Weekly Macro Views (WMV)

Global Markets Research & Strategy

9th January 2024

Weekly Macro Update

Key Global Data for this week:

9th January	10th January	11th January	12th January
- JN Tokyo CPI Ex-Fresh Food YoY - AU Building Approvals MoM - GE Industrial Production SA MoM - AU Retail Sales MoM	- US MBA Mortgage Applications - SK Unemployment rate SA - NZ REINZ House Sales YoY - US Wholesale Inventories MoM	- US Initial Jobless Claims - SK BOK Base Rate - US CPI MoM - US CPI YoY	- CH CPI YoY - JN BoP Current Account Balance - UK Industrial Production MoM - CH PPI YoY

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** FOMC Minutes Reveal Dovish Tilt • **Global:** US PMI - Cracks in Manufacturing, Resilience in Services • **Global:** US – December Payrolls Point to A Resilient Labour Market • **Global:** Eurozone CPI Still Sticky
Asia	• **SG:** GDP - Construction and Services Delivers Upside Surprise • **SG:** Less Optimism from SBF Survey • **CN:** Path to reflation • **HK:** Suspending Sales of Residential/Commercial Land Plots

Asia	• **MY:** Launch of Central Database Hub (Padu) • **ID:** Benign Inflation to Close 2023 • **ID:** On Strong Fiscal Footing • **PH:** Some Inflation Relief in End-2023 • **TH:** Headline CPI Declined Further
Asset Class	• **Oil:** Volatile Start to the Year • **Rice:** Prices Still Elevated • **ESG:** S'pore's Eligibility List for International Carbon Credits • **FX & Rates:** Watching Inflation this Week
Asset Flows	• **Asset Flows**

Source: Bloomberg, OCBC

Global: Central Banks

Forecast – Key Rates

Bank of Korea (BoK)

Thursday, 11th January

House Views

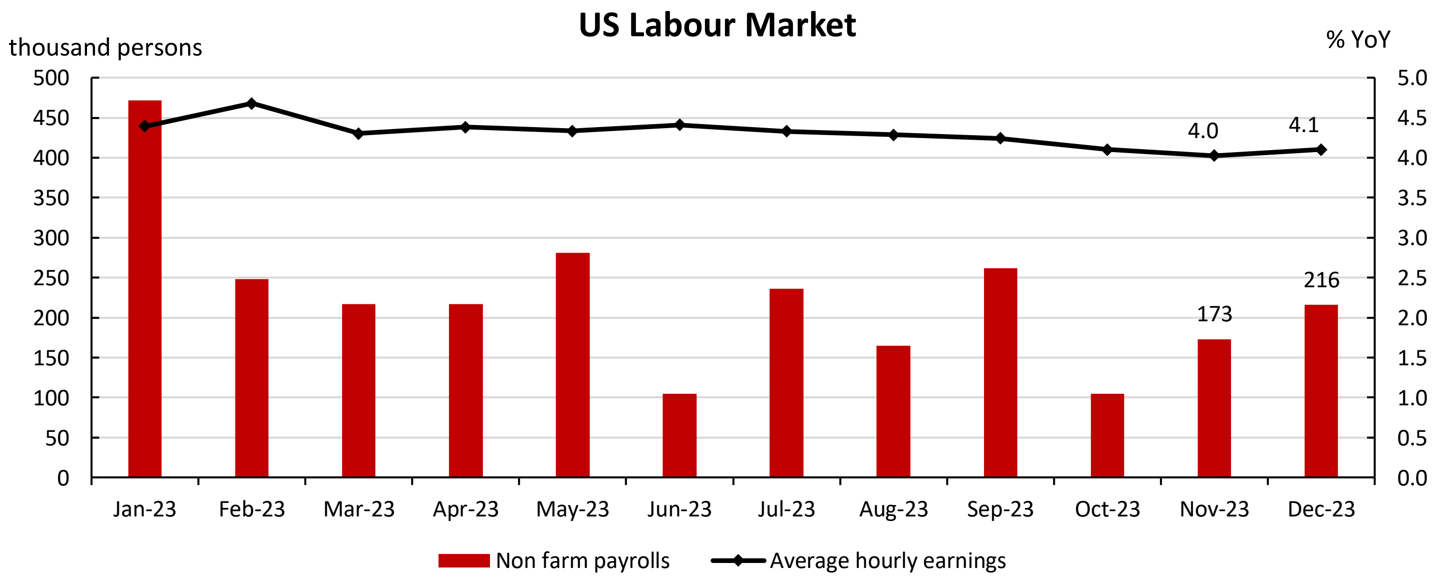
Benchmark Interest Rate

Likely *hold* at *3.50%*

Source: Bloomberg, OCBC

Global: US – December Payrolls Point to A Resilient Labour Market

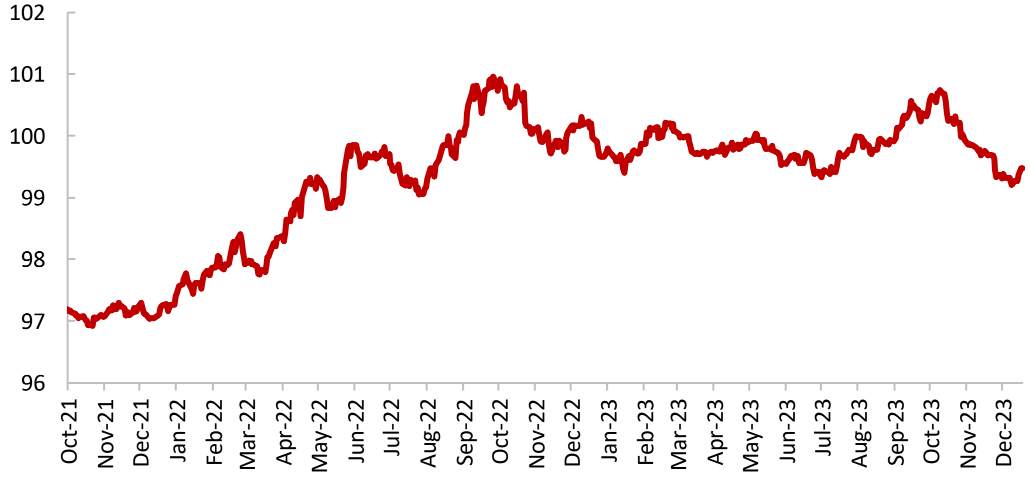
- The Nonfarm payrolls (NFP) report, released on 5 January 2024, depicted continued resilience in the US labour market. The economy which added 216K jobs in December, beating consensus estimates of 170K.
- Larger gains were broad-based with the government (52K) and private sector (164k) adding jobs. Within the latter, the leisure and hospitality (40K), health care (38K), social assistance (21K) and construction (17K) sectors saw the largest gains, whilst minimal change was observed in key industries such as mining, oil and gas, manufacturing and other services. Notwithstanding, November data were revised downward (by 26K jobs). Wage growth remained sticky, inching 0.4% MoM (4.1% YoY) higher in December.
- For full year 2023, while the labour market remained resilient as jobs increased across the government and private sectors. Specifically, the government and private healthcare sectors were strong drivers for job growth in the economy, having added an average of 56K and 55K jobs per month, respectively, in 2023.



Central Bank Watch: FOMC Minutes Reveal Dovish Tilts

- The December FOMC minutes, released on 4 January, suggest that rate cuts are not imminent.
- "Participants viewed the policy rate as likely at or near its peak for this tightening cycle", and that the "current stance of monetary policy was restrictive". However, they also "reaffirmed that it would be appropriate for policy to remain at a restrictive stance for some time until inflation was clearly moving down sustainably", and that "baseline projections implied that a lower target range for the federal funds rate would be appropriate by the end of 2024" given the "high degree of uncertainty surrounding the economic outlook". Fed officials also discussed when to begin "talking about talking about" slowing the pace of quantitative tightening.
- The minutes also revealed that the FOMC was closely watching how banks were tightening credit conditions. Notably, Fed staff discussed how the lagged effects of tighter credit conditions will become more evident in coming quarters as they note loan quality deteriorations and increased consumer delinquencies.
- Markets pared back rate cut expectations over the past days; Fed funds futures price in 135bps of rate cuts by year end, versus 150bps priced at the start of the year. The chance of the first cut to come in Q1 is seen at 66% versus 87% on 5 January.

