Weekly Macro Views (WMV)

Treasury Research & Strategy (18th January 2022)

OCBC Bank

Weekly Macro Update

Key Global Events for this week:

17th January	18th January	19th January	20th January	21st January
- CH GDP YoY - CH Industrial Production YoY - CH Retail Sales YoY - ID Exports YoY - JN Core Machine Orders MoM - JN Tertiary Industry Index MoM - SI Non-oil Domestic Exports YoY	- JN Industrial Production MoM - GE ZEW Survey Expectations - GE ZEW Survey Current Situation - UK Jobless Claims Change - UK ILO Unemployment Rate 3Mths	- AU Westpac Consumer Conf SA MoM - CA CPI YoY - GE CPI YoY - PH BoP Overall - UK CPI YoY - UK RPI MoM - US Net Long-term TIC Flows - US Housing Starts	- AU Employment Change - AU Unemployment Rate - EC CPI YoY - MA BNM Overnight Policy Rate - US Existing Home Sales - US Initial Jobless Claims	- CA Retail Sales MoM - EC Consumer Confidence - JN Natl CPI YoY - MA CPI YoY - NZ Manufacturing PMI - US Leading Index - TH Customs Exports YoY - UK Retail Sales Inc Auto Fuel MoM

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** World Bank growth forecast • **Global:** US CPI hits a 40-year high • **Global:** US retail sales disappoints • **Global:** Eurozone's industrial production stagnates
Asia	• **SG:** Singapore's COE Premiums falls • **HK:** Fifth round of anti-pandemic fund rolled out • **Macau:** Amendments on gaming law revealed

Asia	• **CN:** Better than expected China's growth • **CN:** What China did differently in 2021 • **CN:** Front loaded policy supports
Asset Class	• **Oil:** Bullish charge goes on • **Carbon:** China keeps aviation emissions internal • **FX & Rates:** Policy divergence between Fed and PBoC
Asset Flows	• **Asset Flows**

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Source: OCBC, Bloomberg

Global: Central Banks

Forecast – Key Rates

Bank of Japan (BoJ)	People's Bank of China (PBoC)	Bank Negara Malaysia (BNM)	Bank Indonesia (BI)
中国人民银行			
Tuesday, 18th January	**Thursday, 20th January**	**Thursday, 20th January**	**Thursday, 20th January**

House Views

Policy Balance Rate	*1-year Prime Loan Rate*	*Overnight Policy Rate*	*7D Reverse Repo*
Likely hold at -0.10%	**Likely hold at 3.85%**	**Likely hold at 1.75%**	**Likely hold at 3.50%**
	5-year Prime Loan Rate		
	Likely hold at 4.65%		

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Source: OCBC, Bloomberg

Global: World Bank growth forecast

- The World Bank has pared its 2022 global growth forecast to 4.1% and expects a further slowdown to 3.2% in 2023, which is a sharp slowdown from 5.5% last year. The IMF is also likely to revise down its growth forecasts on 25 January.
- **Key data release are as follows:**
  - 17th January: CH GDP YoY, CH Industrial Production YoY, CH Retail Sales YoY, ID Exports YoY, JN Core Machine Orders MoM, JN Tertiary Industry Index MoM, SI Non-oil Domestic Exports YoY
  - 18th January: JN Industrial Production MoM, GE ZEW Survey Expectations, GE ZEW Survey Current Situation, UK Jobless Claims Change, UK ILO Unemployment Rate 3Mths
  - 19th January: AU Westpac Consumer Conf SA MoM, CA CPI YoY, GE CPI YoY, PH BoP Overall, UK CPI YoY, UK RPI MoM, US Net Long-term TIC Flows, US Housing Starts
  - 20th January: AU Employment Change, AU Unemployment Rate, EC CPI YoY, MA BNM Overnight Policy Rate, US Existing Home Sales, US Initial Jobless Claims
  - 21st January: CA Retail Sales MoM, EC Consumer Confidence, JN Natl CPI YoY, MA CPI YoY, NZ Manufacturing PMI, US Leading Index, TH Customs Exports YoY, UK Retail Sales Inc Auto Fuel MoM

