Weekly Macro Views (WMV)

Global Markets Research & Strategy

16 June 2025

Weekly Macro Update

Key Global Data for this week:

16 June	17 June	18 June	19 June	20 June
• **CH** Retail Sales YoY • **CH** Industrial Production YoY • **CH** CPI YoY • **IN** Wholesale Prices YoY • **UK** Rightmove House Prices YoY	• **GE** ZEW Survey Expectations • **HK** Unemployment Rate SA • **JN** BOJ Target Rate • **SG** Non-oil Domestic Exports YoY • **US** Retail Sales Advance MoM • **US** Industrial Production MoM • **US** Capacity Utilization	• **EC** CPI YoY • **ID** BI-Rate • **UK** CPI YoY • **UK** RPI YoY • **US** Building Permits • **US** Initial Jobless Claims • **US** MBA Mortgage Applications	• **AU** Unemployment Rate • **PH** BSP Overnight Borrowing Rate • **TA** CBC Benchmark Interest Rate • **UK** Bank of England Bank Rate • **US** FOMC Rate Decision (Upper Bound, Lower Bound)	• **CH** 1-Year Loan Prime Rate • **CH** 5-Year Loan Prime Rate • **JN** Natl CPI YoY • **HK** CPI Composite YoY • **UK** GfK Consumer Confidence • **US** Leading Index

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global**: World bank growth downgrade to its 17-year lowest • **Global:** US-China trade de-escalation • **Global**: The Middle East tension • **US:** Improved sentiment • **US**: CPI and PPI edged higher in May • **EC**: Tepid IPI growth; improved investor sentiment
Asia	• **CH**: Resilient output despite decelerating investment growth • **CH:** Stronger than expected consumption

Asia	• **ID:** BI in a close hold • **TH:** Consumer confidence declines • **VN**: BRICS latest partner countries
Asset Class	• **Commodities:** Escalating geopolitical tensions in the Middle East • **ESG**: EUDR country risk classifications and compliance challenges • **FX & Rates:** Central Bank Week

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Global: Central Banks

Forecast – Key Rates

Bank of Japan (BOJ)	Bank Indonesia (BI)	Federal Open Market Committee (FOMC)	Bangko Sentral ng Philippines (BSP)
Tuesday, 17th June	**Wednesday, 18th June**	**Wednesday, 18th June**	**Thursday, 19th June**

House Views

Target Rate	*Policy Rate*	*Fed Funds Target Rate*	*Overnight Borrowing Rate*
Likely *hold* at *0.50%*	**Likely *hold* at *5.50%***	**Likely to *hold* at *4.25% - 4.50%***	**Likely *cut* by *25bps* from *5.50%* to *5.25%***

OCBC Source: Bloomberg, OCBC

Global: Central Banks

Forecast – Key Rates

Bank of England	Central Bank of the Republic of China (Taiwan)(CBC)	People's Bank of China (PBoC)
Thursday, 19th June	Thursday, 19th June	Friday, 20th June
House Views		
Bank Rate **Likely *hold* at *4.25%***	*Benchmark Interest Rate* **Likely *hold* at *2.00%***	*1-year Loan Prime Rate* **Likely *hold* at *3.00%*** *5-year Loan Prime Rate* **Likely *hold* at *3.50%***

OCBC Source: Bloomberg, OCBC

Global: World bank growth downgrade to its 17-year lowest

- In the latest Global Economics Prospect publication released on 10 June 2025, the World Bank (WB) revised its global growth forecasts downward by 0.4 percentage points (pp) for 2025 and 0.3 pp for 2026, bringing the projections to 2.3% and 2.4%, respectively, compared to the January outlook. The 2.3% growth projection is also the weakest in the 17 years.
- The World Bank cited global trade uncertainty as a significant factor contributing to the lower growth outlook. Specifically, the global trade volume of goods and services is expected to ease by 1.8% YoY in 2025 from 3.8% in 2024, before recover by 2.4% in 2026.
- The downward revisions in growth forecasts were particularly pronounced for several countries, including the United States (-0.9pp to 1.2%), Japan (-0.6pp to 0.7%), Malaysia (-0.6pp to 3.9%), the Philippines (-0.8pp to 5.3%), Thailand (-1.1pp to 1.8%), and Vietnam (-0.8pp to 5.8%).

GDP	Estimate	Projections		Difference from Jan Forecast	
(% YoY)	2024	2025	2026	2025	2026
World Output	**2.8**	**2.3**	**2.4**	**-0.4**	**-0.3**
Advanced Economies	**1.7**	**1.2**	**1.4**	**-0.5**	**-0.4**
United States	2.8	1.4	1.6	-0.9	-0.4
Euro Area	0.9	0.7	0.8	-0.3	-0.4
Japan	0.2	0.7	0.8	-0.5	-0.1
Emerging Market and developing economies	**4.2**	**3.8**	**3.8**	**-0.3**	**-0.2**
China	5	4.5	4	0	0
India	6.5	6.3	6.5	-0.4	-0.2
Brazil	3.4	2.4	2.2	0.2	-0.1
South Africa	0.5	0.7	1.1	-1.1	-0.8
ASEAN					
Malaysia	5.1	3.9	4.3	-0.6	0
Philippines	5.7	5.3	5.4	-0.8	-0.6
Indonesia	5	4.7	4.8	-0.4	-0.3
Thailand	2.5	1.8	1.7	-1.1	-1
Vietnam	7.1	5.8	6.1	-0.8	-0.2
World Trade Volume	**3.8**	**1.8**	**2.4**	**-1.3**	**-0.8**

OCBC Source: World Bank, OCBC

Global: US-China trade de-escalation

- On 10 June 2025, US officials led by Secretary of Treasury Scott Bessent, met with Chinese officials represented by Vice-Premier He Lifeng in London. This was also the first trade talk since the Geneva round on 11 May.

- The two-day trade talk achieved major progress. Major points of the US-China trade talk include:
  - The US will continue to allow Chinese students to attend US universities.
  - China to resume exports of rare earth metals and magnets to US companies.
  - The US will lift semiconductors and high-tech export controls, without specific details.

- Both sides promise another round of trade talks without confirming the schedule.

