

Weekly Macro Views (WMV)

Global Markets Research & Strategy

29th August 2023

Weekly Macro Update

Key Global Data for this week:

28th August	29th August	30th August	31st August	1st September
- UK Nationwide House PX MoM - AU Retail Sales MoM - EC M3 Money Supply YoY - SK Retail Sales YoY	- JN Jobless Rate - US Conf. Board Consumer Confidence - VN CPI YoY - JN Job-To-Applicant Ratio	- US GDP Annualized QoQ - GE CPI YoY - US MBA Mortgage Applications - GE CPI MoM	- JN Industrial Production MoM - US Initial Jobless Claims - HK Retail Sales Value YoY - TH BoP Current Account Balance	- US Change in Nonfarm Payrolls - US ISM Manufacturing - SK Exports YoY - CH Caixin China PMI Mfg

Summary of Macro Views:

Global	• **Global:** Central Banks Watch • **Global:** Jackson Hole Speech • **Global:** Weaker Flash PMIs • **Global:** June World Trade Monitor • **Global:** Overview of Global FDI Restrictions into Critical Industries
Asia	• **SG:** Plans to Manage Investments affecting National Security • **SG:** Disinflation on Track • **SG:** Less Pronounced Decline in Manufacturing • **SG:** 2023 Presidential Elections • **SG:** COE Premiums Reach All-time-high • **CN:** Industrial Data Remained Weak • **CN:** Property Market Remains Weak • **CN:** Bright Spots - Ramping Up Support to Market Sentiment

Asia	• **CN:** Will Not Fall into The Trap of "Japanification" • **MO:** Economy Recovered to 71% of The Pre-Covid Level in 1H • **ID:** Current Account Shifts to a Deficit in 2Q23 • **ID:** Bank Indonesia Remains on Hold • **MY:** July Inflation Eases Further • **TH:** PM Elected, Policy in Focus
Asset Class	• **Oil:** Prices to Continue Trading Range-bound • **FX & Rates:** Powell's Speech Was About Uncertainties • **ESG:** US Cracking Down on Forced Labour in EV Supply Chains
Asset Flows	• **Asset Flows**

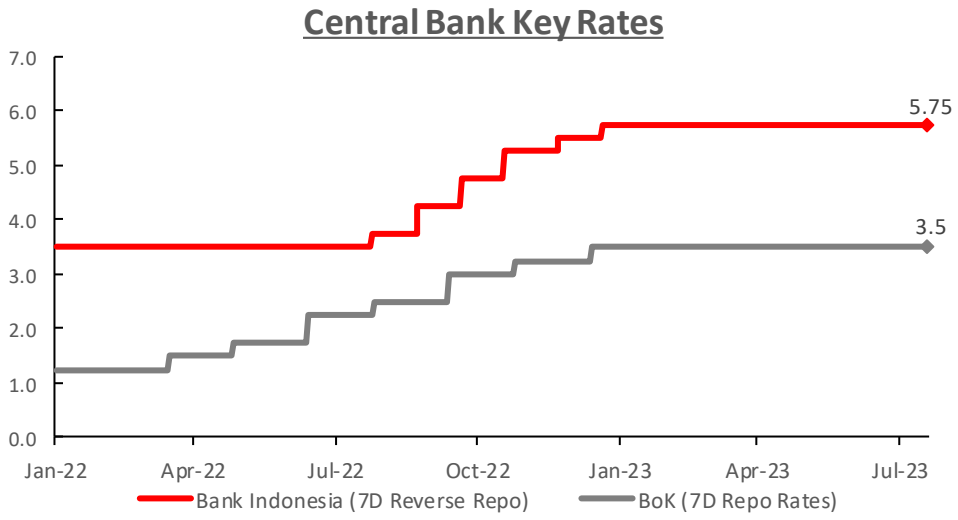
OCBC

Source: Bloomberg, OCBC

Global: Central Banks Watch

- Last week, the Bank of Korea (BoK) and Bank Indonesia (BI) both held rates steady at 3.50% and 5.75% respectively in line with consensus expectations.
- Speaking on the unanimous decision to keep rates on hold, BoK Governor Rhee Chang-yong stated that there will be a “considerable period of time” before inflation settles to within the BoK’s 2% target level. Meanwhile, BI’s broader policy stance as it remained focused on " strengthening rupiah stability to mitigate the contagion effect of global financial market uncertainty".



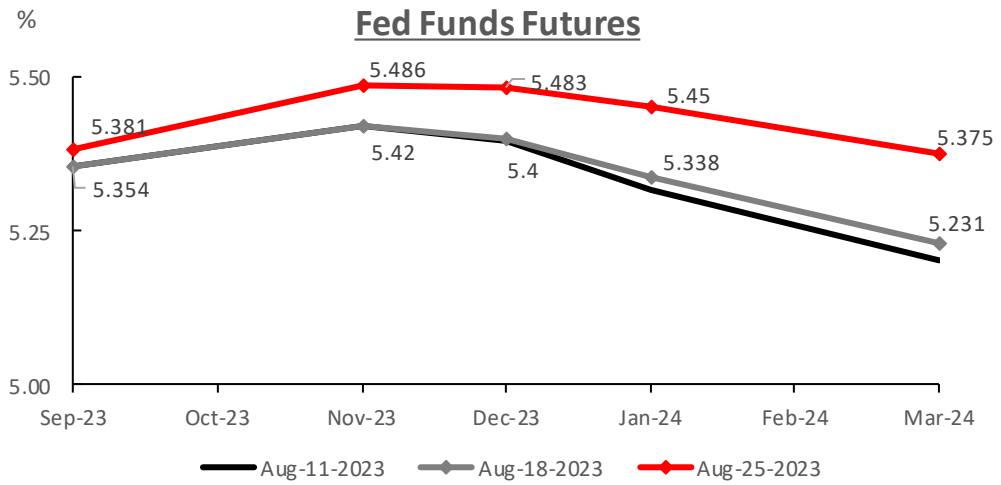


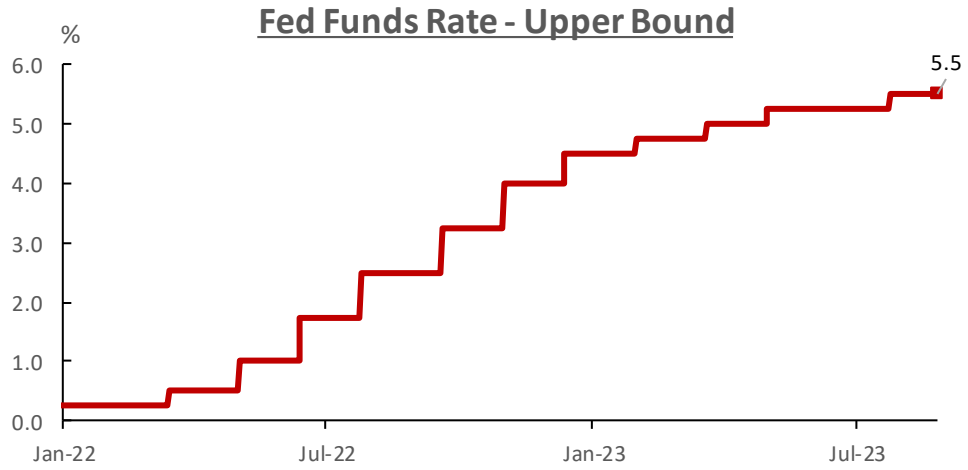


Source: Bloomberg, Central Bank websites, OCBC

Global: Jackson Hole Speech

- Federal Reserve Chair Jerome Powell stuck to his monetary policy stance during the Jackson Hole symposium on Friday. The Fed Chair remained cautious against inflation risks noting that inflation still "remains too high" and that "It is the Fed's job to bring inflation down to our 2% goal, and we will do so." Moreover, he remarked that the FOMC is "prepared to raise rates further if appropriate", however, given past rate hikes Powell noted that "at upcoming meetings we are in a position to proceed carefully as we assess the incoming data and evolving outlook and risks."

