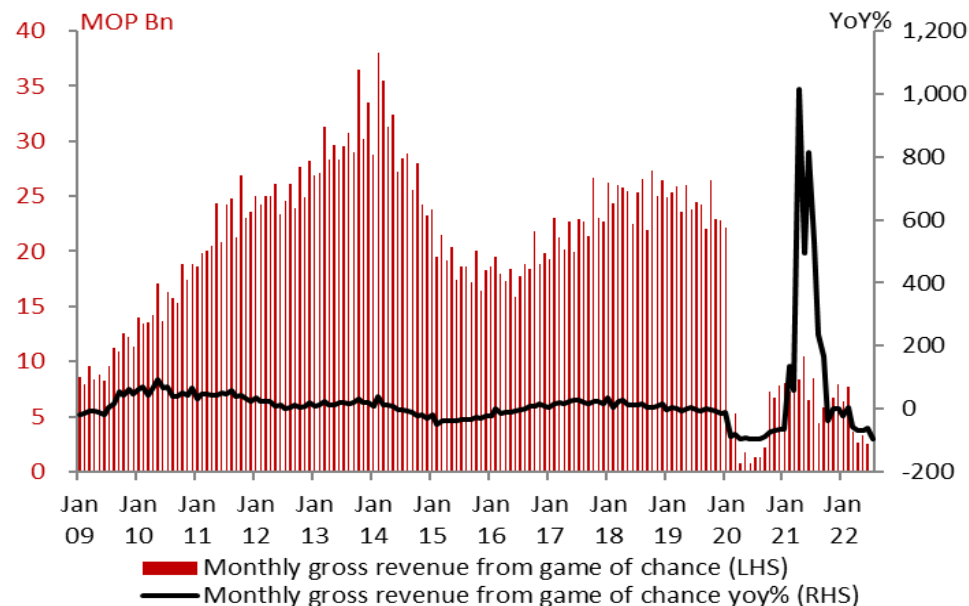
HK: Retail sales recorded moderated year-on-year decline

- In June, the value of total retail sales recorded a moderated year-on-year decline of 1.2%, reflecting the still weak consumer sentiment. For the first half of 2022, despite the rollout of the consumption voucher scheme, the value of retail sales still fell by 2.6% YoY amid the dire COVID situation in the first quarter.
- In parallel, Hong Kong's private sector expanded for the fourth straight month in a row in July. PMI edged down to 52.3 in July, from that of 52.4 in June, though still remaining in the expansionary zone. Domestic demand and business activity expanded further, while external demand continued to see contraction.



MO: Gaming revenue hit the lowest level since 2003

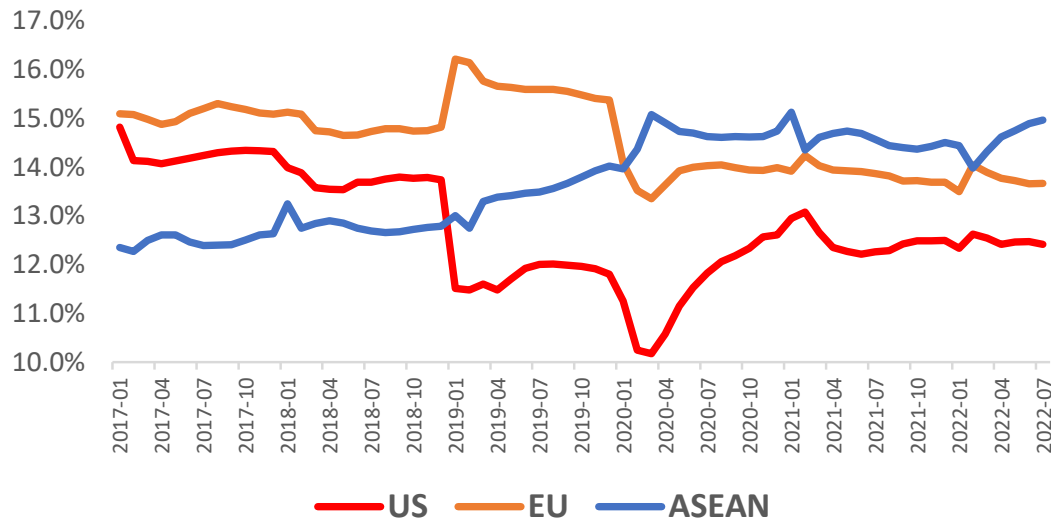
- Macau's gross gaming revenue in July hit the lowest level since 2003 as casinos were ordered to shut down from 11 July to 23 July amid the local COVID outbreak. The figure plunged to MOP398 million in July, down by 95.3% compared to a year ago. In the first seven months of 2022, the gaming revenue fell by 53.6% YoY.
- The loss of gaming revenue and stringent antivirus measures weighed heavily on the local economy in July. The unemployment rate was pushed up to 3.7%, the highest since 2009. To revive the economy, quarantine-free travel between Macau and the neighboring Mainland city Zhuhai was resumed. Under the arrangement, visitors travelling from Macau to Zhuhai would be required to present negative nucleic test result, take another test within 48 hours of arrival and refrain from using public transportation or attending public gathering.