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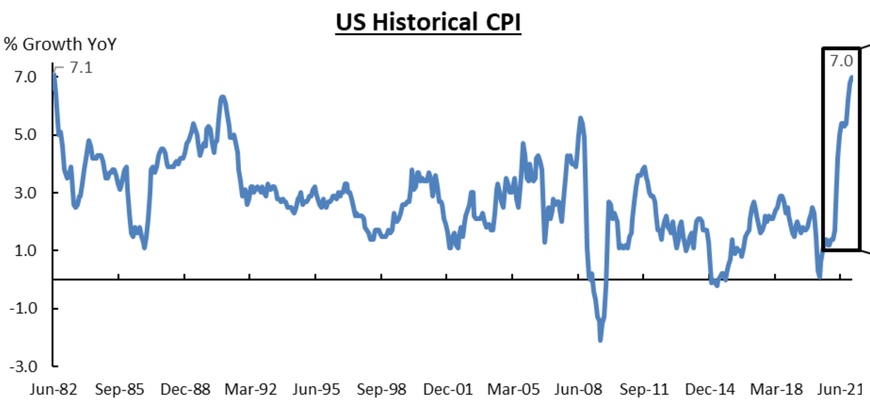
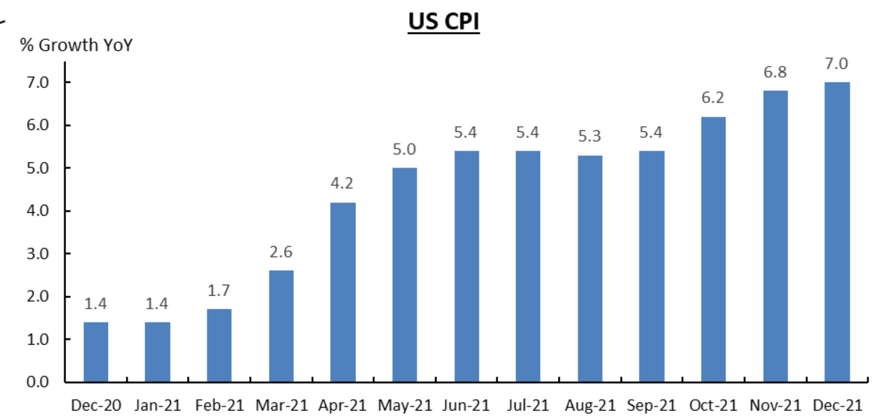
Global: US CPI hits a 40-year high

- The US inflation rose 7.0% yoy, representing the largest yoy increase in 40 years, further increasing expectations of an interest rate hike occurring as early as March.
- Although the inflation numbers were expected, it remained well above the Fed's target rate of 2.0%.
- With the unemployment rate falling to a 22-year low of 3.9% in December, wage pressures could further drive up inflation levels in the medium term.
- On top of that, the rising number of COVID cases could potentially exacerbate the global supply chain crisis, pushing prices up further.

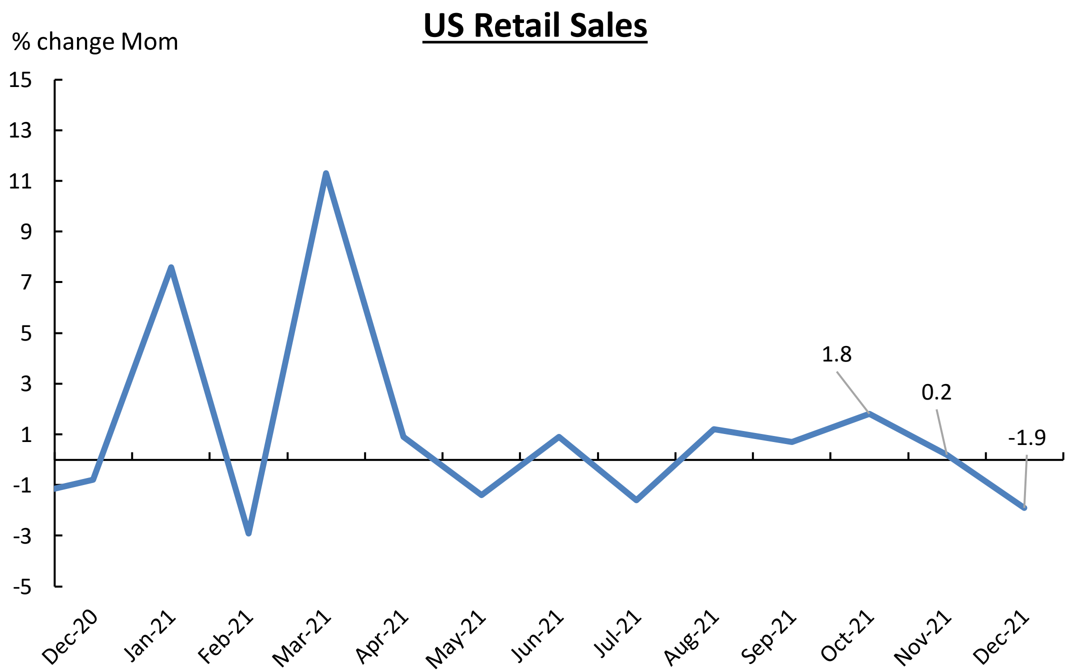




Source: OCBC, Bloomberg

Global: US retail sales disappoints

- US retail sales plunged 1.9% mom in December in its largest monthly drop since February, likely due to the Omicron variant deterring shoppers in addition to inflation and shortages.
- Combined with the fall in production in December, the lower US retail sales data implies a slowing economy, which is expected to continue into January as COVID infections disrupt operations.



