



Weekly Macro Views (WMV)

Treasury Research & Strategy (23rd November 2021)

Weekly Macro Update

Key Global Events for this week:

22 nd November	23 rd November	24 th November	25 th November	26 th November
<ul style="list-style-type: none"> - US Existing Home Sales - HK CPI Composite YoY - TA Export Orders YoY - EC Consumer Confidence - US Chicago Fed Nat Activity Index - MA Foreign Reserves - TA Unemployment 	<ul style="list-style-type: none"> - FR Markit France Manufacturing PMI - SI CPI YoY - GE Markit Manufacturing PMI - EC Markit Manufacturing PMI - UK Markit Manufacturing PMI - US Markit Manufacturing PMI 	<ul style="list-style-type: none"> - RBNZ Official Cash Rate - US Initial Jobless Claims - GE IFO Business Climate - US GDP QoQ Annualized - U. of Mich. Sentiment - US MBA Mortgage Applications 	<ul style="list-style-type: none"> - SK BoK 7-Day Repo Rate - NZ Trade Balance - VN CPI YoY - HK Exports YoY - GE GDP - JN Machine Tool Orders YoY - GE Consumer Confidence - VN Retail Sales YTD 	<ul style="list-style-type: none"> - JN Tokyo CPI Ex-Fresh Food YoY - AU Retail Sales MoM - EC M3 Money Supply - SI Industrial Production YoY - TH Foreign Reserves - MA CPI YoY - JN Tokyo CPI YoY - LN Consumer Confidence Indicator

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Global: Central banks • Global: China warns of “quasi-stagflation” • Global: US retail sales accelerate in October • Global: Tightened Covid-19 measures in Europe • Global: US Core PCE breakdown 	Asia	<ul style="list-style-type: none"> • CH: More flexible monetary policy • ID: Recovering from the Punch • ID: Roaring Exports • ID: Policy Calibration • MY: Better from here • MY: BNM Stance
Asia	<ul style="list-style-type: none"> • SG: SG October NODX growth beats expectations • SG: SG workers may see salary increases for 2022 • HK: Jobless rate fell for the 9th consecutive months • HK: HKEX relax its rule for secondary listings • Macau: 3Q21 GDP rose 32.9% yoy in real terms 	Asset Class	<ul style="list-style-type: none"> • FX & Rates: An eventful week ahead
		Asset Flows	<ul style="list-style-type: none"> • Asset Flows

Global: Central banks

Forecast – Key Rates

Reserve Bank of New Zealand (RBNZ)



Wednesday, 24 November

Cash Rate

Likely **hike 25 bps to 0.75%**

Bank of Korea (BoK)



Thursday, 25 November

7D Repo Rates

Likely **hike 25 bps to 1.00%**

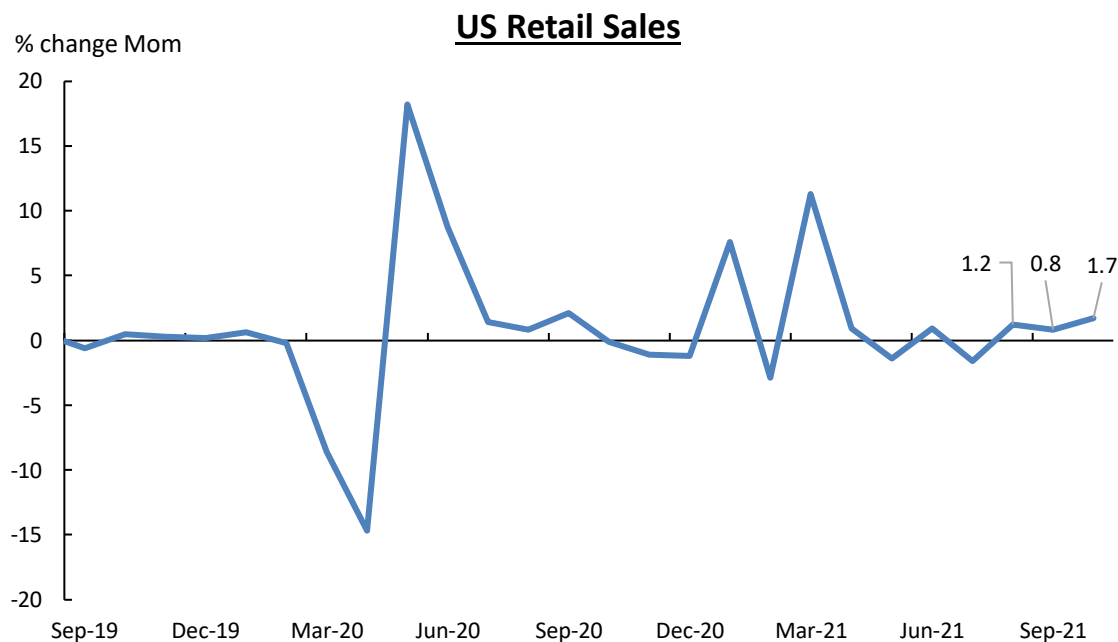
House Views

Global: China warns of “quasi-stagflation”

- China’s Foreign Exchange Committee has urged banks to limit speculation after the CNY hit a 6-year high, whereas a PBOC adviser warned that China could enter a period of “quasi-stagflation”.
- **Key data release are as follows:**
 - 22nd November: US Existing Home Sales, HK CPI Composite YoY ,TA Export Orders YoY, EC Consumer Confidence, US Chicago Fed Nat Activity Index, MA Foreign Reserves, TA Unemployment
 - 23rd November: FR Markit France Manufacturing PMI, SI CPI YoY, GE Markit, Manufacturing PMI, EC Markit Manufacturing PMI, UK Markit Manufacturing PMI, US Markit Manufacturing PMI
 - 24th November: US Initial Jobless Claims, GE IFO Business Climate, RBNZ Official Cash Rate, US GDP QoQ Annualized , U. of Mich. Sentiment, US MBA Mortgage Applications
 - 25th November: SK BoK 7-Day Repo Rate, NZ Trade Balance , VN CPI YoY, HK Exports YoY, GE GDP , JN Machine Tool Orders YoY, GE Consumer Confidence, VN Retail Sales YTD
 - 26th November: JN Tokyo CPI Ex-Fresh Food YoY, AU Retail Sales MoM, EC M3 Money Supply , SI Industrial Production YoY, TH Foreign Reserves, MA CPI YoY, JN Tokyo CPI YoY, LN Consumer Confidence Indicator

Global: US retail sales accelerate in October

- US retail sales increased in October as inflation expectations and fears of good shortages during the holidays fueled retail purchases.
- Retail sales increased 1.7% mom in October, topping consensus estimates of a 1.4% increase and a large improvement from the 0.8% mom gain in September.
- This is the 3rd straight month in which retail sales improved
- On a year-on-year basis, retail sales increased 16.4% in October and are 21.4% above their pre pandemic level.

