

# Weekly Macro Views (WMV)

Treasury Research & Strategy (16<sup>th</sup> November 2021)

# Weekly Macro Update

## Key Global Events for this week:

15 <sup>th</sup> November	16 <sup>th</sup> November	17 <sup>th</sup> November	18 <sup>th</sup> November	19 <sup>th</sup> November
<ul style="list-style-type: none"> <li>- JN Industrial Production MoM</li> <li>- JN GDP</li> <li>- JN GDP Deflator YoY</li> <li>- CH Industrial Production YoY</li> <li>- TH GDP YoY</li> <li>- CH Retail Sales YoY</li> <li>- CA Manufacturing Sales</li> <li>- ID Exports YoY</li> </ul>	<ul style="list-style-type: none"> <li>- US Retail Sales Advance MoM</li> <li>- UK Jobless Claims Change</li> <li>- EC GDP SA QoQ</li> <li>- US Industrial Production MoM</li> <li>- JN Tertiary Industry Index MoM</li> <li>- UK ILO Unemployment Rate</li> </ul>	<ul style="list-style-type: none"> <li>- UK CPI YoY</li> <li>- CA CPI YoY</li> <li>- EC CPI YoY</li> <li>- JN Core Machine Orders MoM</li> <li>- SI Non-oil Domestic Exports YoY</li> <li>- US MBA Mortgage Applications</li> <li>- US Housing Starts</li> </ul>	<ul style="list-style-type: none"> <li>- SG GDP YoY</li> <li>- US Initial Jobless Claims</li> <li>- PH BSP Overnight Borrowing Rate</li> <li>- US Leading Index</li> <li>- ID Bank Indonesia 7D Reverse Repo</li> <li>- US Philadelphia Fed Business Outlook</li> </ul>	<ul style="list-style-type: none"> <li>- JN Natl CPI YoY</li> <li>- TH Foreign Reserves</li> <li>- UK Retail Sales Inc Auto Fuel MoM</li> <li>- CA Retail Sales MoM</li> <li>- PH BoP Overall</li> <li>- JN Natl CPI Ex Fresh Food YoY</li> <li>- NZ Credit Card Spending YoY</li> </ul>

## Summary of Macro Views:

<b>Global</b>	<ul style="list-style-type: none"> <li>• <b>Global:</b> Central banks</li> <li>• <b>Global:</b> COP26 agreement to limit temperatures</li> <li>• <b>Global:</b> US inflation at 31-year high in October</li> <li>• <b>Global:</b> Japan economy contracts</li> <li>• <b>Global:</b> US consumer sentiment unexpectedly falls</li> <li>• <b>Global:</b> COP26 roundup</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>SG:</b> PM Lee speaks to APEC leaders</li> <li>• <b>HK:</b> Narrower than expected fiscal deficit</li> <li>• <b>HK:</b> USDHKD spot rose amid inflation concern</li> </ul>

<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>CH:</b> Stronger than expected activates</li> <li>• <b>CH:</b> Property sector remained weak</li> <li>• <b>CH:</b> Resilient manufacturing investment</li> <li>• <b>CH:</b> Consumption beat expectation</li> <li>• <b>ID:</b> Roaring Exports</li> <li>• <b>MY:</b> Q3 GDP Miss</li> </ul>
<b>2</b>	<ul style="list-style-type: none"> <li>• <b>FX &amp; Rates:</b> Inflation expectations stay high</li> </ul>
<b>Asset Flows</b>	<ul style="list-style-type: none"> <li>• <b>Asset Flows</b></li> </ul>

# Global: Central banks

## Forecast – Key Rates

Bank Indonesia (BI)



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Wednesday, 18<sup>th</sup> November

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*7D Reverse Repo*  
Likely **hold** at **3.50%**

Central Bank of Philippines (BSP)



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Wednesday, 18<sup>th</sup> November

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*BSP Overnight Borrowing Rate*  
Likely **hold** at **2.000%**

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### House Views

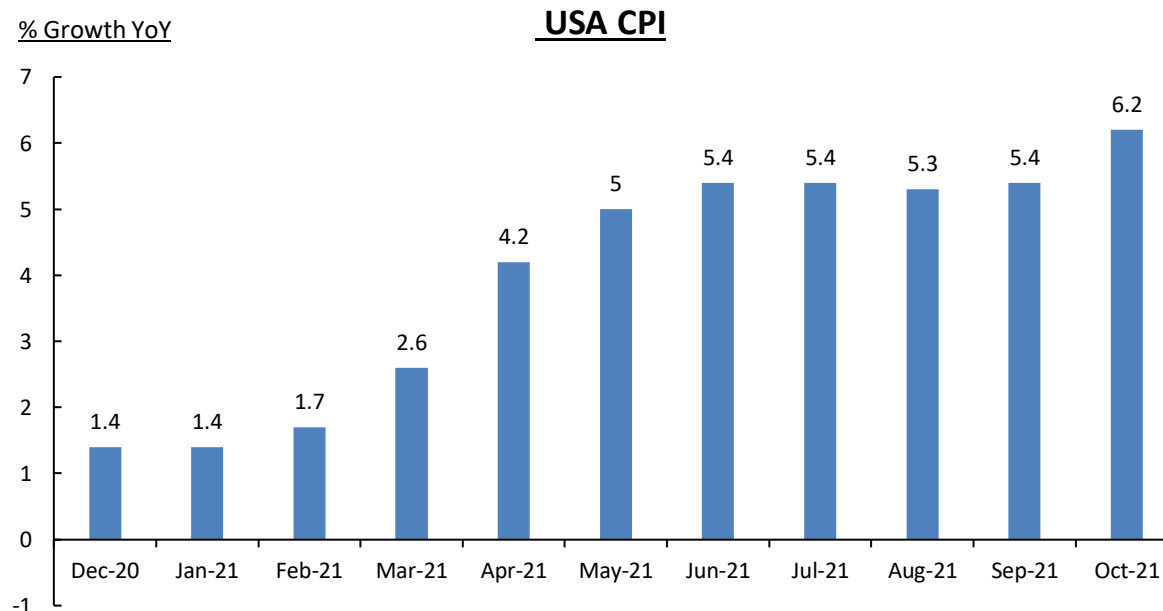
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# Global: COP26 agreement to limit temperatures

