



Weekly Macro Views (WMV)

Treasury Research & Strategy (13th September 2022)

Weekly Macro Update

Key Global Events for this week:

12 th September	13 th September	14 th September	15 th September	16 th September
<ul style="list-style-type: none"> - UK Industrial Production - IN Industrial Production YoY - IN CPI YoY 	<ul style="list-style-type: none"> - US CPI MoM - GE ZEW Survey Expectations - GE CPI YoY 	<ul style="list-style-type: none"> - JN Industrial Production MoM - UK CPI YoY - JN Core Machine Orders 	<ul style="list-style-type: none"> - US Initial Jobless Claims - NZ GDP SA QoQ - US Retail Sales Advance MoM 	<ul style="list-style-type: none"> - EC CPI YoY - US U. of Mich. Sentiment - SI Non-oil Domestic Exports YoY

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Global: GDP growth revisions and forecasts • Global: A look at the latest CPI results • Global: European Central Bank delivered a jumbo 75bps hike • Global: Reserve Bank of Australia continues to hike by 50bps • Global: Upcoming US August CPI release • Global: Indo-Pacific Economic Framework for Prosperity (IPEF) • Global: India rice export ban
Asia	<ul style="list-style-type: none"> • SG: COE premiums continue to rise • CN: The lost “golden September”

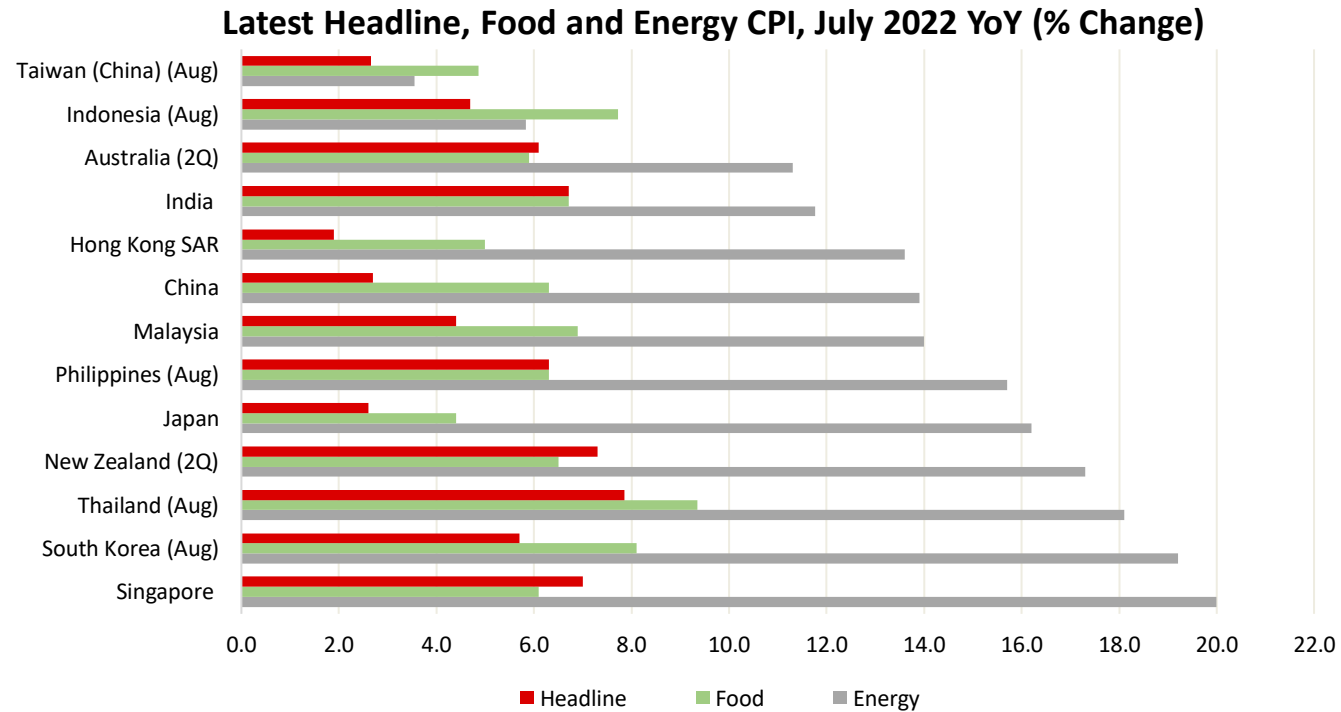
Asia	<ul style="list-style-type: none"> • CN: Household sentiment remains weak • CN: Weaker than expected inflation • CN: RMB depreciation pressure remains
Asset Class	<ul style="list-style-type: none"> • ESG: Singapore considering to reach net-zero emissions by 2050 • FX & Rates: Hawkishness from the Fed and ECB
Asset Flows	<ul style="list-style-type: none"> • Asset Flows

Global: GDP growth revisions and forecasts

	1Q22 Actual	2Q22 Actual	3Q22 Forecast	2021 Actual	2022 Forecast
US	3.5	1.7	1.5	5.7	1.7
EU	5.4	4.1	1.5	5.4	2.8
UK	8.7	2.9	2.1	8.3	3.5
Japan	0.6	1.6	2.1	1.8	1.5
France	4.7	4.2	0.9	6.8	2.5
Italy	6.3	4.7	1.6	6.6	3.3
Germany	3.5	1.7	0.6	2.6	1.5
Canada	2.9	4.6	3.9	4.7	3.5
China	4.8	0.4	4.3	8.1	3.9
Hong Kong	-3.9	-1.3	1.6	6.3	-0.4
Singapore	3.8	4.4	4.1	7.6	3.5
South Korea	3.0	2.9	2.8	4.3	2.6
Malaysia	5.0	8.9	12.5	3.1	5.7
Indonesia	-1.0	3.7	4.8	3.7	5.0
Thailand	2.3	2.5	4.7	1.5	3.4
Philippines	8.2	7.4	6.3	5.7	6.8

