Weekly Macro Views (WMV)

Global Markets Research & Strategy

11th March 2024

Weekly Macro Update

Key Global Data for this week:

11th March	12th March	13th March	14th March	15th March
• **JN** GDP SA QoQ • **GE** Wholesale Price Index MoM • **GE** Wholesale Price Index YoY • **JN** Machine Tool Orders YoY	• **US** CPI YoY • **JN** PPI YoY • **GE** CPI YoY • **UK** Jobless Claims Change	• **UK** Industrial Production MoM • **US** MBA Mortgage Applications • **SK** Unemployment rate SA • **IN** Exports YoY • **UK** Industrial Production YoY	• **US** Retail Sales Advance MoM • **US** PPI Final Demand MoM • **IN** Wholesale Prices YoY • **US** Continuing Claims	• **JN** Tertiary Industry Index MoM • **US** Industrial Production MoM • **US** Empire Manufacturing • **PH** Overseas Cash Remittances YoY • **TH** Foreign Reserves

Summary of Macro Views:

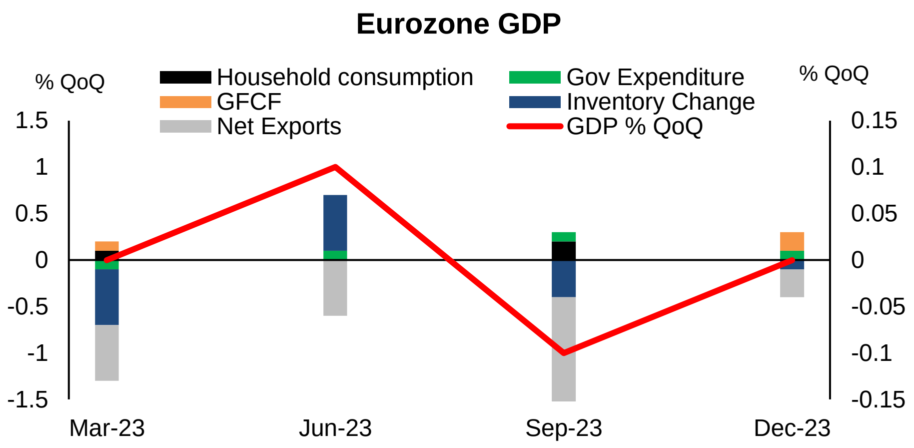
Global	• **Global:** Euro Stagnation Builds Case for ECB Cuts • **Global:** US Labour Markets More Becoming Mixed • **Global:** US ISM Services Cooled in February • **Global:** Japan 4Q23 GDP Revised Upwards
Asia	• **SG:** Retail Sales Picked Up in January • **HK:** Housing Transactions Sharply Rebounded • **HK:** PMI Remained in Contractionary Territory

Asia	• **ID:** No Such Thing As A Free Lunch • **MY:** BNM On Hold • **TH:** Headline CPI Remained Negative • **PH**: Volatile Inflationary Pressures
Asset Class	• **Crude Oil:** Downward Bias May Sustain • **FX & Rates:** Goldilocks

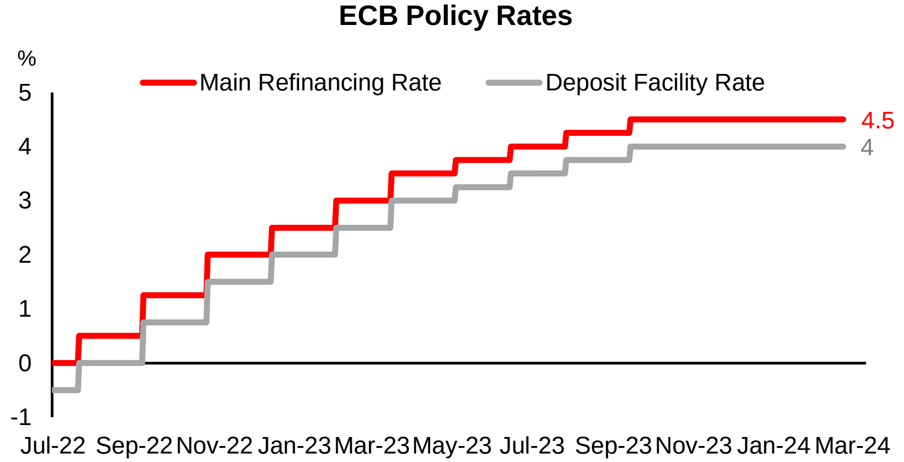
OCBC

Global: Euro Stagnation Builds Case for ECB Cuts

- Final estimates for 4Q23 growth show the eurozone flatlining at 0.0% QoQ (0.1% YoY), allowing the eurozone to avoid a technical recession following the -0.1% QoQ (0.1% YoY) print in 3Q23. By components, the drag came mostly from 0.3% QoQ decline in net exports, on top of a 0.1% fall in inventories. Household consumption stayed flat, while government consumption and fixed capital formation grew a tepid 0.1% QoQ and 0.2% QoQ, respectively.
- ECB staff economists also lowered their outlook on growth for the year ahead, revising GDP projections for 2024 down to 0.6% YoY from 0.8% prior. Downward revisions were also made to inflation forecasts, with headline projections lowered to 2.3% vs 2.7% prior and core projections down to 2.6% vs 2.7% prior.
- The ECB left its main refinancing and deposit facility rates unchanged at 4.50% and 4.00% respectively at the March MPC, but taking lower growth and inflation forecasts together points to the stage being set for the Governing Council to begin its easing cycle.
- While Lagarde shared that they "have just began discussing the dialing back of [their] restrictive stance", she opined that they "will know a little more in April, but we will know a lot more in June" to gauge if they are sufficiently confident that inflation sustainably moves towards target. This underlines our base-case for the first rate cut to come in June, amounting to cumulative 75bps in cuts for 2024.



Source: Eurostat, Bloomberg, OCBC.



Source: ECB, Bloomberg, OCBC.

