Weekly Macro Views (WMV)

Global Markets Research & Strategy

29 July 2024

Weekly Macro Update

Key Global Data for this week:

29 July	30 July	31 July	1 August	2 August
• **US** Dallas Fed Manf. Activity • **UK** M4 Money Supply YoY • **GE** Retail Sales MoM • **VN** CPI YoY • **VN** Industrial Production YoY	• **US** Conf. Board Consumer Confidence • **EC** GDP SA QoQ • **GE** CPI YoY • **JN** Jobless Rate • **JN** Job-To-Applicant Ratio	• **JN** BOJ Target Rate • **JN** Industrial Production MoM • **US** MBA Mortgage Applications • **CN** Manufacturing PMI • **AU** CPI YoY • **HK** GDP YoY	• **US** FOMC Rate Decision • **US** Initial Jobless Claims • **US** ISM Manufacturing • **UK** Bank of England Bank Rate • **CN** Caixin China PMI Mfg • **SK** Exports YoY	• **US** Change in Nonfarm Payrolls • **US** Unemployment Rate • **US** Factory Orders • **SK** CPI YoY • **AU** Investor Loan Value MoM

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** US PCE Benign, Labour Market Continues to Show Cooling • **Global:** US GDP Stronger Than Expected in 2Q24 • **Global:** EU Manufacturing PMI Continue to Disappoint, Services Decline
Asia	• **SG:** Revising our 2024 Full Year Inflation Forecasts Down • **SG:** Industrial Production Disappoints • **SG:** MAS Holds Steady, Shades Headline Inflation Forecast Down • **CN:** Pivot Towards More Stimulus • **CN:** Industrial Profit Improved • **HK:** Merchandise Exports Growth Likely to Slow Further • **HK:** Revising Our CPI Forecast for 2024 Downwards

Asia	• **IN:** Budget FY24-25 – A Mixed Bag • **MY:** Inflationary Pressures Remain Benign • **TH:** Lackluster Trade in June • **VN:** Slight Uptick in CPI, Better Exports and IP
Asset Class	• **Commodities:** Weaker Crude Oil Prices in July; Elevated CPO Prices in July • **FX & Rates:** Focus on BoJ, FOMC and BoE • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Bank of Japan (BOJ)	Federal Open Market Committee (FOMC)	Bank of England (BoE)
Wednesday, 31st July	**Thursday, 1st August**	**Thursday, 1st August**

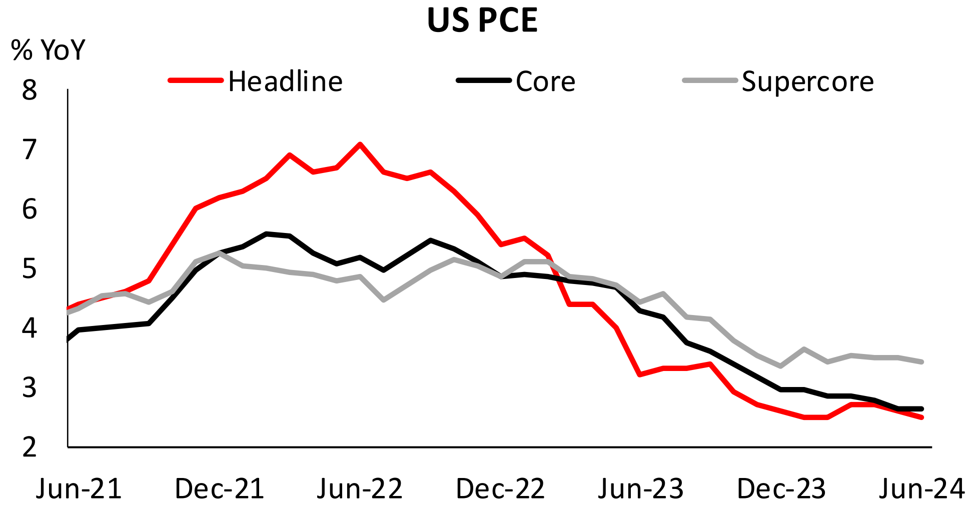
House Views

Policy Balance Rate	*Fed Funds Target Rate*	*Bank rate*
Likely *hike* by *10bps* from 0.10% to 0.20%	**Likely hold at 5.25% to 5.50%**	**Likely cut by 25bps from 5.25% to 5.00%**

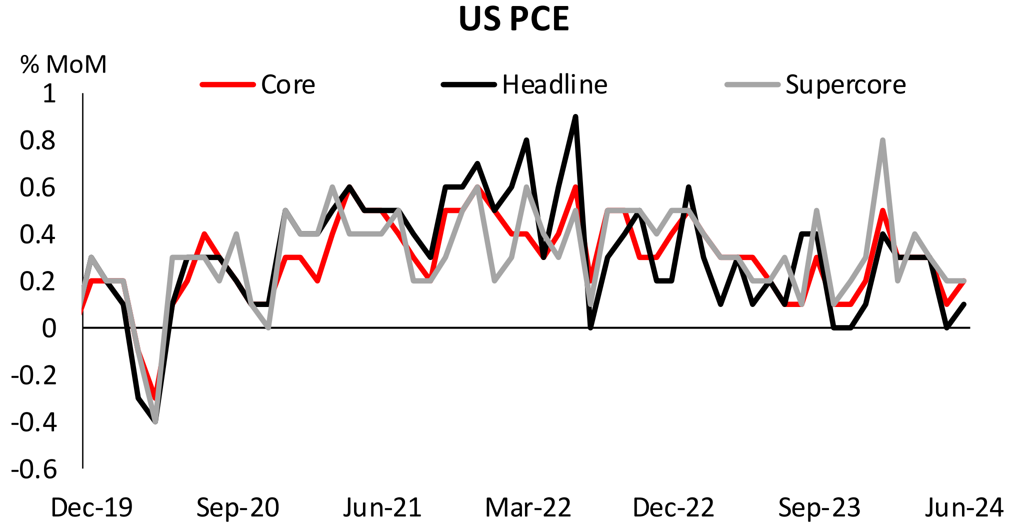
Source: Bloomberg, OCBC.

Global: US PCE Benign, Labour Market Continues to Show Cooling

- Headline PCE rose by 2.5% YoY in June, within expectations and below 2.6% in May. Core PCE stayed pat at 2.6% YoY in June, slightly higher than the expected 2.5%. On a monthly basis, headline PCE increased 0.1% MoM, while core PCE increased 0.2% in June, within expectations.
- Services inflation remained high at 3.9% YoY in June (0.2% MoM; May: 4.0% YoY), as housing inflation remains at elevated levels at 5.3% YoY (0.3% MoM; May: 5.5% YoY). Goods inflation continued to aid in the disinflationary trend, coming in at -0.3% YoY in June, as durable goods prices continue to decline (-2.9% YoY).
- The labour market showed signs of cooling, as personal income came in lower than expected at 0.2% MoM sa in June (consensus: 0.4%; May: 0.4%). Initial jobless claims continued to remain high, coming in at 235k for the week ending July 20. The past month of initial jobless claims data has been the highest since late August 2023 underscoring clearer signs of a cooling labour market.