- COP26 reaches agreement to phase down coal usage to limit the rise of global temperatures to 1.5 degree Celsius, as well as an agreement on global carbon trading.
- **Other key developments:** The US-China relationship returned to the spotlight after both climate delegations found the common ground in Glasgow ahead of the confirmed virtual meeting between President Biden and President Xi on Tuesday morning Asian time.
- **Key data release are as follows:**
  - 15<sup>th</sup> November: JN Industrial Production MoM, JN GDP , JN GDP Deflator YoY, CH Industrial Production YoY, TH GDP YoY, CH Retail Sales YoY, CA Manufacturing Sales, ID Exports YoY
  - 16<sup>th</sup> November: US Retail Sales Advance MoM, UK Jobless Claims Change, EC GDP SA QoQ, US Industrial Production MoM, JN Tertiary Industry Index MoM, UK ILO Unemployment Rate
  - 17<sup>th</sup> November: UK CPI YoY, CA CPI YoY, EC CPI YoY, JN Core Machine Orders MoM, SI Non-oil Domestic Exports YoY, US MBA Mortgage Applications, US Housing Starts
  - 18<sup>th</sup> November: US Initial Jobless Claims, PH BSP Overnight Borrowing Rate, SG GDP YoY, US Leading Index, ID Bank Indonesia 7D Reverse Repo, US Philadelphia Fed Business Outlook
  - 19<sup>th</sup> November: JN Natl CPI YoY, TH Foreign Reserves, UK Retail Sales Inc Auto Fuel MoM, CA Retail Sales MoM, PH BoP Overall, JN Natl CPI Ex Fresh Food YoY, NZ Credit Card Spending YoY

# Global: US inflation at 31-year high in October

- US inflation increased 6.2% yoy in October marking the highest increase since December 1990 and outpacing estimates of 5.9%. On a month-on-month basis, CPI increased 0.9% against the 0.6% estimate
- Core inflation increased 4.6% yoy vs the 4.0% estimate, the fastest gain since August 1991.
- Food prices had a meaningful bounce, up 0.9% and 5.3% this month respectively. Within the food category, meat, poultry, fish and eggs collectively rose 1.7% mom and 11.9%yoy.
- Fuel oil prices increased 12.3% mom, further contributing to the 59.1% increase year to date.



Source: Bloomberg

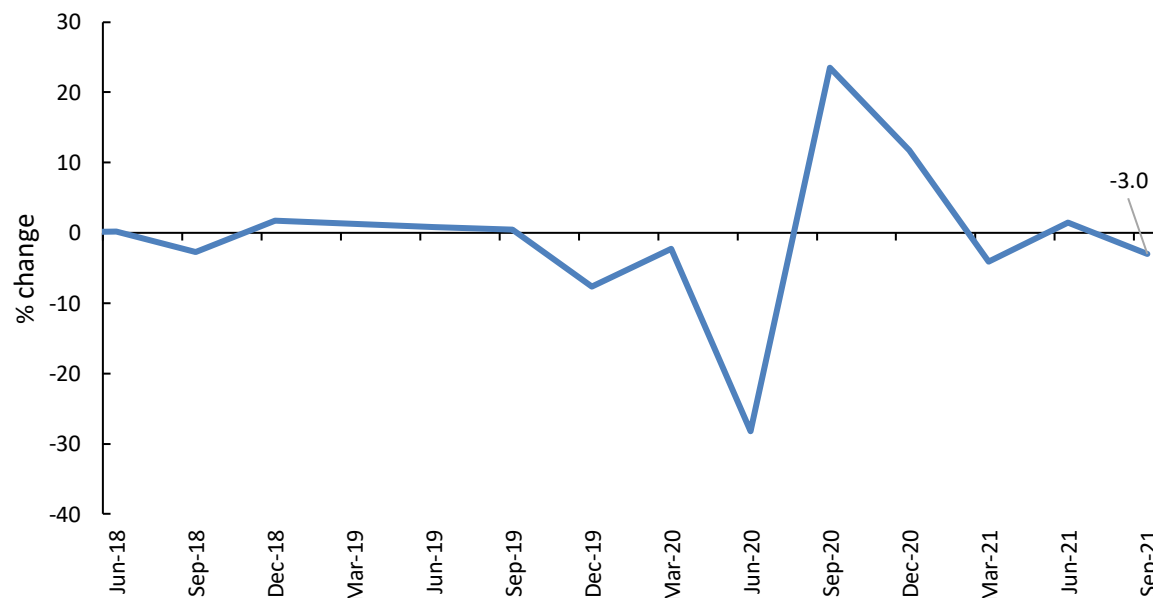


**OCBC Bank** Source: Bloomberg

# Global: Japan economy contracts

- The Japanese economy contracted faster than expected in Q3 as supply chain disruptions continue to take hold.
- The economy shrank by an annualized rate of 3% in Q3 compared with a consensus view of a -0.8% print.
- GDP fell 0.8% qoq compared to the market's estimate of a 0.2% decline.
- PM Minster Fumio Kishida plans to unveil an economic stimulus plan worth “several tens of trillion yen” on 19<sup>th</sup> November. Market participants are mixed on the impact in the near term.