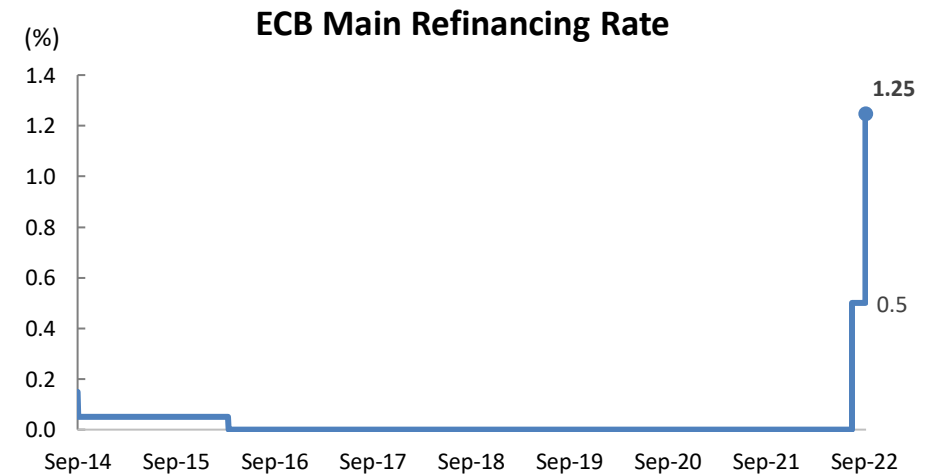
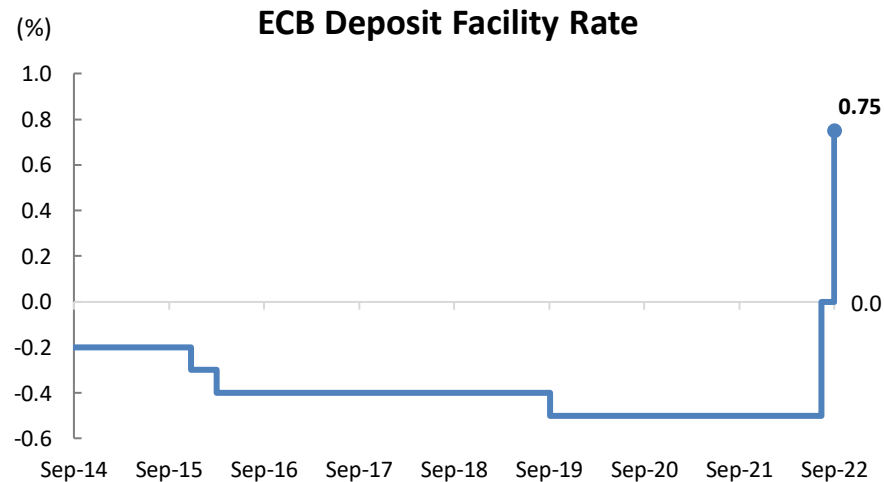
Global: A look at the latest CPI results

- In general, food and energy inflation generally exceeded headline inflation on a year-on-year basis across most economies.
- Within most economies, energy prices generally saw the largest year-on-year increase, as compared to food and headline inflation.



