Weekly Research Views (WRV)

OCBC Group Research

20 July 2026

Weekly Macro Update

Key Global Data for this week:

20 July	21 July	22 July	23 July	24 July
• **EC:** Construction Output MoM, Construction Output YoY • **IN:** Core Industries Output YoY • **UK:** Rightmove House Prices MoM, Rightmove House Prices YoY • **US:** Leading Index	• **HK:** CPI Composite YoY • **SK:** Imports 20 Days YoY, Exports 20 Days YoY • **UK:** Public Sector Net Borrowing, ILO Unemployment Rate 3Mths, Claimant Count Rate • **US:** ADP Weekly Employment Change	• **AU:** Westpac Leading Index MoM • **ID:** BI-Rate • **SI:** Automobile COE Open Bid Cat A, B, C • **UK:** CPI YoY, CPI Core YoY, RPI MoM, Retail Price Index • **US:** MBA Mortgage Applications	• **AU:** Employment Change, Unemployment Rate • **EC:** ECB Deposit Facility Rate, ECB Main Refinancing Rate, ECB Marginal Lending Facility • **SI:** CPI YoY, CPI NSA MoM, CPI Core YoY • **SK:** GDP SA QoQ, GDP YoY • **US:** Initial Jobless Claims	• **EC:** S&P Global Eurozone Manufacturing PMI • **IN:** HSBC India PMI Mfg • TH: Gross International Reserves • **UK:** Retail Sales Inc Auto Fuel YoY, S&P Global UK Services PMI • **US:** New Home Sales

Summary of Macro Views:

Global	• **US-Iran:** Conflict deepens, civilian infrastructure attacked • **Global:** Xi Jinping at the World AI Conference 2026 • **US:** CPI surprises to downside; shelter sees slowest rise since 2021 • **US:** Fed Warsh - Hinge point in history • **EU:** Headline inflation cools to 4 month low of 2.8% YoY • **AU**: Consumer and business sentiment improve
Asia	• **SG:** GDP holds firm, electronics exports surge amid AI boom • **CH**: AI resilience vs. domestic headwinds • **HK:** Unemployment rate unchanged at 3.7%

Asia	• **ID:** We expect BI to hike by 25bp • **MA:** Upgrading our 2026 GDP growth forecast • **MA:** Inflationary pressures remain benign
Asset Class	• **FX & Rates:** Oil Trumps AI • **Credit Research:** Spreads widened, but primary markets stayed wide open • **Equity Research:** Constructive on 2H26 Outlook

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Global: Central Bank

Forecast – Key Rates

European Central Bank (ECB)	Bank Indonesia (BI)
Thursday, 23rd July	Thursday, 22nd July

House Views

ECB Deposit Facility Rate	*BI Rate*
Likely hold at 2.25%	**Likely hike by 25bps from 5.75% to 6.00%**

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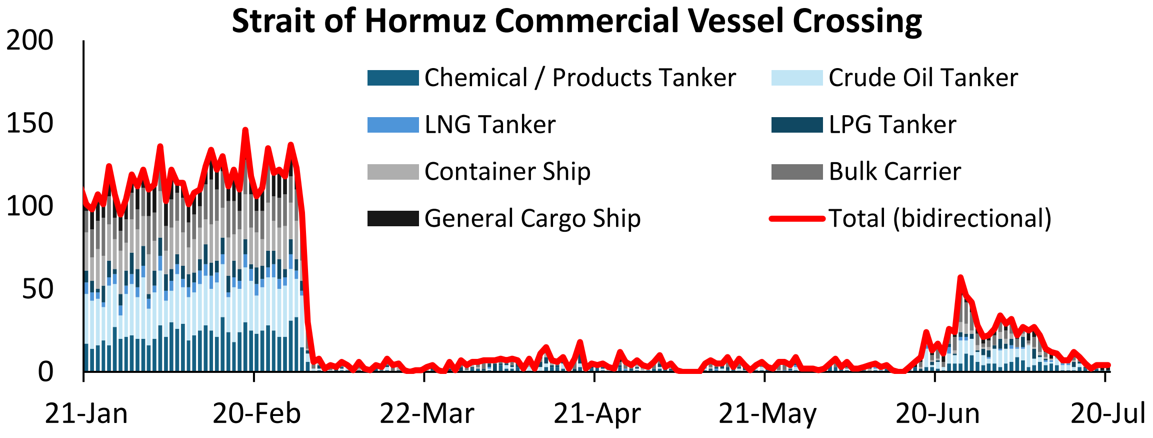
Source: OCBC, Bloomberg

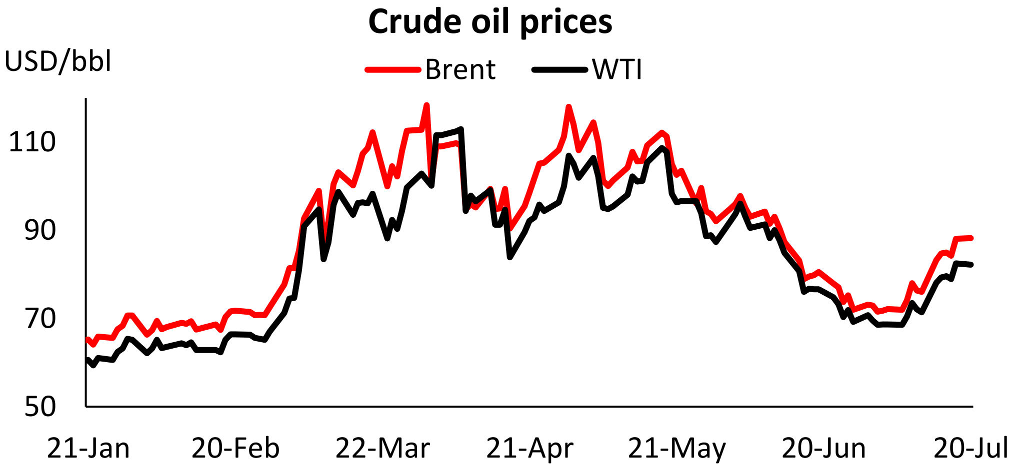
US-Iran: Conflict deepens, civilian infrastructure attacked

- The US-Iran conflict shows no signs of abatement, with both sides intensifying the scale and frequency of their strikes. The deaths of three US servicemembers has propelled the US into its ninth consecutive night of strikes. Beyond military targets, the US has increasingly targeted infrastructure, including Iran's unfinished Khuzestan nuclear power plant and other civilian assets such as bridges, railways, tunnels, and power lines, particularly in key coastal cities in southern Iran.