Date	Event
May 13	China temporarily suspended the ban on Boeing delivery.
May 29	Trump accused China of not honoring the Geneva Agreement regarding problems such as tariff rollback and the restriction on critical materials.
June 2	China rebuked the accusation made by Trump regarding the reneging of the Geneva China-US trade agreement.
June 5	Trump and Chinese President Xi Jinping had a phone conversation, with both sides promised another round of trade talk; The US announced the restriction on foreign students to attend Harvard, with Chinese students being singling out on the justification of 'national security'.
June 11	The US, represented by Scott Bessent, attended the second round of trade talk in London, with the Chinese side being represented by Vice Premier He Lifeng.
June 13	The US and China reached an agreement regarding the framework to honor the previous Geneva Agreement, including the tariff rollback and lifting the restriction on critical materials, including rare earth materials. As a consequence of this trade talk, the US decided to decrease the tariff on Chinese goods, alongside China decreasing to 10%

Source: various news sources, Bloomberg, OCBC

Global: The Middle East tension

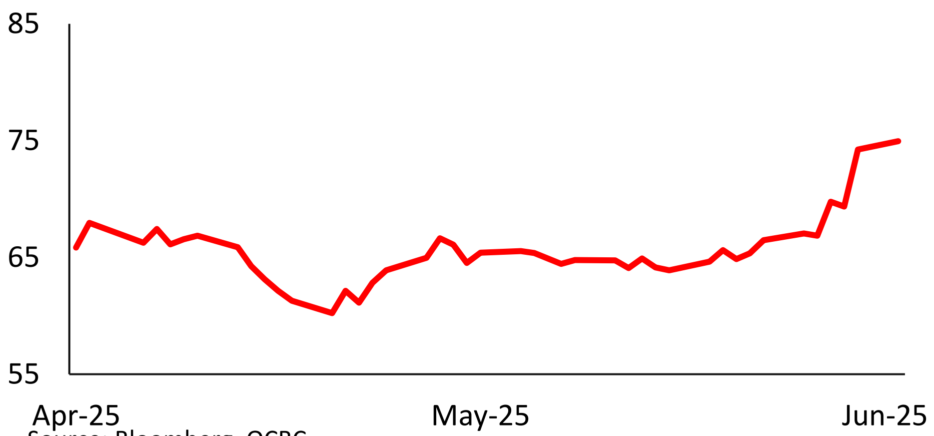
- On 13 June 2025, Israel initiated an attack on several Iran nuclear facilities, military bases, and infrastructure. Affected Iranian cities and provinces included Tehran, Isfahan, Tabriz, and Shiraz. The next day, Israel continued its attack on Iran, with two Iranian senior commanders, General Gholamreza Mehrabi and General Mehdi Rabbani, were killed in Israel's operation. By then, 18 out of 31 Iranian provinces were attacked by Israeli missiles.

- On 15 June 2025, Iran retaliated with two missile barrages, hitting key Israeli cities including Tel Aviv. The tit-for-tat military standoff caused Israel to shut down global embassies, while Iran had to close its airspace. The Israeli attack also happened before the US-Iran nuclear peace talk in Oman. After the military operation, Iran announced its indefinite withdrawal from the negotiation.

- The market reacted toward the military standoff negatively, with S&P 500, FTSE, and DAX declined by 1.30%, 0.39% and 1.07% respectively on Friday. Crude brent also surged by more than 7%, one of the largest intraday moves since the Russian invasion of Ukraine.

Date	Events
13 June	Dubbed 'Operation Rising Lion', Israel targeted Iranian nuclear facilities and military bases through more than 330 munitions. Affected facilities included Natanz Nuclear Facility and Esfahan Nuclear Technology Center. As the result of the attack, oil prices surged by 7%, while most financial markets reacted to it negatively. The US-Iran nuclear talk was also suspended.
14 June	Two Iranian senior commanders were killed by the Israeli attacks; 18 out of 31 provinces were affected by the attack.
15 June	Iran retaliated with two waves of missile attacks, hitting key cities including Tel Aviv.
16 June	Iran continued its attack, with key facilities such as Haifa Power Plant were affected.

Brent Oil Price Chart



Source: Bloomberg, OCBC

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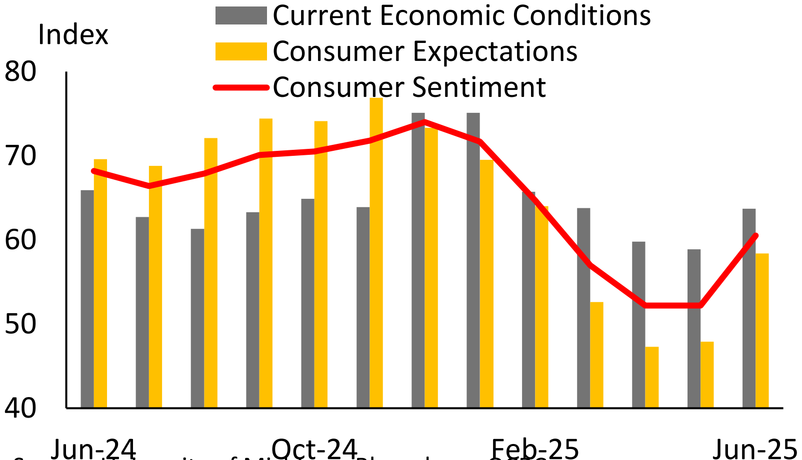
Source: BBC, Al Jazeera, Bloomberg, OCBC

United States: Improved sentiment

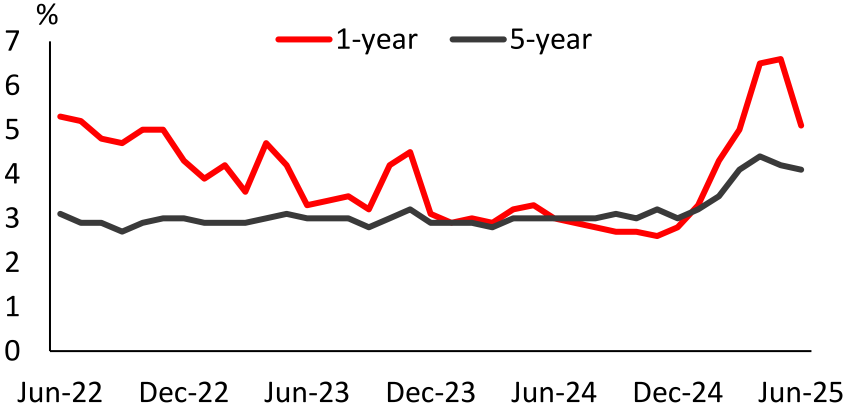
- The University of Michigan preliminary sentiment index rose to 60.5 in June, compared to 52.2 in May. This marks the first improvement in six months, although it remains below the level it was at in December 2024. The survey noted that consumers appeared to be more upbeat about both short- and long-term expected business conditions, in line with "perceived easing of pressures from tariffs". Nonetheless, consumers were still wary of downside risks to the US economy. The release also mentioned that the current assessment of personal finances, business conditions, the labour market, the stock market, and buying conditions for big-ticket items remained well below the December 2024 level.
- Mirroring the improvement in economic sentiment, the one-year inflation expectation softened to 5.1% in June, down from 6.6% in May. The five-year inflation expectation also edged lower to 4.1%, down from 4.2% previously. This improvement in inflation expectations demonstrates a decrease in consumers' concerns regarding the impact of tariffs on prices, although some inflation concerns remain.

