Weekly Macro Views (WMV)

Global Markets Research & Strategy

9 September 2024

Weekly Macro Update

Key Global Data for this week:

9 September	10 September	11 September	12 September	13 September
• **CH** CPI YoY • **CH** PPI YoY • **JN** GDP Annualized SA QoQ • **JN** BoP Current Account Balance • **US** Wholesale Inventories MoM	• **CH** Exports YoY • **GE** CPI YoY • **UK** Jobless Claims Change • **UK** ILO Unemployment Rate 3Mths • **AU** Westpac Consumer Conf SA MoM	• **US** CPI YoY • **US** MBA Mortgage Applications • **UK** Industrial Production MoM • **SK** Unemployment rate SA	• **EC** ECB Deposit Facility Rate • **IN** CPI YoY • **IN** Industrial Production YoY • **JN** PPI YoY • **US** PPI Final Demand MoM • **US** Initial Jobless Claims	• **JN** Industrial Production MoM • **US** U. of Mich. Sentiment • **EC** Industrial Production SA MoM • **FR** CPI YoY

Summary of Macro Views:

Global	• **Central Bank** • **Mpox weekly update:** Case counter & measures imposed • **US:** Trump's new plans • **US:** Labour data indicate slowdown • **GE:** Manufacturing continues to disappoint • **SK:** Easing inflation paves the way for the BoK
Asia	• **SG:** Retail sales rebound • **CN:** RRR cut first

Asia	• **ID:** Mixed activity data • **MY:** BNM holding the line • **TH:** Cabinet line-up • **TH:** Still benign inflation • **PH:** Lower CPI justifies BSP rate cuts • **VN:** Still robust export growth in August • **VN:** FDI magnets
Asset Class	• **Commodities:** Price selloff • **FX & Rates:** Inconclusive data • **ESG** • **Global Asset Flows**

OCBC

Central Bank

Forecast – Key Rates

European Central Bank (ECB)

Thursday, 12th September

House Views

Deposit Facility Rate
Likely *cut* by *25bps*
from *3.75%* to *3.50%*

Source: Bloomberg, OCBC.

Mpox weekly update: Case counter & measures imposed

Africa: The Democratic Republic of Congo has received 100,000 doses of the mpox vaccine from the European Union and will receive another 100,000 by the end of the week.

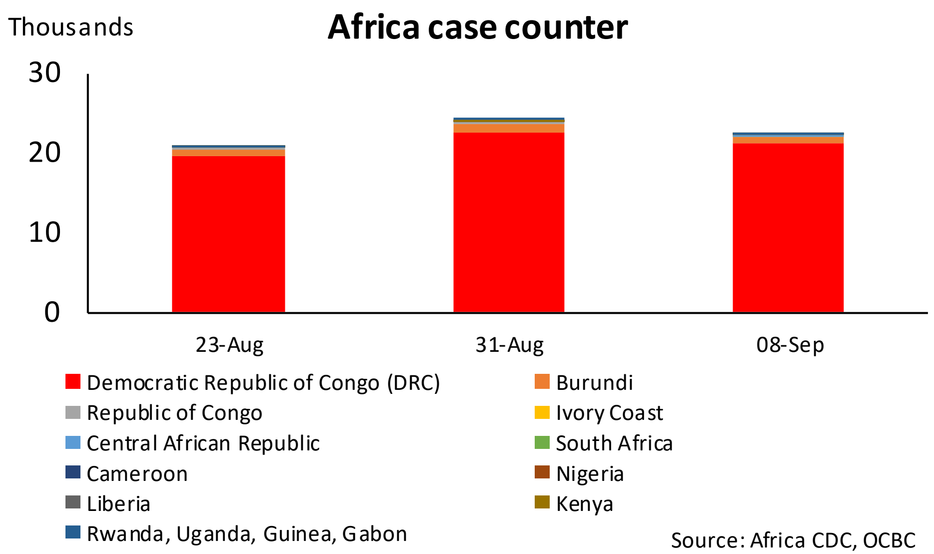
Singapore: Healthcare workers at the highest risk of exposure, as well as individuals who have close contact with future confirmed cases, will be provided with free vaccinations. MOH has commented that at present, population wide vaccinations are not recommended as mpox is less transmissible than COVID-19.

Pakistan: Local health authorities have declared that there are currently no more active mpox cases in Pakistan's Khyber Pakhtunkhwa province. The region reported four mpox cases last week, but all have since recovered.

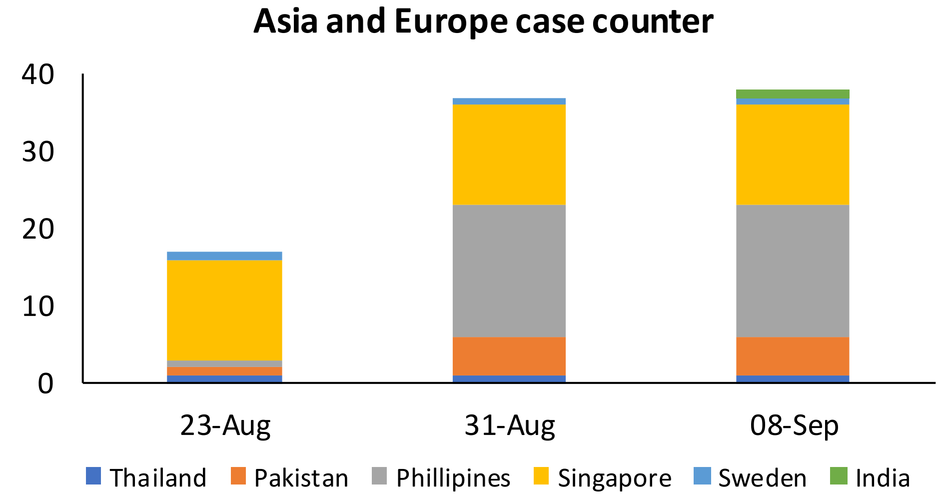
India: The Indian health ministry has recorded its first suspected case of mpox from a traveler arriving from a country afflicted with the virus. The patient is being isolated in a hospital and is in stable condition.

Source: Al Jazeera, Arab News PK, CNA, OCBC.

Case Count Tracker (Cumulative up to week ending 8 September)



Source: Africa CDC, OCBC

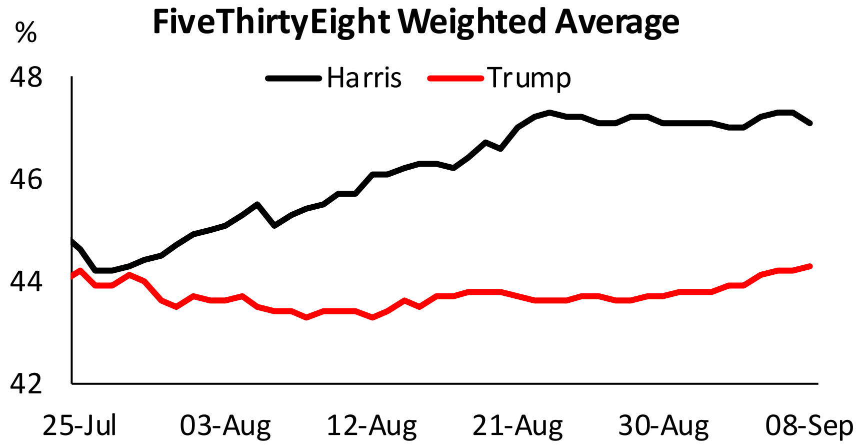


Source: The Philippine Star, CNA, OCBC.

*Clade 2 variant

US: Trump's new plans

- At a rally in Wisconsin, Trump threatened countries shifting away from the US dollar with a "100% tariff" on their exports, aiming to ensure the dollar retains its status as the global reserve currency. Trump also revealed his plan to establish the Government Efficiency Commission, a new body tasked with auditing and refining the performance of the government, which will be led by Elon Musk. He also clarified that his planned corporate tax cuts, from 21% to 15%, will not be available to companies that "outsource, offshore or replace American workers".
- The former president has proposed the establishment of a new sovereign wealth fund, which will be funded by revenue generated from tariffs. This fund will be used to support the development of infrastructure projects within the United States. The most recent NYT/Sienna polls have shown Trump taking a narrow lead over Harris among likely voters nationwide before their debate on 10 September, with Harris holding a slight lead or equal to Trump in swing states. The survey showed that 28% of likely voters needed more information on Harris, in contrast to 9% stating the same about Trump, showing that some voters are still unclear on the Harris's policies and stances.