US Financial Condition Index

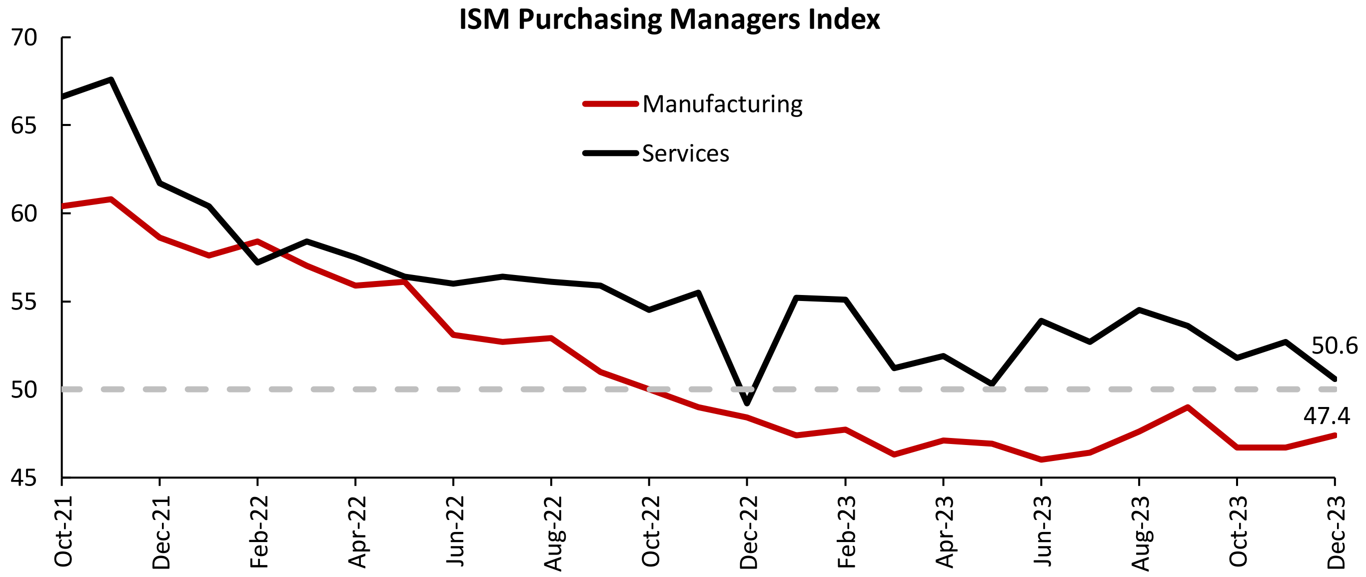


OCBC

Source: CEIC , OCBC

Global: US ISM – Services Slowing, Manufacturing Contracting

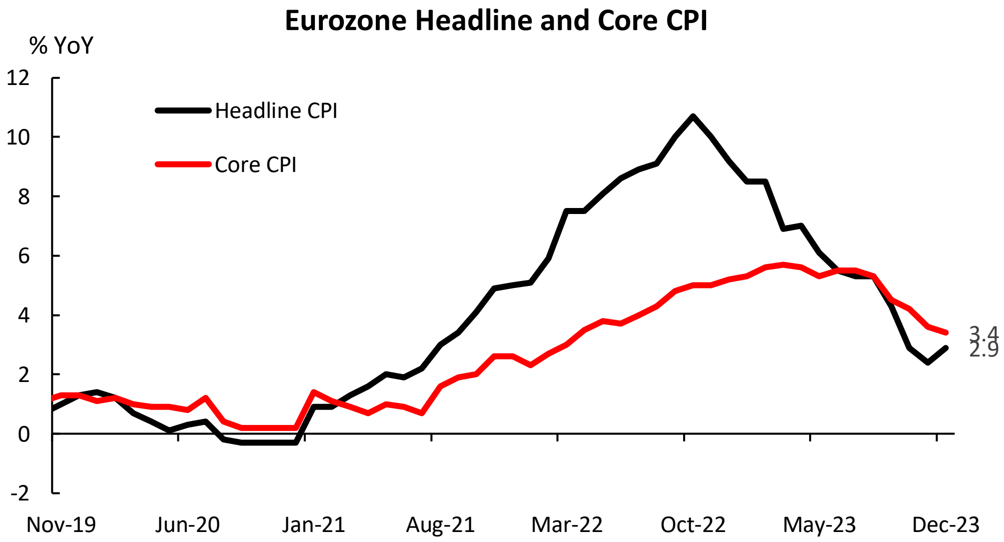
- The December US ISM readings signaled weaker sentiment in the services sector with manufacturing sentiment staying subdued. Services ISM reading dropped to 50.6 (Nov: 52.7) but remained above the expansion-contraction threshold of 50; manufacturing ISM remained in contraction at 47.4 albeit to a lesser degree (Nov: 46.7).
- Within Services ISM, the employment component declined sharply to a reading of 43.3 in December from 50.7 in November. Respondents noted that layoffs had risen amid "economic uncertainty and decreasing consumer demand."
- Meanwhile, the struggle in manufacturing continued to appear broad-based, as the ISM survey indicated that almost all manufacturing industries reported contractions (i.e., a reading below 50) in December, except for primary metals.



Source: Bloomberg, OCBC

Global: Eurozone CPI Still Sticky

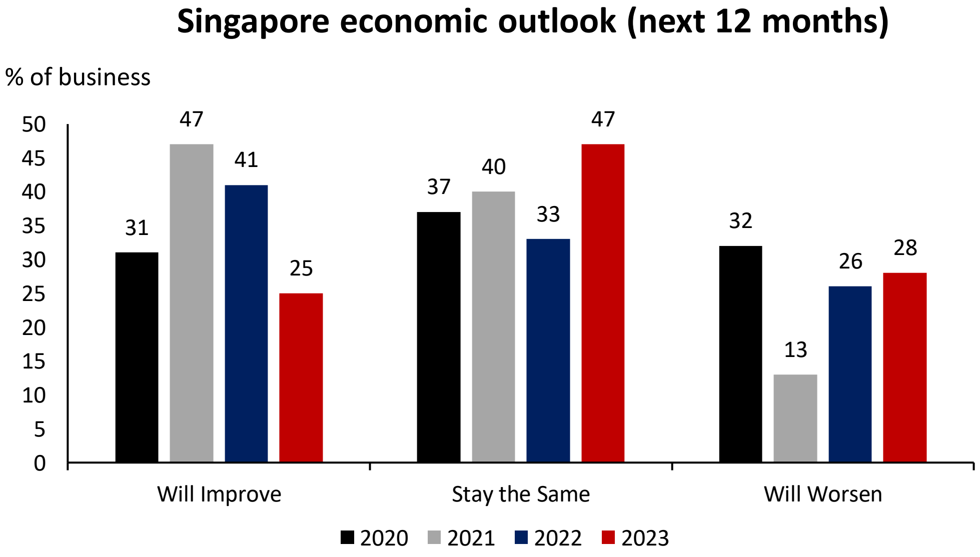
- Headline CPI edged higher in December, quickening to 2.9% YoY (0.2% MoM) from 2.4% YoY in November (-0.6% MoM), highlighting a bumpy road to the 2% target. Energy prices saw a decline of -6.7% YoY (Nov: -11.5% YoY) while services inflation remained steady at 4.0% YoY.
- Price rises slowed for both food and non-energy industrial goods printing 6.1% YoY and 2.5% YoY respectively, inching down from 6.9% YoY and 2.9% YoY in November. Meanwhile, core inflation drifted lower to 3.4% YoY from 3.6% in November, the lowest since March 2022 and in line with consensus.
- This marks the first acceleration in headline inflation since April and the ECB signaled it is still seeking solid confirmation of a durable downward movement in inflation to its target. ECB Executive Board member Schnabel stated, “we still have some way to go and we will see how difficult the famous ‘last mile’ will be”.



