Weekly Macro Views (WMV)

Global Markets Research & Strategy

13 May 2025

Weekly Macro Update

Key Global Data for this week:

12 May	13 May	14 May	15 May	16 May
• **JN** BoP Current Account Balance	• **UK** Average Weekly Earnings 3M/YoY • **US** CPI YoY • **US** Federal Budget Balance	• **IN** Wholesale Prices YoY • **JN** PPI YoY • **SK** Unemployment rate SA	• **EC** GDP SA YoY • **UK** GDP YoY • **UK** Industrial Production YoY • **US** Retail Sales Advance MoM • **US** PPI Final Demand MoM • **US** Philadelphia Fed Business Outlook	• **JN** GDP SA QoQ • **JN** Industrial Production YoY • **MA** GDP YoY • **US** U. of Mich. Sentiment

Summary of Macro Views:

Global	• **US:** US-China trade de-escalation • **US:** US-UK trade deal • **US:** FOMC Review • **US**: Mixed signals from the service industry • **UK**: Bank Rate reduced to 4.25% • **EC**: Weakening expectation; a tepid service sector
Asia	• **CN:** The unexpected pause of reciprocal tariff • **CN**: More resilient than expected trade data in April • **CN**: Disinflationary pressure remains

Asia	• **ASEAN**: Tariff negotiation update • **ID**: Lower foreign reserves in April • **MY**: BNM on hold for now, but more dovish
Asset Class	• **ESG**: Progress in Article 6.2 collaborations and government support • **FX & Rates:** Quick De-escalation • **Global Asset Flows**

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US: US-China trade de-escalation

- On May 12, the US and China announced a temporary reduction in tit-for-tat tariffs by 115 percentage points for 90 days in Geneva. It will take effect on May 14. The US was represented by Scott Bessent, the Treasury secretary, and Jamieson Greer, the US trade representative. At the same time, He Lifeng, the Chinese Vice Premier of the State Council, led the Chinese side on the negotiation table.

- Under the arrangement, the US will lower its tariffs on Chinese goods from 145% to 30%, while China will cut its duties on US exports from 125% to 10%. The 10% blanket tariff rate on Chinese goods also remains. Besides lowering its tariffs, China lifted its non-tariff countermeasures, including the export ban on rare earth minerals.

- Both American and Chinese financial markets positively reacted to the US-China trade thaw: Dow Jones and S&P 500 climbed by 2.81% and 3.26% on Monday (12 May), respectively; the Shanghai SE composite index saw a 0.82% increase. According to Scott Bessent, representatives from both sides are expected to meet again 'over the next few weeks' to negotiate a 'more fulsome agreement'.

Date	Event
Apr 2	The US announced the Liberation Day Tariffs, increasing the tariff rate on Chinese exports to 34%, effective on Apr 9. Prior to Apr 2, US had already imposed 20% tariffs on Chinese goods, while China retaliated with tariffs on agricultural products (10% to 15%), coals and liquified natural gas (10%), crude oil & agricultural machinery (15%).
Apr 4	China countered with 34% tariffs on all US goods.
Apr 8	The US hit China with an additional 84% tariff rate, raising the total to 104%.
Apr 9	China imposed 84% tariffs on all US imports; The US raised the tariff rate on China to 145%.
Apr 11	China brought its retaliatory tariffs on US imports to 125%, while suspending exports of minerals and magnets critical to industries like semiconductors ; The US exempted smartphones, computers, and other electronics from the 125% reciprocal tariffs, yet they were still subjected to a 20% tariff rate.
Apr 24	China considered the exemption of certain goods from tariffs, including chips, medical equipment, and chemicals.
May 2	The US closed the de minimis loophole, which exempted many China and HK retail shipments from duties.
May 12	The US and China reached an agreement to temporarily reduce tariffs for 90 days. The US dropped its tariffs from 145% to 30%, while China decreased from 125% to 10%

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Source: various news sources, Bloomberg, OCBC