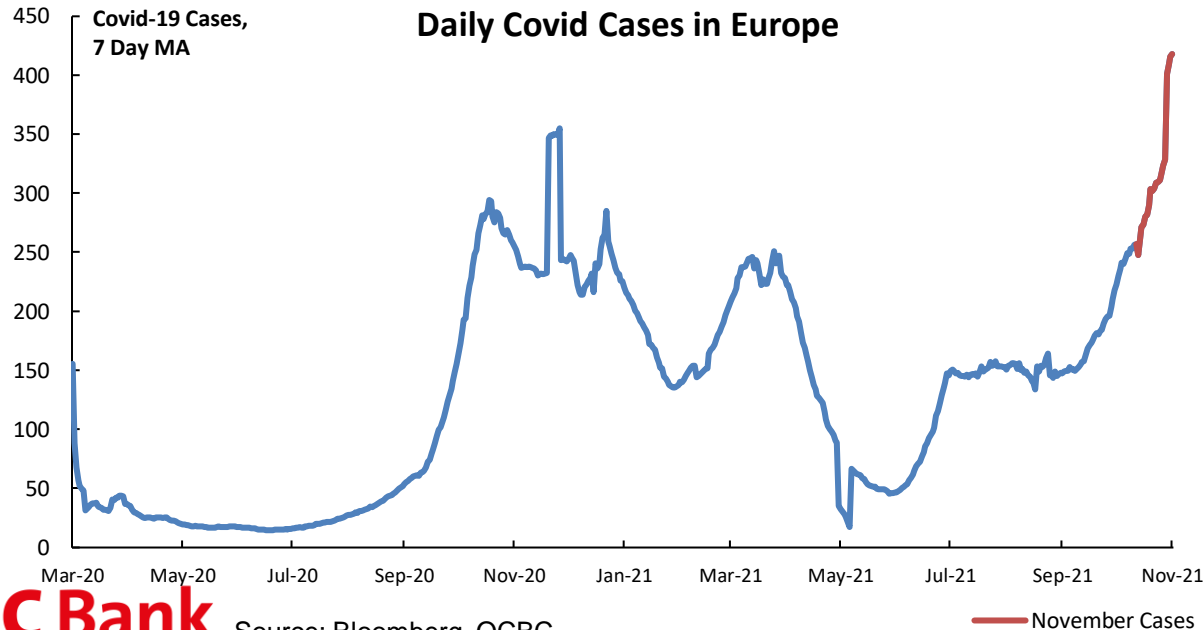


OCBC Bank

Source: Bloomberg, OCBC

Global: Tightened Covid-19 measures in Europe

- COVID-19 infection rates have increased significantly during Nov as winter draws near.
- Total cases in Europe stand at 80.9m as of 22nd November 2021
- Austria entered a nationwide lockdown starting on the 22nd of November for 20 days due to a sizeable increase in Covid-19 cases and relatively low nation vaccination rates (66%).
- Updates on other economies in Europe:
 - The Netherlands also entered a partial lockdown over 20th November weekend
 - Norway will impose tightened border entry requirements from 26th Nov
 - France, Italy, Switzerland and the UK have yet to impose any additional restrictions.

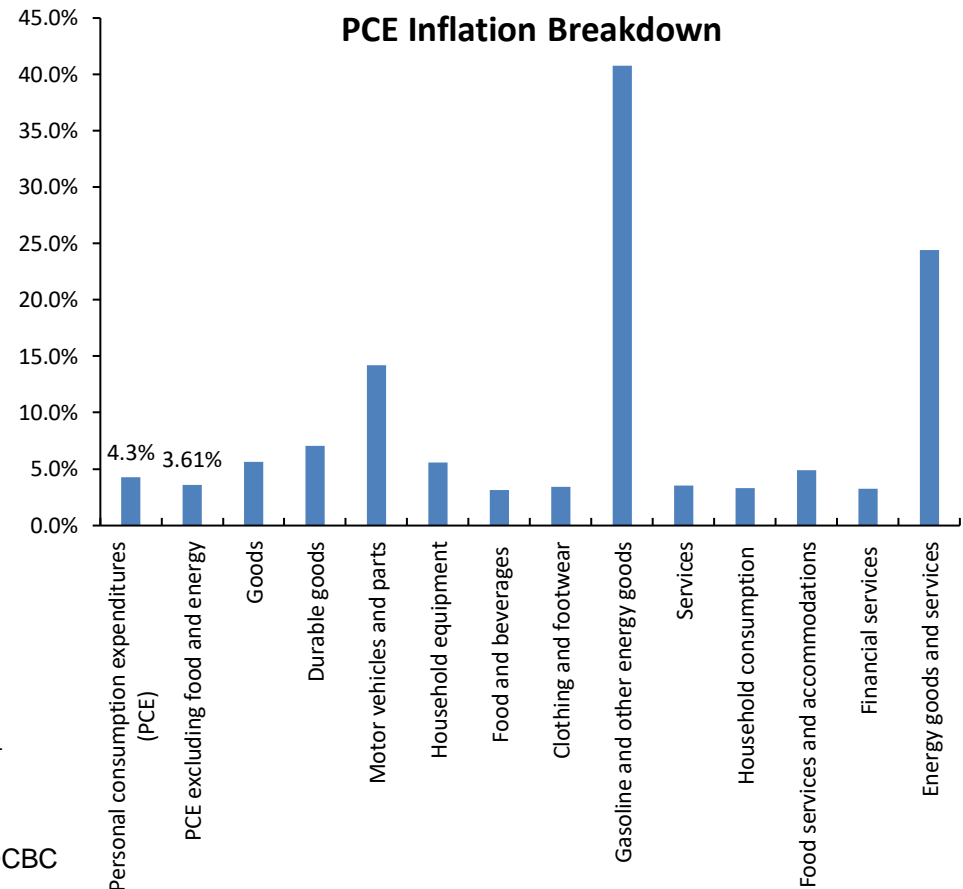
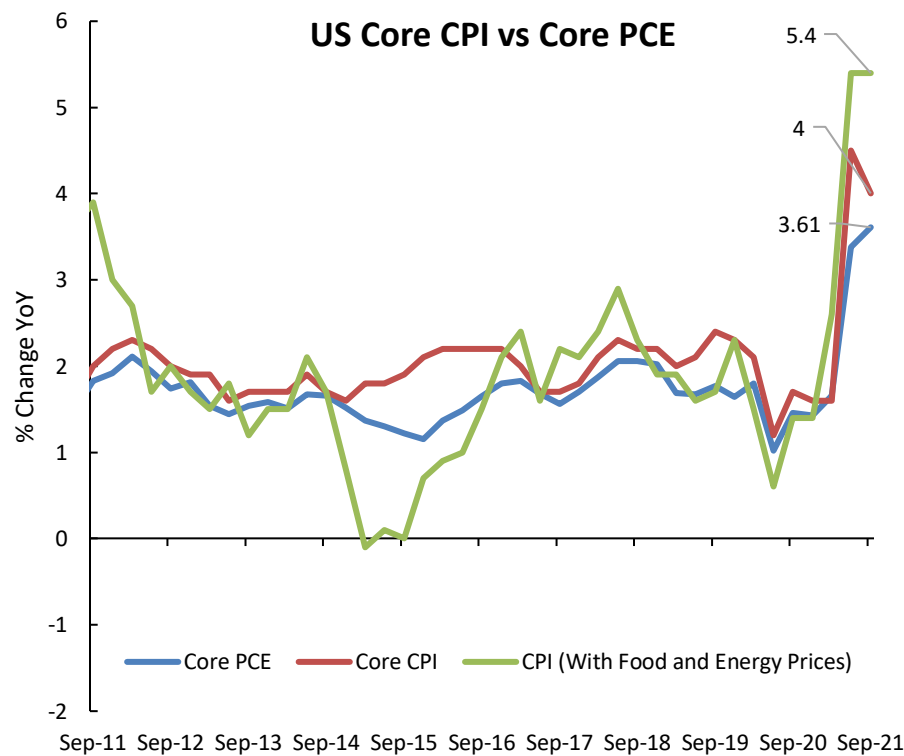