Source: FiveThirtyEight, OCBC

NYT/Siena Polls	Trump	Harris
National	48%	47%
Arizona	48%	48%
Georgia	48%	48%
Michigan	47%	49%
Nevada	48%	48%
North Carolina	48%	48%
Pennsylvania	48%	49%
Wisconsin	47%	50%

538 Weighted Average Polls	Trump	Harris
Arizona	46.1%	45.7%
Georgia	46.2%	46.5%
Michigan	44.8%	46.7%
Nevada	45.4%	45.9%
North Carolina	46.7%	45.9%
Pennsylvania	45.8%	46.4%
Wisconsin	44.9%	47.6%

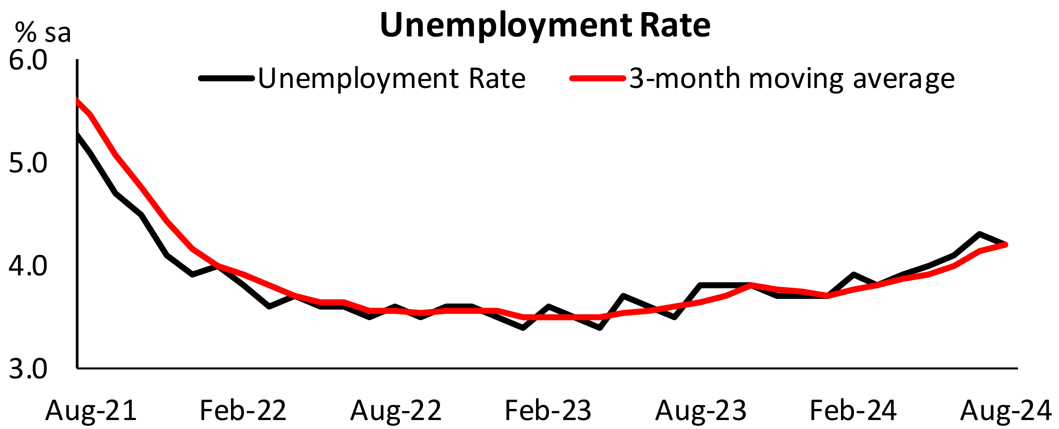
Source: FiveThirtyEight, OCBC, as of 8 September

OCBC

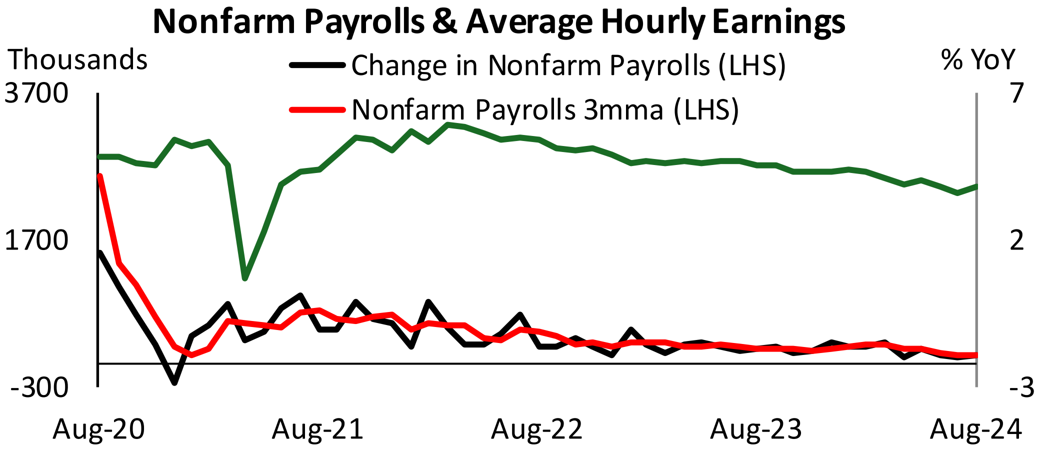
Source: FiveThirtyEight, CNN, NBC, Wall Street Journal, NYT, Siena College, OCBC.

US: Labour data indicate slowdown

- Nonfarm payrolls rose by 142k in August, lower than the consensus forecast of a 165k increase. It was accompanied by a net two-month downward revision of nonfarm payrolls by 86k, with July nonfarm payrolls revised downwards to 89k (initial: 114k). The new data and downward revisions bring the three-month moving average to 116k, the lowest since the Covid-19 pandemic. The unemployment rate ticked down to 4.2%, in line with expectations.
- In terms of Fed speak, Christopher Waller mentioned that "the current batch of data no longer requires patience, it requires action", while also saying that he is "open-minded about the size and pace of cuts". He further mentioned that he would advocate for "front-loading rate cuts if that is appropriate".
- The FOMC has entered its blackout period as of 6 September and there will be another inflation print on 11 September ahead of the 17-18 September FOMC meeting. Our base case remains for a 25bp cut at the September FOMC meeting.



Source: BLS, Bloomberg, OCBC

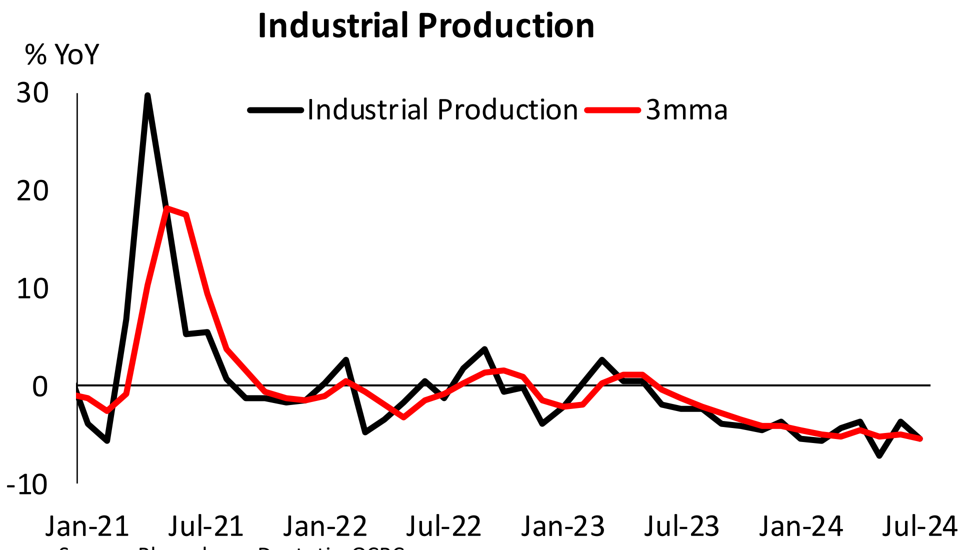


Source: BLS, Bloomberg, OCBC

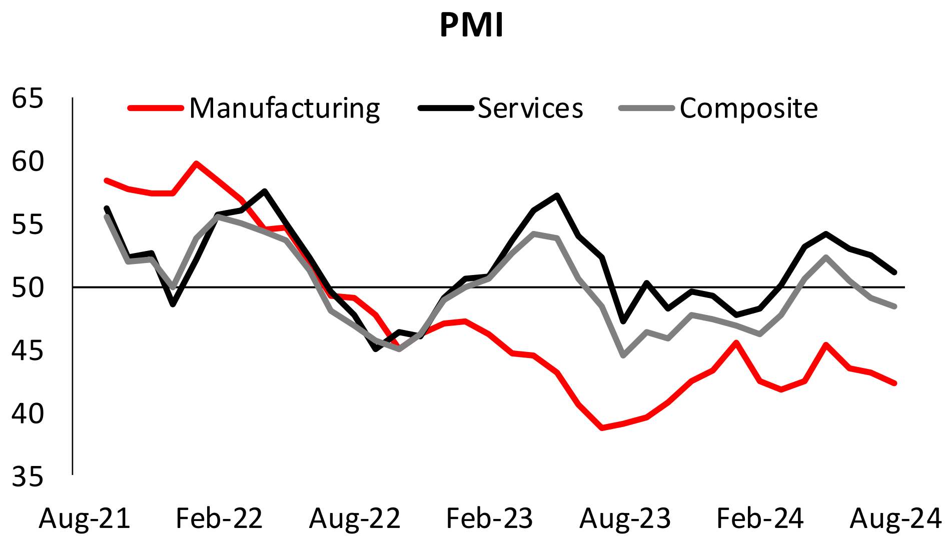
Source: BLS, Bloomberg, Reuters, OCBC.