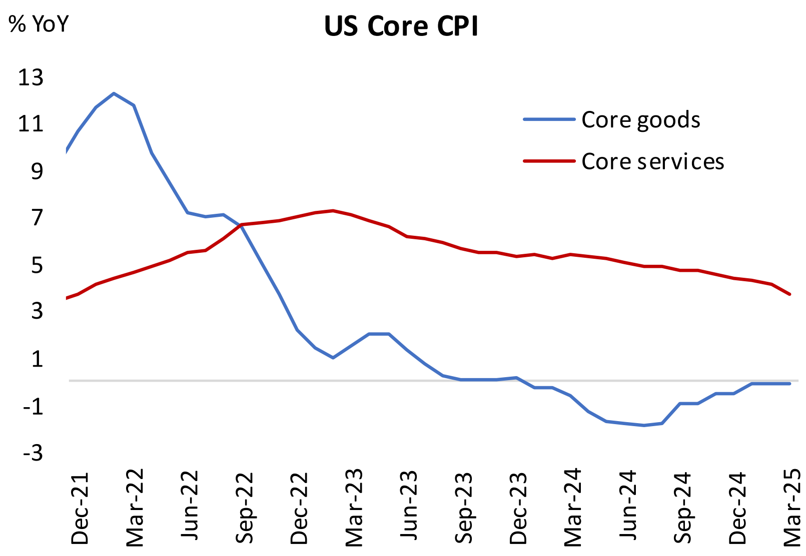
US: US-UK trade deal

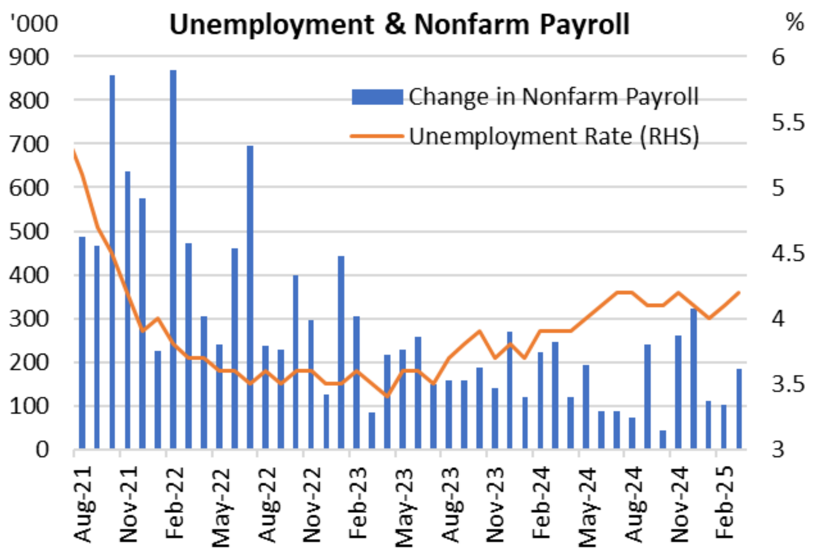
- On 8 May, President Trump announced the US-UK trade deal, the first agreement since the 2 April Liberation Day tariffs. The details of the deal suggest that the arrangement are more selective rather than broad-based reduction. Nonetheless, the two countries signals plans to continue negotiation to potentially expand the agreement.
- Under the terms of the deal:
  - **Universal:** The blanket 10% tariffs will still apply on most imports from the UK
  - **Auto:** First 100k vehicles imported to the US by UK car manufacturers each year will be subject to the reciprocal rate of 10 (down from 27.56% previously), and 25% for any addition vehicles for each year
  - **Steel & Aluminum:** Create a new trading union for steel & aluminum. Both parties will continue to negotiate alternative arrangement to the Section 232 tariffs on steel & aluminum. Nonetheless, UK PM signaled that tariffs on British steel & aluminum will be reduced to zero.
  - Agriculture: Both nations have agreed on reciprocal market access on beef, with UK farmers give a quota for 13k tonnes.
  - The UK will reduce or eliminate tariffs on certain US exports, including agricultural products such as ethanol and beef.
- The UK 2% digital services tax, which affects tech companies like Amazon and Microsoft, is anticipated to remain.

Source: The White House, Gov.UK, OCBC

United States: FOMC Review

- FOMC kept Fed funds rate unchanged at 4.25-4.5% as widely expected and Powell reiterated the Committee is in no hurry but mentioned risks to growth/unemployment and inflation. The FOMC statement continued to opine that "economic activity has continued to expand at a solid pace. The unemployment rate has stabilised at a low level in recent months, and the labor market conditions remain solid. Inflation remains somewhat elevated".
- Our base-case remains for three 25bps rate cuts. With the FOMC remaining highly data dependent, the risk is the Committee will delay rate cuts if the inflation impact of tariffs is reflected in the data sooner than the growth impact. In this scenario, they may have to play some catch-up in terms of interest rate cuts.





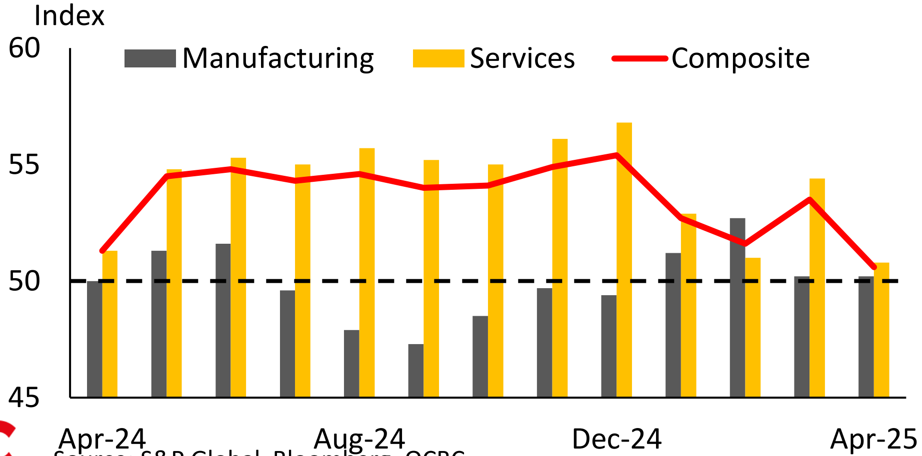
Source: Bloomberg, OCBC Research

United States: Mixed signals from the service industry

- The final S&P composite PMI dropped to 50.6 in April (Consensus: 51.2) from 53.5 in March, the lowest since September 2023. Contributing to the lower sentiment were worsening PMI readings for the services sector, which fell to 50.8 in April from 54.4 in March, while the manufacturing PMI held steady at 50.2. Uncertainties surrounding federal policies, especially trade, have weighed on demand growth and business expectations, which have fallen to its lowest level in two and a half years. The survey also noted that firms are citing tariffs as a key driver of higher operating expenses through a rise in supplier charges.

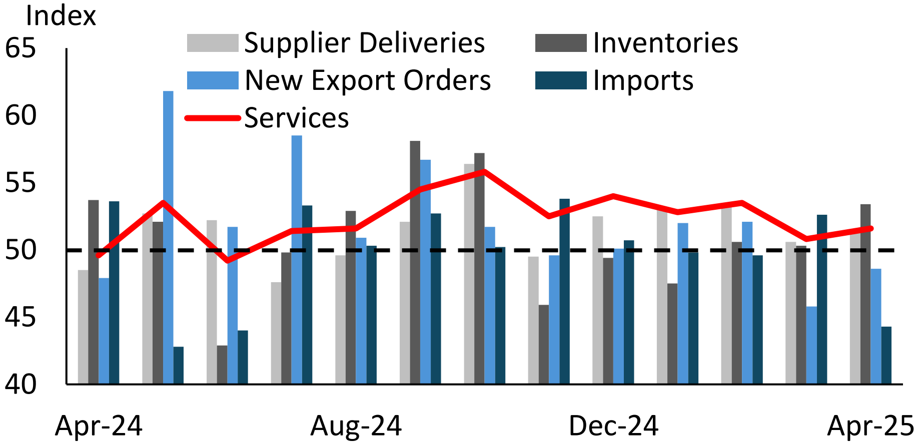
- On the contrary, the ISM services PMI improved to 51.5 in April from 50.8 in March. Details reveal that the improvement in the PMI was propelled by a higher inventory level (53.4 from 50.3) across the industry, as well as a slowdown in the contraction of new export orders (48.6 from 45.8). However, there was a sharp deterioration in import volume (52.6 to 44.3) and a slower supplier delivery (51.3 from 50.6) within the sector.