US: University of Michigan Sentiment Index



Source: University of Michigan, Bloomberg, OCBC

US: Univ. of Michigan Inflation Expectation

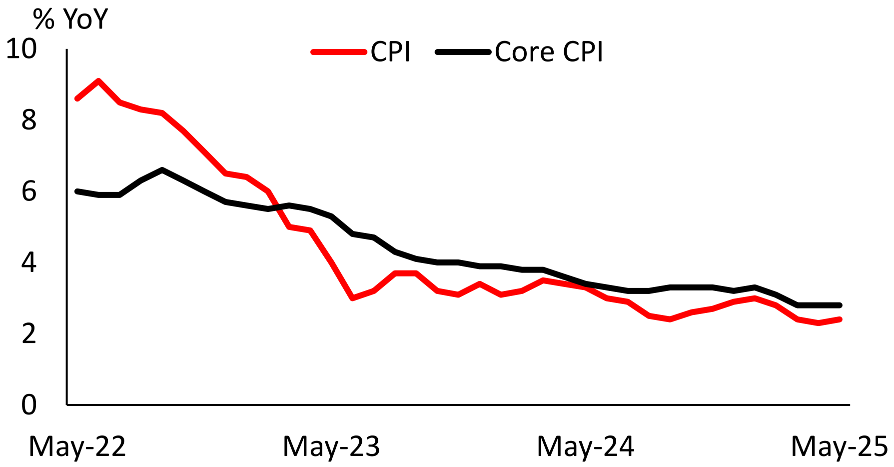


Source: University of Michigan, Bloomberg, OCBC

United States: CPI and PPI edged higher in May

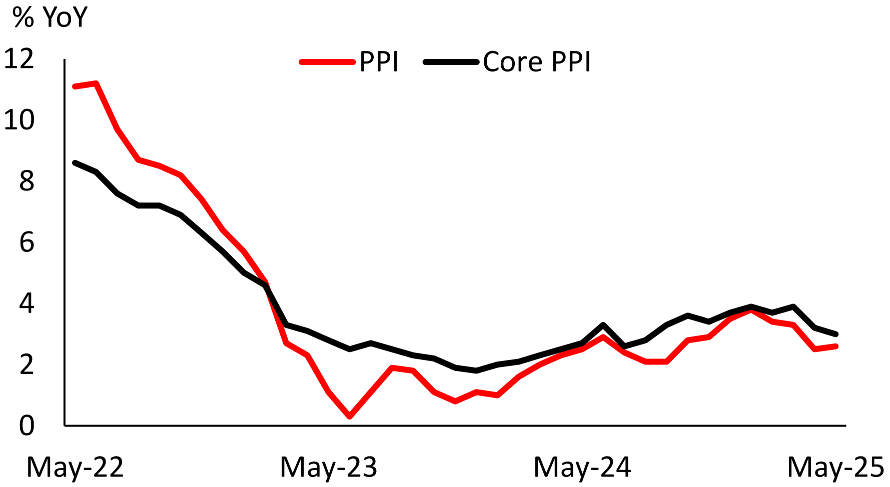
- Headline CPI edged higher to 2.4% YoY (0.1% MoM) in May from 2.3% YoY (0.2%) in April, in line with the market expectation. Excluding the more volatile food and energy, core CPI held steady at 2.8% YoY (0.1% MoM), beating the market estimates (2.9% YoY). Looking at details, energy prices declined by -3.5% YoY versus -3.7% YoY in April, largely driven by a slump in gasoline (-11.9% YoY) and fuel oil (-8.6% YoY) costs. In comparison, food inflation remained sticky, rising by 2.9% YoY in May versus 2.8% YoY in the previous month. Inflation for the 'meats, poultry, eggs' rose by 6.1% YoY (April: 7% YoY), the highest rate amongst food categories.
- Similarly, headline PPI increased marginally to 2.6% YoY, up from the revised 2.5% in April. On a sequential basis, it picked up by 0.2% from the revised -0.2% in April. Mirroring the headline CPI, the decline in energy prices (-4.4% YoY) was more pronounced than other components. Core PPI eased to 3.0% in May, down from the revised April figure of 3.2%.