Source: BEA, Bloomberg, OCBC

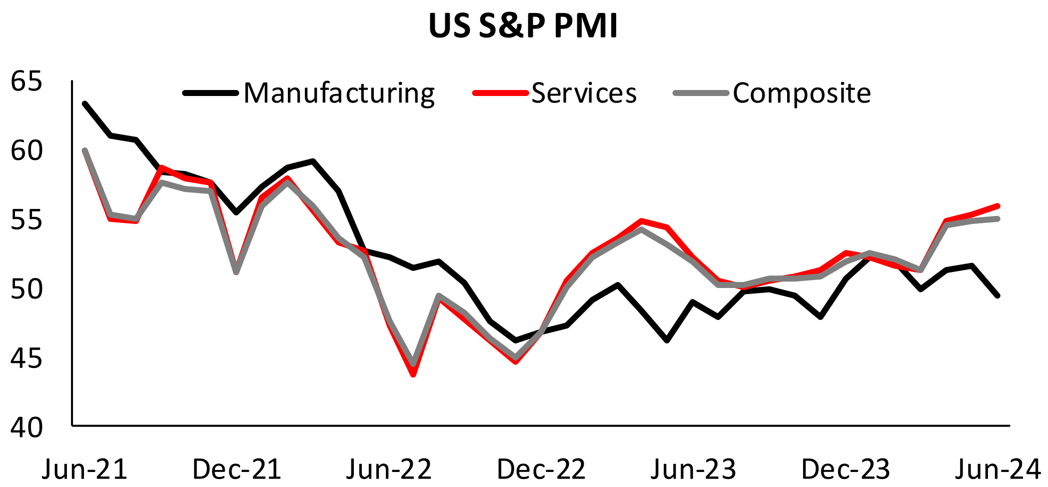


Source: BEA, OCBC

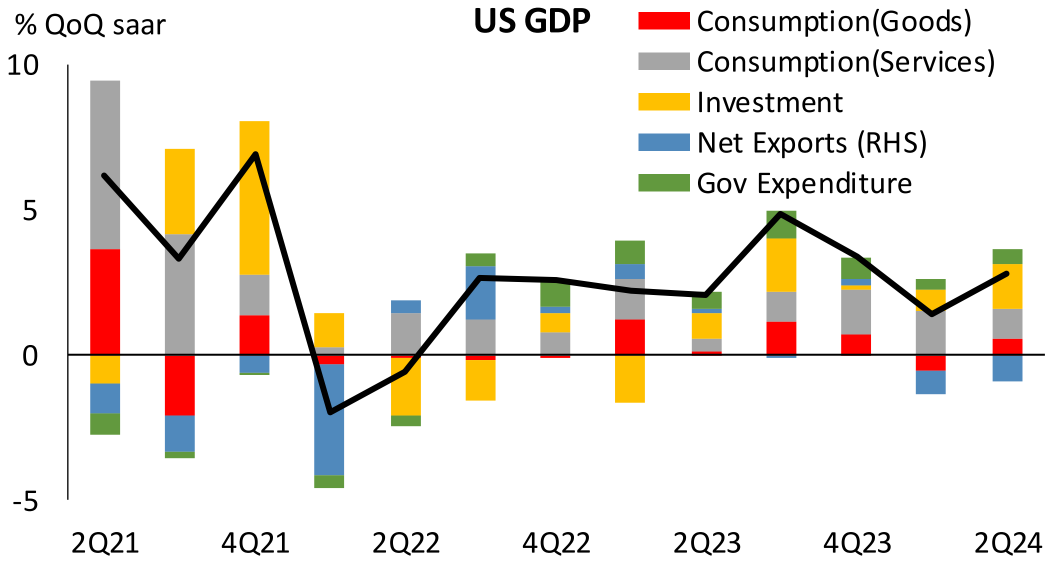
Source: US Census Bureau, BLS, Bloomberg, OCBC.

Global: US GDP Stronger Than Expected in 2Q24

- 2Q24 GDP growth came in at 2.8% QoQ saar, above 1.4% in 1Q24 (consensus: 2%). Personal consumption rose by 2.3% versus 1.5% in 1Q24, and below the 2023 average of 3% growth. Spending was driven by increased outlays on services and goods alike.
- Gross private domestic investment rose by 8.4% QoQ saar, higher than 4.4% in 1Q24. This was driven by equipment spending, which grew 11.6% QoQ saar after rising 1.6% in 1Q24. Government spending was also stronger in 2Q24, growing 3.1% QoQ saar compared to 1.8% in 1Q24. Excluding inventories, trade and government spending, domestic demand grew 2.6% QoQ saar, with the increase in final sales to private domestic purchasers matching the gain from 1Q24.
- Even so, manufacturing PMI disappointed in June coming in at 49.5 (consensus: 51.6). This put an end to 6 consecutive months of manufacturing sector expansion. Services, however, outperformed expectations, coming in at 56.0 (consensus: 54.9), the highest since March 2022. Overall, composite PMI outperformed consensus forecasts, coming in at 55.0 in June (consensus: 54.2), the largest since April 2022.



Source: S&P Global, OCBC

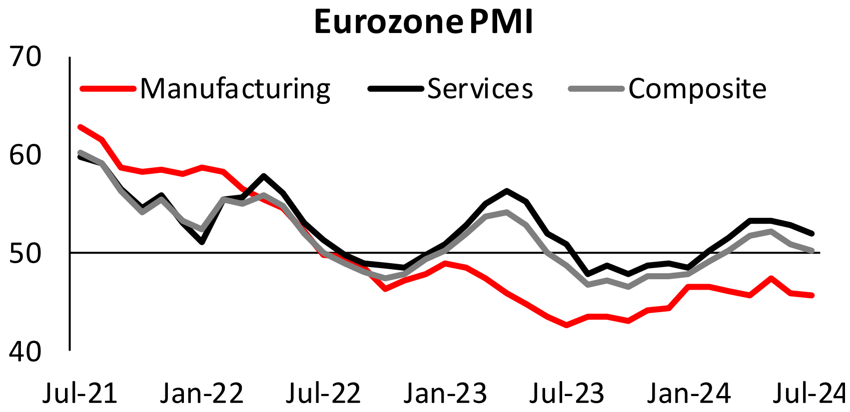


Source: BEA, Bloomberg, OCBC

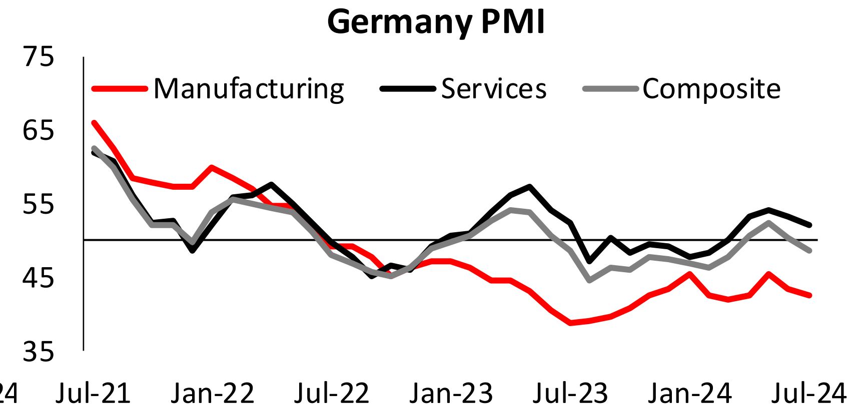
Source: BEA, S&P Global, Bloomberg, OCBC.

Global: EU Manufacturing PMI Continue to Disappoint, Services Decline

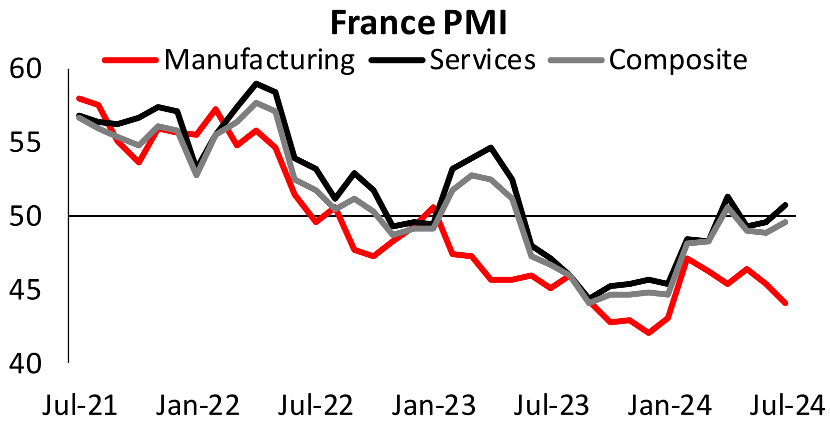
- French Manufacturing PMI came in lower than expected in July at 44.1 (June: 45.4; consensus: 45.9). This marked the seventy sixth consecutive month of declining output and the most rapid contraction since January. Services PMI, however, performed better than expected at 50.7 (June: 49.6; consensus: 49.7), marking the first expansion in 2 months.
- German Manufacturing PMI once again underperformed in July, coming in at 42.6 (June: 43.5; consensus: 44.0). Services PMI continued to lead the German recovery, posting its 5th consecutive month of expansion at 52.0, albeit lower than the prior month and consensus estimates of 53.1 and 53.3, respectively.
- The Eurozone manufacturing sector continues to underperform as July PMI came in at 45.6, down from 45.8 in June and below expectations of 46.1. This marked the 16th consecutive month of contraction and the lowest value in 2024. Services continue to lead the Eurozone economic recovery, coming in at 51.9 in July. This marked the 6th consecutive month of expansion in the sector and was aided by upturn in new orders and depletion of backlogs. Stronger services was enough to bring composite PMI to 50.1, the third consecutive month of PMI values declining, signalling a waning economic recovery in the Eurozone.