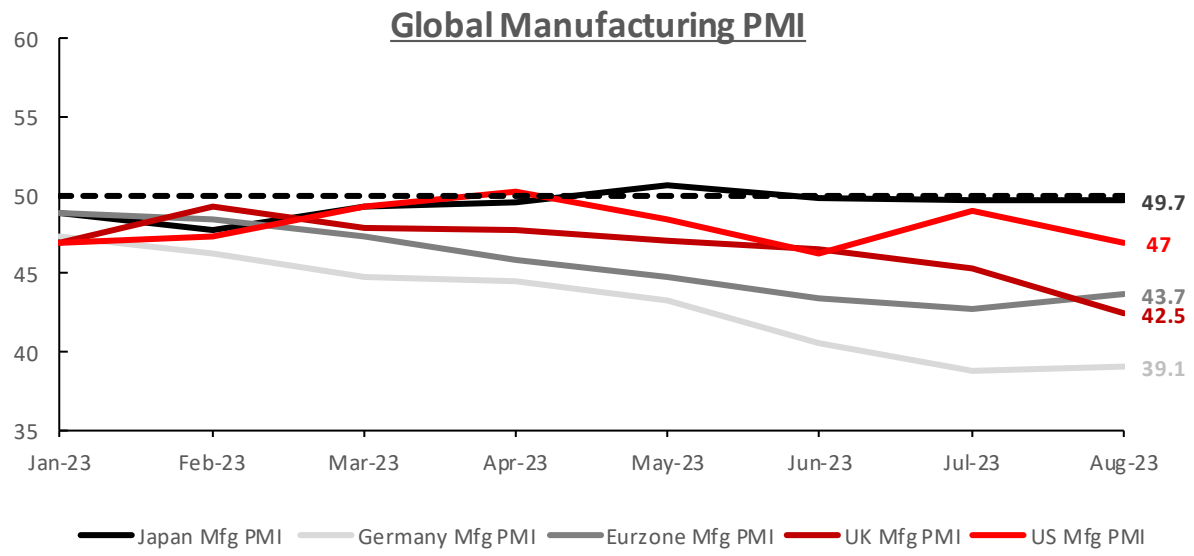


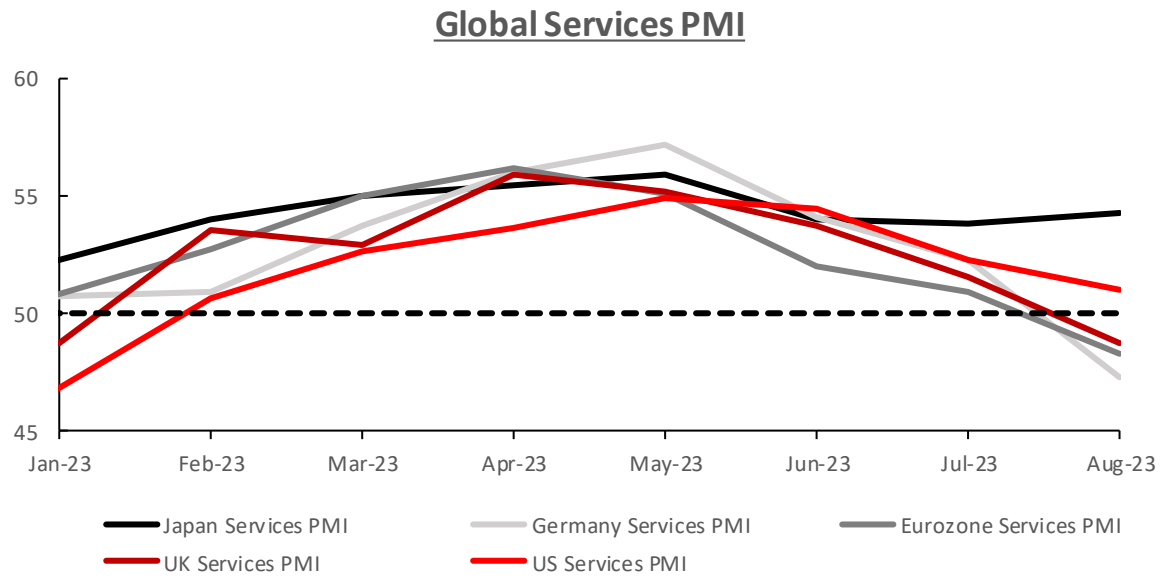


Source: News sources, Bloomberg, OCBC

Global: Weaker Flash PMIs

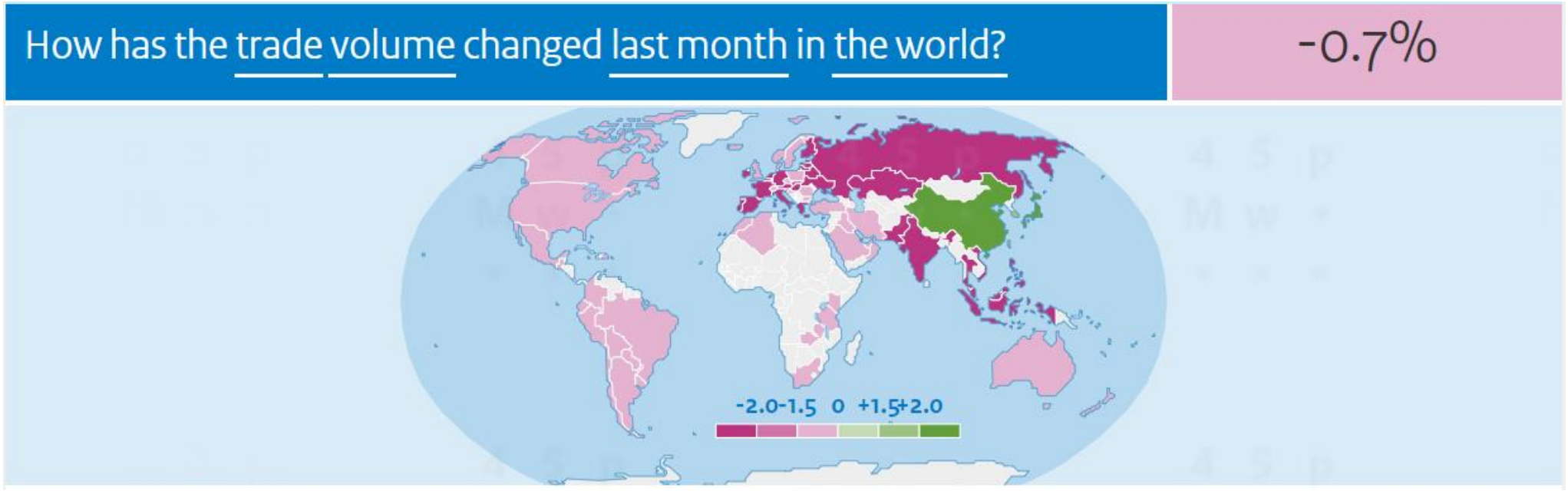
- The manufacturing and services PMIs weakened in August. Notably, manufacturing PMIs for Germany, the UK, and the Eurozone remained significantly below the expansion threshold of 50. Similarly, the US manufacturing sector declined further, reaching 47.0 (vs. 49.0 in July), marking its fourth consecutive month of contraction. Japan's manufacturing PMI improved slightly from July, but still below 50.
- Services PMIs in Germany and the Eurozone dipped into contractionary zone for the first time this year, whereas the UK services PMI reverted into contraction after a 6-month expansion period. Both Japan and the US maintained their services PMIs in the expansionary zone, even though the US services PMI decreased to 51.0 (vs. 52.3 in July).





Source: Bloomberg, OCBC

Global: June World Trade Monitor



World Merchandise Trade Volume (s.a.)	Month-on-month	Year-on-year
World trade	-0.7%	-2.5%
World imports	-1.2%	-3.7%
World exports	-0.2%	-1.3%
World Industrial Production	+0.4%	+0.5%

Source: CPB Netherlands Bureau for Economic Policy Analysis, OCBC

Global: June World Trade Monitor (Cont.)



Prices / Unit Values in USD (s.a.)	Month-on-month	Year-on-year
World trade	-1.7%	-8.1%
World imports	-1.6%	-7.4%
World exports	-1.7%	-8.9%

Source: CPB Netherlands Bureau for Economic Policy Analysis, OCBC

Global: Overview of Global FDI Restrictions into Critical Industries

Country	Industries	Details
USA	Advanced Semiconductors, Artificial Intelligence, Quantum Information Technologies	New investment restrictions for FDI review primarily affecting China on 'prospective investments' into private equity, venture capital, joint ventures, and greenfield investments for the affected industries. Exempt, however, are technology licensing, material transactions under export controls, and routine capital flows between parent and subsidiary companies in China, even within affected industries.
China	Defense equipment, Major agricultural products, Major energy and resources, infrastructure, key equipment manufacturing	Foreign investment security review covers establishment of a foreign invested enterprise (independently or jointly), acquisition of shares, property, or any other similar rights and interests of an enterprise in China.
Germany	Semiconductors, Defense equipment, Encryption technologies, and other key defense technologies	German FDI review covers direct and indirect acquisitions by foreigners of at least 10% of voting rights are subject to a mandatory review and filing obligation.
Italy	Defense, Energy, Transportation, Telecommunications , Critical infrastructure, Sensitive technology, and Nuclear and Space technology.	Italy has a 'Golden Power' Law, which allows the Government to block foreign acquisition of companies operating in strategic sectors.