Source: Bloomberg, OCBC

Singapore: Less Optimism from SBF Survey

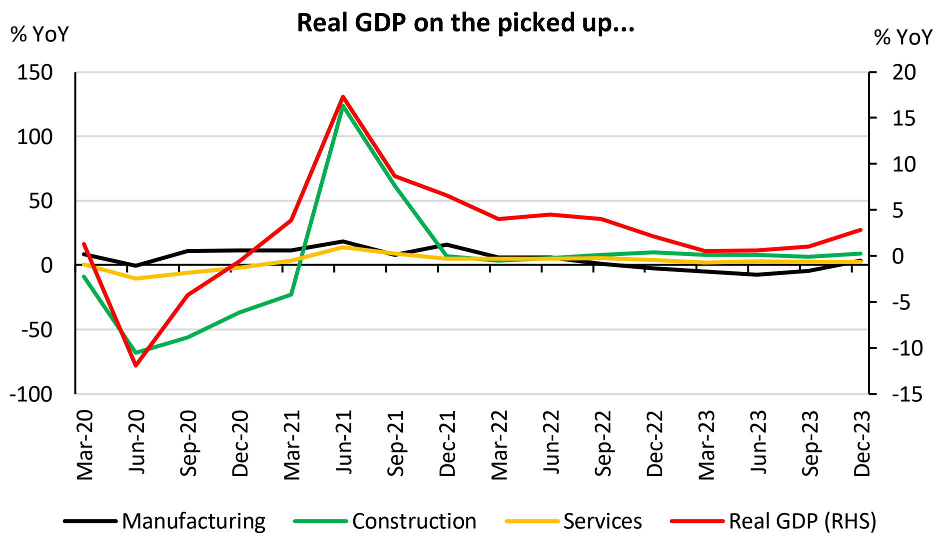
- The Singapore Business Federation's National Business Survey 2023/2024 showed weakening firm sentiment on the outlook in 2024, with only 25% of firms expecting the economy to improve in the next 12 months, down from 41% in 2023. Small firms are more bearish, 30% of SMEs believe the economy will worsen compared to 22% of large enterprises. Firms in IT services and manufacturing are also more pessimistic on outlook, whilst construction, transportation and banking & insurance businesses are more bullish on the next 12 months.
- The annual survey revealed that concerns regarding increased business costs remained top of mind, albeit with the proportion of businesses citing it as challenging reducing to 58% from 66% in 2023. Primary contributors to cost increases were cited as wages (75% of firms), expenses passed-through from suppliers (58%) and electricity expenditures (56%). The survey also highlighted that 83% of business were impacted by interest rate hikes, with the proportion indicating that they have 'insufficient cash to operate' increasing from 6% to 11%.

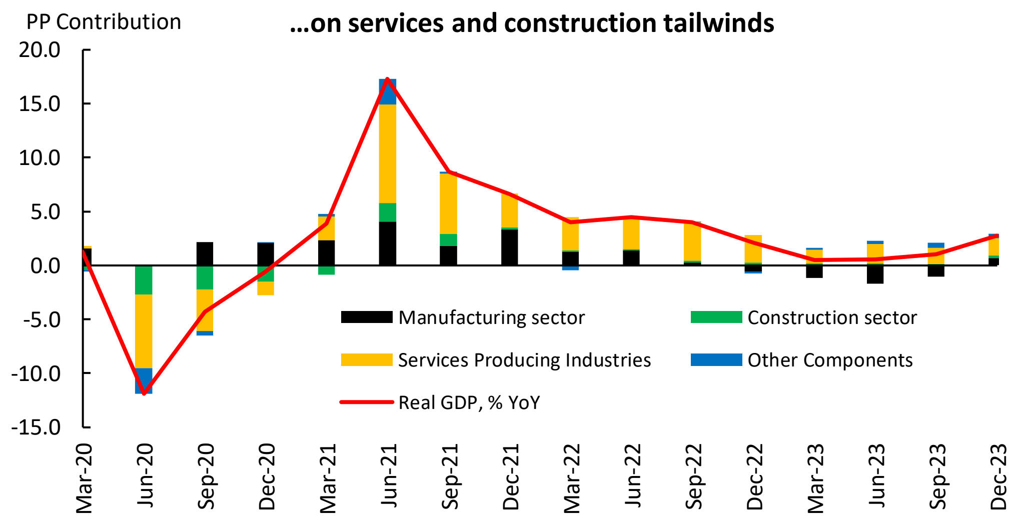


Source: SBF , OCBC

Singapore: Construction and Services Delivers Upside Surprise

- 4Q23 GDP jumped to 2.8% YoY (1.7% QoQ sa), faster than the 1.0% YoY (1.3% QoQ) growth seen in 3Q23 and bringing full-year 2023 growth to 1.2% YoY. This is a marked moderation from 2022's 3.6% YoY growth but marked the third straight year of positive growth after the Covid inflicted recession in 2020 (-3.9% YoY).
- The sectoral outlook remained fairly uneven, with manufacturing underperforming with a 3.6% YoY contraction, but was mitigated by construction (7.7% YoY) and services (2.3% YoY). Notably, within the services sector, the accommodation & food services, real estate, administrative & support services and other services led with 4.6% YoY, followed by infocomms, finance & insurance and professional services (2.3%YoY) and wholesale & retail trade and transportation & storage (1.1% YoY).