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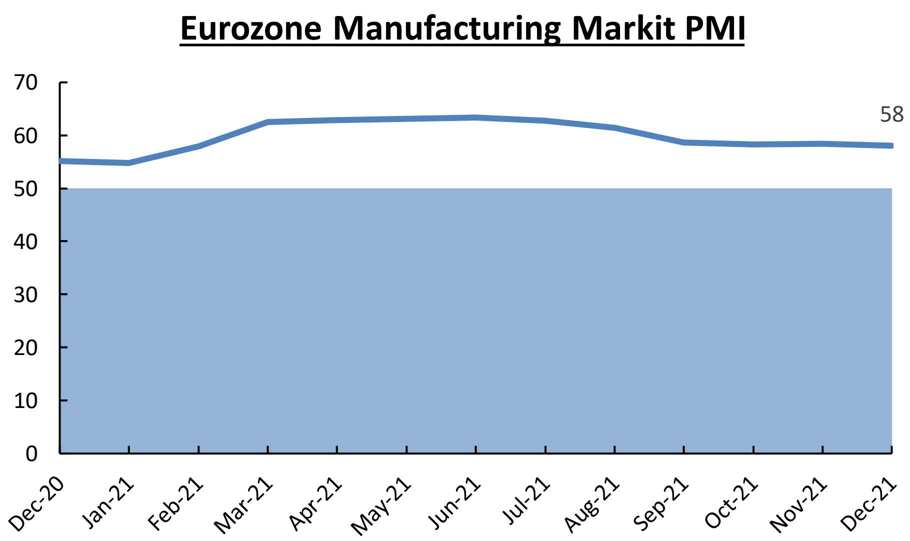
Source: OCBC, Bloomberg

Global: Eurozone's industrial production stagnates

- The EU's manufacturing PMI in December dipped to 58.0, from 58.4 in November. This number is the lowest reading since February.
- At the same time, new orders rose the slowest since January, while backlogs of work and employment presented a shaper increase.
- However, input lead times increased by the slowest extent since February, and inventories presented the largest increase on record, signaling that the global supply chain crisis could be easing in the coming months.



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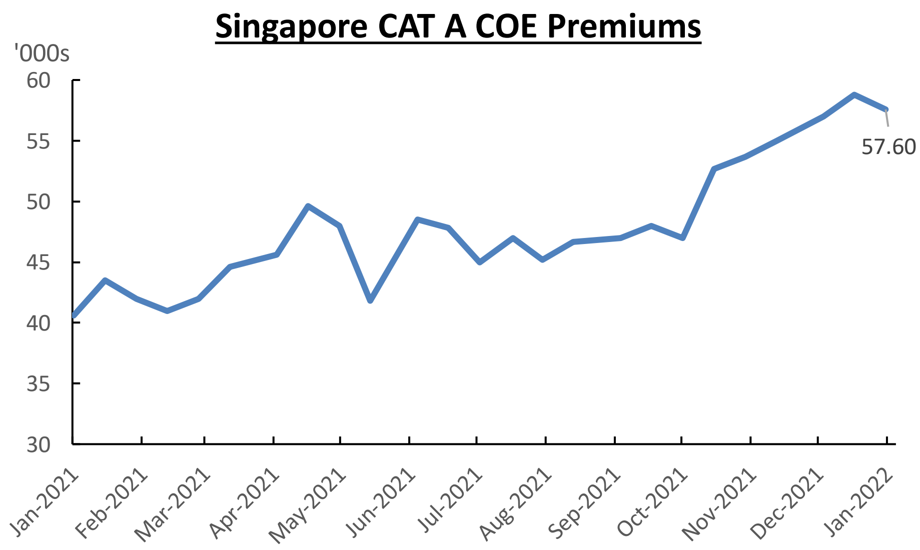
Source: OCBC, Bloomberg

SG: Singapore's COE Premiums falls

- After marking an 8-year high of S$58,801 in Dec'21, Singapore's Cat A COE premiums dipped slightly to S$57,599 after the latest bidding exercise held in January.
- In tandem, the Cat B COE prices fell to S$77,700 in Jan, from S$80,989 in December.
- However, the supply of COEs for the next three months from February to April will fall by 1.3% to 10,452 COEs, which mean COE bidding prices may stay supported.