Source: Various News sources, OCBC

Singapore: Plans to Manage Investments Affecting National Security

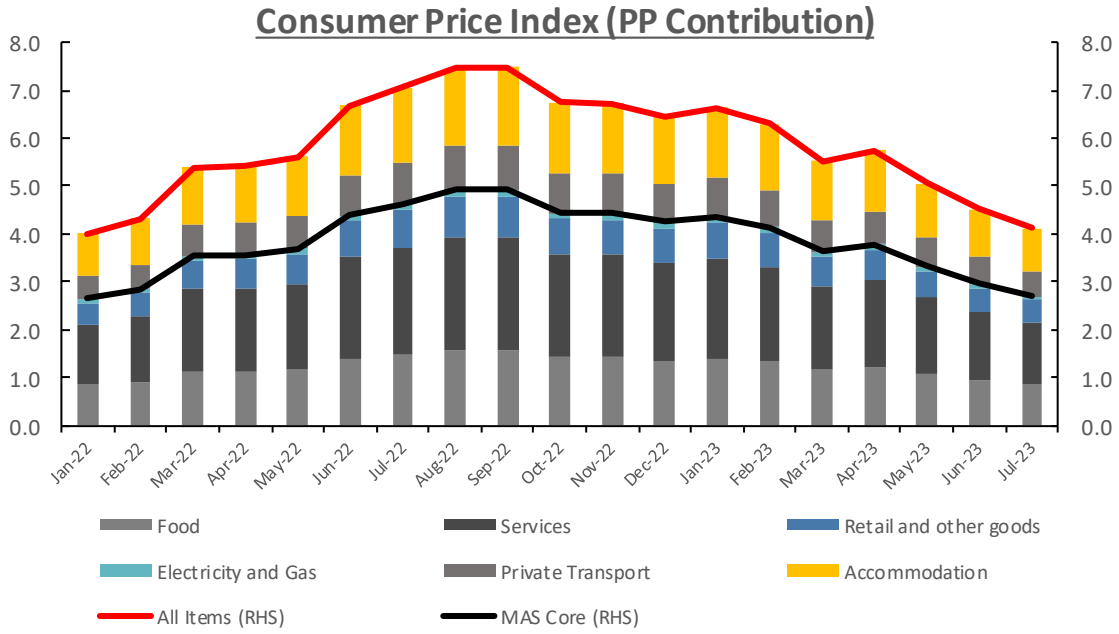
- Trade and Industry Minister Gan Kim Yong announced that Singapore is exploring plans to manage investments into critical entities in the city state. Minister Gan noted that, “We will need to strengthen Singapore’s position as a trusted hub for businesses to invest with confidence. And to do that, we will need to make sure that investments into critical entities do not affect Singapore’s economic resilience and our national security interest.”
- Currently, Singapore has relatively minimal restrictions on foreign investments. There are legislative constraints on foreign direct investments applicable in real estate, broadcasting, and domestic media sectors. Conversely, areas such as telecommunications, financial services, banking, as well as professional services like law and accountancy, operate under licensing frameworks necessitating investors to obtain explicit approvals from the pertinent regulatory authorities. Minister Gan added that the Government work with the industries to minimize the potential impact on these businesses and investments.

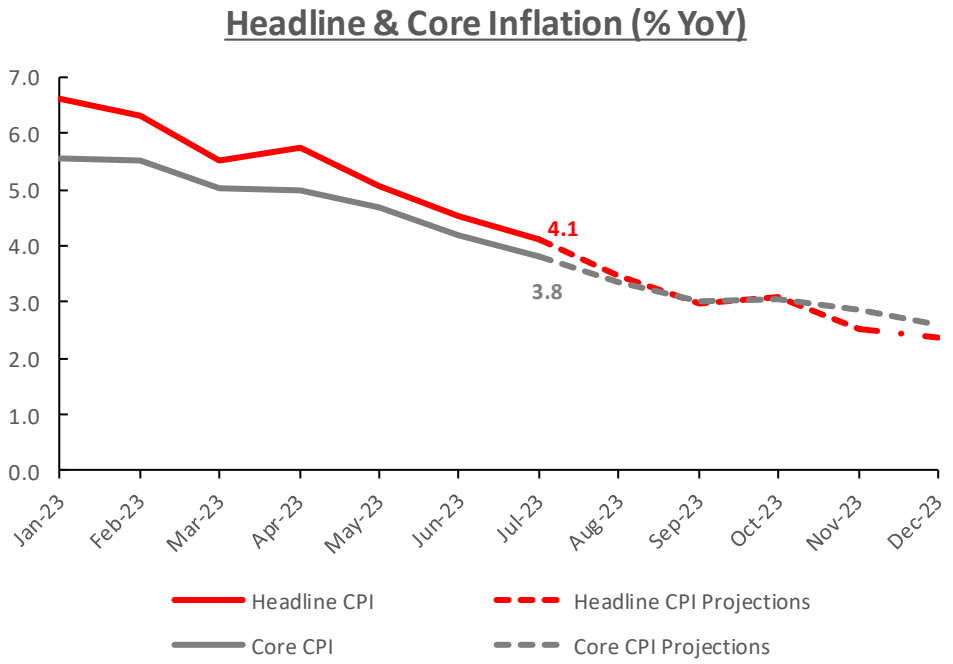
OCBC

Source: Straits times, OCBC

Singapore: Disinflation On Track

- Headline inflation eased from 4.5% YoY in June to 4.1% YoY in July, the slowest since January 2022 (OCBC: 4.1%; Consensus: 4.2%). In sequential terms, headline CPI fell 0.2% MoM, recording the first decline since October 2022. Key contributors to the moderation in headline inflation were lower private transport costs (4.8% versus 5.8% YoY) and electricity & gas costs (-1.6% YoY vs. 3.1% YoY)
- Core CPI also eased from 4.2% YoY in June to 3.8% in July, the lowest since May 2022 (OCBC: 3.7%; Consensus: 3.8%). Compared to June 2023, however, core CPI rose 0.2% MoM due to an increase in costs of services and food as more expensive sugar, preserves & confectionary, and fruits offset cheaper meat, fish & seafood, and oils & fats.



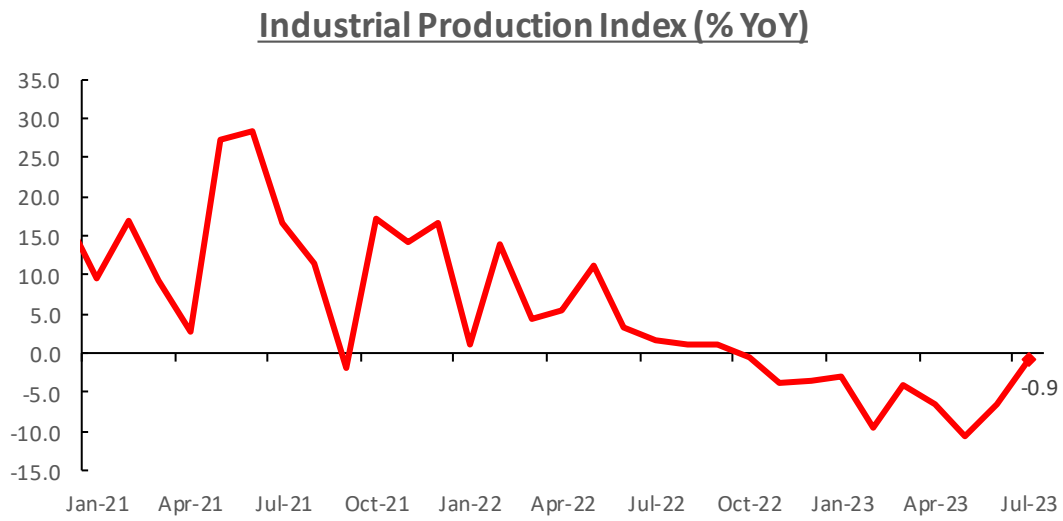


Source: Bloomberg, OCBC

Singapore: Less Pronounced Decline in Manufacturing

- July manufacturing output saw a smaller contraction of -0.9% YoY (4.1% MoM sa), improving from the downwardly revised -6.6% in June. The transport engineering cluster continued to excel, growing by 20.7% YoY (vs. 12.5% in June), while the biomedical cluster experienced a significant contraction of -22.6% YoY (vs. -14.9% in June). Excluding biomedical manufacturing, manufacturing output expanded by 1.7% YoY (6.9% MoM sa), the first recorded expansion for the year.
- The downtrend in electronics output came to an end, electronics output expanded by 5.1% YoY in July (vs. -2.9% in June). This marked the first expansion for the electronics cluster this year. Notably, semiconductor and infocomms output grew 5.8% YoY (vs. 3.2% in June) and 3.7% YoY (vs. -17.8% in June), respectively.