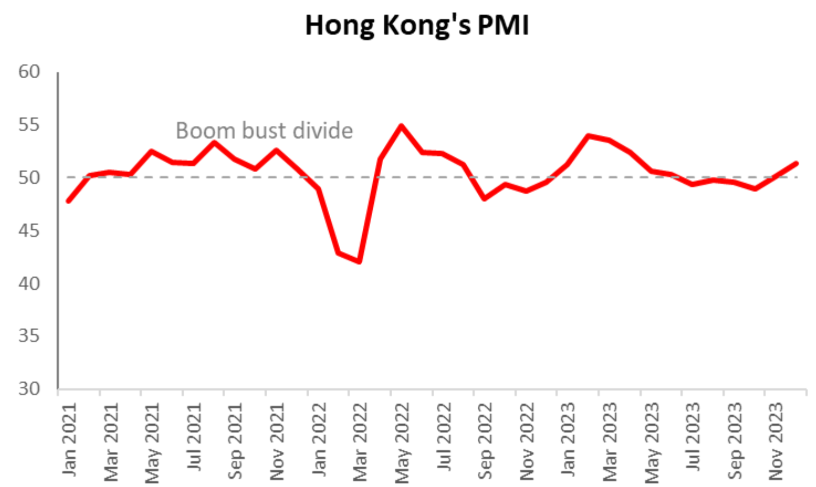
Source: CEIC , OCBC

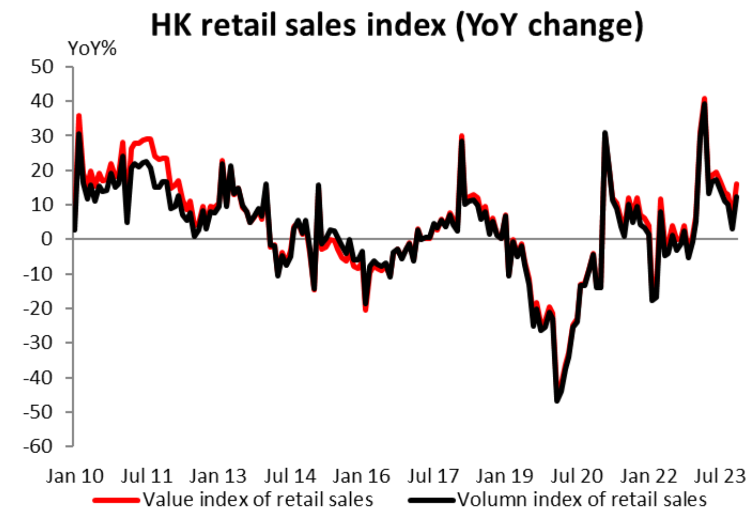
China: Path to reflation

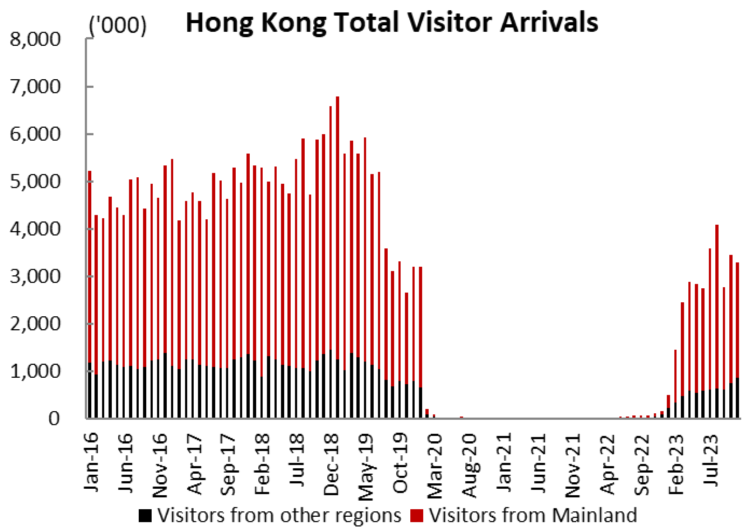
- Last week, Zheng Zhajie, Director of the National Development and Reform Commission, emphasized the need to significantly expand the scope for effective investment, particularly in stimulating the dynamism of private investment. He also highlighted the critical role of government investment in leading these efforts.
- In a parallel vein, China's Finance Minister Lan Fuan emphasized the need for a proactive fiscal policy, highlighting the importance of maintaining an appropriate level of government spending. Minister Lan underscored the strategic use of fiscal revenues and the necessity of incorporating a certain scale of deficit in order to ensure an increase in total fiscal expenditure. This statement has sparked renewed anticipation in the market regarding China's fiscal policy direction, particularly in the lead-up to the upcoming National People's Congress.
- There is a growing expectation that the government may opt for a higher budget deficit this year as a means to reflate the economy.
- Given the prevailing uncertainties in external demand and consumption, the role of capital formation in driving economic growth becomes increasingly critical in 2024. In this context, special bonds assume greater significance, serving as a vital instrument in expanding effective investment and fostering economic development.

HK: A Cautiously Optimistic Tone

- Hong Kong's PMI rose to 51.3 in December 2023, up from that of 50.1 in November, on the back of improvement in output and new orders. Private sector activities expanded for the second month in a row, while business sentiment turned more pessimistic at the end of 2023.
- The most prominent improvement was seen in the output sub-index, followed by the new orders sub-index. To support growth in new orders, surveyed firms reported increase in employment for the second consecutive month in December. On price front, price pressure eased somewhat as wage inflation slowed. Despite improvements in demand and business activity in December, sentiment remained subdued amid concerns over outlook in 2024.
- In November, the year-on-year growth of total retail sales widened to 15.9% in value terms (+12.4% in volume terms) in Hong Kong, due to a more favourable base effect and sustained recovery of inbound tourism. On sequential terms, total value and volume of retail sales edged up by 1.0% and 0.4% respectively in November, despite having fewer public holidays during the month.



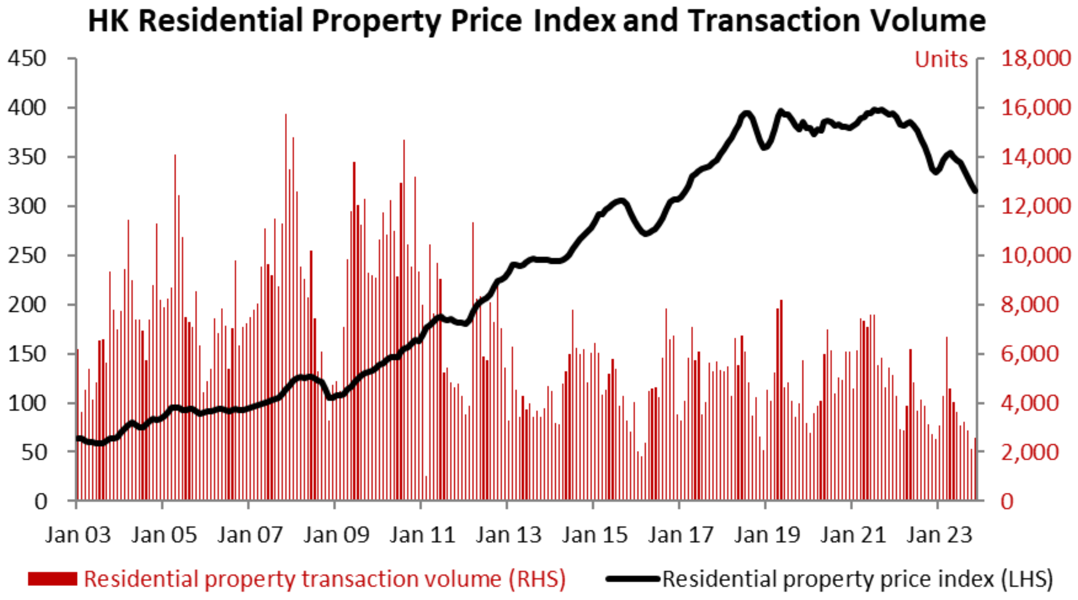




Source: HK Census and Statistics Department, S&P, Tourism Board, OCBC

HK: Suspending Sales of Residential/Commercial Land Plots

- The Hong Kong government will not sell any residential or commercial land plots in the first quarter this year, after several failed land tenders last year which further dampened the housing market sentiment.
- Given that the housing supply in this fiscal year is close to the annual target and developers are less keen to bid amid the challenging market environment, the government has decided not to put more residential land for sale in this quarter, alongside earlier decision to suspend the sales of commercial sites. Instead, in the first quarter, the government will put to the market one piece of industrial use land in Yuen Long, in order to promote industrial development.
- Suspension of land supply is not a rare phenomenon during market downturn, as the authority adjusts land sale schedule to avoid sharp moves in housing price and manage the land bank in a prudent manner. Amid the ongoing price correction in the housing market, we believe the government will refrain from selling more residential/ commercial land plots in the coming few quarters.



Source: HK Rating and Valuation Department, OCBC

OCBC

Malaysia: Launch of the Central Database Hub (Padu)

Padu was launched on 2 January 2024 and is crucial to the government implementing targeted subsidies

- This database includes socioeconomic database of individuals of households, including citizens and permanent residents. Pertinent individuals are expected to check and update the database on or before 31 March 2024 (https://www.padu.gov.my/)
- Padu aims to facilitate data-driven policy making and will be a crucial step towards the government introducing targeted subsidy rationalization.
- Targeted subsidy rationalization will be necessary for the government to achieve its 2024 fiscal deficit target of 4.3% of GDP (versus 5.0% in 2023).

MYRbn	2021	2022	2023RE	%YoY	2024BE	%YoY
Central Govt Revenue	**233.8**	**294.4**	**303.2**	**3.0**	**307.6**	**1.5**
Tax Revenues	173.7	208.8	229.0	9.7	243.6	6.4
Direct Taxes	130.1	164.1	173.0	5.4	185.0	6.9
Indirect Tax	43.6	55.3	56.0	1.3	58.6	4.7
Non Tax Revenues	51.1	85.6	74.2	-13.3	64.0	-13.8
Central Govt Expenditures	**332.5**	**393.8**	**396.4**	**0.7**	**393.0**	**-0.9**
Central Govt Current Expenditure	231.5	292.7	300.1	2.5	303.8	1.2
Emoluments	85.9	87.8	91.3	4.0	95.6	4.8
Pension and Gratuities	29.1	31.4	32.1	2.2	32.4	1.1
Debt Service Charges (DS)	38.1	41.3	46.1	11.7	49.8	8.0
Supplies and Services	24.9	34.7	34.0	-2.0	38.0	11.8
Subsidies & Social Assistance	23.0	67.4	64.2	-4.6	52.8	-17.9
Net Development Expenditure	63.3	70.2	96.3	37.2	89.2	-7.4
COVID-19 Fund	37.7	31.0	0.0		0.0	
Fiscal balance	-98.8	-99.5	-93.2	**-6.3**	-85.4	**-8.4**
% GDP	-6.4	-5.6	-5.0		-4.3	

