Research Monitor (February)

4 February 2025

Key Themes

1. Tariff tenterhooks: The latest US tariff announcements have held sway over financial markets, with fear and relief exerting as things unfold. The one-month delay to the 25% tariff implementation against Mexico and Canada now shifts the focus to China – whether a deal can similarly be struck to suspend the 10% tariff threat. While the USD initially surged then surrendered some of its gains on the tariff U-turn, the UST yield curve has flattened while the S&P500 dipped. This has overshadowed the recent FOMC meeting where it held the Fed Funds rate static at 4.25-4.5% amid ongoing economic uncertainties including the potential tariff impact, while noting that unemployment has stabilized and the labor market remains solid. Although the reference to the phrase that inflation is making progress towards its goal was removed, Fed chair Powell noted that the current rate is "meaningfully above" its long-term neutral rate. The futures market is currently pricing about 41bps cumulative rate cuts this year.

2. The ECB cut its policy rate by 25bps to 2.75% with Lagarde stating there was no discussion about when it may cease rate cuts. Meanwhile, BOJ governor Ueda said policy settings are still accommodative even after hiking 25bps to 0.5%, fuelling market expectations of more hikes to come. The BOJ is also phasing out its fund-provisioning program which could remove JPY77 trillion in outstanding loans (~10.4%) from its balance sheet by 2024. MAS also slightly eased its S$NEER policy band slope, with a revised 2025 core inflation forecast of 1-2%. Next will be Singapore's Budget 2025 due on 18 February.

3. The January highlights for China include the sixth-generation fighter jet, Xiaohongshu, and DeepSeek, which have captured global attention. China's industrial foundation, deeply rooted in manufacturing, has long emphasized cost efficiency and low resource consumption, key pillars of the country's rise as a global manufacturing powerhouse. In this context, DeepSeek's cost-efficiency aligns with China's broader development strategy, making its breakthrough less surprising. All Chinese local governments have concluded their "two sessions," with none setting GDP targets below 5%, signalling that the national growth target for 2025 is likely to remain at around 5% when announced in March. China rolled out new measures to encourage long term capital into the capital market. Public mutual funds are expected to increase their A-share holdings by at least 10% annually over the next three years, bolstering equity market development. Large state-owned insurers plan to allocate 30% of new annual premiums to A-share investments beginning this year, which may provide a floor to the equity market.

4. Flash estimates* for the OCBC SME Index stand at 48.2 in January, lower that the 51.5 in December 2024 and 53.7 a year ago. This contraction could be due to Trump tariff concerns and/or fading of frontloading activities. However, the demand for electronics, especially semiconductors, remains relatively robust and the adoption of AI continues to grow, likely benefiting relevant SMEs. Cost pressures remain a challenge for SMEs as wages are expected to rise and Trump's tariff threats could accelerate the reshuffling of supply chains that in turn may exert upward pressure on production costs.

   **Using data until 21st January 2025*

Asset Class Views

	House View	Trading Views
FX	**G-10 FX: USD** closed flat for the month, snapping 3 consecutive months of gains. Unwinding of Trump trades (i.e. USD longs) after there was no immediate tariffs post-Trump inauguration was the main trigger. That said, USD started the month of Feb on a much firmer footing in reaction to Trump's tariff announcement on Canada, Mexico and China over the weekend. He also confirmed that tariff will 'definitely happen' with European Union. Tariff developments remain fluid. As such, we should continue to see more 2-way trades dominate – intensification of trade war would bring demand for safe-haven proxy including USD, while trade truce should see USD strength fade. For now, the risk for USD is skewed to the upside on fears of trade war escalation. Tariffs may undermine global trade, growth, sentiments and pose risks of inflation for US. This may derail its disinflation journey and imply fewer Fed cuts in 2025/26. Further hawkish re-pricing alongside risk-off sentiments will keep USD supported in the interim.	2-way trade with risks skewed to upside. Resistance at 110.20. Support at 108.65, 107.80.
	EUR's decline moderated in January after Trump did not immediately announce universal tariffs post-inauguration. That said, FT reported that US Treasury secretary Scott Bessent favours universal tariffs, starting at 2.5% while Trump said he wants tariffs 'much bigger' than 2.5%. Lately, Trump also confirmed there will be tariffs on European Union. In the interim, EUR may face downward pressure on a few factors: 1/ stagnation in the Euro-area; 2/ risk that ECB may need to cut below neutral to support growth; 3/ rise in energy costs (as cold weather depletes reserves and reduced Russian supplies) adding more pain to industrials and households; 4/ tariff hitting Europe's exports when growth is already stagnating. But at the same time, EUR shorts may be stretched, and many EUR negatives are already in the price, including dovish ECB, growth concerns, etc. In the event, there is positive surprises such as universal tariffs being delayed further, then EUR shorts may further unwind (providing relief for EUR).	Downside pressure. Support at 1.02 1.00 levels. Resistance at 1.0280, 1.0500.
	USDJPY traded lower for the month of January. USDJPY's decline was due to the pullback in UST yields while BoJ hikes rates and hinted at continued policy normalisation. Japanese economic data continues to support BoJ policy normalisation (our house view looks for 2 more cuts). Wage growth pressure remains intact, alongside broadening services inflation. Tokyo core core CPI, PPI, wages rose while labour market report also pointed to upward wage pressure with jobless rate easing, while trade unions are calling for another 5-6% wage increase at shunto wage negotiations. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials and this should underpin the broader direction of travel for USDJPY to the downside. Elsewhere, escalation in tariff wars may also support safe-haven demand (less negative for JPY on relative terms). That said, any slowdown in pace of policy normalisation – be it the Fed or BoJ– would mean that USDJPY's direction of travel may be bumpy or face intermittent upward pressure.	Downside Bias. Support at 153.70, 152.80. Resistance at 155, 156.40.
	USDSGD closed lower for the month of January, tracking the broad pullback in USD and UST yields. At the last MPC (24 Jan), MAS reduced slightly policy slope. This means the rate of appreciation for SGD vs. trade partners is reduced. But overall stance is still on a modest and gradual appreciation path. Our model estimates the appreciation is now at a rate of 1% p.a. (down from 1.5%). There was little reaction to S$NEER and SGD post-decision as expectations were largely priced in. Going forward, it is worth paying attention to core CPI in the coming months to get a sense on whether the MAS easing is one-off or may ease further. Historically, the positive correlation between the change in S$NEER and MAS core inflation shows that SGD strength can ease when core inflation eases materially. Expectations for MAS to ease can imply that the SGD strength (on TWI terms) seen in the past 2-3 years will continue to ease, especially alongside tariff concerns, weak sentiments. But as long as the policy band does not revert to neutral, SGD could still retain some degree of relative resilience, selectively against trade partners.	Upside risk. Resistance at 1.3750, 1.38 levels. Support at 1.36, 1.3520.

