



Weekly Macro Views (WMV)

Treasury Research & Strategy (9th November 2021)

Weekly Macro Update

Key Global Events for this week:

8 th November	9 th November	10 th November	11 th November	12 th November
<ul style="list-style-type: none"> - JN Leading Index CI - MA Foreign Reserves - TA Imports YoY - US Mortgage Delinquencies - US MBA Mortgage Foreclosures - PH Agriculture Output YoY 	<ul style="list-style-type: none"> - GE ZEW Survey Expectations - PH GDP YoY - US PPI Final Demand MoM - CH Money Supply M2 YoY - AU NAB Business Confidence - MA Industrial Production YoY 	<ul style="list-style-type: none"> - US Initial Jobless Claims - TH BoT Benchmark Interest Rate - US CPI MoM - CH CPI YoY - ES Unemployment Rate - US MBA Mortgage Applications 	<ul style="list-style-type: none"> - UK GDP QoQ - AU Unemployment Rate - UK GDP YoY - AU Employment Change - JN PPI YoY - UK Industrial Production MoM - UK Manufacturing Production MoM 	<ul style="list-style-type: none"> - US U. of Mich. Sentiment - HK GDP YoY - NZ Business Manufacturing PMI - MA GDP YoY - TH Foreign Reserves - EC Industrial Production SA MoM - SK Export Price Index YoY

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Global: Central Banks • Global: US infrastructure bill passes • Global: Fed to begin tapering in November • Global: BOE surprises by holding rates • Global: US employment data comes in strong
Asia	<ul style="list-style-type: none"> • SG: Retail sales surprise in September • SG: S'pore's PMIs were rangebound in October • HK: Economic recovery in a mixed outlook • Macau: Gaming revenue fell 25.8% mom

Asia	<ul style="list-style-type: none"> • CH: Improving basic balance • ID: Pandemic punch • MY: Finding funding
Asset Class	<ul style="list-style-type: none"> • FX & Rates: Yields fall despite strong NFP
Asset Flows	<ul style="list-style-type: none"> • Asset Flows

Global: Central banks

Forecast – Key Rates

Bank of Thailand (BoT)