US: CPI



Source: BLS, Bloomberg, OCBC

US: PPI

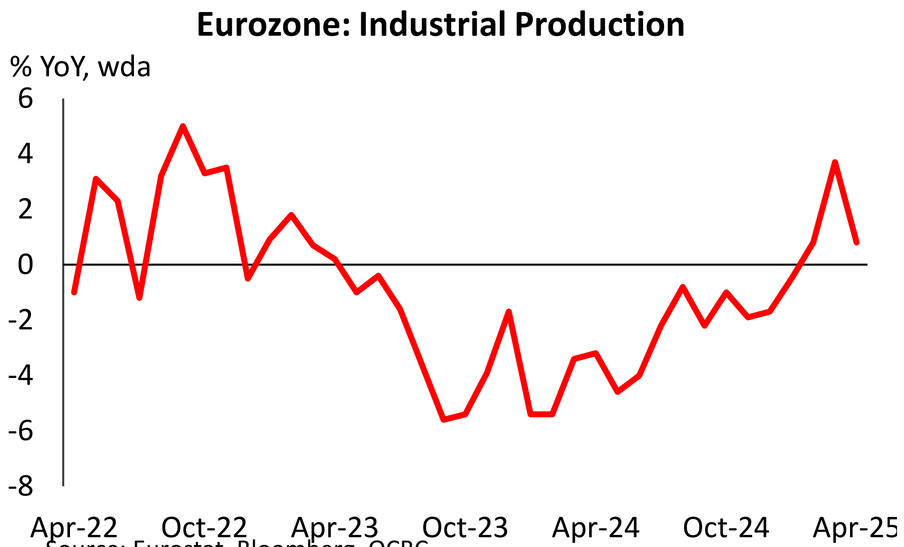


Source: BLS, Bloomberg, OCBC

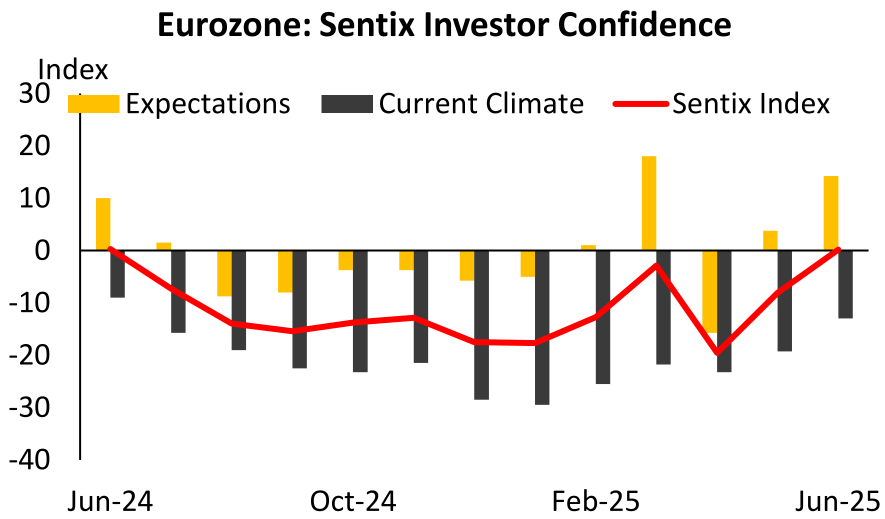
Source: BLS, Bloomberg, OCBC

Eurozone: Tepid IPI growth; improved investor sentiment

- Industrial production growth rate was lower than expected, rising by 0.8% YoY wda in April versus 3.7% in March (consensus: 1.2%). This was driven by the intermediate goods sector (-1.0% YoY wda), followed by the energy sector (-0.6%) and the durable consumer goods sector (0.3%). These more than offset the higher growth in the non-durable consumer goods.
- On the sequential basis, the industrial production was down by 2.4% MoM swda, compared to the 2.4% MoM swda growth in March.
- The Sentix index for Eurozone rose to 0.2 in June, a rebound from -8.1 in May. According to the press release, the improvement in the index reflected the softening of consumers' fears toward tariff policies.