Germany: Manufacturing continues to disappoint

- Industrial production declined by 5.3% YoY (-2.4% MoM sa) in July (Consensus: -3.5%; June: -3.7%). This marked the 14th consecutive month of YoY contraction as the manufacturing sector continues to sputter. A key driver of the weak reading was motor vehicles, which contracted -7.3% YoY (-8.1% MoM sa). This comes after news that Volkswagen AG, the largest automobile manufacturer in the world, was considering shutting two German factories, its first ever closures in its home country.
- Manufacturing PMI for August came in at 42.4, slightly higher than the preliminary reading of 42.1. However, this marked the 26th consecutive month of manufacturing sector contraction and showcases the slower than expected manufacturing sector recovery. Services continue to be the key driver in the German economy's rebound, as services PMI came in at 51.2 in August, marking the sixth consecutive month of expansion.



Source: Bloomberg, Destatis, OCBC

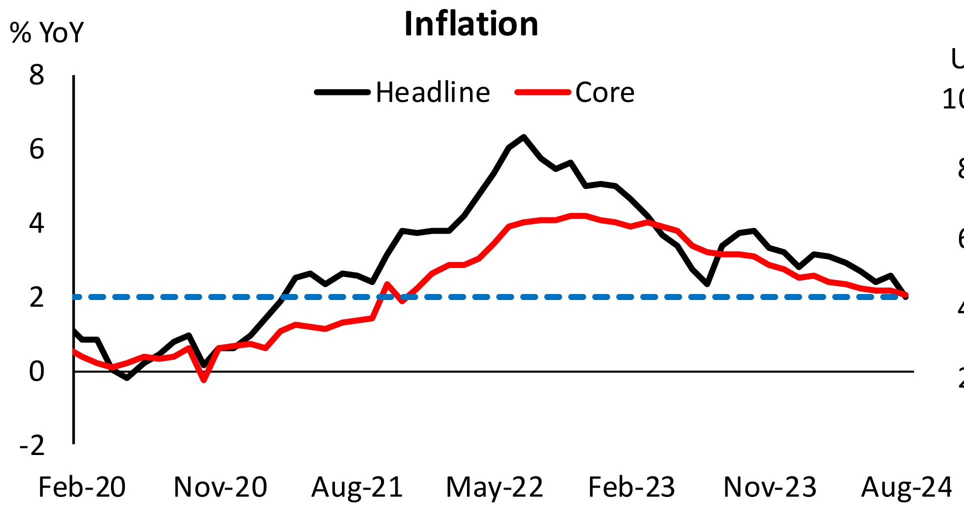


Source: S&P Global, OCBC

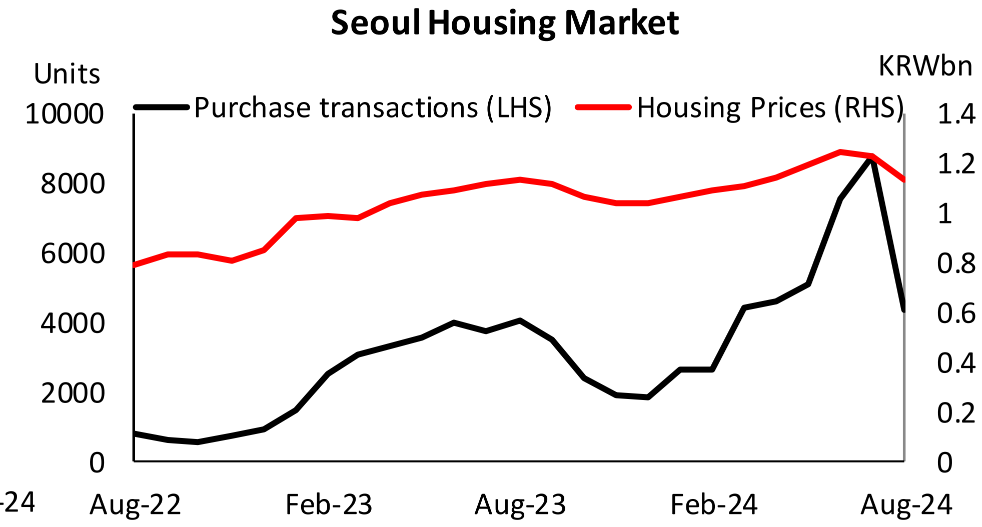
Source: S&P Global, Bloomberg, Reuters, Destatis, OCBC.

South Korea: Easing inflation paves the way for the BoK

- Headline inflation eased to 2.0% YoY in August from 2.6% in July (Consensus: 2.1%) while core inflation also eased to 2.1% YoY in August from 2.2% in July. The August reading marked the lowest headline inflation rate in 41 months. Lower inflation was seen in the 'food and non-alcoholic beverages' sector, which eased to 2.0% YoY (July: 3.6%) as well as the 'transport' sector, which eased to 1.8% YoY in August (July: 5.2%).
- The August reading aligns headline inflation with BoK's target rate. This comes after BoK delivered a dovish hold at its 22 August meeting, with four out of seven board members open to rate cuts on a three-month horizon.
- BoK remains concerned about rising housing prices in Seoul which could exacerbate household debt. Apartment purchases in Seoul for August dropped for the first time since February, while average sales prices fell for the second consecutive month in a sign of cooling demand. Our base case remains for two 25bp cuts by end 2024.



Source: Statistics Korea, CEIC, OCBC

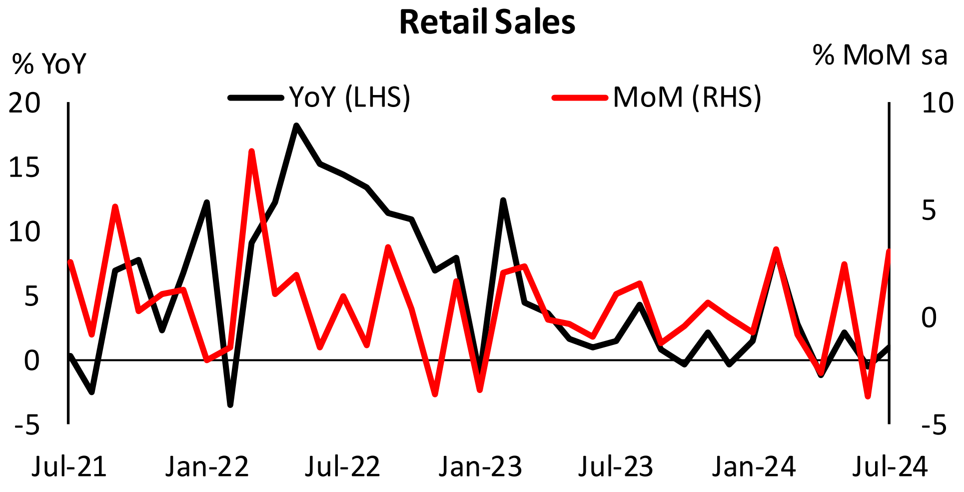


Source: Seoul city office, OCBC

Source: Statistics Korea, Seoul city office, Bloomberg, CEIC, OCBC.

Singapore: Retail sales rebound

- Retail sales rose by 1.0% YoY (3.1% MoM sa) in July, rebounding from -0.6% YoY (-3.7% MoM sa) in June. The key contributor was auto sales which jumped by 27.2% YoY (21.7% MoM sa), whilst petrol stations, food & alcohol, supermarkets & hypermarkets, and watches & jewelry also eked out modest positive sales growth. Notably, there were weak sales across other industries which were dragged down by lower appetite for shopping at department stores (-11.2% YoY) and wearing apparel & footwear (-10.3% YoY), as well as optical goods & books (-8.7% YoY). This reinforces the softening domestic consumption picture after a buoyant 1Q24 due to the spate of concerts.
- Retail sales rose only by 1.9% YoY for January-July 2024, lower than the 3.1% YoY for the same period in 2023. With a tepid start to July retail sales, 3Q24 retail sales are tipped to only expand ~1.4% YoY (even with F1 taking place later in September) while 4Q24 may recover to 4.5% YoY given the traditional peak holiday and festive season, as well as more MICE events generally anticipated in 2H24. This would likely bring full-year 2024 retail sales growth to around 2-3%, which is similar to the 2.3% YoY seen in 2023.



Source: DOS, CEIC, OCBC

Source: Eurostat, Bloomberg, Reuters, CEIC, OCBC.

