Weekly Macro Views (WMV)

Global Markets Research & Strategy

15th April 2024

Weekly Macro Update

Key Global Data for this week:

15 April	16 April	17 April	18 April	19 April
• **US** Retail Sales Advance • **US** Empire Manufacturing • **IN** Exports • **JN** Core Machine Orders	• **CH** GDP • **CA** CPI • **GE** Wholesale Price Index • **UK** ILO Unemployment Rate 3Mths	• **UK** CPI • **NZ** CPI • **EC** CPI • **SI** Non-oil Domestic Exports • **US** MBA Mortgage Applications	• **AU** Unemployment Rate • **US** Existing Home Sales • **US** Philadelphia Fed Business Outlook • **JN** Tertiary Industry Index	• **JN** Natl CPI • **MA** GDP • **UK** Retail Sales Inc Auto Fuel • **TH** Gross International Reserves • **PH** BoP Overall

Summary of Macro Views:

Global	• **Global:** US CPI – Energy Inflation Up, Core Services Sticky • **Global:** US Consumer Sentiment Dips, Inflation Expectations Rise • **Global:** ECB on Dovish Hold • **Global:** UK GDP Lifted by Manufacturing Strength in February
Asia	• **SG:** 1Q24 GDP Slightly Below Expectations • **SG:** No Change to MAS Monetary Policy Settings • **CN:** Mixed Picture for Domestic Demand • **CN:** Some Positive Indicators • **CN:** External Demand May Remain Supportive • **MO:** To Remove All Housing Cooling Measures

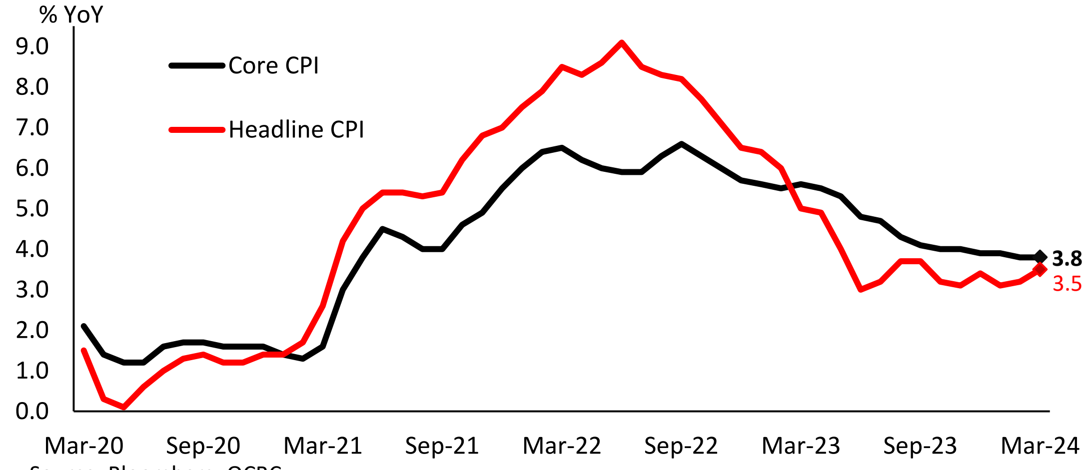
Asia	• **ASEAN-4**: Taking Stock of Regional Exports • **TH**: BOT On Hold and Unconvinced About Rate Cuts • **PH**: Stronger Export Growth in February • **MY**: Increased Communication on MYR
Asset Class	• **Crude Oil:** Prices May Stay Elevated On Middle East Jitters • **ESG:** Lack of Clarity for CORSIA-linked Voluntary Carbon Trade • **FX & Rates:** Cautious • **Global Asset Flows**

OCBC

Global: US CPI – Energy Inflation Up, Core Services Sticky

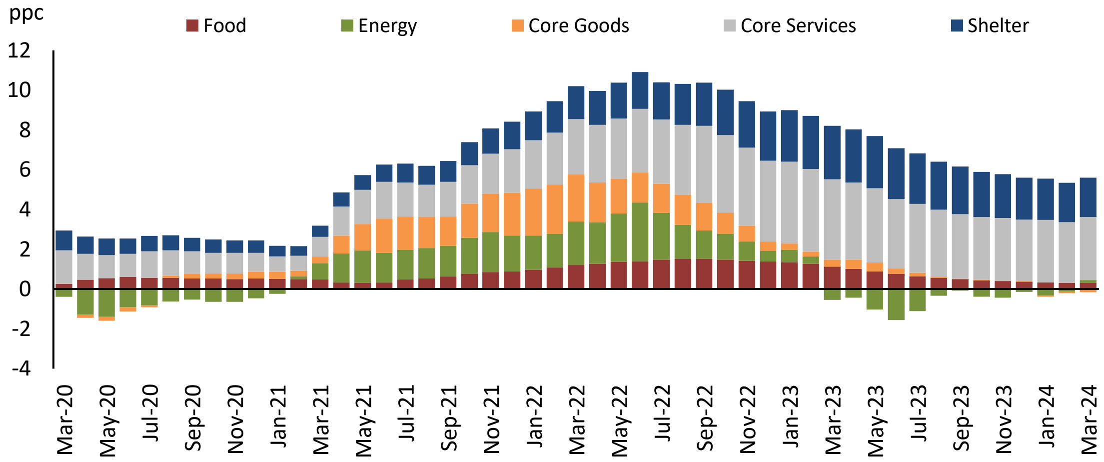
- Headline inflation for March rose 3.5% YoY against 3.2% in February, and above consensus expectations of 3.4%. Gains on a month-on-month basis were 0.4%, similar to February (versus expectations of a slowdown to 0.3%). Core inflation, excluding food and energy, remained stable at 3.8% YoY versus February; gains on MoM basis were also unchanged at 0.4% versus February.
- Energy at 2.1% YoY (Feb: -1.9%) contributed positively to the annual headline measure, after being a drag for twelve months. Electricity and gas prices were up 5.0% YoY (Feb: 3.6%) and -3.2% YoY (Feb: -8.8%) respectively. Core services ticked up to 5.4% YoY (Feb: 5.2%), with medical services and automobile maintenance delivering upside surprises. Core goods inflation was a negative contributor to the annual figure at -0.2% YoY (Feb: 0.1%).
- The overall base effect becomes more favourable for a softer CPI print in the months of April, May and June; before the June FOMC meeting, April and May CPI (same day as the June decision) will be out.

Headline CPI & Core CPI



Source: Bloomberg, OCBC.

US CPI and Component Contributions



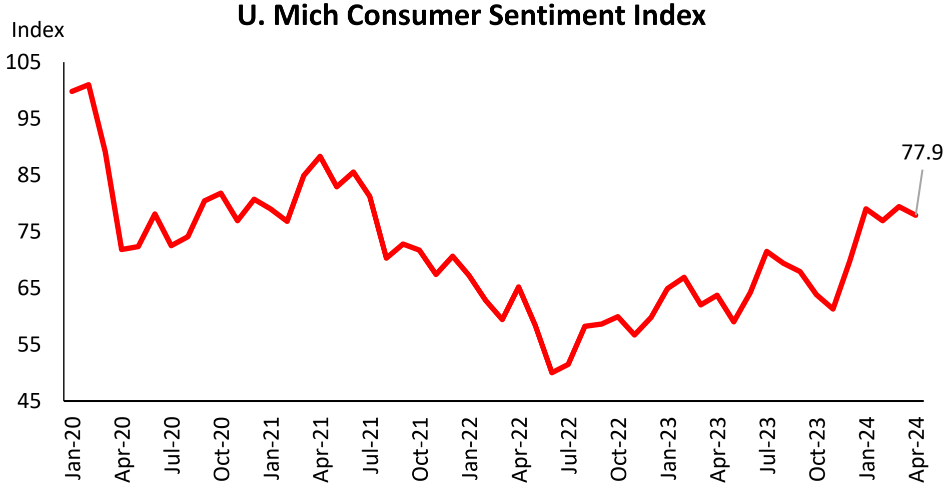
Source: Bloomberg, OCBC.

OCBC

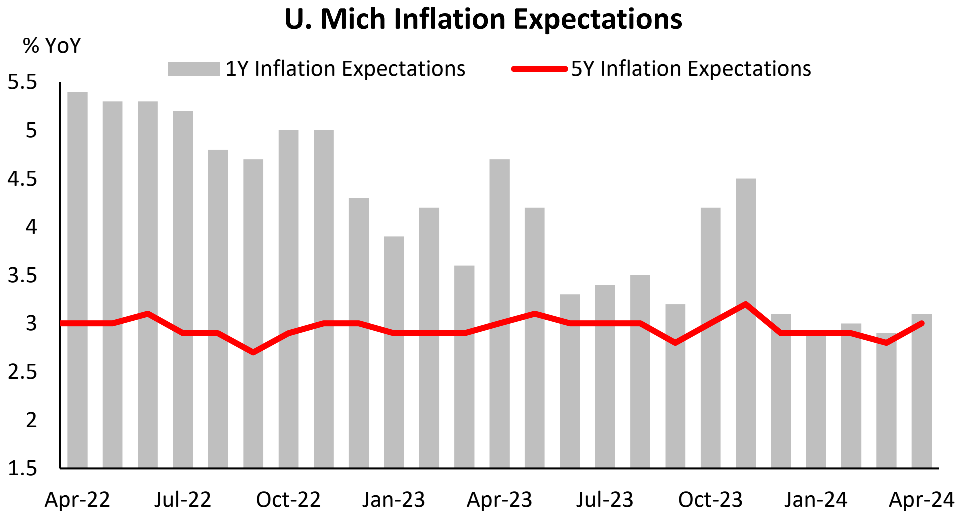
Source: Bloomberg, OCBC.