	House View	Trading Views	
Rates	FOMC maintained the target range for the Fed funds rate at 4.25-4.50% at the January meeting; the decision was unanimous. The statement carried a hawkish tilt, but Powell sounded more dovish than the statement. The statement dropped the reference that "inflation has made progress towards the Committee's 2 percent objective", but we do not read too much into it, which was "a little language cleanup" as Powell described. On balance, there is still room for additional rate cuts down the road, in our view. First, Powell said the current monetary policy stance is "meaningfully above the neutral rate"; second, the favourable base effect for CPI may result in some downside surprises for Feb/Mar readings. That said, stabilization in the labour market conditions reduces the urgency to ease policy rapidly, while near-term focus is potential tariff impact. BoJ raised the target for the overnight call rate by 25bps to 0.50% at its January meeting, in line with our expectation, while a hike had also become market consensus running into the BoJ decision. Although the overall stance remains that the central bank will adjust the degree of monetary accommodation if their economic outlook is realised, it added "the likelihood of realising the outlook has been rising". This can be seen as a mild hawkish tilt, notwithstanding one dissident to the rate hike decision – Nakamura advocated waiting for confirmation of a rise in firms' earning power i.e. just a matter of timing. Our base-case remains for two more 25bp hikes this year. ECB cut key ECB interest rates by 25bps at January meeting, as expected. There is not much that can be taken from Lagarde's press conference, but the absence of discussion on the point where the ECB have to stop cutting rates was probably seen as dovish by the market. There will be updated ECB estimates of the neutral rate to be published on 7 February. Our base-case is additional 50bps of cuts for the rest of this year, but we see risk for more or quicker rate cuts if the ECB judges that lower rates are required to help channel savings into spending and investments.	**USD rates**: UST reaction to any escalation in trade tensions may be more muted than that in some asset classes, as there are counteracting factors – namely, safe-haven flows and growth concerns – to inflation worries. We expect inflation worries to be more reflected at the short end while growth concerns to be more reflected at the long end of the curve. While market may enjoy an interim relief given the tariff delay, perceived inflation risk from potential tariffs may keep the UST curve flat at current level for now. **SGD rates** were down a few bps over the past month, mildly outperforming USD rates and SGS. 2Y SGS auction was well received; with 2Y bond/swap spread (OIS - yield) at around -21bps, the bond is likely to be supported. We maintain a mild downward bias to SGD rates over the coming months premised on our lower USD rates view and assumed partial passthrough from expected downward move in USD rates onto SGD rates as per historical pattern. **IndoGBs** were given a lift upon BI policy rate cut; this happened just before the softer US core CPI print which has extended the broader bond market optimism. Demand at the recent conventional bond auction also improved. There were heavy foreign inflows in the last few days of January, more than offsetting outflows registered for most days of the month, resulting in a net monthly inflow of IDR2.1trn. 10Y IndoGB-UST yield spread at around 245-250bps level appears stable; we see room for IndoGB yields to go lower upon any UST rally. **MGS** continued to trade in a stable manner, through the ups and downs in UST yields. Auctions this year thus far were well-received. Bond/swap spreads (IRS – yield) have been trending upward in line with our expectations; at current levels, any further bond outperformances against swaps may be more limited. KLIBORs eased from elevated levels observed towards year-end, with the 3M last at 3.67% around the 3.65% level we expect for this quarter. **CNY rates**. Short-end CNY rates and CGB yields rebounded from lows attained in late December amid a tightening of liquidity. PBoC halted bond purchases under open market operations, as bond supply fell short of demand; the CGB curve flattened. In the broader scheme of things, the curve may re-steepen from here, against the backdrop of monetary easing and fiscal stimulus.	→ → → → →