OCBC Bank

Source: Bloomberg, OCBC

Global: US Core PCE breakdown

- US Core PCE increased 3.6% yoy in September while PCE increased 4.3% in Sep.
- CPI increased 5.4% yoy in September, while US core CPI increased 4.0% yoy, the spread showing the extent food and energy prices contributed to inflation.
- The PCE breakdown noted significant contributions from energy, household equipment and Motor vehicles.



OCBC Bank

Source: Bloomberg, BEA, OCBC

SG: SG workers may see salary increases for 2022

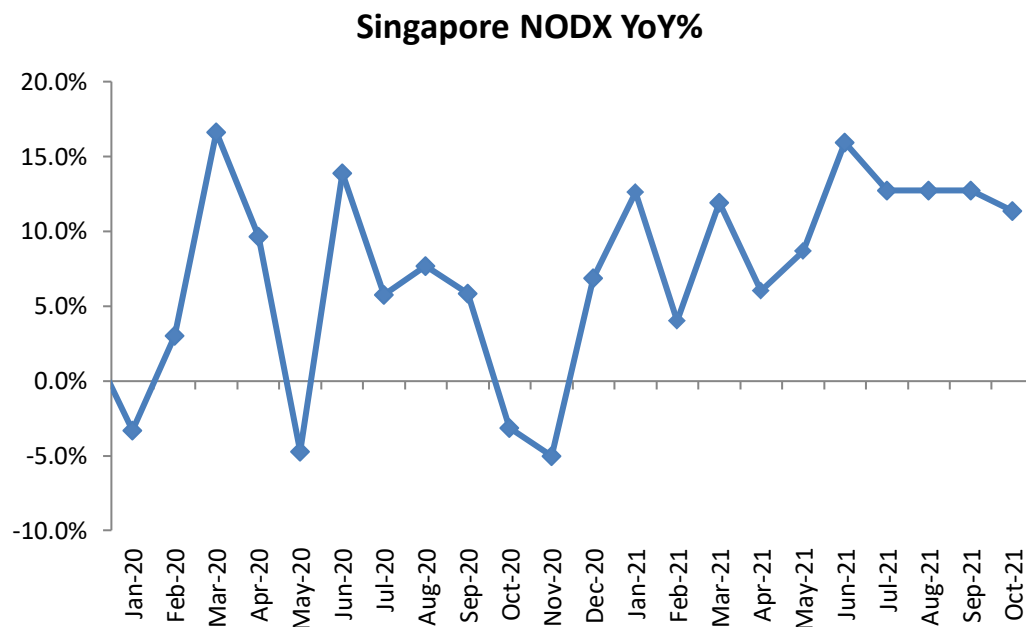
- Employees based in Singapore are expected to see a nominal salary increase of 3.5% next year, up from 2.8% this year according to ECA international.
- After factoring in a forecasted 1.5% inflation, Singapore workers would have a real salary increase of 2.0% on average – up from 1.2% this year
- Real salary increase rates across the APAC region are forecast to be 1.9% in 2022, significantly higher than the global average of 0.9%.

Top ten forecast real salary increases – Asia Pacific		
Country	2022 forecast real salary increase (%)	2021 real salary increase (%)
Vietnam	4.2	3.5
China	4	3.9
India	3.6	2
Thailand	3.2	3.1
Malaysia	2.8	1.5
Indonesia	2.5	2
Korea Republic	2.4	1.4
Philippines	2.1	0.5
Singapore	2	1.2
Taiwan	2	1.6



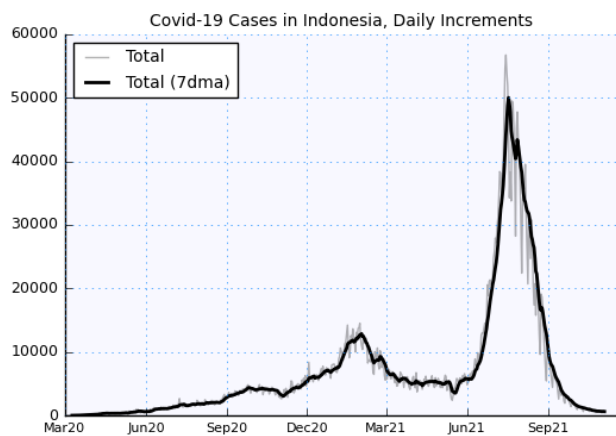
SG: SG October NODX growth beats expectations

- NODX growth accelerated to 17.9% yoy (4.2% mom sa), beating market expectations in its 11th consecutive month of expansion.
- This was aided by non-electronics exports (18.9% versus 11.4% previously), namely from non-monetary gold, specialised machinery and petrochemicals.
- Electronics NODX also grew 14.9% yoy amid robust semiconductor demand.
- NODX to the 7 of the top 10 markets also rose on stronger demand, led by China, Malaysia and Taiwan, whereas NODX to Thailand, US and HK slipped.



