Weekly Macro Views (WMV)

Global Markets Research & Strategy

4th March 2024

Weekly Macro Update

Key Global Data for this week:

4th March	5th March	6th March	7th March	8th March
• **SK** S&P Global South Korea PMI Mfg • **JN** Capital Spending YoY • **SK** Industrial Production YoY • **AU** Building Approvals MoM	• **JN** Tokyo CPI Ex-Fresh Food YoY • **SK** GDP YoY • **PH** CPI YoY 2018=100 • **SI** Retail Sales YoY • **US** ISM Services Index	• **CA** Bank of Canada Rate Decision • **SK** CPI YoY • **AU** GDP SA QoQ • **US** ADP Employment Change	• **US** Initial Jobless Claims • **EC** ECB Main Refinancing Rate • **EC** ECB Deposit Facility Rate • **MA** BNM Overnight Policy Rate	• **US** Change in Nonfarm Payrolls • **JN** BoP Current Account Balance • **EC** GDP SA QoQ • **US** Unemployment Rate • **EC** GDP SA YoY

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** Central Bank Watch – Policy Decisions • **Global:** Central Bank Watch – FOMC Minutes and ECB Comments • **Global:** US Growth Shows Signs of Softening • **Global:** US Inflation Measures Largely In-line With Expectations • **Global:** Japan CPI Hotter Than Expected • **Global:** South Korea Exports Driven by Chip Rebound
Asia	• **SG:** IP and PMI Slower but Expansion Holds Up • **HK:** HK Budget - Accommodative Yet Cost Cautious • **HK:** Housing market showed tentative signs of stabilizing • **MO:** Economy grew sharply by 80.5% YoY in 2023

Asia	• **ID:** CPI Uptick Driven by Foodstuff Inflation • **TH:** January External Balance Flipped into a Deficit
Asset Class	• **Crude Oil:** OPEC+ Announced Extension into 2Q24 • **ESG:** SG ESG Disclosures Move From Comply-Or-Explain to Mandatory • **FX & Rates:** More US Data This Week

Global: Central Banks

Forecast – Key Rates

Bank of Canada (BoC)	European Central Bank (ECB)	Bank Negara Malaysia (BNM)
Wednesday, 6th March	**Thursday, 7th March**	**Thursday, 7th March**

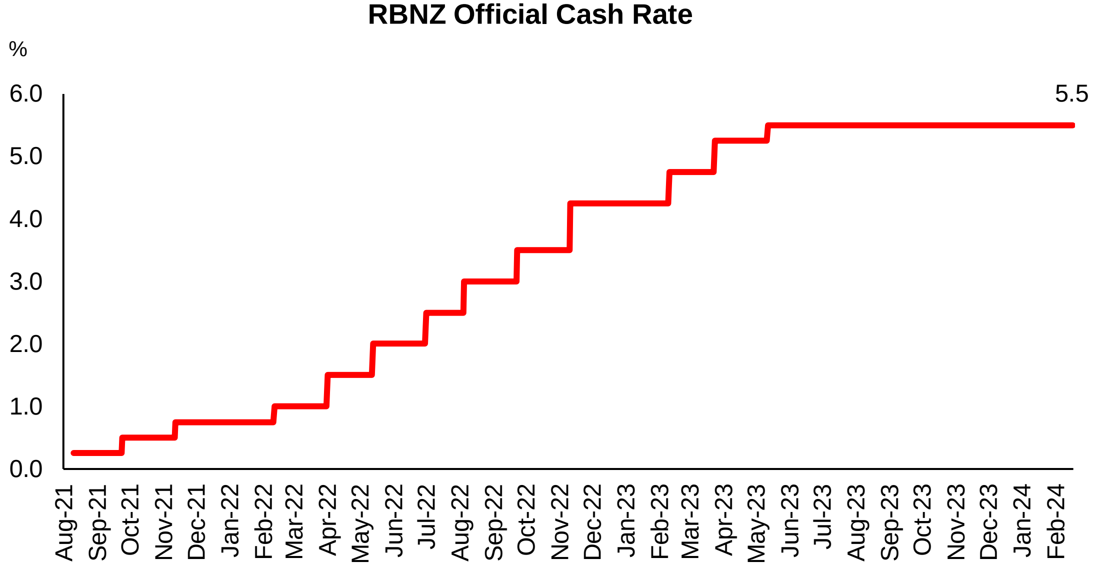
House Views

Policy Interest Rate **Likely *hold* at 5.00%**	*Deposit Facility Rate* **Likely *hold* at *4.00%*** *Main Refinancing Rate* **Likely *hold* at *4.50%***	*Overnight Policy Rate* **Likely *hold* at 3.00%**

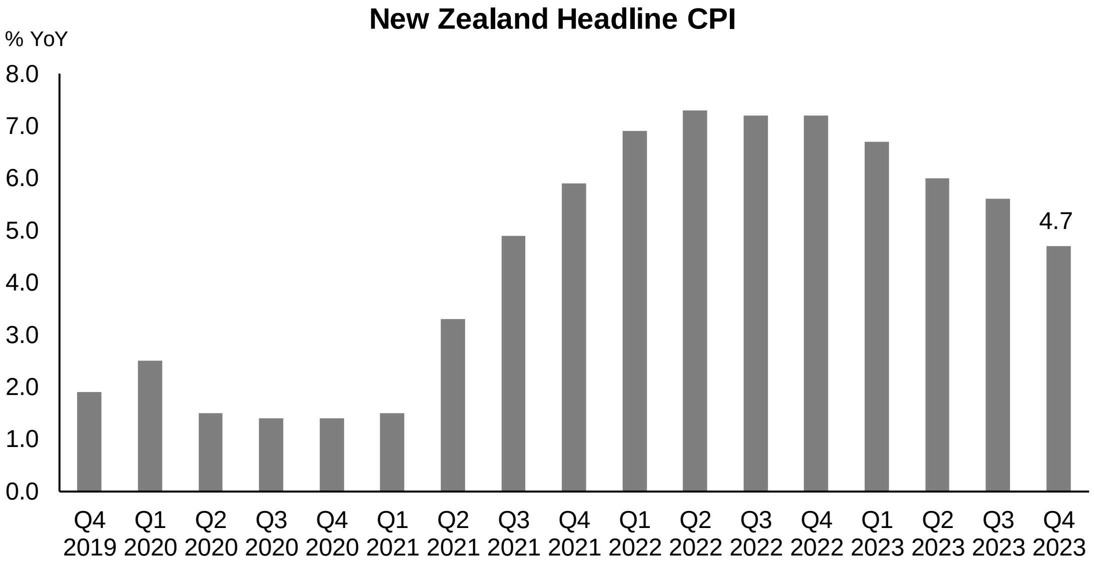
Source: Bloomberg, OCBC.

Global: Central Bank Watch – Policy Decisions

- **RBNZ kept its cash rate unchanged at 5.5%, as largely expected.** RBNZ indicated that most measures of inflation have declined but remains above 2% mid-point target. It also sees risks to inflation as "more balanced", helped by restrictive monetary policy and lower global growth.
- Looking out to 2025, projections indicated chance of cut in 2Q 2025. For now, rates are likely to remain at restrictive level for sustained period to meet inflation objectives. RBNZ still expects headline CPI to return to its 1 – 3% target range by 3Q 2024 but only to reach the mid of its target range by 4Q 2025.



Source: RBNZ, Bloomberg, OCBC.