China: RRR cut first

- The 30-year government bond yield briefly dipped below 2.30% last week as markets continued to anticipate a repricing of the CNY38trn mortgage rate. Former PBoC Governor Yi Gang, in a speech in Shanghai last week, highlighted that China should prioritize addressing deflationary pressures, with a key focus on turning the GDP deflator positive in the coming quarters. Achieving this will likely require more proactive fiscal measures alongside prudent monetary policy to support growth.
- Echoing this sentiment, the PBoC stated in its latest press conference that there remains room for adjustments to the reserve requirement ratio (RRR), given that the average RRR for financial institutions hovers around 7%.
- Government bond issuance in August accelerated, a trend expected to continue steadily. Additionally, a significant volume of Medium-Term Lending Facility (MLF) loans are due to mature in the coming months, with the timing of operations shifted to the 25th of each month, potentially increasing mid-month liquidity pressures. To alleviate these pressures and align monetary policy with fiscal efforts, a RRR cut may be employed to release additional liquidity.
- On the topic of interest rates, the PBoC acknowledged the limitations for further reductions in deposit and lending rates, citing the flow of bank deposits into asset management products and the narrowing of banks' net interest margins. These constraints may limit the likelihood of an imminent rate cut. However, the central bank emphasized that future interest rate decisions will be data-dependent, focusing on the progress of economic recovery and China's specific macroeconomic challenges.

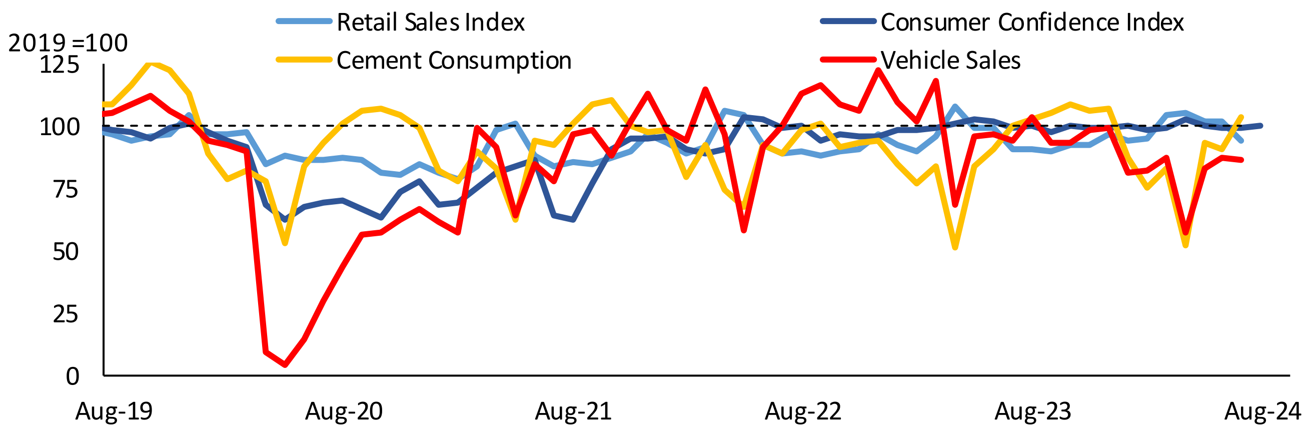
OCBC

Source: Wind, OCBC.

Indonesia: Mixed activity data

- The Consumer Confidence Index (CCI) rose to 124.4 in August from 123.4 in July, however, the average for July & August eased to 123.9 compared to 125.4 in 2Q24. The present (113.7 in Jul-Aug from 115.9 in 2Q24) and expectations (134.1 from 134.9) sub-indices eased. Consumers perceive their current income situations to have improved marginally, but their six-month income expectations as lower. Additionally, consumers are less optimistic about current and future employment situations.
- Meanwhile, car sales remained weak, with sales contracting by 17.5% year-to-July to 485,236 units. Motorcycle sales were, however, more resilient, rising by 2.5% to 3.8mn units in year-to-July. Additionally, sales of construction machinery in the automotive sector remained in contraction at 29.2% year-to-July, despite cement sales having risen by 2% in July.

Weak data in early 3Q24

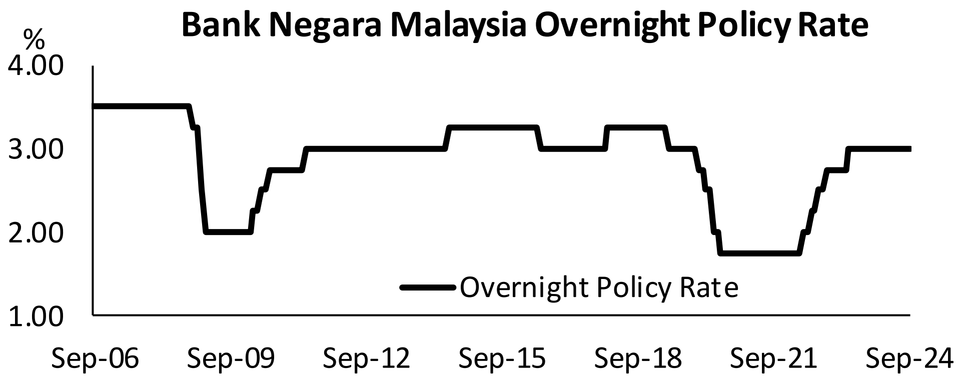


Source: Bank Indonesia, GAIKINDO, Indonesia Cement Association, CEIC, OCBC.

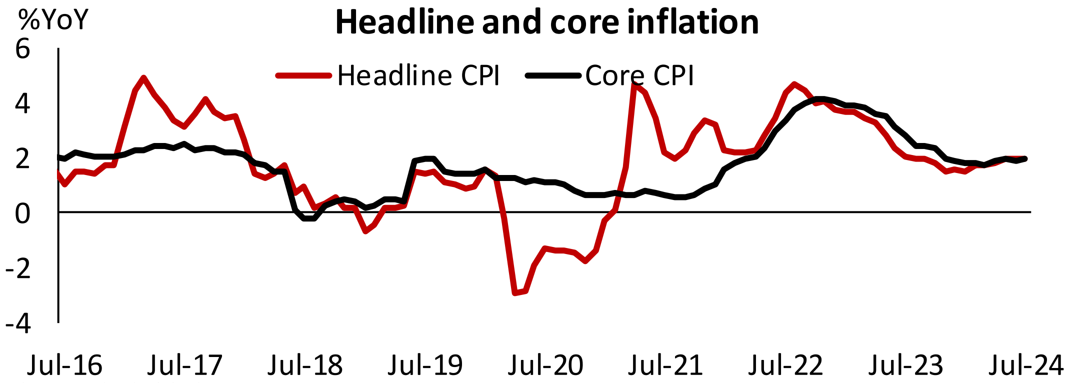
Source: Bank Indonesia, GAIKINDO, Indonesia Cement Association, CEIC, OCBC.

Malaysia: BNM holding the line

- BNM kept its policy rate unchanged at 3.00%, in line with expectations, for a seventh consecutive meeting. BNM's assessment on growth and inflation were broadly unchanged relative to its 11 July meeting. BNM still expects growth to be sustained by "resilient domestic demand and higher export activity", adding that "the higher intermediate and capital imports will further support export and investment activity."
- On inflation, BNM noted that "spillovers from the diesel price adjustment to broader prices have been contained..." BNM maintained its headline and core inflation forecast range at 2-3.5% and 2-3%, respectively but added that inflation is "unlikely to exceed 3%." Our forecast is for headline CPI to average 1.9% YoY in 2024. As such, the risk to inflation remains from changes to domestic price policy (namely regarding RON95).
- Finally, BNM expects the "positive economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows...to provide enduring support to the ringgit." As such, we expect BNM to maintain status quo until there is further clarity on the fiscal front.



Source: CEIC; OCBC



Source: CEIC; OCBC

OCBC

Source: Bank Negara Malaysia, CEIC, OCBC.

Thailand: Cabinet line-up

- His Majesty (HM) King Maha Vajiralongkorn has formally endorsed the list of ministerial candidates for the new cabinet. This paves the way for Prime Minister (PM) Paetongtarn Shinawatra and his new cabinet to form the new government.
- The new government, comprises of the PM and 35 cabinet members, took the oath of office before HM King Maha Vajiralongkorn on 6 September.
- Notable appointments in this cabinet include Deputy Prime Minister Phumtham Wechayachai (Pheu Thai Party) taking the defence portfolio. He has been replaced as commerce minister by former energy minister Pichai Naripthaphan (Pheu Thai Party). Meanwhile, Pichai Chunhavajira (Pheu Thai Party) remains as finance minister.
- PM Shinawatra is due to announce her economic plans to Parliament on 12 September.