**Arrows refer to expectations for general direction of rates/yields*

	House View	Trading Views	
Credit	Asiadollar credit spreads exhibited disparity for the second consecutive month in January. Bloomberg Asia USD Investment Grade spreads tightened ~4bps m/m to 74bps, while Bloomberg Asia USD High Yield spreads widened ~15bps m/m to 431bps as at the time of writing. The divergence can be attributed to a flight to quality brought about by the continued defaults in China and Hong Kong's real estate sector, namely China Vanke Co. ("VANKE") and New World Development Co. ("New World") as well as ongoing market volatility following the inauguration of President Trump. January saw a significant increase in Asiadollar bond issuance (excluding Japan) of USD25.6bn as of 31st January 2025 against USD4.4bn in December as per Bloomberg data (USD19.6bn in January 2024). Majority of issuances happened in the first half of January with the top 3 largest issuances for the month coming from Asian government entities, consisting of (i) Airport Authority Hong Kong issuing USD4.15bn across three tranches, (ii) Korea Development Bank issuing USD3.0bn across three tranches and (iii) Export-Import Bank of Korea issuing a USD4.0bn across four tranches. Japanese issuers were also active in USD bond markets during the first half of January with Toyota Motor Credit, Mitsubishi UFJ Financial Group Inc and Sumitomo Mitsui Financial Group Inc pricing significant issuances as Asian issuers front loaded issuance given the low spread environment and ahead of Chinese New Year holidays. The SGD Credit Universe returned +0.17% m/m on lower SORA OIS yields and continued to demand for SGD Credit. The only weak performer was the Tier 2 bucket due to new Tier 2 issues by Credit Agricole SA (SGD400mn) and BPCE SA (SGD300mn). The SGD primary market's overall issuance activity also saw a significant increase with ~SGD2.6bn from 8 issuers (SGD782mn in December across 11 issuers per Bloomberg). The largest issuance was a SGD950mn 5Y green bond issuance by the Housing & Development Board with multiple smaller issues occurring throughout the month.	**FPLSP 4.38% PERP (SGD)** • FPL reported decent FY2024 results with reported PBIT up 3.0% y/y to SGD1.35bn while credit metrics improved slightly q/q with reported net debt to total equity declining 3.3 ppts q/q to 83.4%. • FPL is looking to pivot back to undertake more property development to deliver better risk-adjusted returns (including redevelopment of Robertson Walk and Fraser Place Robertson Walk). Meanwhile, there is SGD19.1bn of non-REIT property assets which can be unlocked (e.g. via divestments). • The FPLSP 4.38% PERP look decent with a yield to reset of over 4% **ACAFP 5.25% '33c28s (SGD Tier 2)** • Credit Agricole Group ("CAG") is a global systemically important bank with its systemic importance recently increased and a higher future capital requirement from 1 January 2026. • CAG's fundamentals are anchored on its strong capital position with a phased in CET1 capital ratio of 17.4% as at 30 September 2024 (17.3% on a fully loaded basis). The buffer to its 9.8% Supervisory Review and Evaluation Process ("SREP") threshold was 760bps while the distance to its Maximum Distributable Amount trigger (defined as the lowest distance to SREP requirements for CET1, Tier 1 and total capital) was 670bps or EUR43bn in CET1 capital as at 30 September 2024. • The recent new Tier 2 has led to spread widening of Credit Agricole SA's existing Tier 2s. Within these, we prefer the ACAFP 5.25% '33c28s on better relative value considering its higher resent spread of 204.5bps.	↑ ↑

Macroeconomic Views

	House View	Key Themes
United States	We anticipate that GDP growth will slow to 2.0% in 2025. Our forecast for the headline CPI in 2025 is set at 2.4%. We maintain our expectation that the Federal Reserve will implement a total of 75 basis points in rate cuts throughout 2025. The policies of President Donald Trump are taking the helm for markets, and the sequencing of his policies in terms of tariffs, taxes and immigration remains important for the outlook this year.	During the FOMC meeting on January 28-29, the Federal Reserve kept policy rates unchanged at 4.25% - 4.50%, aligning with market expectations. The accompanying statement bore a hawkish undertone, notably omitting the phrase that inflation had "made progress" toward the 2% target, instead stated that "inflation remains somewhat elevated." Although Chairman Powell later downplayed it where he characterised the adjustment as "a little language cleanup," adopting a more dovish tone in his subsequent remarks. With a above trend GDP for 2024 at 2.8%, unemployment just slightly north of 4%, and core PCE above 2%, the Fed appears poised to pause policy rates in the near term - Powell stated that, "We do not need to be in a hurry to adjust our policy stance". In the White House, Trump has flipped from a soft start on tariffs to a stance threatening 25% tariffs on about $900bn worth of goods from Canada and Mexico and 10% on China, underscoring his policy fickleness. Bottomline, the narrative could shift quickly with Powell acknowledging that "we don't know what will happen with tariffs, with immigration, with fiscal policy, and with regulatory policy".
Euro Area	We project GDP growth to improve to 1.1% in 2025, while the headline CPI is forecasted to ease to 2.1%. The European Central Bank (ECB) has maintained its "data-dependent, meeting-by-meeting" approach throughout 2024, and we anticipate no change in this approach. For 2025, we expect the ECB to deliver further 50bp worth of cuts.	On 30 January, the ECB trimmed its policy rate by 25bp. President Christine Lagarde stated that the disinflationary process remains on track and expresses optimism for a rebound in demand. However, she also acknowledged the prevailing near-term weakness within the Eurozone economy, an assessment that has remained largely unchanged since the December meeting. In her remarks, Lagarde stated that there has been no discourse at which the ECB might cease its rate cuts, suggesting the notion that rates are still in restrictive territory. We expect further rate cuts from the ECB as the current outlook for the Eurozone remains particularly fragile, with the largest economies, Germany and France, experiencing negative growth.
Singapore	Our 2025 GDP growth forecast remains at around 2.2%, slightly above the midpoint of the official 1-3% growth forecast. If Trump 2.0 tariffs begin to kick in later this year, the external headwinds to growth may turn more challenging in 2H25, but there are still significant uncertainties over the timing and magnitude of the tariffs. Inflation is expected to ease, with CPI moderating to around 2.0% in 2025. The next milestone to watch will be the upcoming Budget 2025 on 18 February. Given expectations of a bumper FY2024 fiscal surplus outturn, SG60 celebrations and forthcoming assistance with the cost-of-living issues, a pre-election budget 2025 is likely to see a targeted fiscal transfer/subsidy packages.	MAS reduced the S$NEER slope slightly and shaded down the 2025 core inflation forecast to 1-2% YoY, which was in line with our expectations. This is the first policy pivot since the last policy change (re-centering) in October 2022, and the first policy easing since March 2020 (flatter slope and recentered lower). MAS said global economic policy uncertainty has risen since October, and Singapore's GDP growth will moderate over the course of the year to the slower 1-3% growth forecast from 4% in 2024, but the output level will keep close to potential. This is even as global trade policy shifts could weigh on the domestic manufacturing and trade-related services sectors. On the inflation front, imported costs should stay moderate due to favourable oil and key food commodities, and domestic essential services (eg. public healthcare, preschool education and public transport) will be dampened by additional government subsidies. Although trade frictions could escalate under Trump 2.0 and prove inflationary for some economies, the expected impact on Singapore's import prices are tipped to be offset by disinflationary drags exerted by weaker global demand.