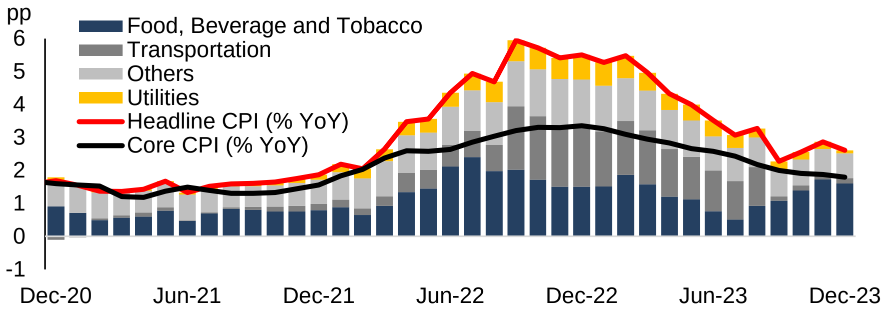
Source: Padu, Ministry of Finance, CEIC , OCBC

Indonesia: Benign Inflation to Close 2023

- Headline CPI eased more-than-expected to 2.6% in December from 2.9% in November (Consensus: 2.7%, OCBC: 2.8%), within BI's 2-4% target range. Core inflation also eased, albeit to a lesser extent, to 1.8% YoY from 1.9% YoY in November.
- The main drivers were lower food and utilities inflation. Food inflation eased to 6.2% YoY in December from 6.7% in November but the details underscore price stickiness. Prices of key staples such as red chili peppers, cayenne pepper, garlic, and sugar remained elevated. Similarly, although rice inflation eased in December, it remains sticky. Meanwhile, utilities inflation eased to 0.5% YoY in December from 1.2% as base effects turned more favourable.
- Looking ahead, we maintain our full-year 2024 average headline CPI forecast of 3.1%, with monthly figures expected to stay within BI's lower 1.5% to 3.5% target (versus 2.0% - 4.0% target in 2023). Relatively benign inflationary pressures and contained external pressures will allow BI to maintain its policy rate at 6.00% in 1Q24 before cutting its policy rate by a cumulative 125bp starting in 2Q24.

Drivers of inflation, % YoY	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Headline CPI inflation	**5.3**	**5.5**	**5.0**	**4.3**	**4.0**	**3.5**	**3.1**	**3.3**	**2.3**	**2.6**	**2.9**	**2.6**
Food, Beverage and Tobacco	5.8	7.2	6.1	4.6	4.3	2.8	1.9	3.5	4.2	5.4	6.7	6.2
Clothing and Footwear	1.1	1.2	1.2	1.8	1.5	1.5	1.4	1.1	1.0	0.8	0.7	0.8
Housing,Water,Electricity & Other Fuel	3.6	3.4	2.7	2.5	2.5	2.5	2.0	1.4	1.3	1.2	1.1	0.5
Household Eqpmnt & Routine Maintenance	4.3	4.0	3.7	3.3	3.0	2.6	2.4	2.2	2.0	1.9	1.6	1.6
Health	3.0	2.9	2.7	2.6	2.5	2.6	2.7	2.7	2.1	2.0	2.0	1.9
Transportation	13.9	13.6	13.7	12.0	10.6	10.2	9.6	9.6	1.0	1.2	1.3	1.3
Information, Comm & Financial Service	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.2
Recreation, Sports, and Culture	2.9	2.6	2.5	2.4	2.2	2.2	2.0	1.9	1.6	1.5	1.4	1.7
Education	2.8	2.8	2.7	2.7	2.7	2.7	3.1	2.1	2.1	2.0	2.0	2.0
Food and Beverage Provision/Restaurant	4.5	4.1	4.0	3.8	3.4	3.3	3.1	2.9	2.4	2.2	2.2	2.1
Personal Care and Other Services	6.1	5.6	4.7	4.7	4.5	4.3	4.0	3.8	3.7	3.7	3.8	3.6
Core CPI inflation	**3.3**	**3.1**	**2.9**	**2.8**	**2.7**	**2.6**	**2.4**	**2.2**	**2.0**	**1.9**	**1.9**	**1.8**
Source: Statistics Indonesia, CEIC, OCBC												

Both Headline and Core CPI Eased in December 2023, but Foodstuff Inflation Remains High



Note: Others = Combined value of 'clothing and footwear', 'household equipment & routine maintenance', 'health', 'information, comm & financial service', 'recreation, sports, and culture', 'education', 'restaurant', & 'personal care and other services'.
Source: Statistics Indonesia; CEIC; OCBC.

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

Indonesia: On Strong Fiscal Footing

- The fiscal deficit narrowed sharply to 1.65% of GDP in 2023, according to the unaudited government figures. This was significantly below official estimates – the original budget had pegged the deficit at 2.84% of GDP and narrowed the target to 2.27% of GDP in the ‘budget outlook’ issued in November 2023.
- The main reason for the outperformance was higher-than-expected revenue collections. Total revenues grew by 5.3% YoY in 2023 versus 0.1% in the budget outlook. On the expenditure front, realisations were broadly consistent with the outlook. Total expenditures rose 0.8% YoY versus an outlook of 0.9%.
- A narrower 2023 fiscal deficit provides the government with more fiscal room to manoeuvre this year and is consistent with our forecast for more accommodative policies in 2024 to support economic growth. For 2024, the fiscal deficit is pegged at a wider 2.29% of GDP.

IDRtrn	2021	2022	2023 Outlook	2023 Unaudited	2024 BE	*%YoY*	2022	2023 Outlook	2023 Unaudited	2024 based on BE
Government Revenue and Grant	**2011**	**2636**	**2637**	**2774**	**2802**		**31.0**	0.1	**5.3**	**1.0**
Domestic Revenue	2006	2630	2634	2761	2801		31.1	0.2	5.0	1.4
Tax revenues	1548	2035	2118	2155	2309		31.4	4.1	5.9	7.1
Non Tax Revenues	458	596	516	606	492		29.9	-13.4	1.7	-18.8
Grants	5	6	3	13	0		13.6	-45.6	128.2	-96.7
Government Expenditure	**2786**	**3096**	**3117**	**3122**	**3325**		**11.1**	**0.7**	**0.8**	**6.5**
Central Government	2001	2280	2303	2241	2468		14.0	1.0	-1.7	10.1
Regional Transfer	714	816	815	881	858		4.8	-0.2	8.0	-2.7
Government Deficit or Surplus	**-775**	**-460**	**-480**	**-347.6**	**-523**					
%GDP	-4.57	-2.35	-2.27	-1.65	-2.29					

Source: Ministry of Finance; CEIC; OCBC   Note: 2023 Outlook refers to numbers in the Presidential Decree 75/2023.

OCBC

Source: Ministry of Finance, CEIC, OCBC.

Philippines: Some Inflation Relief in End-2023

- Headline CPI eased more-than-expected to 3.9% YoY in December from 4.1% in November (Consensus: 4.0%, OCBC: 3.8% YoY), taking the 2023 average to 6.0% YoY versus 5.8% in 2022. This is well above BSP 2-4% headline inflation target.

- Food and utilities inflation were the main drivers of the lower inflation print. Food inflation eased to 5.4% YoY in December from 5.7% in November primarily driven by lower vegetables and meat prices which more than offset higher rice prices (19.6% YoY versus 15.8% in November). Meanwhile, utilities inflation eased to 1.5% YoY from 2.5% in November given lower electricity tariffs for the month.

- Core inflation also eased to 4.4% YoY from 4.7% in November. However, for the full year 2023 core inflation rose to 6.6% from 6.0% in 2022 underscoring broad-based inflationary pressures.

- For 2024, we expect inflationary pressures to ease albeit in an uneven rather than linear manner. Our forecast is for headline CPI to average 3.9% YoY. In terms of monetary policy, we expect BSP to remain a sufficiently tight setting in 1Q24. Lower domestic inflation and the potential for rate cuts from the US Fed (starting in 2Q24 in our house view) will afford BSP room to start cutting rates from 2Q24. We expect the BSP to cut by a cumulative 100bp, taking the policy rate to 5.50% by end-2024.