%YoY	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Industrial Production	**-2.9**	**-9.6**	**-4.0**	**-6.5**	**-10.6**	**-6.6**	**-0.9**
Electronics Cluster	-4.2	-11.2	-7.2	-8.8	-23.6	-2.9	5.1
Chemicals Cluster	-12.9	-14.6	-11.9	-6.1	-9.1	-8.9	2.3
Biomedical Manufacturing Cluster	24.5	-34.3	4.2	-10.6	6.6	-14.9	-22.6
Precision Engineering Cluster	-12.0	4.8	-6.5	-3.8	-10.2	-11.9	-7.6
Transport Engineering Cluster	5.2	22.3	24.7	14.9	30.9	12.5	20.7
General Manufacturing Cluster	-14.2	-0.8	-4.2	-11.0	0.6	-6.9	-8.5



Source: CEIC, OCBC

Singapore: 2023 Presidential Elections

- Polling day for Presidential Elections 2023 is coming up this 1st September (Friday) with three hopeful presidential candidates running for the post. Approximately 2.7 million Singaporeans will vote in what is the third presidential election since the Presidential Elections Act of 1991 gave the public the right to choose.
- The elected President will hold office for a six-year term and there is no term limit to the presidency.

Presidential Candidate	Profile
Ng Kok Song	Age 75, Former Chief Investment Officer of GIC
Tan Kin Lian	Age 75, Former Chief Executive of NTUC Income
Tharman Shanmugaratnam	Age 66, Former Deputy Prime Minister

Source: Reuters, National Library Board, OCBC

Singapore: COE Premiums Reach All-time-high

- In the last bidding exercise on 23 August, COE premiums rose with Categories B and E reaching new highs of S$129,890 and S$131,000 respectively while Categories A and C climbed to S$100,000 and S$82,801, respectively. Category D, for motorcycles, was the only category to decline, falling to S$11,402.

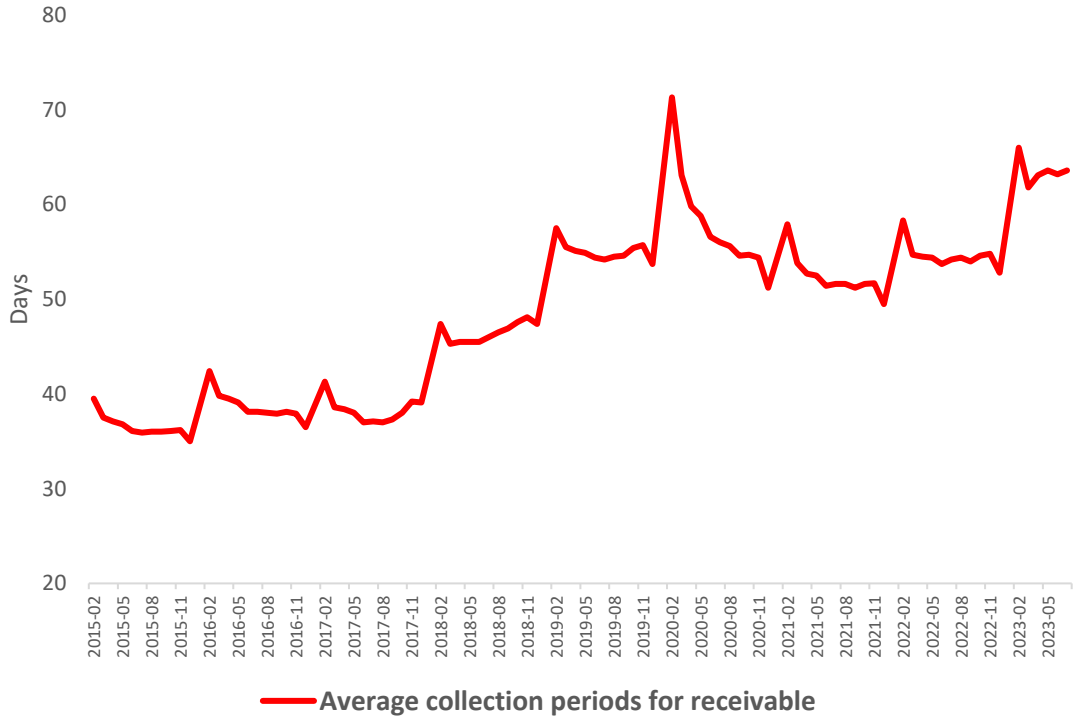
Category		Quota Premium (23 August)	Quota Premium (10 August)
A	CAR-DETAILS AT ONEMOTORING	100,000↑	99,499
B	CAR-DETAILS AT ONEMOTORING	129,890↑	126,889
C	GOODS VEHICLE & BUS	82,801↑	82,100
D	MOTORCYCLE	11,402↓	11,501
E	OPEN-ALL EXCEPT MOTORCYCLE	131,000 ↑	126,201

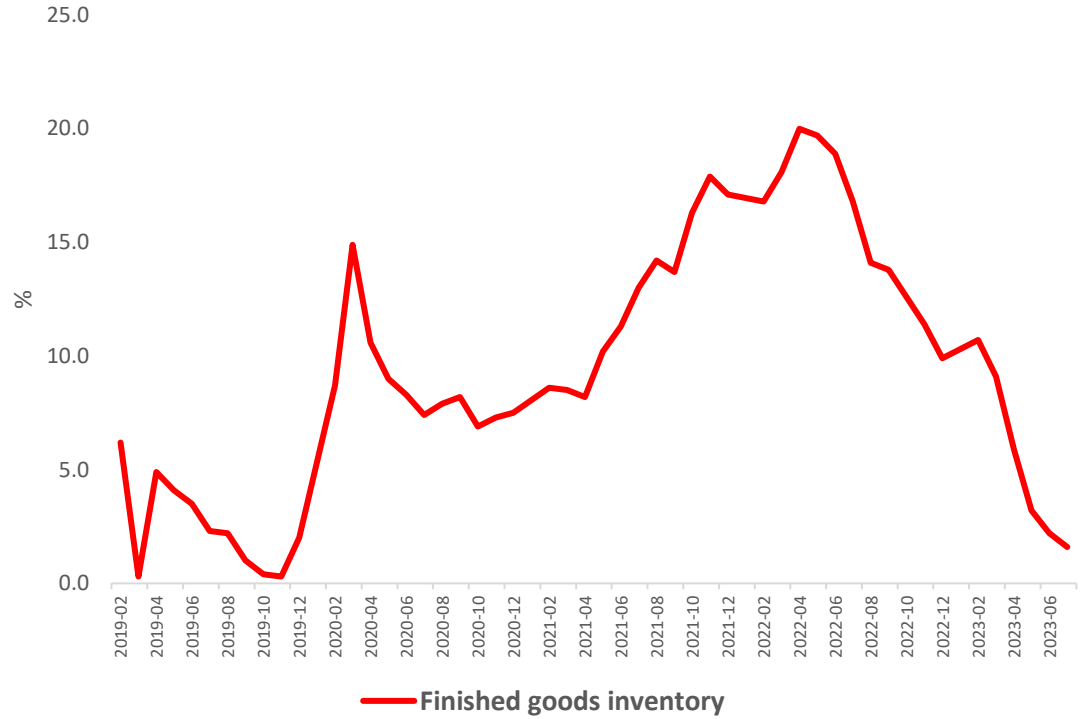
OCBC

Source: LTA, OCBC

China: Industrial Data Remained Weak

- Chinese industrial firms have been persistent in their de-stocking efforts. The growth rate of finished goods inventory slowed to 1.6% year-on-year for the first seven months, down from 2.2% in the first half of the year. This marks 14 consecutive months of de-stocking.
- There's been a noticeable uptick in the account receivable cycle, with July witnessing a rebound to 63.6 days. The decelerating pace of economic circulation may intensify the challenges for China’s industrial entities, highlighting the need for increased governmental support.