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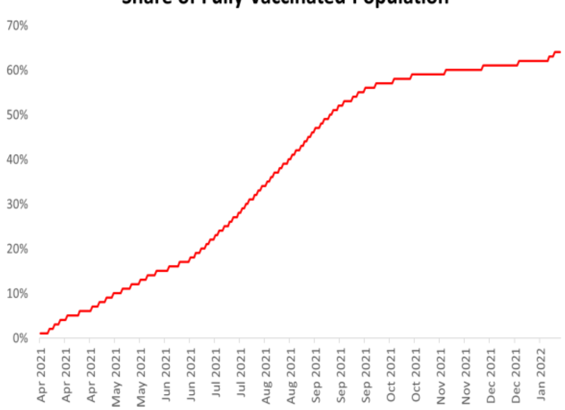
Source: OCBC, Bloomberg

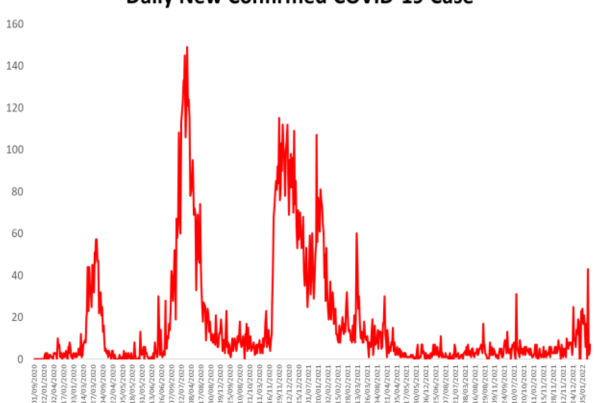
HK: Fifth round of anti-pandemic fund rolled out

- The Hong Kong government pressed ahead with the “zero COVID” policy as it announced a series of measures to contain the spread of the Omicron variant last Friday. Firstly, the tightened social distancing measures and flight bans have been extended to after the Lunar New Year. Moreover, the fifth round of anti-pandemic fund was rolled out, committing HK$3.57 billion to support sectors affected by the COVID-19 epidemic. The relief measures consist of two parts, one for premises and individuals directly affected by the rollout of social distancing measures, and one for trade which have not seen any business revival since the onset of the pandemic due to border control measures.
- The stricter social distancing measures will inevitably hit the Lunar New Year consumption, the largest spending event of the year. We expect the value of retail sales in January and February to see little change, comparing to the level last year during the fourth wave of infection.

Share of Fully Vaccinated Population



Daily New Confirmed COVID-19 Case



Anti-pandemic Fund (no. of round)	Date approved/ announced	Amount approved (HKD billion)
1	21 Feb 2020	30
2	18 Apr 2020	137.5
3	15 Sep 2020	24
4	21 Dec 2020	6.4
5	14 Jan 2022	3.57

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Source: Bloomberg, Centre for Health Protection, OCBCWH

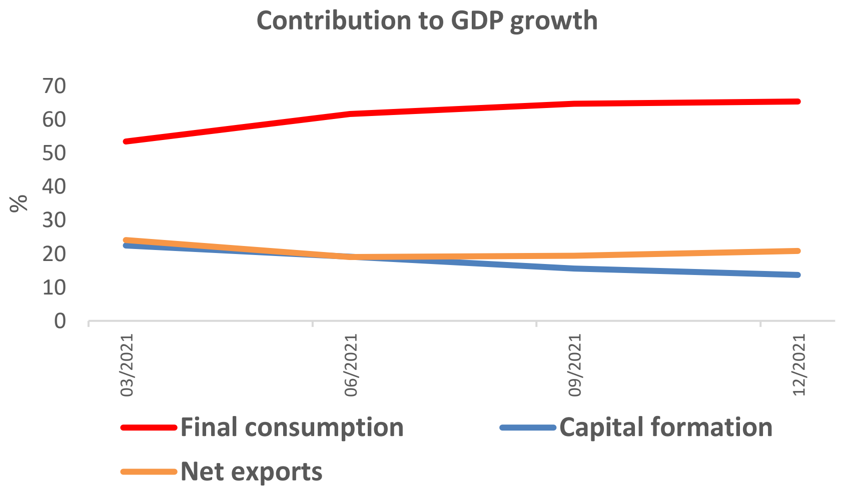
Macau: Amendments on gaming law revealed

- In preparation of re-tendering of to-be-expired gaming licenses, Macau government revealed the proposed amendments on the gaming law. All the amendments were much anticipated and appeared far less harsh than initially feared.
- As anticipated, the number of gaming license will be limited to six with a concession term of ten years (with an option to extend for three years under exceptional circumstances). The government also proposed to boost local ownership by raising the requirement for a Macau-based Manger Director to hold 15% of interest in the company from that of 10%. Nonetheless, the proposal to have a government representative or delegate to casino operators, will not be implemented. The investors will now focus on how authorities will supervise the casinos and implement their plan on increasing the local ownership.
- According to Macau officials, the current licenses will be extended for only a "short term" if re-tendering cannot be completed before June 2022. The proposed new framework has been send to the Legislative Assembly for consideration. With a clearer regulatory framework for casino operators, it significantly reduces the downside risks for Macau, as a gaming industry reliant economy.