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Source: Eurostat, ECB, Bloomberg, OCBC.

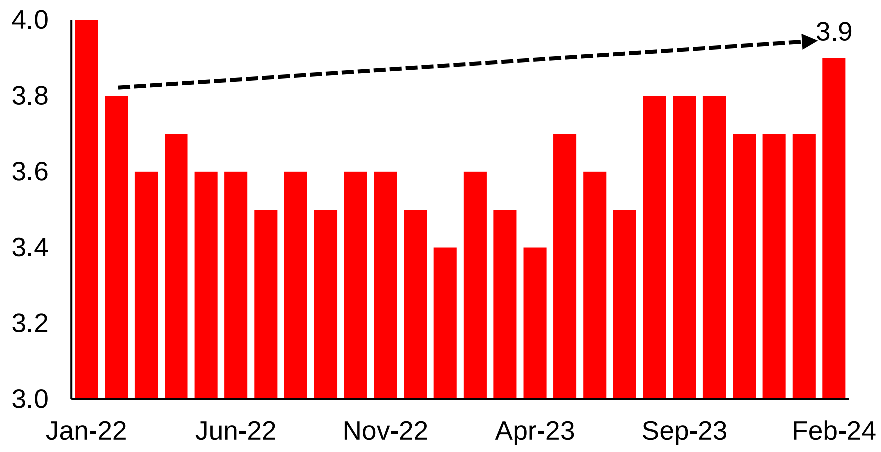
Global: US Labour Markets More Becoming Mixed

- The US economy added 275k jobs in February, well above the expected 200k job gains, but there were notable downward revisions to the prior months (January data was revised lower from 353k to 229k, net 2-month revision was -167k). February's job growth was led by the services sectors, in particular education & health services, leisure and hospitality, and the government.

- Meanwhile, the unemployment rate also rose from 3.7% to a 2-year high of 3.9% and the under-employment rate also hit 7.3%. The closely watched gauge of wage growth cooled more-than-expected, with the annual rate edging down to 4.3%.

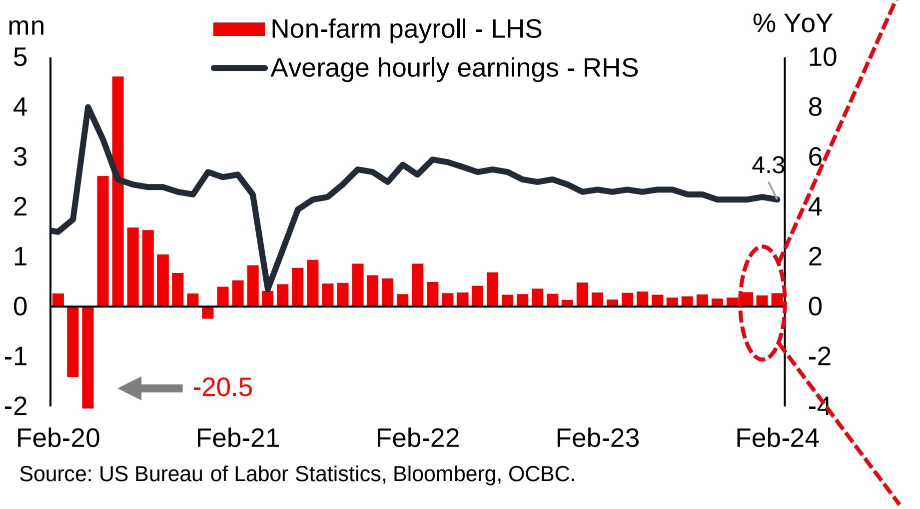
- This data set is unlikely to prompt the Fed to pull the easing trigger at the upcoming 19-20 March FOMC, but traders have boosted bets for a June rate cut.

Unemployment rate picked up to a 2yr high



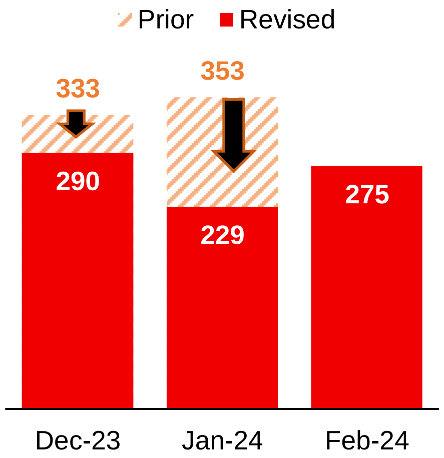
Source: US Bureau of Labor Statistics, Bloomberg, OCBC.

Labour market resilience



Source: US Bureau of Labor Statistics, Bloomberg, OCBC.

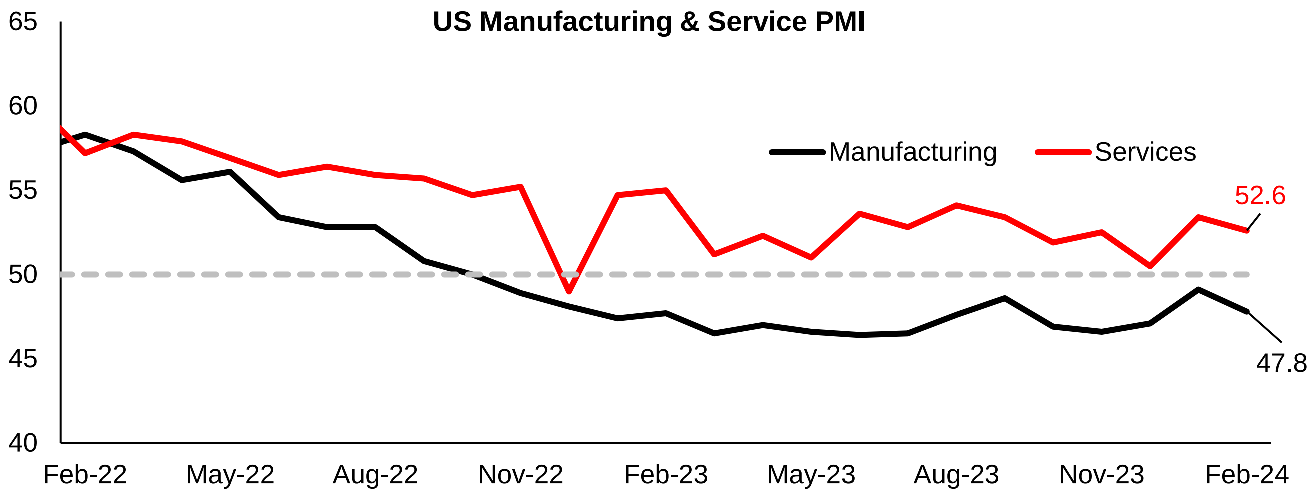
net 2-month revision was -167k (in thousand)