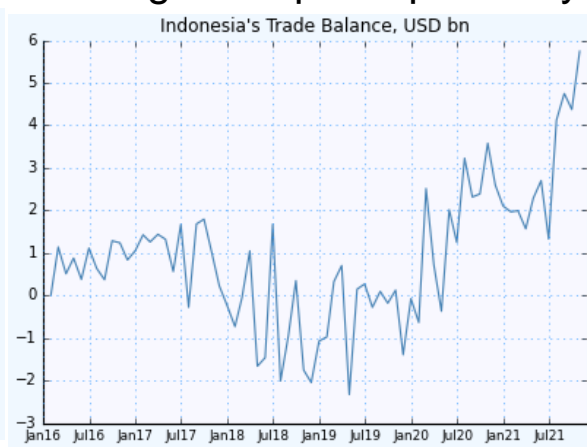
Indonesia: Recovering from the Punch

- At 3.51% yoy, Indonesia's Q3 GDP print came below what the market and we had pencilled in at 3.9-4.0%. It is also effectively half of the 7.07% growth rate in Q2, due to the pandemic resurgence. Private consumption was especially badly hit over the period.
- However, more recently, the country appears to have gotten a handle on the pandemic situation, with daily cases stabilizing. While Indonesia may remain 'hostage' to any new pandemic wave due to the relatively low vaccination rate – with 33% of population inoculated – in the near term, the recent resurgence appears to have ebbed away.
- As a result, consumer and business sentiments have started to show signs of life yet again, that should pave the way for an uplift in momentum. The latest manufacturing PMI soared to a record high of 57.2 for October, for instance. Overall, we see growth recovering to 5.0% in 2022, compared to what is likely to be 3.7% in 2021.



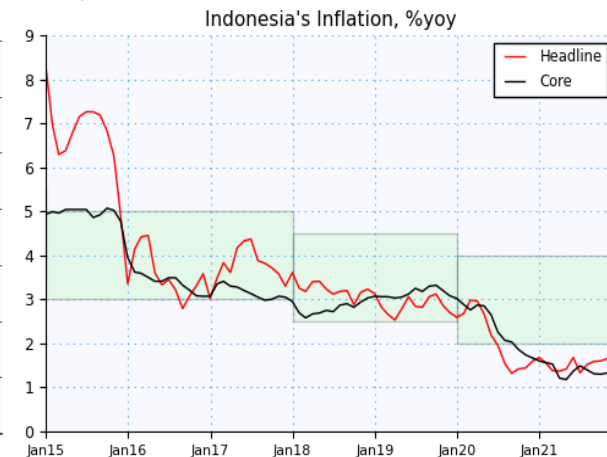
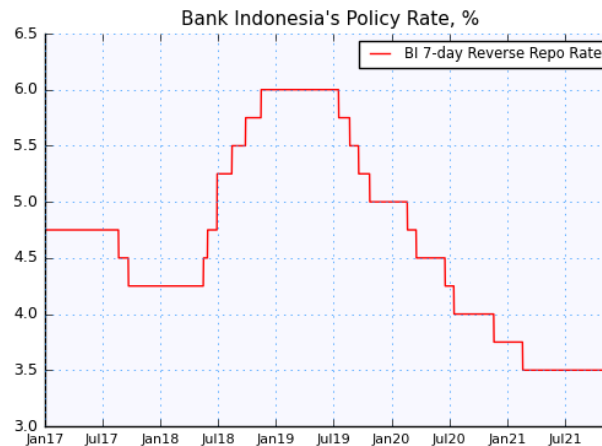
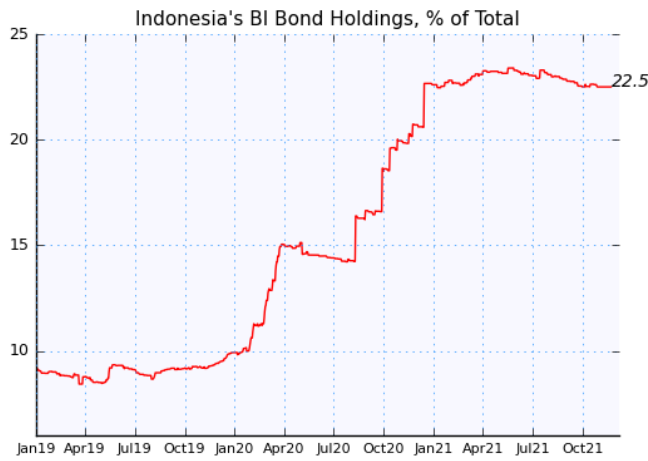
Indonesia: Roaring Exports

- 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 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.
- The high trade surplus should help curtail Indonesia's current account deficit – and provide a buffer against portfolio outflows should global market sentiment takes a dip in 2022. Another useful buffer is the fact that foreign bond holdings have declined in its relative importance in recent years due to greater participation by Bank Indonesia.