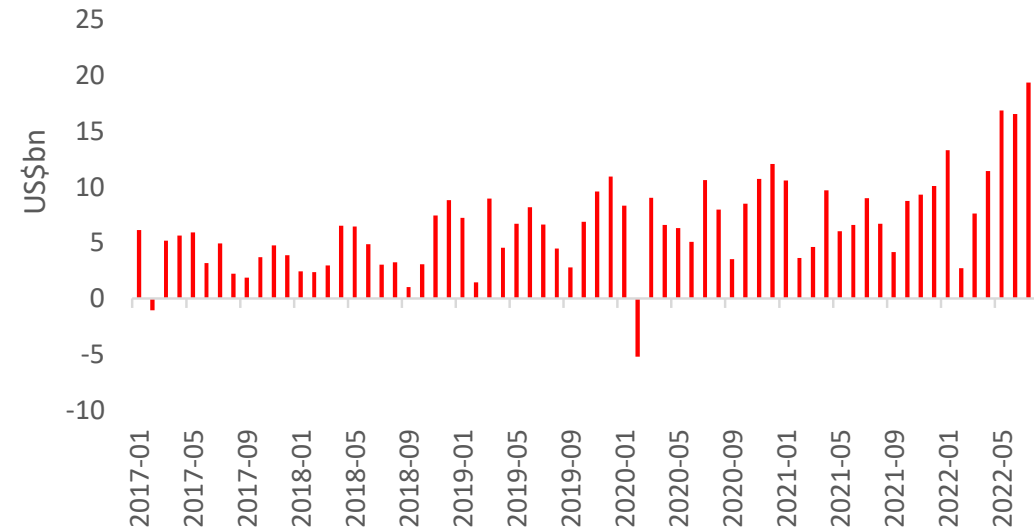
China: Record high goods trade surplus

- China's trade surplus widened to a record high of US\$101.27 billion as a result of stronger than expected export growth, which rose by 18% YoY. The strong demand from ASEAN and EU offset the moderate export growth to the US.
- China's trade surplus with ASEAN hit a record high of US\$19.4 billion with the share of China-ASEAN trade in China's total trade rising to 15%, a sign of increasing economic integration within Asia.