- The Iranian Revolutionary Guard Corps (IRGC) has continued launching attacks on Gulf states while tightening its control over the Strait of Hormuz. IRGC officials warned that the passage would remain unsafe for "the transit of petrochemical products, nor a single drop of oil and gas" as long as US aggression persisted, while also reporting that two oil tankers had been immobilised after attempting to transit an unsafe Southern route. Iran has also expanded its targeting to include civilian infrastructure, with reports of strikes on power, oil and water facilities in Kuwait.



Source: Bloomberg, OCBC Group Research.



Source: Bloomberg, OCBC Group Research.

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Source: Bloomberg, Reuters, OCBC Group Research.

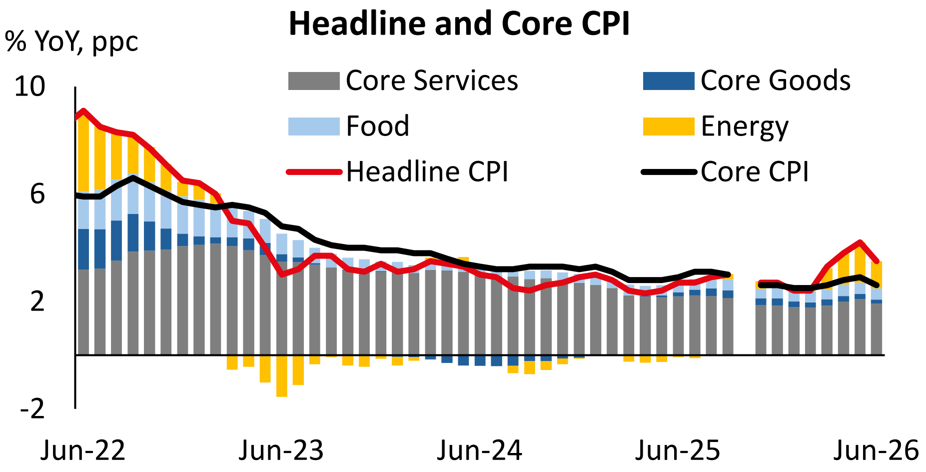
Global: Xi Jinping at the World AI Conference 2026

- Xi Jinping's opening speech set the tone for China's AI ambitions, with Xi positioning China as the leader of a new global AI order. He framed China's rapidly advancing open weight models as an alternative to US dominance, signaling Beijing's intent to shape global AI rules rather than accept Washington-led standards.
- He also argued that AI represents a 'historic opportunity' believing it should be treated as a public good and pledged to help developing countries build AI capabilities, warning that unequal access could create 'new historical injustices.' He emphasized that China was committed to providing training, infrastructure support and technology sharing across BRICS, ASEAN, Latin America and the African Union, showing a desire to become the champion of AI inclusion across the Global South.
- The newly formed World AI Cooperation Organisation (WAICO) took centre stage in Xi's speech, framing it as the institutional vehicle for China's AI leadership, calling it a 'milestone in the history of world AI development.' The new organization had 29 member countries joining at inception and countered the narrative of a US led 'AI iron curtain.' The unveiling of the frontier open weight models such as the Moonshot's Kimi K3 last Friday reinforced China's technological momentum, with its capabilities already reshaping the domestic AI market.
- WAIC also underscored the increasingly divergent US-China visions for global AI governance, as Washington and Beijing prepare for their first government level AI talks. The US has rallied 35 countries behind its AI opportunity Statement, with only Kazakhstan overlapping by also being a member of China's 29 member WAICO. This highlights two emerging blocs with different approaches, AI access and regulations standards.

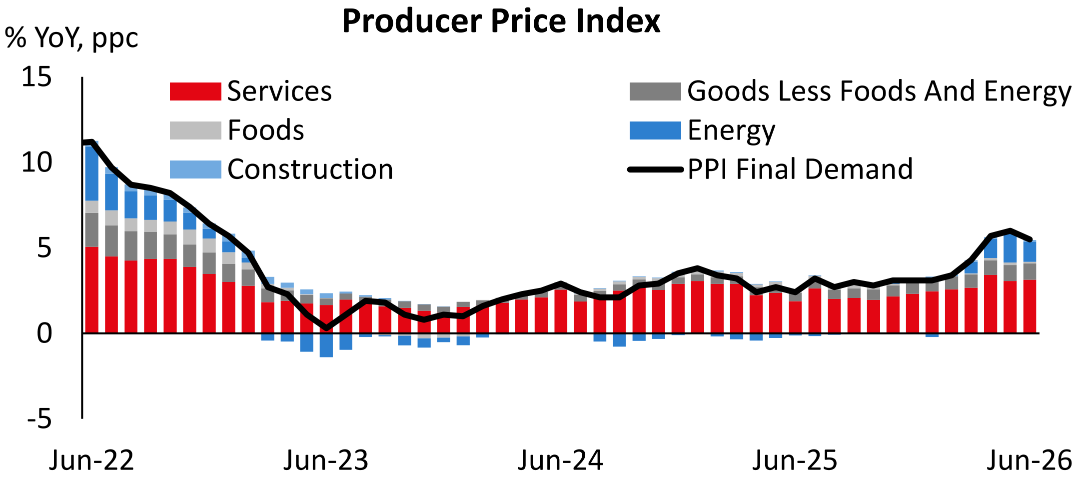
Source: Reuters, OCBC Group Research.