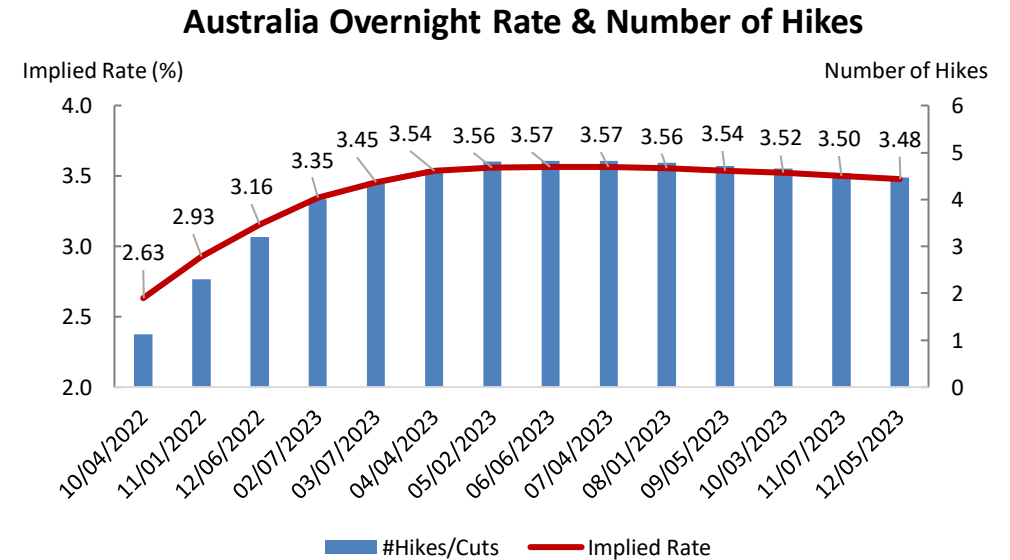
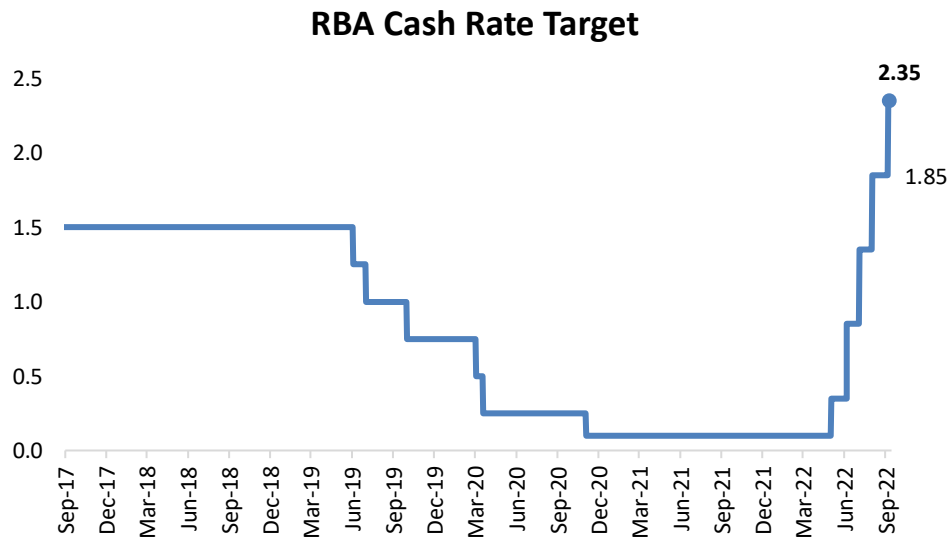
Global: European Central Bank delivered a jumbo 75bps hike

- The European Central Bank (ECB) unanimously hiked 75bps last Thursday, bringing its deposit facility rate and main refinancing rate to 0.75% and 1.25% respectively.
- It also temporarily removed a 0% cap for remunerating government deposits which would reduce the incentive to shift cash into short-term debt until 30 April 2023.
- ECB's Lagarde pledged “several” more hikes in the pipeline which could mean “probably more than two, including this one, but it’s probably also going to be less than five”, driving up market speculation of another potential jumbo hike in October.
- The ECB also cut its 2023 growth forecast from 2.1% to 0.9% (implying no recession, but just stagnant growth) but raised its inflation forecast to 2.3% in 2024.



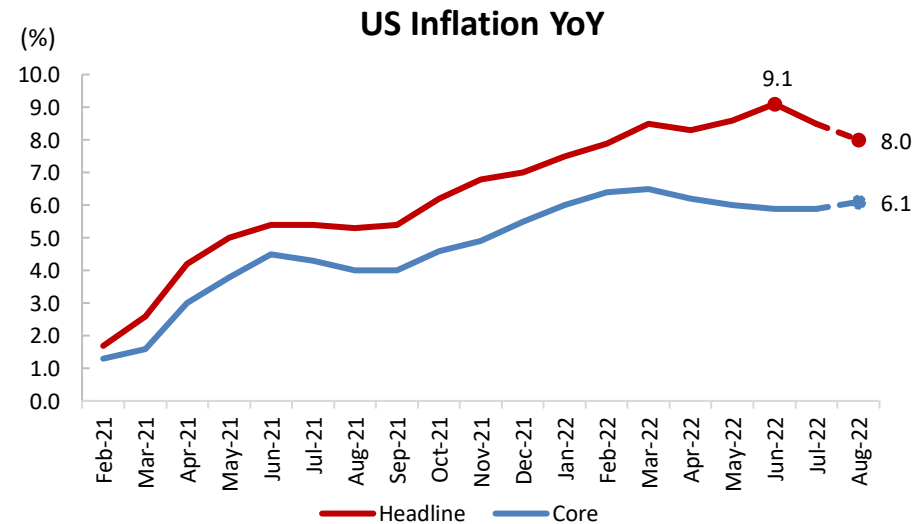
Global: Reserve Bank of Australia continues to hike by 50bps

- The Reserve Bank of Australia (RBA) raised its cash rate by another 50bps to 2.35%, the highest level since 2015. This also marks the fourth straight meeting that it has delivered a 50bps hike.
- RBA continues to signal more rate hikes to come over the next few months in order to tame inflation to its target range of 2-3%.
- Markets are now expecting the cash rate to hit 3.15% by the end of 2022 and to continue to increase till it hits the terminal rate of around 3.55% in mid-2023.



Global: Upcoming US August CPI release

- The August US CPI inflation print will be released on Tuesday, 13 September, with the market expecting the headline print to soften to 8.0% YoY compared to 8.5% before.
- On a month-on-month basis, the headline is seen declining by 0.1% versus a flat sequential uptick before.
- While headline inflation is likely to see some downside, core inflation is expected to inch higher to 6.1% YoY (0.3% MoM) in August, as compared to 5.9% YoY (0.3% MoM) in July.
- USD OIS almost fully price in a 75bps hike at the September MPC, and a terminal rate of 4.1%. Unless US CPI surprised a lot to the downside, signs of inflation peaking would unlikely be enough to alter market's hawkish expectation.