Source: Eurostat, Bloomberg, OCBC

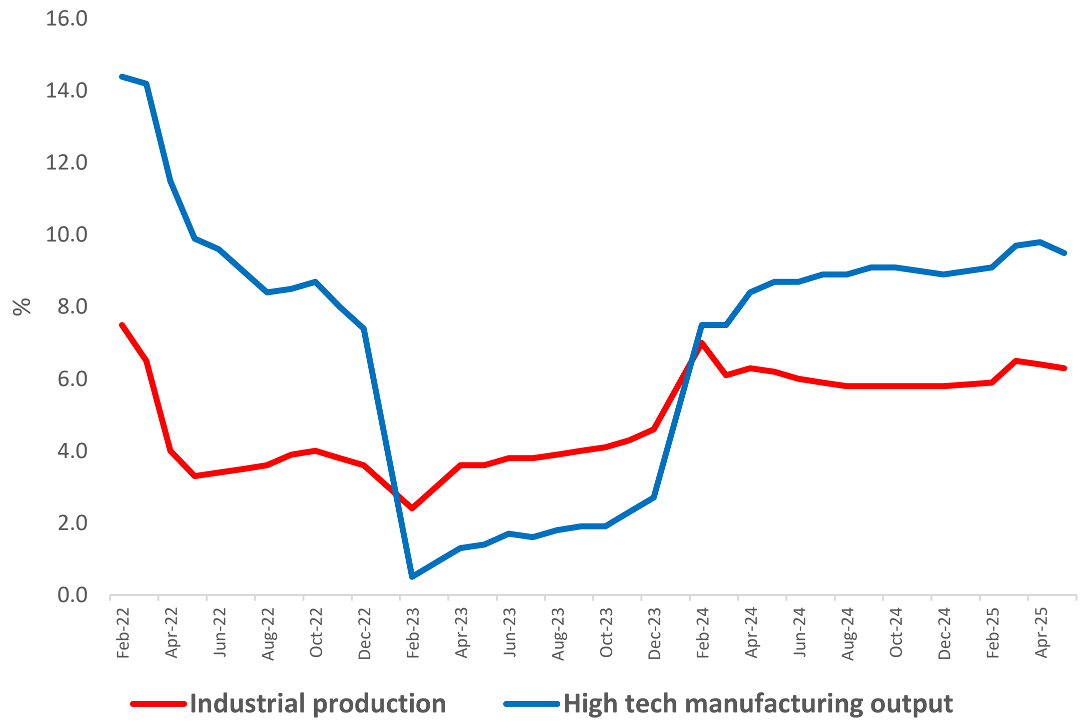


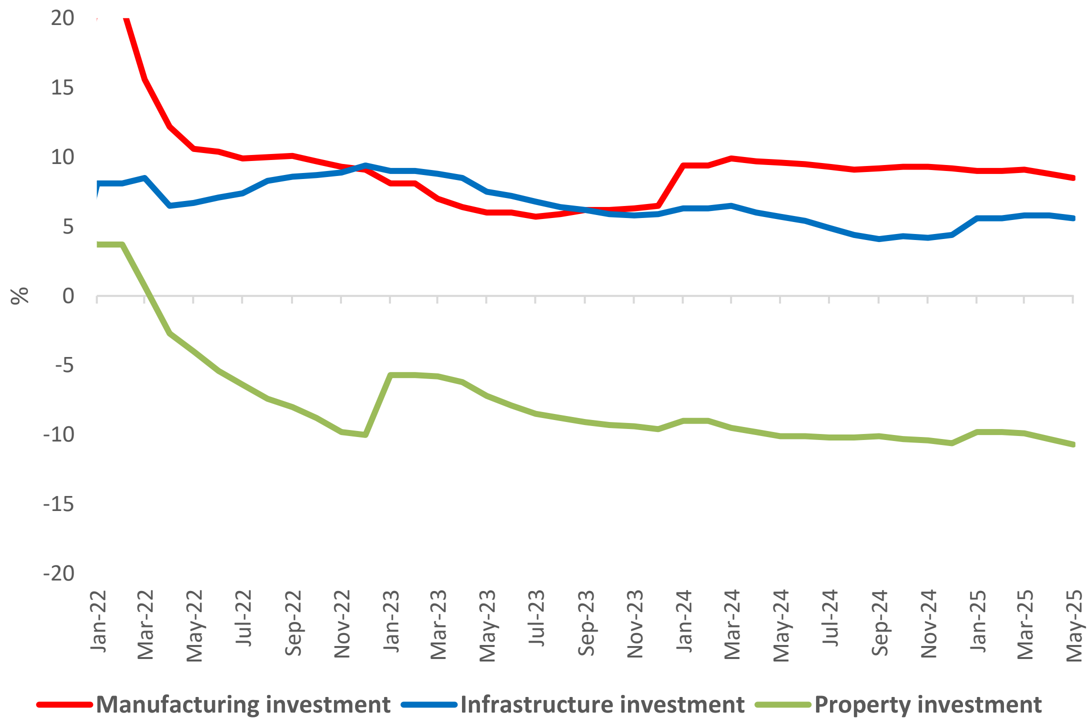
Source: Sentix, Bloomberg, OCBC

Source: Eurostat, Sentix, Bloomberg, OCBC

China: Resilient output despite decelerating investment growth

- China's May economic data showed continued resilience in industrial production, while retail sales surprised to the upside, indicating a modest recovery in consumer spending. However, fixed asset investment remained a weak spot, largely weighed down by the ongoing downturn in the property sector.





OCBC Source: Wind, OCBC

China: Stronger than expected consumption

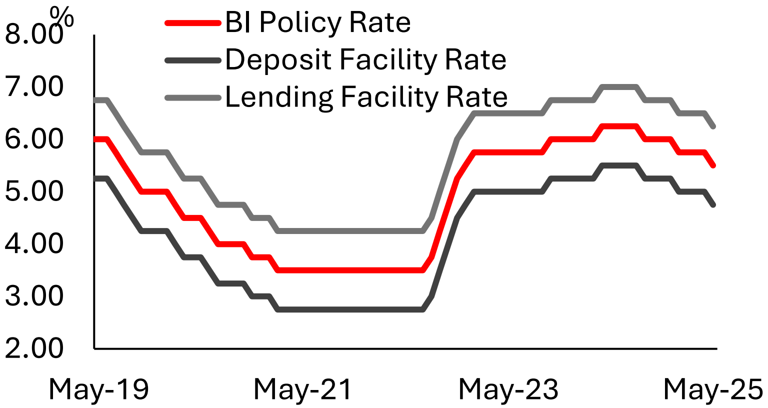
- Growth-supportive policies continue to gain traction, with the consumer goods trade-in program playing a key role in boosting sales of targeted products. In May, retail sales among enterprises above the designated size saw notable gains in home appliances and audiovisual equipment, communication devices, cultural and office supplies, and furniture, with year-on-year growth ranging from 25.6% to 53%. These categories collectively contributed 1.9 percentage points to the overall growth in total retail sales of consumer goods. While the suspension of subsidies by some local governments since June may create short-term headwinds for consumption, we believe that China is likely to maintain its subsidy policies in the near term to sustain momentum and support domestic demand.

Source: Wind, OCBC

Indonesia: BI in a close hold

- We expect Bank Indonesia (BI) to keep its policy rate unchanged at 5.50% in its upcoming meeting on 18 June (3pm SGT), although we see it as a close call, with BI's tone clearly on the dovish side. After delivering a total of 50bp in cuts this year, including 25bp in May, we believe BI will take stock of its easing cycle and wait for a more stable market backdrop before considering further moves.
- We note that the rupiah has been one of the region's top performers since BI's last meeting. However, recent signs of pressure, such as a slightly higher USDIDR, suggest that back-to-back rate cuts could pose risks to sentiment. Moreover, back-to-back rate cuts risk signaling a sense of urgency at the deterioration in the growth outlook, which BI will seek to avoid as it could weigh on broader sentiment and the currency.
- Nonetheless, we continue to expect at least one more 25bp rate cut by BI in 2H25, with the timing dependent on inflation, rupiah stability, and the Fed's path.

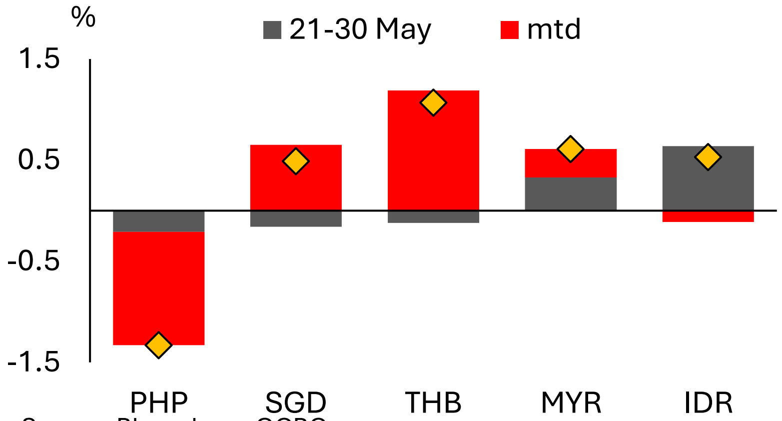
BI Policy Coridor



Source: Bank Indonesia, CEIC, OCBC

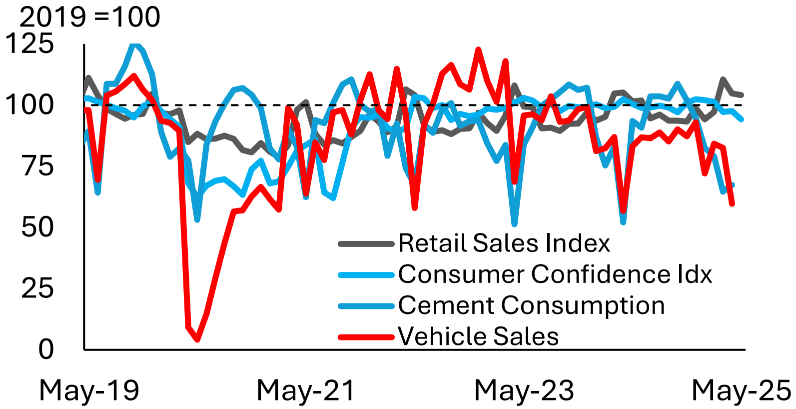
Selected AsiaFX against USD

(since BI's last meeting on 21 May)



Source: Bloomberg, OCBC.