OCBC Bank Source: HK Census and Statistics Department, Bloomberg, OCBCWH

CN: Better than expected China's growth

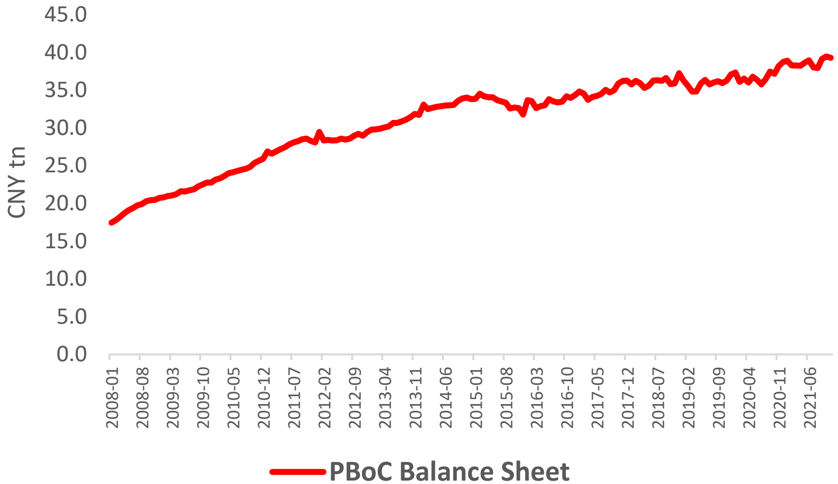
- The Chinese economy grew by 8.1% yoy. On two-year average adjusting for the pandemic distortion, China grew by 5.1% yoy on average in the past two years, within the reasonable range of trend growth.
- In nominal term, the Chinese economy rose by 12.8% yoy to **CNY114.37** trillion. This means the economy is **16%** larger than pre-Covid level.

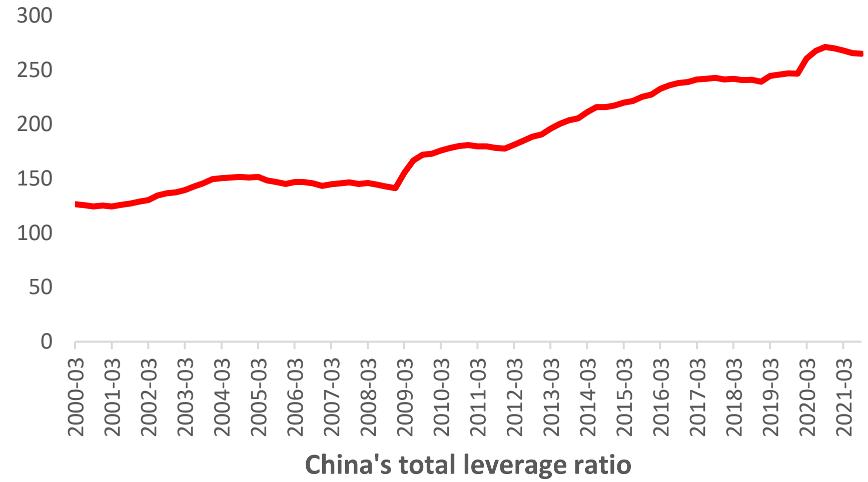


Source: Bloomberg, Wind, OCBC

CN: What China did differently in 2021

- China has been ahead of the curve in tightening on three macro fronts in 2021 including prudent monetary policy, strict debt management and tightening property measures.
- What China did differently in 2021 may be partially responsible for the underperformance of China's equity, but it means more policy ammunition for 2022.
- When the global investment community tries to price in the impact of monetary policy divergence between US and China, we think inflationary pressure divergence due to China's early move in 2021 may lend more supports to market sentiment in China.