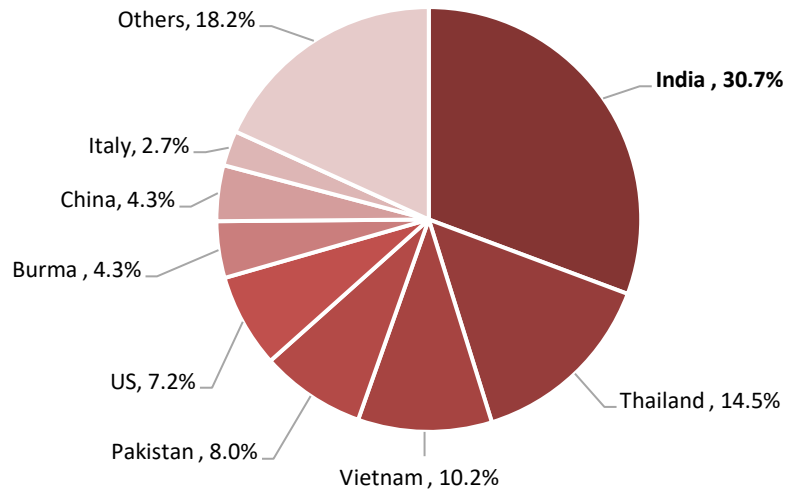
Global: Indo-Pacific Economic Framework for Prosperity (IPEF)

- The Indo-Pacific Economic Framework for Prosperity (IPEF) was held from 8-9 September to discuss several economic objectives. The meeting was hosted by the US and joined by 13 other IPEF partner countries (Australia, Brunei Darussalam, Fiji, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam).
- During this meeting, ministerial statements for 4 IPEF pillars of the Framework have been established:
 - 1. Trade Pillar:**
 - The IPEF partners aims to establish provisions and initiatives that seek to achieve free and fair trade, focusing on labour, environment, digital economy, agriculture, transparency and good regulatory practices, competition policy, trade facilitation, inclusivity, and technical assistance and economic cooperation.
 - 2. Supply Chain Pillar:**
 - The IPEF members will work together to solve and prevent future supply chain disruptions and focus on securing critical sectors for manufacturers.
 - 3. Clean Economy Pillar:**
 - On the clean energy front, the focus will be on increasing investment opportunities and innovation to develop the region's clean energy resources and technologies, in order to reduce overall greenhouse gas emissions.
 - 4. Fair Economy Pillar:**
 - The IPEF members aims to ensure fair competition between businesses within partner countries by preventing corruption, tax evasion and enhancing transparency through anti-corruption and tax measures.

Global: India rice export ban

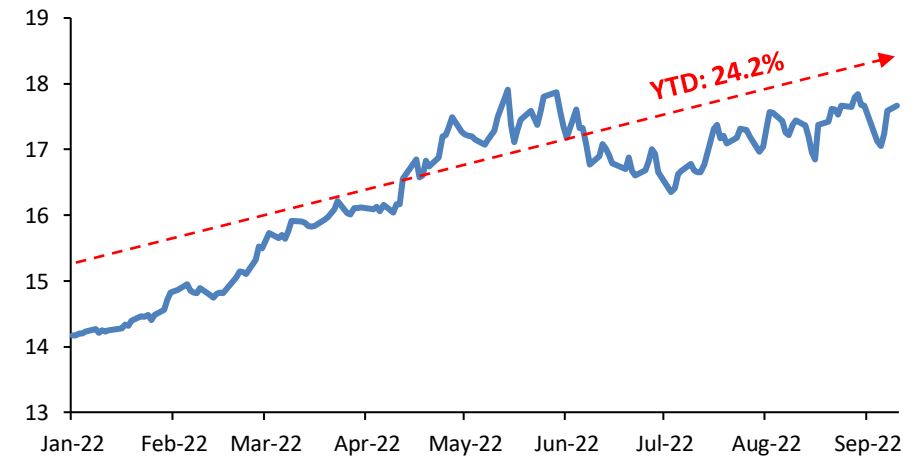
- India has announced its plan to impose an export ban on broken rice and introduce a 20% export duty on white and brown rice. However, some consignments of broken rice will still be allowed to be exported until 15 September.
- According to the President of the All India Rice Exporters Association, B.V. Krishna Rao, the export duty on white and brown rice will affect about 60% of India's global exports sales.
- This comes as India seeks to restrict exports in order to secure sufficient domestic supply.
- However, this move threatens to worsen global food inflationary pressures, especially the price of rice as India is the world's top rice exporter, accounting for 30.7% of the world's rice exports in 2020.