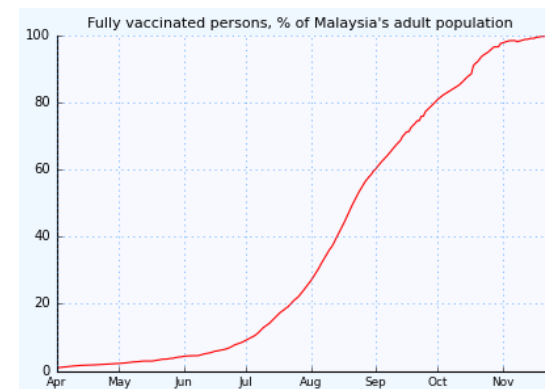
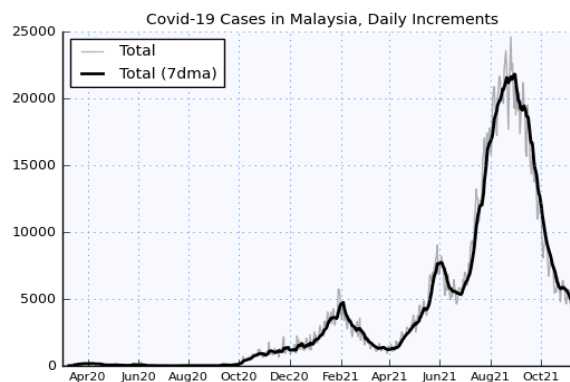
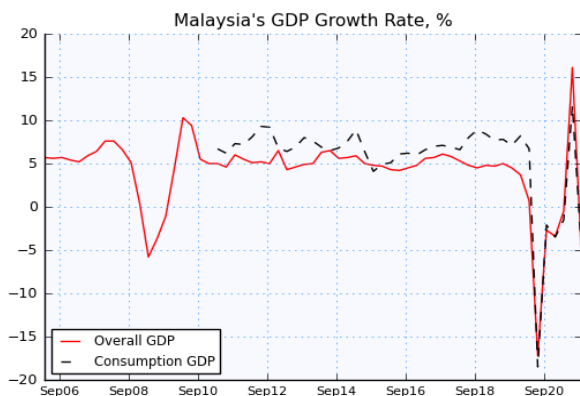
Indonesia: Policy Calibration

- Going into 2022, Indonesia's policy setting can be broadly characterized as one of gingerly consolidation. On the monetary policy front, Bank Indonesia will strive to keep its policy rate at the current low of 3.5% for as long as it can.
- To that end, the fact that the domestic inflation has been low – due primarily to curtailed private consumption – aids that desire. Still, should global factors become more dominant – not least the potential of the Fed turning a lot more hawkish than expected – Indonesia may be compelled to react, as well.
- Elsewhere, fiscal consolidation remains the goal with a return to a deficit of below 3% of GDP by 2023 in mind. How the MOF and BI cooperate to navigate the way out of the debt monetization move by the end of 2022 will be keenly watched as well, particularly if foreign bond inflows do not come in strongly enough to substitute for BI by then.



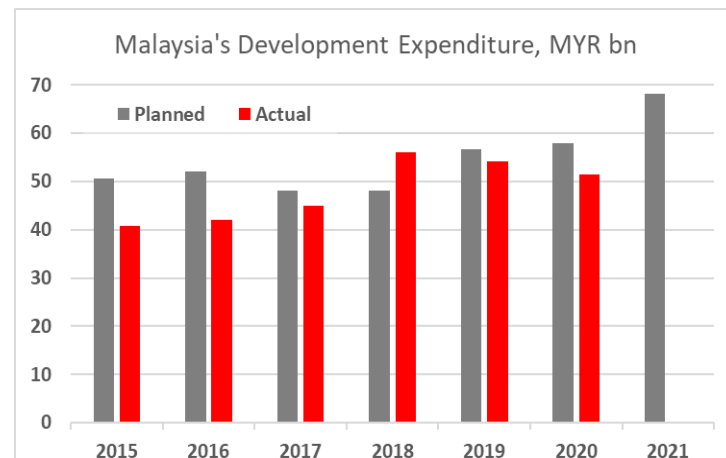
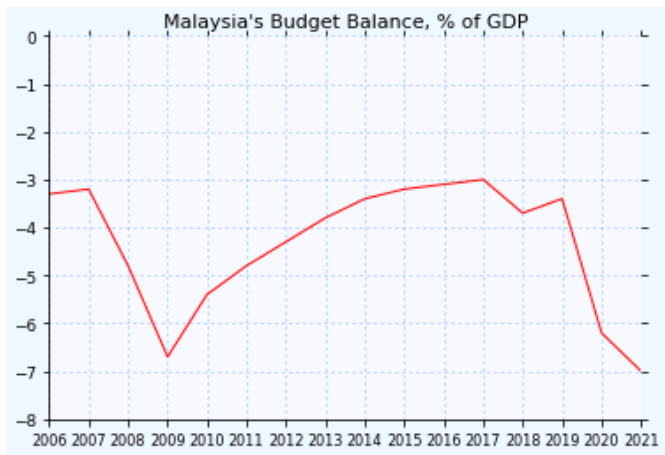
Malaysia: Better from here

- Malaysia's Q3 GDP 2020 presented a considerable miss, showing that the economy contracted by 4.5% yoy, instead of 2.3% that we had in mind, from growth of 16.1% in Q2. Private consumption bore the brunt of the hit, shrinking. Exports offered a brighter spot, but the degree of uplift was more curtailed than expected. 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.
- We see 2022 growth at 5.0% yoy, compared to what is likely to be 3.2% yoy in 2021. Compared to the official forecast of 5.5-6.5%, our outlook is relatively more conservative. This is primarily due to how consumption recovery may be more curtailed, as households focus on rebuilding their savings, due to the depleted EPF retirement accounts.



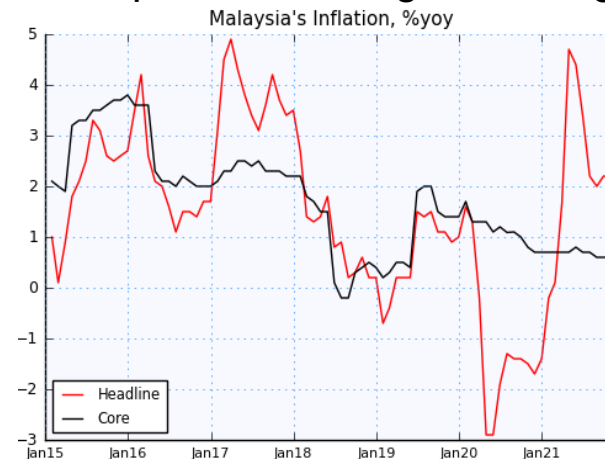
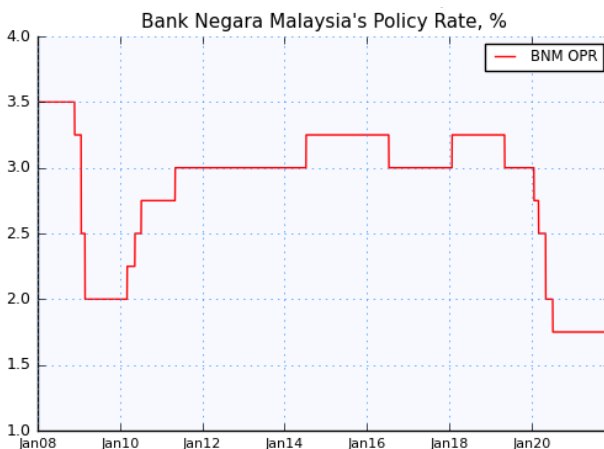
Malaysia: Supportive Budget