Share of China's major trading partners YTD

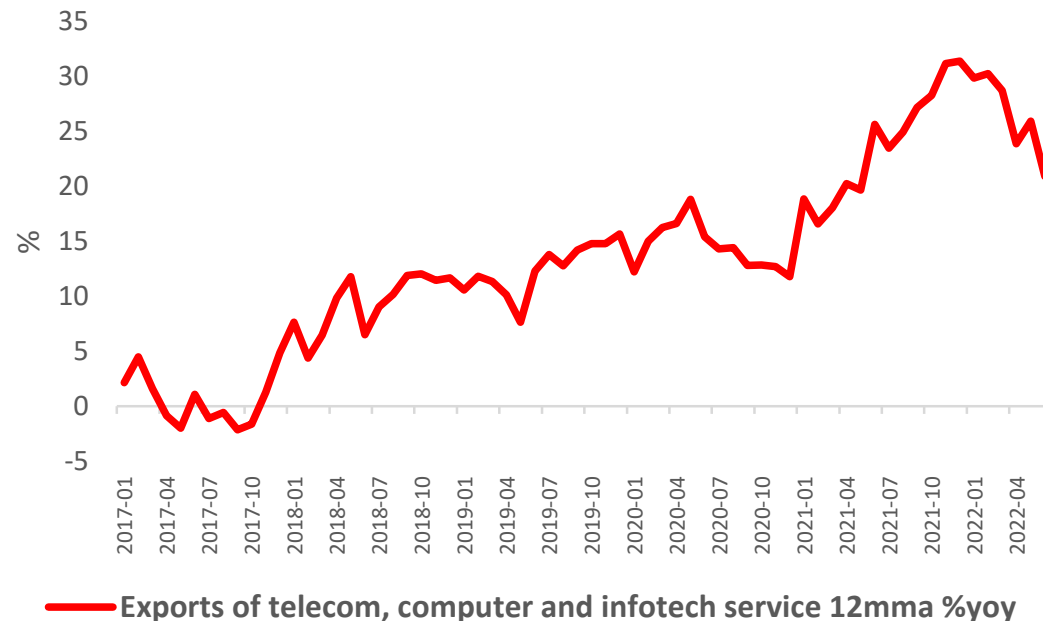
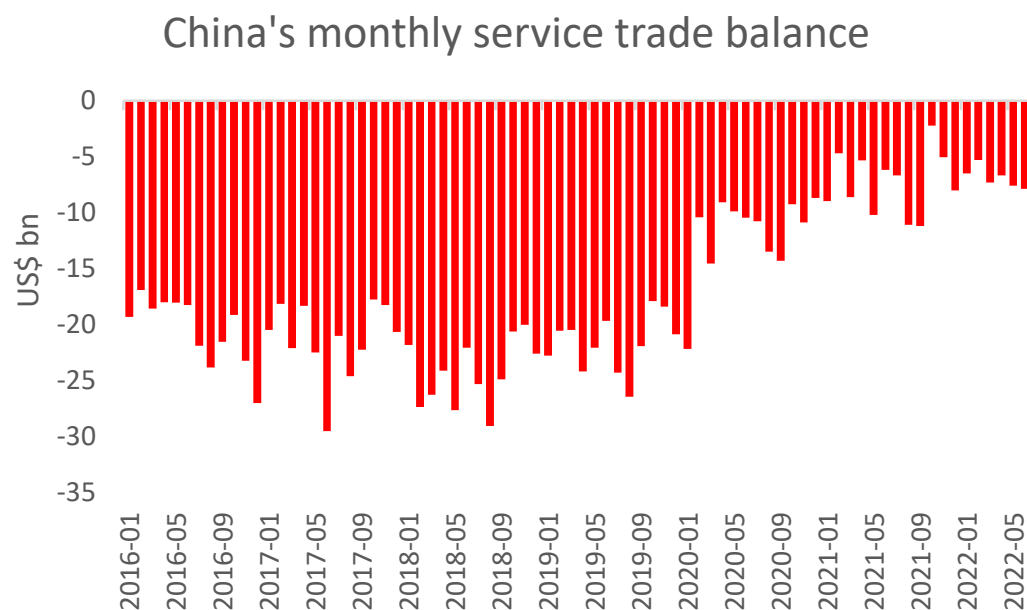