Japan GDP QoQ Annualized



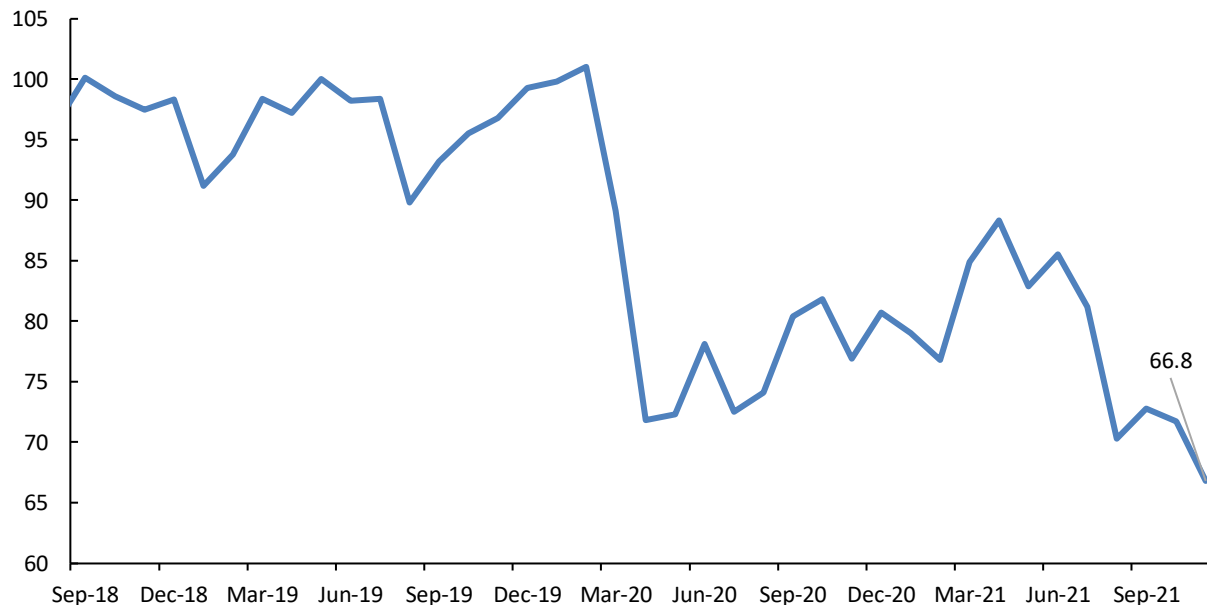
**OCBC Bank**

Source: Bloomberg

# Global: US consumer sentiment unexpectedly falls

- Consumer confidence hit a 10-year low in Nov as inflation climbed to record levels in October, the highest since the early 1990s.
- October's reading was 71.7, meaning that the November level represented a 6.8% drop.
- The University of Michigan Consumer Sentiment Index fell to 66.8 for November, the lowest level in 10 years on inflation concerns.
- As inflation concerns weighed on consumers, 1 in 4 reported scaled-back standards of living.

US Michigan Consumer Confidence Index



# Global: COP26 roundup

- Amid the many twists and turns in the past two weeks, COP26 was ultimately a positive step in the right direction towards averting climate disaster.
- **COP26 developments:**
  - One of the biggest achievements from COP26 was the ratification by more than a hundred countries to slash methane emissions by 30% by 2030
  - Global pledge to end and reverse deforestation by the end of this decade (2030).
  - Enhanced clarity surrounding international carbon markets, clear climate goals by 2030 and a deal to phase down coal consumption.
  - An agreement by the US and China – the world’s top two emitters – to work together. Reportedly, it was the US’ intervention at the last minute that stopped China from scuppering the entire summit over the language over fossil fuels.
  - COP26 was headed for a modest success until a late turnaround from India and China regarding the use of language over fossil fuels. Both countries objected to the phrase “phase out” of coal consumption, preferring the term “phase down” instead.
- Nonetheless, we do think COP26 was good progress for one summit. While we would have liked all the world’s climate problems to be fixed in one sitting, from all the positives of COP26, we do see the potential for further climate collaboration.



# SG: PM Lee speaks to APEC leaders

- On 12<sup>th</sup> November Fri, PM Lee addressed leaders of the Asia Pacific Economic Cooperation (APEC)
- Key points of the speech are below:
  - International cooperation is 'key' to helping the Asia Pacific recover.
  - Encouragement for economies to accelerate mutual recognition of digital health certificates
  - Continue to engage the business community through the APEC Business advisory council
  - APEC should work to strengthen its supply chain predictability and reliability with governments playing a more central role in intervening in supply chains.
  - APEC members must deepen regional economic integration by taking steps towards free trade in the area of the Asia-Pacific.



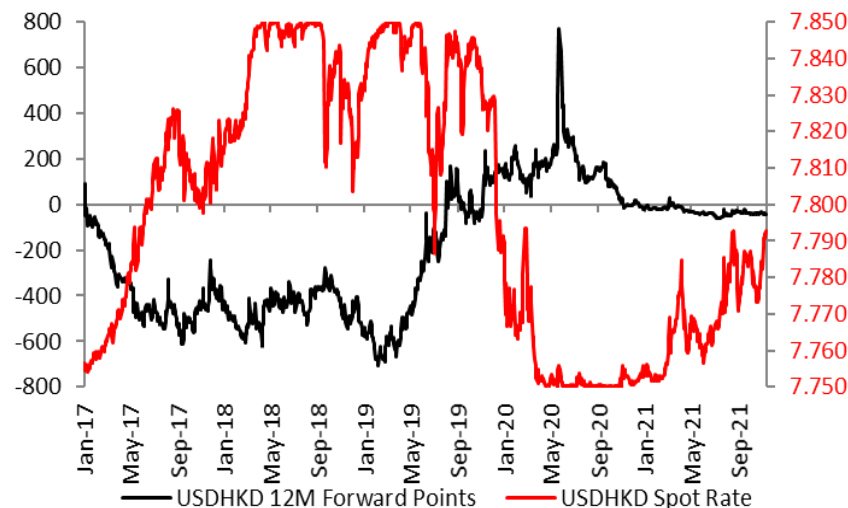
# HK: Narrower than expected fiscal deficit