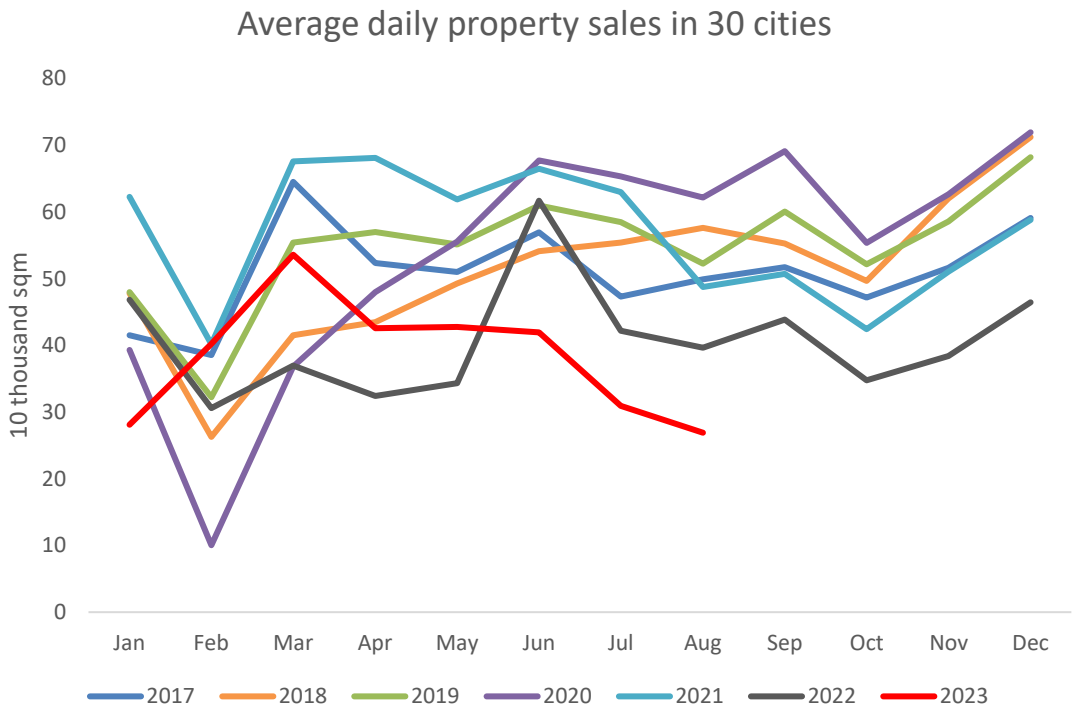




Source: Wind, CEIC, OCBC

China: Property Market Remains Weak

- The high frequency data showed that property sales in major cities weakened further in August.



Source: Wind, CEIC, OCBC

China: Bright Spots - Ramping Up Support to Market Sentiment

- At last! The Chinese government has dramatically ramped up their support to market sentiment. China's much-anticipated supportive policies have been unveiled in a flurry over the past few days from currency to property to equity.

Recent measures	
Equity	The China Securities Regulatory Commission (CSRC) on Sunday rolled out a comprehensive set of strategies to rejuvenate the capital market, targeting both the demand and supply facets. On **demand side**, two measures will be rolled out including the reduction of stamp duty on equity trading and reduction of margin ration to 80% from 100% for margin financing. Historical patterns indicate that similar adjustments have previously triggered a bull run in China's A-share market the day following the adjustment. On **supply side**, China's security regulator tightened the share reduction system for major shareholders. Meanwhile, there will are also alterations to IPOs and refinancing.
Property	An exception has been carved out for the real estate sector; requirements for refinancing have been lightened. Other than that, three departments finally confirmed 认房不认贷。
Currency	Despite the US dollar index climbing above 104 recently, the Chinese Yuan bucked the trend, registering gains last week. This was largely propelled by a tightening in offshore yuan liquidity. This method is often deemed a last-resort measure.

Source: Wind, CEIC, OCBC

China: Will Not Fall Into The Trap of “Japanification”

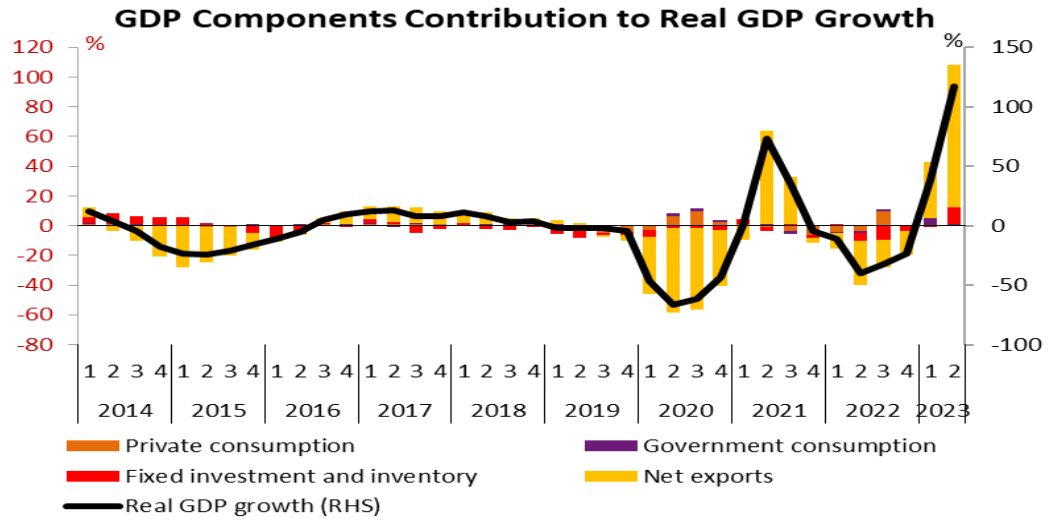
- Since the start of the year, news of early loan repayments within the household sector has rekindled memories of Japan's balance sheet recession in the 1990s. As the household sector cuts back on mortgage loans, there has been a marked increase in liquid assets. This trend may indicate a preference for risk aversion, not a harbinger of balance sheet recession.

Three major distinctions separate China today from Japan in the 1990s	
Exchange Rate Dynamics:	**Japan:** Japan's acceptance of the Plaza Accord in 1985 led to a sharp appreciation of the yen, which contributed to an asset bubble and later a severe contraction in the economy. **China:** Unlike Japan, China faces downward pressure on its currency. It's also worth noting that China's government has significant control over the exchange rate.
Differences in Per Capita Wealth and Middle-Class Proportions:	**Japan:** With a per capita GDP of nearly $40,000 in the 1990s and an affluent middle class, Japan's asset bubble bursting led to a widespread balance sheet recession. **China:** China's per capita GDP is above $12,000, and the proportion of the middle class is much lower. Moreover, the income inequality means that many Chinese households are less likely to be affected by a balance sheet recession, as they have not been participants in the asset bubble to the same extent.
Differences in Governance Systems:	**Japan:** Japan's smaller government and medium-sized market, coupled with a lack of control over real estate investment, led to deep entanglements in stock and property markets. Its dependencies on the United States further constrained economic policies. **China:** In contrast, China has a large government and a large market with significant influence over resource allocation. This includes strict limitations on banks, real estate investment, and control over land, housing, property prices, and mortgages.

Source: Wind, CEIC, OCBC

MO: Economy Recovered to 71% of The Pre-Covid Level in 1H

- Macau's real GDP jumped by 117.5% YoY in the second quarter, led by a sharp rebound in the tourism and gaming sectors. In the first half this year, Macau's GDP grew by 71.5% YoY, recovering to around 71% of the pre-pandemic level in the first six months of 2019.
- During the second quarter, growth was mostly led by external demand which leapt by 114.4% YoY. Specifically, exports of services recorded a stunning year-on-year increase of 211.9%, as exports of gaming services and tourism services soared by 463.6% YoY and 157.5% YoY, respectively.
- Private consumption expenditure reverted to year-on-year growth of 15.1%, on the back of improved economic sentiment and a tight labour market. Gross fixed capital formation also surged by 47.8%, due to solid increase in construction investment. Meanwhile, growth of public consumption expenditure moderated to 3.0% YoY, amid scaled back economic relief measures. Driven by investment spending, domestic demand expanded by 18.4% YoY.
- In view of the stronger-than-expected recovery of tourism and gaming sectors , we revise upward our annual growth forecast of Macau to 89%, from the earlier estimates of 54%.