Wednesday, 10th November

House Views

Benchmark Interest Rate

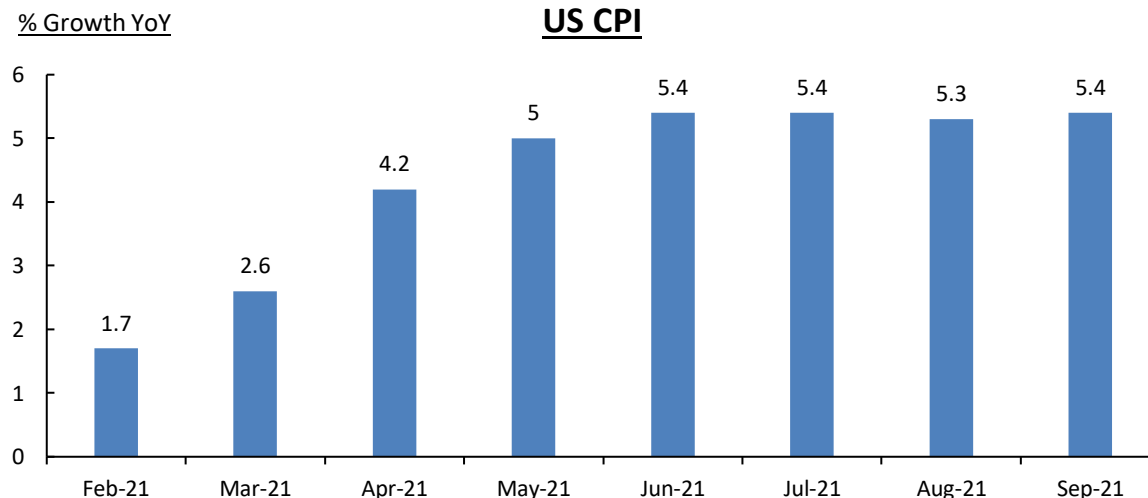
Likely **hold at **0.50%****

Global: US infrastructure bill passes

- President Biden's US\$1.2 tn infrastructure bill was passed by the House on Friday.
- **Other key developments:** China's October trade surplus surged to a record US\$84.54bn, with exports and imports expanding 27.1% (in USD terms) and 20.6% respectively, apparently shrugging off the ongoing power crunch and supply chain problems.
- **Key data release are as follows:**
 - 8th November: JN Leading Index CI, MA Foreign Reserves, TA Imports YoY, US Mortgage Delinquencies, US MBA Mortgage Foreclosures, PH Agriculture Output YoY
 - 9th November: GE ZEW Survey Expectations, PH GDP YoY, US PPI Final Demand MoM, CH Money Supply M2 YoY, AU NAB Business Confidence, MA Industrial Production YoY
 - 10th November: US Initial Jobless Claims, TH BoT Benchmark Interest Rate, US CPI MoM, CH CPI YoY, ES Unemployment Rate, US MBA Mortgage Applications
 - 11th November: UK GDP QoQ, AU Unemployment Rate, UK GDP YoY, AU Employment Change, JN PPI YoY, UK Industrial Production MoM, UK Manufacturing Production MoM
 - 12th November: US U. of Mich. Sentiment, HK GDP YoY, NZ Business Manufacturing PMI, MA GDP YoY, TH Foreign Reserves, EC Industrial Production SA MoM, SK Export Price Index YoY

Global: Fed to begin tapering in November

- The Federal Reserve has announced the start of tapering of its asset purchasing program during the 4th November FOMC meeting.
- The monthly pace of net asset purchases will be slowed by \$10 bn for Treasury securities and by \$5 bn for agency mortgage-backed securities.
- Beginning November, the Fed will increase its holding of Treasury securities by \$70bn/ month down from \$80bn/month and mortgage-backed securities by \$35bn/month down from \$40bn/month.
- Fed chair Jerome Powell iterated his expectations for inflation to continue rising until late into 2022. “Our baseline expectation is that supply chain bottlenecks and shortages will persist well into next year and elevated inflation as well”

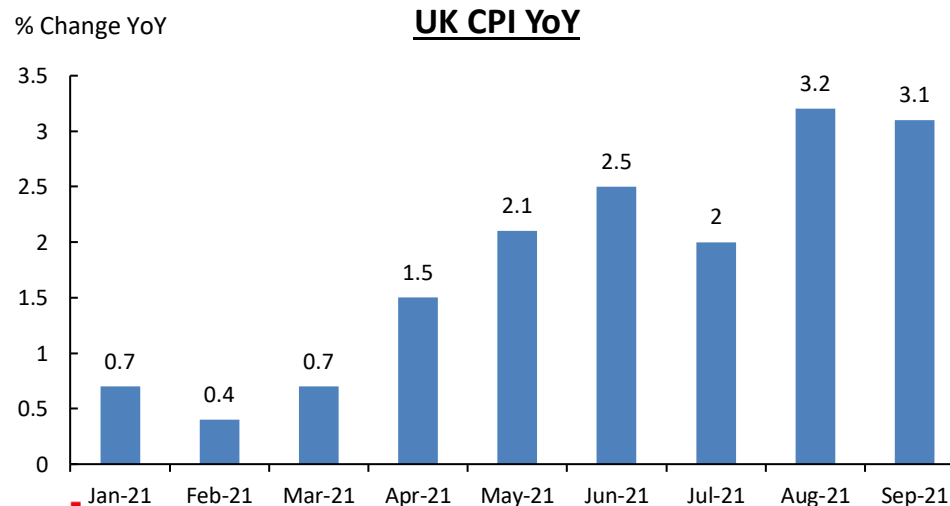


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Source: Bloomberg

Global: BOE surprises by holding rates

- The BOE's Monetary Policy Committee (MPC) voted 7-2 to maintain the benchmark interest rate at 0.10%.
- Committee members also voted 6-3 in continuing the existing government bond purchase programs at a target stock of £875 bn.
- The MPC also voted unanimously to maintain the £20bn stock of corporate bond purchases, total assets purchased stand at £895 bn.
- "The Committee judges that, provided the incoming data, particularly on the labour market, are broadly in line with the central projections in the November Monetary Policy Report, it will be necessary over coming months to increase Bank Rate in order to return CPI inflation sustainably to the 2% target," the MPC said on the 4th of November.