Source: Bureau of Labor Statistics, Bloomberg, OCBC.

Global: US ISM Services Cools, Falls Below Consensus

- The ISM services index came in softer-than-expected at 52.6 points in February against 53.4 in January and consensus estimates of 53.0.
- Sub-index performance was mixed, with solid expansions observed in both business activity (57.2 vs 55.8 prior) and new orders (56.1 vs 55.0 prior), but declines seen in supplier deliveries (48.9 vs 52.4 prior), new export orders (51.6 vs 56.1 prior) and prices paid (58.6 vs 64 prior). Notably, the employment sub-index fell back into contraction at 48.0 from 50.5 prior, with the ISM survey highlighting how employers are “cautious about hiring direct employees”.
- An overall cooling of the services sector is consistent with declines in the ‘prices paid’ subcomponent, suggests that some softening of growth and inflation may be in the pipeline. Additionally, we note that the weaker ISM services print follows a deepening contraction in the manufacturing sector for February (47.8 vs 49.1 prior).

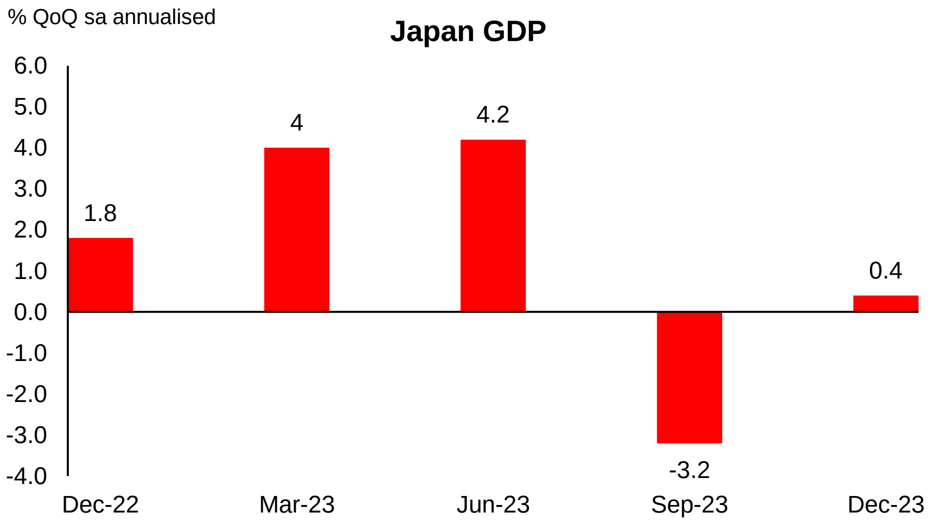


Source: ISM, Bloomberg, OCBC

Source: ISM, Bloomberg, OCBC.

Global: Japan 4Q23 GDP Revised Upwards

- Real GDP growth for 4Q23 was revised upwards to +0.4% QoQ sa annualised from -0.4% prior, and -3.2% in 3Q23, to allow the economy to avoid a technical recession.
- The upward revisions stemmed from private capex which swung to firm growth of 2.0% QoQ sa from -0.1% prior, reflecting the latest 4Q23 corporate statistics survey by the Ministry of Finance. That said, downward revisions were observed both for both household consumption (-0.3% QoQ sa vs 0.2% prior) and government consumption (-0.2% QoQ sa vs -0.1% prior), and contributions to GDP from private inventories were revised down to -0.1% QoQ sa from 0.0% prior.
- Additionally, firmer-than-expected labour cash earnings for January and Rengo revealed wage increase demand at 5.85% strengthens the case for our view that BoJ shall normalise monetary policy sooner rather than later. We continue to see next week’s meeting as a live one.