Global: US Consumer Sentiment Dips, Inflation Expectations Rise

- The preliminary U. Mich consumer sentiment index for April dipped to 77.9 from 79.4 in March (Consensus: 79). Sentiment for current conditions (Apr: 79.3; Mar: 82.5) fell more than forward looking expectations (Apr: 77.0; Mar: 77.4).
- 1-year inflation expectations picked up to 3.1% YoY from 2.8% prior mainly on account of expectations of higher gasoline prices. Similarly, long-run inflation expectations (over the next five to ten years) rose to a 5-month high of 3.0% YoY from 2.8% in March. The proportion of consumers who attributed lower living standards to inflation rose to 39% in April from 33% in March, notably for buying conditions of cars and durable goods.
- Notwithstanding the pickup in April, survey director Joanne Hsu highlighted that “consumers are fully aware that inflation has come down substantially since 2022”. This suggests that the recent pickup in inflation expectations may not become entrenched.



Source: U. Michigan, OCBC.

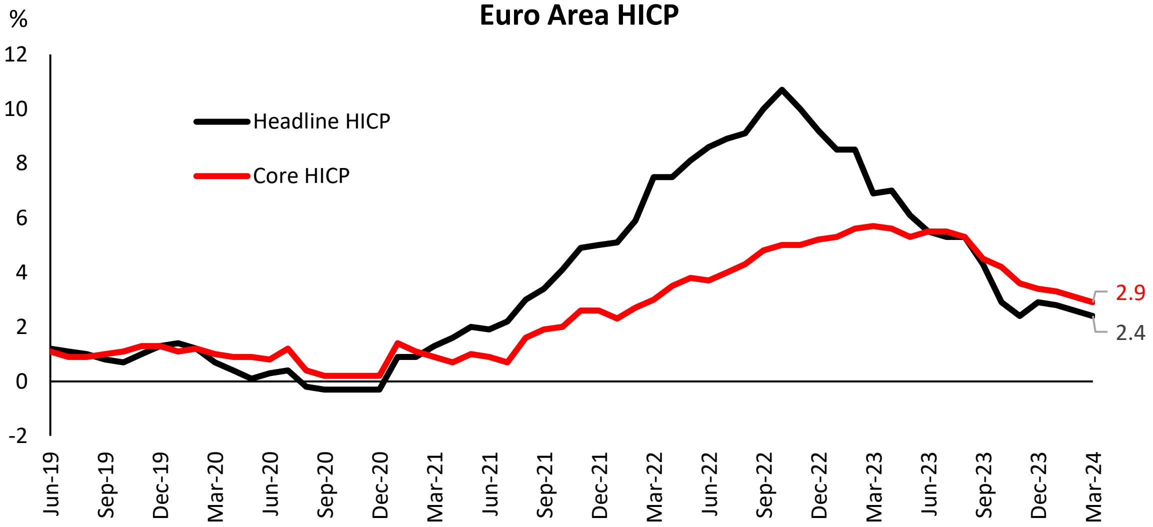


Source: U. Michigan, OCBC.

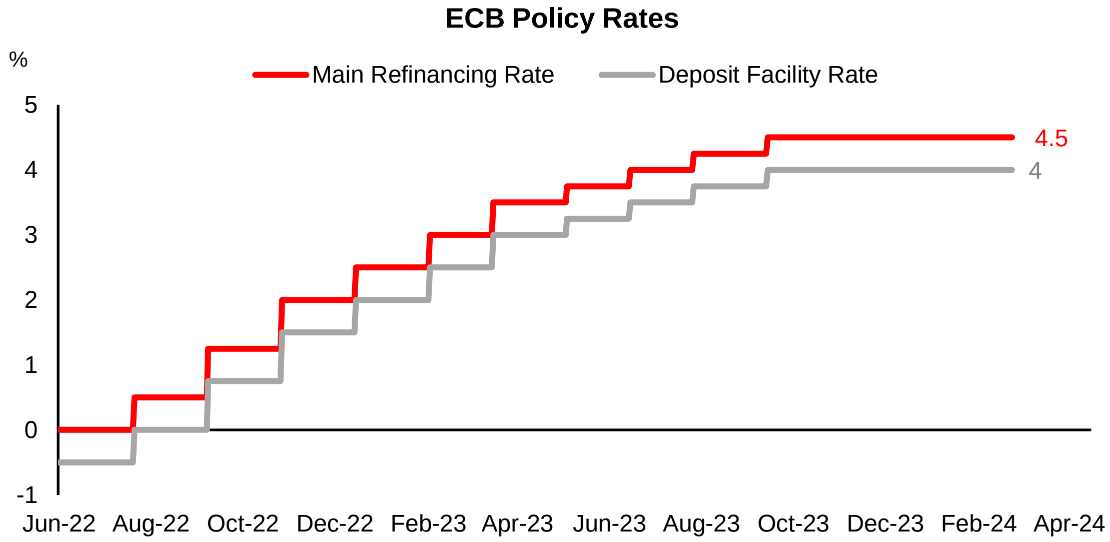
Source: U. Michigan, Bloomberg, OCBC.

Global: ECB On Dovish Hold

- The ECB held its main refinancing rate and deposit facility rate steady at 4.50% and 4.00%, respectively. The focus was primarily on the Governing Council's press conference which essentially confirmed a cut in June, although maintaining a non-committal stance to additional cuts beyond June.
- Lagarde revealed that a few members were "sufficiently confident on the basis of the limited data that we received in April and agreed to rally of the governors, who were comfortable with the need to reinforce confidence when receiving a lot more data in June" – which market participants interpreted as a suggestion that a few members might have supported a rate cut.
- The 1Q24 employment report due mid-May will be the last bit of evidence for ECB to gain enough confidence in starting the rate cutting cycle, when the balance of risks to the growth outlook is tilted to the downside. Our base-case remains for a total of 75bps of rate cuts, to be delivered in some of the remaining five meetings of the year, with the first cut likely coming in June.



Source: Eurostat, OCBC.

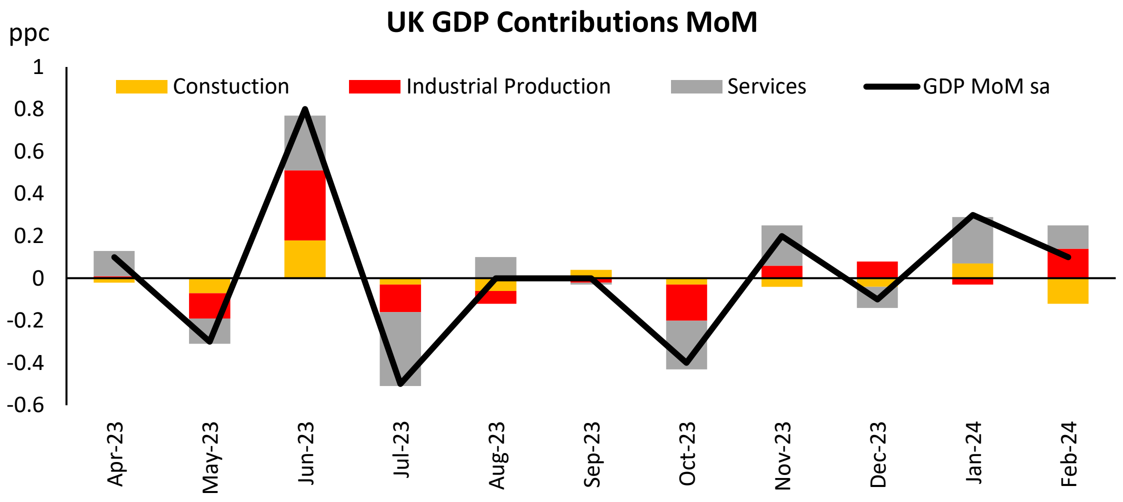


Source: ECB, Bloomberg, OCBC.

Source: Eurostat, ECB, Bloomberg, OCBC.

Global: UK GDP Lifted by Manufacturing Strength in February

- The economy expanded 0.1% MoM in February following an upwardly revised 0.3% increase in January, in-line with consensus forecasts. The February expansion was driven primarily by industrial production, which rose 1.1% MoM (Jan: -0.3%), followed by services which gained 0.1% MoM (Jan: 0.3%). The drag came from construction, which declined by 1.9% Mom (Jan: 1.1%).
- Industrial production strength was boosted by manufacturing, which saw growth in 11 out of 13 subsectors. The ONS also reported that tensions in the Red Sea had caused greater stress on supply chains with "many more comments" regarding supply disruptions recorded in the February Monthly Business Survey, particularly in the wholesale trade industry which saw a contraction.
- February GDP figures imply that the economy is on track to avoid another quarterly contraction unless output falls by at least 1.3% MoM in March, according to ONS estimates.