Portfolio	Other Appointment	Name	Party
Prime Minister		Paetongtarn Shinawatra	Pheu Thai Party
Deputy Prime Minister	Defence Minister	Phumtham Wechayachai	Pheu Thai Party
	Transport Minister	Suriya Juangroongruangkit	Pheu Thai Party
	Finance Minister	Pichai Chunhavajira	Pheu Thai Party
	Digital Economy & Society Minister	Prasert Jantararuangtong	Pheu Thai Party
	Interior Minister	Anutin Charnvirakul	Bhumjaithai Party
	Energy Minister	Pirapan Salirathavibhaga	United Thai Nation Party
Minister of the Prime Minister's Office		Chusak Sirinil	Pheu Thai Party
		Jiraporn Sindhuprai	Pheu Thai Party
Defence		Phumtham Wechayachai	Pheu Thai Party
		Gen. Nathapol Nakpanit **(Deputy)**	United Thai Nation
Finance		Pichai Chunhavajira	Pheu Thai Party
		Julapun Amornvivat **(Deputy)**	Pheu Thai Party
		Paopoom Rojanasakul **(Deputy)**	Pheu Thai Party
Foreign		Maris Sangiampongsa	Pheu Thai Party
Tourism and Sports		Sorawong Thienthong	Pheu Thai Party
Social Development and Human Security		Varawut Silpa-archa	Chartthaipattana Party
Higher Education, Science, Research and Innovation		Supamas Isarabhakdi	Bhumjaithai Party
Agriculture and Cooperatives		Narumon Pinyosinwat	Palang Pracharath Faction Led by Capt. Thammanat Prompow
		Itthi Sirilatthayakorn **(Deputy)**	Palang Pracharath Faction Led by Capt. Thammanat Prompow
		Akara Prompow **(Deputy)**	Palang Pracharath Faction Led by Capt. Thammanat Prompow
Transport		Suriya Juangroongruangkit	Pheu Thai Party
		Manaporn Charoensri **(Deputy)**	Pheu Thai Party
		Surapong Piyachote **(Deputy)**	Pheu Thai Party
Natural Resources and Environment		Chalermchai Sri-on	Democrat Party
Digital Economy and Society (DES)		Prasert Jantararuangtong	Pheu Thai Party
Commerce		Pichai Naripthaphan	Pheu Thai Party
		Napintorn Srisunpang **(Deputy)**	Bhumjaithai Party
		Suchart Chomklin **(Deputy)**	United Thai Nation
Interior		Anutin Charnvirakul	Bhumjaithai Party
		Theerarat Samrejvanich **(Deputy)**	Pheu Thai Party
		Songsak Thongsri **(Deputy)**	Bhumjaithai Party
		Sabeeda Thaised **(Deputy)**	Bhumjaithai Party
Justice		Pol. Col. Thawee Sodsong	Prachachart Party
Labour		Phiphat Ratchakitprakarn	Bhumjaithai Party
Culture		Sudawan Wangsuphakijkosol	Pheu Thai Party
Education		Pol. Gen. Permpoon Chidchob	Bhumjaithai Party
		Surasak Phancharoenworakul **(Deputy)**	Bhumjaithai Party
Public Health		Somsak Thepsutin	Pheu Thai Party
		Dej-is Khaothong **(Deputy)**	Democrat Party
Industry		Akanat Promphan	United Thai Nation Party

Source: The Government Public Relations Department, OCBC

Source: The Government Public Relations Department, OCBC

Thailand: Still benign inflation

- Headline CPI eased to 0.4% YoY in August versus 0.8% in July, in line with expectations (Consensus: 0.4%, OCBC: 0.3%). In contrast, core inflation edged slightly higher to 0.6% YoY in August versus 0.5% in July but remained benign, nonetheless.
- Headline inflation was driven by lower transportation (-1.0% YoY versus 2.0%), and utilities (-0.9% YoY versus -0.8%) costs, which more than offset higher food prices (1.8% YoY versus 1.3%). Year-to-date headline inflation averaged 0.1% YoY. We forecast the 2024 average to be 0.6% YoY, assuming some upward adjustments to retail fuel and electricity tariffs, with headline inflation potentially returning to BOT 1-3% target range around 4Q24.
- From a monetary policy perspective, weaker domestic demand suggests that lower interest rates can bolster growth. Moreover, with the BoT noting slightly tighter financial conditions at its previous meeting on 21 August, we expect the BoT to keep a closer eye on THB appreciation pressures. As such, our base case remains for the BoT to embark on a shallow rate cutting cycle of a cumulative 50bp with the first 25bp cut in 4Q24 followed by another 25bp cut in 1Q25.

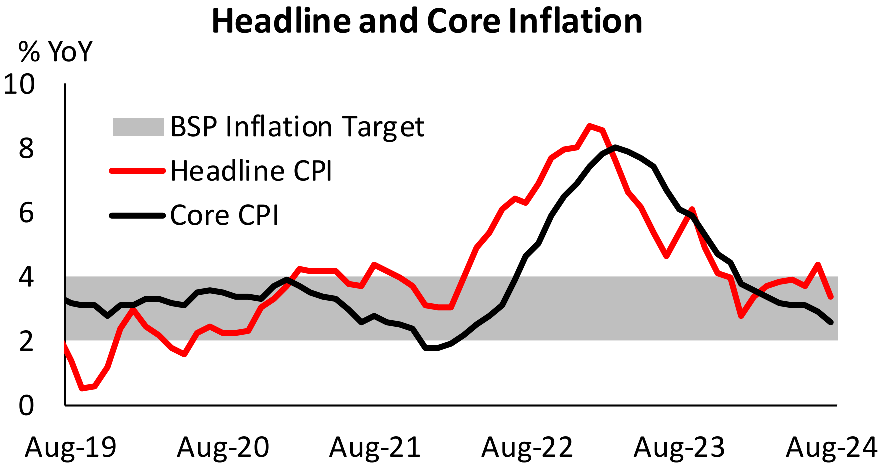
Drivers of inflation, %YoY	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Headline CPI	**-1.1**	**-0.8**	**-0.5**	**0.2**	**1.5**	**0.6**	**0.8**	**0.4**
Food & Non Alcoholic Beverages	-1.1	-1.0	-0.6	0.3	1.1	0.5	1.3	1.8
Apparel & Footwears	-0.1	-0.2	-0.1	-0.2	-0.4	-0.5	-0.5	-0.6
Housing & Furnishing	-0.7	-0.8	-0.9	-0.8	2.1	-0.8	-0.8	-0.9
Medical & Personal Care	0.9	0.9	0.3	0.4	0.5	0.1	-0.4	0.0
Transport & Communication	-2.5	-1.2	-0.4	0.9	2.4	2.4	2.0	-1.0
Recreation, Reading, Education and Religion	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.6
Tobacco & Alcoholic Beverages	0.9	1.2	1.4	1.4	1.4	1.5	1.5	1.6
Core Consumer Price Index	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**	**0.6**

Source: Ministry of Commerce, CEIC, OCBC

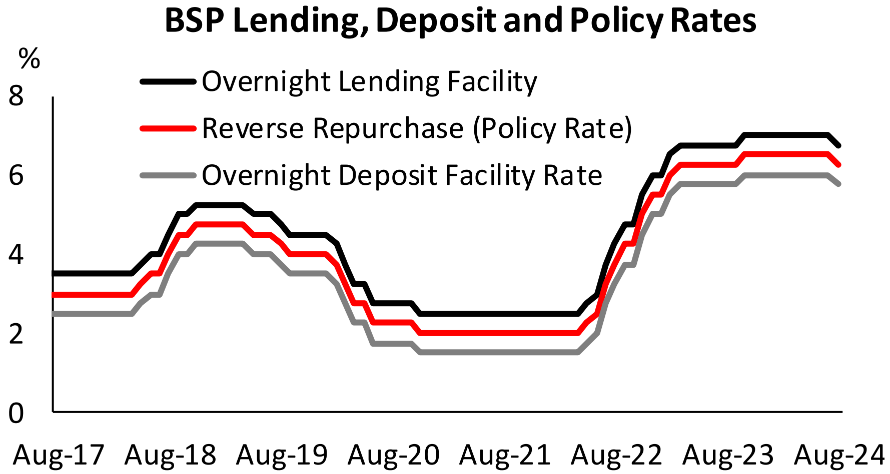
Source: Ministry of Commerce, CEIC, OCBC

Philippines: Lower CPI justifies BSP rate cuts

- Headline CPI rose less-than-expected to 3.3% YoY in August versus 4.4% in July. Similarly, core inflation eased to 2.6% YoY versus 2.9% in April.
- Lower food inflation (3.9% YoY versus 6.4%) was the major driver, with rice inflation easing to 14.7% YoY in August versus 20.9% in July. Similarly, transportation inflation eased sharply (-0.2% YoY versus 3.6%) reflecting lower retail fuel prices. These more than offset higher utilities (3.8% YoY versus 2.3%) inflation.
- Looking ahead, we maintain our 2024 average headline CPI at 3.5% YoY, implying a continued disinflationary trajectory ahead. Our base case remains for Bangko Sentral ng Pilipinas (BSP) to deliver another 25bp rate cut in 4Q24, followed by a cumulative 100bp rate cuts in 2025. This will bring policy rate to 5.00% by end-2025.



Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas, CEIC, OCBC



Source: Bangko Sentral ng Pilipinas, CEIC, OCBC

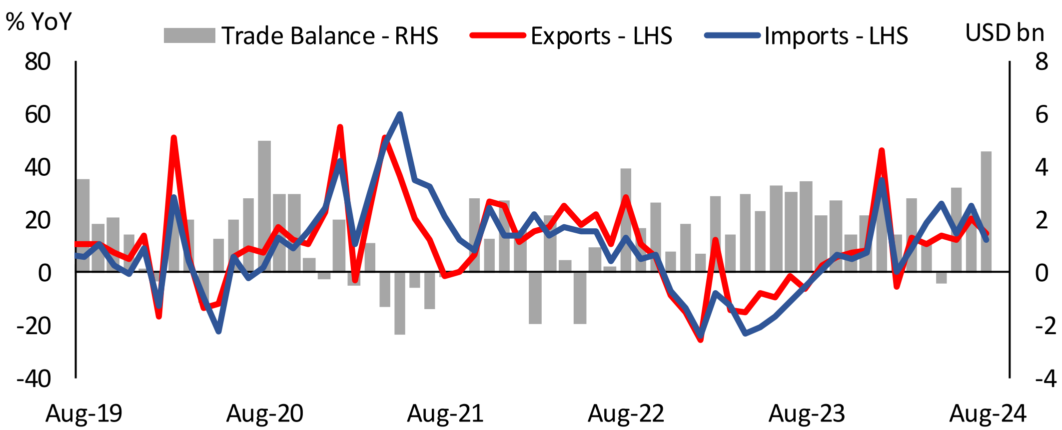
OCBC

Source: Bangko Sentral ng Pilipinas, Philippine Statistics Authority, CEIC, OCBC

Vietnam: Still robust export growth in August

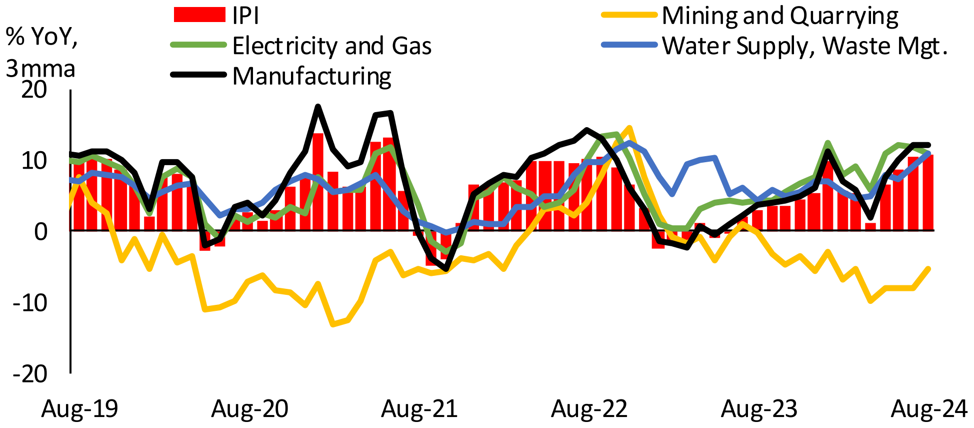
- Export growth eased to 14.5% YoY in August, compared to 20.2% in July, but was robust, nonetheless. Similarly, import growth eased to 12.4% YoY in August from 24.7% in July. This resulted in a wider trade surplus of USD4.5bn from USD2.1bn in July.
- Export growth averaged 17.2% YoY in July/August versus 12.2% in 2Q24. By products, electronics and machinery shipments were the key drivers while footwear and textile & garment shipments underperformed.
- Industrial activity has steadily picked up over the past few months, with growth in the Industrial Production Index (IP) rising to 9.5% YoY in August. This brings the 3-month moving average growth to 10.6%, compared to 8.7% in 2Q24. Notably, the growth in manufacturing IP led the pickup, offsetting the weakness in the mining and quarrying sector.

Trade Performance



Source: GSO, CEIC, OCBC

Industrial Performance Index

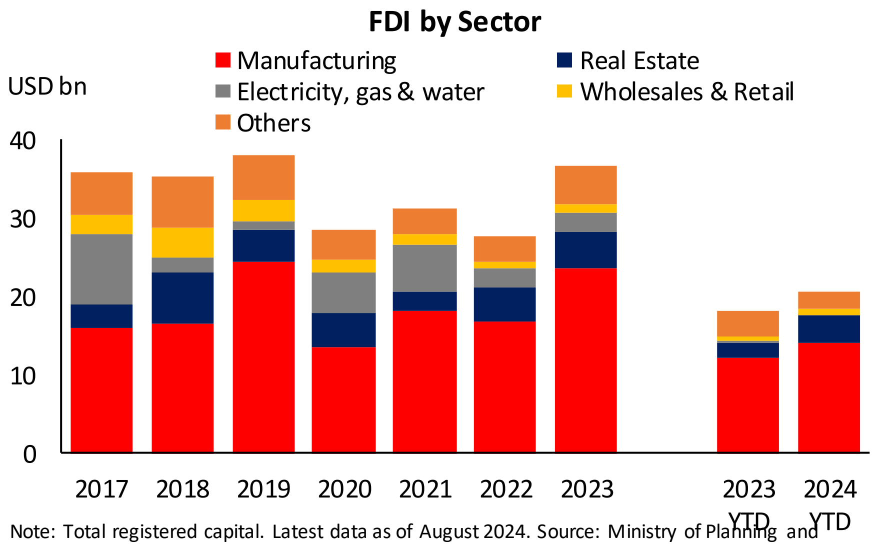


Source: GSO, CEIC, OCBC.

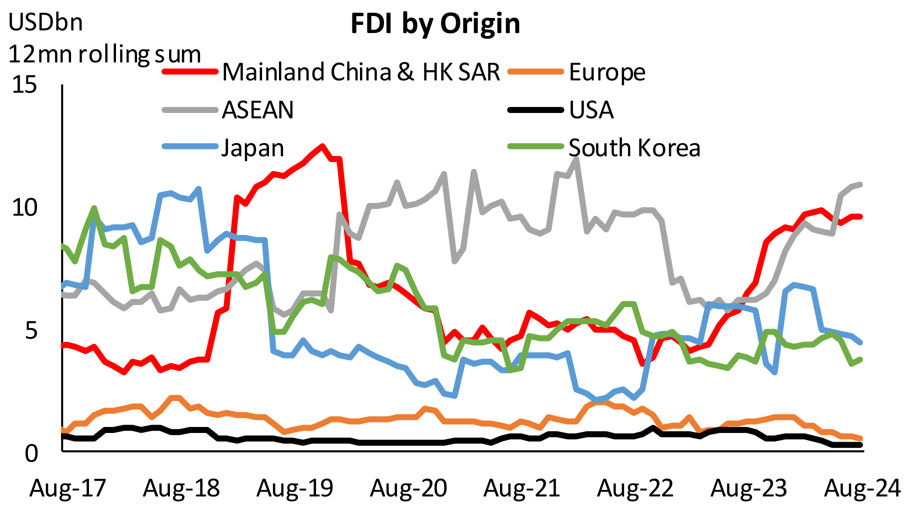
Source: General Statistics Office (GSO), CEIC, OCBC.

Vietnam: FDI magnets

- Mirroring the positive investment appetite, official numbers from the General Statistics Office (GSO) continue to demonstrate strong foreign direct investment (FDI) inflows into the country. Specifically, total registered FDI rose by 32.3% YoY reaching USD2.5bn in August. This brings the cumulative year-to-August FDI to USD20.5bn, a 13.1% YoY rise. Encouragingly, the manufacturing industry continues to emerge as the primary recipient of FDI, accounting for 69% of the total year-to-date registered FDI, with a 10.1% YoY increase.
- Overall, incoming greenfield investment reached USD12bn (+35.2% YoY) ytd, followed by additional capital injections into existing projects at USD5.7bn (+26.1% YoY), while M&A activities underperformed at USD2.8bn (-40.7% YoY).