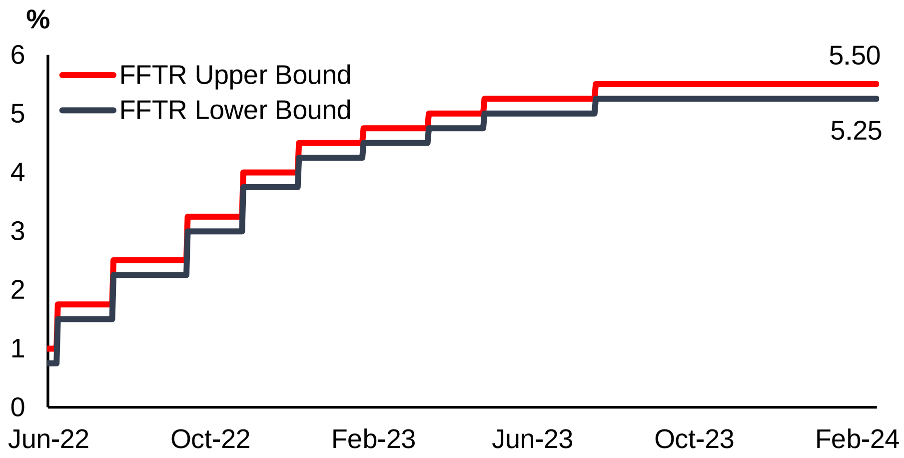
Source: Statistics NZ, Bloomberg, OCBC.

Source: RBNZ, Statistics NZ, Bloomberg, OCBC.

Global: Central Bank Watch – Fedspeak and ECB Comments

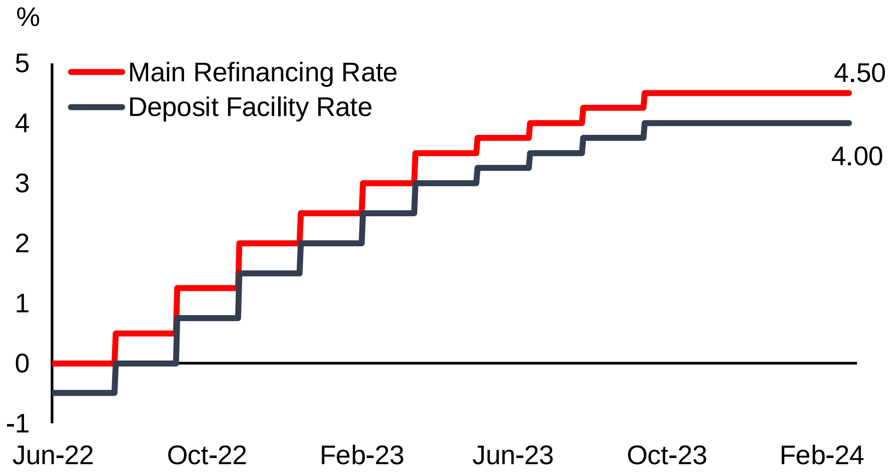
- PCE deflator picked up to 0.3% MoM (Dec: 0.1%) but in line with expectations, Fed narrative remains clear that the FOMC is on course to embark on the easing cycle but is still not in a rush:
  - Goolsbee cautioned against reading too much into a single month's data.
  - Mester January's inflation "does not really change [her] view that inflation is going to be going down to [their] 2% goal over time, but it does show you that there's a little more work for the Fed to do". She continues to hold the view that three rate cuts this year is about right.
  - Powell is set to deliver the semiannual monetary policy testimony at the capitol on Wednesday, where we expect him to double down on the Fed's "no-rush" stance.
- ECB continues to nail home the view that ECB is in no hurry to cut. At the plenary debate at EU parliament, ECB's Lagarde said that retreat in inflation will continue but she and her colleagues need to see more evidence of inflation returning to the 2% target.
- Lagarde further reiterated that wage pressures remain strong and that salaries will become an increasingly important drive of price dynamics in coming quarters.

Fed FundsTarget Rate



Source: Bloomberg, OCBC.

ECB Policy Rates

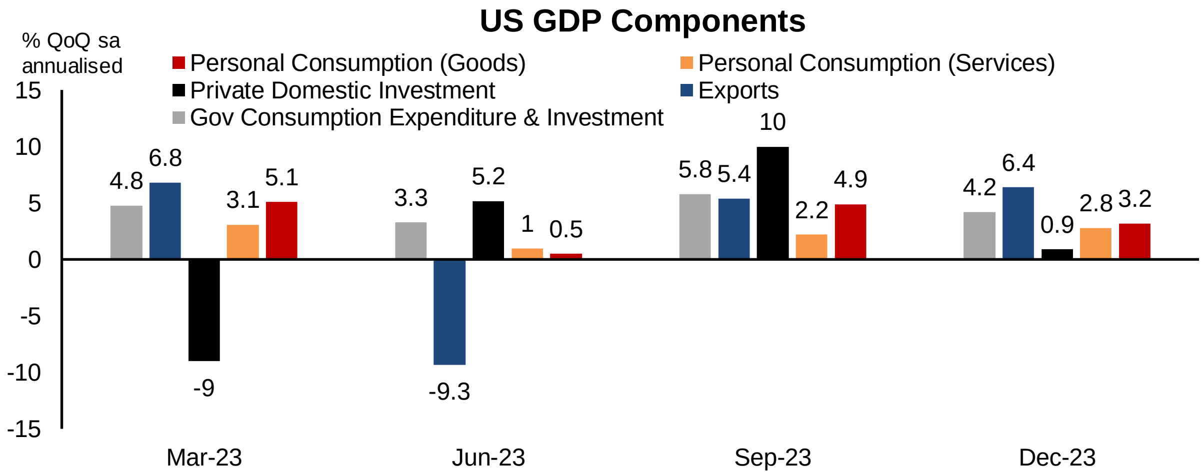


Source: ECB, Bloomberg, OCBC.

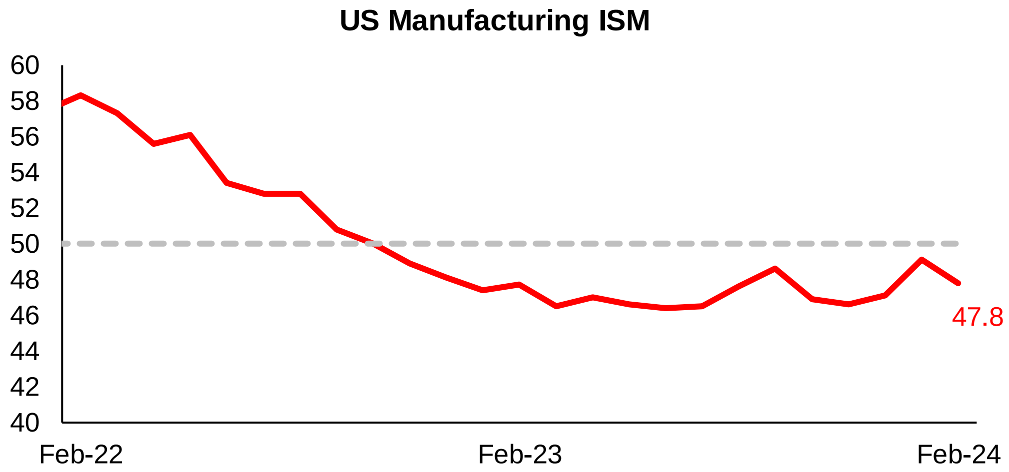
Source: Bloomberg, OCBC.

Global: US Growth Shows Signs of Softening

- 4Q23 GDP growth was revised 0.1pp lower to 3.2% QoQ sa annualised on account of lower inventory investment, but the story of resilient consumer services and government expenditure in 4Q remains intact, given upward revisions to consumption (+0.2pp) and government spending (+0.9pp).
- February ISM Manufacturing fell to 47.8 from 49.1 in January, below consensus expectations of 49.5 and marking the 16th consecutive month of contraction. We note that new orders reversed the first return to expansion in January since Aug 2022 by falling to 49.2 from 52.5 prior, indicating slightly increased caution amongst consumers.
- Additionally, the Conference Board's gauge of consumer confidence fell for the first time in 4 months, falling to 106.7 from 110.9 prior (downwardly revised). February's drop in sentiment disrupts the recent uptrend in confidence linked to more optimistic views on inflation and labour market strength which has buoyed consumer spending. We foresee such tailwinds which enabled sustained economic expansion and easing price pressures fading further into the year.