Source: Bloomberg, OCBC.

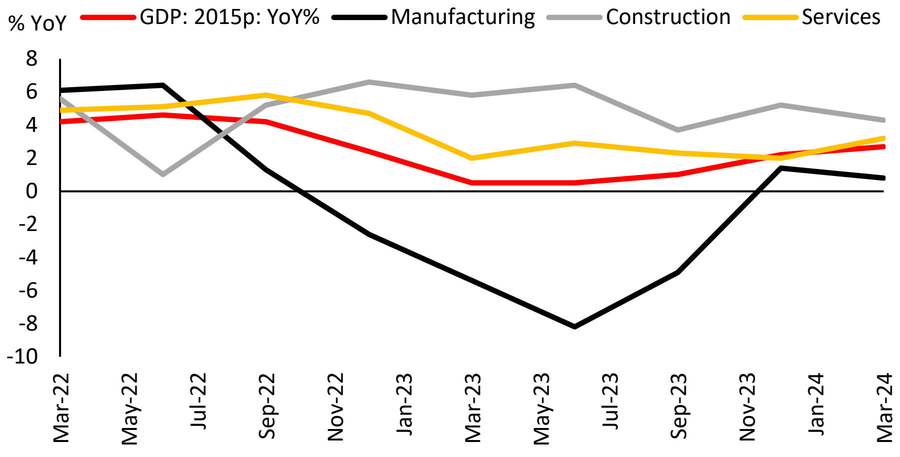
Source: Bloomberg, OCBC.

Singapore: 1Q24 GDP Slightly Below Expectations

- Flash 1Q24 GDP growth accelerated to 2.7% YoY (0.1% QoQ sa), slightly below our expectations for 2.9% YoY (0.2% QoQ sa) and the consensus forecasts of 3.0% YoY (0.5% QoQ sa). This is still an improvement from the 2.2% YoY (1.2% QoQ sa) growth in 4Q23 and marked the highest reading since 3Q22 (4.2% YoY).
- Manufacturing expanded for the second straight quarter by 0.8% YoY but moderated from the 1.4% YoY seen in 4Q23. Services accelerated to 3.2% YoY, aided by improved broad-based activities, and the construction sector moderated slightly to 4.3% YoY. While there were hopes of green shoots emerging in the global electronics industry, this did not really manifest in the domestic electronics – if anything, the expansion in the chemicals, precision engineering and transport engineering clusters more than offset the contractions seen in electronics, biomedical and general manufacturing clusters.
- In QoQ sa terms, the 0.1% print was the softest pace since 1Q23. The outperformer was services which expanded 1.2% QoQ sa, boosted by the rebound in 'Accommodation & Food Services', 'Real Estate', 'Administrative & Support Services' and 'Other Services' to +2.2% (4Q23: -0.7%). In all likelihood, the slew of concerts (Coldplay, Taylor Swift etc) which attracted many international visitors to Singapore's shores did have a temporal boost to the consumer-facing industries, namely in hospitality and entertainment-related activities. Our current 2024 GDP growth forecast of "around 2%" may come in slightly higher at 2.3% YoY given the acceleration in 1Q24 growth and some anticipated firming in growth trajectory as the year progresses.

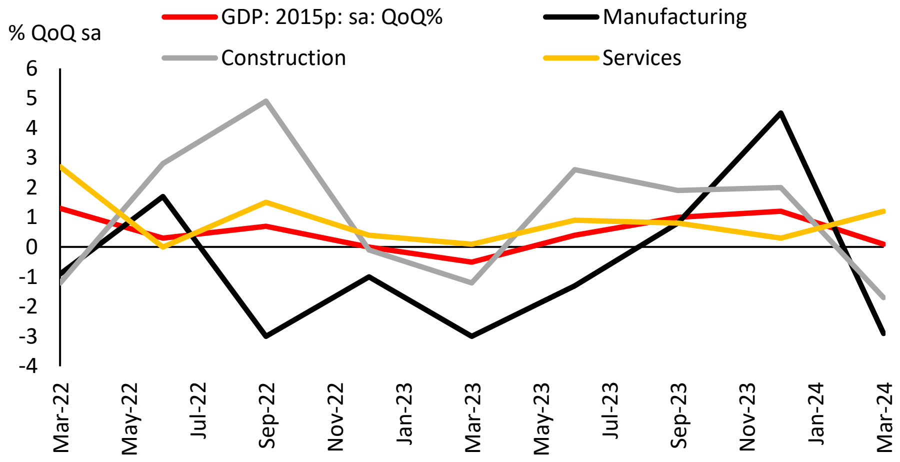
Source: MTI, OCBC.

Singapore Real GDP YoY



Source: MTI, OCBC.

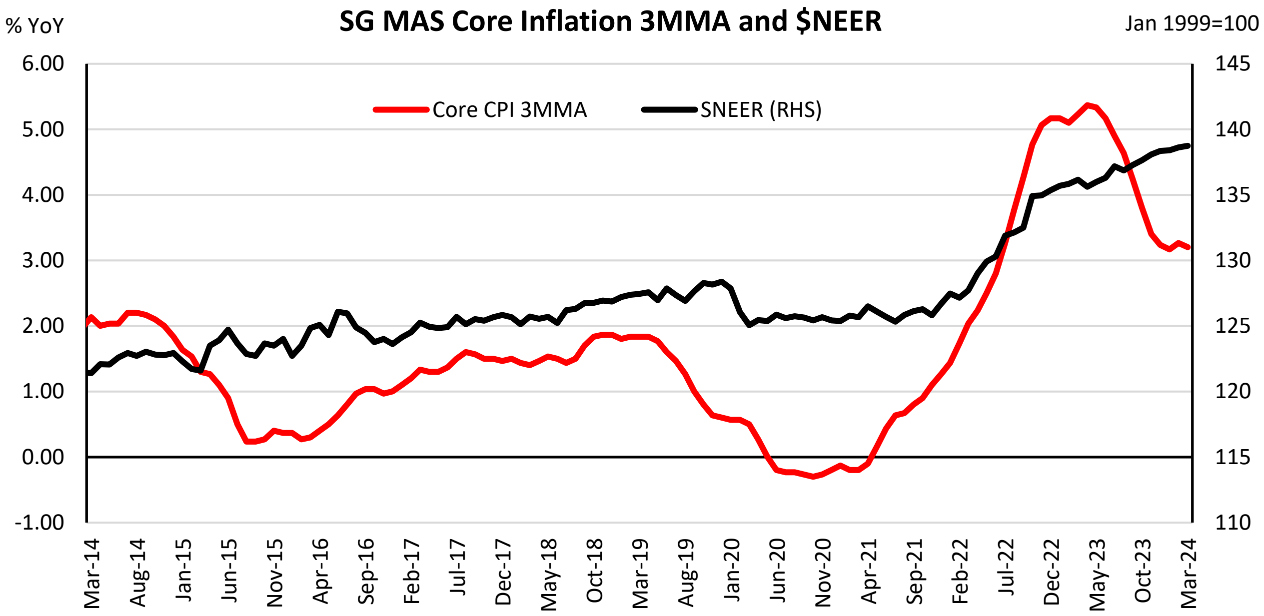
Singapore Real GDP QoQ sa



Source: MTI, OCBC.

Singapore: No Change to MAS Monetary Policy Settings

- MAS stayed the course as anticipated, with no change to monetary policy settings which remain appropriate to restrain imported inflation as well as domestic cost pressures to ensure medium-term price stability. MAS maintained the rate of appreciation of the S$NEER policy band, with no change to the band width or the level at which it was centered.
- The monetary policy easing window is open for 2H24 but is data-dependent – if core CPI shows signs of subsiding earlier or more materially than anticipated, then July or October MPS may be fair game, but this is not our base scenario at this juncture. April would have been too premature to pull the easing trigger given that the MAS view that core inflation will only step down from 4Q24 into 2025 remains intact. Note many major central banks are also slightly hesitating to do likewise on the policy easing front given that recent inflation prints have been bumpy and more buoyant, especially with the uptick in crude oil prices. Our 2024 headline and core inflation forecasts are 3.0% and 3.1% YoY respectively.