Note: Total registered capital. Latest data as of August 2024. Source: Ministry of Planning and Investment, CEIC, OCBC.



Source: CEIC; OCBC.

OCBC

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

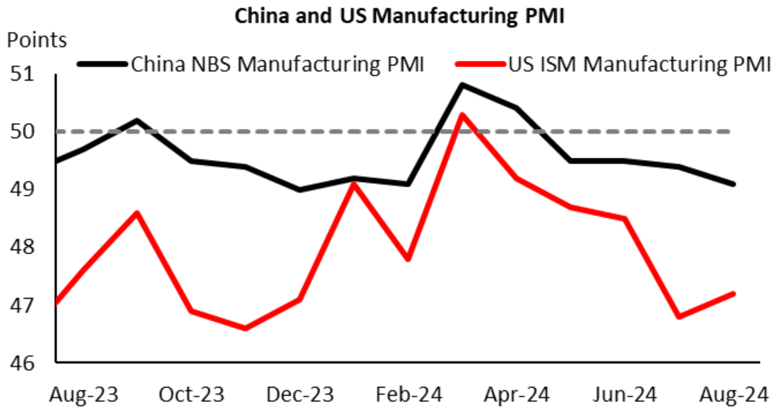
Commodities

Crude Oil: Price selloff

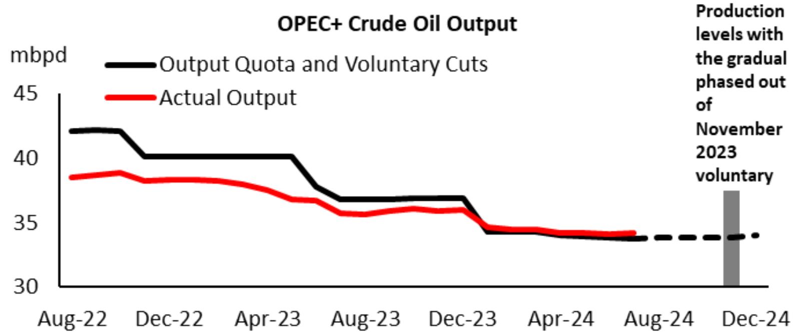
- WTI and Brent declined on Friday, closing at USD67.7/bbl and USD71.1/bbl respectively. Consequently, this led to the largest weekly drop of more than 8.0% since October 2023.

- The decline in oil prices was mainly driven by concerns of slowing demand and prospects of Libyan oil supplies returning into the global oil market. As oil prices were under significant downward pressure, OPEC+ announced a delay to their planned crude oil production for two months until the end of November 2024. On balance, OPEC+ will continue to cuts to its oil production by ~5.9mbpd (~5.7% of July 2024 global demand) through November 2024, before gradually reducing cuts to its oil production.

- Looking ahead, the near-term price weakness should bottom out as the extension of supply cuts will continue to keep global oil inventories tight. We expect oil prices to gradually rise. However, we rule out any prolonged price spikes given depressed distillery margins in both US and Asia, as well as available spare crude oil capacity from OPEC. We expect oil prices to trade higher and within a range of USD72-75/bbl.



Source: NBS, ISM, Bloomberg, OCBC



Note: Angola left OPEC effective 1 Jan 2024; OPEC shared that the gradual phasing out of its November 2023 voluntary cuts is data dependent (i.e., the increase can be paused or reversed subject to market conditions); Quotas for Iraq, Kazakhstan and Russia do not include additional compensation cuts pledged to offset previous overproduction.
Source: Platts OPEC+ survey by S&P Global Commodity Insights, OPEC, OCBC

Source: Bloomberg, Reuters, OCBC.

FX & Rates

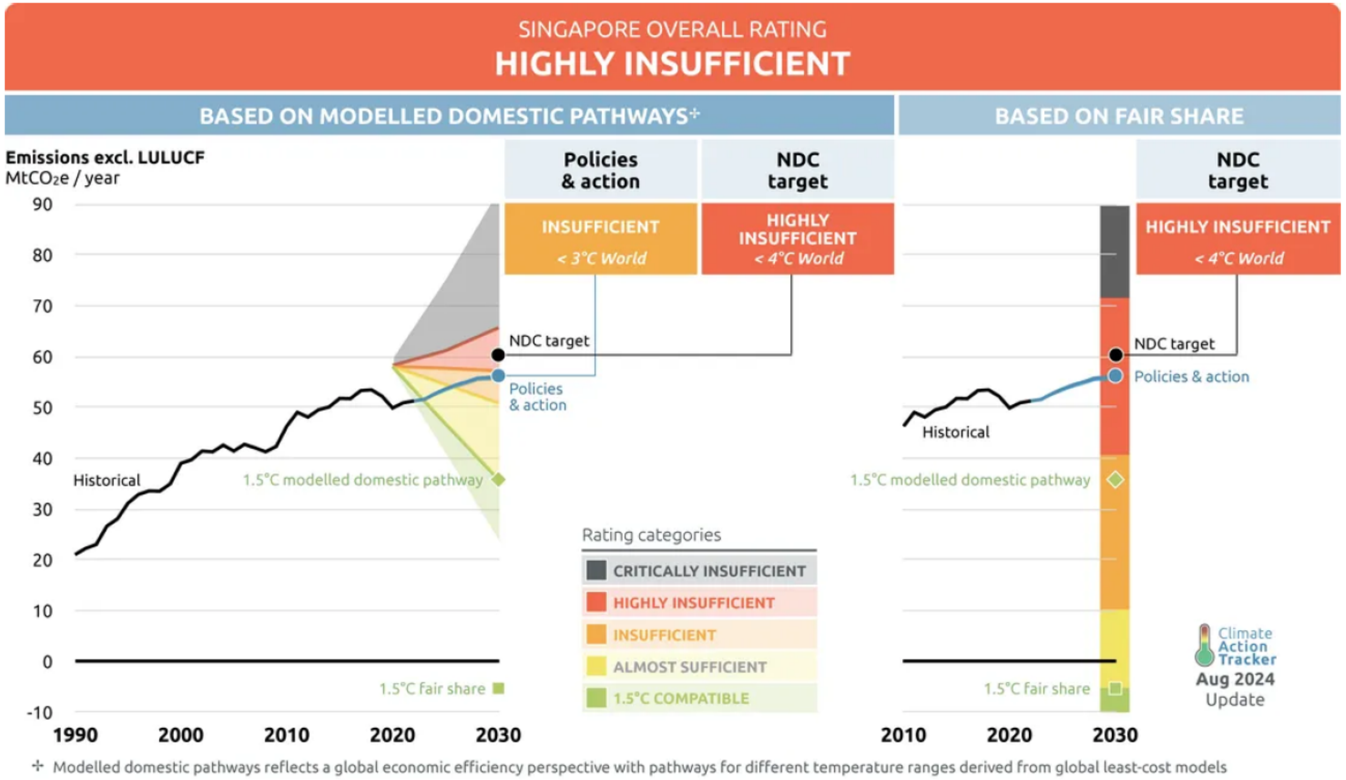
FX & Rates: Inconclusive Data

- **USD Rates.** The intra-day whipsawing in yields reflected perceived uncertainty as to how the US economy will land ultimately. The 2% level proved to be sticky for the 10Y breakeven, while more weak data are needed to push long-end real yield materially lower. Together, the 10Y UST yield stayed just above our near-term expected floor of 3.7%. On the liquidity front, there is a net bills paydown of USD59bn on the week, likely pointing to some rebounds in usage at the Fed's o/n reverse repos. Our base case remains for a 25bp Fed funds rate cut at the meeting next week. We expect there will be some discussions about bigger rate cuts, either for this meeting or for some of the upcoming meetings, to maintain policy optionality instead of representing a particular decision.
- **CNY Rates.** We still put hope on potential RRR cut(s) over the coming months. CNY591bn of MLF mature this month; MLF maturities become heavier in the months ahead, with CNY789bn in October and CNY1.45trn each in November and December. The heavy MLF maturity profile provides a window of opportunities for the PBoC to retire some of MLF and replace them with other forms of liquidity, including those released from RRR cut(s) or from bond buying under monetary operations, ideally through the former. The decision to deliver an additional interest rate cut may be a tougher one, given official opinions that there are limitations to further reductions in deposit and lending rates. The 2Y CGB yield may be finding an interim floor at the 1.40% level, while there is room for short-end repo-IRS to play some catch-up with bonds. The rest of the week brings the releases of August money aggregates, new yuan loans, aggregate financing and trade numbers.
- **EURUSD.** ECB takes centre stage this week. Softer CPI prints out of Euro-area, Germany and Spain and softer Mfg PMI print added to expectation that ECB should be on course to lower rate again at its upcoming meeting on 12 Sep. Markets have priced in 25bp cut at this meeting and about 38bp cut for remainder of the year (another 1.5 cut). While rate cut decision is more or less a done deal, focus is on Lagarde's press conference and staff macroeconomic projection. So far, ECB officials have not been outright dovish, and officials seemed to posture for a more gradual pace when it comes to policy easing. Meeting may end up being a non-event for EUR if policymakers continue to say no preset path to policy easing.