Drivers of inflation, %YoY	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Headline CPI inflation	**8.7**	**8.6**	**7.6**	**6.6**	**6.1**	**5.4**	**4.7**	**5.3**	**6.1**	**4.9**	**4.1**	**3.9**
Food & Non-Alcoholic Beverages	10.7	10.8	9.3	7.9	7.4	6.7	6.3	8.1	9.7	7.0	5.7	5.4
Alcoholic Beverages & Tobacco	10.9	11.0	12.2	12.7	12.3	11.6	10.9	10.1	9.8	9.3	9.0	9.0
Clothing & Footwear	4.4	4.8	5.0	5.1	5.1	5.1	4.8	4.8	4.7	4.8	4.3	4.2
Housing, Water, Electricity, Gas & Other Fuels	8.6	8.6	7.6	6.5	6.5	5.6	4.5	2.5	2.4	2.6	2.5	1.5
Furnishings, HH Equip & Routine HH Maintenance	5.2	6.2	6.2	6.1	6.2	6.0	5.8	5.6	5.4	5.3	4.7	4.5
Health	3.3	4.0	3.9	4.1	4.1	3.9	3.9	3.9	4.1	4.0	3.8	3.7
Transport	11.1	9.0	5.3	2.6	-0.5	-3.1	-4.7	0.2	1.2	1.0	-0.8	0.4
Information & Communication	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.8	0.6	0.5
Recreation, Sport & Culture	4.2	4.4	4.6	4.7	4.9	4.8	4.7	4.9	5.1	5.0	4.9	4.2
Education Services	3.6	3.6	3.6	3.6	3.6	3.6	3.7	2.9	3.8	3.8	3.5	3.5
Restaurants & Accommodation Services	7.6	8.1	8.3	8.6	8.3	8.2	7.9	7.1	7.1	6.3	5.6	5.6
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal Care & Misc Goods & Services	5.0	5.3	5.6	5.7	5.7	5.8	5.6	5.5	5.4	5.3	4.8	4.6
Core CPI	**7.4**	**7.8**	**8.0**	**7.9**	**7.7**	**7.4**	**6.7**	**6.1**	**5.9**	**5.3**	**4.7**	**4.4**

Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC

Thailand: Headline CPI Declined Further

- Headline CPI declined further to -0.8% YoY in December from -0.4% in November (Consensus: -0.3%, OCBC: -0.3%) bringing the full-year 2023 average headline CPI to 1.2% YoY versus 6.1% in 2022.
- The main drivers of the print were the 'food & non-alcoholic beverages' and 'transport & communication' components. Food inflation declined to -0.6% YoY in December from 0.2% in November primarily driven by lower vegetables and meat prices. Meanwhile, transportation inflation declined to -2.2% YoY from -1.8% in November due to the government's existing energy subsidies.
- Core inflation held steady at 0.6% YoY in December, bringing the full-year 2023 core inflation to 1.3% YoY versus 2.5% in 2022.
- Given a relatively sanguine growth-inflation mix, we expect Bank of Thailand (BOT) to maintain its policy rate at 2.50% in 2024.

Drivers of inflation, %YoY	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Headline CPI	**5.0**	**3.8**	**2.8**	**2.7**	**0.5**	**0.2**	**0.4**	**0.9**	**0.3**	**-0.3**	**-0.4**	**-0.8**
Food & Non Alcoholic Beverages	7.7	5.7	5.2	4.5	4.0	3.4	1.5	0.7	-0.1	-0.6	0.2	-0.6
Apparel & Footwears	0.2	0.3	0.3	0.3	0.5	0.5	0.3	0.3	0.3	0.1	0.0	0.0
Housing & Furnishing	3.1	3.1	3.2	3.0	-0.7	2.0	1.9	1.8	-0.7	-0.7	-0.8	-0.7
Medical & Personal Care	1.9	2.0	2.0	1.8	1.9	1.8	1.8	1.4	1.2	1.3	0.9	0.9
Transport & Communication	4.3	2.4	-0.7	-0.1	-4.6	-6.9	-3.3	0.3	1.7	0.0	-1.8	-2.2
Recreation, Reading, Education and Religion	1.4	1.4	1.5	1.5	1.5	0.7	0.6	0.6	0.6	0.6	0.6	0.7
Tobacco & Alcoholic Beverages	1.0	1.1	0.7	0.7	0.7	0.6	0.6	0.5	0.6	1.1	1.0	1.0
Core Consumer Price Index	**3.0**	**1.9**	**1.7**	**1.7**	**1.5**	**1.3**	**0.9**	**0.8**	**0.6**	**0.7**	**0.6**	**0.6**

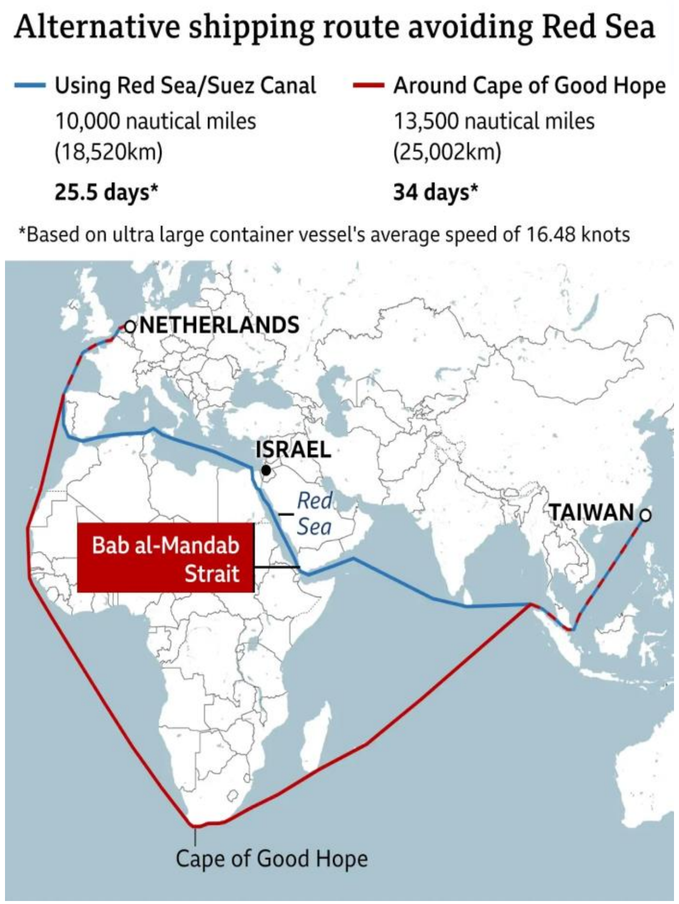
Source: Ministry of Commerce, CEIC, OCBC

Source: Ministry of Commerce, CEIC, OCBC

Commodities

Crude Oil: Volatile Start to the Year

- WTI and Brent rose by 3.0% and 2.2% to close higher for the week at USD73.8/bbl and USD78.8/bbl respectively. Both oil benchmarks had a volatile start in the first trading week of 2024.
- Brent oil prices traded within a wider range of USD74.8/-USD79.4/bbl last week. Geopolitical tensions in the Middle East spiked (there was a reported arrival of an Iranian warship to the Red sea; the killing of Hamas' deputy leader in Lebanon; a terrorist attack in Iran that killed about 100 people) and a supply disruption to Libya's largest oilfield provided a boost for oil prices, reaching a peak of USD79.4/bbl on Thursday (04/01). There was some offset with supply concerns from a buildup in gasoline and distillate inventories that pushed Brent to USD76.50/bbl on Thursday (04/01).
- Simultaneously, logistical challenges are emerging. Shipping giant Maersk has diverted its vessel away from the Red Sea "for the foreseeable future" to avoid the risk of attack to its shipping operations. These vessels have since been rerouted around the Cape of Good Hope for its journey to Asia. It is estimated that the Suez Canal handles 12% of global trade and is crucial artery of trade between Europe and Asia; notably, freight costs have already started to rise.
- For the week ahead, we expect Brent prices to trade within the range of USD74-80/bbl. Key economic data prints from the US (i.e., CPI and PPI data) and China (i.e., CPI, PPI and trade data) will impact oil markets. A higher-than-expected US CPI print, and delayed expectations in the US Fed rate cutting cycle, could keep oil prices lower. Similarly, lower-than-expected China CPI will fuel deflation fears, growth concerns and weigh on oil prices. Meanwhile, geopolitical risks persist.