US: CPI surprises to downside; shelter sees slowest rise since 2021

- June CPI surprised materially to the downside as headline CPI fell 0.4% MoM SA and slowed to 3.5% YoY, versus consensus of −0.1% MoM and 3.8% YoY respectively. Core CPI was unchanged MoM and eased to 2.6% YoY, against expectations of 0.2% MoM and 2.8% YoY.
- The energy component fell 5.7% MoM, subtracting 0.44 percentage points from headline CPI. Gasoline accounted for nearly all of the drag, declining 9.7% MoM and contributing −0.39 points.
- The sticky component of shelter rose just 0.1% MoM, its smallest gain since January 2021, with rent at 0.1% MoM and owners' equivalent rent at 0.2% MoM, suggesting that the spillover from higher energy prints has run out of steam.
- Headline and core PPI also came in lower than expected at -0.3% MoM (exp: 0%) and 0.2% YoY (exp: 0.3%) respectively, which meant that core PCE should come in at 3.3% YoY in the coming week.



Source: Bloomberg, OCBC Group Research.

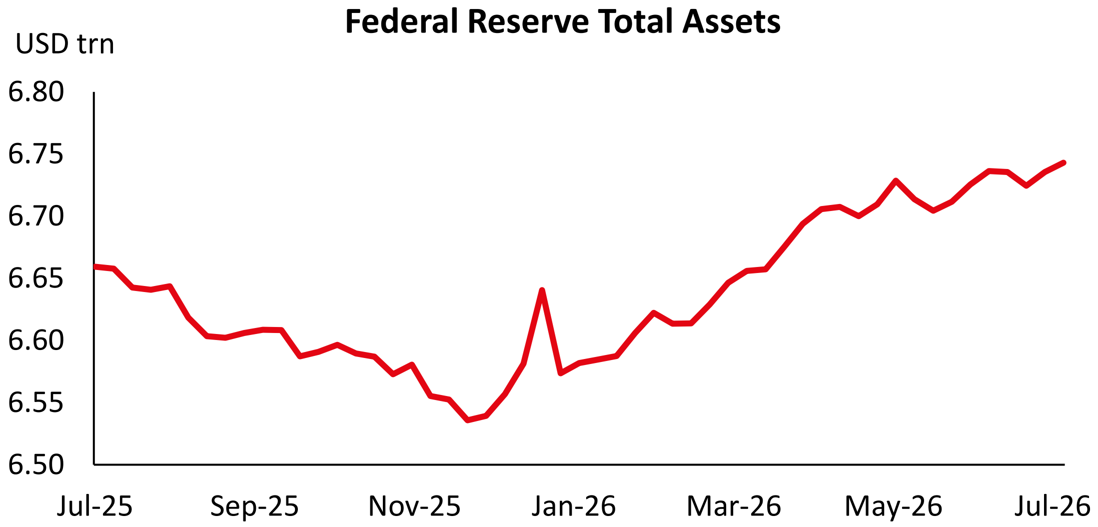


Source: Bloomberg, OCBC Group Research.

Source: Bloomberg, OCBC Group Research.

US: Fed Warsh - Hinge point in history

- Nothing new about Fed Chair Warsh's testimony despite flashy title. Familiar themes were reiterated – Fed committed to restoring price stability and should not overstep into fiscal authority; AI should benefit the economy in the long-term.
- When asked about the June CPI report, he said it was only "one data point," not "mission accomplished.
- Aggression on balance sheet reduction appeared to be tempered, as he said any changes to the balance sheet policies would be deliberate, publicly announced and any changes would be pursued over time. He also resisted suggestions that the Fed might be able to return to its balance sheet size before the GFC.

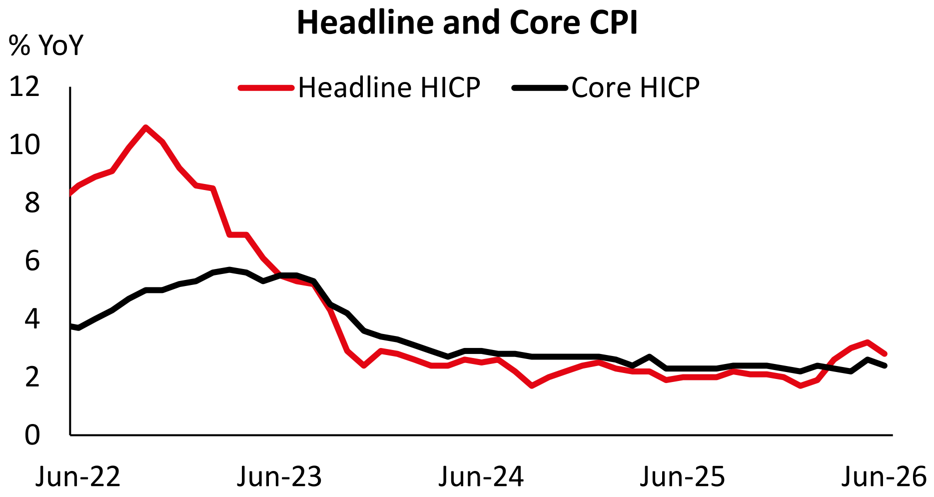


Source: Bloomberg, OCBC Group Research.

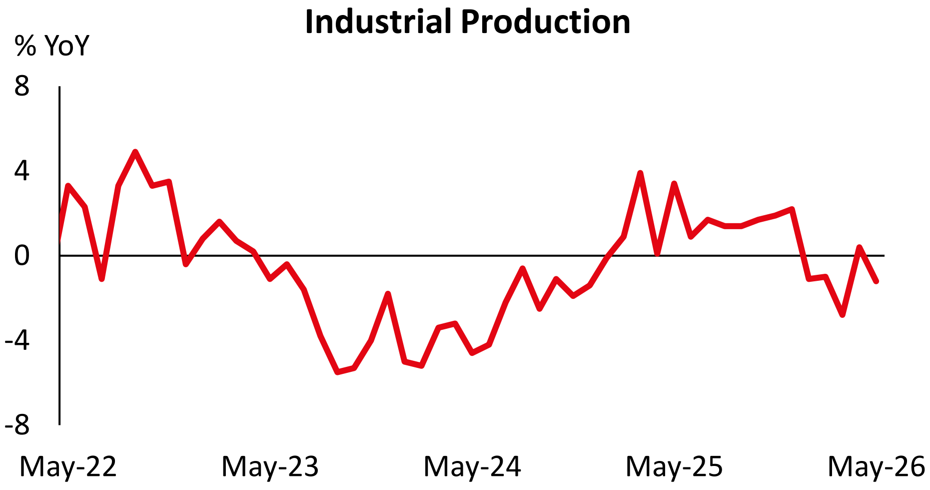
Source: Bloomberg, OCBC Group Research.