	House View	Key Themes
Japan	We forecast 2025 GDP growth to reach 1.0% YoY on account of higher consumption and investment spending. The virtuous wage inflation cycle is expected to stay sustainably around 2.0% target moving forward, with our inflation forecast to average 2.0% in 2025. We are of the view that BoJ will deliver another two 25bp hikes in 2025.	The Bank of Japan (BoJ) raised its benchmark short-term interest rate by 25bp to 0.50% on 24th January, in line with market expectations. In the latest quarterly outlook, the BoJ revised its FY 2024 core inflation forecast upward to 2.7% YoY from 2.5% previously, attributing the adjustment to growing labor shortages. Inflation is projected to moderate to 2.4% YoY in FY 2025 and 2.0% in FY 2026. Meanwhile, GDP growth expectations for FY 2024 were trimmed slightly to 0.5% YoY from 0.6%, while forecasts for FY 2025 and FY 2026 remain steady at 1.1% and 1.0%, respectively. Governor Kazuo Ueda struck an optimistic tone regarding the economic outlook, citing potential gains from upcoming spring wage negotiations. However, he cautioned about uncertainties, particularly related to global trade dynamics influenced by Trump's policies.
South Korea	We expect 2025 GDP growth to moderate to 1.9% due to increasing headwinds in external demand and a slow recovery in domestic consumption stemming from the political crisis. Inflation is forecasted to reach 2.0%. We expect Bank of Korea (BoK) to ease its policy rate down to 2.5% in 2025 as headline and core inflation continues to ease.	South Korea's 4Q24 GDP grew by 1.2%, slightly below the 1.5% recorded in the previous quarter and falling short of the consensus estimate of 1.4%. On a quarter basis, GDP grew by just 0.1% QoQ on a seasonally adjusted basis, according to preliminary estimates from the Bank of Korea. Bank of Korea (BoK) unexpectedly maintained its key interest rate at 3% at its 16th January meeting, versus consensus expectations of a 25bp cut. Governor Rhee Chang-Yong pointed out that the decision was influenced by a weakening Won due to the Dollar's global strength and political instability within the country. Bank of Korea and economists expect the political crisis to continue weighing on growth in 2025. "Economic sentiment weakened significantly on political uncertainty, which will continue to affect the economy as a risk factor in the first quarter and throughout the year," a Bank of Korea official said during a briefing. The officials also cautioned that growth in the 1Q25 may fall short of the central bank's November forecast of 0.5%.
Thailand	Economic growth is likely to remain solid at 3.3% YoY in 2025, up from our growth forecast of 2.6% in 2024, given improved domestic demand and resilient export growth. However, the impact of potential tariffs under "Trump 2.0" could hinder growth momentum. Indeed, US President Donald Trump has signed his first executive orders for tariffs, with Canada, Mexico and China having been imposed a rate of between 10-25%, which will have ripple effects on global trade. On inflation, we revised lower of headline CPI forecast to 1.6% YoY, down from 2.2%, given the decision to further trim power tariffs through April 2025 to ease cost of living pressures. To that end, we expect Bank of Thailand (BoT) to follow through with a 25bp cut to the policy rate in 1Q25, taking it to 2.00% by end-2025.	Foreign tourist arrivals rose by 26.3% to 35.5mn in 2024, falling short of the government's 2024 target of 36.7mn. Nevertheless, these numbers are impressive as tourist arrivals have recovered to 89.1% of 2019 levels. For 2025, the government has set an ambitious goal of ~40mn visitor arrivals which looks to be attainable due to the relaxation of visa rules for several countries. The tourism sector will continue to be a source of strength for growth. Indeed, the government has entered into a bilateral agreement with the Philippines, thereby allowing both countries to tap into each other's expertise and best practices to enhance their tourism industries. Meanwhile, the cabinet has also approved a draft bill regarding the legalising of casino. If implemented, this will further bolster the tourism sector. Notwithstanding, activity data for 4Q24 broadly improved relative to 3Q24. Our tracking estimate shows that the economy accelerated to 3.7% YoY versus 3.0% in 3Q24 supported by improved private consumption (government's cash transfer measures), private investments, and exports. Elsewhere, the Finance Ministry will propose a nominee for the appointment as Chairman for the BoT by 7 February.