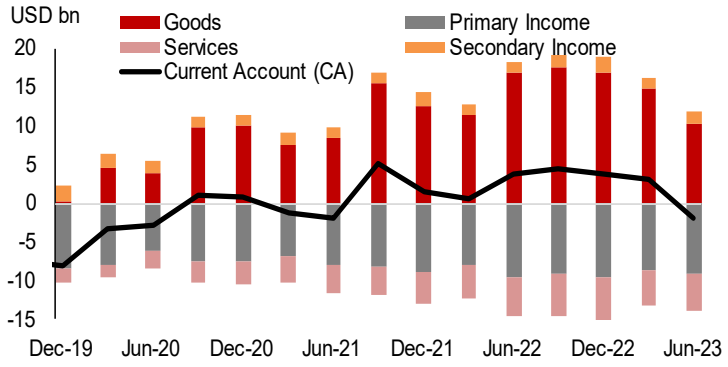


Source: DSEC, OCBC

Indonesia: Current Account Shifts to a Deficit in 2Q23

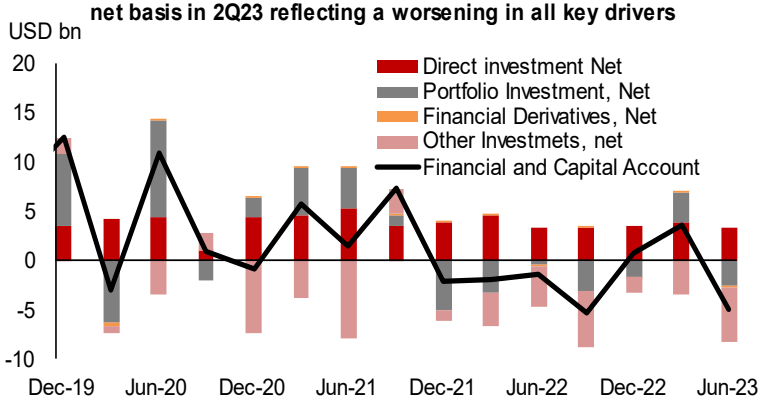
- The current account shifted to a deficit of USD1.9bn (0.5% of GDP) in 2Q23 from a surplus of USD3.0bn (0.9% of GDP) in 1Q23, worse than expected (Consensus: -USD268mn). This marks the first current account deficit since 2Q21. The deficit was primarily driven by a narrower surplus on the goods balance while the deficit on the primary income account worsened.
- Similarly, the capital & financial account recorded a net outflow of USD5.0bn in 2Q23 after registering inflows of USD3.7bn surplus in 1Q23. The shift was driven by net portfolio outflows of USD2.6bn in 2Q23 versus inflows of USD3.0bn in 1Q23. The deficit on the 'other investments' account worsened to USD5.6bn in 2Q23 from USD3.4bn in 1Q23. Net FDI inflows eased to USD3.3bn in 2Q23 from USD3.9bn in 1Q23. Despite this, the basic balance (net FDI + current account balance) remained in a surplus of USD1.4bn in 2Q23 from USD6.8bn in 1Q23.
- The current account surplus narrowed to USD1.0bn (0.2% of GDP) in 1H23 from USD4.4bn (0.7% of GDP) in 1H22. Considering the 1H23 outturn and the persistent weakness on the external front (see Indonesia: Weak Trade Data to Start 3Q23, 15 August 2023), we now expect that the 2023 current account balance will shift to a deficit of 0.1% of GDP versus our previous forecast of a surplus of 0.4% of GDP.

Lower goods surplus and a larger deficit on the primary income account led a current account deficit in 2Q23



Source: Bank Indonesia, CEIC, OCBC.

Financial and capital account: This shifted to a deficit on a net basis in 2Q23 reflecting a worsening in all key drivers



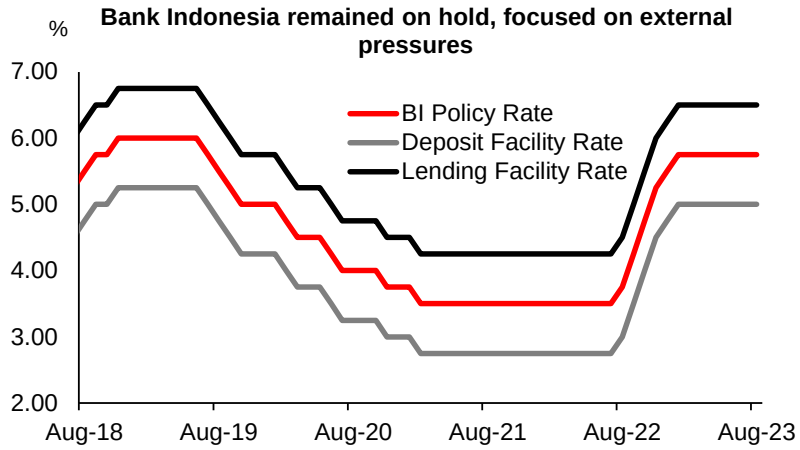
Source: Bank Indonesia, CEIC, OCBC.

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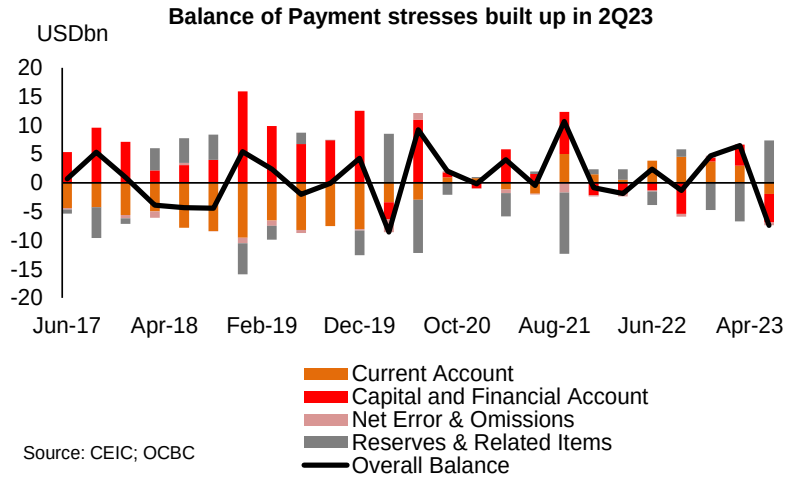
Source: Bank Indonesia, CEIC, OCBC.

Indonesia: Bank Indonesia Remains on Hold

- Bank Indonesia kept its policy rate unchanged at 5.75% at its 24 August meeting, in line with expectations. We judge little change to BI's broader policy stance as it remained focused on " strengthening rupiah stability to mitigate the contagion effect of global financial market uncertainty".
- BI introduced a new instrument 'Sekuritas Rupiah Bank Indonesia (SRBI)' as an additional money market instrument, to be offered from 15 September 2023 onwards. According to BI, the new short-term instrument aims to improve the financial deepening of the money market, attract foreign portfolio investment, and optimise the use of BI's government bond holdings (SBN), with it acting as the underlying assets.
- BI remains particularly watchful of external pressures, given that growth remains relatively resilient, and inflation is within its target. This vigilance is justified: the current account balance shifted to a deficit of 0.5% of GDP in 2Q23 from a surplus of 0.9% in 1Q23. Importantly, the capital and financial account also shifted to a large deficit of USD5bn in 2Q23 from a surplus of USD3.7bn in 1Q23. This led to a drawdown of USD7.6bn in FX reserves in 2Q23.
- The risk of additional portfolio outflows persists as BI anticipates another potential rate hike by the Fed at its 19-20 September FOMC meeting. Our baseline remains for BI to keep the policy rate unchanged at 5.75% at its 21 September meeting.