US: S&P Global PMI



Source: S&P Global, Bloomberg, OCBC

US: ISM Service PMI and its components

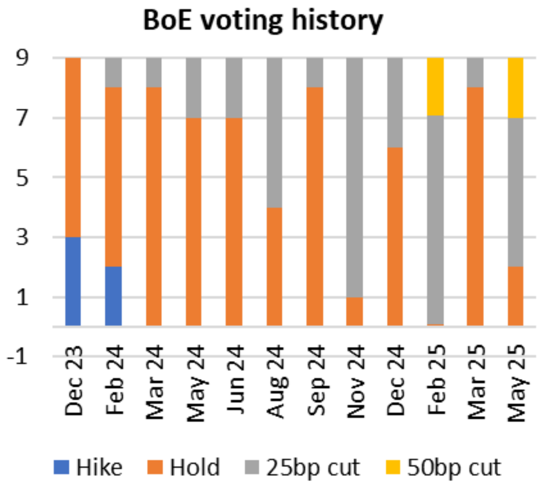


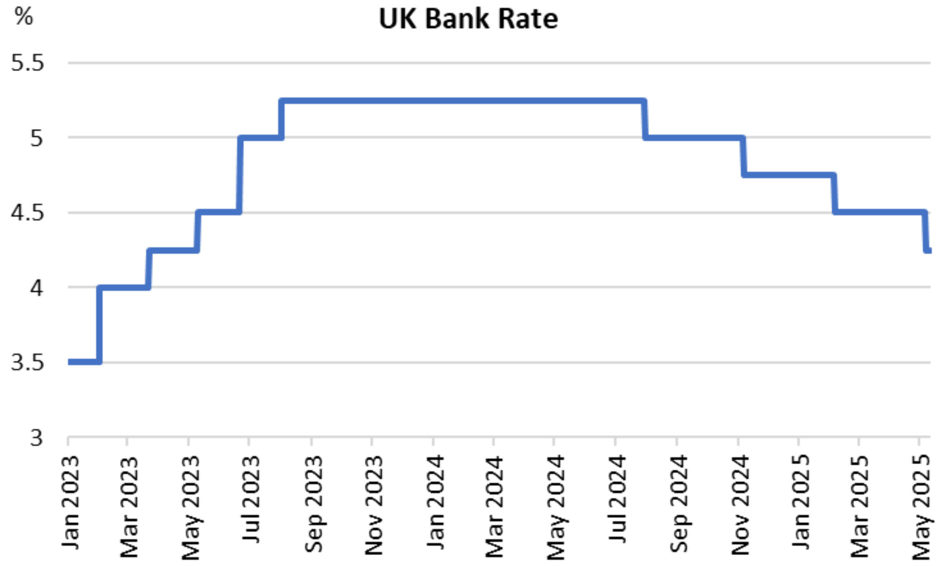
Source: ISM, Bloomberg, OCBC

Source: S&P Global, ISM, Bloomberg, OCBC

United Kingdom: Bank Rate reduced to 4.25%

- The Bank of England cut rates as expected by 25bps at its May meeting. However, there was a surprise vote split with 2 members voting for a 50bps cut and 2 members voting for a hold. BoE continued to view that a "gradual and careful approach" to the further withdrawal of monetary policy restraint remains appropriate.
- CPI inflation was downgraded from 3.75% in the March statement to a peak of 3.50% on average in 3Q25, in large part reflecting developments in household energy bills. Growth forecasts this year was upgraded to 1% from 0.7% and lowered in 2026 to 1.25% from 1.5%. The 2027 outlook is unchanged.
- Overall, the Committee judged that the risks around GDP growth in the baseline forecast were somewhat to the downside while risks around the CPI projection were two-sided.





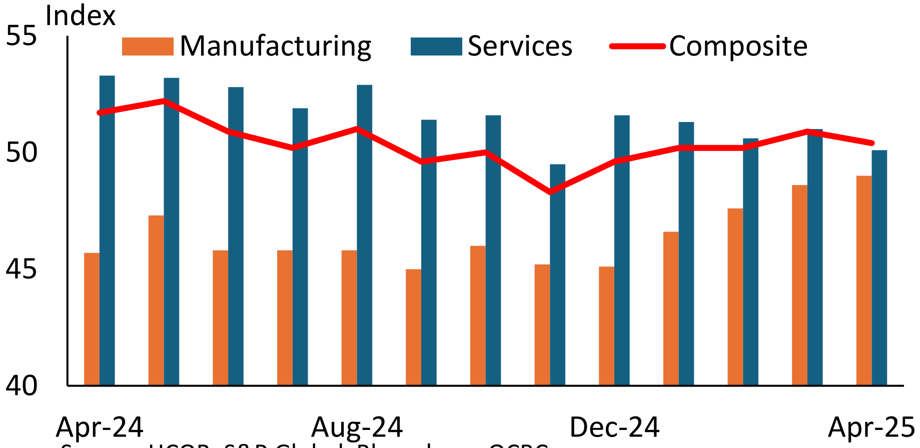
Source: Bloomberg, OCBC Research

Eurozone: Weakening expectation; a tepid service sector

- The final HCOB Eurozone composite PMI eased to 50.4 from 50.9 in March, although it remained above the 50 mark, indicating continuing (marginal) expansion. Soft demand conditions continued to limit the speed of growth, with companies relying on backlogs of work as a means to drive output higher. Meanwhile, the services sector PMI fell to near-stagnation at 50.1 in April from 51.0 in March. The survey noted a drop in new orders and export business, as well as a rise in input costs. More importantly, business confidence saw a decline for the fourth straight month.