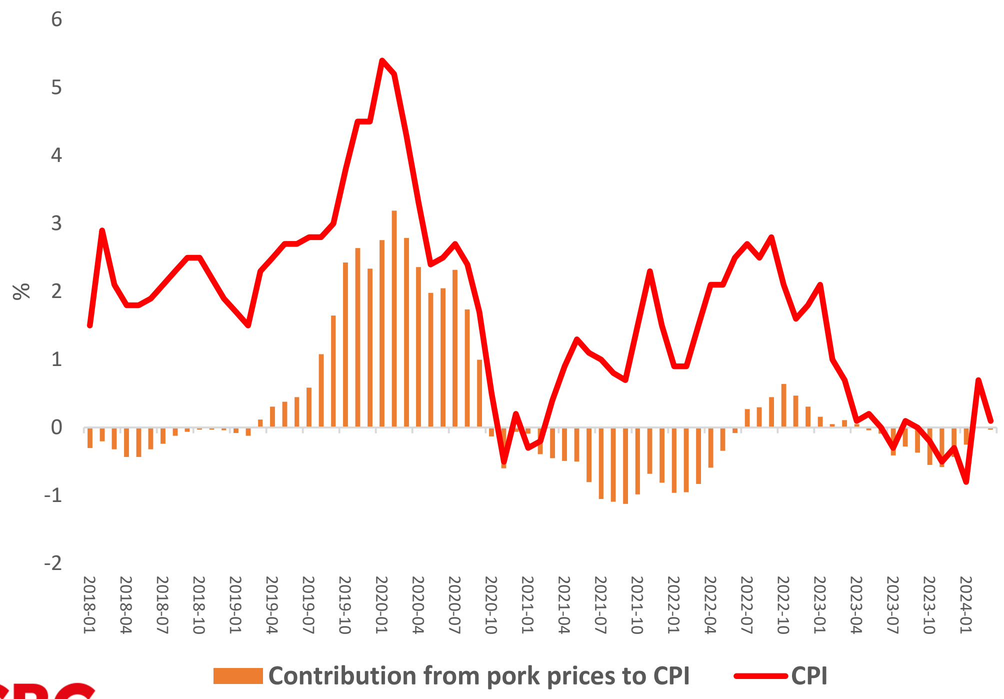


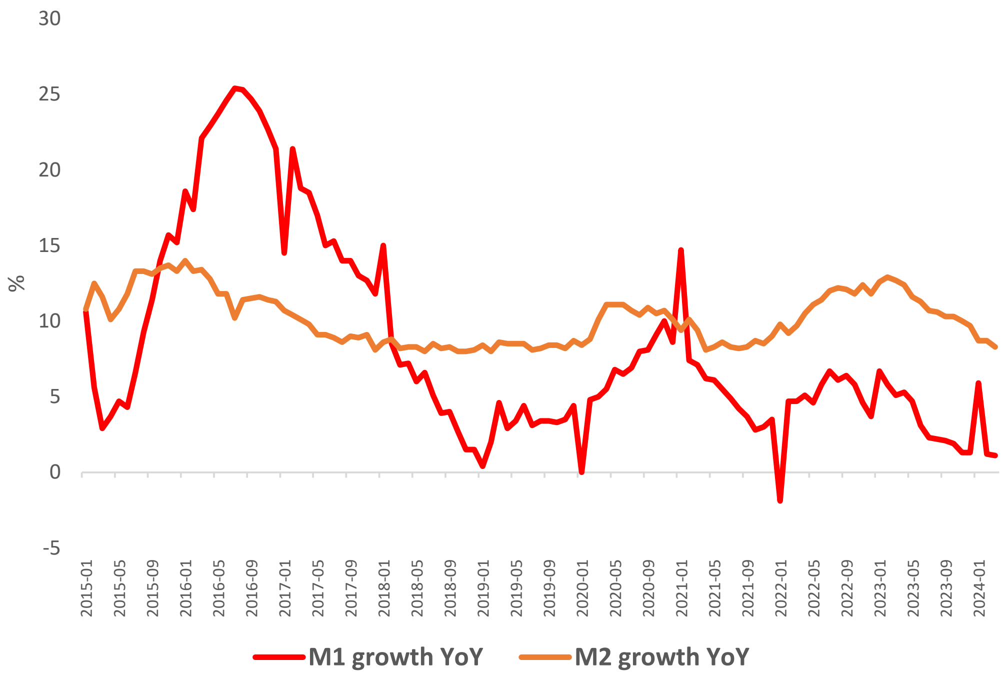
Source: Bloomberg, OCBC.

Source: MAS, Bloomberg, OCBC.

China: Mixed Picture for Domestic Demand

- The latest inflation and credit data still showed the sluggish domestic demand despite initial signs of recovery. China's CPI moderated to 0.1% YoY in March from 0.7% in February. The decline in non-food prices was more pronounced than the usual seasonal pattern, dropping by 0.5% MoM.
- China's medium to long-term loans to both corporate and household sectors experienced declines compared to the same period in previous year, reflecting cautious sentiment in the corporate sector. Further signaling caution, M1 growth declined to 1.1% in March from 1.2% in February, indicating that corporates remained hesitant to increase investments in the near term.

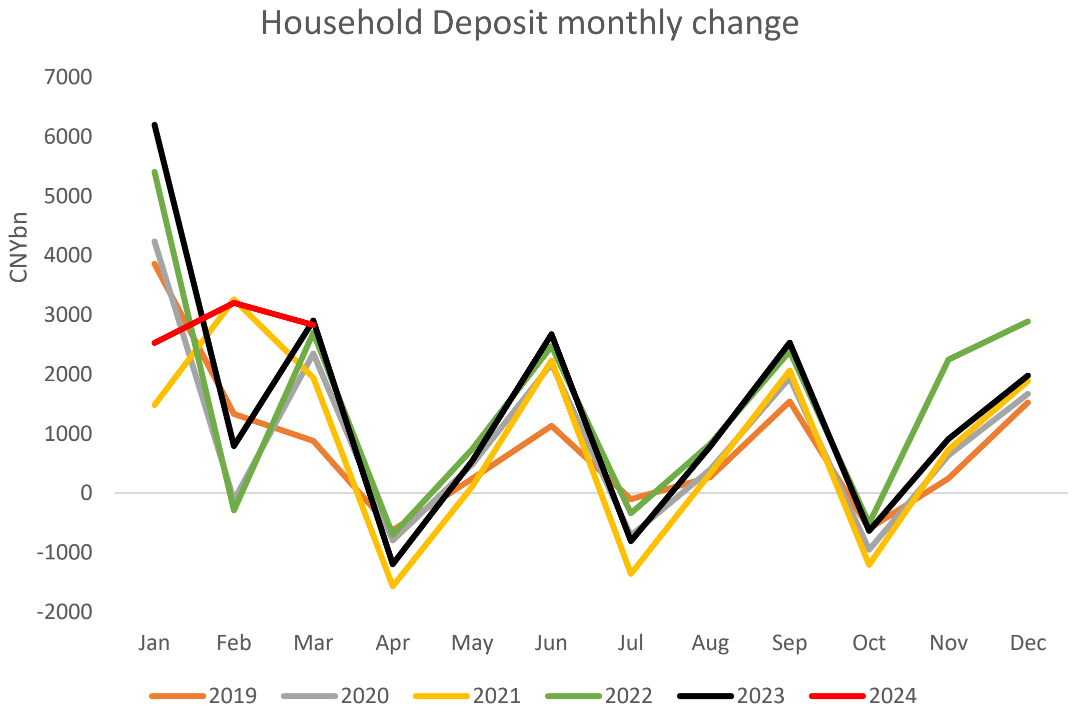


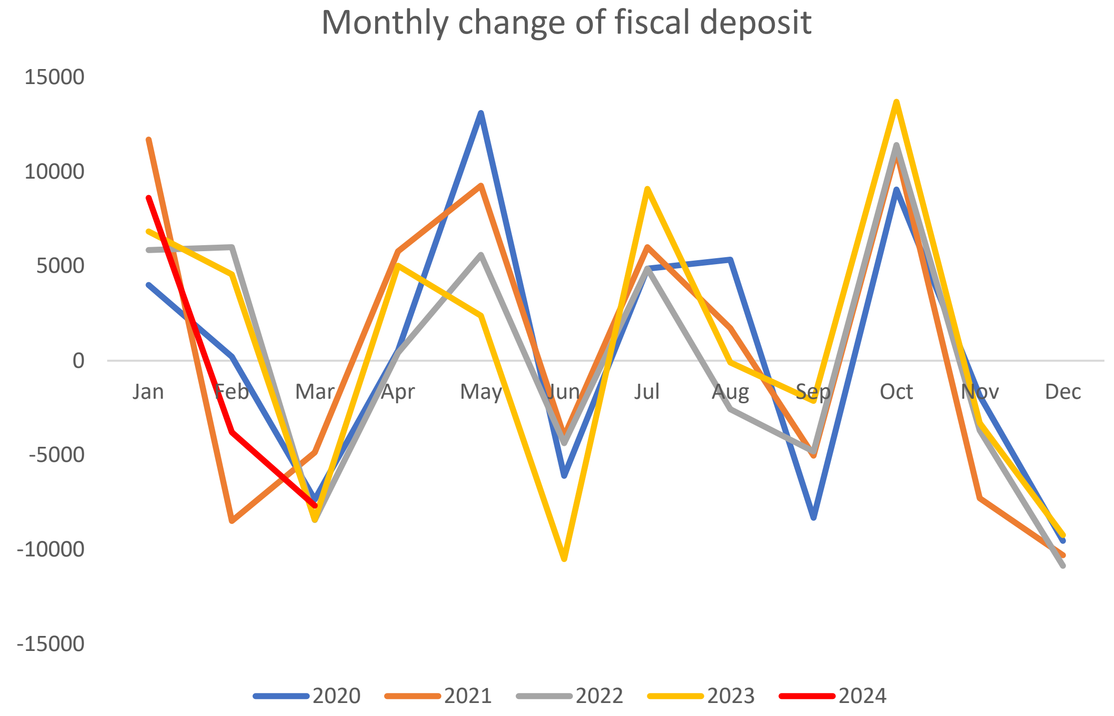


Source: Wind, CEIC, OCBC

China: Some Positive Indicators

- However, there are positive indicators as well. The net increase in household deposits in 1Q24 was CNY900bn less than that in the same period in 2023, aligning with improving consumer confidence observed through the rebound in per capita spending during the holiday season. Additionally, despite constraints, the government escalated spending in the 1Q24, with government deposits falling by CNY285.5bn. This increase in government spending aims to counterbalance the weak corporate investment trend.