ESG

ESG: SG’s climate targets assessed to be ‘highly insufficient’ by CAT

- Singapore's climate actions have been categorised to be 'highly insufficient’ by the Climate Action Tracker, which is an improvement from its previous rating of 'critically insufficient'. Other countries with the same rating include China and South Korea. No countries were assessed to be ‘1.5°C Paris Agreement Compatible’ based on the latest assessment, but countries including Norway and Costa Rica were assessed to be ‘almost sufficient'. Countries that were assessed to be 'insufficient' include Australia and Japan.
- Singapore’s recent policy developments enabled a better rating, such as Singapore’s efforts in importing low-carbon electricity from neighbouring countries i.e. Cambodia, Indonesia, Vietnam.
- The Climate Action Tracker's rating methodology does not consider Singapore's unique circumstances and assumes that Singapore has access to the same decarbonisation options as the rest of Southeast Asia, including renewable energy sources.
- In reality, Singapore has limited access to alternative energy sources and the country's climate targets are contingent on technological advances of low-carbon technologies such as hydrogen and carbon, capture utilisation and storage. Singapore has also advanced efforts in international carbon credit cooperation and renewable energy imports from neighbouring countries.



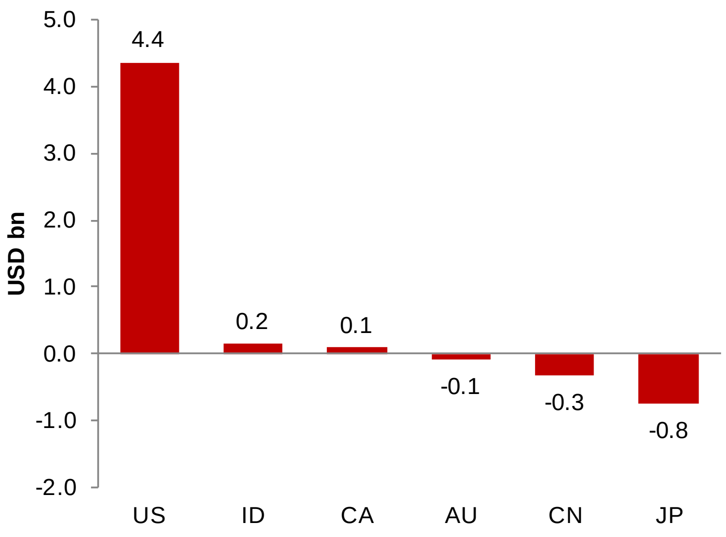
Source: Climate Action Tracker, OCBC.

Asset Flows

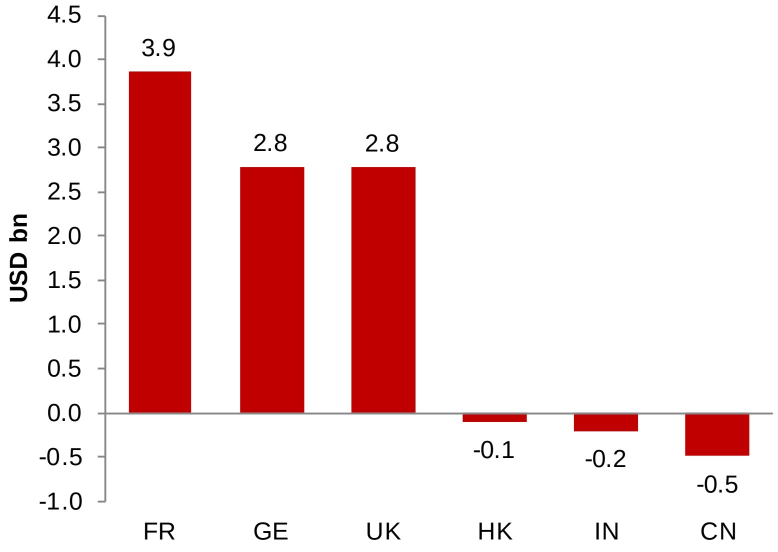
Global Equity & Bond Flows

- Global equity markets saw net inflows of $3.0bn for the week ending 4 September, a decrease from the inflows of $13.6bn last week.
- Global bond markets reported net inflows of $9.4bn, a decrease from last week's inflows of $20.6bn.

Equity top gainers & losers



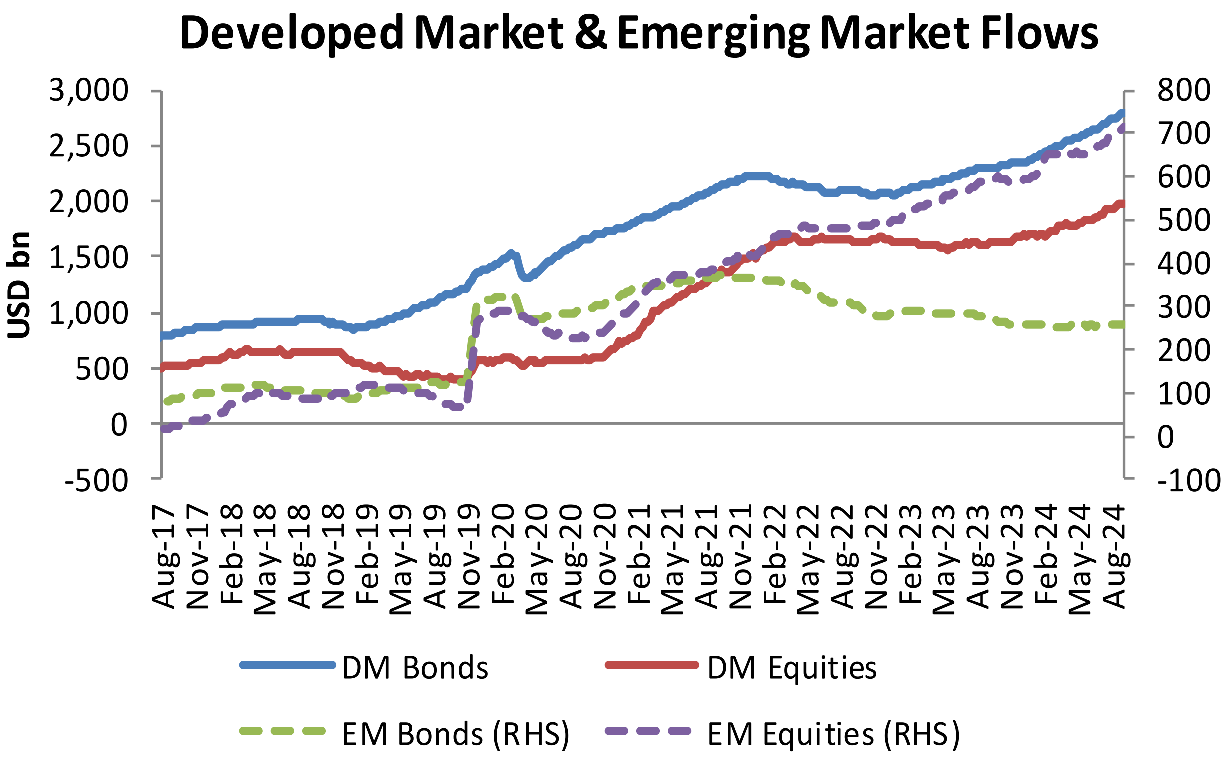
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($565.26mn) and Emerging Market Equities ($2.4bn) saw inflows.
- Developed Market Bond ($9.4bn) saw inflows and Emerging Market Bond ($4.97mn) saw outflows.



Source: OCBC, EPFR

Thank you

Global Markets Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

Co.Reg.no.: 193200032W

OCBC