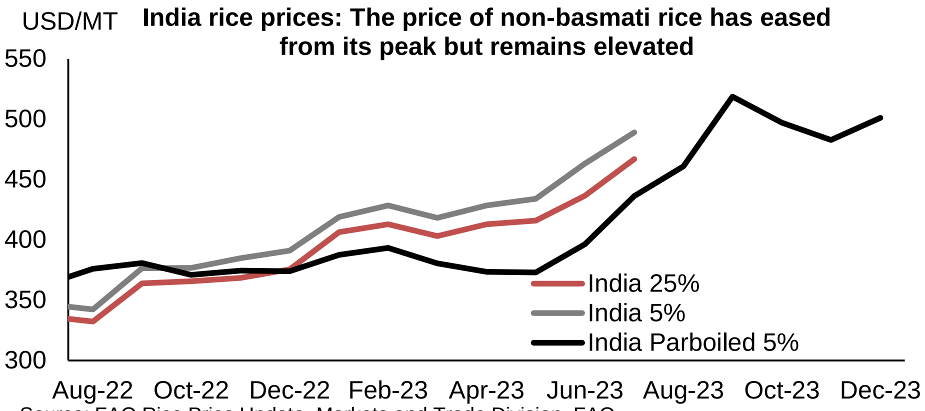
Source: BBC, Veson Nautical

Source: Bloomberg, BBC, Reuters, Veson Nautical, OCBC

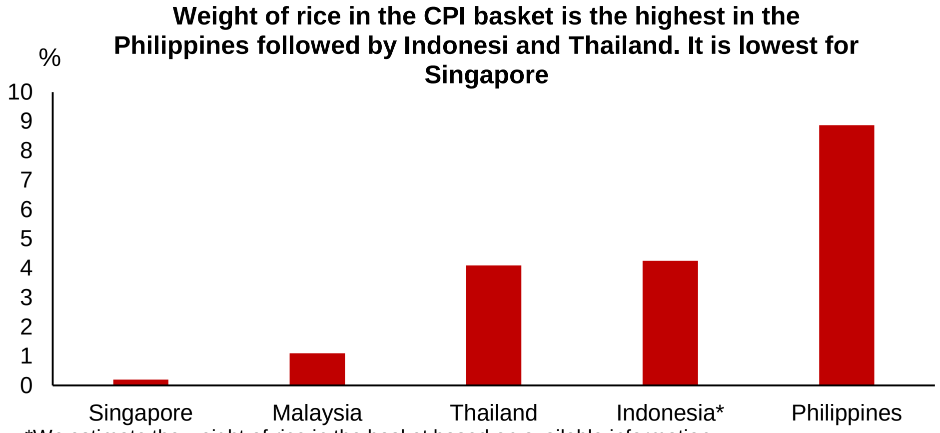
Rice: Prices Still Elevated

This underscores the stickiness of food prices as we head into 2024

- Rice prices remained sticky into the end of 2023. Specifically, rice prices rose 18.6% YoY in Dec 23 versus 24.0% in Nov 23. According to FAO, purchases by Asian buyers such as Indonesia, tight availabilities in Vietnam and a further appreciation of the THB versus USD kept rice prices elevated for the month.
- For full year 2023, rice prices rose 21.1% YoY as combination of factors from production disruptions due to poor weather and higher input costs, El Nino concerns and India's July/August ban on Indica white rice and a 20% tax on Indica parboiled exports.
- For 2024, we expect rice price to be higher (by 2-5%). Indeed, rice prices have remained sticky at the start of 2024. While inflationary pressures are broadly on an easing trajectory, specifically for the ASEAN-4 economies, the relatively high weighting of rice in the CPI basket suggests that the downward path for inflation may not be linear.



Source: FAO Rice Price Update, Markets and Trade Division, FAO.
The July 2023 value refers to prices in the first two week of the month only.



*We estimate the weight of rice in the basket based on available information.
This is not provide by BPS. Source: CEIC; OCBC

OCBC

Source: FAO, Bloomberg, CEIC, OCBC

ESG

ESG: Singapore's Eligibility List for International Carbon Credits

- Singapore's Ministry of Sustainability and the Environment (MSE) and the National Environment Agency (NEA) have published the Eligibility List under the International Carbon Credit (ICC) Framework, effective from 1 January 2024. The Eligibility List follows the publication of the Eligibility Criteria, to include the list of eligible host countries, carbon crediting programmes and methodologies that adhere to the Eligibility Criteria. This list will be reviewed and updated annually based on latest science and evidence to maintain relevance.
- At COP28 last year, while there was a lack of progress on Article 6 discussions, several Article 6.2 agreements were signed on the sidelines of the conference. Singapore and Papua New Guinea signed an implementation agreement on carbon credits cooperation, marking the first Article 6.2 implementation agreement for Singapore. Therefore, Papua New Guinea is the only eligible host country on the Eligibility List at present.

Eligibility Criteria for ICCs:

To comply with Article 6 of the Paris Agreement, the certified emissions reductions or removals must have occurred between 1 January 2021 and 31 December 2030.

Principle	Definition
Not double-counted	The certified emissions reductions or removals must not be counted more than once in contravention of the Paris Agreement.
Additional	The certified emissions reductions or removals must exceed any emissions reduction or removals required by any law or regulatory requirement of the host country, and that would otherwise have occurred in a conservative, business-as-usual scenario.
Real	The certified emissions reductions or removals must have been quantified based on a realistic, defensible, and conservative estimate of the amount of emissions that would have occurred in a business-as-usual scenario, assuming the project or programme that generated the certified emission reductions or removals had not been carried out.
Quantified and verified	The certified emissions reductions or removals must have been calculated in a manner that is conservative and transparent, and must have been measured and verified by an accredited and independent third-party verification entity before the ICC was issued.
Permanent	The certified emissions reductions or removals must not be reversible, or if there is a risk that the certified emissions reductions or removals may be reversible, there must be measures in place to monitor, mitigate and compensate any material reversal of the certified emissions reductions or removals.
No net harm	The project or programme that generated the certified emissions reductions or removals must not violate any applicable laws, regulatory requirements, or international obligations of the host country.
No leakage	The project or programme that generated the certified emissions reductions or removals must not result in a material increase in emissions elsewhere, or if there is a risk of a material increase in emissions elsewhere, there must be measures in place to monitor, mitigate and compensate any such material increase in emissions.

OCBC

Source: MSE, NEA

ESG: Singapore's Eligibility List for International Carbon Credits

- Carbon crediting programmes in the existing Eligibility List are 1) Gold Standard for the Global Goals (GS4GG), 2) Verified Carbon Standard (VCS), 3) American Carbon Registry (ACR) and 4) Global Carbon Council (GCC).
- However, none of the carbon credits currently available for sale in Papua New Guinea meet Singapore's Eligibility Criteria. Companies in Singapore need to inform the NEA by 30 Jun 2025 of the credits they intend to use as tax offsets for 2024, providing some time for eligible projects to become available.
- The Eligibility List can also be used as a guide for project developers to develop projects that meet the Singapore government's requirements, and for companies looking to purchase high-quality carbon credits to meet their climate targets.