- Malaysia's growth momentum should be aided by the broad stimulatory thrust in Budget 2022. Coming on the back of a grand 5-year spending plan under the 12MP, the new budget has stayed expansionary, in part due to the political considerations ahead of a potential general election next year.
- Tellingly, the deficit came in at 6.0% of GDP, higher than the 5.0-5.5% of GDP that we had expected. While it allows for a narrative of consolidation from 7.0% of deficit ratio this year, it remains a wide gap that portends a hard road towards eventual fiscal consolidation.
- Focus has been on an expansion of development expenditure, given the 12MP thrust. At MYR75.6bn, the projected amount for 2022 does mark a significant uptick from MYR62bn in 2021 but came short of the MYR80bn that we thought would have showcased the government's seriousness about the 12MP medium-term plan.



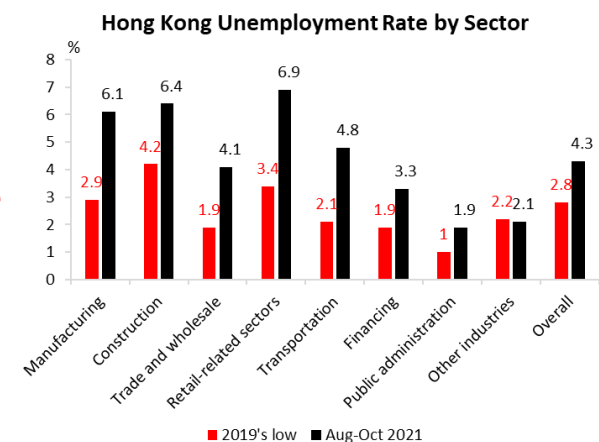
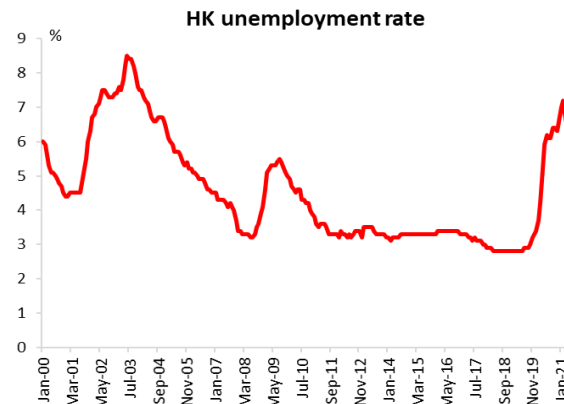
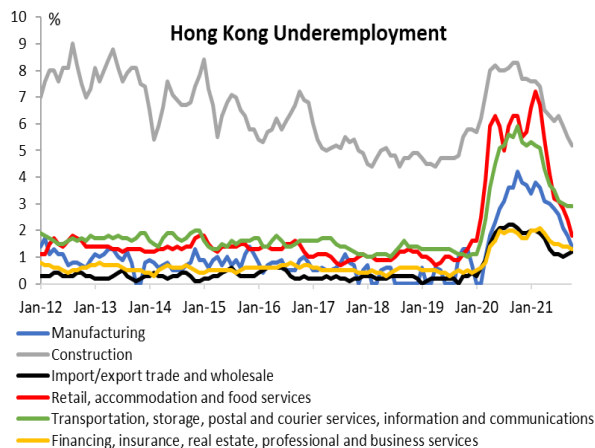
Malaysia: BNM Stance

- Set against the backdrop of growth recovery expectation, Bank Negara is unlikely to shift away from its static stance when it comes to its policy rate setting in 2022. After all, despite the considerable challenges posed by the extended pandemic bouts in 2021, BNM did not cut its rate over the period.
- Moreover, heading into 2022, BNM has shifted its language a tad, by emphasizing how it remains of the view that inflation pressure will stay contained despite the recent commodity upticks. As a whole, it is a signal that it is not looking to hike its policy rate into the new year.
- From our end, we do see inflation staying contained at 1.5% average for 2022, in part due to the still-subpar private consumption recovery as mentioned earlier. Hence, from a domestic angle, BNM should have the space to keep rate unchanged as long as global rate hike expect



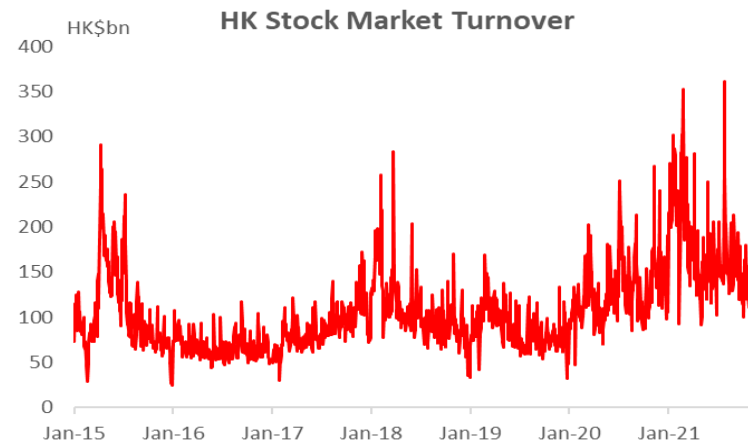
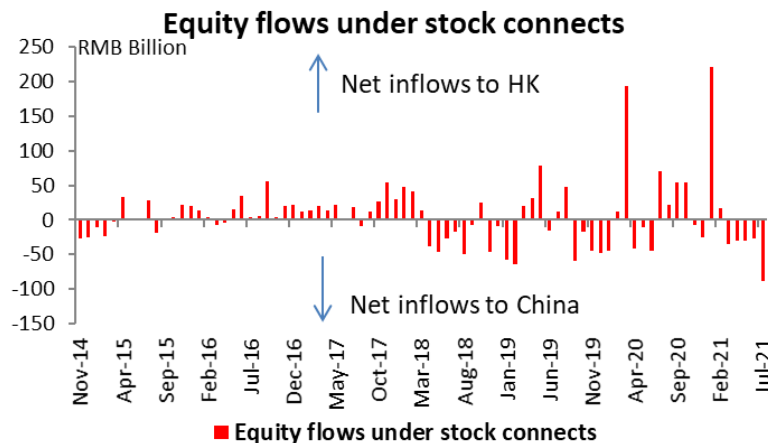
HK: Jobless rate fell for the 9th consecutive months