Europe: Headline inflation cools to 4 month low of 2.8% YoY

- Euro-area (final) headline inflation eased to 2.8% YoY in June from 3.2% YoY in May, while core inflation moderated to 2.4% YoY from 2.6% YoY, with services inflation slowing to 3.2% YoY from 3.5% YoY. Still, services was the largest contributor the overall print, adding +1.51 percentage points to the final 2.8% headline.
- Industrial production unexpectedly fell 0.2% MoM in May, against expectations for a 0.2% MoM increase, although the weakness was partly driven by volatile Irish output.



Source: Bloomberg, OCBC Group Research.



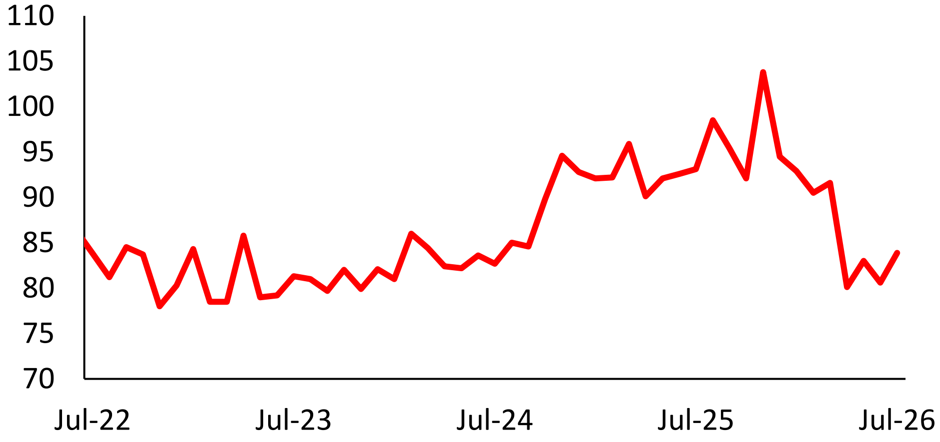
Source: Bloomberg, OCBC Group Research.

Source: Bloomberg, OCBC Group Research.

AU: Consumer and business sentiment improve

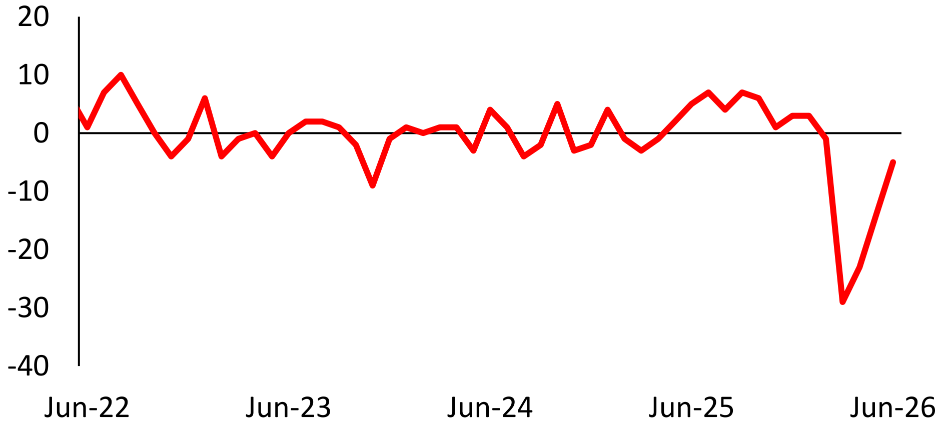
- The Westpac-Melbourne Institute Consumer Sentiment Index rose 4.1% to 83.9 versus 80.6 in June, indicating a modest improvement in consumer confidence. The increase was driven by stronger perceptions of current and future family finances, supported by lower fuel prices and easing rate hike expectations. However, consumers remain pessimistic regarding the economic outlook, with medium and long term sentiment largely unchanged and well below historical averages, although labour market sentiment improved significantly. Housing sentiment also improved but remains relatively weak, while house price expectations declined further in line with the cooling housing market.
- The NAB Business Confidence Index continued to recover from its sharp decline in March, rising by 9 points to -5, while the Business Conditions Index remained unchanged at +3 for the third consecutive month. Businesses have become less concerned as the impact of higher fuel costs and disruptions stemming from the Iran conflict has proven to be less than initially feared. However, business conditions remain challenging, with elevated labour costs and tight profit margins forcing companies to focus on operational efficiencies and cost-saving measures.

Consumer Confidence Index



Source: Westpac-Melbourne Institute, OCBC Research.

Business Confidence Index



Source: NAB, OCBC Research.