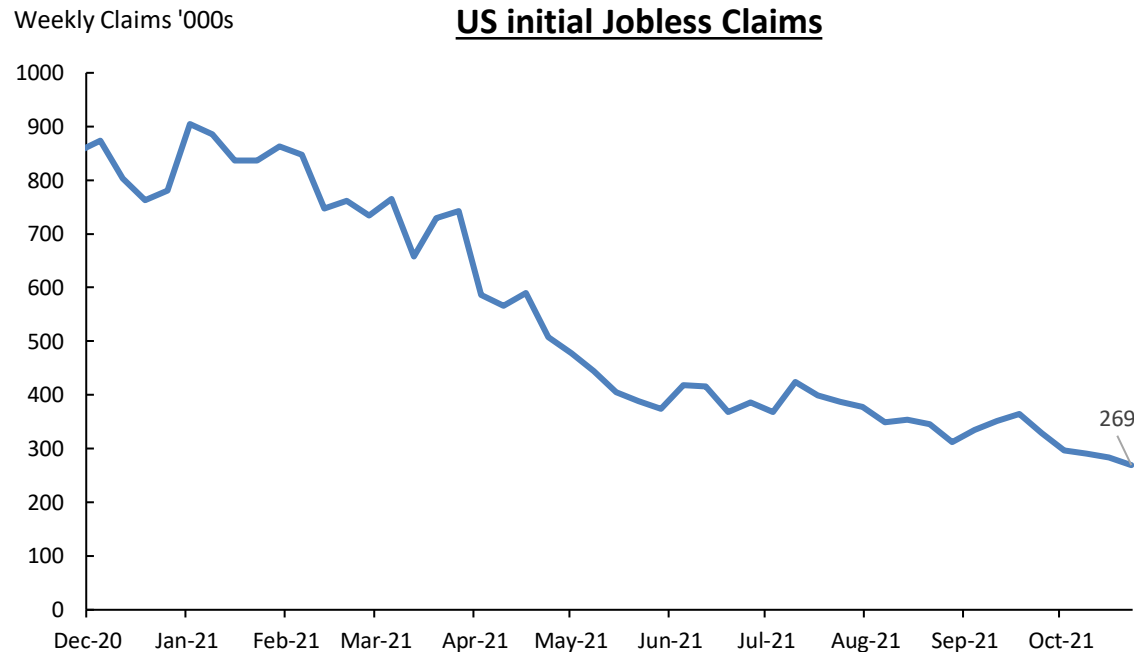


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Source: Bloomberg

Global: US employment data comes in strong

- US initial jobless claims totaled 269k for the week ended 30th October, falling to a new pandemic low and coming under the 275k estimate.
- U.S. private employers also added more jobs than expected last month, ADP reported that private employers added 571k payrolls in October vs the 400k consensus view.
- US nonfarm payrolls also exceeded market expectations of 450k and increased 531k in October, while the unemployment rate fell to a 19th month low of 4.6% in October.