- Hong Kong Financial secretary Paul Chan sees the fiscal deficit will be much lower than the estimate figures of HK\$101.6 billion in the beginning of 2021, implying a more stable economic recovery path.
- While the 1H21 was somewhat bumpy due to lack of visitor spending and limited cross border travel between Hong Kong and Macau as well as Shenzhen, nevertheless, government revenue gained further on
  - Record high of HK\$40 billion revenue from land sales
  - Higher than expectation from property and stock stamp duty and
  - Gradual improved economic condition.

Fiscal Year	Profits Tax	Salaries Tax	Land Premium	Stamp Duties	YoY%	Investment Income	Other Incomes	Total Government Revenue	Surplus / (Deficit)
	(\$ billion)	(\$ billion)	(\$ billion)	(\$ billion)		(\$ billion)	(\$ billion)	(\$ billion)	(\$ billion)
2021-22 (OE)	126.7	64.4	97.6	92.0	3.3%	84.6	125.9	591.1	(101.6)
2020-21	135.5	75.0	88.7	89.0	32.5%	52.4	123.5	564.2	(232.5)
2019-20	155.9	50.4	141.7	67.2	-16.0%	48.4	127.3	590.9	(10.6)
2018-19	166.6	60.1	116.9	80.0	-16.0%	40.3	135.8	599.8	67.9
2017-18	139.1	60.8	164.8	95.2	53.8%	21.4	138.5	619.8	149.0

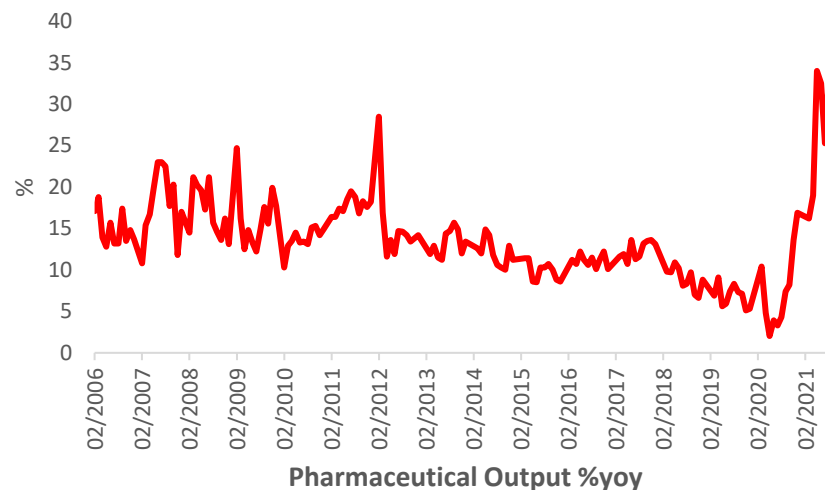
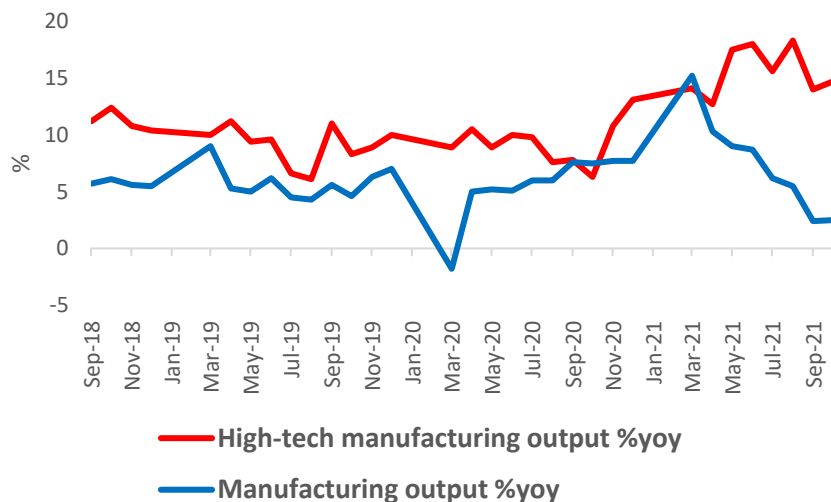
# HK: USDHKD spot rose amid inflation concern

- Along with the general upward momentum in US treasury yields and the stronger DXY, USDHKD forward edged down further to -46 last Friday. This together with the lack of seasonal factors and specific flows into the HKD market, the HKD spot to drop from a nearly three months low of 7.7900 against the US dollar. Looking ahead, the HKD market may remain to trade narrow while HIBOR fixing shall be considered relatedly stable. In facts, the recent downward move in real yields mainly due to higher inflation expectations rather than a direct reflection of a shift in the growth outlook
- That said, it is difficult to say the bias for the inflation concern and the strong dollar to be sustained and the gap for the USD market and the central bank prospect in term of pricing may be not particularly wide. In other words, it is difficult for the HK-US rate differential to widen significantly in the near term. We expect USDHKD continues to hover below 7.80 in the short term.