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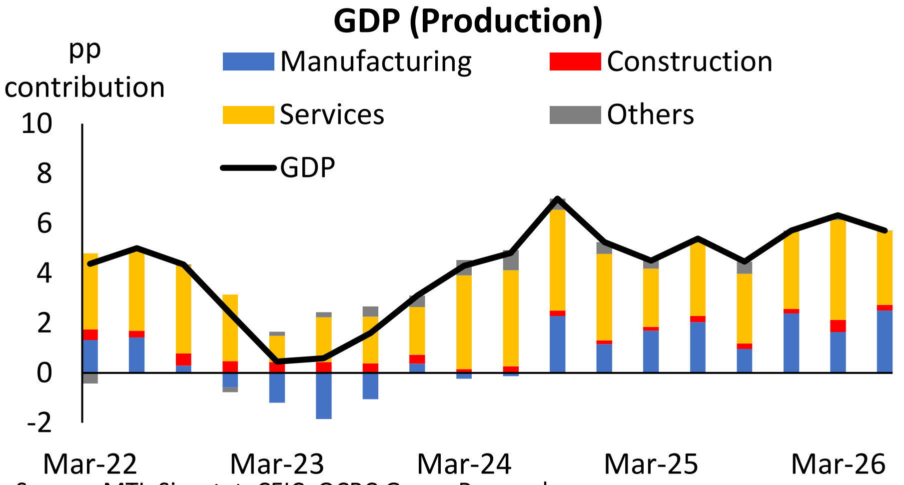
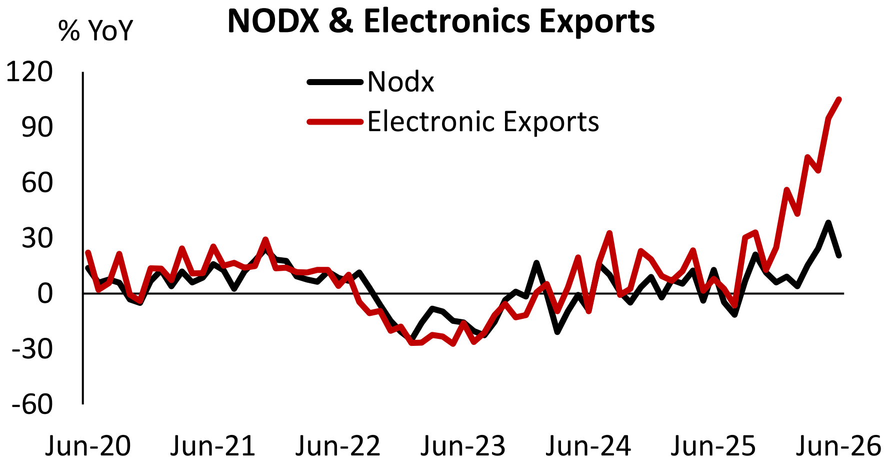
Source: Westpac-Melbourne Institute, NAB, Bloomberg, OCBC Group Research.

SG: GDP holds firm, electronics exports surge amid AI boom

- GDP growth moderated but remained resilient, with 2Q26 seeing 5.7% YoY growth despite softer services and normalization in construction. The drag was attributable to chemicals, biomedical manufacturing and parts of services, but manufacturing strengthened supply (+12.2% YoY) with AI related demand boosting semiconductors and precision engineering, reversing the prior quarters contraction.
- Electronic exports have hit a record high, surging to 105% YoY in June which is the strongest it has been since 1998, driven by disk drives, ICs, PCs and telecom equipment. AI driven strength helped offset the 2.9% decline in non-electronics NODX, which was weighed own by petrochemicals, pharmaceuticals and non-monetary gold. As a result, overall NODX moderated to 20.7% YoY even though electronics remained exceptionally strong.
- Forecast for Singapore's full-year 2026 GDP has been upgraded to 4.3%. MAS has already tightened monetary policy to anchor inflation and can afford a wait-and-see approach, while targeted fiscal support helps buffer cost pressures. Strong 1H26 performance underscores Singapore's economic resilience amid global uncertainty.



Source: MTI, Singstat, CEIC, OCBC Group Research.



Source: Bloomberg, OCBC Group Research.

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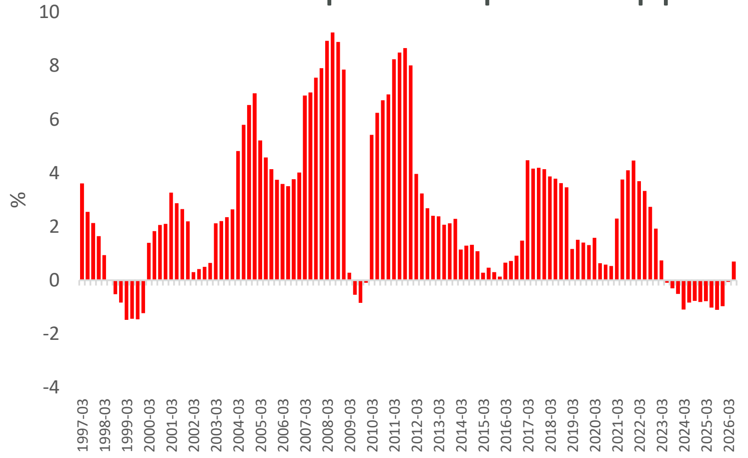
Source: MTI, Singstat, CEIC, OCBC Group Research.

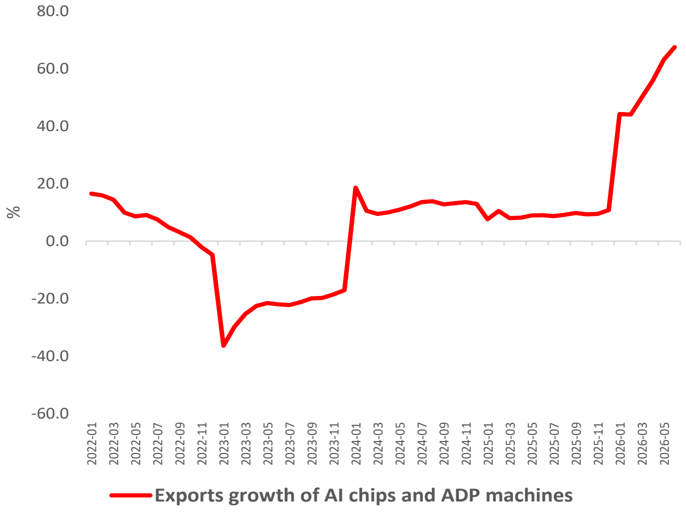
China: AI resilience vs. domestic headwinds

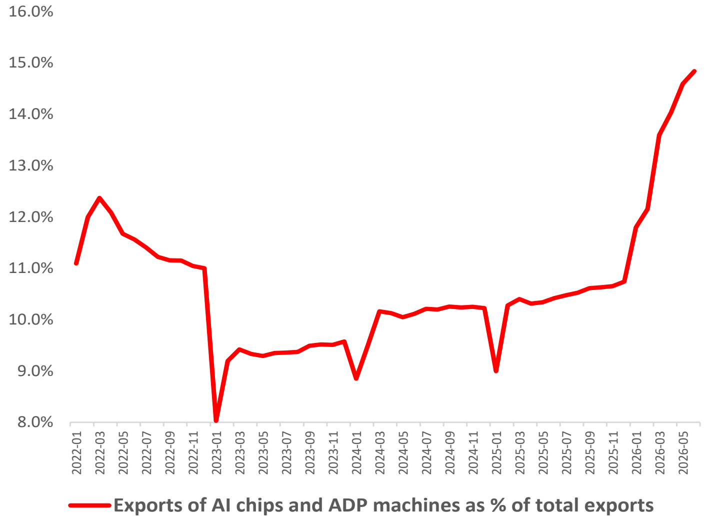
- China's economy slowed more than expected to 4.3% YoY (0.9% QoQ SA) in 2Q26 from 5.0% in 1Q26. Nevertheless, GDP growth averaged 4.7% YoY in the first half of 2026, remaining within the government's 4.5–5.0% growth target. One encouraging development was the continued reflation of the economy. Nominal GDP growth accelerated to 5.9% YoY in 2Q from 4.9% in 1Q, while China's GDP deflator turned positive for the first time since March 2023, signalling that deflationary pressures are gradually easing.