	House View	Key Themes
China	The Chinese economy grew by 5% in 2024 meeting its growth target. Inflation, however, remained weak with CPI only increased by 0.2. We expect the Chinese economy to decelerate to 4.8% in 2025 due to tariff risk and still sluggish domestic demand. We expect China to increase its fiscal deficit target to 4% this year. In addition, China is likely to lower its loan prime rate by 40bps this year.	The Chinese economy reaccelerated to 5.4% YoY in 4Q 2024, up from 4.6% YoY in 3Q. Breaking down the data, retail sales growth and industrial production growth improved to 3.8% YoY and 5.7% YoY, respectively, compared to 2.7% YoY and 5% YoY in the previous quarter. Overall, the economy demonstrated a robust V-shaped recovery in the final quarter of the year, reflecting the effectiveness of stimulus measures introduced in late September. This suggests that the economy remains responsive to policy interventions. With additional measures expected this year, this responsiveness may help counter rising uncertainties stemming from trade tensions. In the last quarter of 2024, the contraction in real estate investment unexpectedly widened to 10.6% YoY, compared to an average decline of 10.1% over the first three quarters. This sharper-than-expected drop occurred despite a rebound in property transaction volumes and stabilization of property prices, reflecting the ongoing funding challenges faced by Chinese developers. Developers' sources of funds contracted by 17% in 2024, with only modest improvements in the second half of the year. The root cause of the property downturn lies in weak income expectations. While disposable income grew by 5.1% in real terms in 2024, overall income expectations remain subdued. The sustainability of the property market recovery will likely hinge on China's ability to create high-quality jobs and drive growth in new productive forces, which could help rebuild consumer confidence and support the housing market.
Hong Kong	Our full year GDP growth forecast for 2025 is pitched at 2.2%, accounting for waning support from a low base. Hong Kong's inflation outlook hinged on the strength of domestic demand and external prices pressure. We tip the 2025 inflation forecast at 2.0% on the back of higher rent, services and utilities charges, though we reckon the risk is skewed to the downside. As for labour market, jobless is expected to stay largely steady at around 3.0%. For 2024 as a whole, the housing price fell cumulatively by 7.1%, largely in line with our estimate of 7.5%. We now expect the price index to stay flat in 2025, with decline in the first half of the year and rebound in the latter half of the year.	Hong Kong's real GDP grew at a faster pace of 2.4% YoY (3Q24: 1.9%) in the final quarter of 2024. On a seasonally adjusted basis, the economy reverted to growth at 0.8% QoQ (3Q: -0.1% QoQ). For 2024 as a whole, Hong Kong's real economy expanded by 2.5% YoY (2023: 3.2%), largely aligned with market consensus and our in-house forecast. During the fourth quarter of 2024, private consumption expenditure contracted by a slower pace of 0.2% YoY (3Q24: -1.3%), as result of positive wealth effect created from the sharp rally in local equity market in late-September and a series of rate cuts. Growth in goods exports slowed further to 1.2%, while service exports paced up to 5.6% YoY (3Q24: 4.0% and 2.9%). On the flip side, gross domestic fixed capital formation fell by 0.9% YoY (3Q24: 5.7%). Separately, market sentiment in Hong Kong saw some recovery lately, as China Securities Regulatory Commission pledged to stabilize and boost the capital market in 2025. Meanwhile, PBoC' Governor Pan also said to drastically raise China FX asset allocation in Hong Kong. Separately, the Hong Kong Monetary Authority and the PBoC announced six new policy initiatives to deepen the financial market connectivity between Hong Kong and the Mainland and consolidate Hong Kong's role as the offshore RMB.

	House View	Key Themes
Macau	We expect Macau's economic growth to come in at 9% YoY and 5% YoY respectively in 2024 and 2025, taking into account the higher base and lagged recovery in China's outbound travels. Separately, the unemployment and inflation rate are pitched at 1.7% and 1.3% YoY respectively for 2025. Macau's gross total gaming revenue is expected to refresh post-Covid high in 2025, after logging a 23.9% YoY increase in 2024. Yet, with the normalised base, year-on-year growth should fall to a mid- to high single digit figure, i.e. 5%-8%.	Macau's gross gaming revenue rose marginally by 0.3% MoM (-5.6% YoY) to MOP18.25bn in January 2025, indicating a slow start to the year despite the Chinese New Year effect. According to the annual budget, the Macau government projected the gaming revenue to increase further to MOP240.0 billion in 2025 (+5.8% YoY). Separately, Macau's visitor arrival has reached a post-COVID daily high, at 219,092, during the Chinese New Year holiday period. The average daily arrival number was at around 170,000 for the eight-day Chinese New Yer holiday in 2024.
Indonesia	Bank Indonesia (BI)'s 25bp cut to 5.75% in its January meeting highlights the central bank's shift in focus towards a more growth-supportive stance in 2025, as opposed to the 'pro-stability' priorities in 2024. We now expect BI to follow through with an additional 25bp cut in the coming months, with the timing dependent on IDR stability. BI anticipates GDP growth to come in below the midpoint of its 4.7-5.5% range for 2024, which is broadly consistent with our 5.0% growth forecast. To that end, we expect the 4Q24 GDP print (to be released on 5 February) to come in at 4.9%, similar to 3Q24. For 2025, we expect growth to pick up marginally to 5.1%, supported by investment spending and private consumption. Meanwhile, inflationary pressure is expected to remain manageable, with the full-year 2025 CPI projected to average 2.8%, compared to 2.3% in 2024.	President Prabowo's flagship Free Nutritious Meal program is set to receive an additional ID100trn budget increase, bringing the total budget to IDR171trn in 2025. The extra funds are likely to come from the IDR306.7trn budget reallocation across government agencies, following President Prabowo's earlier calls for spending cuts - including for ceremonies and business trips - and improving spending efficiency. The populist programs have helped President Prabowo's popularity, with a Litbang Kompas survey showing an approval rating of 80.9% within his first 100 days in office, surpassing former President Jokowi Widodo's 65.1% during the same period in his first term. Elsewhere, exporters of natural resources are likely required to retain all of their export proceeds (for documents worth at least USD250k) for 12 months, marking a significant shift from the current regulation, which mandates retaining only 30% of export proceeds for three months. The change in regulation could mean that natural resources exporters would need to deposit an incremental USD68bn in export revenue earnings compared to the current regulation, in our view, with the amount will vary on a monthly/annual basis depending on natural resource export proceeds. Additionally, Indonesia has officially joined BRICS as a full member in January 2025, the first among ASEAN countries.
Malaysia	The economy is on strong footing as we begin 2025. Cyclical factors such as improvements in electronics exports, sustained strength in tourist arrivals and continued focus by the government on infrastructure spending will likely continue to support growth momentum into 2025. These factors will see exports and investments supportive of economic momentum in 2025. Importantly, structural reform momentum remains steadfast. The authorities are committed to fiscal consolidation, implementing medium-term reforms and establishing new engines of growth such as the Johor-Singapore Special Economic Zone (JS-SEZ).	The advance estimate of 4Q24 GDP growth was 4.8% YoY versus 5.3% in 3Q24, bringing 2024 GDP growth to 5.1%. The details show that the construction and services sectors were the main drivers of growth, consistent with the government's efforts to bolster medium-term growth prospects. We expect more of the same in 2025. There are signs of front loading of exports to the US ahead of tariff implementation. Although Malaysia and the other ASEAN countries have not be explicitly mentioned by US President Trump, the external outlook is fraught with risks given higher tariffs are in store for Mexico, Canada and China. We expect 2025 GDP growth of 4.5% for Malaysia, assuming a modest slowdown in export growth but with domestic demand conditions remaining robust. Inflationary pressures were benign in 2024 and this to some extent allows the authorities to push ahead with RON95 rationalisation in 2H25.

