Weekly Macro Views (WMV)

Global Markets Research & Strategy

10 February 2025

Weekly Macro Update

Key Global Data for this week:

10 February	11 February	12 February	13 February	14 February
• **JN** BoP Current Account Balance	• **AU** Westpac Consumer Conf Index • **PH** Money Supply M3 SRF YoY • **ID** Local Auto Sales • **CA** Building Permits MoM	• **US** CPI YoY • **US** MBA Mortgage Applications • **IN** CPI YoY • **IN** Industrial Production YoY • **IN** Exports YoY	• **PH** BSP Overnight Borrowing Rate • **UK** GDP YoY • **GE** CPI YoY • **US** Initial Jobless Claims	• **SI** GDP YoY • **US** Retail Sales Advance MoM • **EC** GDP SA YoY • **SK** Unemployment Rate SA

Summary of Macro Views:

Global	• **Global:** Central Bank • **Global:** New tariff threats • **US:** January labour market data mixed • **South Korea:** January inflation rate ticking up to 2.2%
Asia	• **SG:** December retail sales tanked • **CH:** Trade war 2.0 - China’s modest reaction • **CH:** AI hype outweighs the tariff risks • **HK:** Economy grew by 2.5% YoY in 2024 • **HK:** Impacts of tariff still manageable

Asia	• **IN:** RBI delivers 25bp cut as expected • **MY**: December IP growth resilient • **ID:** 4Q24 GDP growth • **PH:** Stable Inflation • **TH**: Higher Inflation • **VN**: Weak January activity data
Asset Class	• **Commodities**: Oil sold off • **FX & Rates:** Tariff threats again • **ESG:** Refreshed Singapore Green Bond Framework • **Global Asset Flows**

OCBC

Global: Central Bank

Forecast – Key Rates

Bangko Sentral ng Pilipinas (BSP)

Thursday, 13th February

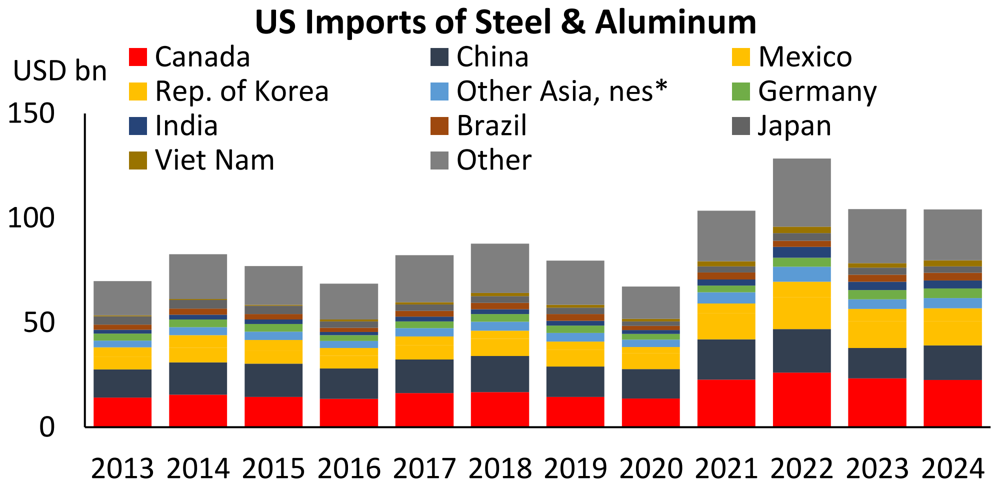
House Views

Overnight Borrowing Rate

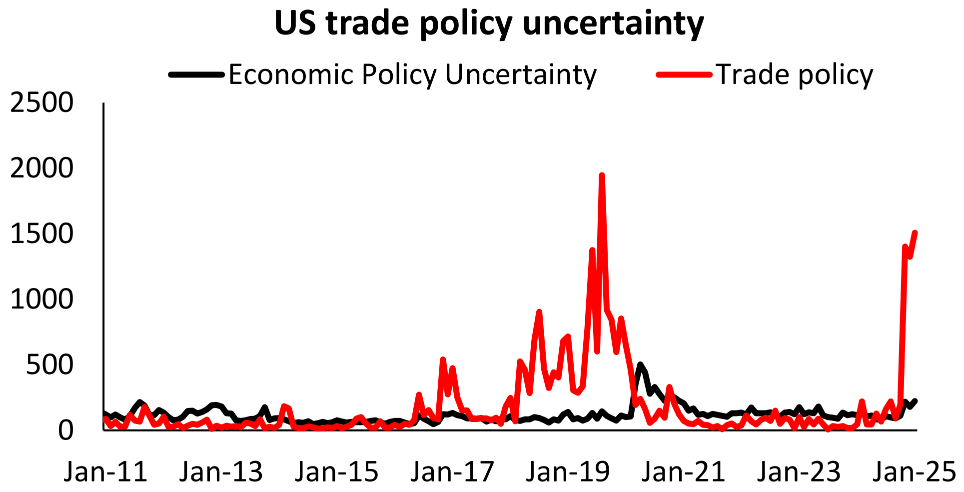
Likely *cut* by *25bps*
from *5.75%* to *5.50%*

Global: New tariff threats

- US President Trump is set to announce 25% tariffs on steel and aluminum imports on Monday (10 February). He had earlier said he would unveil reciprocal tariffs to affect "everyone" to ensure "we're treated evenly with other countries" during a meeting with Japanese PM Ishiba.
- Focusing on the former, US total steel and aluminum imports reached USD104.3bn in 2023, mainly sourced from Canada (22.3%), China (14.1%), Mexico (12.3%), and Korea (5.5%). Within the ASEAN region, the US imports most of its steel and aluminum from Vietnam, reaching USD2.2bn in 2023, followed by Thailand (USD1.9bn), Malaysia (USD0.5bn), and Indonesia (USD0.4bn). To that end, the impact transmission from this round of tariff measures is expected to be minimal for ASEAN.