- The slowdown in the service sector is reflected in the latest figures for retail sales. Specifically, retail sales growth eased to 1.5% YoY in March from 1.99% in February. Sales of food, beverages, and tobacco were sluggish, with a 0.6% YoY increase in March compared to 1.5% YoY in February. In comparison, the retail sales of non-food products, excluding fuel, grew by 2.3% YoY, a 0.2 percentage point gain from the previous month.

Eurozone: HCOB PMI



Source: HCOB, S&P Global, Bloomberg, OCBC

Eurozone: Retail Sales Growth, YoY%

Source: Eurostat, Bloomberg, OCBC

Source: HCOB, S&P Global, Eurostat, Bloomberg, OCBC

China: The unexpected pause of reciprocal tariff

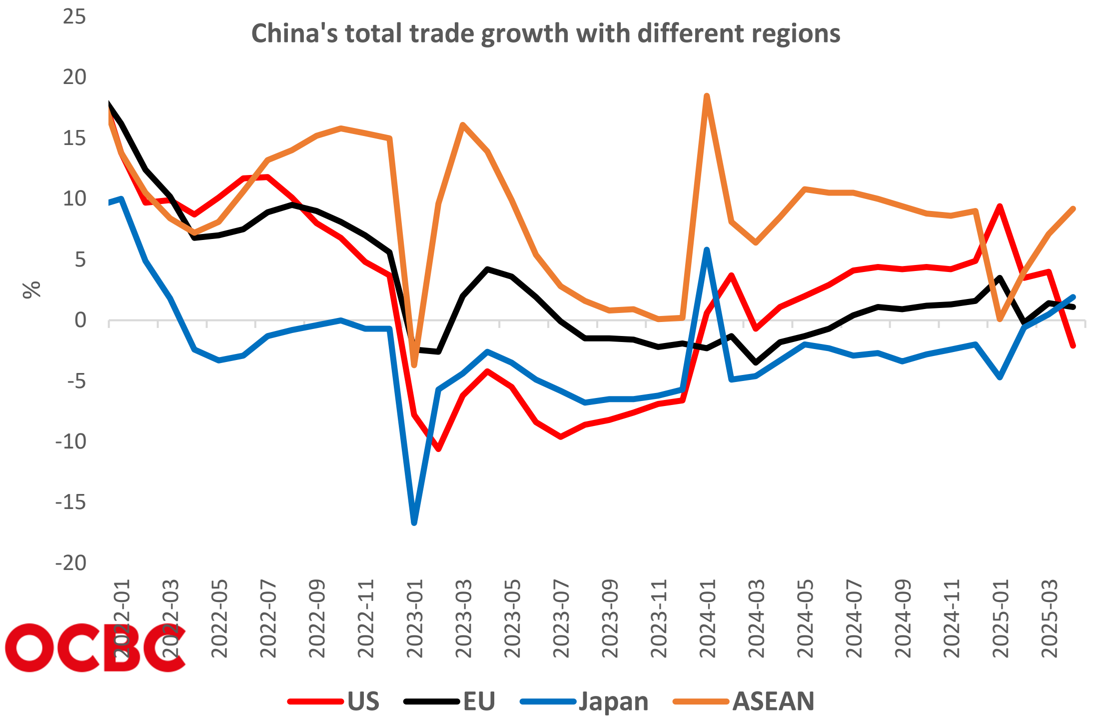
- Just days ago, President Trump was still floating the idea of imposing tariffs as high as 80% in public remarks. Against that backdrop, the unexpected pause in reciprocal tariffs and the rollback of earlier tit-for-tat measures—ultimately reducing the additional tariffs on Chinese imports this year to 30%—represents a notable win for China's negotiating team led by Vice Premier He Lifeng. China's "escalate to deescalate" strategy pays off.
- That said, this de-escalation does not equate to a full return to normalcy. **Over the next 90 days and beyond, the trajectory of trade relations will largely depend on two factors:** (1) the progress of direct U.S.-China negotiations. The removal of the 20% fentanyl related tariff appears to be a low hanging fruit, especially considering that China's police chief was also involved in the trade discussions.(2) how both sides engage third-party countries and trade blocs through broader consultations and coalition-building.

US perspective	China's perspective
• Efforts to form a trade alignment with like-minded allies are likely to continue, with the aim of coordinating and amplifying pressure on China. Even after the current dust settles, China is still likely to remain at the bottom tier of the U.S.'s new tariff hierarchy, given its persistent and sizeable trade surplus with the U.S.	• The strategic response will likely include continued efforts to reduce reliance on the U.S. export market—via both supply chain restructuring and third-country transshipment routes in the short to medium term. Moreover, the temporary truce is unlikely to deter China's longer-term export market diversification strategy.