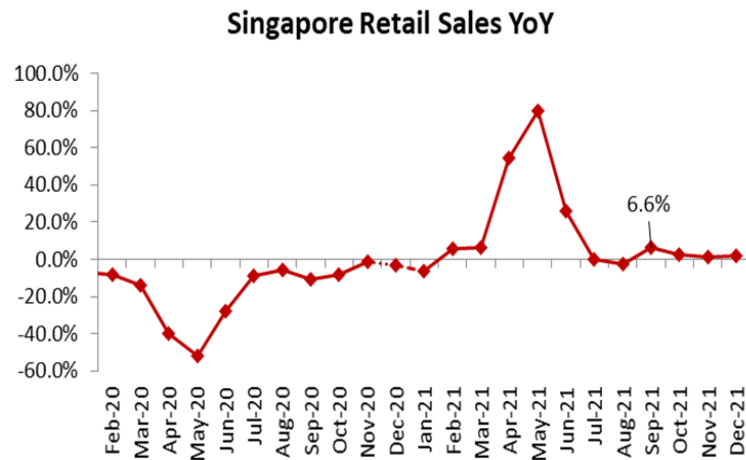


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Source: OCBC, Bloomberg

SG: Retail sales surprise in September

- Retail sales rose more than expected by 6.6% yoy (6.0% mom sa) in September, reversing the August decline of 2.8% yoy (-0.6% mom sa). This data print exceeded our forecast of 2.0% yoy (1.9% mom sa) as well as the Bloomberg consensus forecast of 2.0% yoy (0.9% mom sa).
- Light at the end of the tunnel for the retail sector? The Stabilisation Period only started on 27 September and was originally scheduled to last until 24 October, so the full impact of the tightened restrictions for dining-in and default work-from-home arrangements etc may not have been fully captured in the September retail sales data.
- In Singapore's case, the gradual re-opening of the borders for specific Vaccinated Travel Lanes (VTLs) and the modest return of overseas visitors would give a welcome lift to the retail sector in the coming months

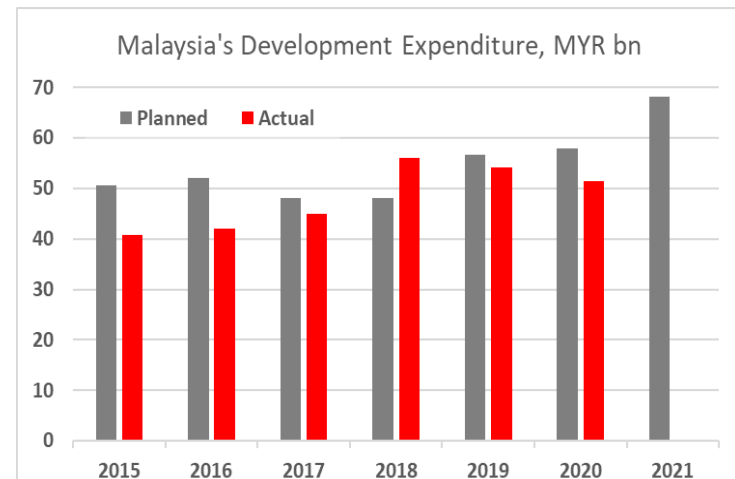
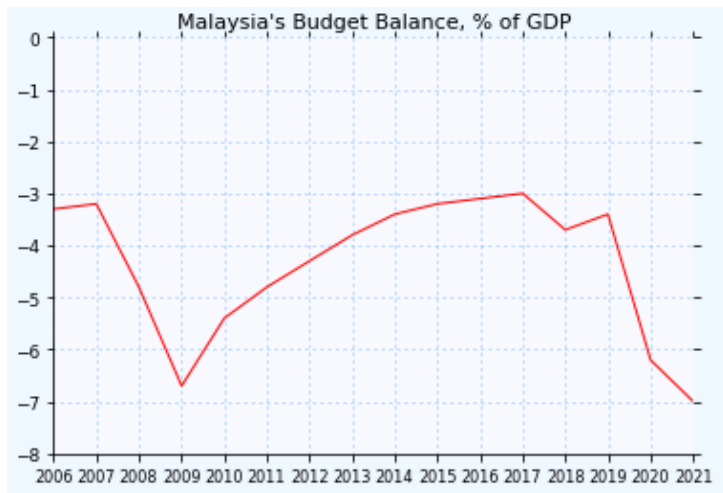