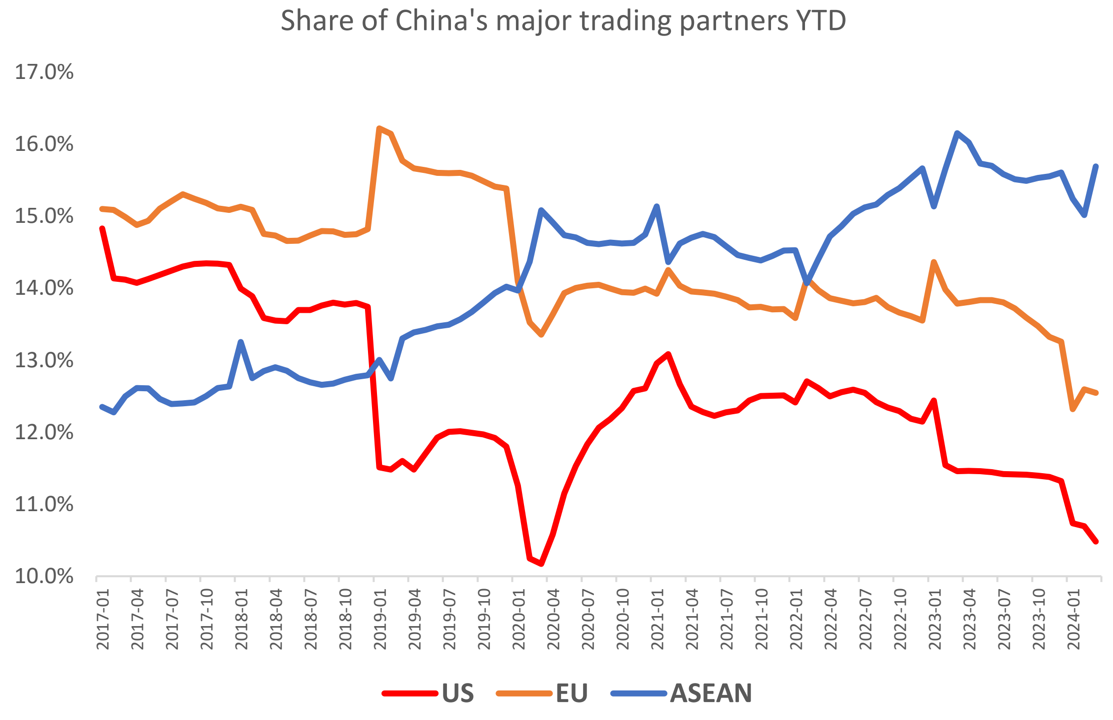




Source: Wind, CEIC, OCBC

China: External Demand May Remain Supportive

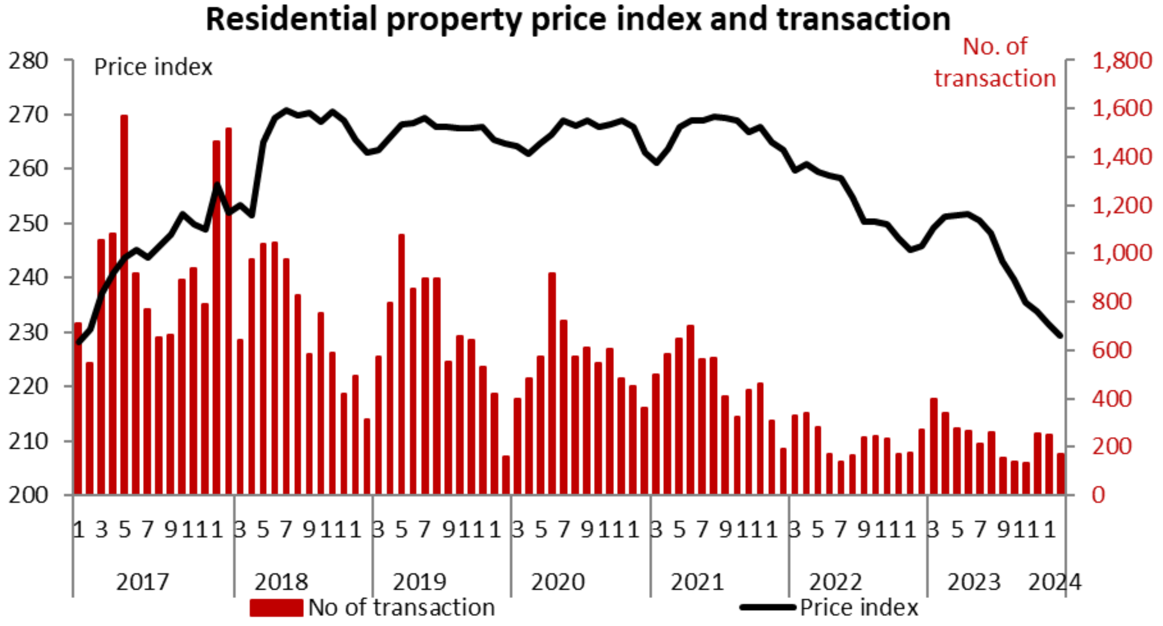
- Exports and imports surprised to the downside in March. 1Q24 exports rose by 1.5% YoY, rebounding from a 4.6% decline in 2023, aligning with the narrative of a global trade recovery in 2024. ASEAN maintained its position as China's largest trading partner in 1Q24, with its share rising to 15.7% from 15% in 2023. Conversely, the share of China's exports to the US decreased to 10.5%, marking the lowest level since the onset of the COVID-19 pandemic.



Source: Wind, CEIC, OCBC

MO: To Remove All Housing Cooling Measures

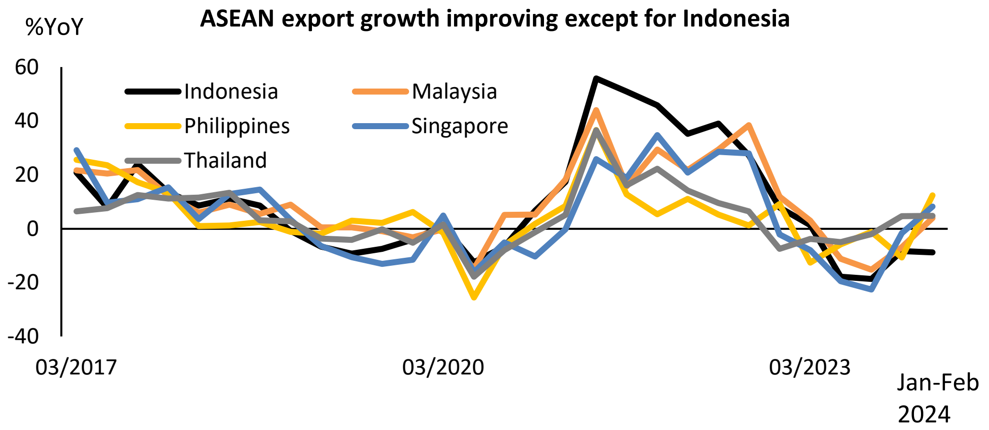
- The government is set to remove all housing cooling measures which were introduced during periods of market exuberance since 2010. These measures include special stamp duties (for all non-resident buyers, properties resold within 24 months and buyers with at least two properties), stress test requirement and upper limit on mortgage-to-value ratio.
- By the removal of cooling measures, the Macau government hopes to rejuvenate the housing market. However, the government will continue to employ other supply side measures in order to maintain the stability of the housing market, including adjusting the supply of public housing and land.
- Local housing market sentiment remained fragile in the face of high mortgage rate. Macau's home price slid further in the first two months this year, the housing price index fell by 1.9% cumulatively. Meanwhile, trading activities remained at a subdued level.