Source: BEA. CEIC. OCBC.



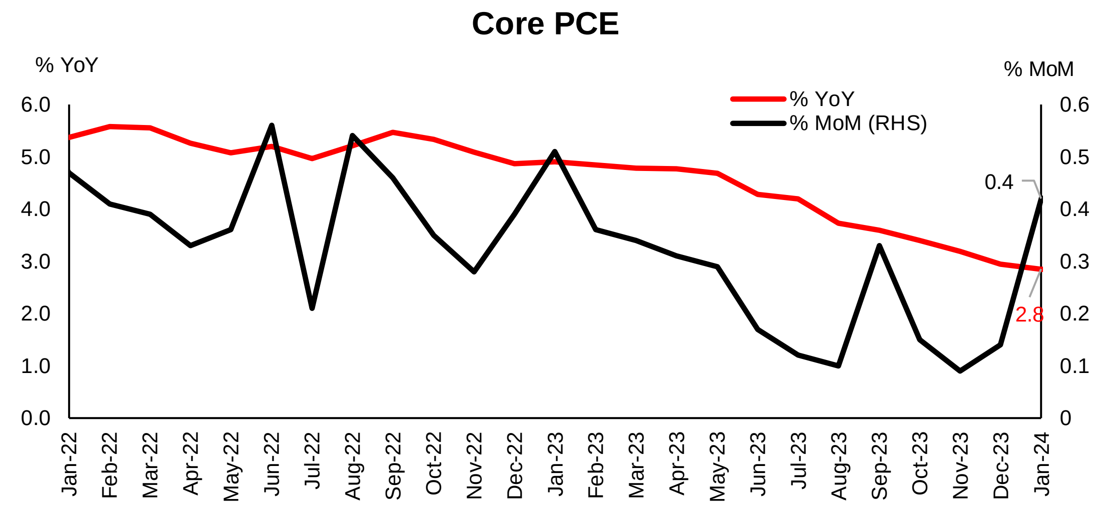
Source: ISM, Bloomberg, OCBC

OCBC

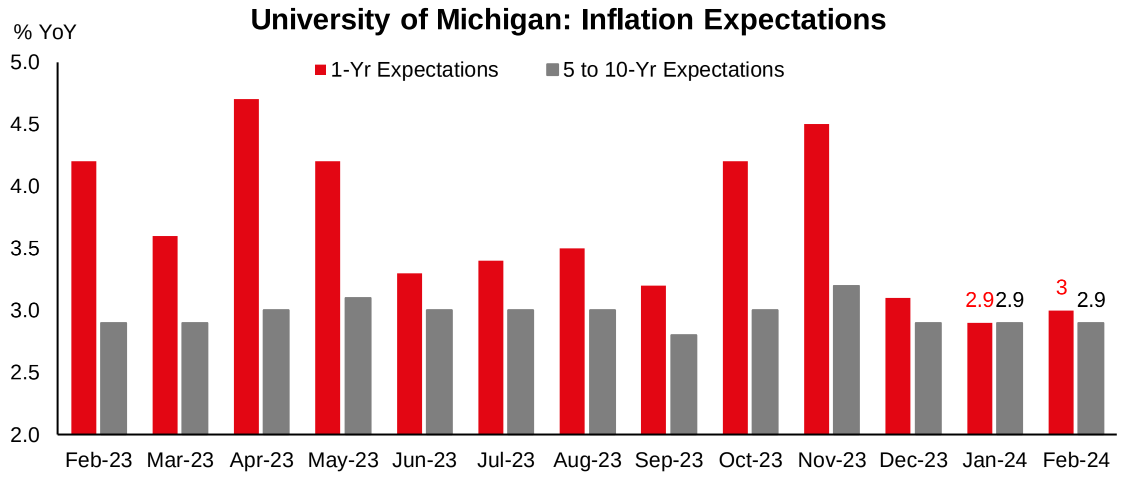
Source: Bloomberg, OCBC.

Global: US Inflation Measures Largely In-line With Expectations

- The January core PCE deflator accelerated to 0.4% MoM from 0.1% prior (downwardly revised), though sticking in-line with consensus expectations. The downtrend remains intact looking at the 2.8% YoY increase in January, down from 2.9% in December.
- We note that personal incomes picked up to 1.0% MoM from 0.3% in December, while real consumer spending fell by 0.1% MoM, the first drop recorded in five months. This reflected a 1.1% MoM decrease in real goods spending which more than offset the 0.4% MoM rise in real services spending.
- University of Michigan's February report on consumer sentiment showed measures of inflation expectations mostly unchanged and slightly higher than consensus, with the year-ahead measure rose to 3.0%, while the long-term measure remained steady at 2.9%.



Source: BEA, Bloomberg, OCBC.

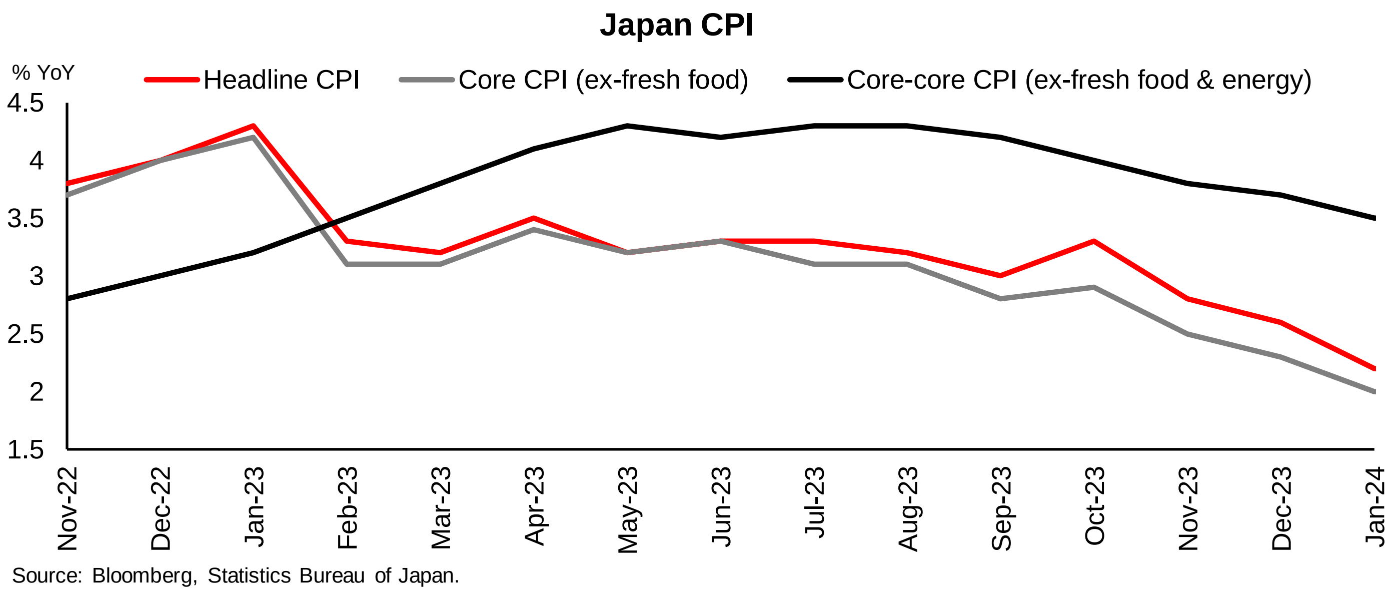


Source: Bloomberg, OCBC.

Source: Bloomberg, OCBC.