SG: S'pore's PMIs were rangebound in October

- **Singapore's manufacturing PMI was static at 50.8 in October**, marking its 16th month in expansion territory, whereas the electronics PMI slipped marginally by 0.1 point to 51.1.
- **Notable highlights are as follows:**
 - **New orders and new export orders outlook has started to soften**, which suggests that both the external demand for both manufacturing and electronics sectors may have peaked and start to subside once the Christmas rush is over.
 - **Sustained increase in input prices for the 15th straight month for the overall manufacturing sector**, as well as for the electronics sector. Whether the input price increase arises from higher shipping costs and/or supply chain disruptions which have contributed to component shortages, it would still pressure profit margins if not passed on to consumers eventually.
 - **Order backlog for the manufacturing sector has dipped**, whereas that for the electronics industry continues to tick higher in October, suggesting that the latter remains in more robust health for now.
- **Our manufacturing growth forecast for 4Q21 stands at 7.8% yoy**, which would bring the full-year manufacturing growth to a robust 10.7% yoy. However, this could unwind into 1Q22 which is traditionally a slow quarter and is now potentially exacerbated by challenges posed by China's growth slowdown, power crunch and other supply chain disruptions.

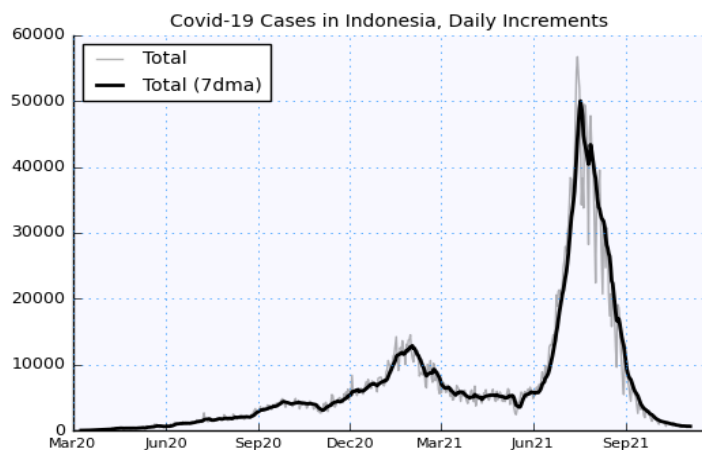
Malaysia: Finding funding

- Malaysia's government has tabled its Budget 2022 on Oct 29th. 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.



Indonesia: Pandemic 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 at sub-700 handle, much lower than the nearly 57k seen at its peak. Consumer and business sentiments have started to show signs of life yet again, that should pave the way for an uplift in momentum.
- Together with the support coming from the commodities-driven trade front, we expect 2021 growth to still clock an "okay" 3.7% yoy, despite the Q3 miss. On the policy front, the downbeat data is unlikely to shift the MOF and BI from the course of fiscal consolidation and policy rate stability, respectively.



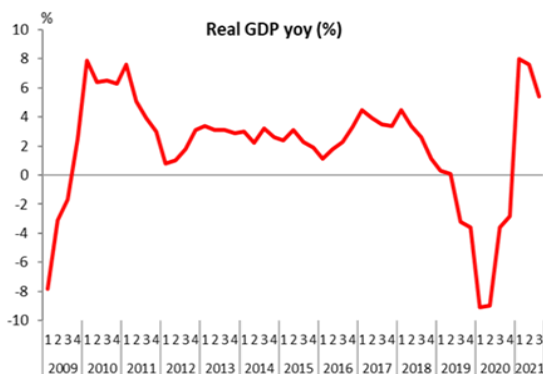
China: Improving basic balance

- China's trade surplus in October hit a record high of US\$84.5 billion as demand for Chinese goods remained strong. China's trade surplus with the US remained above US\$40 billion for two straight months.
- Current account surplus in the first three quarters reached US\$202.8 billion, accounting for about 1.6% GDP, up slightly from 1.5% in the first half of 2021. The sizable current account surplus was mainly attributable to strong goods trade surplus and narrowing service trade deficit.
- China's basic balance (including current account surplus and net foreign direct investment) as percentage of GDP remained high at 2.9% in the first three quarters of 2021, up from 2.5% in 2020. This probably explains the outperformance of RMB year to date.