Source: Bank Indonesia, CEIC, OCBC



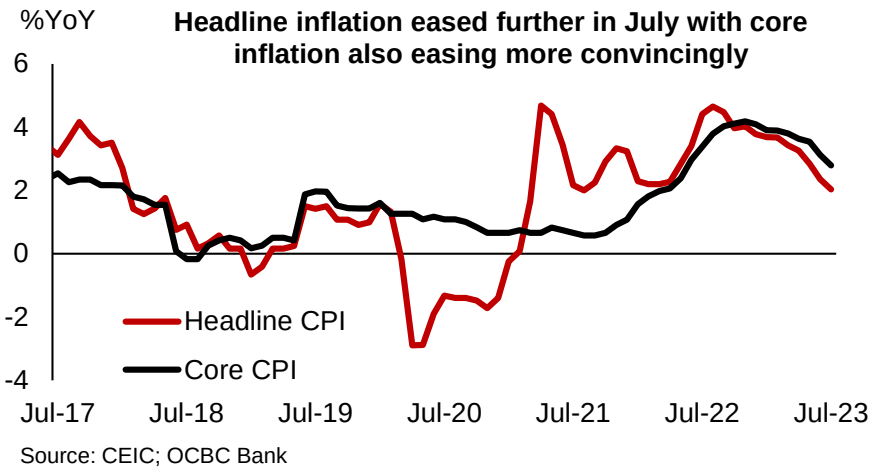
Source: CEIC; OCBC

Source: Bank Indonesia, CEIC, OCBC.

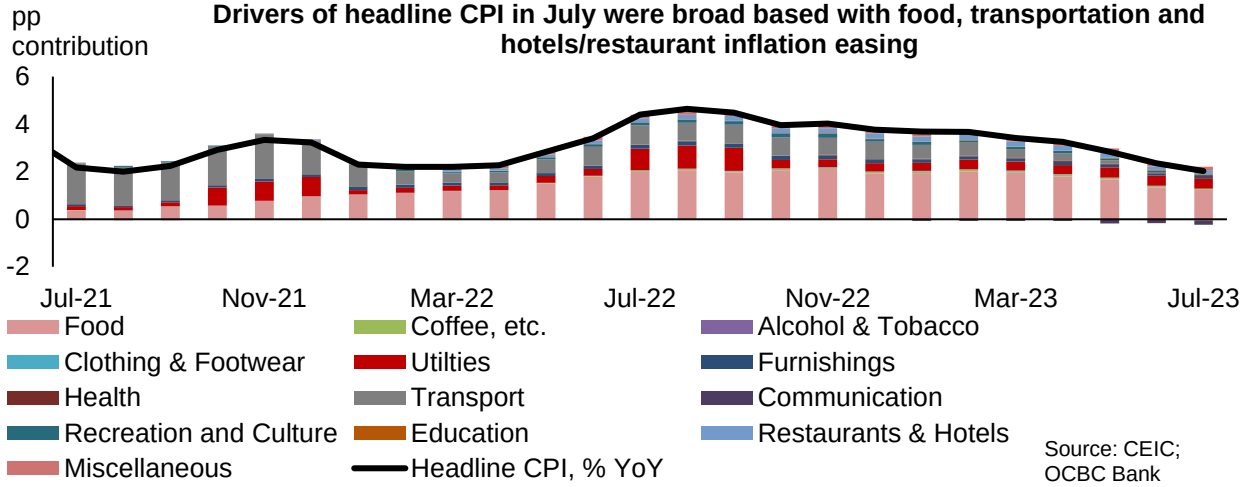
Malaysia: July Inflation Eases Further

Lower headline and core inflation in July allows Bank Negara Malaysia (BNM) to keep rates unchanged

- Inflation eased to 2.0% YoY in July after 2.4% in June, driven by lower food inflation, utilities, and transportation. Core inflation also eased to 2.8% YoY in July from 3.1% in June. The July print brings the year-to-date headline inflation to eased to 3.0% YoY versus 3.4% in 2022.
- Looking ahead, we maintain our full-year 2023 headline inflation forecast at 2.9% YoY, implying a modest easing of price pressures into the year-end.
- In terms of monetary policy, we expect Bank Negara Malaysia to keep its policy rate unchanged at 3.0% through 2023.



Source: CEIC; OCBC Bank



Source: CEIC; OCBC Bank

Source: CEIC, OCBC

Thailand: PM Elected, Policy in Focus

- Srettha Thavisin won the majority approval of lawmakers on 22 August to become Thailand's 30th Prime Minister (PM). There were 728 members in the 22 August joint assembly (i.e., the House of Representatives and the Senate), the results revealed that 482 members voted in favour of Srettha Thavisin's nomination, 165 voted against and 81 abstained.
- The next step in government formation is to form the cabinet. The cabinet is taking shape with key posts likely to be representatives of the Pheu Thai party including Finance Minister.
- Beyond this, we will monitor the follow through on election promises. These promises include minimum wage hikes and cash handouts. If these promises are being followed through, this in our view, will push up inflationary pressures. To that end, Bank of Thailand's (BOT) hawkish bias is clearly justified. Although our baseline is for BOT to stay on hold at its 27 September meeting, the risk is for an incremental 25bp hike.
- On growth, our baseline of government formation in 3Q23 is taking shape. Hence, we remain comfortable with our 2023 and 2024 GDP growth forecasts of 2.5% and 2.8%, respectively. The balance of risks to these forecasts, especially for 2024, depends heavily on the follow through in government policies.

Portfolio	Potential Candidates	Party
Deputy Prime Ministers	Phumtham Wechayachai	Pheu Thai Party
	Somsak Thepsutin	Pheu Thai Party
	Parnpree Bahiddha-Nukara	Pheu Thai Party
	Anutin Charnviralkul	Bhumjaithai Party
	Pol. Gen. Patcharawat Wongsuwon	Palang Pracharath Party
	Pirapan Salirathavibhaga	United Thai Nation Party
Agriculture	Capt. Thamanat Prompow	Palang Pracharath Party
	Napinthorn Srisanpang **(Deputy)**	Bhumjaithai Party
	Chaiya Promma **(Deputy)**	Pheu Thai Party
Commerce	Phumtham Wechayachai	Pheu Thai Party
	Supamas Isarabhakdi **(Deputy)**	Bhumjaithai Party
Finance	Srettha Thavisin	Pheu Thai Party
	Krisada Chinavicharana **(Deputy)**	Pheu Thai Party
	Julapun Amornvivat **(Deputy)**	Pheu Thai Party
Industry	ML Chayotid Kritakara	United Thai Nation Party
Interior	Anutin Charnviralkul	Bhumjaithai Party
	Chada Thaiset **(Deputy)**	Bhumjaithai Party
	Sermsak Pongpanich **(Deputy)**	Pheu Thai Party
	Phai Lik **(Deputy)**	Palang Pracharath Party
Tourism and Sports	Sudawan Wangsupakitkosol	Pheu Thai Party
Transport	Suriya Jungrungreangkit	Pheu Thai Party
	Manaporn Charoensri **(Deputy)**	Pheu Thai Party

Source: Bangkok Post.

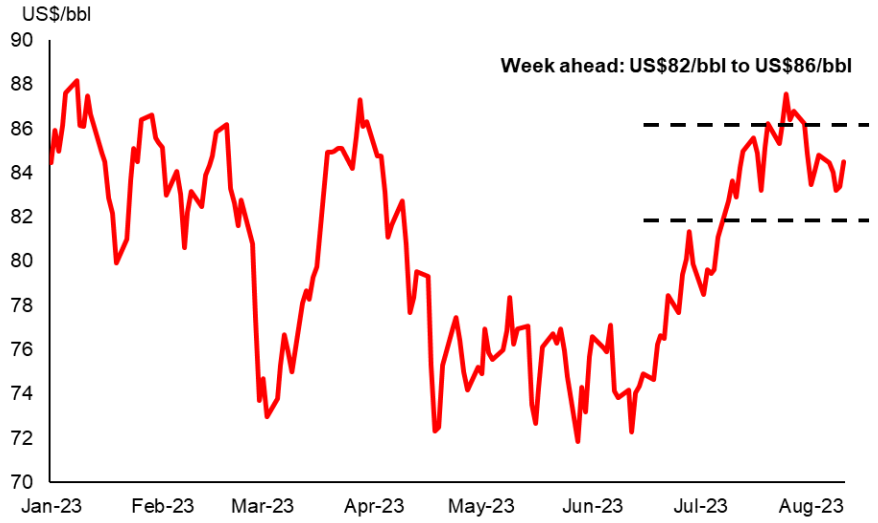
Note: The article *Pheu Thai' not at disavantage'* was written (and updated) at 09:58 on 28 August 2023.