	House View	Key Themes
Vietnam	We expect the economy to continue outperforming regional peers in 2025, with GDP growth forecasted at 6.2% YoY, supported by resilient domestic consumption and investment activities. This is nonetheless a slowdown from 7.1% growth in 2024, largely reflecting potential trade weaknesses under 'Trump 2.0.' Credit growth may remain robust in 2025, with the State Bank of Vietnam (SBV) targeting a 16% growth this year, following last year's 15.1% growth. The National Assembly aims for inflation to average 4.5% in 2025, which is slightly higher than our projection of 4.0% and above the 2024 average of 3.6%. To that end, we anticipate that the SBV will remain vigilant regarding external risks and continue to maintain steady policy rates in 2025.	Foreign business sentiments on Vietnam's economic outlook remain broadly positive, as reflected by the improvement in the European Chamber of Commer in Vietnam's Business Confidence Index (61.8 in 4Q24 from 52.0 in 3Q24). Notably, 75% of respondents would recommend Vietnam as an investment destination. Vietnam and Switzerland have agreed in principle to elevate their relationship to a Comprehensive Partnership, with plans to expedite negotiations on the Vietnam-European Free Trade Association (EFTA) Free Trade Agreement. In addition, Vietnam has upgraded its relationship with the Czech Republic to a Strategic Partnership, with the goal of raising bilateral trade to USD5bn. Furthermore, the government has signed a non-binding agreement with Russia focusing on nuclear cooperation, maritime research, and the digital economy, and also aims for bilateral trade to increase to USD15bn by 2030 from USD4.6bn in 2024. More recently, in a meeting with OECD Secretary-General Mathias Cormann in Davos, Prime Minister Pham Minh Chinh proposed Vietnam's early accession to the organization.
Philippines	We expect the Philippine economy to accelerate to 6.0% YoY in 2025, up from 5.6% in 2024. The growth momentum will be supported by key drivers including stronger household spending and higher investment spending. In the medium-term horizon, GDP growth is expected remain stable at the 6.0% level. Meanwhile, inflationary pressures are expected to moderate further to 3.0% YoY, down from 3.2% in 2024. This will be broadly consistent with Bangko Sentral ng Pilipinas (BSP)'s annual headline inflation target at 2-4%. Given the backdrop of stable growth and inflation, we expect BSP to follow through with an additional 25bp cut in the coming months. We expect the policy rate to be at 5.50% by end-2025.	GDP growth held steady at 5.2% YoY in 4Q24, but below expectations (consensus & OCBC: 5.5%). Growth was driven by the services sector, which grew by 6.7% YoY, up from 6.3% in 3Q24. This was more than offset by subdued growth in the industry sector. The agriculture sector remained in contraction, following a slew of weather-related disruptions. BSP will kickstart their first meeting of the year in February. With 4Q24 and 2024 GDP growth printed lower-than-expected, further evidence of disinflation from the January print will provide room for the BSP to deliver another 25bp cut at its 13 February meeting. Elsewhere, former executive secretary Vic Rodriguez filed a petition at the supreme court, challenging the 2025 General Appropriations Act. President Ferdinand Marcos Jr expressed confidence in the government's legal position, but warned the prospects of a shutdown if the supreme court rules against the PHP6.3trn budget for 2025 (or 22.0% of the government's projected GDP).
ASEAN-5	The direct of US tariffs on Mexico and Canada for the ASEAN and Indian economy is fairly limited. The trade channel impact is low given the direct shares of exports to and imports from Mexico and Canada are lower than the bigger trading partners of the US, EU and Japan. The impact of higher tariffs on Mainland China means modestly weaker growth for China and subsequently some weakness in demand for ASEAN and India exports.	Higher tariffs on China's exports to the US will support the ongoing supply chain diversification in the region. This implies that FDI outflows from China into the ASEAN countries will continue to remain robust. Similarly, for India, we expect the global supply chain diversification to benefit the economy. On balance, we expect the economic growth impact from this round of tariffs to be minimal for ASEAN and India. We maintain our 2025 and 2026 GDP growth forecasts but acknowledge that the downside risks to growth are intensifying. This is specific to higher global market volatility, concomitant drags on business and consumer sentiment and limited room for monetary policy support in the face of higher global inflation risks. We maintain that the rate cutting cycle from central banks in ASEAN and India will be shallow. We expect a cumulative 50bp in rate cuts from the Reserve Bank of India (including a potential 25bp cut on 7 February), 25bp in rate cuts from Bank Indonesia, Bank of Thailand and Bangko Sentral ng Pilipinas.