HK: Economic recovery in a mixed outlook

- 3Q21 GDP growth slightly missed expectation at 5.4% yoy, amid the high base last year and the weak performance of the frozen tourism industry.
- Still, economy rose 0.1% qoq, driven by private consumption(+7.0% yoy), with the continuous improving labour market and e-consumption voucher scheme which boosted the local economic activities. However, Hong Kong's retail sales slowed to 7.3% yoy in September from 11.9% in August, suggesting the fade effect from the first batch of consumption vouchers in august.
- In short, we keep our 2021 GDP growth forecast unchanged at 6% while stay cautious to the downside risks including lingering pandemic uncertainty, US-China tensions, China's regulatory risk, faster-than-expected tightening of the Fed and slower-than-expected vaccination in Asia.



	1Q (YoY)	2Q (YoY)	3Q (YoY)
GDP	8.0%	7.6%	5.4%
Private consumption expenditure	2.1%	6.8%	7.0% ↑
Government consumption expenditure	7.0%	2.8%	4.1% ↑
Gross domestic fixed capital formation	4.8%	23.8%	11.0%
Exports of goods	30.1%	20.2%	14.3%
Imports of goods	22.9%	21.3%	16.5%
Exports of services	-7.3%	2.6%	4.0% ↑
Imports of services	-12.0%	7.6%	6.4%

HK's Retail Sales	Sep 21 vs Sep 18	Sep 21 vs Sep 19
All retail outlets	-23.5%	-2.8%
Food, alcoholic drinks and tobacco (other than supermarkets)	-23.3%	-15.0%
Supermarkets	-3.9%	1.6%
Fuels	15.7%	15.9%
Clothing, footwear and allied products	-35.3%	-4.4%
Consumer durable goods	-5.1%	15.6%
Department stores	-31.3%	-2.3%
Jewellery, watches and clocks, and valuable gifts	-48.1%	-19.9%
Other consumer goods	-24.0%	-2.9%

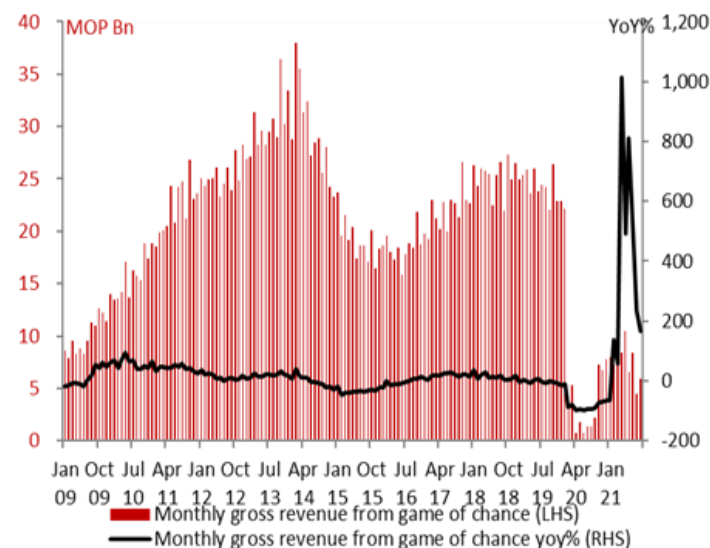


OCBC Bank

Source: Bloomberg, OCBCWH

Macau: Gaming revenue fell 25.8% mom

- As the result of sharp drop in inbound visitors in Golden week holiday in 2021 , Macau's gaming revenue fell 25.8% mom or 40% yoy to 4.37bn MOP, the worst month of 2021.
- Besides, Macau government estimated the gross gaming revenue will be MOP 130 billion next year, aligned with the projection in 2021. However, this put a great challenge to the city's budget plan as gaming tax income has been one of the largest sources for the fiscal income, which is expected to be MOP45.5 billion at only 2007 level next year, while expenditures on social welfare and infrastructure remained the highest of MOP8.4 billion in 2022, leading to a fiscal deficit of MOP30.3 billion.
- Overall, this reinforced our view that the gaming sector and recovery itself look likely to remain slow and may not get back to the pre-pandemic levels anytime soon against the macros and political backdrops.
- While we downgrade further in our full year 2021 GGR growth estimate to roughly 30% yoy, highlighted the big changes in Macau as a key Asia gaming hub and the tourism outlook.