Source: CEIC, OCBC

Commodities

Crude Oil: Prices to Continue Trading Range-bound

- WTI and Brent closed 1.7% and 0.4% lower for the week at US$79.83/bbl and US$84.48/bbl respectively. Both oil benchmarks declined for a second consecutive week.
- Weak global growth prospects and potentially higher supply weighed on global oil prices. On the demand side, poor growth prospects were underscored by poor preliminary August PMI prints for the US, UK, Eurozone and Australia.
- On the supply side, there were reported discussions between the oil ministers of Iraq and Turkey to resume oil flows in northern Iraq-Turkey pipeline (450,000 bpd of exports has been halted since March) as well as reports about a potential easing of US sanctions on Iran and Venezuela.
- For the week ahead, we expect sentiment to remain cautious weighing down on oil prices. The data calendar is heavy, with a specific focus on US August NFP data. We think Brent prices will trade within the range of US$82-US$86/bbl.



Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC

ESG

ESG: US Cracking Down on Forced Labour in EV Supply Chains

Goods made with forced labour in Xinjiang are banned from entering the US market

- EV supply chains may be impacted by scrutiny from the US Customs and Border Protection (CBP) regarding forced labour.
- There has been increased inspection by the US CBP to phase out US links to forced labour in Chinese supply chains, especially forced labour of members of ethnic minority groups in the Xinjiang region. The US has already banned the import of certain goods from Xinjiang, such as solar panels and cotton apparel. This has affected installations of large solar energy facilities last year due to detained panel shipments and constrained supplies.
- Moving forward, components such as lithium-ion batteries, tires, and automobile raw materials such as aluminium and steel are increasingly being subjected to detentions at the border. Based on CBP data, 31 automotive and aerospace shipments have been detained since February this year. Detentions of base metal shipments, including aluminum and steel, have also soared from about US$1 million per month at the end of 2022, to more than US$15 million per month.
- Car manufacturers may be required to start proving that they do not have links with regions that the US CBP believes have established labour camps for ethnic minority groups. Reuters contacted some automakers and supplies, and players such as Ford, Honda and Toyota have responded to say that they were committed to ensuring that their supply chains do not involve forced labour.
- Car manufacturers could consider mapping their supply chains for critical minerals and conduct due diligence on the suppliers, to ensure that their supply chains are not affected by these developments. To avoid the risk of detained shipments, there may be greater focus on partnering with battery makers from other countries to reduce reliance on China in its EV supply chain.

OCBC

Source: US CBP, Reuters

FX & Rates

FX & Rates: Powell's Speech Was About Uncertainties

- Short-end UST yields went higher upon Powell's speech, as he remained cautious against inflation risks. Other than this, he did not deviate much from his monetary policy stance. Market increased pricing of a 25bp Fed rate hike by the November FOMC meeting to 65%, from 53% priced a day ago. Our read is that Powell sticked to his stance, comprising two parts in the approach to the path forward, that the FOMC is prepared to raise rates further "if appropriate", but given past rate hikes, the Committee are "in a position to proceed carefully as [they] assess the incoming data". And the key takeaway is the Committee is uncertain about the key parameters in their decision-making process – the inflation outlook, the neutral rate of interest, the precise level of monetary policy restraint, the duration of the lags (in the impact of previous monetary tightening). Given such uncertainties and that Powell emphasized risk-management considerations, the FOMC is likely to keep the Fed funds rate target range unchanged at the September meeting at least, and thereafter decision at each meeting remains to be highly data-dependent. And on that the data calendar is heavy this week, including conference board survey, initial/continuing jobless claims, PCE deflator, NFP, and ISM, among others.

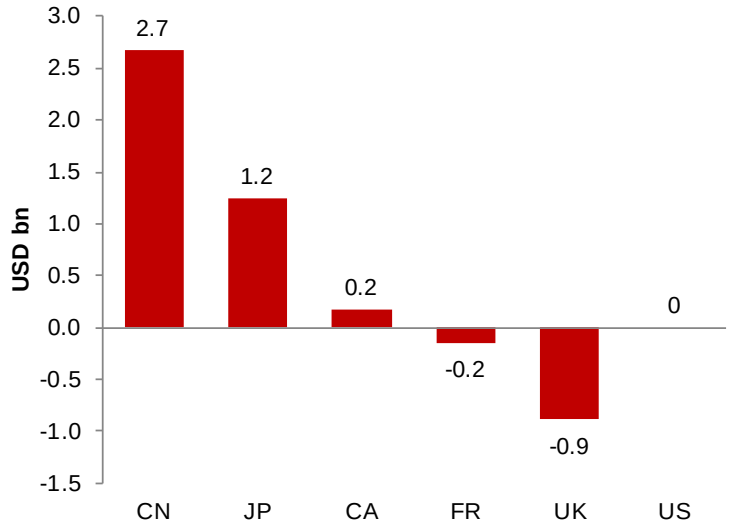
Source: Bloomberg, OCBC

Asset Flows

Global Equity & Bond Flows

- Global Equity Market saw an outflow of $6.1bn for the week ending 23rd August, a decrease from the outflow of $2.0bn last week.
- Global Bond Market reported net inflows of $0.7bn, an increase from last week's outflows of $0.21bn.

Equity top gainers & losers



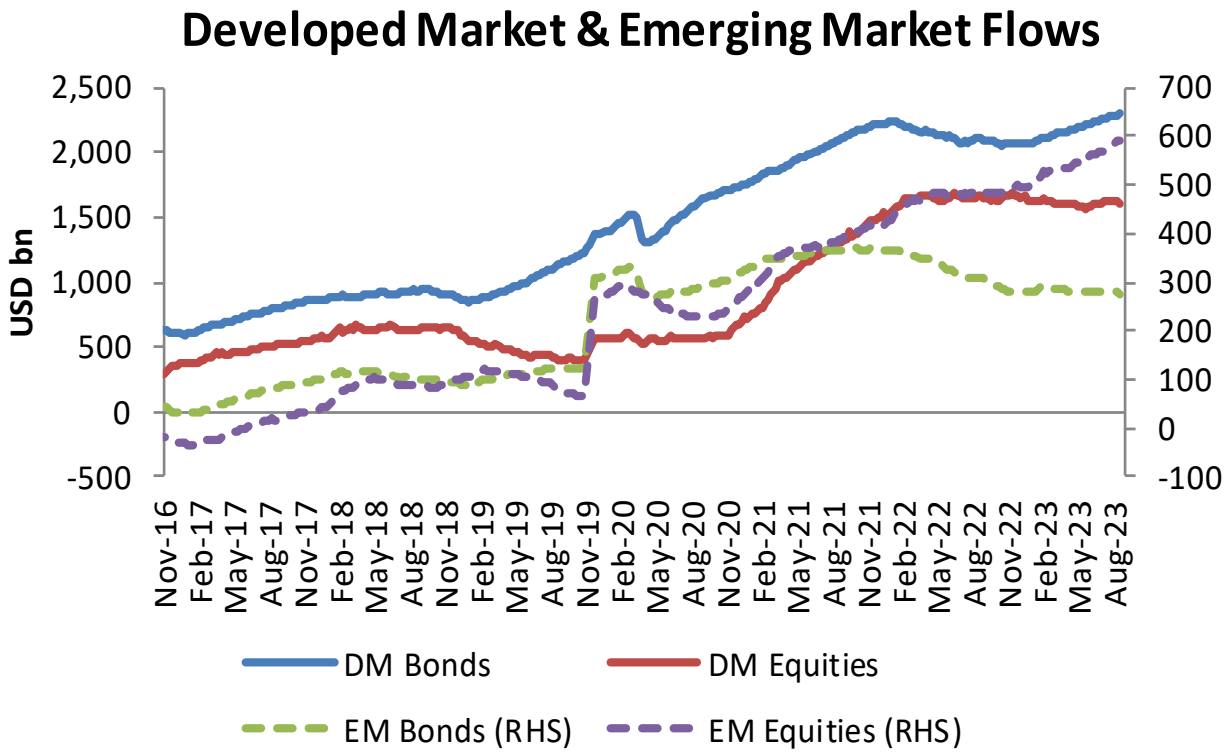
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($8.3bn) saw outflows while Emerging Market Equities ($2.2bn) saw inflows.
- Developed Market Bond ($3.1bn) of inflows while Emerging Market Bond ($2.4bn) saw outflows.



Source: OCBC, EPFR

Thank you

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