Source: Bloomberg, OCBC

China: More resilient than expected trade data in April

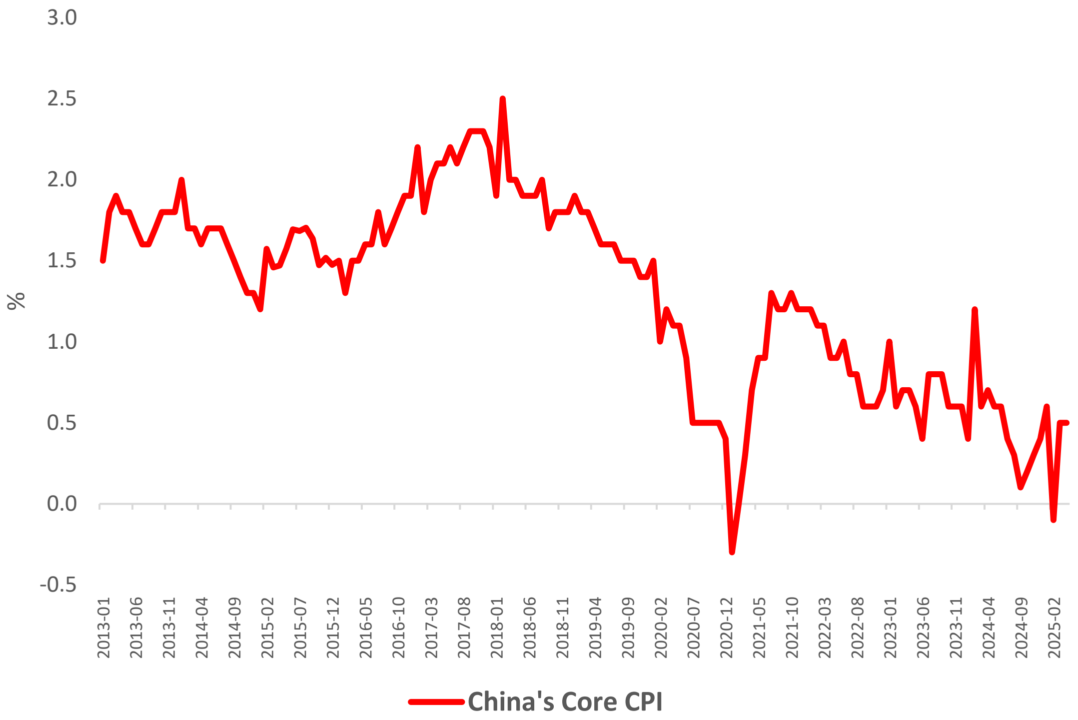
- China's exports showed surprising resilience in April, with total outbound shipments rising by 8.1% YoY, despite a sharp escalation in trade tensions with the United States. While exports to the U.S. declined significantly by 21% YoY, robust demand from regional partners helped offset the drag—exports to ASEAN surged by 21% YoY, underscoring the growing importance of intra-Asia trade.
- Looking ahead, with the 90-day pause in reciprocal tariffs now in effect, frontloading activity may continue into May and June, providing additional support to China's export momentum. This suggests that net exports may pose a smaller drag on full-year GDP growth than previously anticipated.



Source: Wind, OCBC

China: Disinflationary pressure remains

- Cumulatively, China's CPI has declined 0.1% year-to-date, reinforcing disinflation concerns and strengthening the case for additional monetary support.
- In its Q1 Monetary Policy Report, the PBoC offered valuable insight into the structural nature of China's low inflation. It noted that the effectiveness of monetary policy in influencing prices depends on the balance between supply and demand. In the context of an investment-led growth model focused on supply-side security, monetary easing may increase production capacity without boosting demand, thereby exacerbating supply-demand imbalances and making inflation harder to revive.