- AI-related products remained one of the key drivers of export performance. China's merchandise trade surplus narrowed only marginally to USD577.3 billion in the first half from USD583.4 billion a year earlier, while remaining historically elevated. Against the backdrop of subdued domestic demand, exports continued to serve as the primary engine of economic growth. On the import side, IC imports also reached another monthly record, rising 72.3% YoY, highlighting strong upstream semiconductor demand. Robust growth in both IC exports and imports suggests continued expansion across China's AI supply chain, reinforcing our view that AI-related exports will remain an important pillar supporting China's external sector over the coming quarters.



China's quarterly GDP deflator



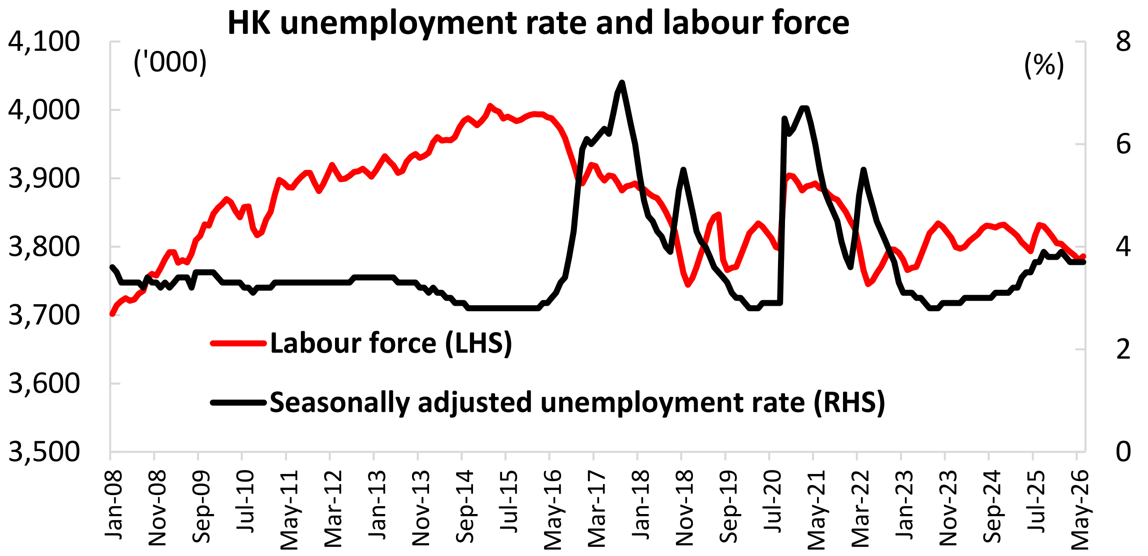


Source: Bloomberg, Reuters, OCBC Group Research.

HK: Unemployment rate unchanged at 3.7%

- The seasonally adjusted unemployment rate was unchanged at 3.7% in April – June 2026, while underemployment rate edged up to 1.6% respectively. The number of unemployed persons declined by 1.0% to 139,700, marking the first sequential decrease since the December 2025-February 2026 period. Meanwhile, the labour force expanded marginally by 0.1% to 3.79 million, with the labour force participation rate rising by 0.1 percentage point to 56.2%, rebounding slightly from the record low recorded in the previous period.

- Labour market conditions were mixed across sectors. Comparing the March-May 2026 period with February-April 2026, unemployment rates declined notably in the import and export trade sector and the food and beverage services sector, likely reflecting continued support from AI-related trade boom and stronger consumption associated with the FIFA World Cup. In contrast, unemployment rates increased in the manufacturing sector, suggesting that employment conditions remain uneven despite a solid expansion in economic activity.

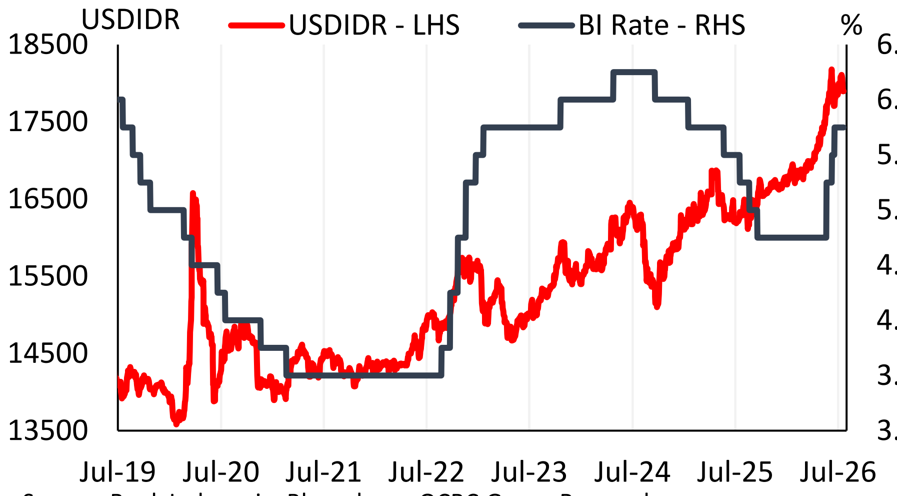


Source: C&SD, OCBC Group Research.