Source: DSEC, OCBC

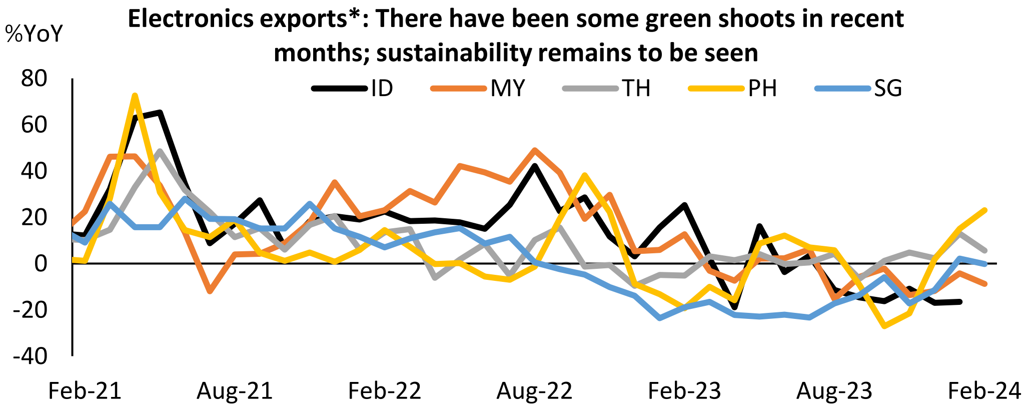
ASEAN-4: Taking Stock of Regional Exports

Export growth has improved for most regional economies, except Indonesia

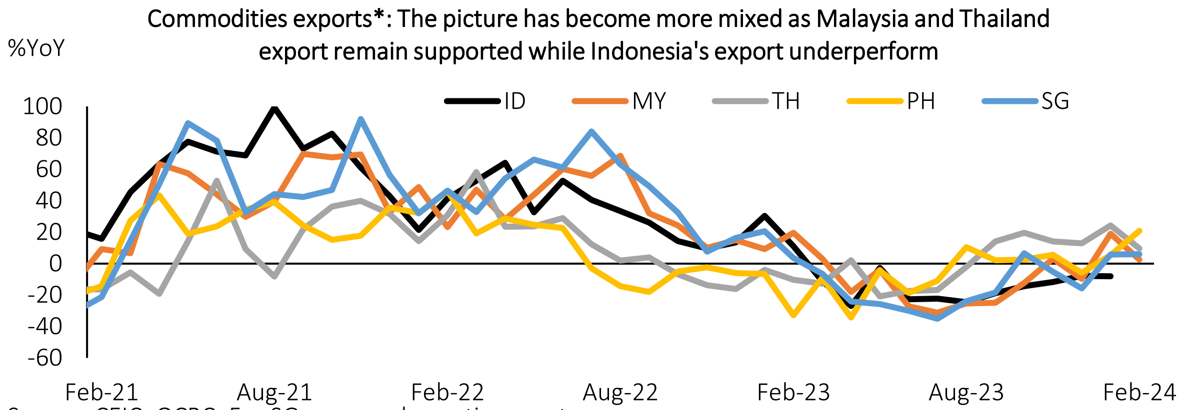


Source: CEIC; OCBC

- The improvements in January/February 2024 were mainly driven by electronics exports rather than the commodities exports.
- This is particularly true for the Philippines, Thailand and Malaysia. Our assumption is that the bottoming out of the global electronics export cycle by 2H24 will support export growth for these economies.
- For Indonesia, the picture is weaker as commodity tailwinds fade and electronics constitutes only a small portion of total exports.



Source: CEIC; OCBC. For SG, we use domestic exports



Source: CEIC; OCBC. For SG, we use domestic exports

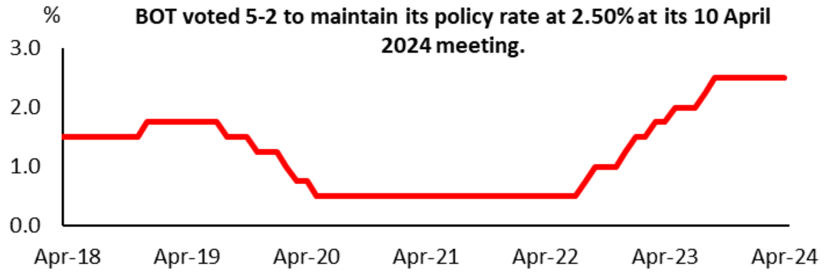
OCBC

Note: Commodities exports include crude materials, mineral, fuels and lubricants, vegetable oils, nonmetallic mineral manufactured, iron & steel, nonferrous metals, metal manufactured nes & food and live animals.

Note: Electronics exports include manufactured electronics exports namely office machinery and automatic data processing, telecommunication and reproducers apparatus, electrical machinery and apparatus, professional, scientific and contractor instruments, photographic apparatus, equipment and optics. Indonesia and Thailand use the Harmonised System (HS), Malaysia uses Standard international trade classification (SITC) and the Philippines uses Philippine Standard Commodity Classification (PSCC). We use the relevant classification at the 2-digit level, with 1-digit being the broadest categories.

Thailand: BOT On Hold and Unconvinced About Rate Cuts

- Bank of Thailand (BOT) kept its policy rate unchanged at 2.50%, in line with consensus and our expectations. Importantly, the voting pattern remained unchanged from the previous meeting on 07 February, with a 5-2 in favour of a hold. Two members voted in favour of a 25bp cut.
- BOT remained sanguine about growth prospects, with GDP growth forecasted at 2.6% YoY in 2024 (OCBC: 2.8%) versus 1.9% in 2023. The main drivers include increased tourism activities, a catchup in government expenditures, and "continued expansion of private consumption despite moderating from high growth last year".
- Meanwhile, BOT lowered its headline inflation forecast sharply to 0.6% YoY in 2024 from 2.0% previously, well below its 1-3% target range. This mainly reflects a "decline in prices of certain raw food items due to excess supply and the decrease in energy prices due to an extension of the government subsidies". Excluding energy subsidies, the BOT estimates headline inflation will be 1.2% YoY in 2024. The core inflation forecast for 2024 was also revised down to 0.6% YoY from 1.2% previously.
- The policy outlook for BOT is delicately balanced. Given our assessment of improving GDP growth and well contained inflation in 2024, the need for monetary policy support has reduced, in our view. To that end, we expect only a shallow rate cutting cycle of a cumulative 50bp in 2024.



Source: Bank of Thailand, CEIC, OCBC

Names	Role in MPC	Internal/External	OCBC View
Sethaput Suthiwartnarueput	BOT Governor	Internal	Bias to hold rates
Alisara Mahasandana	Vice Chairman	Internal	Bias to hold rates
Roong Mallikamas	Member	Internal	Bias to hold rates
Paiboon Kittisrikangwan	Member	External	Not clear
Rapee Sucharitakul	Member	External	Open to easing
Roongrote Rangsiyopash	Member	External	Open to easing
Santitarn Sathirathai	Member	External	Not clear

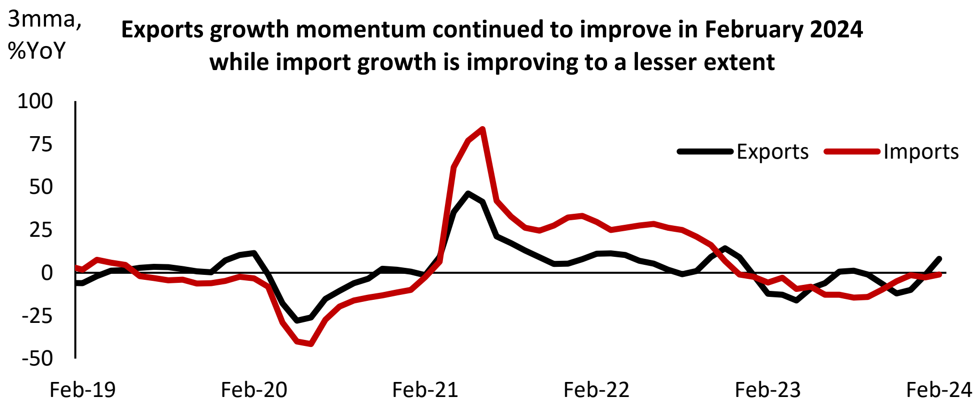
Source: Bank of Thailand

Source: Bank of Thailand, CEIC, OCBC.