Global: Japan CPI Hotter Than Expected

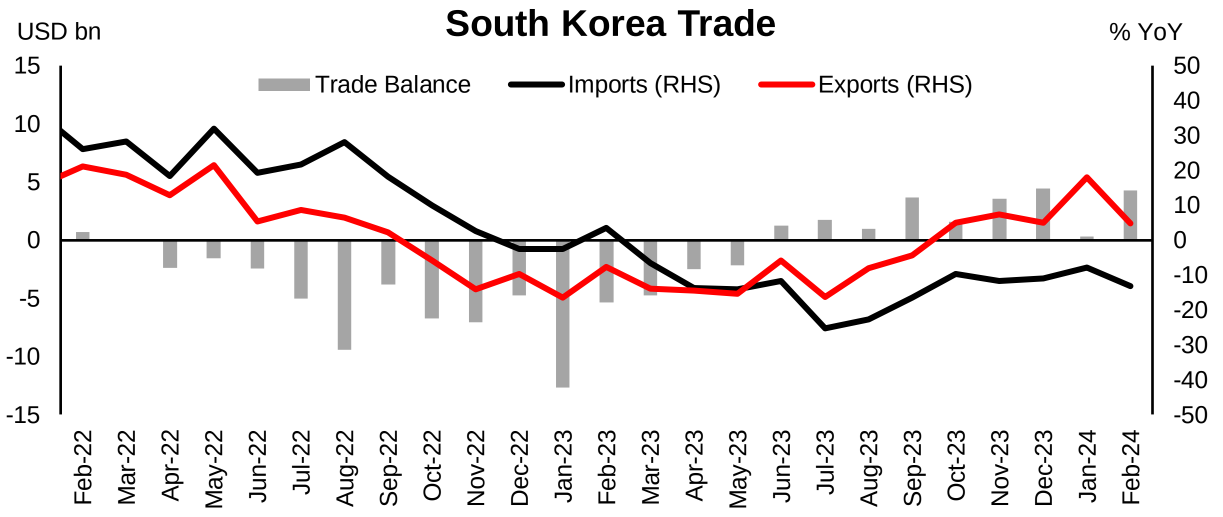
- Headline nationwide CPI fell to 2.2% YoY in January from 2.6% in December, above consensus estimates of 1.9%. The core gauge (ex fresh food) declined to 2.0% YoY (Consensus: 1.9%) from 2.3% prior, while the "core-core" measure (ex fresh food and energy) also fell to 3.5% YoY (Consensus: 1.3%) from 3.7% in December.
- We note that while headline figures slowed, most measures of inflation came in hotter than expected, particularly with services inflation rising 2.2% YoY, near its all-time high since 1993 (excluding impact of sales tax hikes). Given that January's print marked the 22nd straight month which exceeded BoJ targets, the case is building towards a BoJ hike, and we continue to see the March monetary policy meeting as a live one for a potential 10bp hike in the Policy-Rate Balance Rate
- We will continue to watch for outcomes from Shunto wage negotiations to see if wage price pressures can move to sustainably support inflation. Labour unions in Japan are targeting above 6% wage increase this year, much higher than the average of 4% in 2023.



Source: Bloomberg, Statistics Bureau of Japan, OCBC.

Global: South Korea Exports Driven by Chip Rebound

- February exports increased 4.8% YoY, beating consensus estimates of 1.4%, though down from 18.0% in January which is largely a result of fewer working days compared to the previous year due to Lunar New Year. Looking past this distortion, we observe export growth continuing its robust upwards momentum, posting the its 5th consecutive month of increase amid surging demand for computer chips.
- Driving the charge are outbound shipments of semiconductors and machinery, with chip exports growing 66.7% YoY, extending a 4th straight month of increase and up from the 56.2% recorded in January, a result of strong demand from AI-related chips namely High-Bandwidth Memory (HBM) and DDR5 memory chips.
- Headline imports declined 13.1% in February against a 7.9% decline in January and consensus estimates of -11.7%, widening the trade surplus to US$4.3bn against estimates of US$2.0bn surplus.

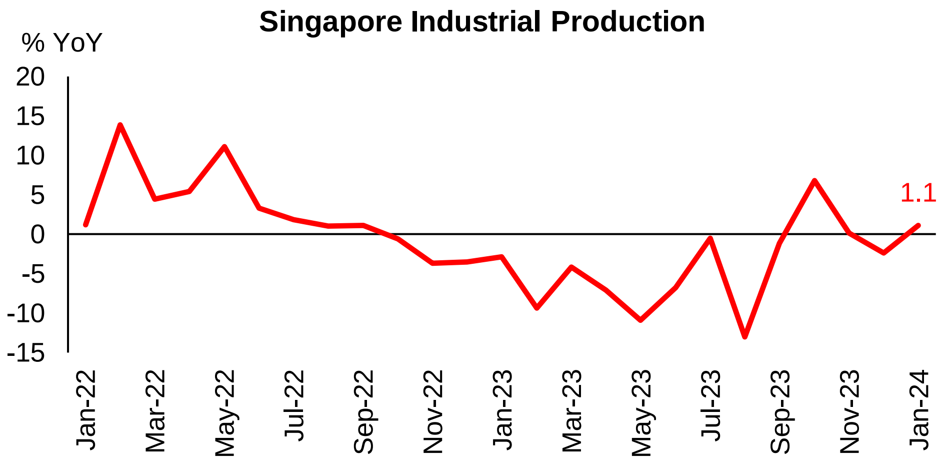


Source: CEIC, Korea Customs Service, OCBC.

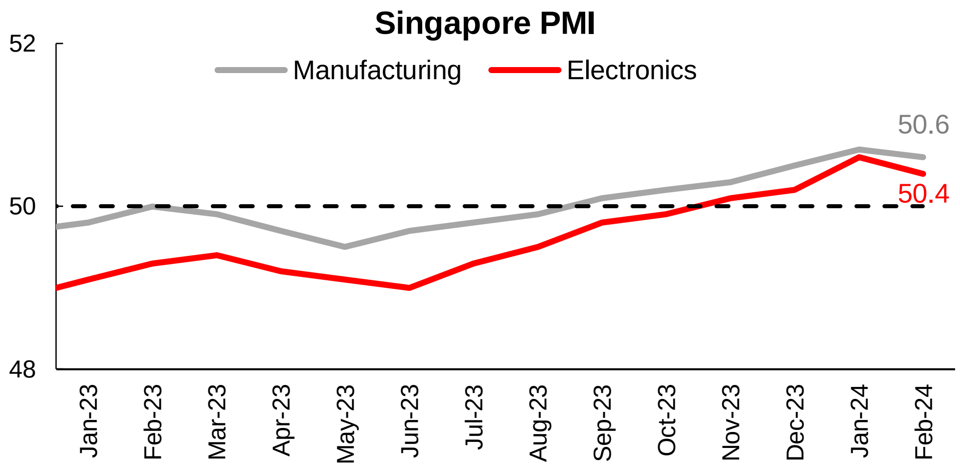
Source: CEIC, Korea Customs Service, OCBC.

Singapore: IP and PMI Slower but Expansion Holds Up

- Singapore's industrial production (IP) grew a weaker-than-expected 1.1% YoY (-5.7% MoM sa). While this is an improvement over the revised December 2023 print of -2.4% YoY (-1.3% MoM sa), this was below the consensus forecasts of 3.7% YoY and our forecast of 4.3% YoY (7.4% MoM sa), especially since the January 2023 base was low due to the timing of the CNY holidays. Excluding biomedicals, the manufacturing sector expanded 5.4% YoY (-6.6% MoM sa).
- We posit that one should not read too much into one month's performance – if IP can sustain anywhere close to the January 2024 levels, then February should rebound. Our view is for industrial production to 6.0% YoY in February 2024, potentially bringing the two-month average for January-February 2024 to 3.6% YoY.
- On leading indicators, headline PMI readings for February showed the manufacturing sector recording a slower expansion at 50.6 from 50.7 prior. Electronics PMI also slid to 50.4 from 50.6 in January. Lower readings for February are due to the shorter month and CNY holidays, and we note that the manufacturing and electronics PMI are still recording the 6th and 4th consecutive months of expansion respectively.