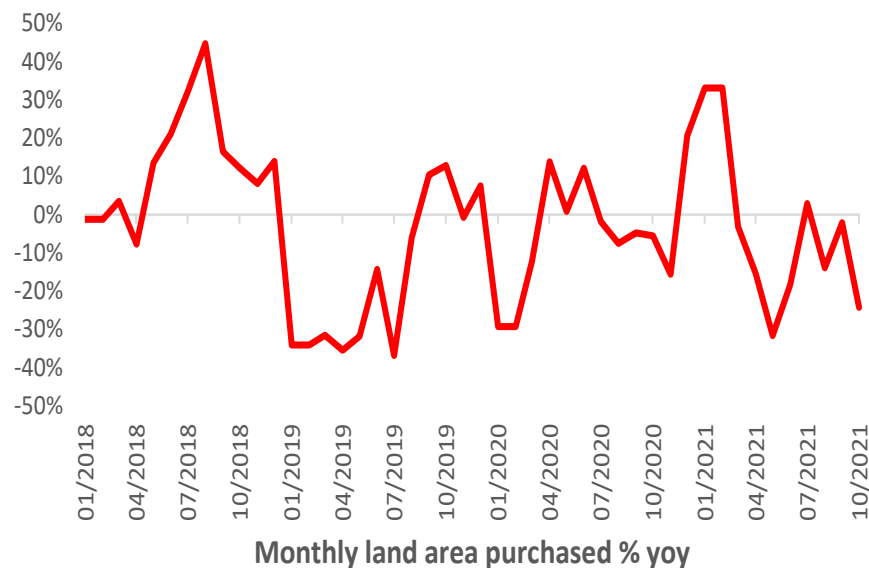
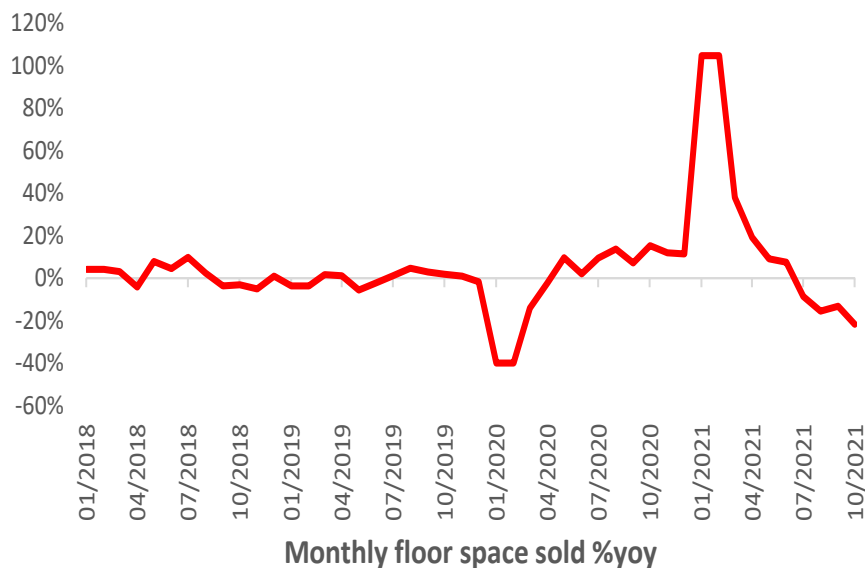
# China: Stronger than expected activates

- Key economic data in October surprised the market on the upside. China's industrial production growth reaccelerated to 3.5% yoy in October from 3.1% yoy in September. On two-year average adjusting for the pandemic effect, industrial production rebounded to 5.2% from 5% despite concerns about power shortage.
- The rebound of industrial production was mainly attributable to prolonged support from external demand and resilient output in high-tech industries.



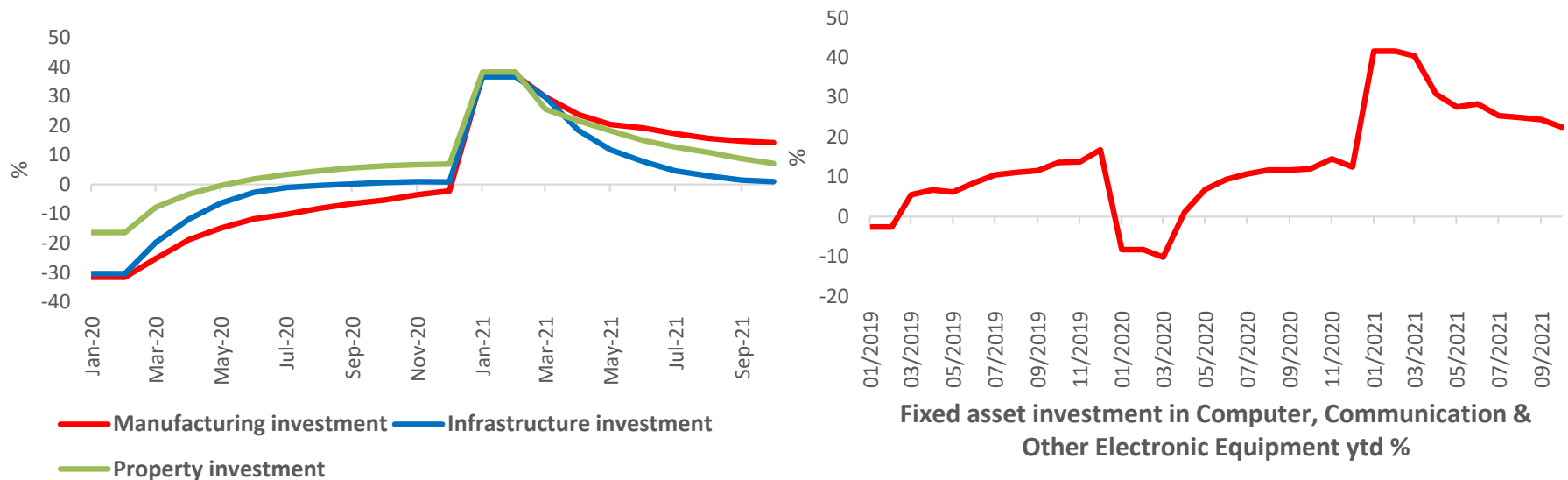
# China: Property sector remained weak

- Both property investment and sales data continued to decelerate due to weak sentiment in property market although there is sign that China is moving towards containing the tail risk in the property market.
- The sales of floor space in October fell by 21.7% yoy in October while land acquisition also declined by 24.2% yoy, leading to weak prospect.