Selected Monthly Activity Data

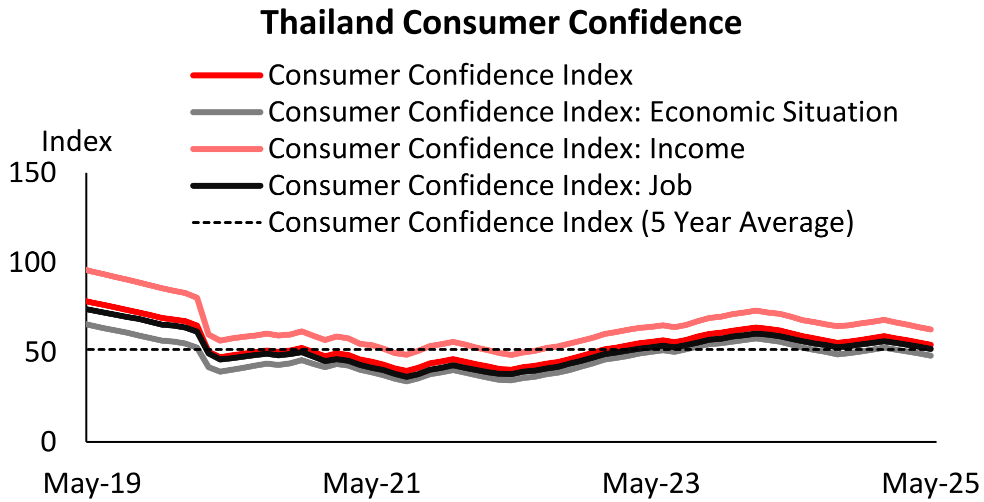


Source: Bank Indonesia, GAIKINDO, Indonesia Cement Association, CEIC, OCBC.

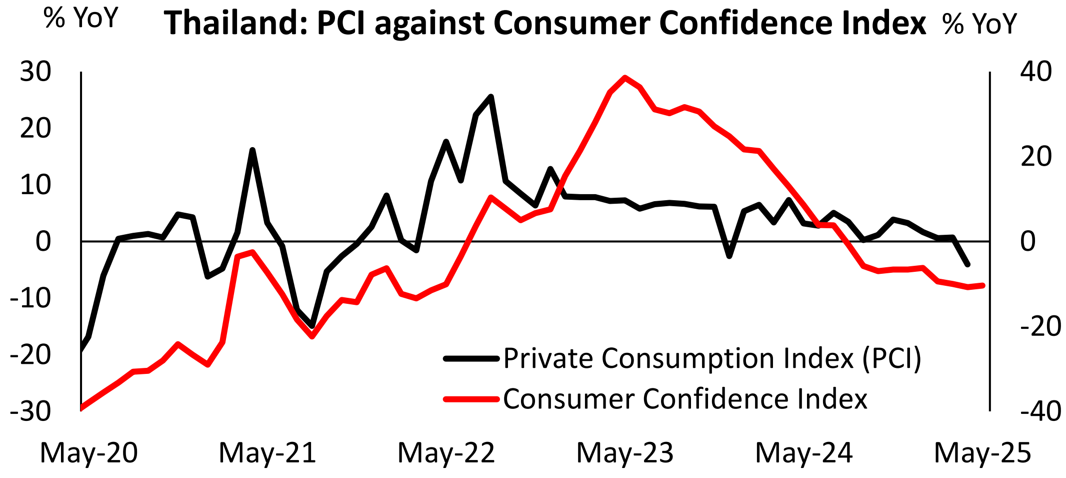
Source: Bank Indonesia, CEIC, OCBC.

Thailand: Consumer confidence declines

- The consumer confidence index (CCI) fell for the fourth consecutive month, dropping to 54.2 in May from 55.4 in April 2025. The decline in CCI was broad-based across the sub-indices of 'economic situation' (48.1 versus 49.3 in April), 'income' (62.7 versus 63.9 in April), and 'job' (51.9 versus 53.0 in April).
- The May reading suggests that an uneven recovery in economic growth momentum is likely to continue, with the private consumption index having declined to 4.0% YoY in April, down from +0.7% in March. The persistent weakness in household spending is particularly worrisome given the government's efforts to bolster this driver of growth.
- Our baseline is for one more 25bp cut from the BoT this year as the room for further cuts are limited. Indeed, the BoT highlighted the need to preserve policy space following rate cuts at its 26 February and 30 April meetings.



Source: Center for Economics and Business Forecasting, University of the Thai Chamber of Commerce, CEIC, OCBC.



Source: Center for Economics and Business Forecasting, University of the Thai Chamber of Commerce, Bank of Thailand, CEIC, OCBC.

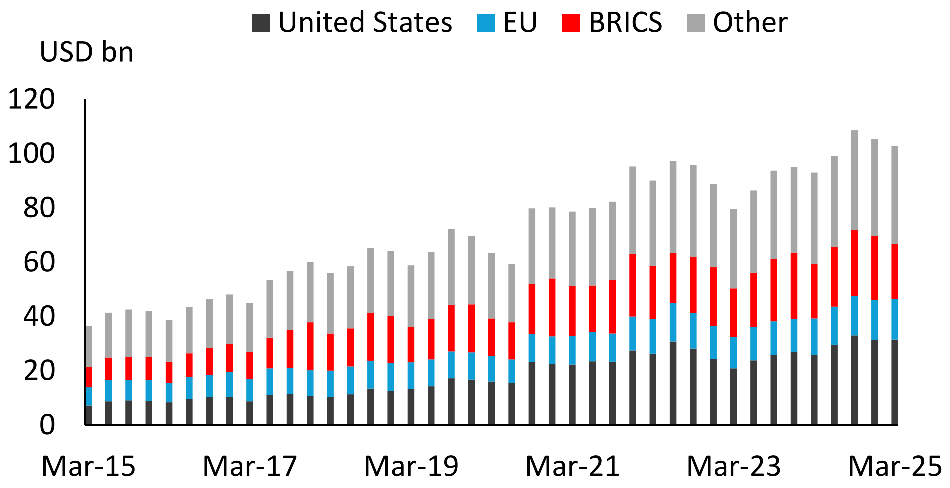
OCBC Source: Centre for Economics and Business Forecasting, University of the Thai Chamber of Commerce, Bank of Thailand, CEIC, OCBC.

Vietnam: BRICS latest partner countries

- Vietnam has officially become a "partner country" of the BRICS group, as announced by Brazil's government, which currently holds the bloc's presidency. This status allows Vietnam to participate in BRICS summits and discussions, recognizing its significant role in Asia and commitment to South-South cooperation.
- With Vietnam's inclusion, BRICS continues to expand, now comprising 11 member countries and 10 partner countries such as Belarus, Bolivia, and Nigeria. This aligns with the government's efforts to broaden its export markets beyond key markets such as the US and China. Indeed, in 2025 alone, it has upgraded bilateral ties with Indonesia, Singapore, and New Zealand to Comprehensive Strategic Partnerships.
- Exports to BRICS account for 22.2% in 2024, second after the US (29.4%), but this was dominated by China (15.1%), while exports to other members are still relatively small (India [2.2%], South Africa [0.2%], and Russia [0.6%]).