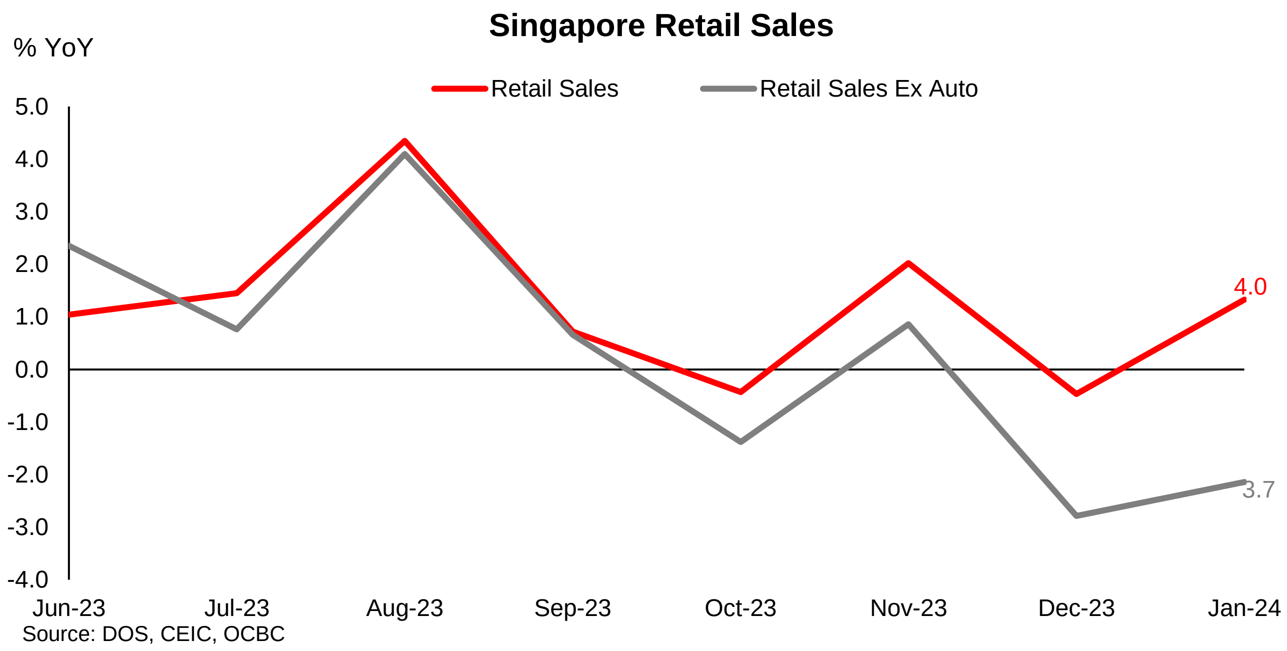


Source: Cabinet Office, Bloomberg, OCBC

Source: Cabinet Office, Bloomberg, OCBC.

Singapore: Retail Sales Picked Up in January

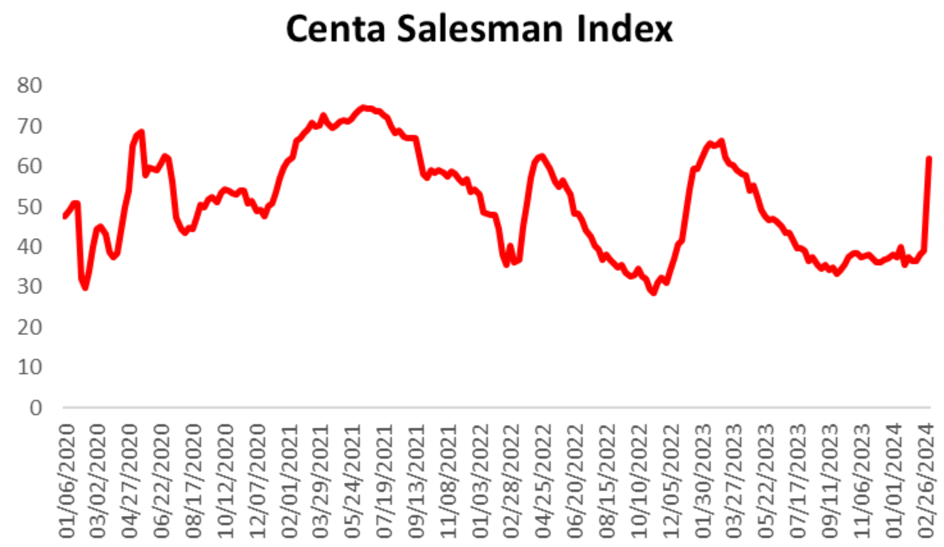
- Headline retail sales picked up in January to grow 1.3% YoY against a 0.4% decline in December. However, the sequential measure saw retail sales decline -0.7% MoM sa to reverse a 0.1% rise prior, whilst retail sales ex-auto declined at a slower pace by -2.1% YoY from -2.7% in December.
- By categories, motor vehicle sales leaped 37.3% YoY from 23.8% prior, largely due to higher quotas for Certificate of Entitlements (COE). Food and alcohol retailers saw sales grow by 8.5% YoY (Dec: 4.5%) while recreational goods fell -4.9% YoY (Dec: -11.7%).
- Further tourism recovery will likely be a tailwind for retail sales as expansions to flight capacity, concerts and a Singapore-China 30-day mutual visa scheme starting 9 February support F&B sales and shopping.



Source: DOS, CEIC, OCBC.

HK: Housing Transactions Sharply Rebounded

- Residential property transactions rebounded sharply in weeks following the removal of all housing cooling measures (scrapping the special stamp duties and relaxing mortgage rules).
- The total number of home sales recorded in the ten largest residential estates jumped to 37 over the past weekend, the highest in three years, according to local property agencies. Subsequently, the real estate agent sentiment index also rose sharply to the highest level since early 2023, right after the full-fledged reopening of border.
- For the primary market, developers paced up the launch of unsold units (also well received by the market with oversubscription rate of more than 30 times), in view of the improved sentiment in the housing market. We expect that sentiment in the local property market will continue to stabilize in coming months, given the likely suspension of land sales in coming quarters, removal of housing cooling measures and downward trajectory of HKD rates in the second half this year.



Source: CEIC, Centaline, OCBC

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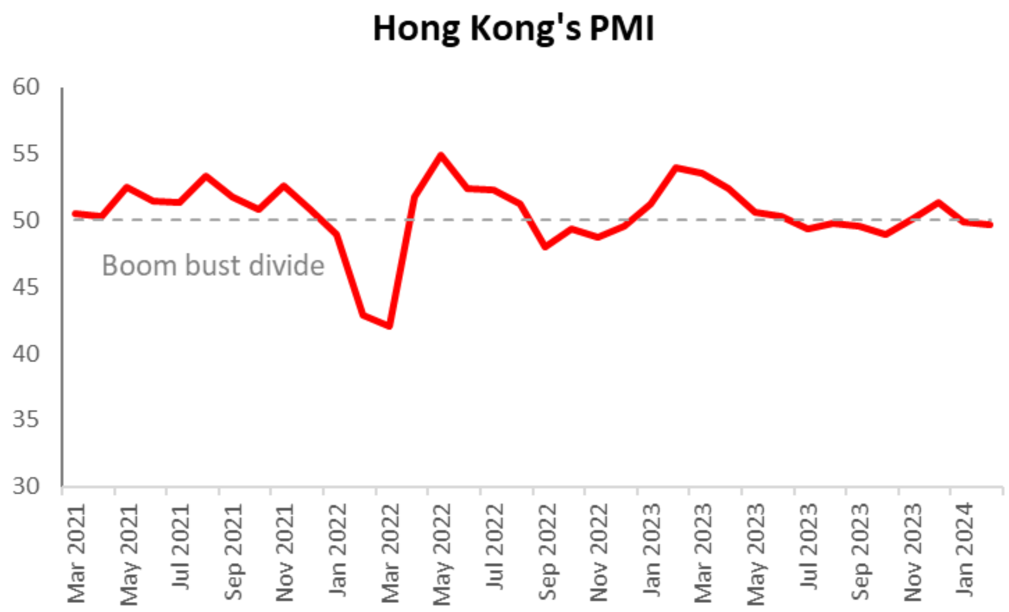
HK: PMI Remained in Contractionary Territory