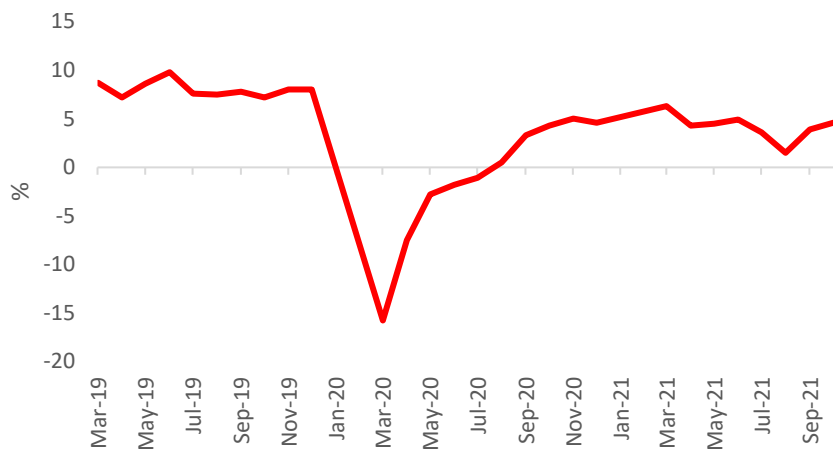
# China: Resilient manufacturing investment

- Fixed asset investment growth decelerated to 6.1% yoy from 7.3% yoy. On two-year average, fixed asset investment growth remained intact at 3.8%.
- The deceleration property investment is in line with expectation. However, the deceleration of infrastructure investment growth to 1% from 1.5% certainly disappointed. Nevertheless, manufacturing investment did the heavy lifting to stabilize overall investment.

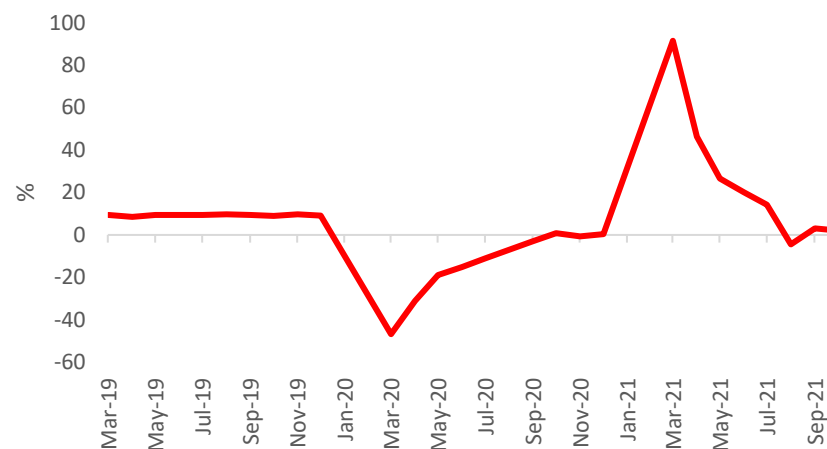


# China: Consumption beat expectation

- China's retail sales growth accelerated to 4.9% yoy from 4.4% yoy in September. On two-year average, retail sales accelerated to 4.6% from 3.9%.
- Car sales remained weak due to chip shortage, falling by 5.4% yoy. Retail sales excluding car sales rose by 6.7% yoy, up from 6.4%.
- Catering sales managed to grow by 2% yoy despite sporadic outbreak of delta variants.



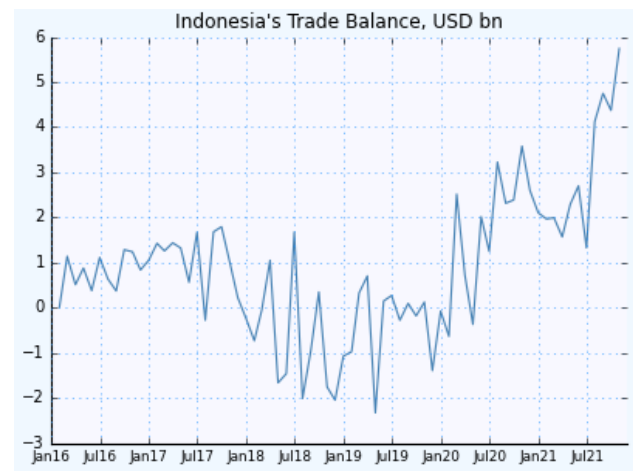
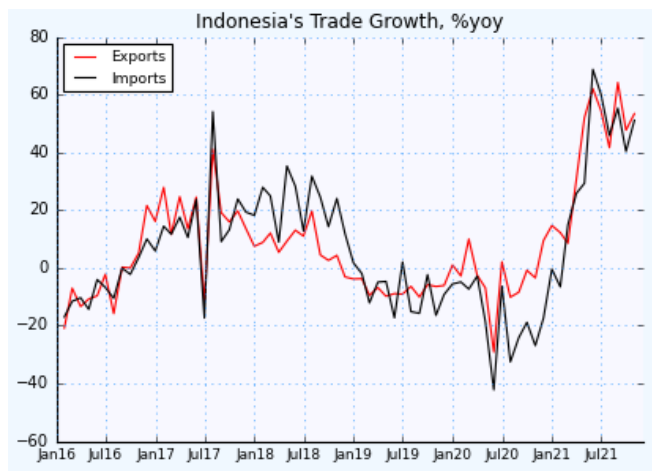
China's retail sales %yoy adjusting for pandemic