World Rice Exports By Country in 2020



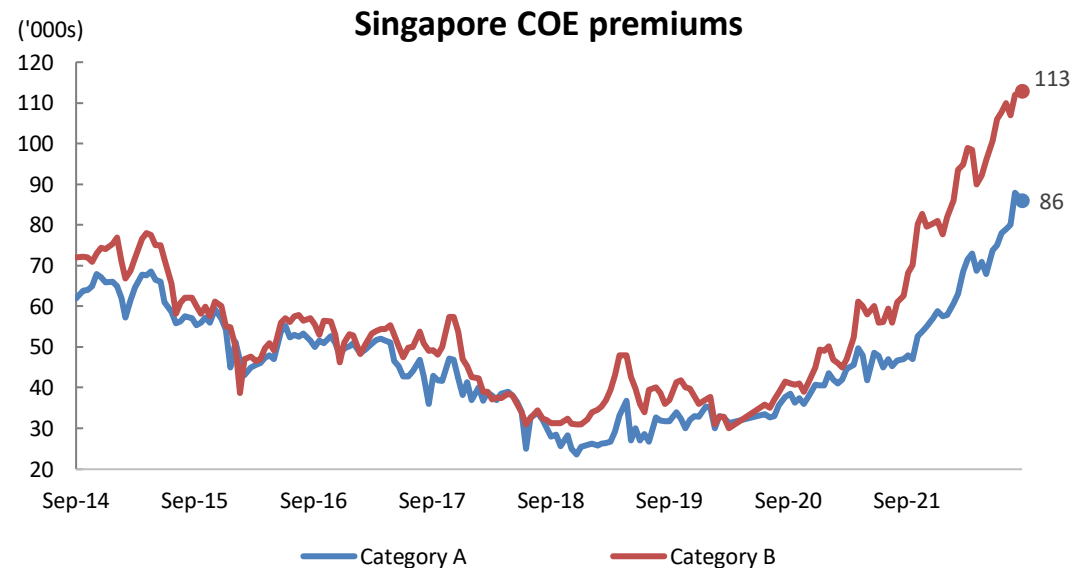
Rice Price

(USD/cwt)



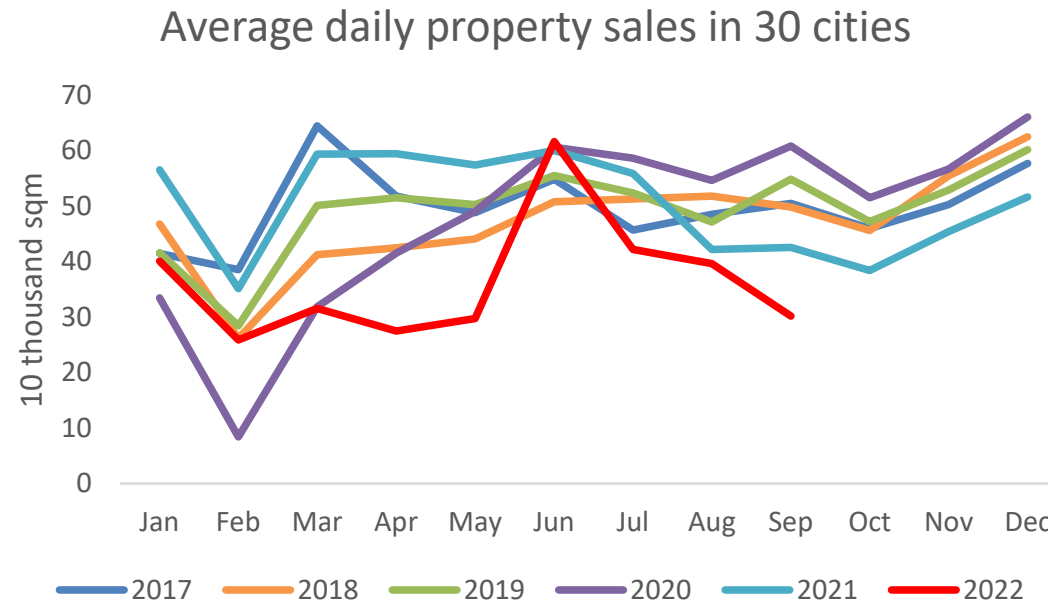
SG: COE premiums continue to rise

- COE premiums saw a broad increase across all categories, except Category A, in the most recent bidding.
- The COE premium for category A eased for the first time in four months to \$86,000.
- Meanwhile, COE premiums for category B hit a record \$113,000, while the open category E rose to just shy of its record to \$113,299 and buses and goods vehicles also increased to their highest since November 2014 at \$64,989.



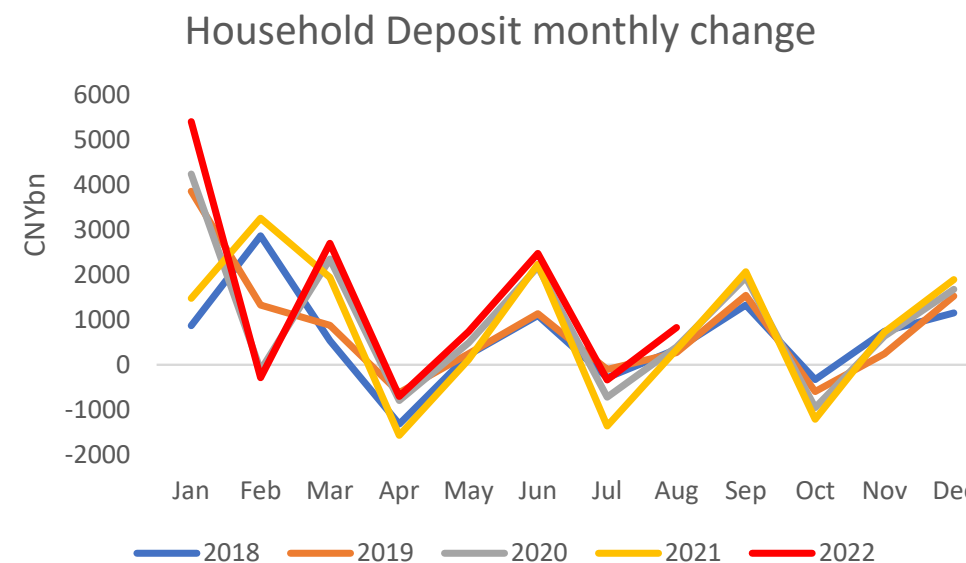
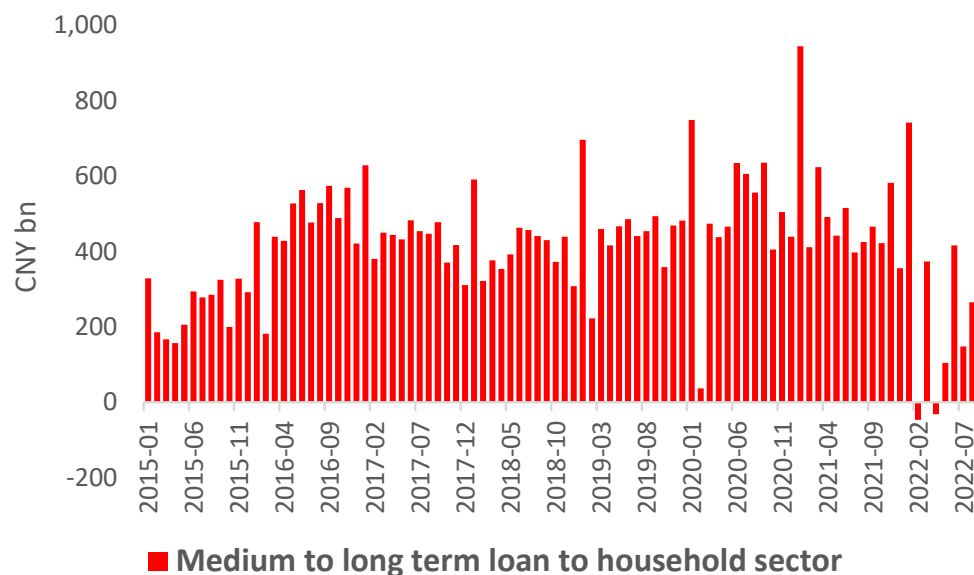
China: The lost “golden September”