- PMI edged down to 49.7 in February, down from that of 49.9 in January, on the back of falling new orders.
- Private sector activities contracted for the second month in a row, while overall demand worsened, and profit margin tightened. The most prominent drags came from the decline in supplier’s delivery times sub-index and output sub-index. At the same time, surveyed firms reported weaker demand (both domestic and external) and higher cost pressure (higher transportation, raw materials and wage costs), which resulted in compressed profit margins.
- Separately, employment sub-index improved, albeit only marginally. The overall business sentiment remained pessimistic, though such pessimism had eased somewhat since January.



Source: S&P Global, Bloomberg, OCBC

Indonesia: No Such Thing As A Free Lunch

Fiscal expansion on the cards: focus on (unofficial) President-elect Prabowo's proposed free lunch program

- President-elect Prabowo Subianto, who garnered the most votes in the unofficial 'quick count' tallies in the 14 February elections, plans to provide 24 million school children with free lunches, likely starting by 2025. The plan is ramp up these lunches to reach 82.9mn students in four years, generating ~2.5mn new jobs.

- But as the saying goes, there's no such thing as a free lunch. The project is estimated to cost IDR120trn (USD7.7 billion) in its first year, before ramping up to IDR450trn annually by 2029. It is projected to help boost GDP growth by 2.6pp, with the fiscal deficit expected to widen to 2.8% of GDP in 2025.

- Rating agencies have already started to sound cautious. Specifically, Fitch noted that "Prabowo's earlier statements that Indonesia could sustain a significantly higher government debt-to-GDP ratio also point to risks to our baseline fiscal projections."

President-elect Prabowo Subianto Key Social Programs

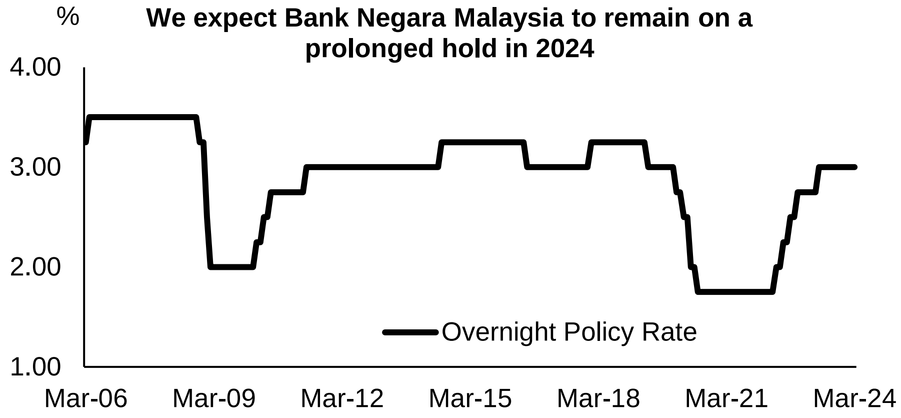
	Program	Target
Food	Free Lunch and Milk at School and Boarding School, and nutrition help to toddler and pregnant women	Addressing stunting issues and improve human resource and life quality. Aims to be disbursed to over 80mn recipients, and 100% coverage by 2029
Health	Free health check and build a 'complete' hospital in all regency levels and provide an provide attractive incentives for medical workers	To reduce tuberculosis cases by 50% by 2029
Education	Build a fully integrated school at regency levels and repair schools that requires renovation	Improve primary and secondary education and ultimately improve the quality of graduates
Social Assistance	Continue and expand the various social assistance programs (i.e., Family Hope Program (PKH), Kartu Indonesia Pintar, adding Kartu Anak Sehat), and support more credit to small businesses, farmers, and startups.	To eradicate abosulute poverty and pressed poverty level below 6% and boost growth from the bottom.
Public Servants	Increase salary for public servants (i.e, teachers, medical workers), army & police, and state officials	Improve public service quality. President Jokowi increased public servant pay by 8% starting in January 2024
Infrastructure	Continues village development, direct cash transfers, and provide cheap houses with good sanitation.	Equal development starting from villages. Aims to build 40 houses per village per year, with target of buildig up to 3mn homes starting 2nd year.
Fiscal	Create a State Revenue Agency (BPN) and increase tax-to-GDP ratio to 23%.	Increase state reveue to finance programs.

Source: OCBC.