Retail sales in catering %yoy

# Indonesia: Roaring Exports

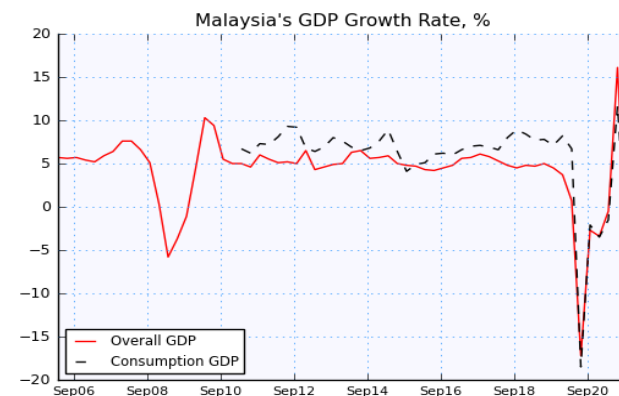
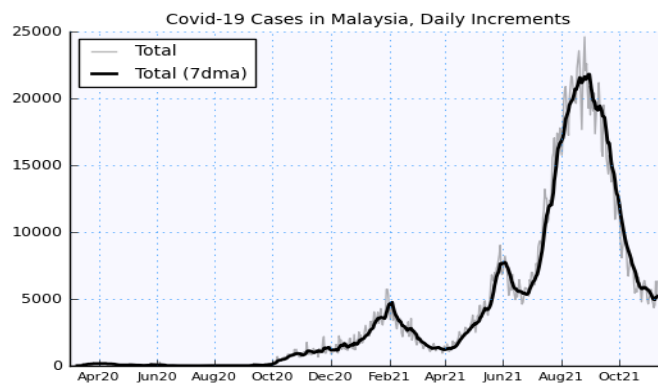
- Indonesia posted another month of favourable trade numbers due to commodities uplift. Exports grew at a faster pace of 53.35% yoy in October, compared to 47.6% in the prior month. This came better than the market expectation of 44.37% growth.
- In terms of destination, exports to China ballooned to 107.5% yoy, marking a big uptick due to spike in shipment of coal in particular due to the demand caused by the recent power crunch episode in China.
- Hence, even though imports did grow sizably by 51% yoy during the period, the great uptick in exports means that trade balance remained well in the surplus territory. Indeed, Indonesia saw a record high trade surplus of USD5.73bn in October.





# Malaysia: Q3 GDP Miss

- Given how bad the pandemic resurgence was and how long-lasting the restriction orders were to contain the virus uptick in Q3, it should be no surprise to see growth slumping sizably. As it turns out, the impact was nonetheless much greater, with the economy contracting by 4.5% yoy, instead of 2.3% that we had in mind, from growth of 16.1% in Q2.
- Drilling down further, private consumption bore the brunt of the hit, shrinking as Malaysians stayed home due to MCO restrictions. Exports offered a brighter spot, but the degree of uplift was more curtailed than expected. Given the relatively strong imports, net trade turned out to be a drag on growth rather than a boost. Investment activities slumped too.
- Overall, even though the data was obviously a miss and is a constant reminder of the havoc that the virus can still cause for the economy, Malaysia is in an undoubtedly better place now in large part due to the high level of vaccination rate that should offer the economy at least some immunity from future resurgence bouts.