Source: HCOB, S&P Global, OCBC



Source: HCOB, S&P Global, OCBC



Source: HCOB, S&P Global, OCBC

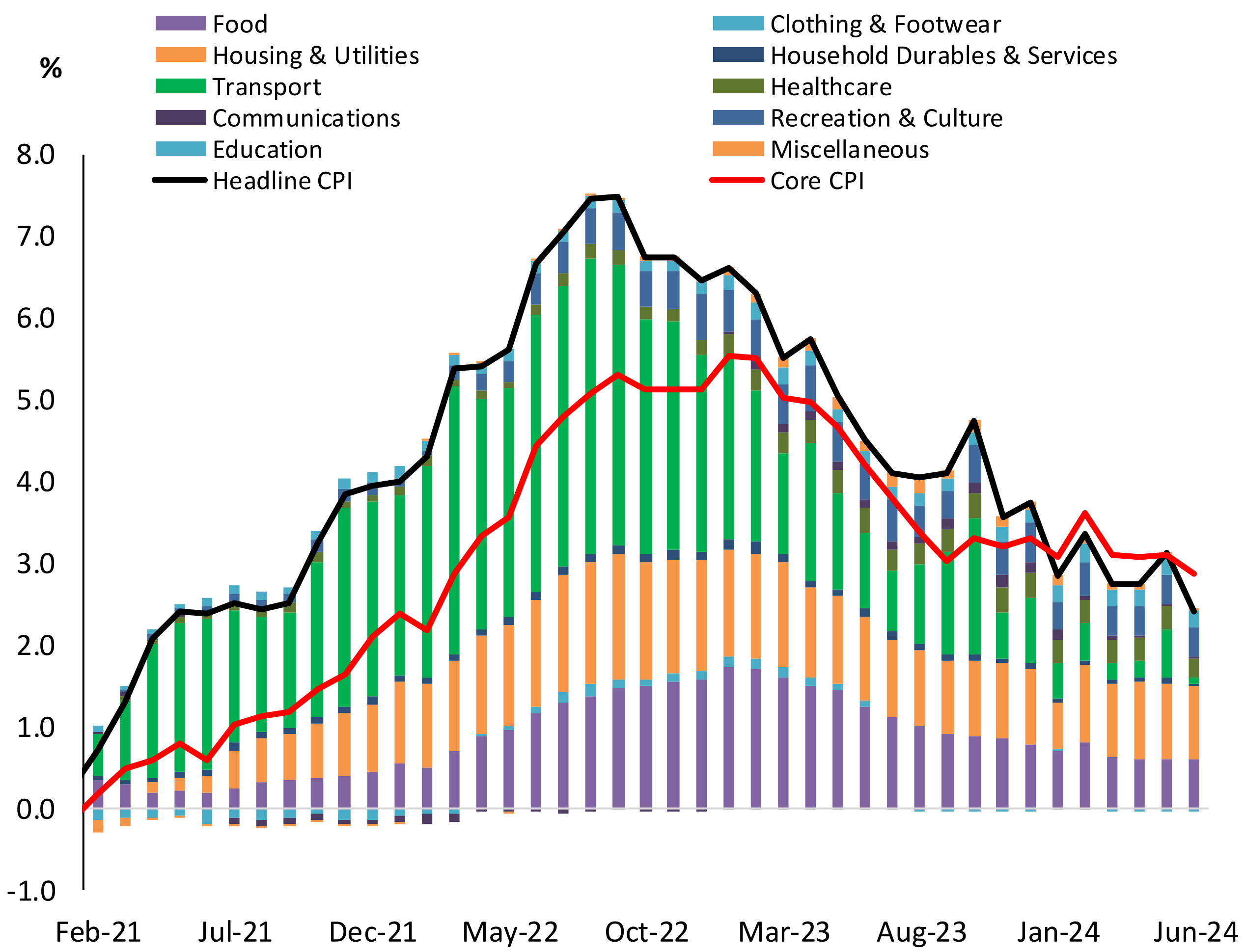
OCBC

Source: HCOB, S&P Global, Bloomberg, OCBC.

Singapore: Revising Our 2024 Full Year Inflation Forecasts Down

- Headline and core CPI fell by more than expected to 2.4% and 2.9% YoY respectively in June, down from 3.1% each in May. This marked the lowest print since August 2021 and March 2022, respectively.
- The key contributors to the softer June inflation prints were a decline in private transport costs (June: -0.7% YoY, May: 2.8%), retail & other goods (June: 0.5% YoY, May: 1.5%) and services (June: 3.4% YoY; May: 3.6%).
- Big ticket items like housing inflation also eased marginally from 3.4% YoY to 3.3% as housing rents grew at a more modest pace. Meanwhile, food inflation was unchanged at 2.8% YoY as food services prices remain stable, while electricity & gas inflation were steady at 6.9% YoY.
- Given the faster-than-expected dip in headline inflation in June, we adjust our full-year 2024 headline inflation forecast from 2.8% previously to 2.6% YoY, assuming that 2H24 will average around 2.4% and that COE premiums are likely to remain stable to slightly softer for the coming months. For core inflation, we also shade down our full-year 2024 forecast slightly from 3.0% to 2.9% YoY, assuming that 2H24 will average around 2.7%.

Headline and Core CPI



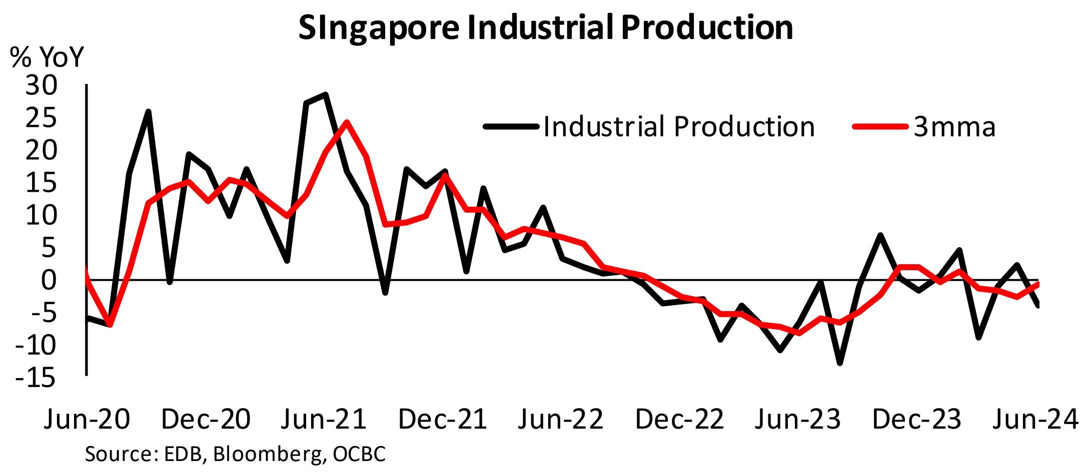
Source: DOS, CEIC, OCBC

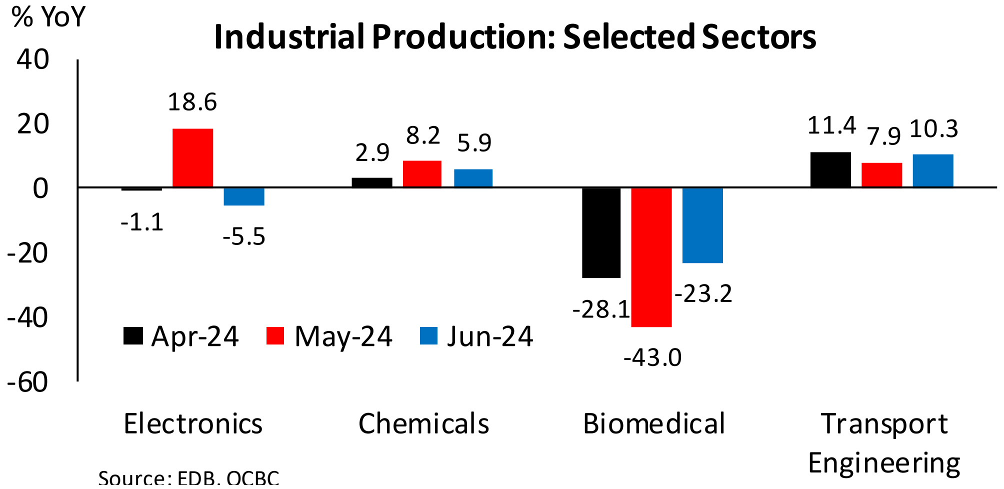
OCBC

Source: DOS, CEIC, OCBC.

Singapore: Industrial Production Disappoints

- Industrial production undershot expectations in June, coming in at -3.9% YoY (consensus: -0.1% YoY). This follows a downwardly revised 2.3% YoY gain in May. On a monthly basis, industrial production declined 3.8% MoM, lower than the consensus -0.6% and the downwardly revised 0.5% growth in May.
- Electronics output decreased 5.5% YoY in June, as semiconductors declined 9.4%. This decrease comes despite 'infocomms & consumer electronics' and 'computer peripherals & data storage' growing 20.8% YoY and 14.3% respectively. This brings 1H24 electronics output growth to -0.6% YoY.
- Biomedical manufacturing continues to contract, declining 23.3% YoY in June. This is led by the pharmaceuticals segment shrinking 47.1% YoY on account of a different mix of active pharmaceutical ingredients being produced compared to a year ago. The reading in June brings 1H24 biomedical output growth to -24.4% YoY.
- We expect 2Q24 manufacturing to contract by 1.0% YoY compared to MTI's flash estimates of 0.5% growth. Holding all else constant, we expect 2Q24 final GDP growth to come in lower at 2.6% YoY compared to 2.9% in flash estimates.