BRICS			
Member Countries		Partner Countries	
Brazil	Egypt	Belarus	Thailand
China	Ethiopia	Bolivia	Uganda
India	Indonesia	Cuba	Uzbekistan
Russia	Iran	Kazakhstan	Vietnam
South Africa	Saudi Arabia	Malaysia	
	UAE	Nigeria	
Source: BRICS Brasil 2025.			

Vietnam: Exports by destination



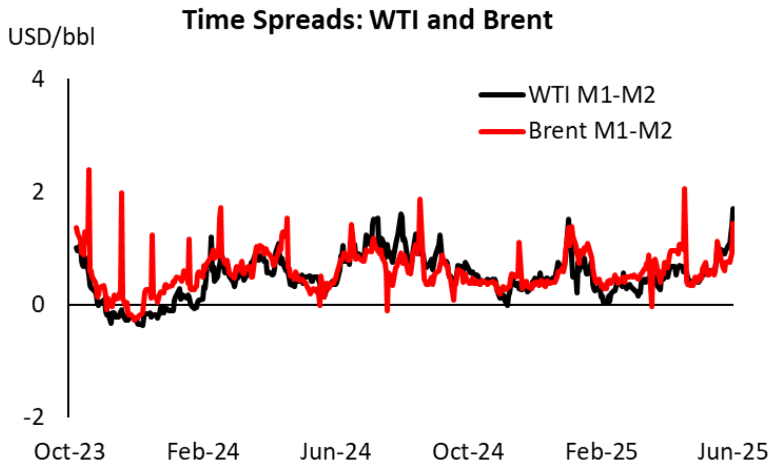
Note: BRICS exclude data from Iran and Ethiopia due data availability.
Source: Vietnam Customs, CEIC, OCBC.

Source: BRICS Brasil, Vietnam Customs, CEIC, OCBC.

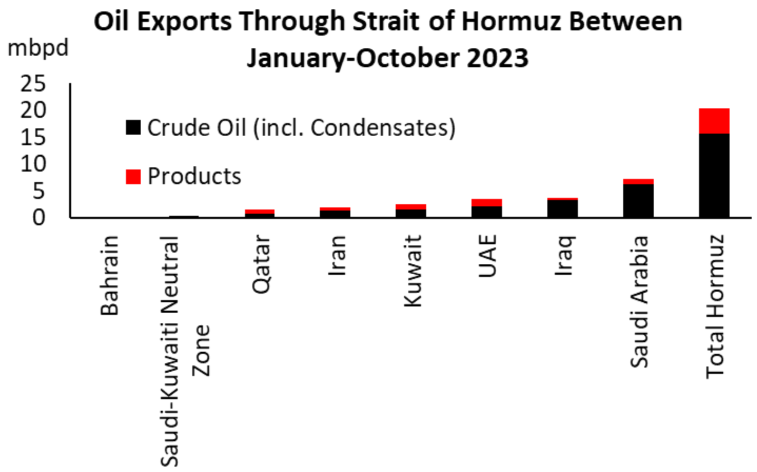
Commodities

Commodities: Escalating geopolitical tensions in the Middle East

- The conflict between Israel and Iran has entered its fourth day. Signs of easing hostilities remain distant, with both countries warning of further retaliation. This escalation has rattled the oil complex, raising concerns about a broader conflict that could threaten oil supplies from the region. Our baseline forecasts for WTI and Brent oil prices are an average of USD63/bbl and USD67/bbl in 2025, respectively. However, upside risks have clearly emerged from escalating geopolitical tensions. The eventual outcome depends on the degree of escalation.
- Under a scenario of a limited conflict, direct Iran-Israel attacks will be contained to a similar situation to the present. The geopolitical risk premium that has been priced into Brent oil prices will be capped as the threat of broader regional conflict eases. We anticipate that volatility will remain subdued due to the available spare crude oil capacity from OPEC+ to cushion potential disruption from Iranian oil production and exports.
- Under the alternative scenario of an escalation to a broader regional conflict, Brent oil prices could exceed USD100/bbl, potentially reaching USD120/bbl, reflecting fragile risk sentiment and market unease over a wider escalation. Under this circumstance, further sanctions on Iran and blockages of trade routes in the Strait of Hormuz cannot be ruled out, as this is a critical transit route for oil from the Middle East to the rest of the global oil market.



Source: Bloomberg, OCBC.



Source: IEA, Kpler.