Source: Wind, OCBC

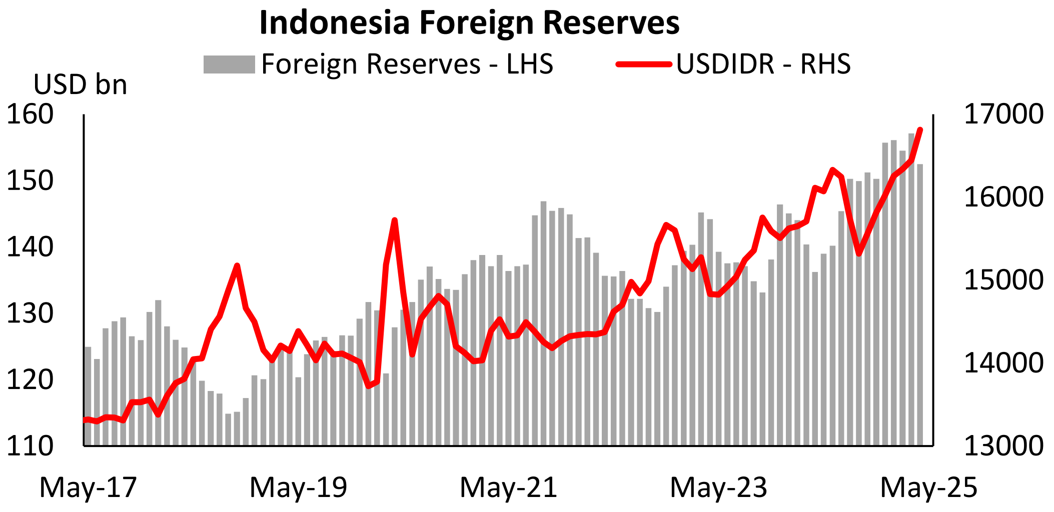
ASEAN: Tariff negotiation update

Negotiations	Indonesia	Malaysia	Philippines	Thailand	Vietnam
Increase imports from the US	Plans to increase strategic imports from the US by up to USD19bn, including USD10bn of energy products, have been announced. An increase in imports of machinery and agricultural commodities was also mentioned. The government will make appropriate adjustments to selected US imports.	As part of the four key areas proposed to achieve a mutually beneficial outcome, the government has proposed addressing existing trade imbalances. No further details have been provided.	Offered importing more farm products, including soybeans and frozen meat. It is also looking to lower tariffs on US products.	PM Paetongtarn Shinawatra noted on 22 April that Thai agricultural exports and additional imports were being examined. More imports of US LNG over the next five years were also touted, in addition to autos, electronics, and aircraft.	PM Pham Minh Chinh has, on several occasions, revealed plans to increase imports of various products from the US. On 14 March, several US and Vietnamese companies signed cooperation agreements and purchase contracts totalling USD54.3bn for purchases of machinery, equipment, raw materials, aircraft procurement, aviation services, oil and gas extraction, as well as petrochemical products. Contract agreements worth USD36bn are also under discussion. PM Chinh urged for more imports of medical equipment, beef, and fruits from the US.
Non-tariff measures	There are plans to review various non-tariff measures and potentially relax the local content requirement (TKDN) for US products, particularly in the ICT sector. Additionally, there is a potential pursuit of broader deregulation efforts.	Prime Minister Anwar revealed that the government has "offered to address several non-tariff barriers."	Rosemarie Edillon noted intention to "reduce, if not totally eliminate, what they call non-tariff barriers."	Finance Minister Pichai Chunhavajira signalled on 8 April that the government may lower some of the higher taxes on American goods and address non-tariff barriers.	In a call with US President Donald Trump on 4 April, General Secretary To Lam indicated that Vietnam is ready to cut all tariffs against US imports into the country to zero.
Others	Efforts will continue to improve administrative processes and efficiency, including taxation, customs procedures, and licensing processes. Indorama has made a USD2bn investment commitment in a blue ammonia project in Louisiana, USA.	The government emphasized its efforts to safeguard US technology. Miti will be the sole issuer of certificates of origin for exports to the US from 6 May. Alignment of Malaysia's investment flows with US interests. More recently, Minister Zafrul highlighted that Malaysia's Government-Linked Investment Companies (GLICs) hold close to USD45bn in US equities and bonds.	As part of the negotiations, the Philippine delegation has prioritized the protection of local industries, citing the significance of the semiconductor and agriculture sectors.	PM Paetongtarn had previously instructed relevant agencies in April to address legal loopholes that may have allowed the misuse of Thai product certifications and to tighten oversight of product quality standards, factory inspections, and companies suspected of operating as nominee businesses.	In a document dated 15 April 2025, the Trade Ministry issued a directive aimed at combating the illegal transshipment of goods to the US and other trading partners to mitigate the risk of steep US tariffs. The directive emphasizes the need for enhanced supervision and inspection of imported goods, particularly raw materials used in production, to ascertain their origin and prevent trade fraud, which is expected to rise due to heightened tensions.

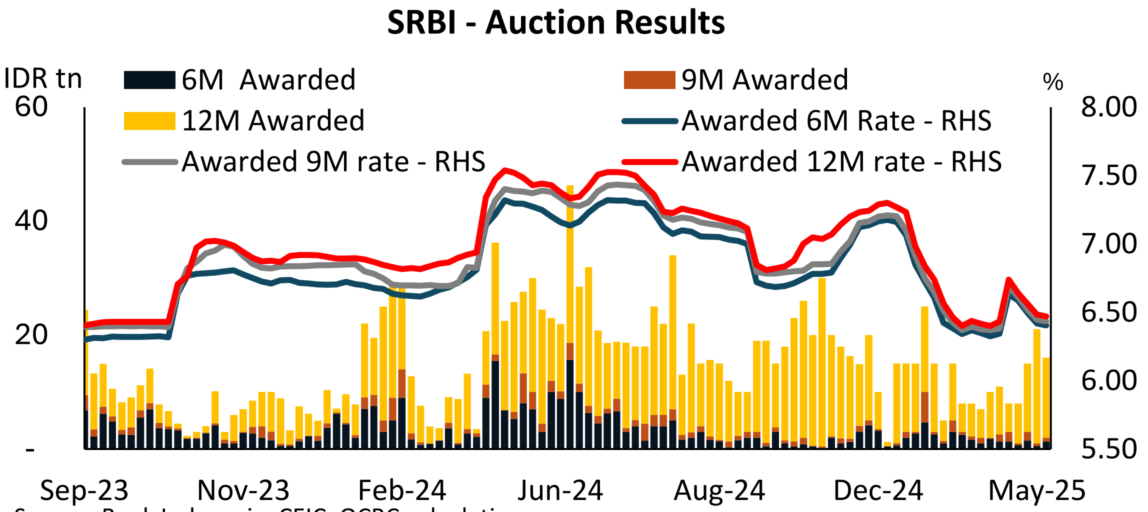
OCBC Source: Various news sources, OCBC.

Indonesia: Lower foreign reserves in April

- The foreign reserve dropped to USD 152.5 billion at the end of April 2025, down from USD 127.1 billion in March. Bank Indonesia attributed this to the government's external debt payments and rupiah stabilization policy in response to increasing global financial market uncertainty, among other factors. The reserves cover 6.4 months of imports or 6.2 months of imports and external debt servicing, which is above the international adequacy standard of three months.
- Elsewhere, the latest SRBI auction on May 9 saw yields continue to fall (6 months to 6.40%, 9 months to 6.44%, and 12 months to 6.47%), with interest continuing to be dominated in the 12-month tenor. Total outstanding stood at IDR 881.9 trillion, based on our calculations, with foreign ownership remaining broadly steady at approximately 24% in April.



Note: USIDR refers to average daily closing. Source: Bank Indonesia, CEIC, OCBC.

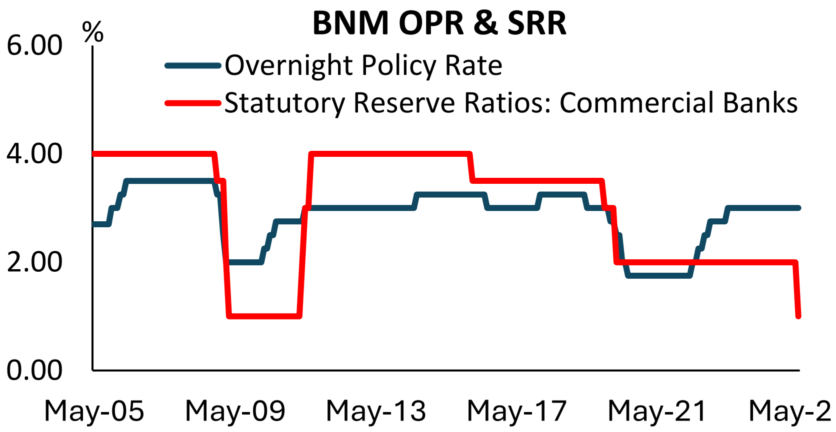


Source: Bank Indonesia, CEIC, OCBC calculation.