Foreign Exchange & Interest Rates

FX & Rates: Yields fall despite strong NFP

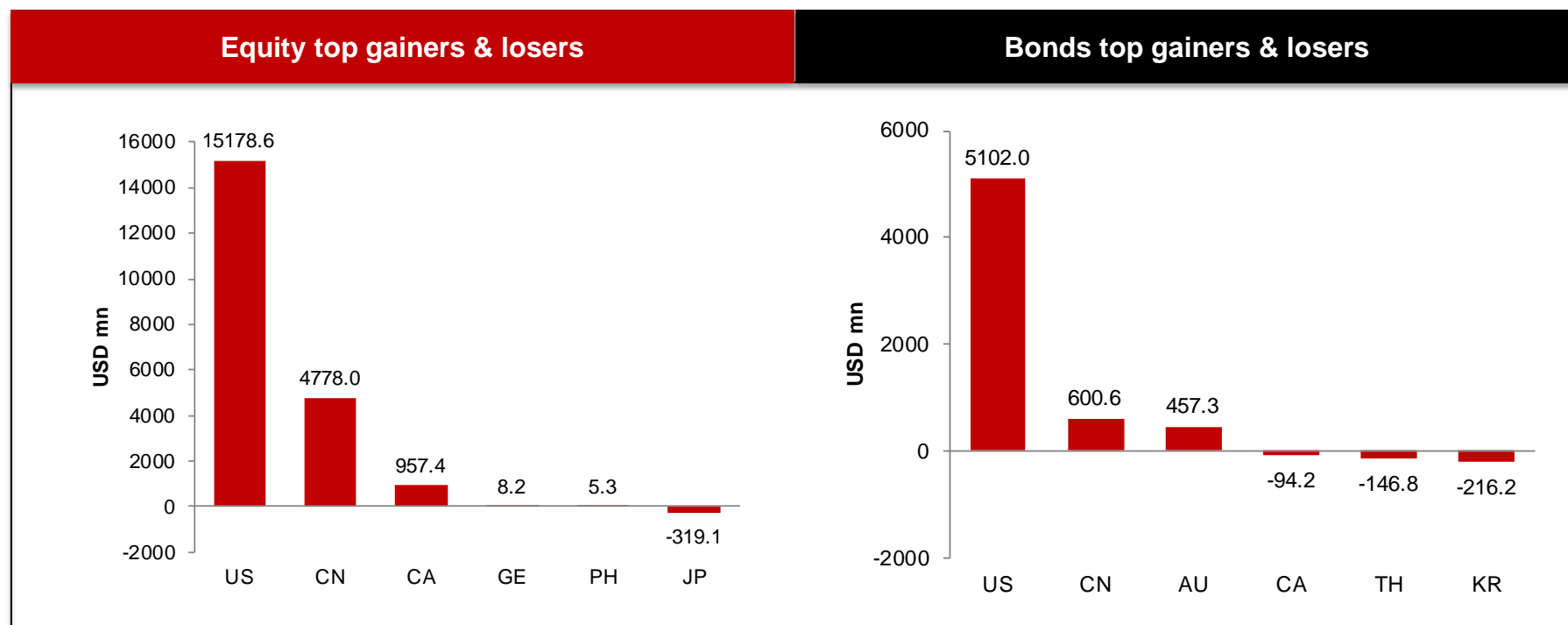
- US NFP and a series of labour market indicators were firmer than expected on Fri, but the bond market waved that side to take the UST curve flatter from the back-end. Global equities were broadly firmer. The **FX Sentiment Index (FXSI)** still neutral but is starting to lean towards the Risk-On boundary this week.
- The DXY Index touched an intraday high, but the **USD** eventually closed flat to softer against G-10 counterparts on Fri. Latest **CFTC** data show both the leveraged and non-commercial accounts reduced their net implied USD longs marginally.
- We re-assess the current landscape after two weeks of central bank-led flux: (1) the Fed is perhaps most aligned / comfortable with the hawkish market expectations, (2) doves are still in control at the ECB, and they have come out stronger after the soft response at the ECB policy decision, (3) BOE is an “unreliable boyfriend”, and its guidance is rather confused, (4) BOC and antipodean central banks have scope to lean more hawkish / less dovish.
- UST yields retraced lower across the curve despite a strong labour market report, as market continued to react to central banks’ patience in raising rates. Fed fund futures pricing eased mildly at the Jul 2022, Aug 2022 and Sep 2022 contracts.
- Usage at the Fed’s o/n reverse repo stayed steady at USD1.354trn on Friday. The flush USD liquidity is feeding through onto both the usage at the reverse repo and bill demand – the closing gap between the yields at the 4W and 8W bill auctions last Thursday was a case in point. Indeed, investors appears not much worried about the debt ceiling issue for now.