Indonesia: We expect BI to hike by 25bp

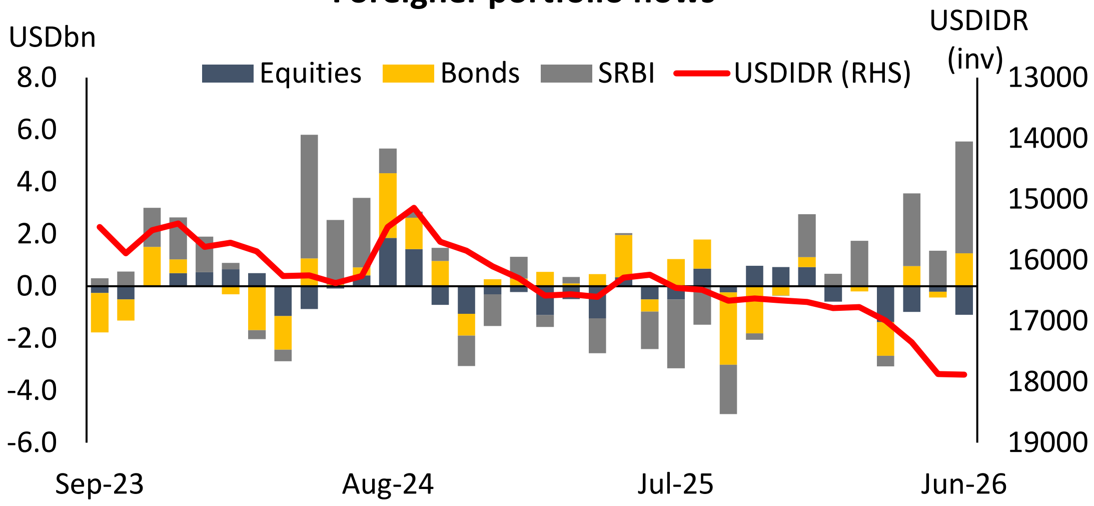
- We expect Bank Indonesia (BI) to raise its policy rate by 25bp to 6.00% at its 22 July meeting. This would be the third consecutive monthly rate hike from BI.
- BI has shifted decisively toward preserving macroeconomic stability, raising its policy rate by a cumulative 100bp over 29 days to 5.75% by June. Foreign inflows into the government bond and SRBI instruments picked up in June by USD1.3bn and USD4.3bn, respectively. Daily data shows foreign inflows into government bonds picked up through to 17 July, with outstanding ownership at 12.92%.
- The main reason we expect BI to hike its policy rate at its 22 July meeting is to follow through on its past actions. It will help send a signal of policy consistency and unwavering focus, which we think is crucial at this time given that external volatilities remain heightened.

BI Rate and USDIDR



Source: Bank Indonesia, Bloomberg, OCBC Group Research.

Foreigner portfolio flows

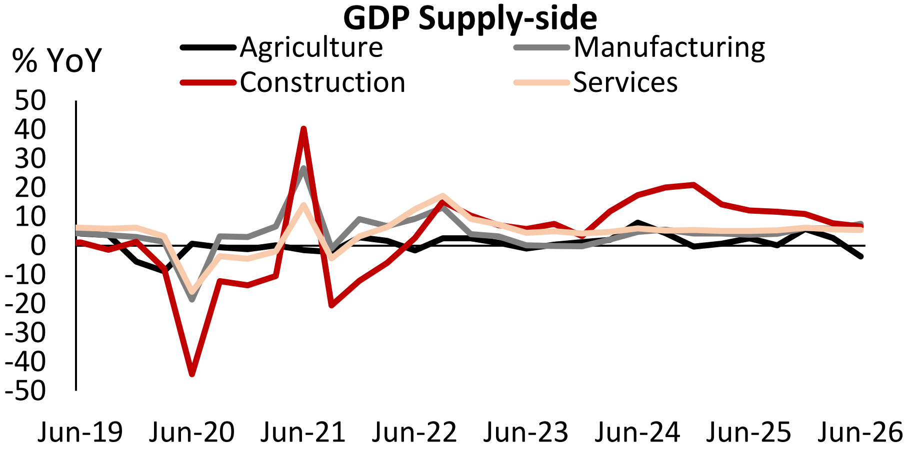


Sources: Bloomberg, CEIC, and OCBC Group Research.

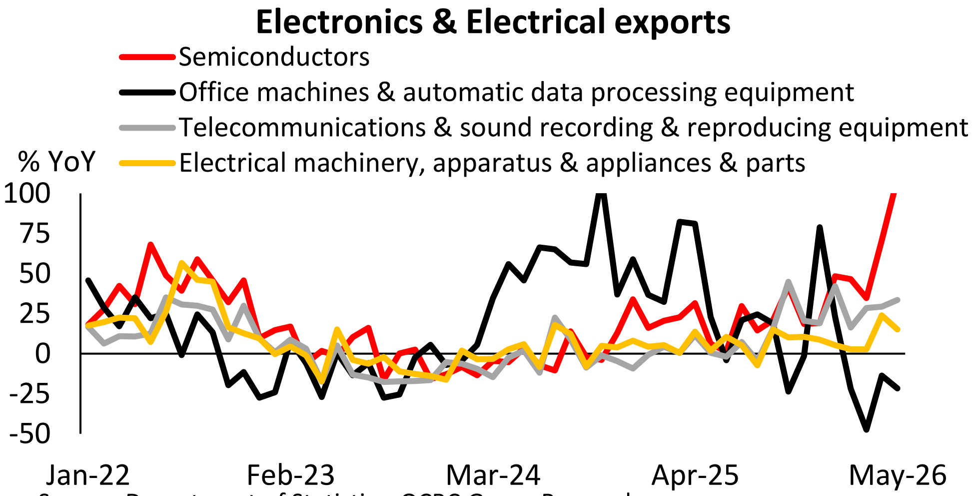
Source: BI, Bloomberg, OCBC Group Research.