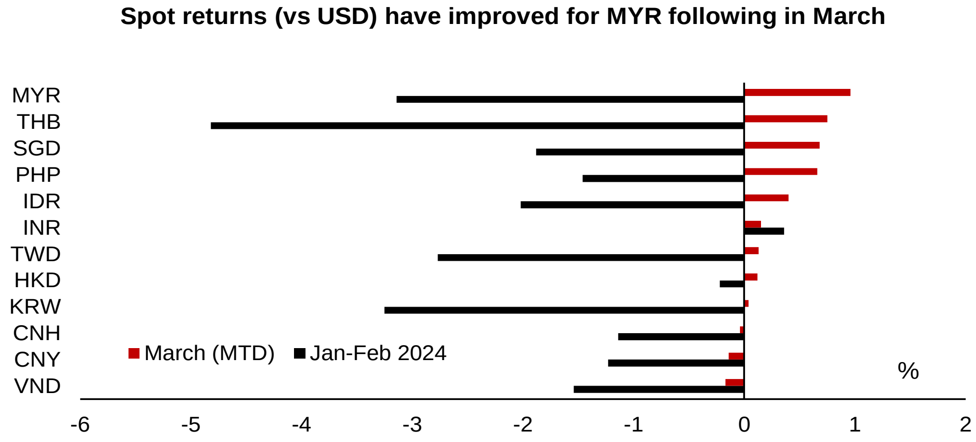
OCBC

Malaysia: BNM on Hold

- Bank Negara Malaysia kept its policy rate unchanged at 3.00%, in line with expectations. The tone of the official policy statement was also relatively unchanged from the previous meeting on 24 January. There were some changes to made to BNM's statement vis-à-vis certain parameters.
- While BNM maintains that the global growth will be supported by domestic demand and better trade activities, it sees expansion as moderate. Furthermore, it now sees "prospects of monetary easing in some countries in the second half of the year" which was absent in the January policy statement. Importantly, BNM was categorical that the currency (MYR) is "currently undervalued". Looking ahead, BNM will remain a steady pair of hands for the rest of 2024, in our view.
- We expect no changes to the policy rate, at 3%, while BNM remains mindful of external (specifically currency) developments.



Source: CEIC; OCBC Bank



Source: CEIC; OCBC

Source: Bank Negara Malaysia, CEIC, OCBC.

Thailand: Headline CPI Remained Negative

- Headline inflation remained negative for a fifth consecutive month at -0.8% YoY in February, compared to -1.1% in January, matching expectations (Consensus: -0.8%; OCBC: -0.5%). Core inflation eased modestly to 0.4% YoY versus 0.5% in January.
- Following the release of January activity data and two consecutive negative headline inflation prints in January and February, the government has ramped up pressure on the BOT to cut its policy rate. The government, for its part, is expediting the legislative approvals for the FY23-24 and lend support to growth from 2Q24.
- We, however, believe that BOT is in no rush to lower its policy rate. BOT will need more data to assess underlying domestic demand conditions, and the likelihood of 2024 GDP growth forecast coming in within its forecasted range of 2.5-3.0%, before pulling the trigger on monetary policy easing. Our forecast therefore remains for BOT to cut its policy rate by a shallow 50bp in 2024, starting in June.

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
Headline CPI	**2.8**	**2.7**	**0.5**	**0.2**	**0.4**	**0.9**	**0.3**	**-0.3**	**-0.4**	**-0.8**	**-1.1**	**-0.8**
Food & Non Alcoholic Beverages	5.2	4.5	4.0	3.4	1.5	0.7	-0.1	-0.6	0.2	-0.6	-1.1	-1.0
Apparel & Footwears	0.3	0.3	0.5	0.5	0.3	0.3	0.3	0.1	0.0	0.0	-0.1	-0.2
Housing & Furnishing	3.2	3.0	-0.7	2.0	1.9	1.8	-0.7	-0.7	-0.8	-0.7	-0.7	-0.8
Medical & Personal Care	2.0	1.8	1.9	1.8	1.8	1.4	1.2	1.3	0.9	0.9	0.9	0.9
Transport & Communication	-0.7	-0.1	-4.6	-6.9	-3.3	0.3	1.7	0.0	-1.8	-2.2	-2.5	-1.2
Recreation, Reading, Education and Religion	1.5	1.5	1.5	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.5
Tobacco & Alcoholic Beverages	0.7	0.7	0.7	0.6	0.6	0.5	0.6	1.1	1.0	1.0	0.9	1.2
Core Consumer Price Index	**1.7**	**1.7**	**1.5**	**1.3**	**0.9**	**0.8**	**0.6**	**0.7**	**0.6**	**0.6**	**0.5**	**0.4**

Source: Ministry of Commerce, CEIC, OCBC

OCBC

Source: Ministry of Commerce, CEIC, OCBC

Philippines: Volatile Inflationary Pressures

- Headline CPI picked up more-than-expected to 3.4% YoY (Consensus: 3.0%; OCBC: 3.2%) in February versus 2.8% in January.
- The drivers of the headline inflation print were food (4.6% YoY versus 3.5%), alcohol (8.6% YoY versus 8.4%), utilities (0.9% YoY versus 0.7%) and transport (1.2% YoY versus -0.3%). Core inflation eased to 3.6% YoY versus 3.8% in January.
- Despite the pickup in headline CPI, it remains within BSP's 2-4% inflation target range. BSP will remain vigilant of inflationary pressures as prices of key food items remain elevated compared to historical levels. To that end, we do not believe that BSP will be in any hurry to ease its policy rate. We expect a cumulative 100bp in rate cuts in 2024, starting in late 2Q24 based our house view of rate cuts from the US Federal Reserve. This will allow the BSP a longer runway to assess the disinflation trend, assuming external conditions remain supported.