Source: EDB, Bloomberg, OCBC.

Singapore: MAS Holds Steady, Shades Headline Inflation Forecast Down

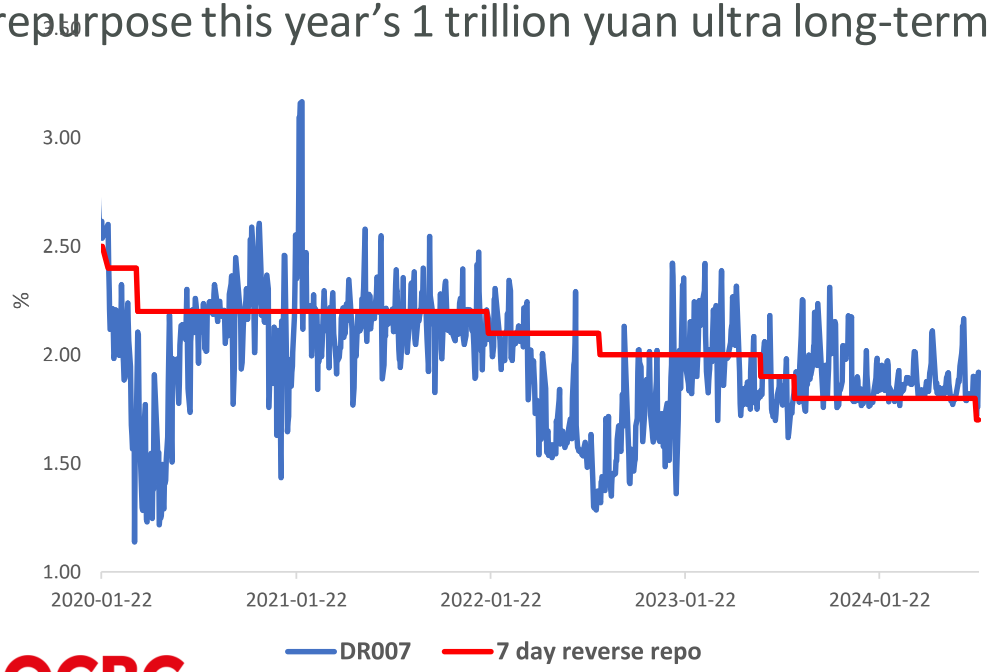
- MAS maintained its monetary policy stance for the fifth time i.e., no change to the appreciation rate, width of the band of the level at which it was centred, in line with keeping a slightly restrictive policy posture. MAS also kept its 2024 core inflation forecast at 2.5-3.5%, reiterated expectations for a more discernible step-down in core inflation in 4Q24 and pinpointed that the 2025 core inflation outlook is benign at around 2% (without indicating the 2025 headline inflation forecast).
- MAS noted that core inflation had eased from 3.3% YoY in 1Q24 to 3.0% YoY in 2Q24, with lower goods and services inflation which more than offset higher water prices, while food and services inflation also eased amid declines in imported food costs and moderating unit labour cost growth. Headline CPI had slowed faster from 3.0% YoY in 1Q24 to 2.8% YoY in 2Q24, amid the moderation in private transport costs due to lower COE prices compared to a year ago.
- The Singapore economy is likely to expand closer to its potential 2-3% growth rate this year, with growth momentum tipped to improve in 2H24, aided by the broadening tech upturn benefiting the manufacturing and financial sectors whilst the domestic-oriented sectors should also normalise to pre-Covid rates. It is likely a matter of time before the official 2024 GDP growth forecast is narrowed from 1-3% to 2-3%, which could happen sometime from 3Q24.
- Interestingly, MAS also flagged that "amid moderate imported inflation and easing domestic cost pressures, the seasonally adjusted q-o-q rate of core inflation has declined to an annualised rate of 2.1% in Q2. The sequential pace of price change, which better captures the most recent inflation in the economy, is expected to be lower in the second half of 2024 compared to H1." What this reference suggests is that besides looking at the absolute core CPI which has eased to 3.0% in 2Q24, the sequential pace has already pulled back to an annualised pace of 2.1% QoQ sa in 2Q24 and is expected to be lower in 2H24 compared to 1H24, which could possibly give a slight hint as to future policy intentions. **As such, the October 2024 and January 2025 MPS would be interesting to watch given the potential opening for a policy easing move if a pre-emptive approach is adopted with greater comfort over core inflation momentum normalizing in 2025.**

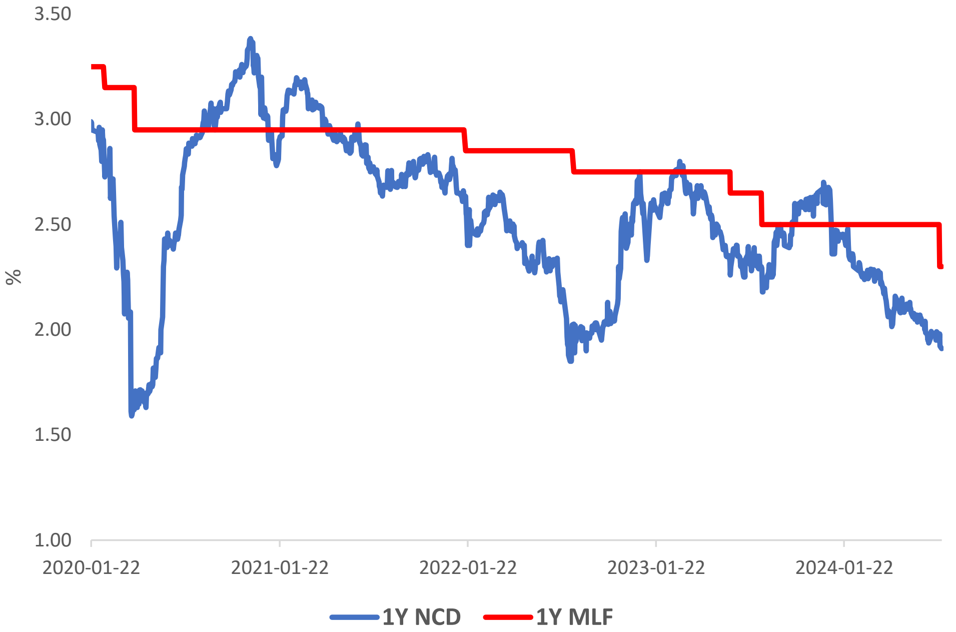
OCBC

Source: MAS, OCBC.

China: Pivot Towards More Stimulus

- The good news is that China's policymakers did not let the market wait for too long. Just one day after China published the decision of the third plenum, China's central bank announced on 22 July a cut to its 7-day reverse repo rate and 1-year and 5-year loan prime rates (LPR) by 10 basis points, the first rate cut in almost a year.
- Three days later, on 25 July, the central bank unexpectedly conducted its second medium term lending (MLF) auction in July with the reduced interest rate of 20bps to 2.3%.
- Elsewhere, China also stepped up its fiscal policy. China's NDRC and Ministry of Finance announced on 25 July to repurpose this year's 1 trillion yuan ultra long-term bond.





Source: Wind, OCBC.

China: Industrial Profit Improved

- China's industrial profit growth accelerated to 3.5% YoY in the first half of 2024 from 3.4% YoY in the first five months of 2024. The rebound in June was mainly driven by the Non-Ferrous Metal Smelting and Rolling Processing Industry.

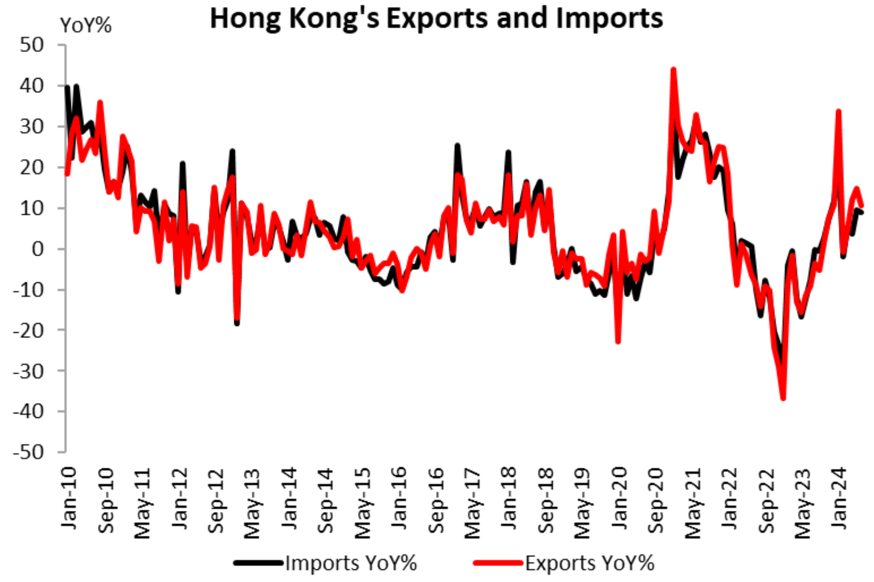
Top five sectors contributing to profit growth	
Production and Supply of Electricity and Heat	2.0%
Non-Ferrous Metal Smelting and Rolling Processing Industry	1.9%
Manufacture of Computers, Communication, and Other Electronic Equipment	1.7%
Automobile Manufacturing	0.7%
Manufacture of Alcohol, Beverages, and Refined Tea	0.5%