Growth & Inflation Forecast

(% YoY)	GDP			Inflation		
	2024	2025	2026	2024	2025	2026
United States	2.8	2.0	1.9	3.0	2.4	2.2
Euro Area	0.7	1.1	1.3	2.4	2.1	2.0
China	5.0	4.8	4.6	0.2	1.5	2
Hong Kong	2.5	2.2	2.5	1.8	2.0	2.3
Macau	9.0	5.0	3.0	1.0	1.3	1.3
Taiwan	4.3	2.8	2.4	2.2	2.2	1.8
Indonesia	5.0	5.1	5.2	2.3	2.8	2.7
Malaysia	5.1	4.5	4.5	1.8	2.7	1.8
Philippines	5.6	6.0	6.0	3.2	3.0	2.5
Singapore	4.0	2.2	2.5	2.4	2.0	2.0
Thailand	2.6	3.3	3.0	0.4	1.6	2.0
Vietnam	7.1	6.2	6.2	3.6	4.0	4.0

Source: Bloomberg, OCBC Research (Latest Forecast Update: 3 February 2025)

Rates Forecast

USD Interest Rates	Q125	Q225	Q325	Q425
FFTR upper	4.25	4.00	3.75	3.75
SOFR	4.07	3.83	3.59	3.59
3M SOFR OIS	4.05	3.90	3.70	3.70
6M SOFR OIS	3.95	3.90	3.70	3.70
1Y SOFR OIS	4.00	3.85	3.75	3.75
2Y SOFR OIS	4.00	3.85	3.75	3.75
5Y SOFR OIS	3.95	3.90	3.80	3.80
10Y SOFR OIS	4.05	3.95	3.85	3.85
15Y SOFR OIS	4.10	4.00	3.90	3.90
20Y SOFR OIS	4.10	4.00	3.90	3.90
30Y SOFR OIS	4.10	4.05	3.95	3.95
SGD Interest Rates	**Q125**	**Q225**	**Q325**	**Q425**
SORA	2.80	2.75	2.65	2.50
3M compounded SORA	2.74	2.78	2.70	2.57
3M SGD OIS	2.70	2.60	2.55	2.50
6M SGD OIS	2.70	2.65	2.60	2.55
1Y SGD OIS	2.60	2.60	2.55	2.55
2Y SGD OIS	2.60	2.60	2.55	2.55
3Y SGD OIS	2.65	2.60	2.60	2.60
5Y SGD OIS	2.65	2.60	2.60	2.60
10Y SGD OIS	2.70	2.70	2.65	2.65
15Y SGD OIS	2.70	2.70	2.65	2.65
20Y SGD OIS	2.65	2.65	2.65	2.65

MYR Interest Rates	Q125	Q225	Q325	Q425
OPR	3.00	3.00	3.00	3.00
1M MYR KLIBOR	3.28	3.25	3.25	3.22
3M MYR KLIBOR	3.65	3.55	3.55	3.52
6M MYR KLIBOR	3.63	3.60	3.60	3.58
1Y MYR IRS	3.45	3.40	3.40	3.40
2Y MYR IRS	3.40	3.35	3.35	3.35
3Y MYR IRS	3.40	3.35	3.35	3.35
5Y MYR IRS	3.50	3.40	3.40	3.40
10Y MYR IRS	3.65	3.60	3.55	3.55
HKD Interest Rates	**Q125**	**Q225**	**Q325**	**Q425**
1M HKD HIBOR	3.70	3.55	3.40	3.40
3M HKD HIBOR	3.80	3.70	3.55	3.55
6M HKD IRS	3.80	3.70	3.55	3.55
1Y HKD IRS	3.70	3.70	3.60	3.55
2Y HKD IRS	3.65	3.65	3.55	3.55
5Y HKD IRS	3.60	3.55	3.50	3.50
10Y HKD IRS	3.60	3.55	3.50	3.50
UST yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y UST	4.05	3.90	3.85	3.85
5Y UST	4.20	4.05	4.00	4.00
10Y UST	4.40	4.30	4.25	4.25
30Y UST	4.60	4.45	4.45	4.45
SGS yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y SGS	2.65	2.60	2.55	2.50
5Y SGS	2.70	2.65	2.60	2.55
10Y SGS	2.80	2.70	2.65	2.60
15Y SGS	2.80	2.75	2.70	2.65
20Y SGS	2.75	2.65	2.65	2.65
30Y SGS	2.75	2.70	2.70	2.70
MGS yields	**Q125**	**Q225**	**Q325**	**Q425**
3Y MGS	3.40	3.30	3.30	3.30
5Y MGS	3.55	3.45	3.40	3.40
10Y MGS	3.75	3.65	3.60	3.60
IndoGB yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y IndoGB	6.60	6.30	6.20	6.10
5Y IndoGB	6.70	6.50	6.40	6.30
10Y IndoGB	6.80	6.70	6.65	6.60

Source: OCBC Research (Latest Forecast Update: 3 February 2025)