Source: EDB, OCBC.

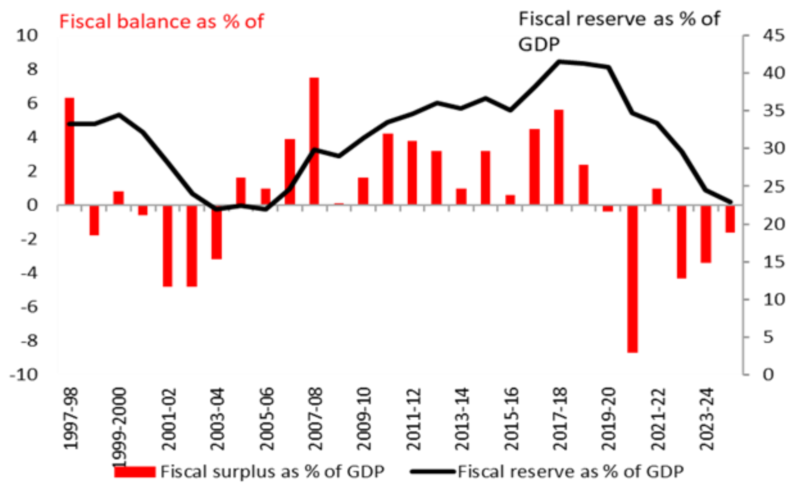


Source: SIPMM. OCBC.

Source: EDB, SIPMM, OCBC.

HK FY2024-25 Budget: Accommodative Yet Cost Cautious

- The FY2024-25 budget remained largely accommodative, with a deficit of HK$48.1 billion (1.6% of GDP) penciled in. The details showed a more cost cautious approach given the fiscal consolidation and revenue enhancement measures.
- Aside from the scaling back of stimulus measures and tax break/ waivers (estimated to cut expense by more than HK$40 billion), there were proposals of piecemeal tax hikes (including the resumption of hotel accommodation tax, raising the business registration fees and tobacco duties) and a newly introduced two-tier standard rates regime for salaries tax (affecting taxpayers with over HK$5 million net income).
- All demand-side measures for residential properties (including SSD, BSD and NRSD) were lifted with immediate effect, while mortgage rules and stress test requirements were further relaxed (loan-to-value ratio adjusted to 70% for all self-occupied residential properties valued at HK$30 million or below).
- The government's GDP forecast for 2024 was pitched at 2.5%-3.5%, in line with market's median forecast of 2.7% and our in-house forecast of 2.5%. Meanwhile, the headline inflation was tipped at 2.4% (vs. our estimate at 2.5%).

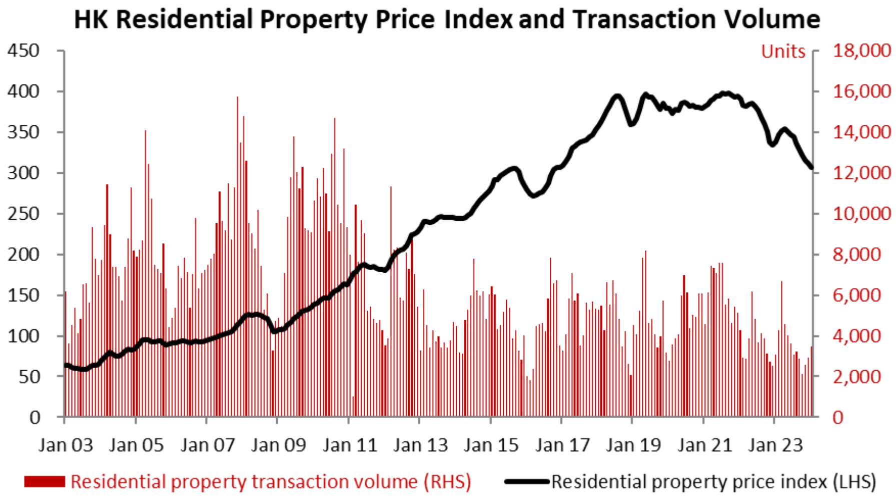


	2023 Actual	Government forecast		Our forecast (2024)
		2024	2025-2028	
Real GDP growth (yoy%)	3.2%	2.5-3.5%	3.2%	2.5%
Headline Inflation (yoy%)	2.1%	2.4%	-	2.5%
Underlying Inflation (yoy%)	1.7%	1.7%	2.5%	-

Source: HK Census and Statistics Department, OCBC

HK: Housing market showed tentative signs of stabilizing

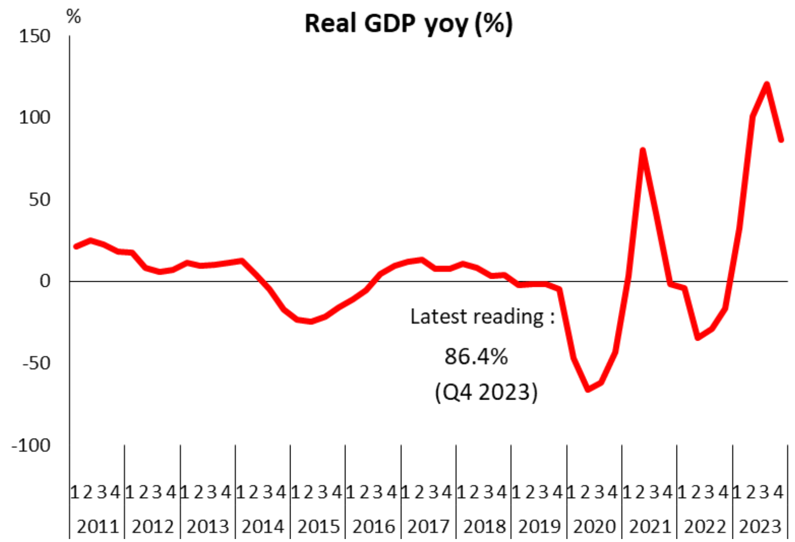
- The first primary residential project launched after the removal of cooling measures (Henderson Land's Belgravia Place) sold with hours with an oversubscription rate of 31 times, suggesting tentative signs of stabilization of the housing market. We suspect that sentiment in the local property market will continue to stabilize in coming months, given the likely suspension of land sales in coming quarters, removal of housing cooling measures and downward trajectory of HKD rates in the second half this year.
- On month-on-month basis, the residential property price and rental index fell by 1.6% and 0.3% respectively in January. Comparing with the peak, housing price fell by 23.0% cumulatively in January. Trading activities stayed largely subdued despite some month-to-month rebound. The number of residential property transactions rose by 18.7% over the previous month to 3,477 in January.
- Analyze by flat size, the mass-market and medium-sized properties (Class A, B and C; below saleable area of 100 square meter) and large-sized properties (Class D and E; saleable area of 100 square meter or above) both dropped by 1.6% over the preceding month in January. As for rental index, they both fell by 0.3% month-on-month in January.