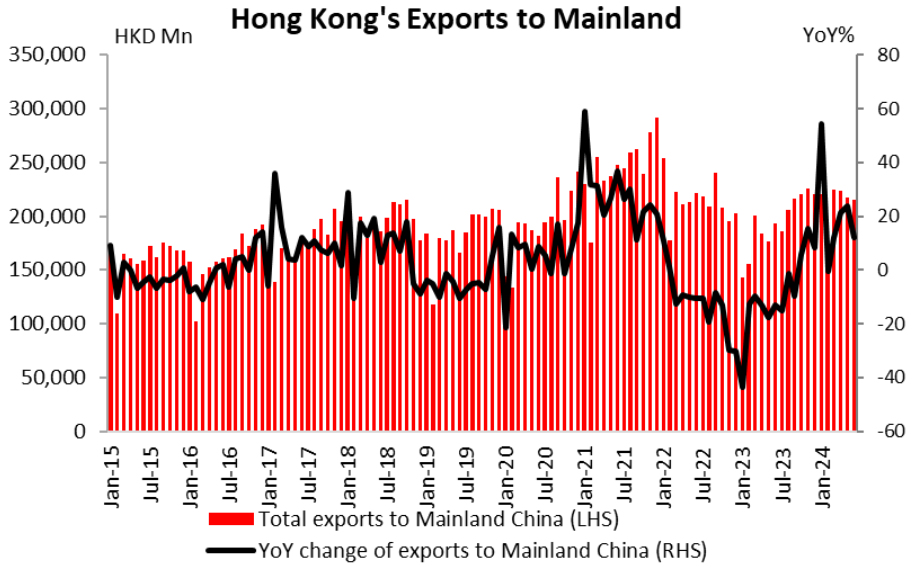
Bottom five sectors contributing to profit growth	
Coal Mining and Washing Industry	-3.0%
Non-Metallic Mineral Products Industry	-2.2%
Manufacture of Electrical Machinery and Equipment	-0.7%
Processing of Petroleum, Coal, and Other Fuels	-0.5%
Manufacture of Special-Purpose Machinery	-0.2%

Source: Wind, OCBC.

HK: Merchandise Exports Growth Likely to Slow Further

- Merchandise exports and imports continued to grow, though at a decelerated pace of 10.7% and 9.0% respectively in June (14.8% YoY and 9.6% YoY respectively in March). The trade deficit rose sharply to HK$55.7 billion in April, from that of HK$12.1 billion in the previous month.
- Within the total, exports to mainland China increased by the slowest pace in four months, by 11.9% YoY, while exports to US rose sharply by 40.6% YoY, probably due to some form of front-running of Chinese exports ahead of presidential election in US. By commodity, increases were recorded in most of the commodity groups, except for "non-metallic mineral manufactures" (-10.6% YoY), and "non-ferrous metals" (-22.8% YoY).
- Moving into 2H24, growth of merchandise exports is likely to slow further, amid higher base last year, softening external demand and China's growing trade friction with the West.



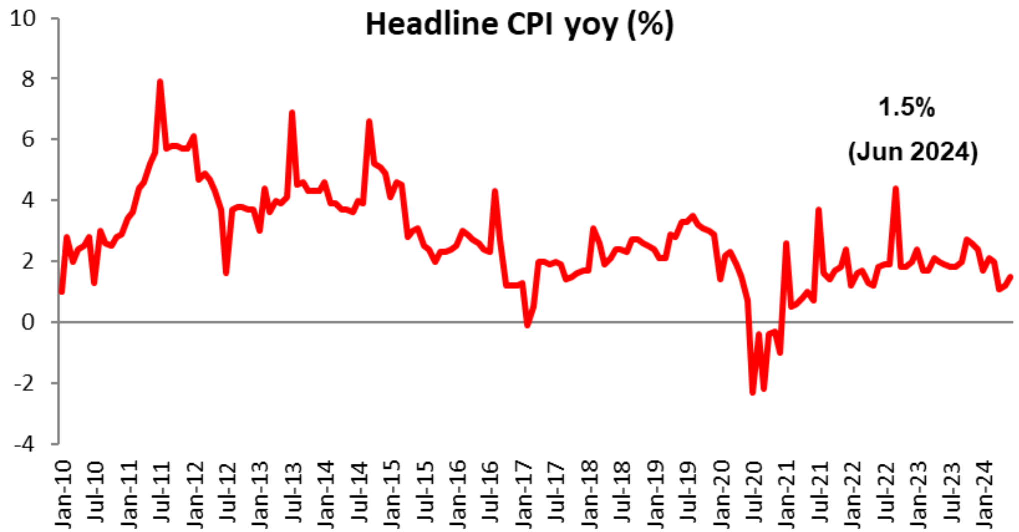


OCBC

Source: HK Census and Statistics Department, OCBC.

HK: Revising Our CPI Forecast for 2024 Downwards

- Inflationary pressures stayed mild, with CPI increasing at a slightly faster pace of 1.5% YoY in May 2024 (vs. 1.2% in April). The pick-up in inflation was largely due to scaling back of electricity charges subsidies by the government during the month. Netting out the effect of government's one-off relief measures, underlying CPI rose 1.0% in June, same as that in May.
- On a month-on-month basis, the largest contribution to price pressures came from "electricity, gas and water" components (16.6% MoM), followed by "alcoholic drinks and tobacco" (-1.4% MoM), while the largest drag came from "clothing and footwear" component (-1.7% MoM). On the other hand, private housing rentals were still steady, keeping price pressures broadly in check.
- In 1H24, composite CPI rose by an average 1.6% YoY, while underlying CPI rose by a milder 1.0%. In view of the still-weak consumption sentiment and steady rent, we have again revised downward the full year inflation forecast from 2.3% to 1.9% for 2024.



Source: HK Census and Statistics Department, OCBC.

India: Budget FY24-25 – A Mixed Bag

- The FY24-25 budget announced on 23 July was a mixed bag. The positives include a firm plan to stick to fiscal consolidation and measures to bolster employment. The manufacturing sector, MSMEs in particular, received special attention in the budget. The revised FY24-25 fiscal deficit was narrowed to 4.9% of GDP versus an initial estimate of 5.1% in February. This was partly due to a better fiscal deficit outcome of 5.6% of GDP in FY23-24 (budgeted: 5.8%). Revenue growth will rely more on non-tax revenues while tax revenues are expected to grow at 11% YoY (consistent with recent years). On the expenditure front, capex remains a focus, expected to rise 17.1% YoY.

- The budget included schemes to bolster job creation such as setting up training institutes, employer incentives to hire youth (especially in the manufacturing sector) and providing soft loans for education. MSMEs are also entitled to collateral free loans for the purchase of machinery and equipment. The success of these measures will rest solely on its implementation and adoption by the private sector.

- On the flipside, the hike in long-term capital gains tax to 12.5% from 10% and short-term capital gains tax to 20% from 15% has weighed on investor sentiment for domestic and foreign investors.

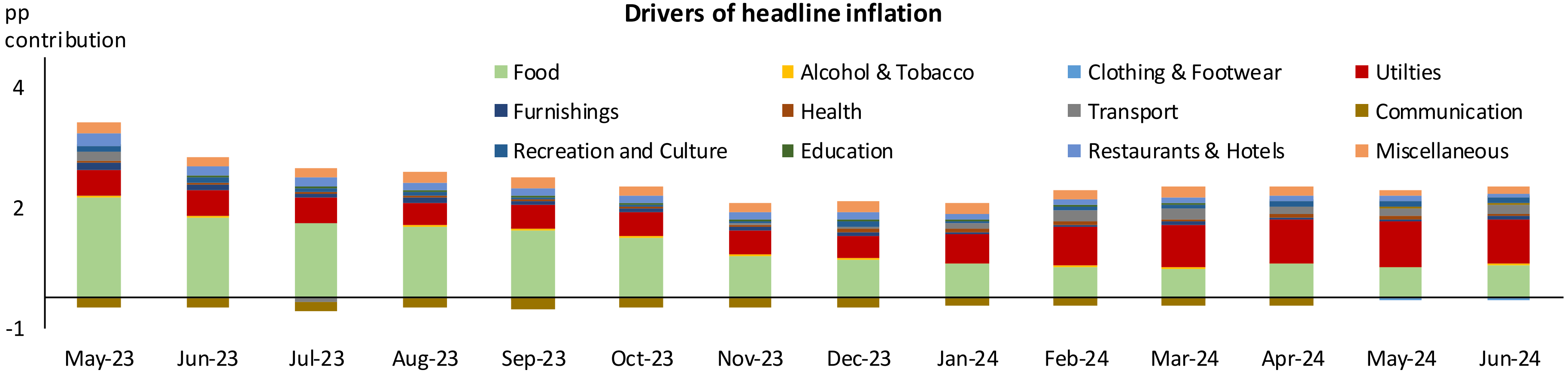
Source: Ministry of Finance, India , OCBC.