Asset Flows

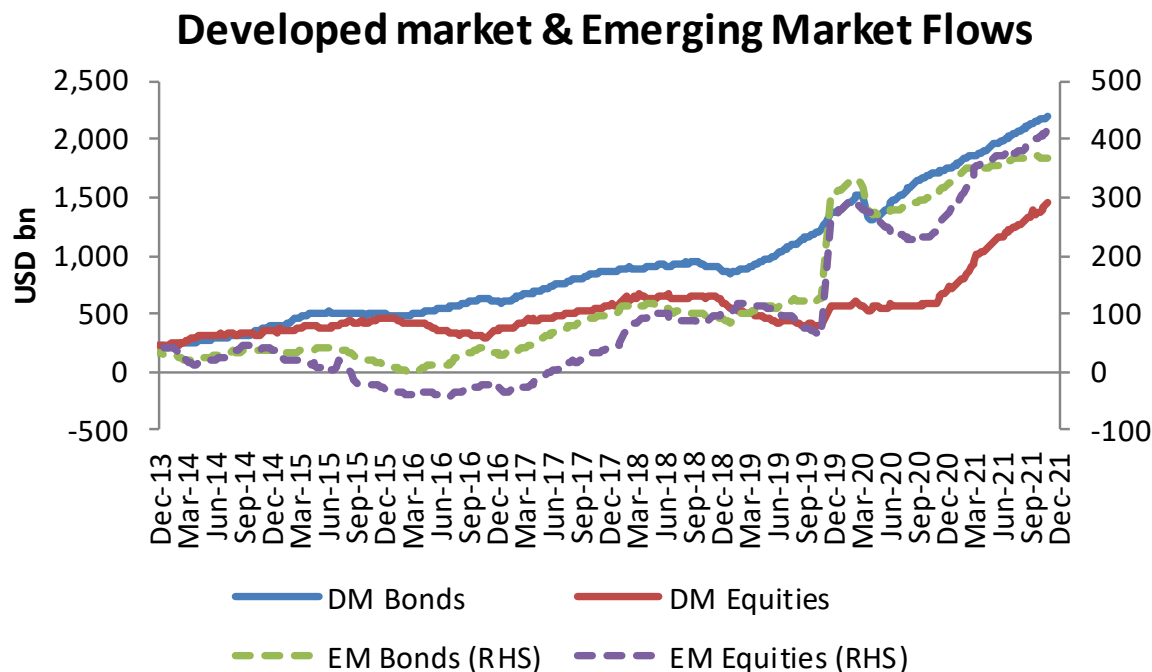
Global Equity & Bond Flows

- Inflows in the global equity market for the week ended 3rd November amounted to \$25.9bn, a decrease from the inflow of \$28.0bn last week. Global bond market saw inflows amounting to \$7.8bn, an decrease from last week's inflows of \$8.6bn.



DM & EM Flows

- DM equities saw \$19.6bn worth of inflows while the EM-space registered \$6.2bn worth of inflows.
- Elsewhere, the DM bond space posted inflows of 7.1bn, while EM bonds registered outflows of \$0.7bn.





Thank You

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Research

Frances Cheung

Rates Strategist

FrancesCheung@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

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