Philippines: Stronger Export Growth in February

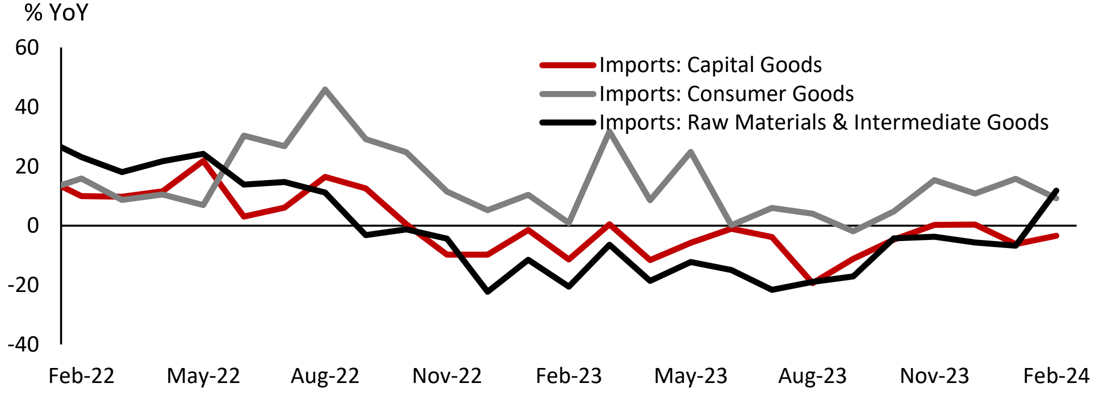
- Export growth accelerated by 15.7% YoY in February versus 9.1% in January while import growth picked up 6.3% YoY compared to -6.1% in January. Consequently, the trade deficit narrowed to USD3.6bn in February versus USD4.4bn in January.
- On the exports front, electronics export growth picked up to 26.8% YoY in February versus 16.3% in January, while coconut oil exports rose by 61.7% versus 26.9%. More broadly, exports of 'agro-based' products rose further to 29.3% YoY (February: 20.9%). By destination, exports to the US remained resilient rising to 25.4% YoY versus 16.2% in January while exports to Japan picked up to 3.0% YoY versus -0.7% in January.
- By end-use, import growth was driven by higher imports in 'raw materials', 'mineral fuel/lubricants', consumer goods', and 'special transactions' which more than offset lower imports in 'capital goods'. The incoming data is consistent with our expectations of improving GDP growth to 6% YoY in 2024 versus 5.5% in 2023.

Exports growth momentum continued to improve in February 2024 while import growth is improving to a lesser extent



Source: CEIC, OCBC

The weakness in import growth was broad-based across all end-use categories



Source: Philippines Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC

Malaysia: Increased Communication on MYR

- Over the past two weeks, Malaysian authorities have reaffirmed support for the currency. The Financial Markets Committee on 8 April noted that “ the ongoing coordinated efforts can be sustained given that the focus is on investment income and export revenue which are recurring in nature. In addition, a more sustained ringgit strengthening could spur greater interest for FX conversion by corporates with excess foreign currency holdings, further supporting sentiment on the ringgit”.
- Specifically, the FMC noted that:

  a) Since 26 February, the ringgit was the only regional currency that strengthened against the US dollar (USD), gaining 0.6%;

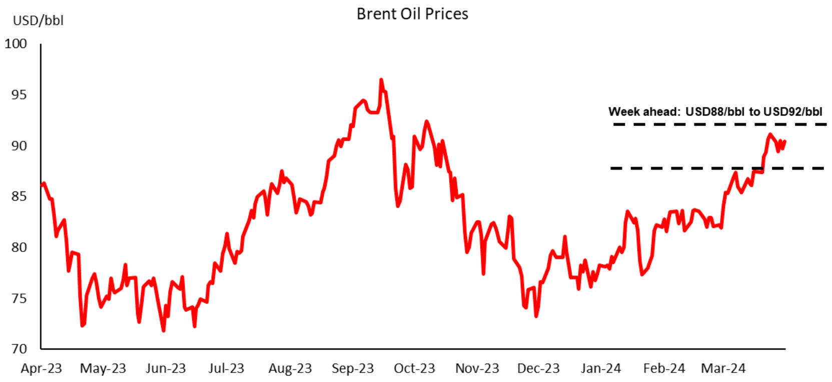
  b) Across the same period, the average daily FX volume was USD17.6 billion compared to USD15.5 billion in 2023. FMC members noted the higher FX conversion activities in the onshore FX market, driven by the significant flows arising from the coordinated efforts as well as opportunistic selling of USD by certain exporters.
- The FMC reaffirmed that “BNM is not considering capital controls or restrictions like those introduced during the Asian Financial Crisis (AFC) taking into account the potential costs and impact to the economy.”
- Over the weekend, following Iran’s retaliation on Israel, PM Anwar made a statement on Facebook stating that “the government will the act wisely to strengthen the country's economic and financial stability.” Following this, BNM released a statement reaffirming that it “stands ready to deploy the tools at our disposal to ensure the Malaysian financial markets remain orderly and continue to function efficiently.”

Source: Bank Negara Malaysia

Commodities

Crude Oil: Prices May Stay Elevated On Middle East Jitters

- Crude oil benchmarks closed lower for the week ending April 13. Both WTI and Brent declined by 1.4% and 0.8% to settle lower at USD85.7/bbl and USD90.5/bbl. The biggest news last week was the Iranian drone and missile attacks into Israel.
- Following Iran's retaliatory attack on Israel, Iran has now "deemed the matter concluded" as reported by Reuters. The ball is now is Israel's court and its response will be watched closely by markets. The situation remains balanced on a knife's edge and markets continue to price in a geopolitical risk premium. We expect Brent oil prices to trade modestly higher to within a range of USD88-92/bbl.
- In our latest commodity monthly published on 15 April, we upgraded our 2024 Brent price forecast to USD85/barrel versus USD80/barrel. The biggest change is to the trajectory of oil prices going forward to edge higher in 2Q24 and 3Q24 before easing in 4Q24. In terms of the broader conflict, our baseline remains for a containment of tensions.
- However, if the conflicts widens, Brent prices could touch USD120/barrel and remain at those levels until a clearer resolution is in sight. This is based on our view that oil cargo through the Strait of Hormuz will be impact. The Strait is a critical transit route for oil from the Middle East to the rest of the global oil market. According to the International Energy Agency (IEA), an average of 20 mbpd of oil (~30% of global seaborne oil trade) pass through the node between January-October 2023. Any disruption to oil flow in this node will have severe implications to the global oil market.



Source: Bloomberg, OCBC

	Crude Oil (incl. Condensates) (mbpd)	Products (mbpd)	Total (mbpd)
Bahrain	[redacted]	0.18	0.18
Iran	1.26	0.56	1.83
Iraq	3.33	0.32	3.65
Kuwait	1.57	0.86	2.43
Qatar	0.82	0.65	1.47
Saudi Arabia	6.31	0.80	7.11
UAE	2.08	1.30	3.38
Saudi-Kuwaiti Neutral Zone	0.28	[redacted]	0.28
Total Hormuz	15.65	4.68	20.33

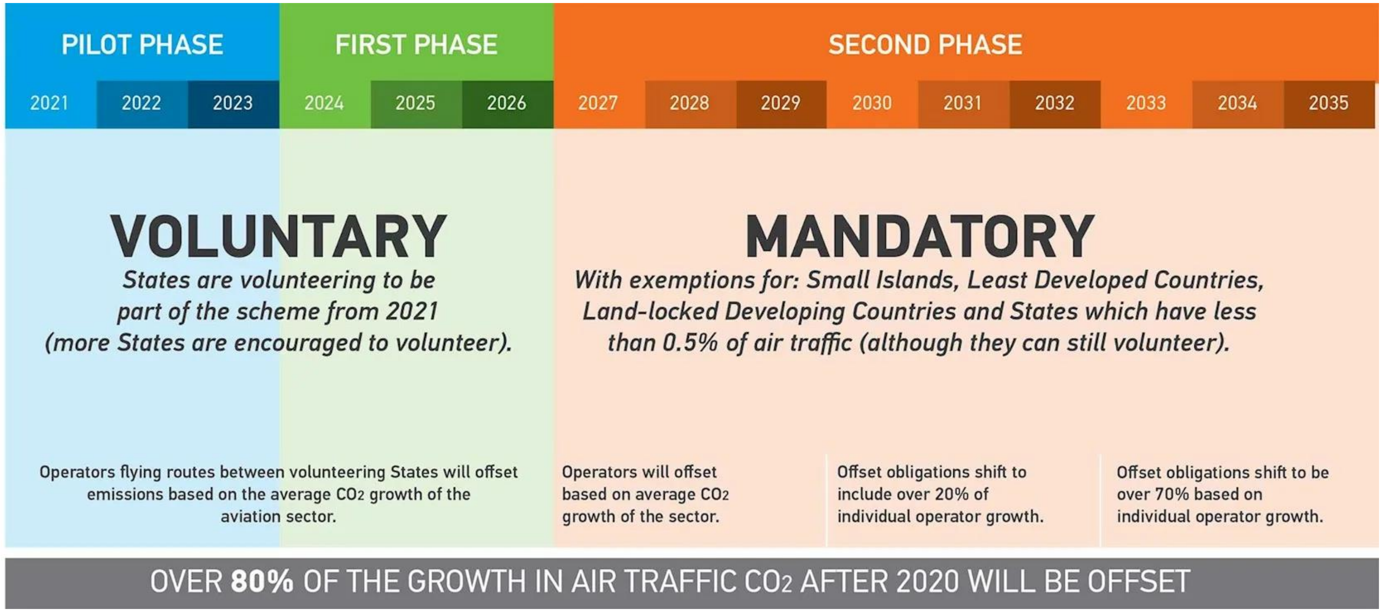
Note: Oil exports through the Straits of Hormuz (mbpd), between January and October 2023.
Source: IEA, Kpler

Source: Bloomberg, IEA, Kpler, Reuters, OCBC.