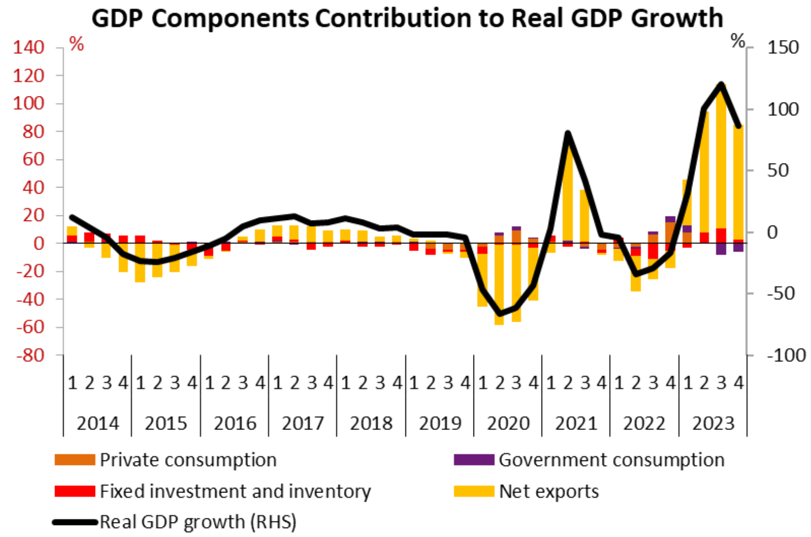


Source: HK Rating and Valuation Department, Land Registry, OCBC

MO: Economy grew sharply by 80.5% YoY in 2023

- Real GDP leapt by 86.4% YoY in the fourth quarter last year, led by sharp rebound in the tourism and gaming sectors. For 2023 as a whole, GDP grew by 80.5% YoY (vs. our forecast at 79%), recovering to around 97.8% of the pre-pandemic level in 2019. Heading into 2024, further recovery in inbound tourism sector should continue to underpin growth. Nonetheless, the full year growth is likely to come down, given the less favourable base effect. We pitch the full-year growth rate of Macau at 16% in 2024.
- During the fourth quarter, the growth was mostly led by export of services which surged by 184.3% YoY (total visitor arrivals jumped by 520.0% YoY). Specifically, exports of gaming services and tourism services skyrocketed by 430.8% YoY and 130.2% YoY respectively.
- Year-on-year growth of private consumption expenditure slowed to 16.6% (28.3% YoY in 3Q), due to more frequent outbound travel. Meanwhile, year-on-year growth of gross fixed capital formation also decelerated to 10.0% YoY (47.7% YoY in 3Q), due to higher base of comparison last year. Within the total, private construction investment soared by 44.6% YoY, while that of government construction fell by 5.6% YoY. Separately, public consumption expenditure declined further, by 17.7% YoY (-23.5% YoY in 3Q), amid the conclusion of some relief measures.





Source: MO DSEC, OCBC

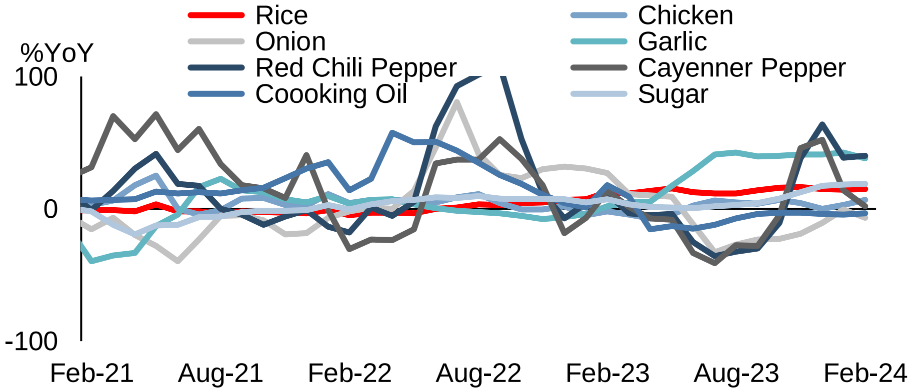
Indonesia: CPI Uptick Driven by Foodstuff Inflation

- The headline CPI rose higher-than-expected to 2.8% YoY in February from 2.6% in January 2023 (Consensus & OCBC: 2.6%). Meanwhile, core inflation remained unchanged at 1.7% YoY. February's inflation uptick primarily reflects higher food, transportation, health, and personal care & other services inflation.

- Specifically, food inflation rose to 6.4% YoY in February from 5.8% in January, followed by personal care (3.1% from 3.0%), health (2.0% from 1.9%), and transportation (1.4% from 1.1%). Looking ahead, we maintain our average 2024 headline CPI forecast of 3.1% YoY (2023: 3.7%), reflecting a slight pick-up in inflationary pressure in the coming months during Ramadan.

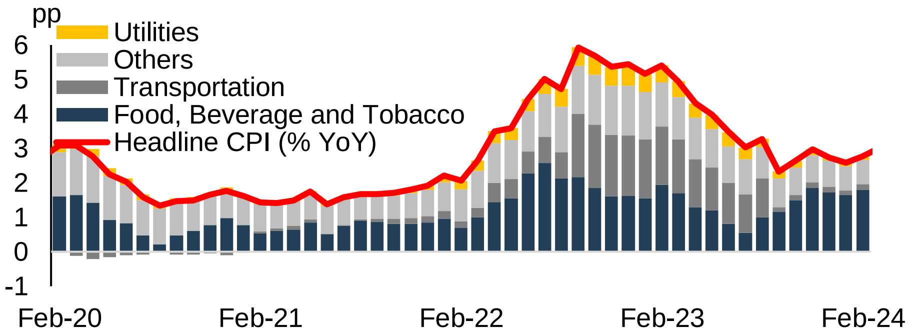
- The Ministry of Agriculture forecasts that the national rice harvest in March-April 2024 will reach 8.46mn tons, based on Statistics Indonesia's (BPS) sampling frame, ensuring sufficient rice supply throughout Ramadan. Separately, the State Logistics Agency, Bulog, revealed that approximately 300k tons of rice imports from Thailand and Pakistan are expected to arrive before Ramadan. The imports will increase rice stocks in Bulog's warehouses, which currently stand at 1.3mn tons.

Staples such as rice, garlic, chili, and sugar price remains elevated



Source: Bank Indonesia, OCBC.

Foodstuff Inflation Remains High



Note: Others = Combined value of 'clothing and footwear', 'household equipment & routine maintenance', 'health', 'information, comm & financial service', 'recreation, sports, and culture', 'education', 'restaurant', & 'personal care and other services'. Source: Statistics Indonesia; CEIC; OCBC.

Source: Statistics Indonesia, BPS, CEIC, OCBC.

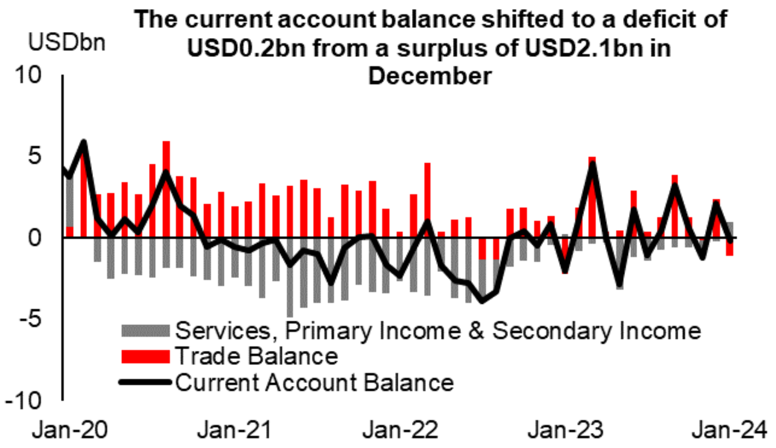
Thailand: January External Balance Flipped into a Deficit

- The current account balance flipped into a deficit of USD0.2bn in January from a surplus of USD2.1bn in December (Consensus & OCBC: USD -0.4bn). This was driven by better exports and imports growth: exports and imports rose by 7.2% YoY and 1.5% YoY versus 3.0% and -1.7% in December, respectively.