FX Forecast

Currency Pair	Mar-25	Jun-25	Sep-25	Dec-25
USD-JPY	154.00	152.00	151.00	150.00
EUR-USD	1.0350	1.0280	1.0300	1.0350
GBP-USD	1.2250	1.2200	1.2250	1.2300
AUD-USD	0.6200	0.6250	0.6300	0.6400
NZD-USD	0.5650	0.5700	0.5750	0.5800
USD-CAD	1.4500	1.4500	1.4600	1.4700
USD-CHF	0.9100	0.9100	0.9100	0.9200
USD-SEK	11.00	10.94	10.89	10.83
DXY	108.54	108.80	108.57	108.20
USD-SGD	1.3650	1.3700	1.3750	1.3800
USD-CNY	7.3200	7.3400	7.3700	7.3900
USD-CNH	7.3400	7.3600	7.3900	7.4100
USD-THB	34.50	34.70	34.70	34.50
USD-IDR	16100	16150	16200	16200
USD-MYR	4.4800	4.5200	4.5400	4.5600
USD-KRW	1460	1465	1480	1485
USD-TWD	33.00	33.20	33.30	33.60
USD-HKD	7.7600	7.7700	7.7800	7.7900
USD-PHP	58.00	58.30	58.50	58.70
USD-INR	87.50	87.70	87.90	88.00
USD-VND	25300	25400	25500	25600
EUR-JPY	159.39	156.26	155.53	155.25
EUR-GBP	0.8449	0.8426	0.8408	0.8415
EUR-CHF	0.9419	0.9355	0.9373	0.9522
EUR-SGD	1.4128	1.4084	1.4163	1.4283
GBP-SGD	1.6721	1.6714	1.6844	1.6974
AUD-SGD	0.8463	0.8563	0.8663	0.8832
NZD-SGD	0.7712	0.7809	0.7906	0.8004
CHF-SGD	0.9414	0.9448	0.9418	0.9388
JPY-SGD	0.8864	0.9013	0.9106	0.9200
SGD-MYR	3.2821	3.2993	3.3018	3.3043
SGD-CNY	5.3626	5.3577	5.3600	5.3551
SGD-IDR	11795	11788	11782	11739
SGD-THB	25.27	25.33	25.24	25.00
SGD-PHP	42.49	42.55	42.55	42.54
SGD-VND	18535	18540	18545	18551
SGD-CNH	5.3773	5.3723	5.3745	5.3696
SGD-TWD	24.18	24.23	24.22	24.35
SGD-KRW	1069.60	1069.34	1076.36	1076.09
SGD-HKD	5.6850	5.6715	5.6582	5.6449
SGD-JPY	112.82	110.95	109.82	108.70
Gold $/oz	2750	2770	2780	2800
Silver $/oz	31.25	31.66	31.59	31.82

Source: OCBC Research (Latest Forecast Update: 3 February 2025)
Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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Macroeconomic Calendar

Date Time	C	Event	Period	Survey	Actual	Prior
03/02 12:00	ID	CPI YoY	Jan	1.86%	0.76%	1.57%
03/02 16:30	HK	GDP YoY	4Q A	2.30%	--	1.80%
05/02 07:00	SK	CPI YoY	Jan	2.10%	--	1.90%
05/02 09:00	PH	CPI YoY 2018=100	Jan	2.80%	--	2.90%
06/02 10:05	VN	CPI YoY	Jan	3.10%	--	2.94%
06/02 11:30	TH	CPI YoY	Jan	1.30%	--	1.23%
07/02 16:00	TA	CPI YoY	Jan	2.50%	--	2.10%
09/02 09:30	CH	CPI YoY	Jan	0.40%	--	0.10%
12/02 18:30	IN	CPI YoY	Jan	4.80%	--	5.22%
12/02 21:30	US	CPI YoY	Jan	2.90%	--	2.90%
13/02 15:00	UK	GDP QoQ	4Q P	--	--	0.00%
13/02 15:00	UK	GDP YoY	4Q P	--	--	0.90%
13/02 15:00	GE	CPI YoY	Jan F	--	--	2.30%
14/02 12:00	MA	GDP YoY	4Q F	--	--	4.80%
14/02 18:00	EC	GDP SA QoQ	4Q P	--	--	0.00%
14/02 18:00	EC	GDP SA YoY	4Q P	--	--	0.90%
17/02 07:50	JN	GDP SA QoQ	4Q P	0.30%	--	0.30%
17/02 07:50	JN	GDP Annualized SA QoQ	4Q P	1.00%	--	1.20%
17/02 07:50	JN	GDP Deflator YoY	4Q P	2.80%	--	2.40%
17/02 10:30	TH	GDP YoY	4Q	--	--	3.00%
18/02 21:30	CA	CPI YoY	Jan	--	--	1.80%
19/02 15:00	UK	CPI YoY	Jan	--	--	2.50%
21/02 07:30	JN	Natl CPI YoY	Jan	--	--	3.60%
24/02 13:00	SI	CPI YoY	Jan	--	--	1.60%
24/02 18:00	EC	CPI YoY	Jan F	--	--	2.40%
27/02 21:30	US	GDP Annualized QoQ	4Q S	--	--	2.30%
28/02 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Feb	--	--	2.50%
28/02 21:00	GE	CPI YoY	Feb P	--	--	--
28/02 21:30	CA	Quarterly GDP Annualized	4Q	--	--	1.00%
02/21-02/25	SI	GDP YoY	4Q F	--	--	4.30%

Source: Bloomberg

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
06/02 20:00	UK	Bank of England Bank Rate	Feb-06	4.50%	--	4.75%
07/02 12:30	IN	RBI Repurchase Rate	Feb-07	6.25%	--	6.50%
07/02 12:30	IN	RBI Cash Reserve Ratio	Feb-07	4.00%	--	4.00%
13/02 15:00	PH	BSP Overnight Borrowing Rate	Feb-13	--	--	5.75%
13/02 15:00	PH	BSP Standing Overnight Deposit Facility Rate	Feb-13	--	--	5.25%
18/02 11:30	AU	RBA Cash Rate Target	Feb-18	4.10%	--	4.35%
19/02 09:00	NZ	RBNZ Official Cash Rate	Feb-19	--	--	4.25%
19/02 15:20	ID	BI-Rate	Feb-19	--	--	5.75%
20/02 09:00	CH	1-Year Loan Prime Rate	Feb-20	--	--	3.10%
20/02 09:00	CH	5-Year Loan Prime Rate	Feb-20	--	--	3.60%
25/02	SK	BOK Base Rate	Feb-25	--	--	3.00%
26/02 15:00	TH	BoT Benchmark Interest Rate	Feb-26	--	--	2.25%

Source: Bloomberg

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