- Real estate stocks rebounded sharply despite disappointing property sales and weak household sentiment. The traditional “golden September” failed to materialize with the average daily property sales in the first ten days of September in 30 major cities falling by 29% YoY, signalling a tough battle ahead to turn around the property market.



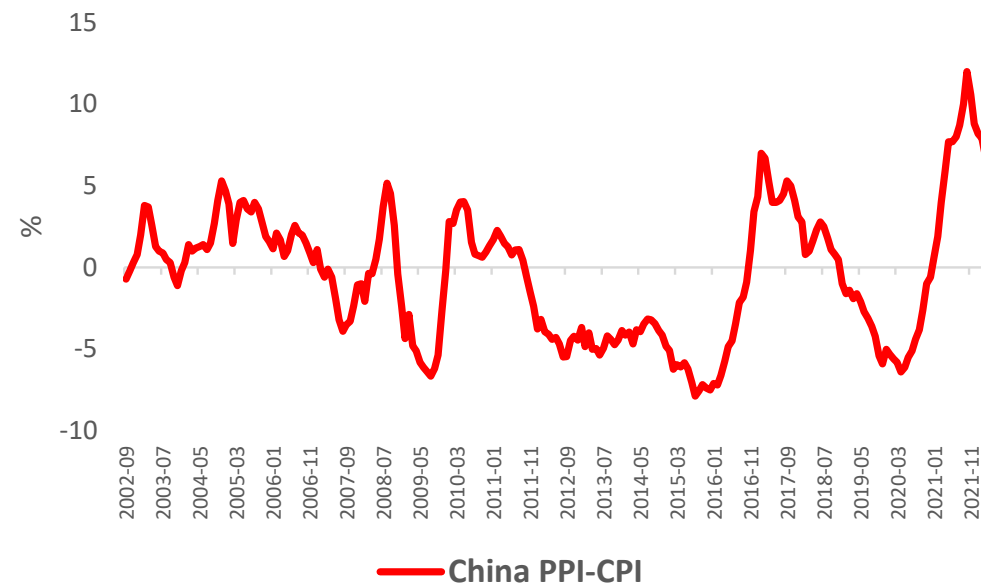
China: Household sentiment remains weak

- The latest August credit data reinforced concerns about weak sentiment in the household sector. Medium- to long-term loans to household sector only increased by CNY265.8 billion, CNY160 billion below that in August 2021. Household deposit increased by CNY828.6 billion, way above the average CNY330 billion increase in August in the past four years. The deteriorating household sentiment remains a key challenge for the Chinese economy.