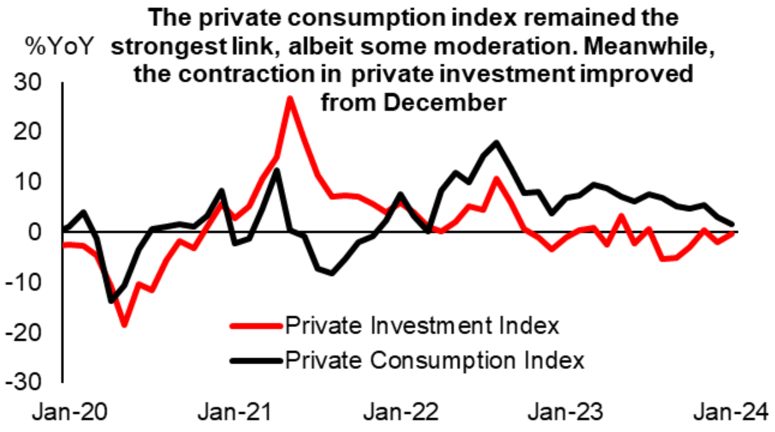
- On the exports front, the growth was broad-based. Exports were driven by higher shipments in 'agriculture' (13.1% YoY versus -10.0%) and 'manufacturing' (7.9% YoY versus 3.9%) in January. Similarly, import growth improved. Capital imports jumped 13.5% YoY from -0.5% in December. This more than offset the weakness in 'consumer' (-4.3% YoY versus -3.8%), 'raw material & intermediate' (-3.9% YoY versus -2.2%) imports. Consequently, the trade surplus flipped into a deficit of USD1.1bn from a surplus of USD2.3bn.

- On the domestic demand front, activity remained mixed in January relative to December. Private consumption index growth slowed to 1.5% YoY versus 3.1% in December while private investment index contracted by 0.2% YoY, albeit better than the -1.9% in December. Government expenditures contracted by 5.1% versus -2.0% in December.

- Activity data started on a weak note in January adding to the government's call for Bank of Thailand to lower its policy rate. Our baseline remains for BOT to cut policy rate by a cumulative 50bp in 2024, starting in June. We expect BOT will need to see more evidence of a persistent growth slowdown before pulling the trigger on rate cuts. Moreover, it will remain mindful of external risks in lowering policy rates ahead of the US Federal Reserve.



Source: CEIC, OCBC



Source: CEIC, OCBC

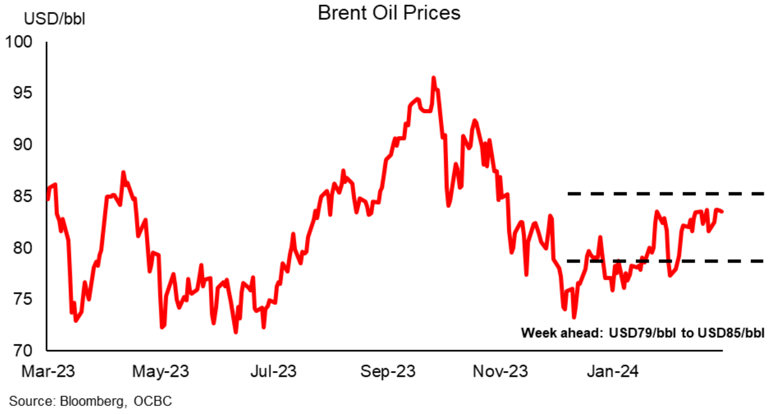
Source: Bank of Thailand, CEIC, OCBC

Commodities

Crude Oil: OPEC+ Announced Extension into 2Q24

- WTI and Brent rose by 4.5% and 2.4% to close higher for the week at USD80.0/bbl and 83.6/bbl. For Brent, oil prices traded at a narrow range of ~USD2/bbl.
- The big news for oil markets was the extension of additional voluntary cuts by nine OPEC+ members. These members had earlier (in November 2023) announced an additional voluntary output cut of 2.2mbpd for 1Q24 to "support the stability and balance the oil market". The extension of the additional output cut will also see incremental cuts to both production and exports (of 471k bpd) by Russia, as compared to an export cut in 1Q24. This new shift could exacerbate the physical tightness in the oil market and support oil prices in 2Q24.
- The price upside was further supported by ongoing Middle East tensions: Israel, Hamas and Qatari mediators, earlier in the week, struck a cautionary tone of the progress in discussions for an Israel-Hamas ceasefire, after US President Joe Biden opined that "a ceasefire could be reached in under a week to halt the war for Ramadan". Meanwhile, Houthi rebel groups in Yemen announced they will introduce "surprises" in its military operations in the Red Sea area, as reported by Reuters.
- We think the event, over the weekend, has set up the potential for oil prices to test the price ceiling for this week: Brent oil prices will likely trade within the range of USD79-85/bbl. In addition, we also keep a close watch on the outcome of the China's annual two sessions meeting as well as the progress/outcome of Israel-Hamas ceasefire talks. Key economic data prints from US (i.e., February ISM Services, Labour data) and Eurozone (i.e., ECB rate decision) will have an impact on oil markets this week.

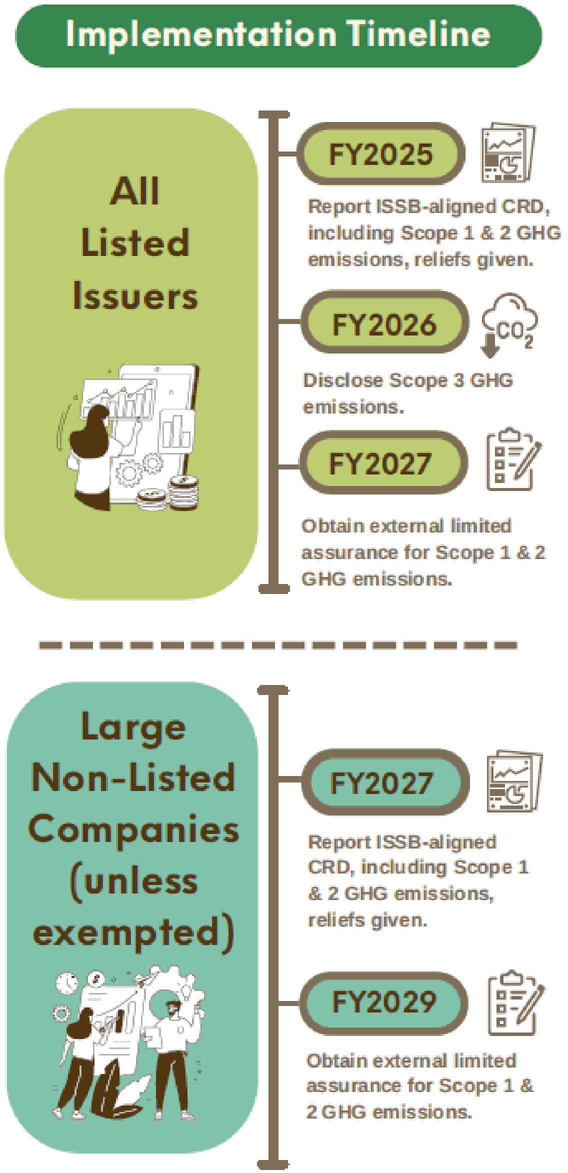
Source: Bloomberg, Reuters, OCBC



ESG

ESG: SG ESG Disclosures Move From Comply-Or-Explain to Mandatory

- Climate-related disclosures have been mandatory for listed firms in the financial, food and forest products and energy sectors since FY2023, and extends to listed firms in materials and buildings, and transportation industries from 2024. Others make disclosures on a ‘comply-or-explain’ basis but under new rules, all listed companies in Singapore will be required to make climate-related disclosures from FY2025, based on local reporting standards that are aligned with the International Sustainability Standards Board (ISSB).
- Key timelines:
    - FY2025 for listed companies
    - FY2027 for large non-listed companies (annual revenue ⩾$1 bn and total assets ⩾$500 m)
    - Around 2027 we will see a review whether to extend the requirements to smaller non-listed companies
- Disclosing Scope 1 and 2 GHG emissions would be mandatory. For Scope 3, there is more time as listed companies need to start disclosing from FY2026, and no earlier than FY2029 for large non-listed companies.
- This can be an onerous process for many companies, especially if the requirements are extended to smaller companies that will need more financial support and resources to build climate reporting capabilities, in order to comply with the requirements.
    - New Sustainability Reporting Grant and Programme from EDB and EnterpriseSG to support companies (defrays up to 30% of qualifying costs, capped at the lower of S$150,000 per company or 30% of the qualifying costs in the preparation of their first sustainability report)