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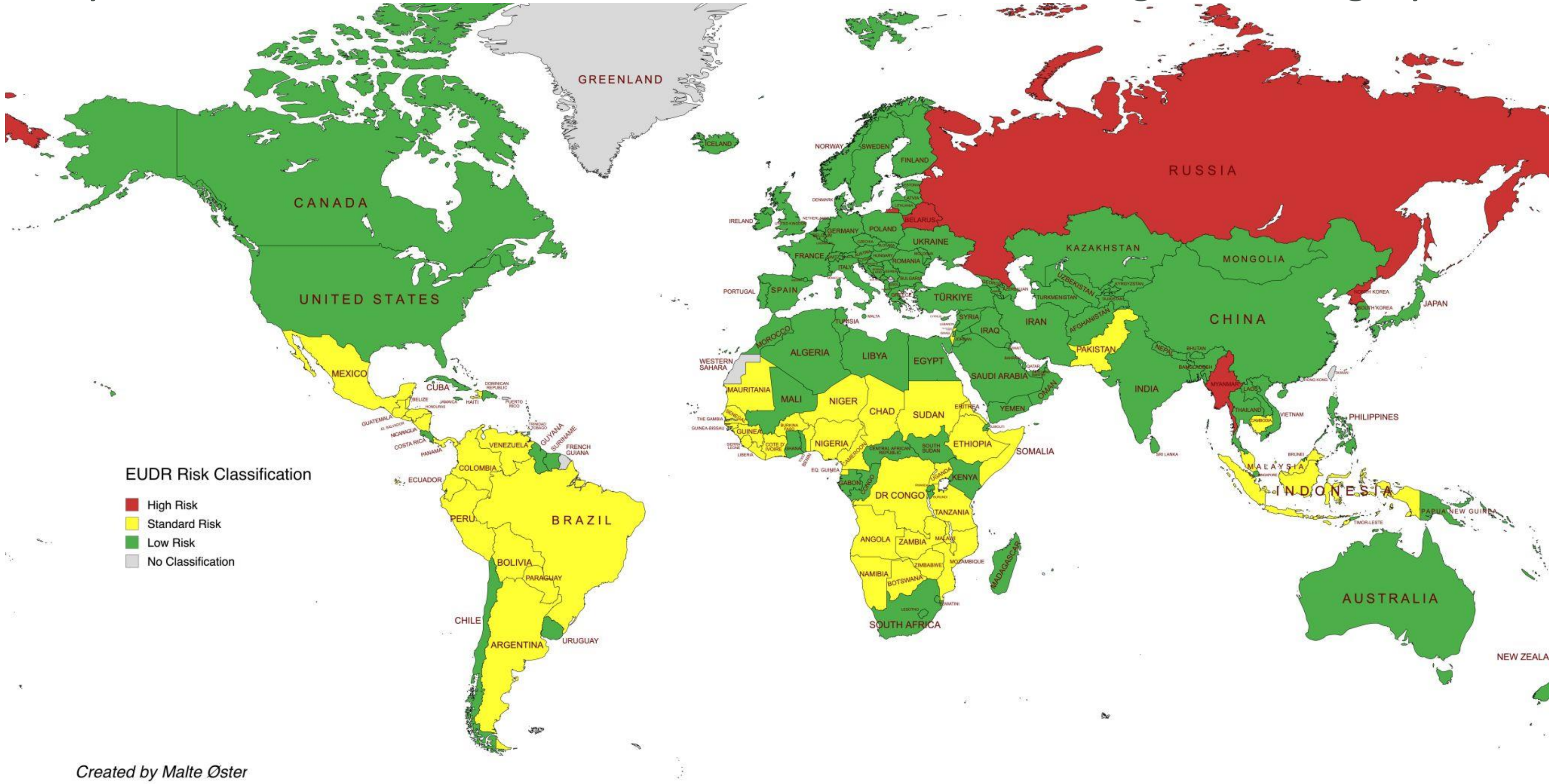
Source: IEA, Bloomberg, Kpler, OCBC.

ESG

ESG: EUDR country risk classifications and compliance challenges

- The European Commission released its list of country risk classifications under the EU Deforestation Regulation, based on legal frameworks and enforcement practices, as well as trends in deforestation and agricultural expansion.
- Only Belarus, Myanmar, North Korea and Russia were classified in the high-risk category.



Source: EU Commission, OCBC

ESG: EUDR country risk classifications and compliance challenges

- Low-risk countries (e.g. China, Singapore, Thailand) under the EUDR are subject to simplified due diligence and lower compliance costs for exporters from these countries.
- Standard-risk countries (Cambodia, Indonesia, Malaysia) require more stringent documentation, traceability and risk mitigation for exports to the EU. However, Malaysia has expressed concern over the EU classifying the country as standard risk, saying the designation was based on old data.
- The EU Commission has simplified its EUDR requirements to help reduce administrative burden and granted a 12-month additional phasing-in period. While the simplified EUDR measures reduce direct compliance burdens for smallholders and SMEs, smallholders may still face indirect challenges such as exclusion from EU supply chains and difficulties meeting traceability requirements (e.g. geolocation for all plots of origin).
- The risk classification will be reviewed in 2026 to reflect updated data and potential changes in country practices, legal frameworks and enforcement practices.

Country	EUDR risk classification
Brunei Darussalam	Low risk category
China	Low risk category
Laos	Low risk category
Singapore	Low risk category
Thailand	Low risk category
The Philippines	Low risk category
Vietnam	Low risk category
Cambodia	Standard risk category
Indonesia	Standard risk category
Malaysia	Standard risk category
Myanmar	High risk category

OCBC Source: EU Commission, OCBC

FX & Rates

FX and Rates: Central Bank Week

- **USD Rates.** At this week's FOMC meeting, the Committee is to update their GDP forecasts, inflation forecasts and the dot plot (Summary of Economic Projections). On the economy, FOMC officials have thus far refrained from putting details on their thoughts on potential impact of tariff, only highlighting the uncertainty in the outlook. At the June SEP, they nevertheless have to put some numbers – median and central tendency – which presumably incorporate the impact of trade development since the March FOMC. 2025 GDP forecast was last at 1.7% at March SEP, versus OCBC house view of 1.3%. On the dot plot, market watch as to whether the median dot will move up, to indicate one cut instead of two cuts. Our view remains that the trigger for the next rate cut is likely (further loosening in) the labour market.

- **DXY.** USD rebounded last Fri but the constrained price action suggests it has yet to fully reclaim its safe haven status. Geopolitical risks, if persist may keep risk sentiment fragile. As such, high-beta FX such as AUD and NZD may trade on the back foot if tensions continue to rise. That said, de-escalation would likely weigh on the dollar and bring support back to risk proxies. Focus this week is on FOMC (Thu 2am SGT). Status quo is likely, but if the Fed signals just one cut (last dot plot looks for 2 cut) or pushes back easing expectations, USD could get another lift, but anything less hawkish/more dovish could trigger USD selling.

- **GBPUSD.** GBP eased further as escalation in geopolitical tensions weighed on sentiments. This week's focus on BoE (Thu). No change is expected, but weaker labour market report and downside surprise to growth already saw markets add to rate cut expectations later this year. Dovish tilt in MPC vote may see GBP extend recent pullback.

- **USDTWD.** Given there is demand for exporters/FIs to reduce USD exposure with recent USD sell-off against Asian FX, market participants want to avoid missing out on selling USD. There is a risk of a cycle in which fears of another sharp pace of TWD appreciation lead exporters/FIs to rush to reduce their USD holdings/exposure. This may further result in excessive TWD strength and volatility. Bias skewed to the downside but cautious of snapback risk should geopolitical/macro conditions worsen. CBC MPC this Thu – we do not expect a move this round.

- **JPY Rates.** BoJ is widely expected to stay put on policy rate on Tuesday. Focus is on the interim review of its JGB purchase plan. According to the plan set out in July 2024, BoJ's monthly JGB purchase is on a step-down schedule by the quarter; Apr-Jun 2025 monthly purchases are set at JPY4.1trn (April actual was JPY3.95trn and May was JPY4.00trn), to be reduced to JPY3.7trn/3.3trn/2.9trn over the next three quarters. Our base-case is for BoJ to stick with this plan, with some shifts in allocation of reductions by remaining maturity. That said, the central bank may also discuss JGB purchase plans beyond April 2026 and if they were to slow the pace of JGB purchase reduction, they might make up for it during the months from April 2026 onwards.

OCBC

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