Malaysia: Upgrading our 2026 GDP growth forecast

- The advance estimates show that the economy grew 5.8% YoY in 2Q26 from 5.4% in 1Q26, close to our forecast of 6.0% and above consensus estimates of 5.2%. Growth was strong across key sectors led by the manufacturing (7.5% YoY from 5.9% in 1Q26) and mining (10.2% from -2.1%) sectors, while growth in the services (5.4% from 5.6%) and construction (6.6% from 7.7%) sectors remained resilient. The drop in agriculture output (-3.7% from 2.6%) was expected and is consistent with weaker crude palm oil production.
- We are revising our 2026 GDP growth forecast higher, to 5.2% from 4.4%, on the strength of the electronics export sector and resilient domestic demand. GDP growth averaged 5.6% for 1H26, implying slightly softer economic growth in 2H26. Electronics and electrical appliances (E&E) exports grew 70.5% YoY in May from 46.6% in April, compared to 26.7% in 1Q26.
- The strength in exports also provides a buffer for growth, even as consumption patterns become more mixed, albeit resilient. Medium-term plans remain in place to support economic growth, including government-led infrastructure spending and private sector-driven data centre development, alongside fairly resilient labour market conditions and wage growth.



Source: CEIC, OCBC Group Research.

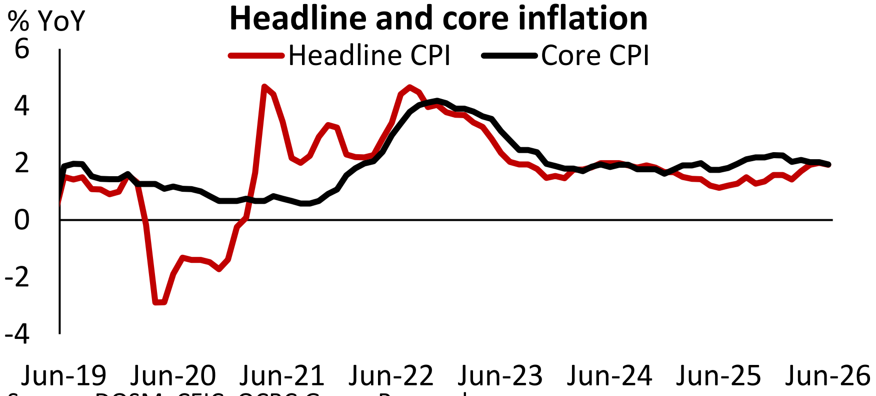


Source: Department of Statistics, OCBC Group Research.

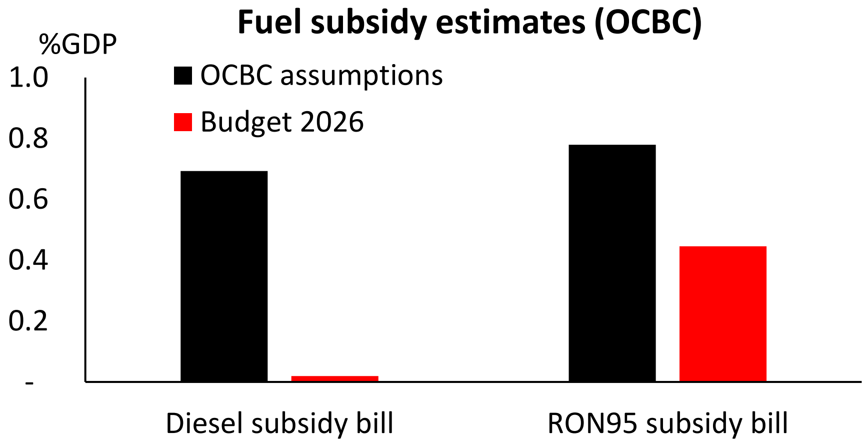
Source: DOSM, CEIC, OCBC Group Research.

Malaysia: Inflationary pressures remain benign

- Headline CPI eased to 1.9% YoY in June from 2.0% in May, taking the 2Q26 average to 2.0% versus 1.6% in 1Q26. Core inflation also eased to 1.9% YoY in June from 2.0% in May, with the average for 2Q26 at 2.0% versus 2.1% in 1Q26. The main driver of the June CPI print was lower transportation inflation of 2.8% YoY from 3.8% in May, which eased even before the implementation of the government's BudiDiesel policy of capping retail diesel prices at MYR2.1/litre on 1 July 2026. Early access to the scheme was granted from 27 June.
- The risk remains on the fiscal policy front. Deputy Finance Minister, Liew Chin Tong, told the Dewan Rakyat that the government would not reduce any existing subsidies despite a projected MYR40bn petroleum subsidy bill for 2026—nearly triple the MYR15bn originally budgeted. This is similar to our estimate, and we maintain our forecast of fiscal slippage of 0.2% of GDP relative to the budget estimate of 3.5%. Should Brent prices remain above USD85/barrel on a sustained basis, we estimate that the fiscal deficit could widen further for this year.
- From a monetary policy perspective, BNM maintained its neutral tone at its 9 July meeting and showed limited signs of shifting to a hawkish bias. However, persistent upside surprises to growth and an output gap that is close to neutral or slightly positive, by our estimates, supports the case for BNM to normalise its policy rate to 3.00% from 2.75%. Our baseline remains for a normalisation in early 2027, potentially in January.



Source: DOSM, CEIC, OCBC Group Research .



Source: Budget 2026; Ministry of Finance Malaysia, OCBC Group Research.

Source: DOSM, MOF, CEIC, OCBC Group Research.

FX & Rates

Oil Trumps AI

- **Oil Trumps AI**: Cooler US inflation has capped USD gains and supported carry trades, but rising Middle East risks could change the narrative. A renewed oil shock may lift US yields, strengthen the USD and test the resilience of low-volatility FX markets.
- **GBP Optimism Overdone?:** GBP has rallied on hopes of fiscal discipline, but reality may prove more challenging. With EURGBP looking oversold after an apparent downside overshoot, we expect the cross to rebound towards 0.87.
- **USDCNH may continue to trade broadly rangebound,** with the fixing continuing to anchor the pace and direction of moves while softer domestic growth and policy-easing expectations limit the extent of RMB gains.
- **USDSGD may remain largely driven by broader USD direction and risk sentiment**, with SG CPI in focus ahead of the upcoming MAS review where we expect FX policy to remain on hold.
- **USDMYR may stay supported if geopolitical risks and risk aversion remain elevated,** though resilient domestic growth and improving portfolio flows should help limit the extent of MYR weakness.

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