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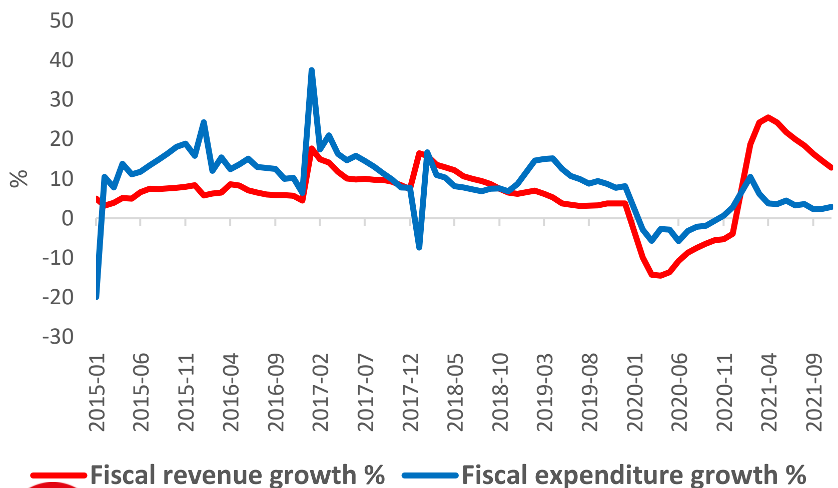
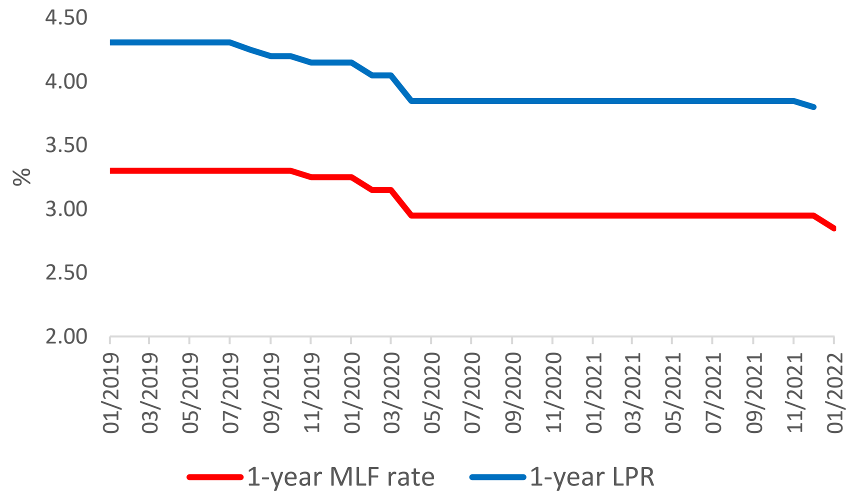
Source: Bloomberg, Wind, OCBC

CN: Front loaded policy supports

- On monetary policy, China just announced a larger than expected 10bps cut of both MLF and 7-day reverse repo on 17 Jan. Given China is one of the few major economies with room for conventional monetary policy, we expect more easing such as more RRR cuts and LPR cuts in the coming months to support the growth.
- In addition, the latest State Council meeting also confirmed that the country will utilize CNY1.2 trillion of local government special bond issued in the last quarter of 2021 and accelerate the issuance of the front-loaded 2022 quota. Meanwhile, the positive jaw from China's fiscal revenue growth in 2021 will also become additional support for China to start its key projects early in 2022. As such, we expect infrastructure investment growth to reaccelerate, which will become one of the supporting factors to China's growth in 2022.





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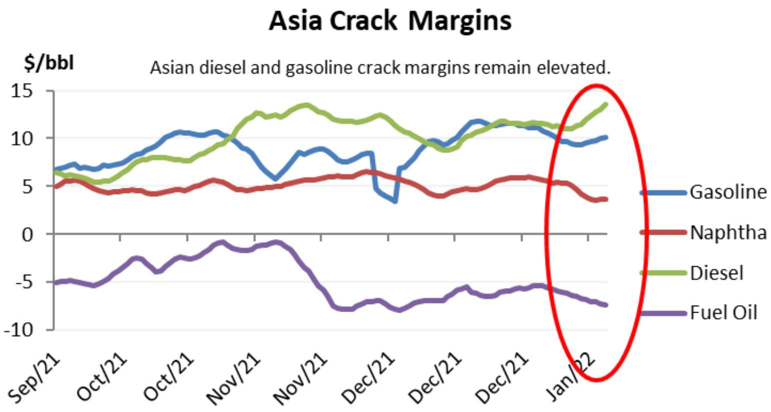
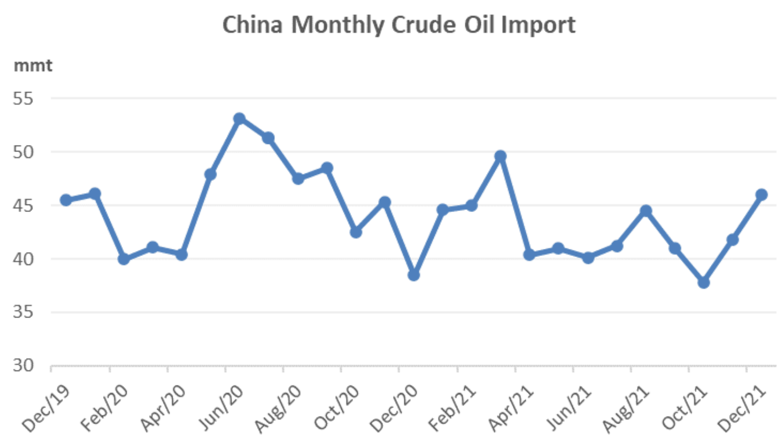
Source: Bloomberg, Wind, OCBC

Commodities

Oil: Bullish charge goes on

- Brent closed above $86.00/bbl last Friday and is within touching distance of the recent high of $86.40/bbl, set in Oct'21.
- A continued price rally is likely to see Brent set a new post-shale boom high price within this week.
- Asian gasoline and diesel crack margins remain supported.
- China's relatively strong oil import numbers last Friday also helped lift sentiment – at 46mn tons, the figure in Dec was the highest since Mar'21.
- No change to our bullish view on crude oil, with $100.00/bbl seen as the target this year.