Sources: ACRA, CNA, EDB, The Straits Times

FX & Rates

FX & Rates: More US Data This Week

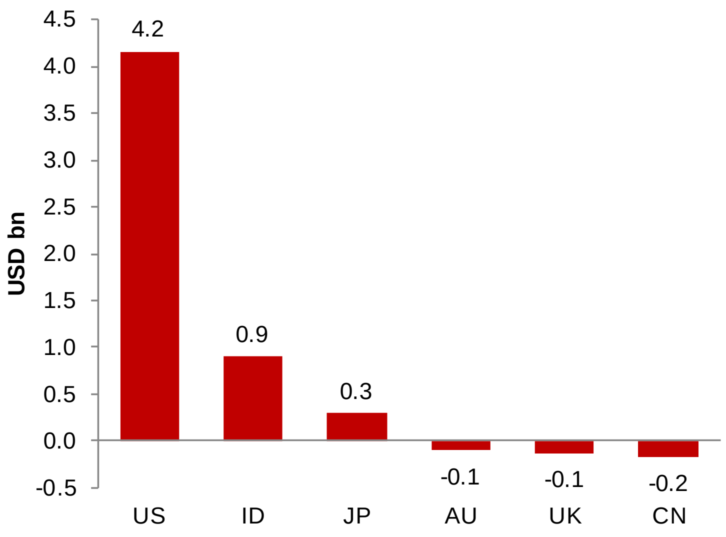
- Fed funds futures added back some rate cuts expectations, now pricing in a total of 90bps of cut for this year, getting near our base-case of 100bps again; chance of a 25bp rate cut by the June FOMC meeting is priced at 93% which looks fair to us. There are three rounds of CPI and PCE deflator releases to watch before the June FOMC meeting. As for this week, data releases include ISM Services index, jobless claims and NFP; unless there are big misses, market shall stabilise around current pricings.
- USD started the week on a softer footing as the so-called US exceptionalism came under scrutiny. Focus this week on Powell's testimony to Congress on Wed, Thu as well as ADP on Wed, NFP on Fri. We should expect Powell to reiterate patience and emphasize on no hurry to cut rates. These are known knowns and shouldn't affect markets too much unless Powell signals more forceful pushbacks, that could lead to further hawkish re-pricing.
- On CNY rates, Repo-IRS traded on the soft side this morning, while CGBs were also supported amid the still subdued risk sentiment. Focus will be the "two sessions" which start today, at which the 2024 growth target will be announced together with the budget deficit number/additional bond issuances if any. CGB yields have been low compared to various lending rates including the MLF rate and LPR and as such 2.50% is probably only a psychological level for the 30Y CGB. Breaching below 2.50% tells little as to whether the downward move in yields has got more entrenched. That said, it has an implication on the curve shape and focus is on the 10s30s part of the curve as the spread narrowed and is moving towards par, suggesting the market is still waiting for a turnaround in the growth outlook.

Asset Flows

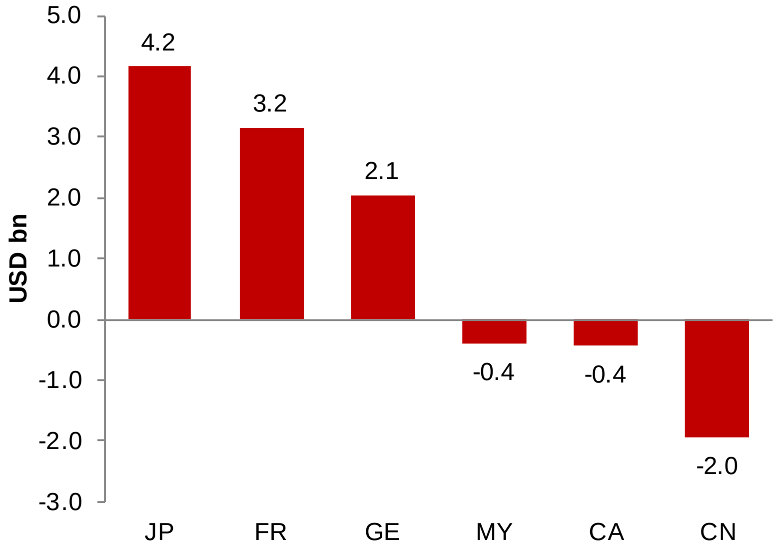
Global Equity & Bond Flows

- Global equity markets saw net inflows of $10.0bn for the week ending 28 February, a decrease from the inflows of $15.0bn last week.
- Global bond markets reported net inflows of $13.8bn, a decrease from last week's inflows of $15.1bn

Equity top gainers & losers



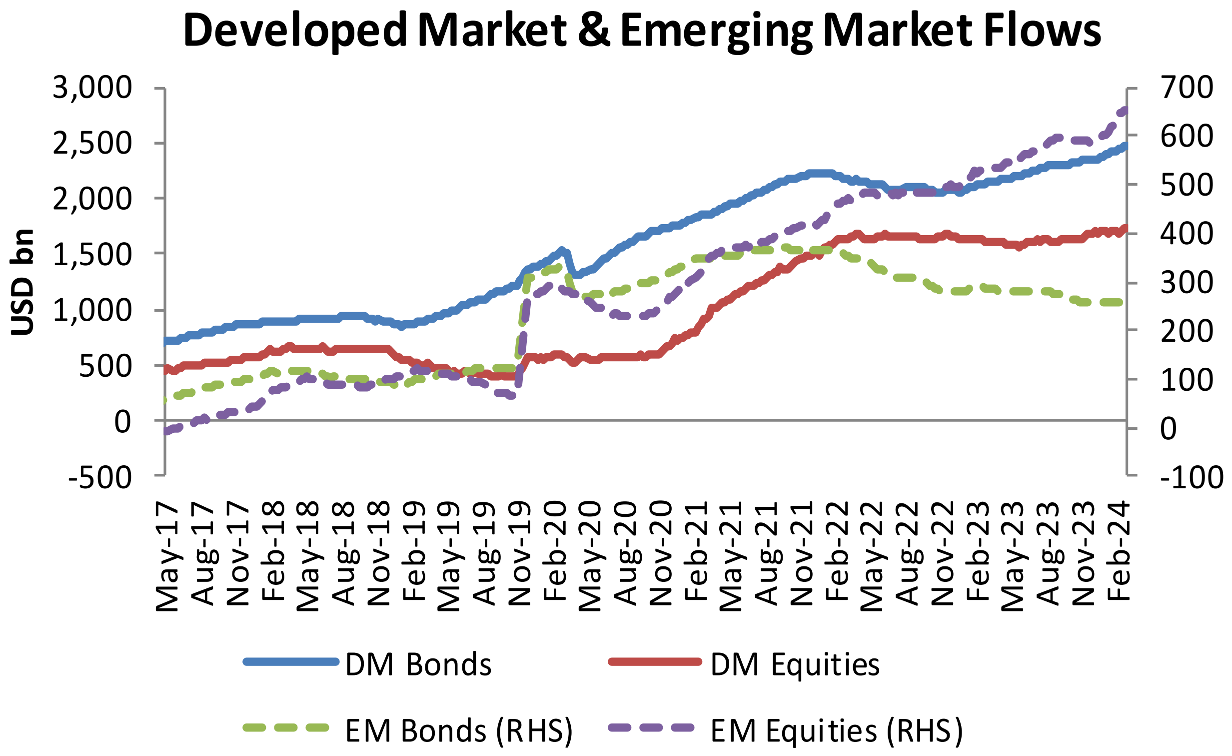
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($11.0bn) saw inflows while Emerging Market Equities ($960.88mn) saw outflows.
- Developed Market Bond ($14.3bn) saw inflows while Emerging Market Bond ($514.97mn) saw outflows.



Source: OCBC, EPFR

Thank you

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