Malaysia: Inflationary Pressures Remain Benign

- Headline CPI was stable at 2.0% YoY in June, similar to core inflation which was unchanged at 1.9% YoY. Despite higher inflation in the transportation (1.2% YoY versus 0.9% in May) and food (1.9% versus 1.8%) components, lower inflation in the health (1.8% versus 2.2%), restaurant & hotels (2.4% versus 2.5%) and communication (0.3% versus 0.4%) components provided an offset.

- The government raised diesel prices by ~55% in Peninsular Malaysia, which was expected to modestly raise inflationary pressures. This did not materialize and there are downside risks to our 2024 headline CPI forecast of 2.5%.

- More fundamentally, the benign inflation backdrop provides room for a) further fiscal consolidation, with RON95 rationalization still due; b) justifies BNM stance of leaving the policy rate unchanged.



Source: CEIC; OCBC

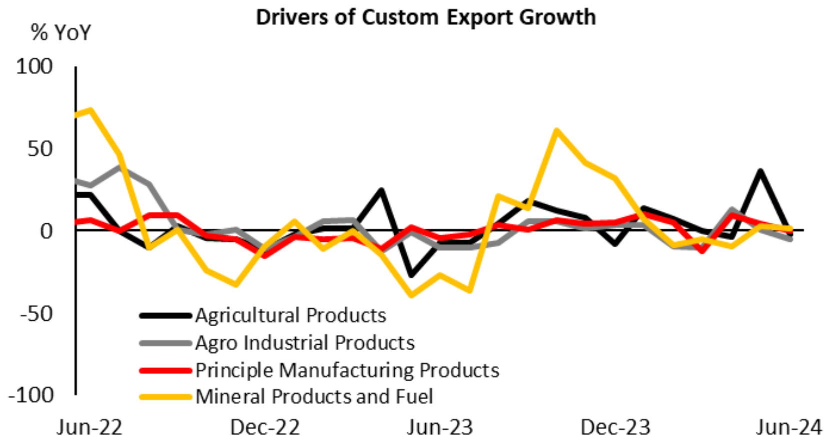
Source: CEIC, OCBC.

Thailand: Lackluster Trade in June

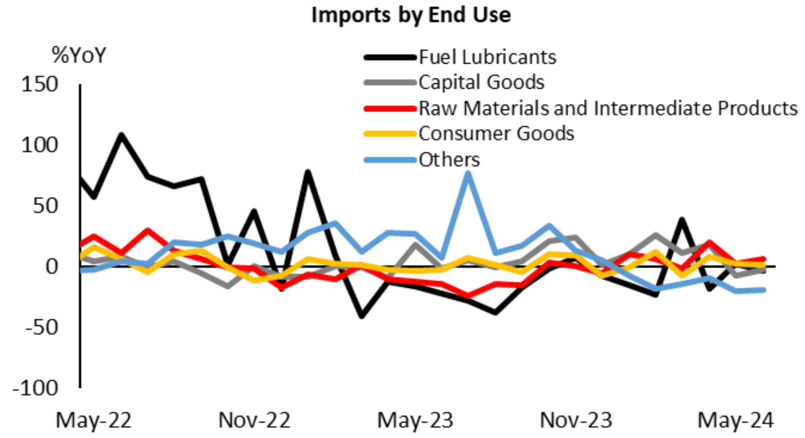
- The customs trade data for June was lackluster. Customs export growth declined by 0.3% YoY (consensus: +2.6%) from +7.2% in May, while customs import growth improved to 0.3% YoY (consensus: +2.6%) from -1.6% in May. Consequently, the customs trade surplus narrowed to USD0.2bn in June from USD0.7bn in May.

- On the customs export front, lower shipments in 'agricultural products' (-2.2% YoY versus +36.3% in May) and 'agro-industrial products' (-4.8% YoY versus 0.8%) more than offset growth in 'principle manufacturing products' (0.3% YoY versus 4.2% in May) and 'mineral products and fuel' (1.3% YoY versus 2.6%). By-end use, the improvement in customs import was driven mainly by consumer goods (1.3% YoY versus 2.0%) and raw materials (6.3% YoY versus 2.4%) import.

- Customs export growth increased by 4.3% YoY in 2Q24 versus -0.3% in 1Q24, while customs import growth eased to 2.2% versus 3.9% in 1Q24. This supports our view that net trade will provide a positive contribution to 2Q24 GDP growth. As such, we expect GDP growth of 2.8% YoY in 2024 versus 1.9% in 2023, implying growth momentum of 3.3% in 2Q-4Q24 GDP growth versus 1.5% in 1Q24.



Source: Ministry of Commerce, CEIC, OCBC



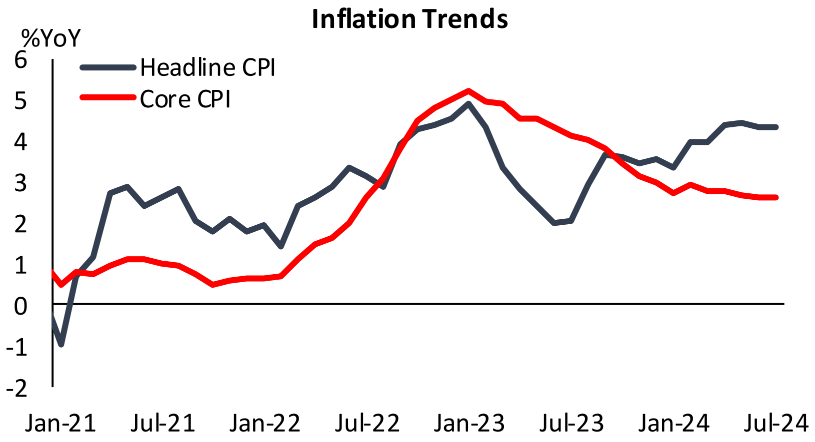
Source: Ministry of Commerce, CEIC, OCBC

Source: Ministry of Commerce, CEIC, OCBC.

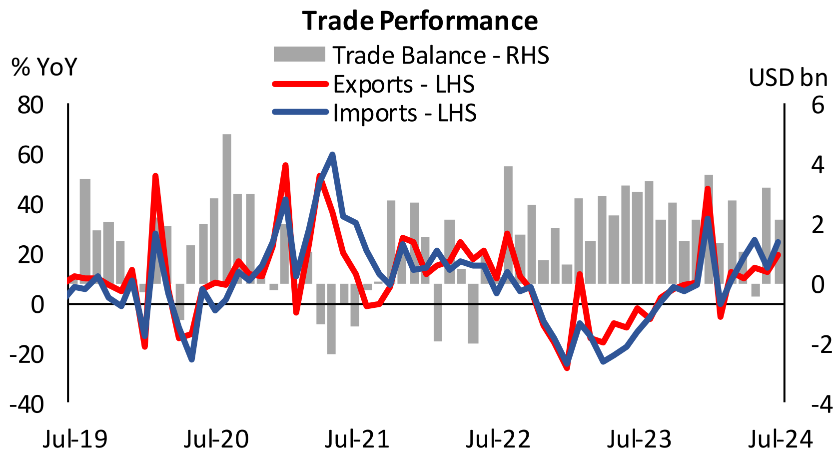
Vietnam: Slight Uptick in CPI, Better Exports and IP

- Headline CPI rose 4.4% YoY in July from 4.3% in June, while core CPI remained steady at 2.6%. The rise in transportation (4.4% YoY from 3.0%) and health & personal care contributed to the higher price pressures, offsetting the lower CPI in other components like foods & foodstuff (4.3% from 4.7%) and beverage & cigarettes. Inflation for 'housing & construction' and 'household equipment & appliances materials' remained unchanged. The July print brings the YTD CPI average to 4.1% YoY compared to 3.3% in 2023. Looking ahead, we maintain our forecast for headline CPI to average 4.3% in 2024, within the SBV's target range of 4.0-4.5%.

- Exports rose at the fastest level since January, with a 19.1% YoY growth in July vs 12.4% in June. This also marks the fifth consecutive month of growth. Meanwhile, import growth eased to a still strong 20.4% YoY in July from 24.2% in June, narrowing the trade surplus to USD2.1bn compared to USD3.2bn in June. The continued growth in exports highlights the ongoing recovery in global demand, which should be supportive of Vietnam's growth trajectory ahead. Additionally, industrial production (IP) grew by 11.2% YoY in July, up from 10.9% in June. Manufacturing IP led the growth with a 13.3% YoY increase, followed by water supply and waste management (12.1%), and electricity & gas (9.9%). On the other hand, the contraction in mining & quarrying IP eased to 7.0% in July from -7.7%.