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
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**
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
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
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
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
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
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
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
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
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
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
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
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
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
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**

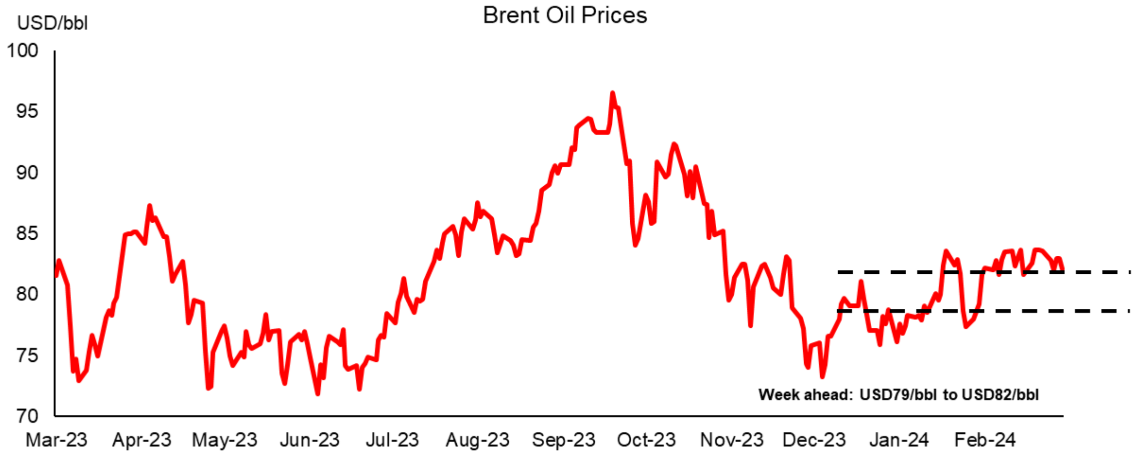
Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC

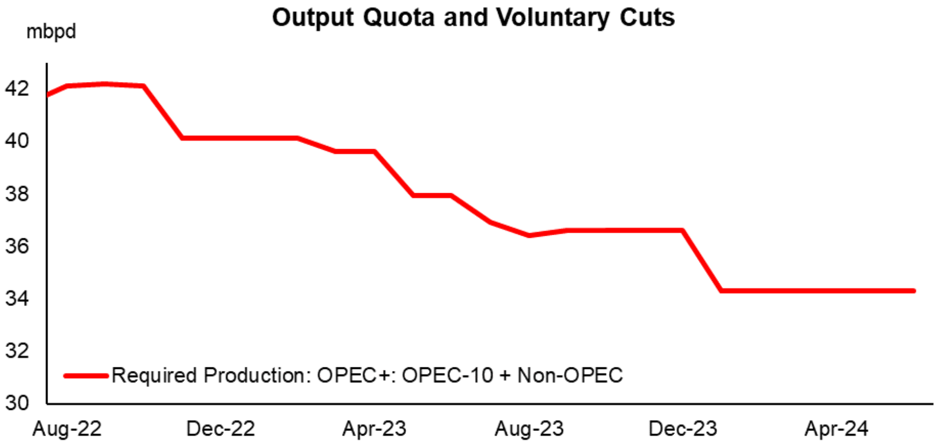
Commodities

Crude Oil: Downward Bias May Sustain

- Benchmark crude futures declined for the week of 08 March. WTI and Brent declined by 2.5% and 1.8% for the week to settle at USD78.0/bbl and 82.1/bbl.
- For the week ahead, we expect Brent oil prices will remain under pressure and expect a trading range of USD79-82/bbl. While US data (including February CPI) could generate some intra-day volatility, we expect sentiment in the oil markets to remain broadly similar to last week, where the bias was for lower oil prices.
- The fundamentals around supply, demand and geopolitics are similar to last week. EIA, OPEC and IEA will likely adjust their oil supply outlook for 2024 in their monthly March 2024 reports (out this week) to account for the extension of additional voluntary cuts by nine OPEC+ members.
- There has also been limited progress on Israel-Hamas ceasefire talks. Given the sensitivity around Ramadan, meaningful progress may only follow after the fasting month.



Source: Bloomberg, OCBC



Note: Calculation includes the extension of additional voluntary restrictions by both Saudi Arabia and Russia to the end of the year. Angola left OPEC effective 1 Jan 2024.
Source: OPEC, OCBC

OCBC

Source: Bloomberg, Reuters, OPEC, OCBC

FX & Rates

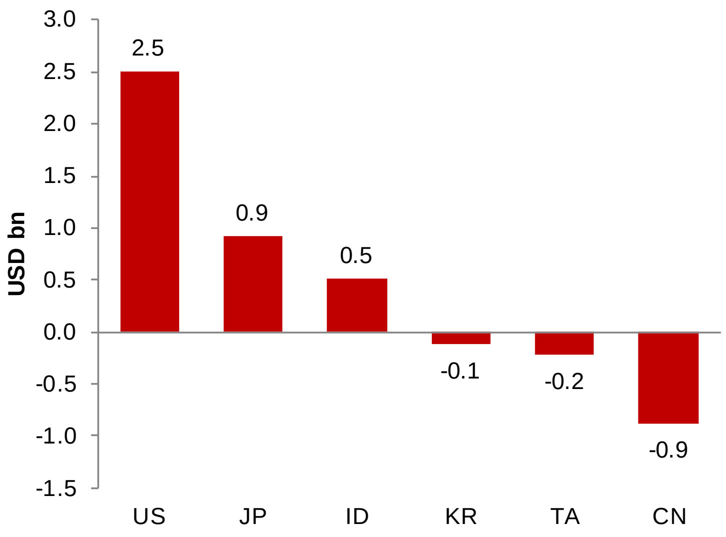
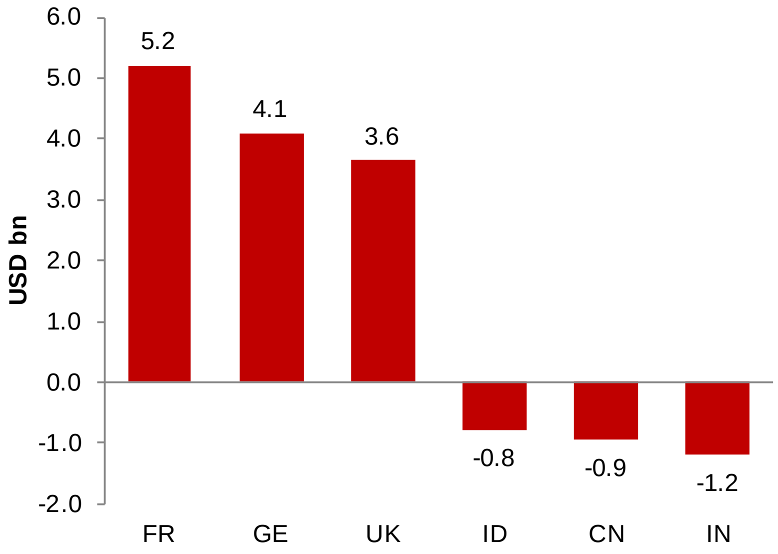
FX & Rates: Goldilocks