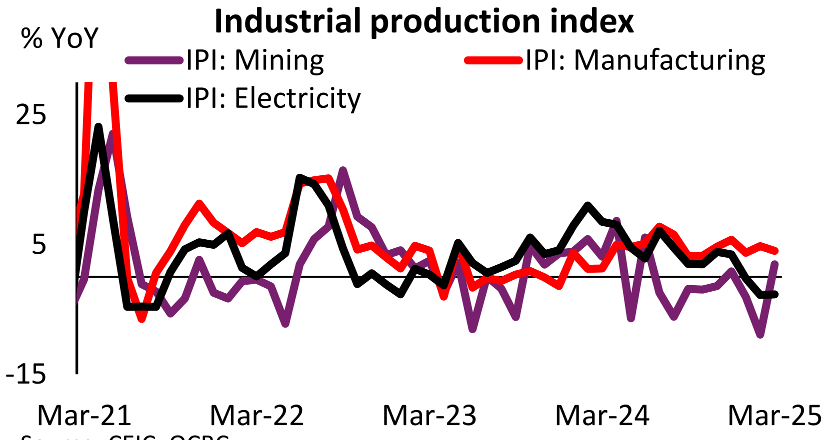
Source: Bank Indonesia, CEIC, OCBC

Malaysia: BNM on hold for now, but more dovish

- Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.00%, in line with expectations. However, we believe that BNM's stance has become more dovish, "recognising that there are downside risks in the economic environment…".
- BNM assessed that the 1Q25 GDP growth was relatively resilient "driven by sustained domestic demand and continued export growth". Based on the March industrial production growth of 3.2% YoY versus 1.5% in February, we expect 1Q25 GDP growth will likely remain unchanged versus the advance estimate of 4.4% YoY, versus 5.0% in 4Q24.
- To further support liquidity conditions, BNM reduced the SRR by 100bp to 1.0%, releasing MYR19bn of liquidity effective 16 May. BNM noted that "the SRR is an instrument to manage liquidity and is not a signal on the stance of monetary policy." That said, SRR cuts have more often than not been precursors to OPR cuts or have at least accompanied cuts in the OPR. In the last easing cycle, SRR was cut by 50bp in November 2019, followed by a 25bp rate cut to the OPR in January 2020. OPR and SRR were reduced further at the March 2020 meeting.



Source: CEIC, OCBC.



Source: CEIC, OCBC.

Source: CEIC, OCBC.

ESG

ESG: Progress in Article 6.2 collaborations and government support

- Carbon market developments and collaborations are progressing, despite the economic uncertainties arising from the Trump administration's tariffs and other geopolitical developments. The EDB and TT Foundation Advisors have launched a fund to support companies in performing early-stage carbon project development and financing activities that could generate high-quality Article 6 carbon credits. This aims to bridge the financing gaps in scaling up carbon markets by mobilising more capital to support projects that need high upfront costs.
- The fund will unlock capital from family offices and foundations for projects that generate high-integrity Article 6 carbon credits under EDB's Carbon Project Development Grant. S$20mn has since been secured to co-fund the development of high-quality carbon projects, with the Carbon Project Development Grant awarded to three project developers i.e. 3Degrees, Climate Bridge and The Nature Conservancy. These project developers plan to develop a pipeline of high-integrity Article 6 carbon projects across Southeast Asia and beyond.
- On bilateral carbon credit initiatives, Singapore and Rwanda signed an implementation agreement to cooperate on carbon credits, the sixth such agreement that Singapore has signed since end 2023. Other countries that Singapore has signed implementation agreements with are Papua New Guinea, Ghana, Bhutan, Peru and Chile. It is also progressing in carbon trading negotiations with more than 15 other countries, including Malaysia, the Philippines and Sri Lanka. Singapore had earlier estimated that it would use high-quality carbon credits to offset about 2.5 mn tonnes of emissions annually from 2021 to 2030. These are positive developments towards building a more robust and collaborative carbon ecosystem.

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Source: BT, EDB, OCBC

FX & Rates

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FX & Rates: Quick De-escalation

- **DXY.** Tariff de-escalation narrative further gained traction, with a temporary 90-day trade truce between US and China. US reciprocal tariff on China will fall to 30% while China will cut tariff on US goods to 10% during this period. A full trade talk is expected to commence in the coming weeks. Separately, Trump said the trade talks achieved a "total reset" with China, he called it a very good deal and that he may have a call with President Xi this week. Safe haven proxy, including gold, CHF and JPY continue to see further reduction in long positions, while direct beneficiaries on US-China trade deal, DXY and RMB, strengthened broadly. Focus today on US CPI report. In particular, market expectation is for core CPI inflation to re-accelerate to 0.3% MoM in Apr after a surprise 0.1% decline in Mar. A softer-than-expected print may perhaps help to curb USD's advance. That said, Apr CPI data may only see partial tariff increase impact. However, given the recent de-escalation, this report may be viewed with slightly less importance.

- **USDCNH.** USDCNH continued to trade lower, below 7.18 at one point intra-session. The move lower was driven by a surprise quick de-escalation and a lower-than-expected USDCNY fix at 7.1991 on Tuesday (vs 7.2066 on Monday). The sub-7.20 fix opened up room for RMB bulls but we believe policymakers are likely to still adopt a measured approach to appreciation (if any), similar to how they took on a measured approach with regards to depreciation. Maintaining RMB stability is likely a key objective for policymakers. Focus next will be whether there is indeed a follow-up call between Trump and Xi. Further positive development may accelerate downside momentum.

- **USDSGD.** USDSGD rebounded to an intra-day high of 1.3086 yesterday, in line with our caution for bullish divergence. The quick tariff de-escalation caught the markets by surprise and oversold USD rebounded. That said, a lower-than-expected USDCNY fix this morning somewhat restrained the rebound in USDSGD.