Source: GSO, CEIC, OCBC.



Source: GSO, CEIC, OCBC

OCBC

Source: General Statistics Office (GSO), CEIC, OCBC.

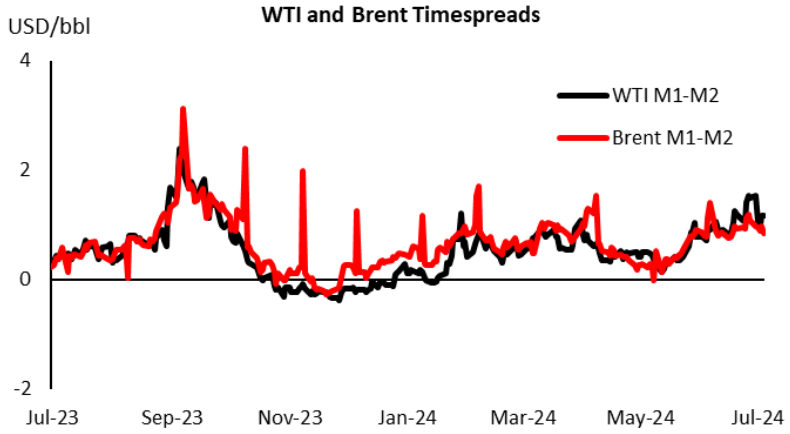
Commodities

Crude Oil: Weaker Prices in July

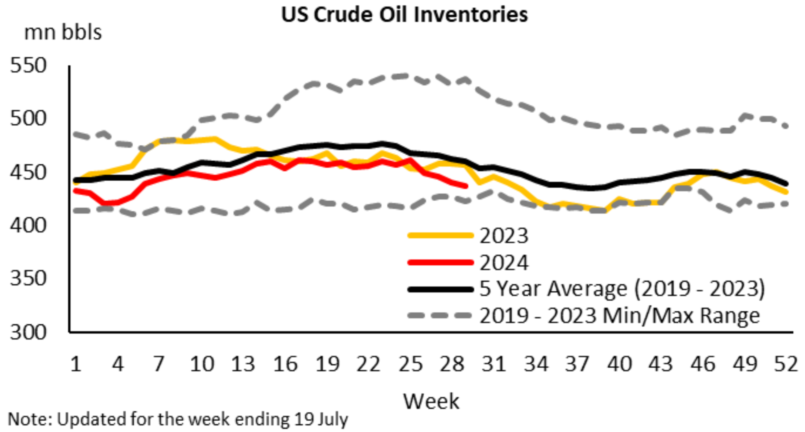
- The upward momentum in oil prices peaked in early July. During this period, higher oil prices were supported by a significant drawdown in US crude oil and fuel inventories (for the week ending June 28), while Hurricane Beryl threatened to disrupt oil operations along the US Gulf Coast.

- Since then, oil prices have dipped lower as the oil market shifted its attention to demand issues. Month-to-date, as of 25 July, WTI and Brent fell by 4.0% and 4.7%, closing at USD78.3/bbl and USD82.4/bbl, respectively.

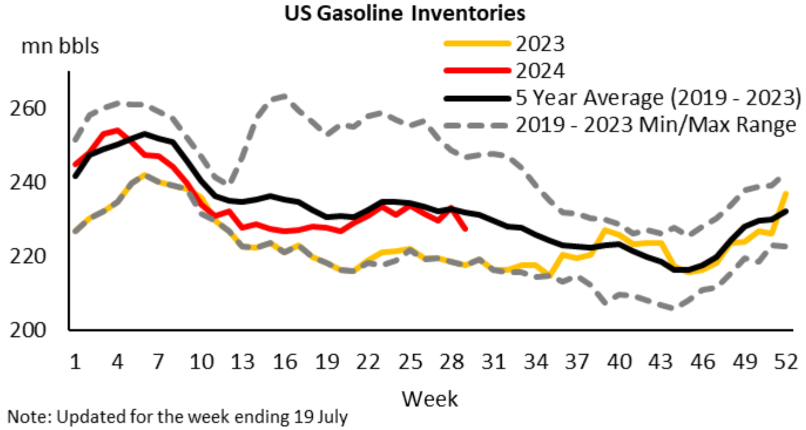
- Looking ahead, we expect some reversal in oil prices to take place as the fundamental outlook remains constructive for oil prices to move higher from current levels, in our view. We maintain our forecast for WTI and Brent oil prices to average USD80/bbl and USD86/bbl in 2H24, respectively, compared to USD78.8/bbl and USD83.4/bbl in 1H24.



Source: Bloomberg, OCBC



Note: Updated for the week ending 19 July
Source: EIA, OCBC



Note: Updated for the week ending 19 July
Source: EIA, OCBC

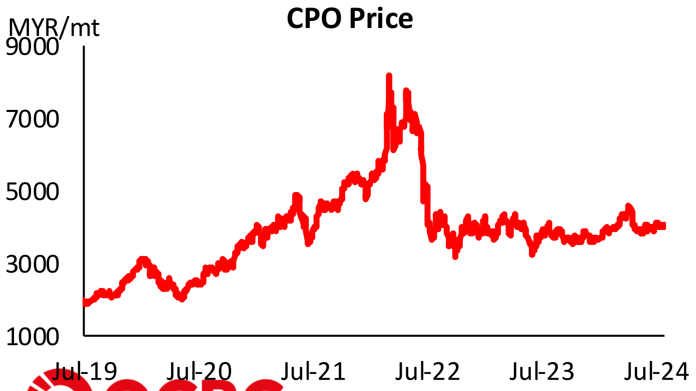
Source: EIA, Bloomberg, Reuters, OCBC.

CPO: Elevated Prices in July

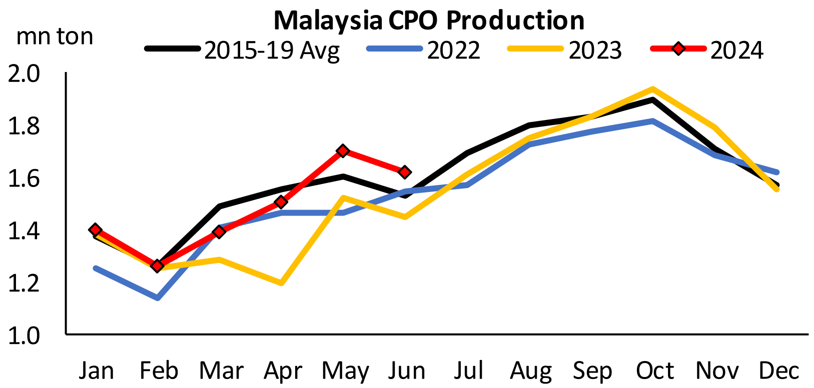
- CPO traded largely above the MYR4,000/mt level in July, reaching as high as MYR4,155 on 7-Jul before easing and last closed at MYR4,044 on 26-Jul. We believe this price spike to be temporary, driven primarily by speculation that China may retaliate against Indonesia's planned 'anti-dumping' measures, which have not yet been finalized. To that end, we maintain the view that prices will moderate in 2H24 due to favourable supply dynamics, although the downward price movement may be more gradual than previously expected. We keep our forecast for CPO prices to average MYR3,950/mt in 2024, a ~3.6% increase from the average price in 2023.

- On data, Malaysia's CPO production fell 5.2% MoM in June, but the cumulative production rose 9.8% YoY to 8.9mn tonnes in 1H24, marking the highest 1H production level since 2020. On the demand side, Malaysia's crude and processed palm oil exports rose 2.9% YoY in June, bringing the cumulative 1H24 exports to 7.5mn tonnes, a 6.1% YoY increase. Confirming this pickup, India's palm oil imports grew 15.1% YoY in June to bring the cumulative 1H24 palm oil imports to 4.0mn (+5.8% YoY).

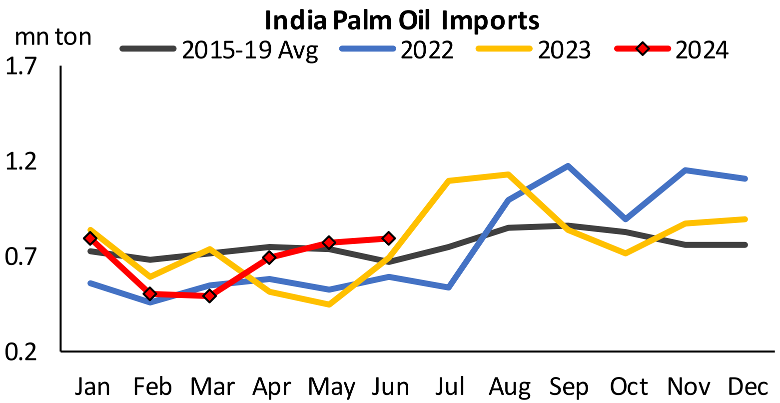
- The near-term demand for CPO may remain fluid, depending on its price dynamics relative to other vegetable oils, before picking up towards 4Q24 due to festivities demand. To that end, CPO discounts over soybean oil widened in July, averaging ~USD180/mt mtd versus ~USD126 in June. In the medium term, higher CPO demand is expected to come from biofuels, with Indonesia planning for widespread use of the B40 biodiesel mandate in 2025, up from B35 this year. Indonesia initiated a trial for B40 biodiesel on trains on 22-Jul.