- USTs were supported on Friday as US average hourly earnings eased. Overall, the labour market conditions add to a soft-landing scenario, which in turn supports some easing in monetary policy in a goldilocks environment. Market appears comfortable to hold onto the expectations of a total of rate cuts this year between 75bps and 100bps – last at 94bps while the chance of a 25bp cut by the June FOMC meeting is priced at 91%. Fed funds futures pricing look roughly fair to us. Focus now turns to February CPI release on Tuesday, the last key data ahead of the March FOMC meeting. The base effect likely means a lower core CPI YoY reading but market will focus on the sequential change to gauge price momentum.
- JGB yields rose at the start of the week as Japan avoided a technical recession with the upward revision to its Q4 GDP. Market has boosted expectation for a 10bp hike in the policy-rate balance rate at this month's meeting to 66%, versus virtually nothing priced at the start of the year. It has been our long-held view that the BoJ shall start normalizing monetary policy, sooner rather than later; we continue to see next week's meeting a live one. Strong support for the 10Y JGB shall sit at the 1.1-1.2% area should the YCC be removed. Given the BoJ is unlikely to hike interest rates aggressively, the JGB curve is biased to steepening across the 2s10s segment as market may also contemplate the likelihood of a removal of YCC. We expect USDJPY to trade further lower on the back of a moderate-to-soft USD profile and on monetary policy divergence; USDJPY have broken a few supports and the next one sits at 146.09.
- China's February CPI inflation was aided by pork prices turning positive in annual terms while service prices were also up, led by tourism and air travel. It is worth noting that last week's National People's Congress (NPC) retained a 3% goal for CPI this year, indicating the intent to reflate the economy which in our view will set a floor to RMB interest rates, notwithstanding short-term reactions to any monetary easing. On balance, we continue to expect USDCNH to trade within a narrow range in the near term, as PBoC appears to cap onshore spot at 7.20 and while USDCNY midpoint fixing has been hovering around the 7.10 handle. On the chart, the next support is at 7.1848, followed by 7.1770; resistance is at 7.2360.

Asset Flows

Global Equity & Bond Flows

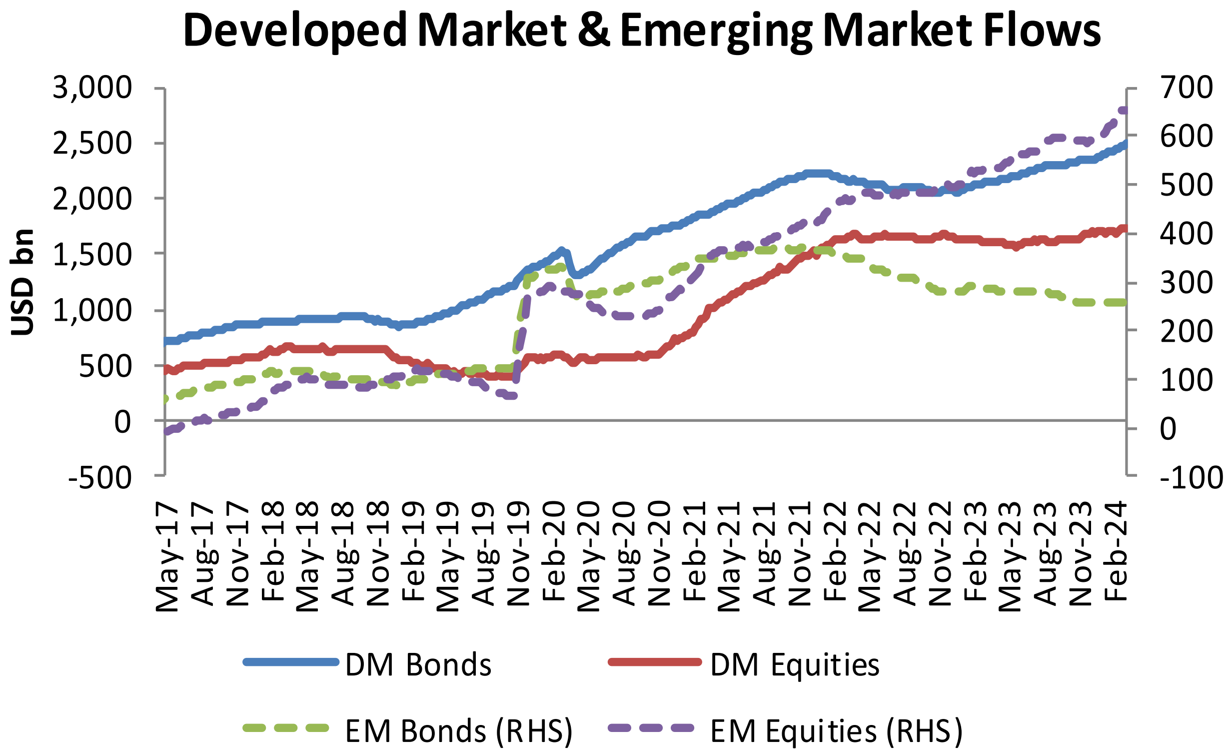
- Global equity markets saw net inflows of $6.99bn for the week ending 6 March, a decrease from the inflows of $10.0bn last week.
- Global bond markets reported net inflows of $17.2bn, an increase from last week's inflows of $13.8bn.

Equity top gainers & losers	Bonds top gainers & losers
	

OCBC Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($3.4bn) and Emerging Market Equities ($3.5bn) saw inflows.
- Developed Market Bond ($17.8bn) saw inflows while Emerging Market Bond ($658.47mn) saw outflows.



Source: OCBC, EPFR

Thank you

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