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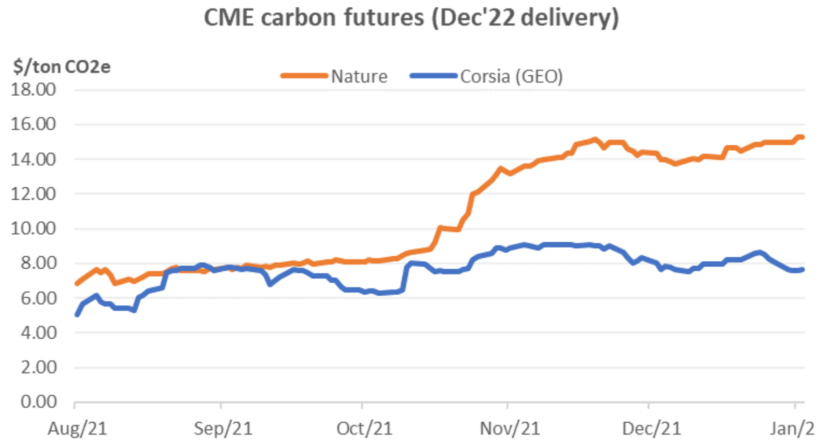
Source: Bloomberg, CDU TEK, OCBC

Carbon: China keeps aviation emissions internal

- China introduced emissions targets for the aviation segment last week.
- The country's aviation carbon emissions has risen from 0.926 to 0.928kg per ton-km.
- China aims to reduce carbon emissions per ton-km by 4.5% by 2025.
- China's aviation sector, however, will remain within its domestic carbon markets instead of the CORSIA programme under ICAO.
- The registration for China's CCERs is expected to restart this year, which can be used to offset aviation's carbon footprint.
- The lack of inclusion of other offset VERs for China's aviation sector might be a key reason for last week's decline in CORSIA-offset prices.



Source: Bloomberg, OCBC

Foreign Exchange & Interest Rates

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FX & Rates: Policy divergence between Fed and PBoC

- UST yields jumped across the curve on Friday, as investors geared up tightening expectations. Fed funds futures are pricing in almost four hikes this year. The 10Y real yield has been rising steadily over past sessions by almost 40bps from the lows in late December; while real yield assuming a bigger role is in line with our long-held view, further upward move probably need some more prints of firm economic data.
- In China, PBoC cut its OMO 7-day reverse repo rate by 10bps and the 1Y MLF rate by 10bps. On quantity, there is a net injection of CNY90bn via OMOs today, in line with the usual practice ahead of the holidays; while MLF is more than rolled over. While some easing had been priced in, the magnitude of the cuts and the outsized MLF are looser than expected. Monday's operations highlight policy makers' priority to support growth.
- Technicals still point to USD downside even after the bounce on Fri. Nevertheless, we are not expecting sustained USD weakness in the near term. Instead, look for some scope for consolidation in the DXY Index between 94.50 and 95.50.
- Net implied USD long positions remains mostly stable as seen from the latest CFTC release. However, there is now increased divergence in the USD view against the other majors. The net implied long USD position is heavily concentrated against AUD and JPY, and the bounce in these two currencies this year appeared to have given non-commercial accounts the opportunity to further load up shorts. On the other hand, the net EUR position was flipped back to a net long position, while the short GBP position was also compressed.