# Foreign Exchange & Interest Rates

# FX & Rates: Inflation expectations stay high

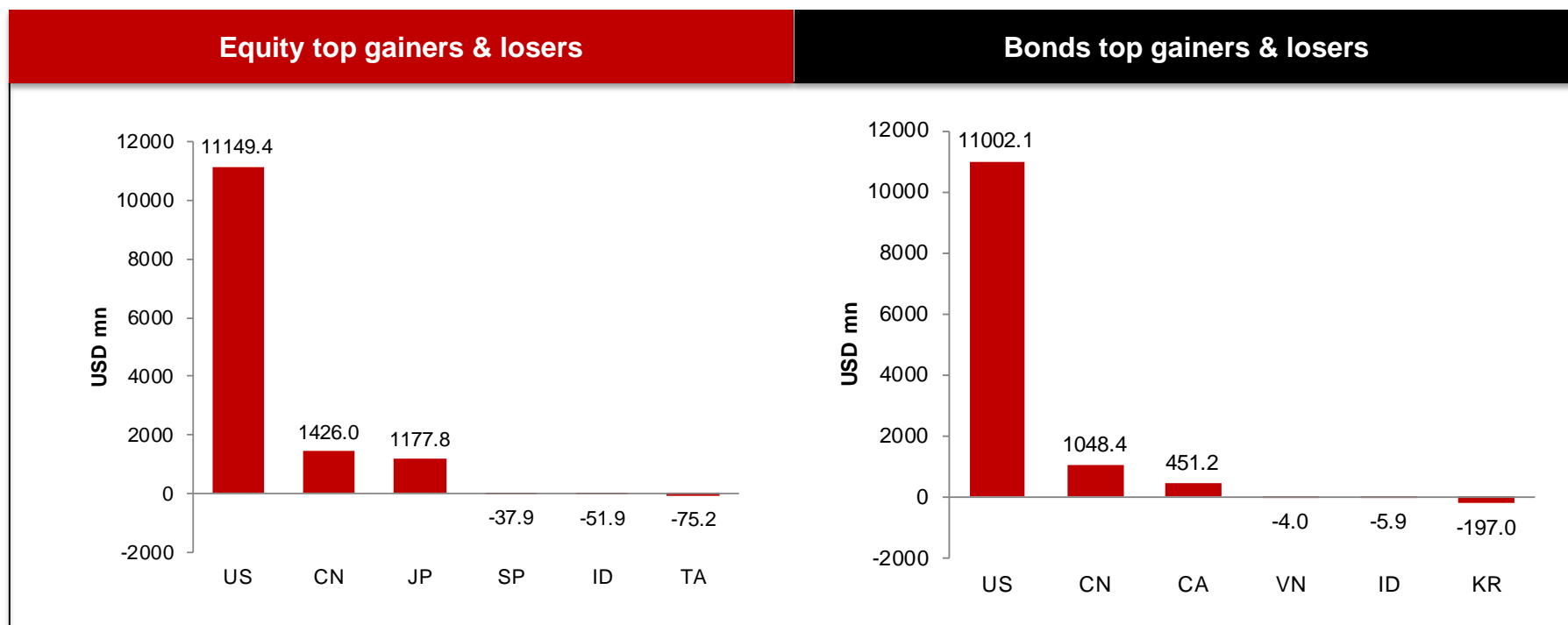
- The Fed released its first monthly purchase schedule after they decided to taper. Total planned purchases are reduced from USD80bn to USD70bn according to their taper plan; purchases will be reduced across sectors except the 10Y-22.5Y sector. The 20Y bond pared losses after the release of the schedule.
- Inflation concerns appear to remain the main driver in the DM bond space, with breakevens on the rise including those in the USD and AUD markets. In USTs, the 10Y real yield fell while inflation expectation went higher, leaving the 10Y nominal yield little changed on the month so far. Medium-term bias is for nominal yield to edge higher given the deeply negative real yields.
- The PBoC fully rolled over the total of CNY1trn of 1Y MLF that mature on Tuesday and on 30 November. Meanwhile, there was a net OMO withdrawal of CNY90bn on Monday. The reverse repo maturity profile remains heavy for the rest of the week; if the CNY10bn daily pattern continues, there will be a total of net OMO withdrawal of CNY450bn on the week. On balance, the provision of 1Y liquidity shall be supportive of money market sentiment.



# Asset Flows

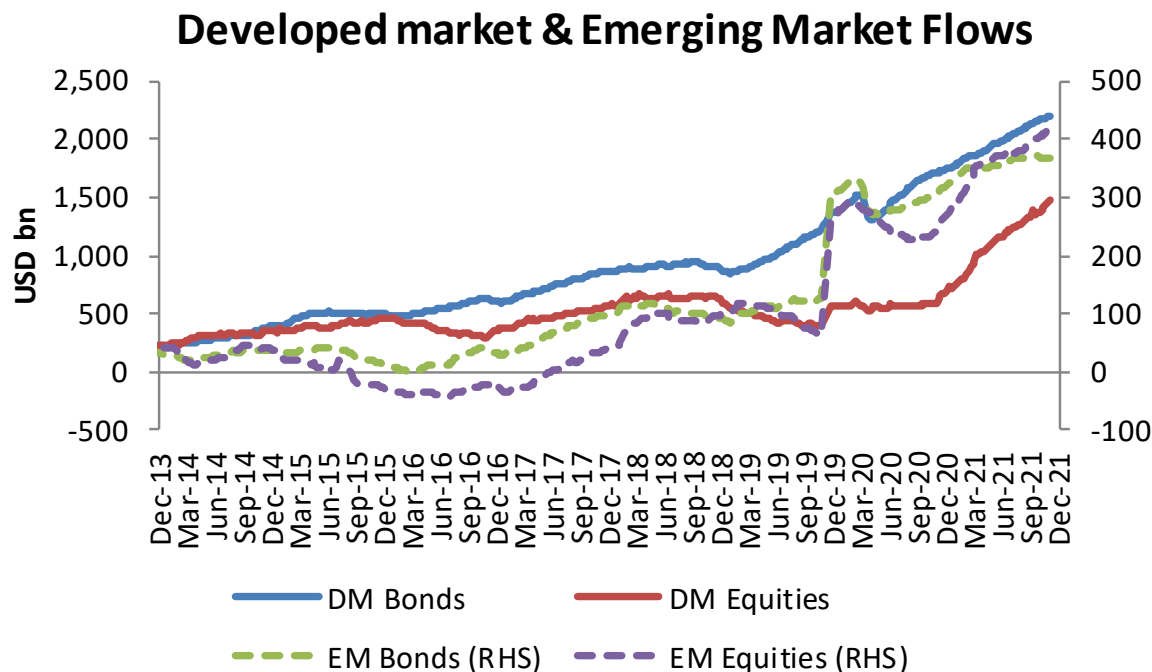
# Global Equity & Bond Flows

- Inflows in the global equity market for the week ended 10<sup>th</sup> November amounted to \$17.3bn, a decrease from the inflow of \$25.8bn last week. Global bond market saw inflows amounting to \$24.9bn, an increase from last week's inflows of \$14.7bn.



# DM & EM Flows

- DM equities saw \$15.4bn worth of inflows while the EM-space registered \$1.8bn worth of inflows.
- Elsewhere, the DM bond space posted inflows of 14.1bn, while EM bonds registered outflows of \$1.3bn.



 Thank You

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