ESG

ESG: Lack of Clarity for CORSIA-linked Voluntary Carbon Trade

- The first phase of CORSIA commenced in Jan 2024, after the pilot phase from 2021 to 2023. The approval process for carbon credit standards under CORSIA Phase 1 has been stringent. Only two standards, American Carbon Registry (ACR) and Architecture for REDD+ Transactions (ART), have received approval so far.
- UN's aviation body International Civil Aviation Organisation (ICAO) decided to keep major voluntary carbon standards (including Verra and Gold Standard) under 'conditional' approval for Phase 1 of CORSIA (2024 – 2026). This means their post-2020 credits are not yet eligible for use by airlines during the current stage of the international offsetting scheme.



Source: aviationbenefits.org

- With the supply crunch, ICE's Phase 1 CORSIA-eligible futures soared past US$20/t with panic buying given the uncertain outlook.
- The delayed approval of new standards creates challenges for airlines seeking CORSIA-eligible credits, especially as demand is expected to rise. With the lack of supply, low liquidity in the CORSIA-linked carbon market is expected to persist in the near term.

Source: Carbon Pulse, CORSIA

FX & Rates

FX & Rates: Cautious

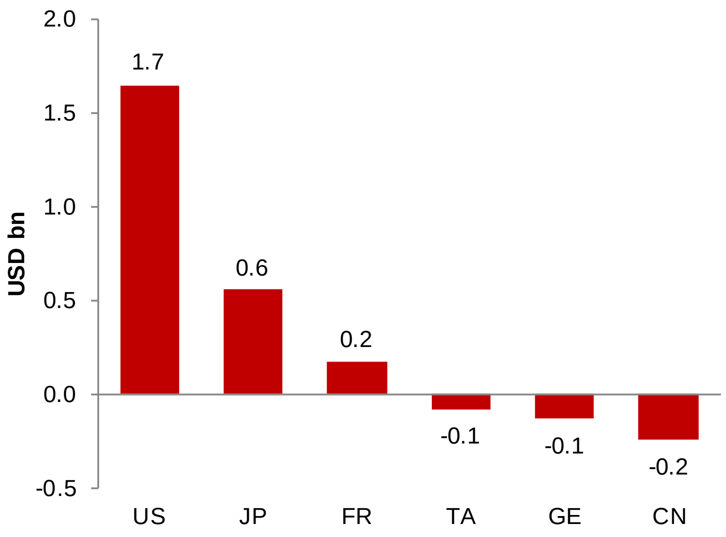
- After market pared back Fed rate cuts expectation materially, there are factors which support USTs at current levels. They include, safe-haven flows, tighter financial conditions working back towards easing agenda, and potential QT taper. The high-for-longer narrative, however, may not change much near-term given only second-tier data from the US this week, while Fed officials including both doves and hawks may err on the cautious side as they speak this week. These factors will leave USTs trading in ranges near-term.
- USD extended its rise against most FX amid risk-off trades. Most AXJs including KRW are under pressure. Though Iran's weekend attack on Israel was not successful, another attack is not ruled out while the follow-up response from Israel is also closely monitored. The revival of the high for longer narrative (following red hot CPI report last week) also added to the allure of long USD being a positive carry trade.
- EUR fell further amid rise in geopolitical tensions and broad USD rebound. Meanwhile the policy divergence between hawkish Fed and dovish ECB continued to underpin the bearish bias. The move lower was also consistent with our technical call for bearish crossover.
- CNY rates. PBoC granted CNY100bn of MLF against maturity of CNY170bn, thereby net withdrawing CNY70bn of liquidity. The partial rollover of MLF should not have much implication on the policy outlook given that the maturity amount was not big while PBoC have a whole list of tools in its toolbox. Market will likely continue to hold expectation for some form of easing down the road. A combination of fiscal and monetary measures shall sustain a steepening bias to the CGB curve. NCD rates fell further on Friday, with the 12M AAA NCD rate last at 2.08% versus 12M implied CNY rate at 1.21%. On the offshore DF curve, front-end CNH rates have stayed high as the authorities try to cap spot, while back-end points edged lower. Front-end CNH rates shall stay volatile with bias to the upside.

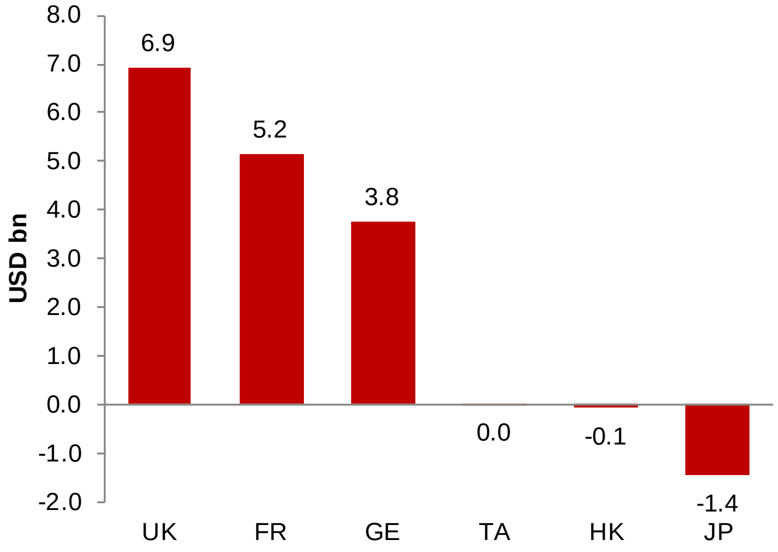
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net outflows of $19.6bn for the week ending 10 April, a decrease from the inflows of $14.2bn last week.
- Global bond markets reported net inflows of $13.1bn, a slight decrease from last week's inflows of $13.3bn

Equity top gainers & losers	Bonds top gainers & losers

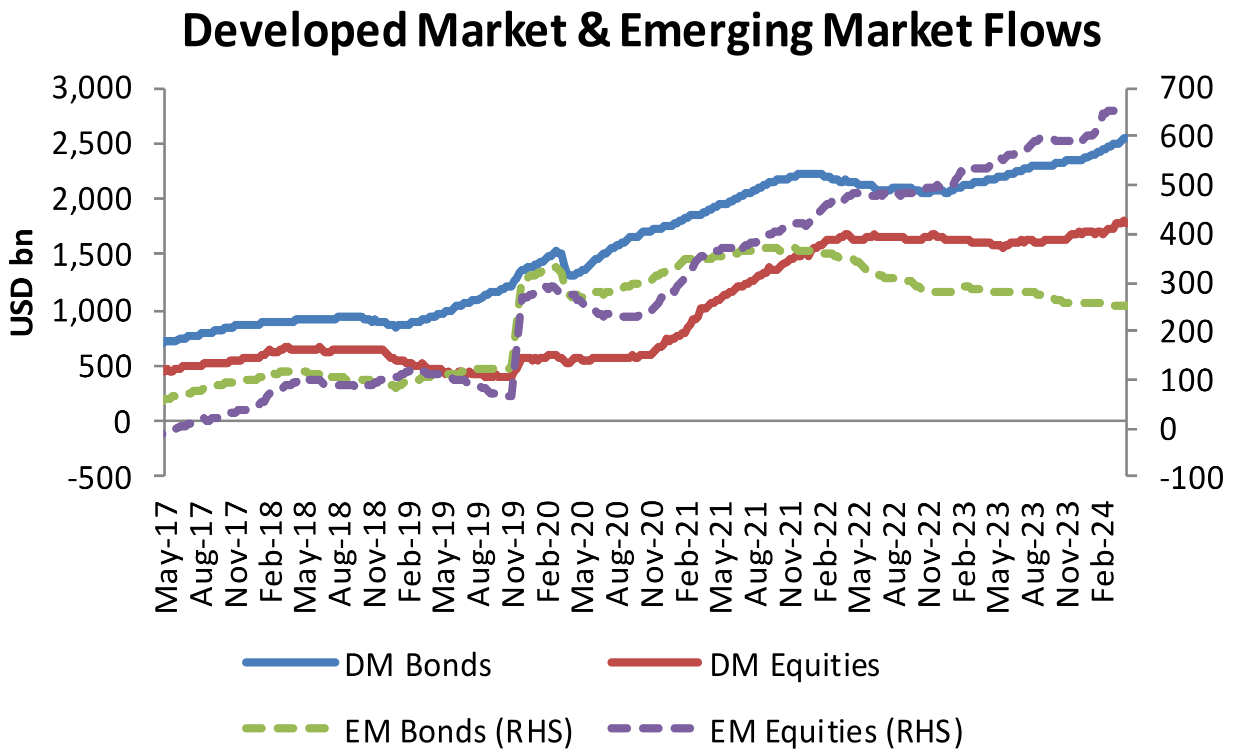




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($18.0bn) and Emerging Market Equities ($1.6bn) saw outflows.
- Developed Market Bond ($12.1bn) and Emerging Market Bond ($954.61mn) saw inflows.



Source: OCBC, EPFR

Thank you

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