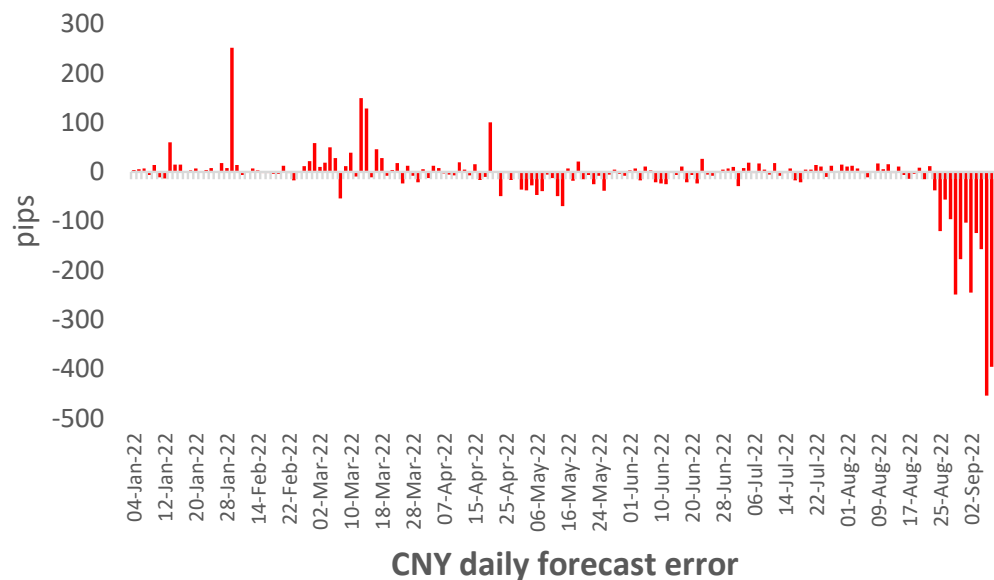
China: Weaker than expected inflation

- China's CPI decelerated unexpectedly to 2.5% YoY in August from 2.7% YoY in July. The decline in flight ticket prices during the peak season showed rising costs from China's zero COVID strategy.
- Looking ahead, although food prices are expected to rise further ahead of the festive seasons including mid-autumn in mid-September and the National Day holiday, service prices are likely to stay muted due to COVID-19 concerns as China's national health commission encouraged people to minimize travelling during the festive season.



China: RMB depreciation pressure remains

- China has stepped up its counter cyclical measures such as the outsized strong daily RMB fixing and reduction in foreign currency reserve requirement ratio in the past week to slow down RMB depreciation. However, history shows that counter cyclical measures are usually not the game changers.
- The near-term depreciation pressure remains given the deteriorating trade outlook as well as uncertain growth outlook due to China's zero COVID strategy.





ESG

ESG: Singapore considering to reach net-zero emissions by 2050

- Singapore is considering:
 - Setting 2050 as the year to reach net-zero emissions, giving a more definitive timeline compared to when it was announced in February that “Singapore will aim for net-zero by or around mid-century”; and
 - Raising its 2030 climate target to support the longer-term goal, with the current target to peak at 65 million tonnes of greenhouse gas emissions in 2030
- The government is currently seeking public views on the above (e.g. In the transition to a low-carbon country, in which areas including Government, businesses, communities, and citizens, is Singapore doing well and in which areas can Singapore do more?), and the consultation exercise will close on September 26.
- This aligns Singapore's goal with other developed countries and jurisdictions like Japan, South Korea, and Canada who are also aiming for net-zero by 2050.
- With limited alternative energy sources and scarce land, Singapore’s focus on its path towards net-zero will be on (i) implementing the carbon tax, (ii) decarbonizing the energy grid and (iii) transforming industries. There will be more pressure on emission-intensive sectors to transform their operations to reach net-zero.



FX & Rates

FX & Rates: Hawkishness from the Fed and ECB

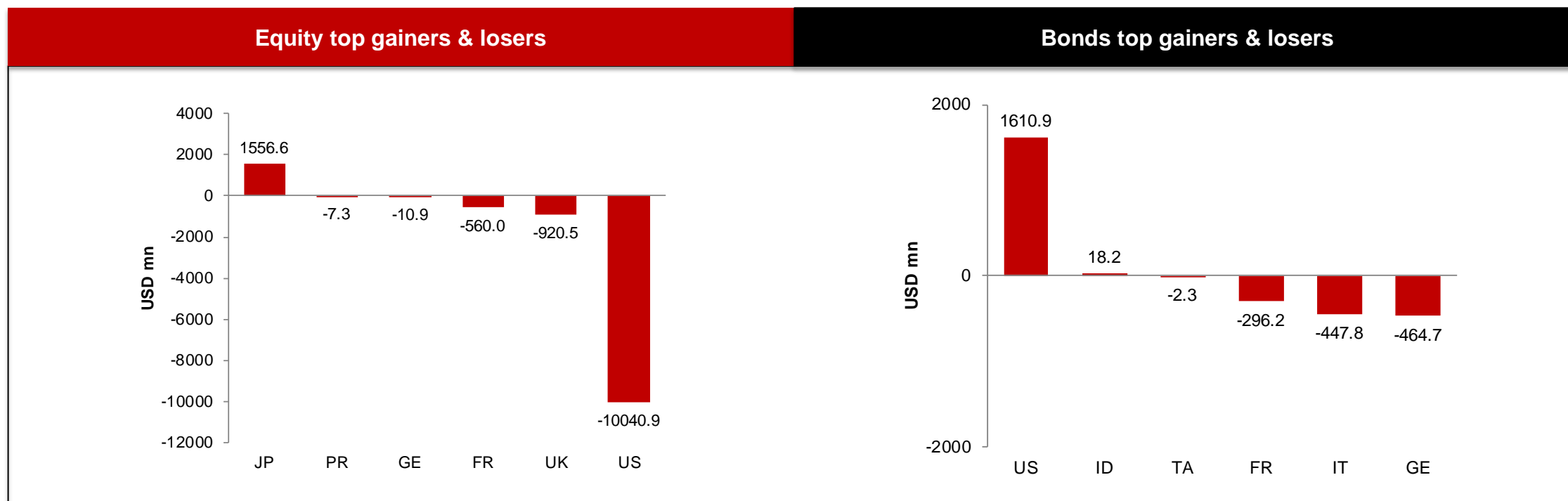
- Fed's George commented that the case for continuing to remove policy accommodation is "clear cut", and that peak policy rate is just speculation at this point – meaning there might be further upside given her usual stance. USD OIS almost fully price in a 75bps hike at the September MPC, and a terminal rate of 4.1%. Unless US CPI surprised a lot to the downside, signs of inflation peaking would unlikely be enough to alter market's hawkish expectation.
- DXY's turn lower found interim support at 21DMA as focus shifts to US CPI release on Tuesday. A softer print for both core and headline should see another extension of USD's decline. We had earlier shared that price pressures (such as wage growth, core PCE, ISM prices, etc.) are already showing signs of slowing. That said, prices of food, household items and healthcare products remain on the rise. We agree that it may be too soon to declare victory on the fight against inflation but it is worth keeping a look-out on how slowing US data may influence Fed signaling in coming months and potentially, that can translate into USD easing especially if EUR can find relative stability. For now, the baseline for markets leans towards 75bps hike at 22 Sep FOMC.
- EUR continued to inch higher, riding on Ukraine news, easing natural gas prices (fell 6% on Fri and down nearly 14% MTD) and hawkish remarks from Bundesbank's Chief Nagel. He said that ECB will be required to continue raising rates if current trend in CPI continues. War situation in Ukraine appears to see positive progress over the weekend as Ukraine forces continued their counter-offensive in the Kharkiv region. It may be too early to call an end to war but if Ukraine forces can consolidate its regained territories and continue to pressure Russians, then optimism can grow and this can lend further boost to EUR.
- USDSGD continued to trade with a heavy bias amid broad USD pullback. Double-top bearish reversal is also playing out. S\$NEER is trading above 1.4% above the midpoint for consecutive few days this week and last week. Pair was last at 1.3980 levels. Bullish momentum is waning while RSI fell. Support at 1.3960, 1.3915 (50DMA). Resistance at 1.4020, 1.4060 levels. USDSGD likely to continue taking cues from broader USD moves this week.