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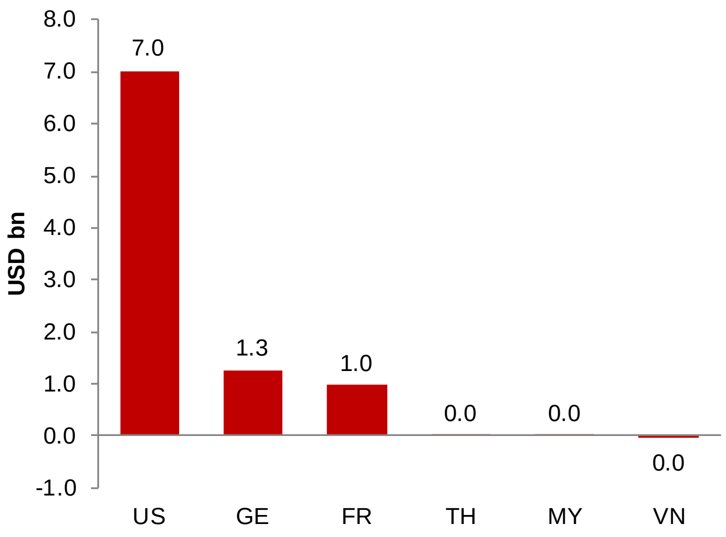
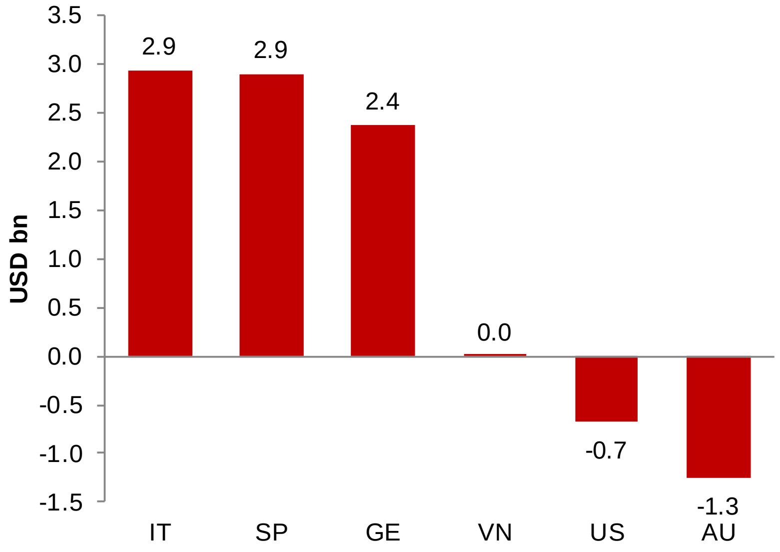
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflow of $2.0bn for the week ending 7 May 2025, a decrease from the inflow of $8.0bn last week.
- Global bond markets reported net inflow of $13.8bn, an increase from last week's inflow of $3.4bn.

Equity top gainers & losers	Bonds top gainers & losers

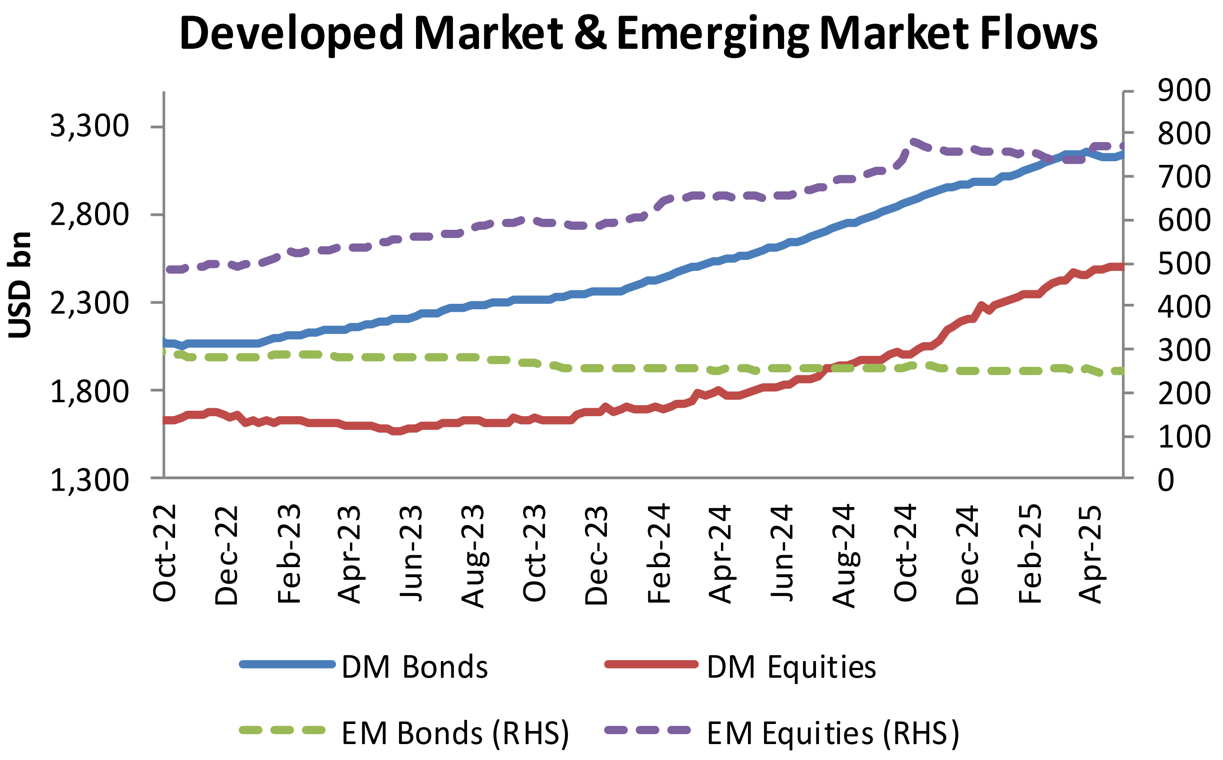




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($1.6bn) saw inflows and Emerging Market Equities ($356mn) saw inflows.
- Developed Market Bond ($12.6bn) saw inflows and Emerging Market Bond ($1.2bn) saw inflows.



Source: OCBC, EPFR

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