Source: Bloomberg, OCBC.



Source: Malaysian Palm Oil Board, CEIC, OCBC.



Source: The Solvent Extractors' Association, Bloomberg, OCBC.

Source: General Statistics Office (GSO), CEIC, OCBC.

FX & Rates

FX and Rates: Focus on BoJ, FOMC and BoE

- **USD Rates.** Expectation for this week is status quo, which is also our base-case. Investors may look for any dovish signal from the FOMC statement and/or Powell's Q&A, but we doubt if the Committee will be willing to signal it is prepared for a rate cut at a future (September) meeting. Regardless, unless Powell strongly pushes back on the prospect of easing, market is likely to stick with the expectation for a September Fed funds rate cut. US Treasury is to release quarterly refunding documents tonight, followed by auction sizes on 31 July. We expect the wider fiscal deficits to be funded by additional bill issuances while nominal coupon bond auctions are unlikely to be upsized.

- **GBP Rates.** An August cut by the BoE has been our long-held view, though it has become a close call recently. Our base-case is for YoY CPI inflation to hover around the already low 2% level, premised on low energy prices, which should be good enough for BoE to deliver two 25bp cuts by year-end. There is even a possibility that BoE may decide to slow QT to be passive only, without active gilt sales.

- **JPY Rates.** Our base-case is a 10bp hike in the BoJ target rate at the July MPC, which is not fully priced by the market. We do not rule out a hike of a different – bigger - magnitude. Meanwhile, to achieve "a sizeable reduction in the purchase amount" of JGBs, we expect the BoJ to tweak its monthly purchase guidance of JPY6trn to around JPY4trn, with risk that this guidance will be reduced by more.

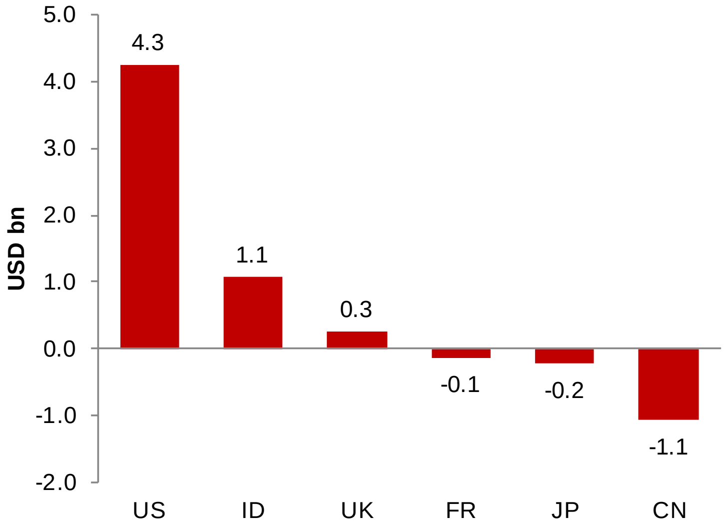
- **USDJPY.** Ahead of BoJ and FOMC event risks this Wed and Thu, respectively, USDJPY may continue to trade choppy. Markets are expecting BoJ hike and a taper of its bond purchase program. The combination of BoJ policy normalisation and Fed possibly cutting rate in due course is a case of monetary policy convergence and should underpin USDJPY downside. The risk is that BoJ fails to live up to expectations and USDJPY risks a sharp correction upwards.

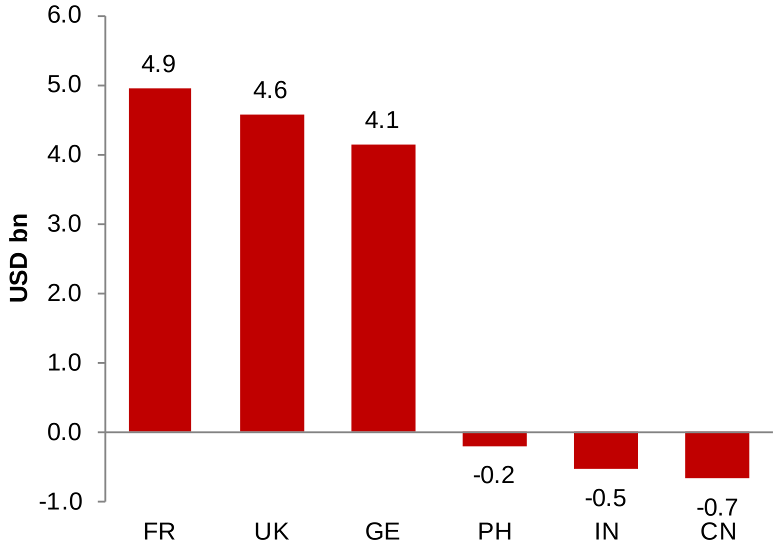
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflows of $22.2bn for the week ending 24 July, a decrease from the inflows of $47.7bn last week.
- Global bond markets reported net inflows of $15.9bn, a decrease from last week's inflows of $21.5bn.

Equity top gainers & losers	Bonds top gainers & losers



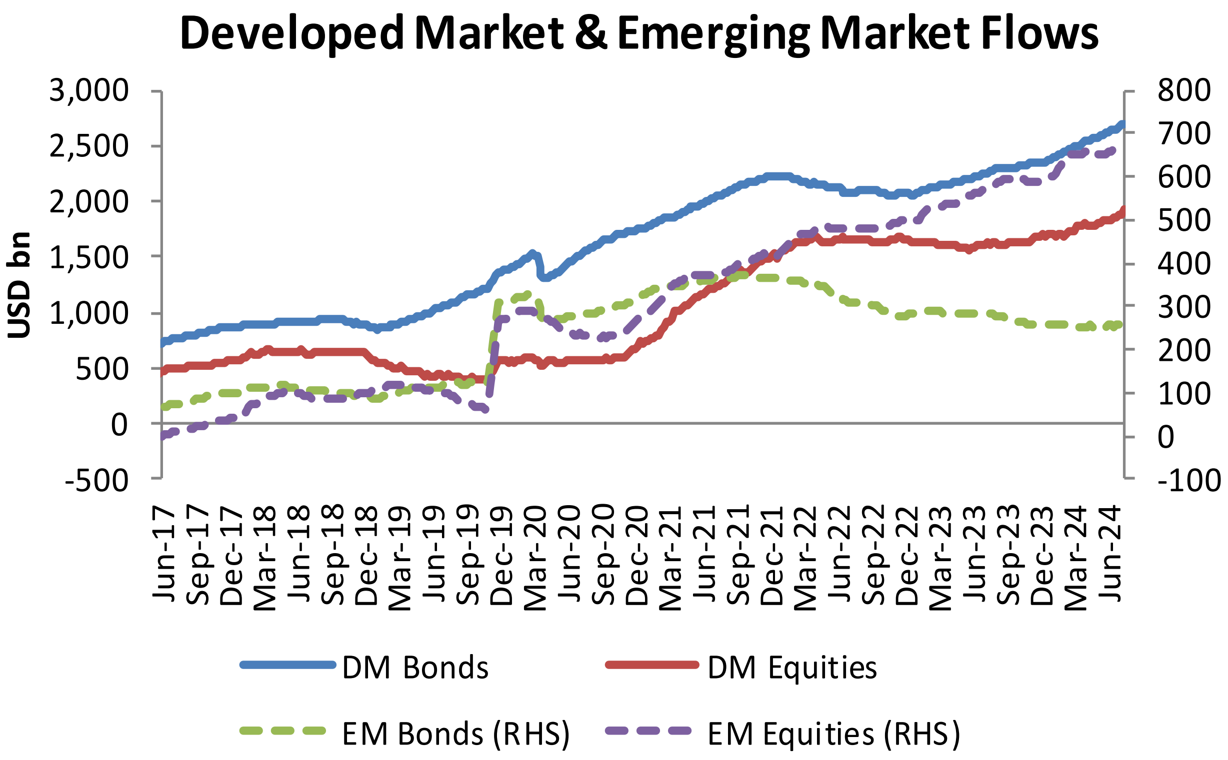


OCBC

Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($11.1bn) and Emerging Market Equities ($11.1bn) saw inflows.
- Developed Market Bond ($15.6bn) and Emerging Market Bond ($199.21mn) saw inflows.



Source: OCBC, EPFR

Thank you

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