Asset Flows

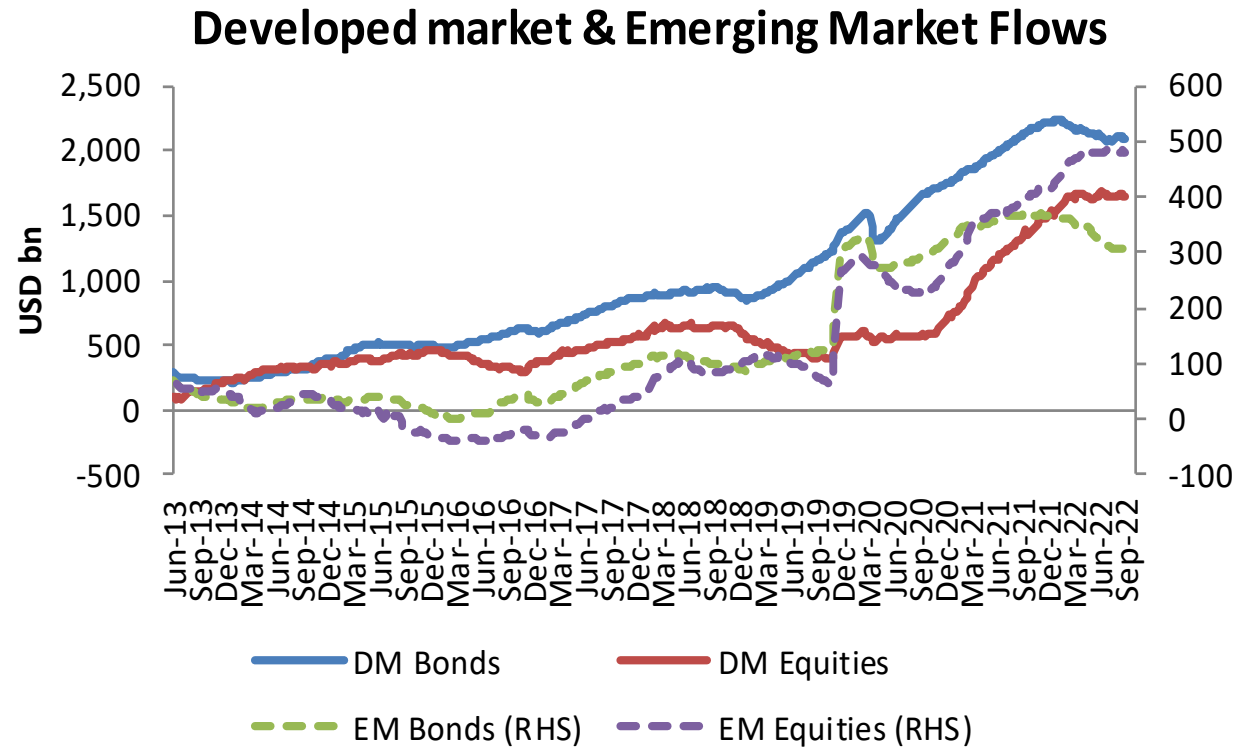
Global Equity & Bond Flows

- Global equity markets saw net outflows of -\$14.5bn for the week ending 7th September, an increase from the outflows of -\$9.4bn last week.
- Global bond market reported net outflows of -\$1.8bn, a decrease from last week's outflows of -\$4.0bn.



DM & EM Flows

- DM equities saw -\$12.4bn worth of outflows while the EM-space registered -\$2.1bn worth of outflows.
- Elsewhere, the DM bond space posted outflows of -\$0.5bn, and EM bonds registered outflows of -\$1.2bn.



 Thank you

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