Table 1: Eligibility List of ICCs

Host country	Carbon Crediting Programme	Methodologies
Papua New Guinea	Gold Standard for the Global Goals (GS4GG)	All active methodologies published before 31 March 2023 except: • Those under the "Land Use and Forestry & Agriculture" category of GS4GG; • Methodology For Animal Waste Management and Biogas Application V1.1; • Methodology For Collection of Macroalgae to Avoid Emissions from Decomposition V1.0; • Carbon Sequestration Through Accelerated Carbonation of Concrete Aggregate V1.0; • Two And Three Wheeled Personal Transportation V1.0.
	Verified Carbon Standard (VCS)	All active methodologies published before 31 March 2023 except (i) VM0044 Methodology for Biochar Utilization in Soil and Non-Soil Applications, v1.1; (ii) methodologies under the "Sectoral Scope 14" category of VCS, with these allowable exceptions: • Scenario 2a and 3 of VCS Jurisdictional and Nested REDD+ (JNR) framework; • VM0012 Improved Forest Management in Temperate and Boreal Forest, v1.2; • VM0022 Quantifying N_2O Emissions Reductions in Agricultural Crops through Nitrogen Fertilizer Rate Reduction, v1.1; • VM0026 Methodology for Sustainable Grassland Management, v1.1; • VMD0040 Leakage from Displacement of Grazing Activities, v.1.0; • VM0032 Methodology for the Adoption of Sustainable Grasslands through Adjustment of Fire and Grazing, v1.0; • VM0033 Methodology for Tidal Wetland and Seagrass Restoration, v2.1;

Source: The Straits Times, MSE, NEA

FX & Rates

FX & Rates: Watching Inflation this Week

- Market has pared back rate cut expectations over the past days; Fed funds futures price in 135bps of rate cuts by year end, versus 150bps priced at the start of the year. Our base-case remains for a total of 100bps of Fed rate cuts this year with risk for more cuts should inflation slow faster than expected and/or growth deteriorate. The recent upticks in UST yields were in line with our expectations for consolidation/upticks near-term as we cited market being ahead of itself and Q1 supply being a test to market demand. On quantitative tightening, the December FOMC minutes revealed that several participants suggested that "it would be appropriate for the Committee to begin to discuss the technical factors that would guide a decision to slow the pace of runoff well before such a decision was reached". How long QT can continue mainly hinges on the liquidity situation. Our view has been that QT has potential to continue through most of 2024, as we reckon there is a liquidity buffer of some USD1trn plus. Next key data to watch are December CPI and PPI.

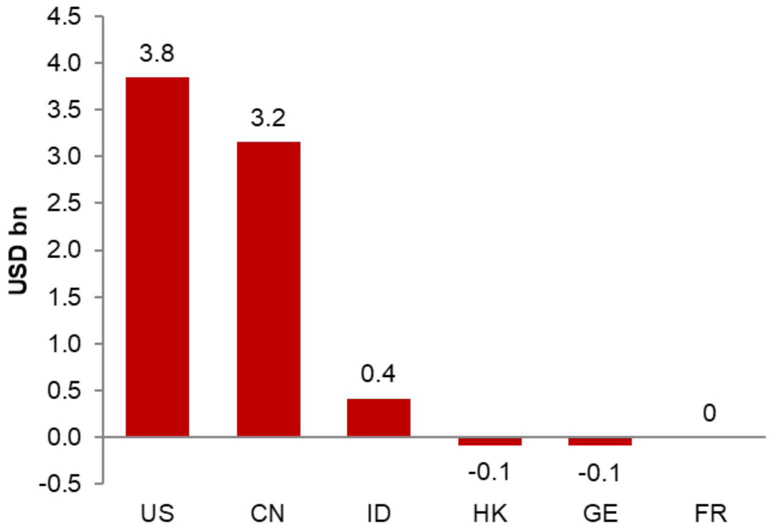
- USD gains post NFP report last Fri fizzled out quickly. While headline NFP (+216k vs. +175k expected) and hourly earnings (4.1% y/y vs. 3.9% expected) may have surprised to the upside, devil is in the details. There was downward revision of -71k to previous 2 NFPs while labour participation surprisingly fell (62.5% vs. 62.8% expected). Separately, the household survey showed that employment fell 683k. Fri's release of ISM services report also showed that employment in services sector is cooling fast, dropping to its lowest level in 3.5 years. Earlier last week, JOLTs report indicated that quit rate and job openings fell in US. Taken together, the US labor market tightness continues to cool. Focus shifts to US CPI (Thu) as we continue to look for signs of entrenched disinflation trend and that should support sell USD rallies.

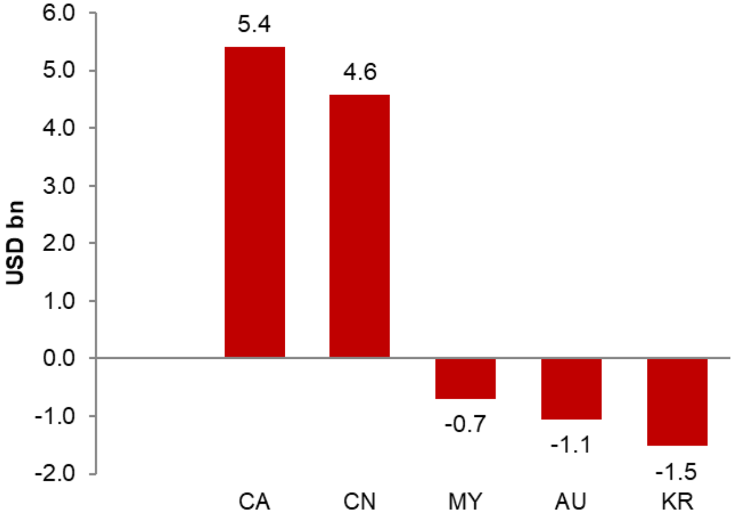
Asset Flows

Global Equity & Bond Flows

- Global Equity Market saw an inflow of $7.6bn for the week ending 3 January.
- Global Bond Market reported net inflows of $10.6bn, an increase from last week's inflows of $6.8bn.

Equity top gainers & losers	Bonds top gainers & losers

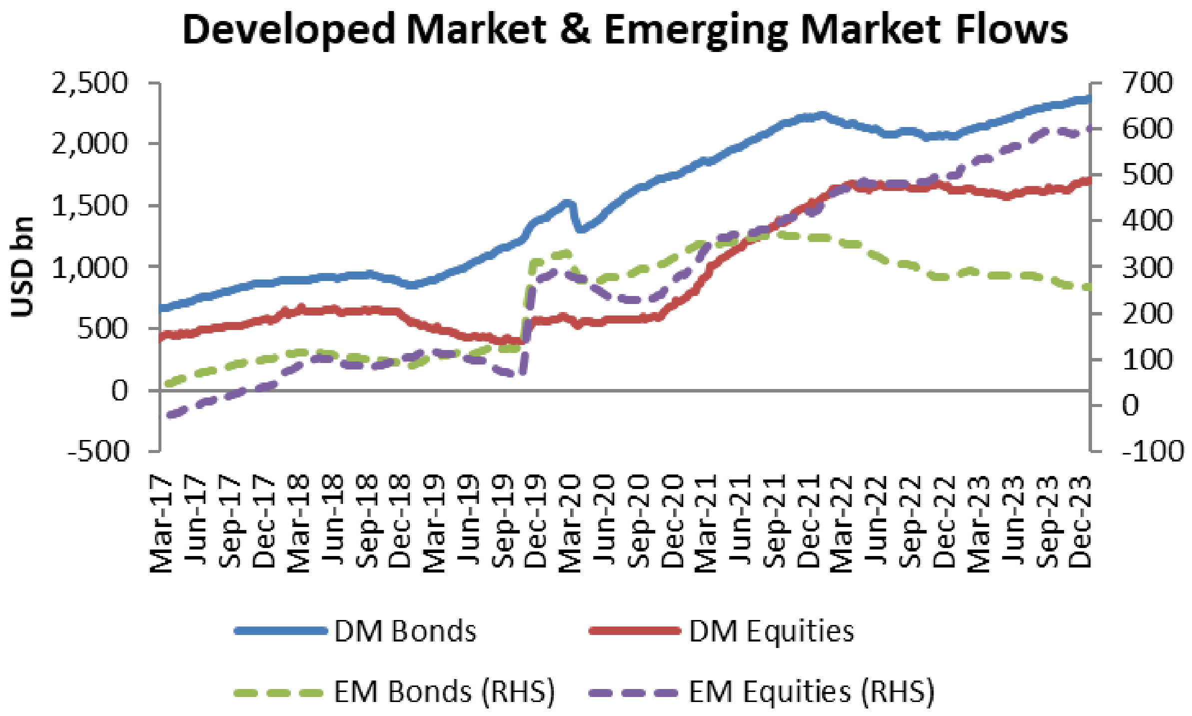




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($3.8bn) and Market Equities ($3.8bn) saw inflows.
- Developed Market Bond ($9.9bn) and Emerging Market Bond ($0.6bn) saw inflows.



Source: OCBC, EPFR

Thank you

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