- Hong Kong's unemployment rate fell for the ninth consecutive months from the peak of 7.2% in the three-month period to February to 4.3% for the three months to October. During the same period, underemployment rate also decreased 0.2 percentage point to 1.9%.
- Decrease in unemployment rate was seen in almost all sectors with manufacturing sector, construction sector as well as Retail, accommodation and food services sectors leading the decline, owing to the well-contained local epidemic and the supported from the e-consumption voucher scheme.
- Looking ahead, we expect the jobless rate to stay above 4% for the rest of 2021, considering frozen tourism may continue put a constraint for recovery in both economy and labour market.



HK: HKEX relax its rule for secondary listings

- Hong Kong Stock Exchanges announced to lower the bar for its secondary listing system, effective on the Jan 1 of 2022.
- Specifically, this would give the green light to those Chinese companies with no weighted voting rights structure (WVR), neither have met the conditions for variable interest entity (VIE) structure in the past for dual listing starting from next year. Under the change, Chinese companies will no longer require to prove themselves as an “innovative company”, while the minimum market capital for listing would be much lower than the existing mechanism.
- Overall, the new framework may further strengthen the Hong Kong status as an ideal fund-raising center especially attract more U.S. listed companies and pave the way for their inclusion in trading links between mainland China and Hong Kong.

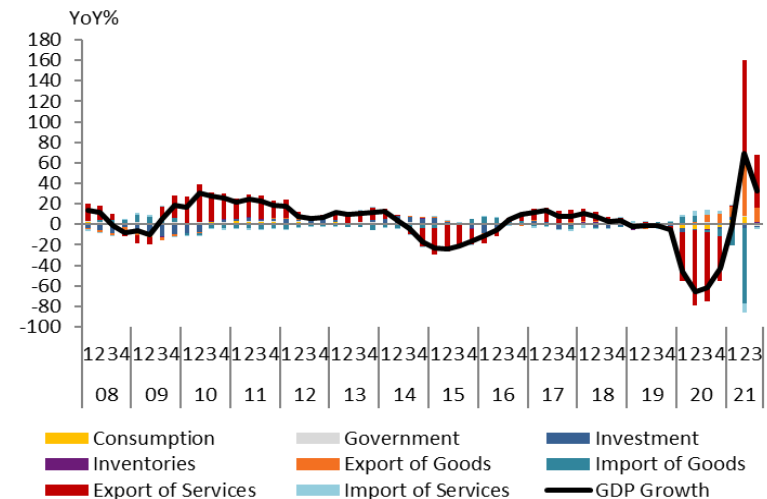


OCBC Bank

Source: Bloomberg, OCBCWH

Macau: 3Q21 GDP rose 32.9% yoy in real terms

- Macau's GDP grew 32.9% yoy in real terms, mainly due to low base effect, resuming positive growth for two consecutive quarters in 3Q21. Notably, exports of gaming services (+302.6% yoy) and exports of other tourism services (+303.3% yoy) surged rapidly, nonetheless they were down by 74.2% and 41.1% respectively compared to 2Q 2019. This suggested that the recovery of the two pillar industries remained moderate.
- Moving into the rest of 2021, given the recent challenge from the lingering effects of pandemic uncertainty and the tightening government oversight, both of which are also likely to drag the pace of recovery of the two pillar industries, namely tourism and gaming sectors.
- That said, even the border reopens fully and safely, the upward momentum recovery for the two pillar industries may remain below the pre pandemic level. In conclusion, **we expect the economy will expand by about 15% yoy this year**, it may only return to about 53% of 2019's level.



China: More flexible monetary policy

- PBoC also gradually shifted its focus towards containing the tail risk highlighting the importance of bottom-line thinking approach to ensure financial stability. High quality growth is important to defuse financial risks as mentioned in the report. This opens the door for more flexible policy setting.
- On monetary policy, PBoC tweaked its language to enhance stability of credit growth. On property market, although PBoC reiterated not to use property market as short-term stimulus tool, it will work together with respective regulators and local government to ensure healthy development of property market and protect the legitimate consumer rights of property buyers. Those two changes implied the increasing chance of marginal structural easing in the coming months.
- Nevertheless, PBoC is likely to stick to its own script when it comes to the monetary policy setting as PBoC is confident that its monetary policy will not be influenced by the withdrawal of monetary easing in the developed economies.