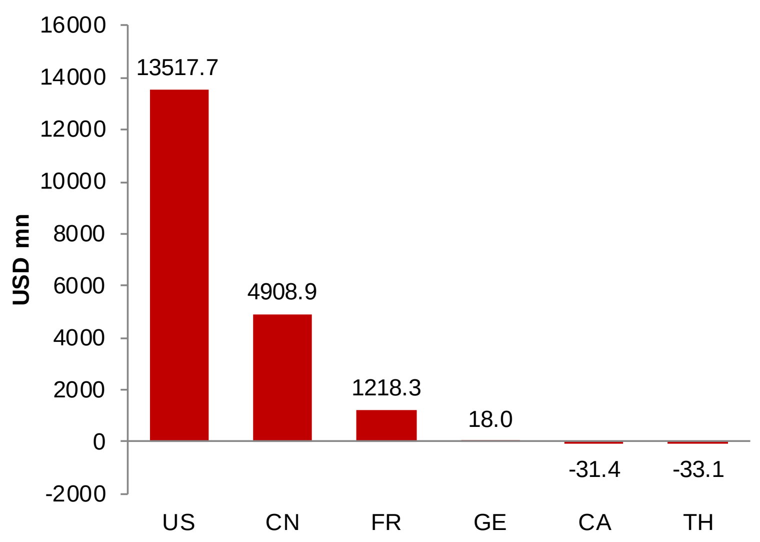
Source: Bloomberg, OCBC

Asset Flows

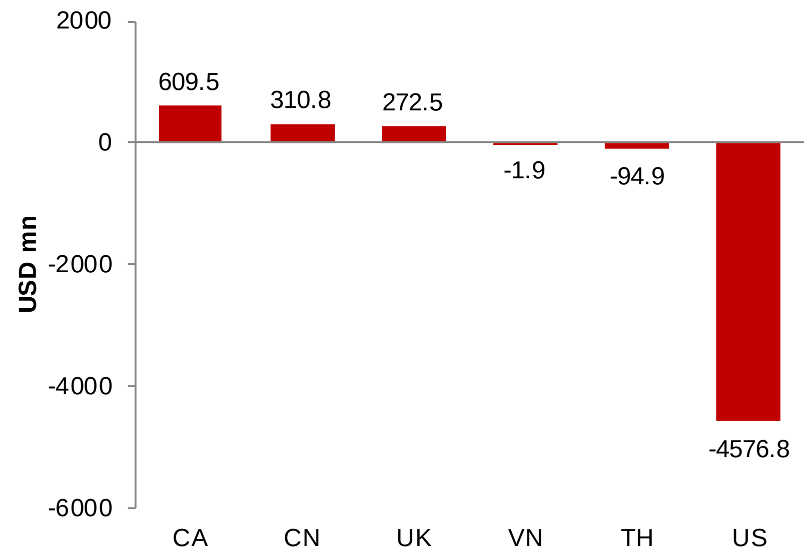
Global Equity & Bond Flows

- Inflows in the global equity market for the week ended 12 January amounted to $30.1bn, a decrease from the inflow of $25.5bn last week. Global bond market saw outflows amounting to $2.9bn, a decrease from last week's inflows of $6.7bn.

Equity top gainers & losers



Bonds top gainers & losers



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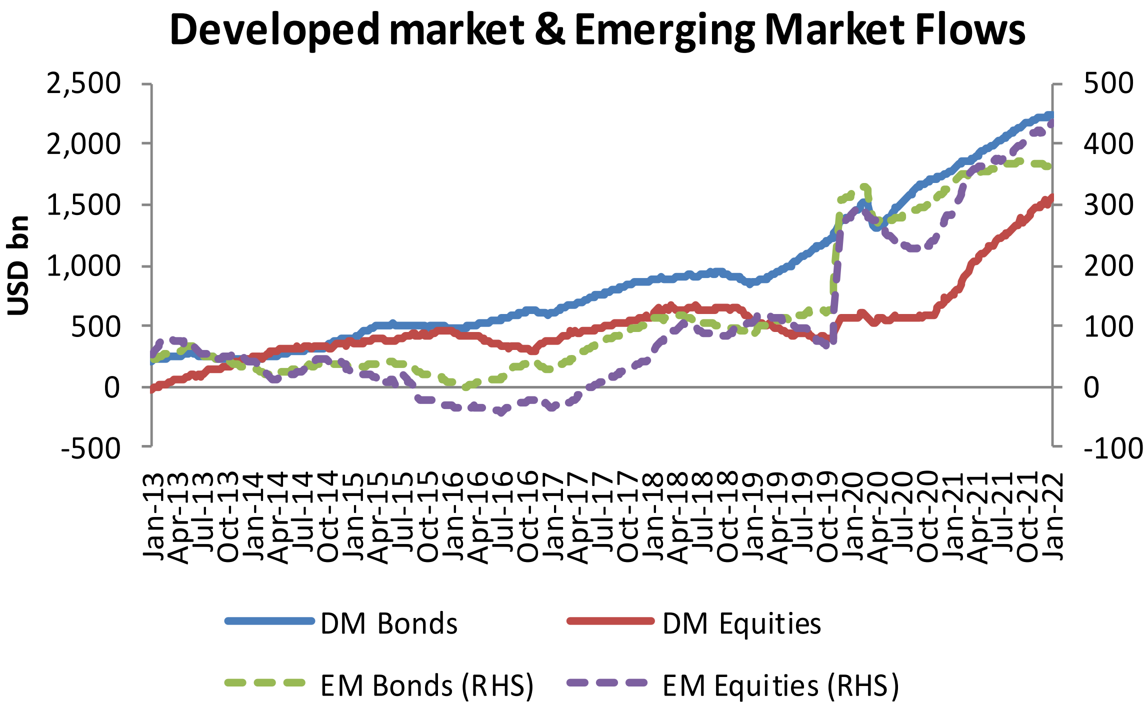
Source: OCBC Bank, EPFR

DM & EM Flows

- DM equities saw $22.2bn worth of inflows while the EM-space registered $7.7bn worth of inflows.
- Elsewhere, the DM bond space posted outflows of $2.7bn, while EM bonds registered outflows of $0.3bn.



Source: OCBC Bank, EPFR

Thank You

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