China's trade surplus with ASEAN



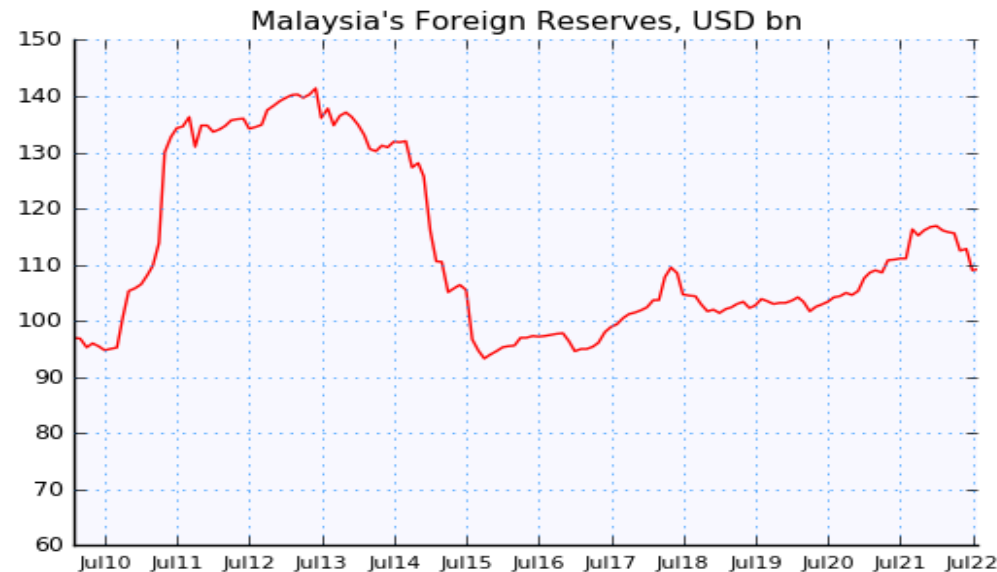
China: Narrowing service trade deficit

- China's total service trade in the first half of the year rose by 21.6% YoY. Under China's balance of payment, service trade deficit narrowed in the first half due to restricted overseas travel. Nevertheless, China's exports of computer, telecom and information technology service improved further with total exports in the first half of the year rising by 17% YoY.



Malaysia: Reserves uptick

- Malaysia's foreign reserves came in at USD109.2bn as of end of July, marking an uptick compared to the USD107bn as of July 15th.
- According to Bank Negara calculations, the reserves are sufficient to finance 5.8 months of retained imports and is equivalent to 1.1 times its short-term external debt.
- Overall, we deem the reserves level to remain broadly adequate in buffering Malaysia from the global market volatility.



Indonesia: GDP surprise

- The Indonesian economy managed to grow at a robust clip of 5.44% YoY in Q2, against expectation of around 5.2% YoY. At a time when global recession fears dominate, such upbeat growth print should be a reminder of how the relatively insular nature of the economy is a 'plus' at this part of the cycle.
- Nonetheless, even as domestic drivers indeed proved to be strong, with private consumption at 5.51% YoY (vs. 4.34% before), the GDP print signalled a great uplift from global commodities demand, which helped to propel exports up by nearly 20% over the period, courtesy of coal demand, for one.
- Overall, the solid GDP print should give Bank Indonesia both the space to hike rate and a reminder nudge of the risk of not doing so, especially with inflation data on the uptick. We still see a good chance of a hike coming in the next MPC meeting on Aug 23rd.





ESG

ESG: China's new green bond guidelines and green growth plan

Green bond standards

- China released a new set of guidelines for green bond issuance to create a standardized framework for domestic issuers, especially with many differing standards in the market. Some domestic green bonds are not in line with international standards, resulting in them not being recognized by international investors.
- The China green bond principles will be aligned with international standards and will set the basic rules for green bond issuers based on domestic conditions. Green financial bonds, green debt financing instruments, and green corporate bonds will apply the new principles, while enterprise bonds will be excluded.

Green transition for the industrial sector

- China published a plan to promote green growth in the industrial sector, including efforts to promote the optimisation and upgrading of infrastructure, curb the development of projects with high energy consumption and carbon emissions, and develop green and low-carbon industries.
- This signals China's commitment towards its net-zero goals by (i) growing its green bond market and concurrently tackling greenwashing through standardised guidelines, and (ii) pushing emissions-intensive sectors to undergo a green transition.