Foreign Exchange & Interest Rates

FX & Rates: An eventful week ahead

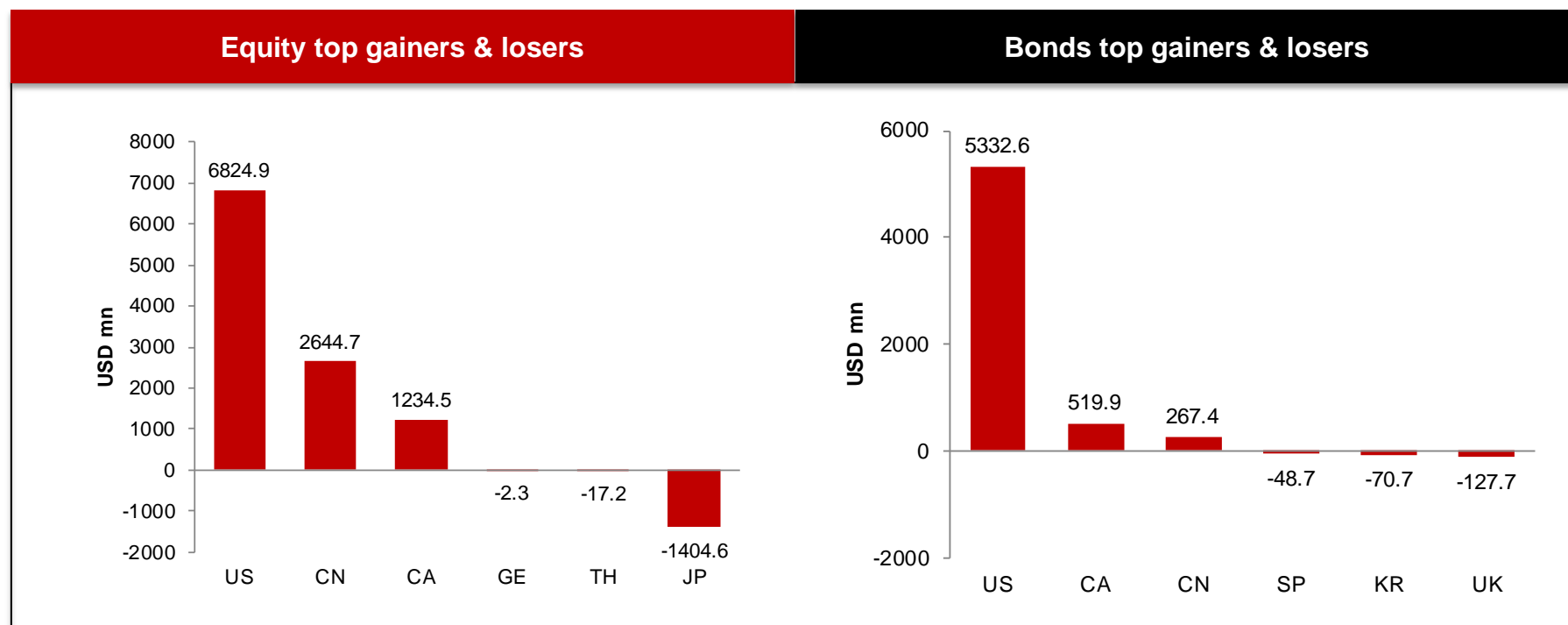
- A resurgence of COVID-19 cases in Europe caused EZ equities to close heavy. Overall sentiment took a turn for the worse, with G-10 FX vols higher and the **FX Sentiment Index (FXSI)** jumping into the Risk-Off zone to start this week.
- Risk-Off tone favoured the **broad USD** and **JPY** as the haven currencies saw demand at the expense of the European complex and cyclicals. The resurgence of COVID-19 cases in Europe, the policy response and public reaction should capture market attention early week.
- USTs performance was mixed on Friday on hawkish Fed comments. Treasuries initially rallied across the curve upon renewed/potential lockdowns in some European countries, but short-end yields rebounded after a couple of Fed officials talked about the prospect of a faster pace of taper.
- On the data front, this week in the US brings November PMIs, initial/continuing jobless claims, personal income/spending and PCE core inflation which may drive long-end yields. Meanwhile, supply looks to be heavy over the coming days, as the Treasury plans for a total offering of USD237bn so far.
- The BoK looks set to hike its policy rate at its MPC meeting on Thursday, although the decision may not be unanimous. Current pricing in the KRW rates market looks fair but shall not turn more hawkish.



Asset Flows

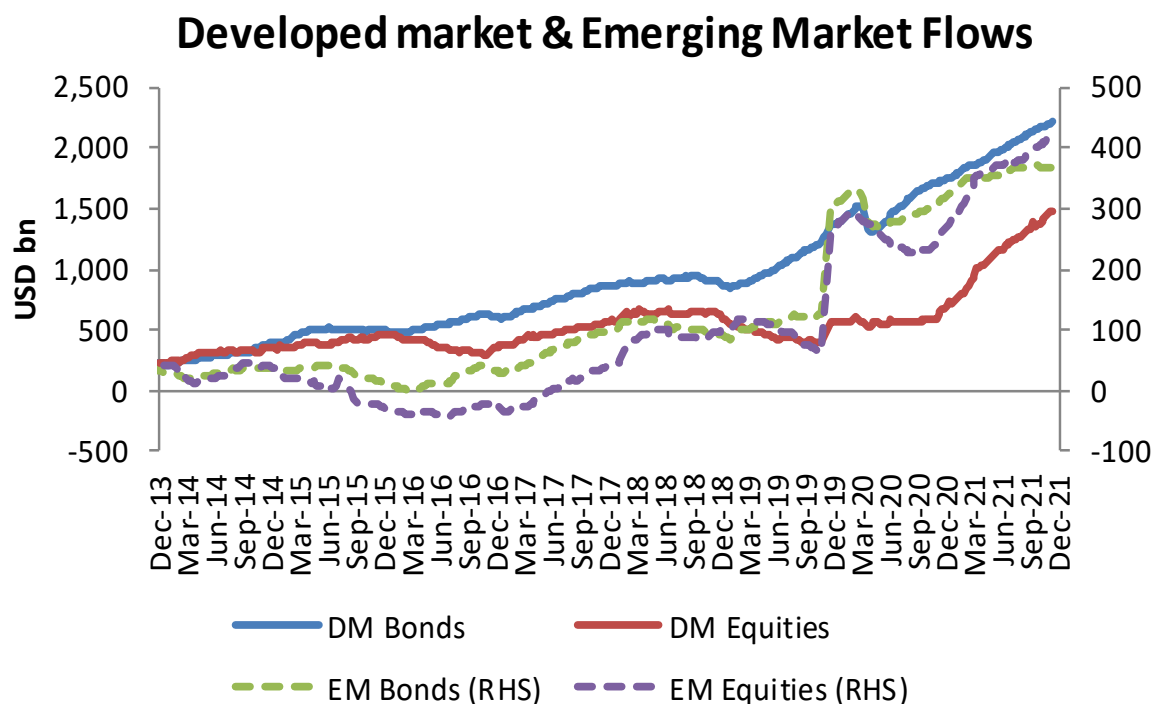
Global Equity & Bond Flows

- Inflows in the global equity market for the week ended 17th November amounted to \$13.0bn, a decrease from the inflow of \$17.3bn last week. Global bond market saw inflows amounting to \$6.2bn, a decrease from last week's inflows of \$15.4bn.



DM & EM Flows

- DM equities saw \$9.4bn worth of inflows while the EM-space registered \$3.4bn worth of inflows.
- Elsewhere, the DM bond space posted inflows of 6.9bn, while EM bonds registered outflows of \$-0.7bn.





Thank You

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