FX & Rates

FX & Rates: Global yields jumped upon strong July NFP results

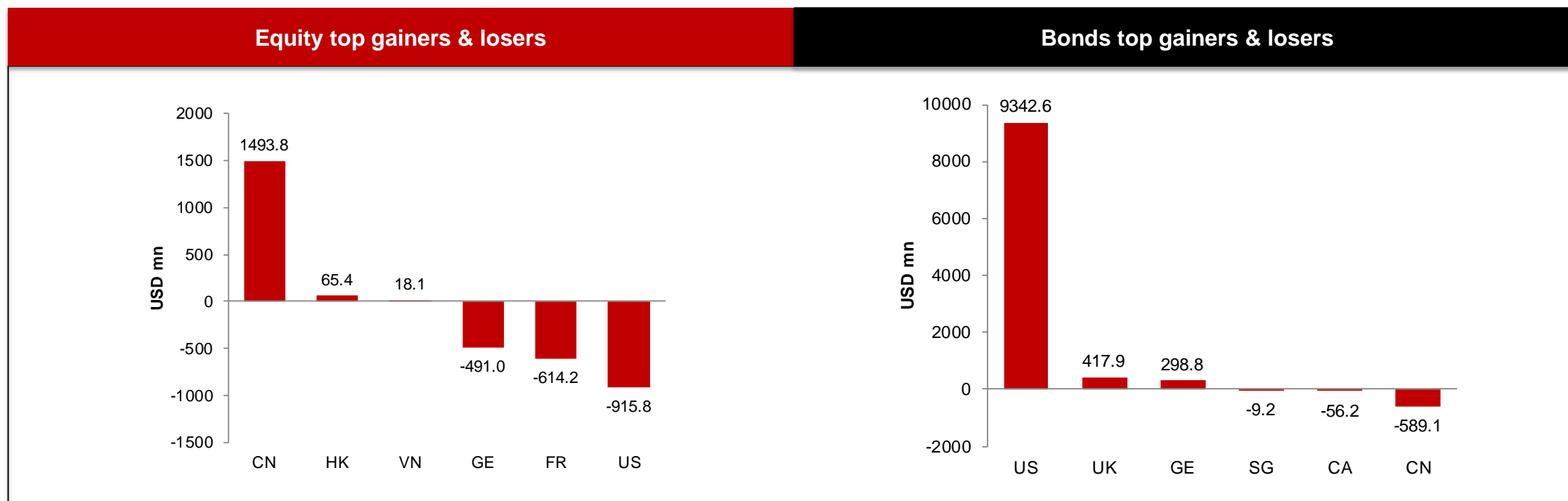
- UST yields rose by 10-20bps across the curve on Friday led by the front-end, upon the stronger-than-expected payroll report. The uptick in the 10Y yield was primarily driven by real yield. The jumps in US yields spilled over to Gilts and Bunds. The USD OIS is now pricing in a higher terminal rate of 3.80%. Yields are likely to continue to trade in wide ranges with investors reacting to economic releases/events.
- Front-end IndoGBs weakened taking cue from the US market, but the domestic bonds still outperformed USTs. Although Bank Indonesia has stayed dovish on the policy rate front, bond sales likely counteract IndoGB rally especially at the front-end and as such chasing the rally is not preferred.
- In China, onshore liquidity appears to have remained flush with T/N staying below par. Back-end CNY and CNH points continue to be a function of US yields. While on a multi-month horizon we see upside to US yields and hence further downward pressure on the points, we caution against the volatility near-term. This week's MLF maturity is relatively heavy, but if needed a full rollover can cover the liquidity gap.
- SGD NEER has continued to trade in the recent range of 1.00-1.20% above mid-point. Pressure on the NEER is neutral to mildly upward, as the SGD tends to outperform regional peers. Support for USD/SGD sits at 1.3752 and then 1.3678, while topside is at 1.3883 and then 1.3934.



Asset Flows

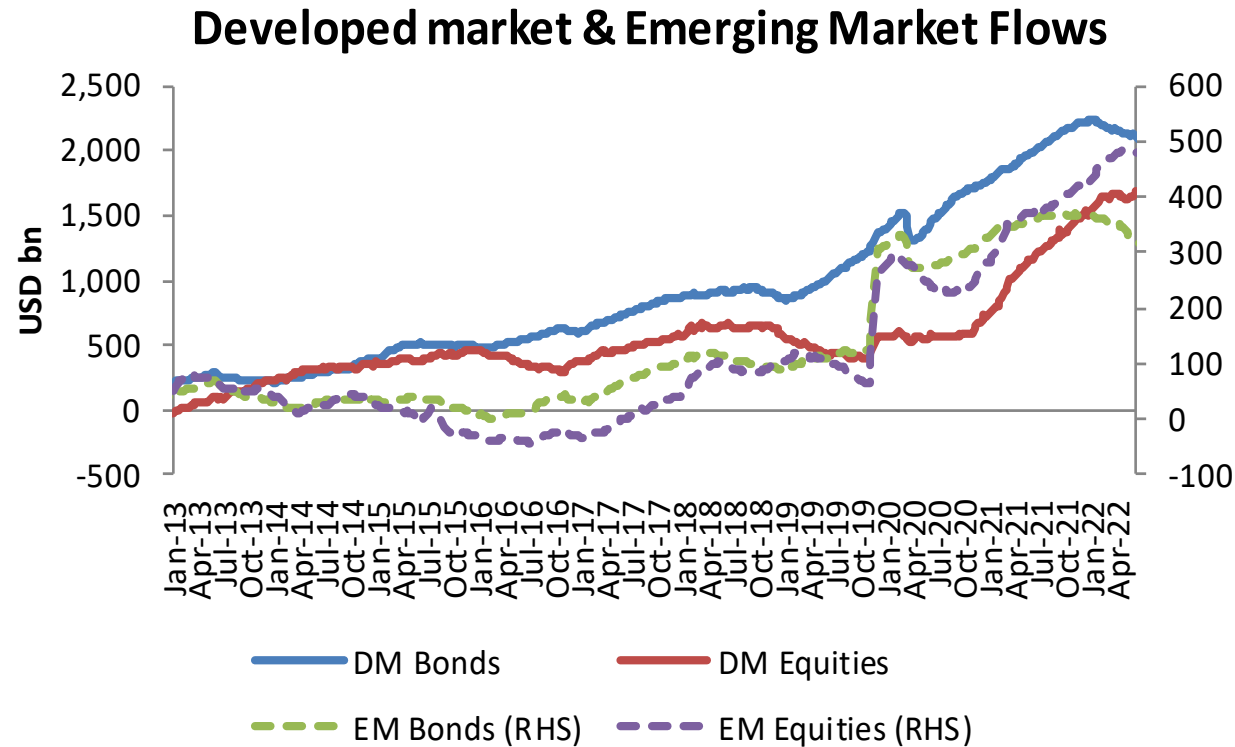
Global Equity & Bond Flows

- Global equity markets saw net outflows of -\$2.6bn for the week ending 3rd August, a decrease from the inflow of \$5.6bn last week. Global bond market reported net inflows of \$11.6bn, an increase from last week's inflows of \$3.5bn



DM & EM Flows

- DM equities saw -\$3.5bn worth of outflows while the EM-space registered \$0.8bn worth of inflows.
- Elsewhere, the DM bond space posted inflows of \$11.4bn, while EM bonds registered outflows of -\$0.2bn.



 Thank you

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Herbert Wong

Hong Kong & Macau

herberthwong@ocbcwh.com

Ong Shu Yi

ESG

ShuyiOng1@ocbc.com

FX/Rates Research

Frances Cheung

Rates Strategist

FrancesCheung@ocbcwh.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

Toh Su-N

Credit Research Analyst

Tohsn@ocbc.com

Disclaimer

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W