Note: Based on the selected HS codes in Chapters 72, 73, and 76. The 2024 data is subject to updates. Last accessed: 10 February 2025. Source: UN Comtrade, OCBC calculation.

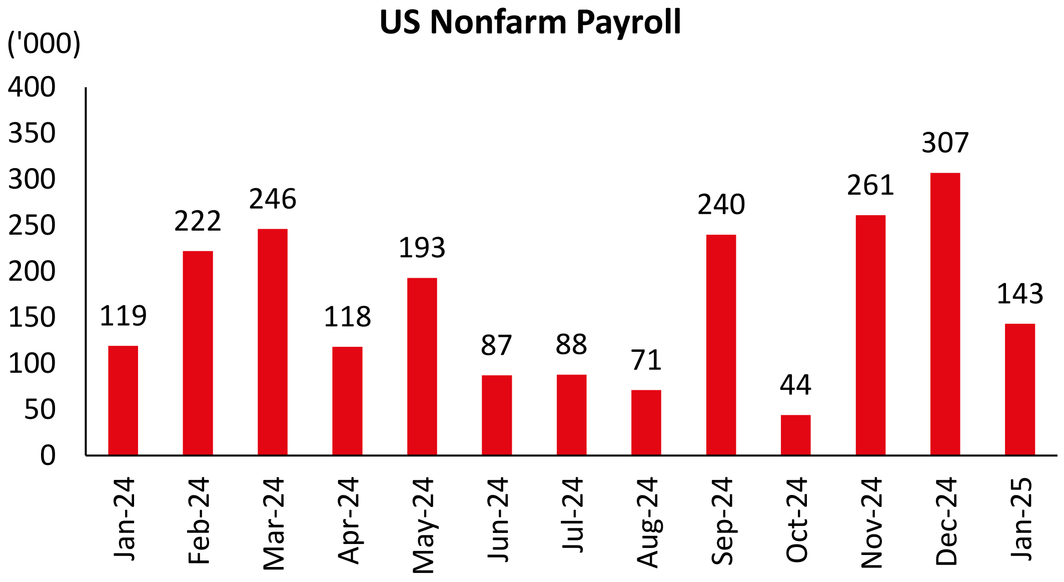


Source: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com.

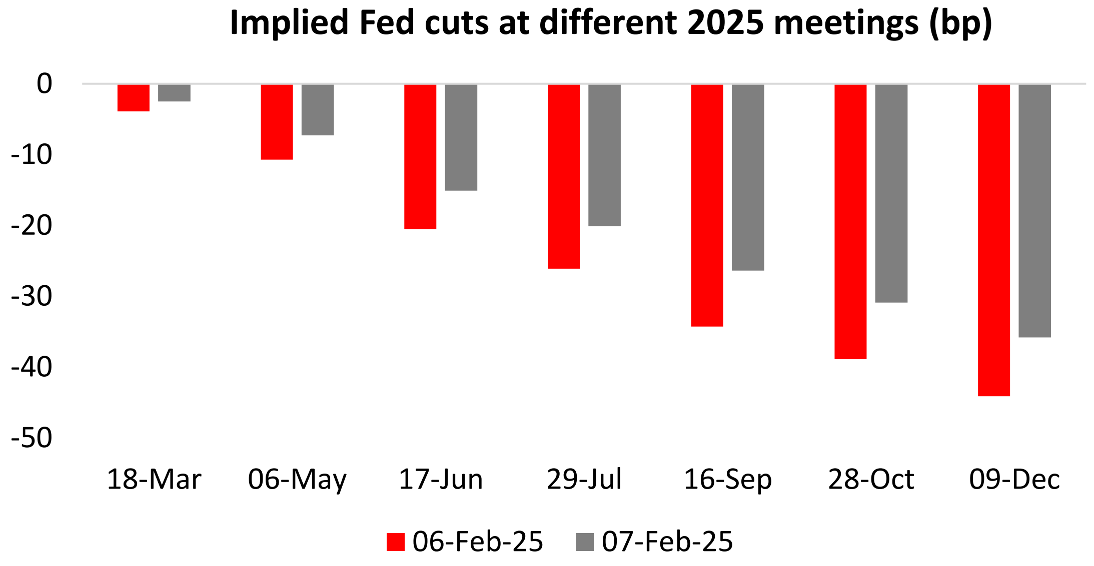
Source: UN Comtrade, OCBC.

US: January labour market data mixed

- January NFP disappointed at 143k, versus consensus estimates of 175k. However, there was a net 100k addition to the past two months data with December NFP revised up from 256K to 307k. Meanwhile, unemployment rate declined to 4.0% from 4.1%, with labour participation rate rising to 62.6% and the average hourly earnings accelerated to 0.5% mom (4.1% YoY).
- Although we got a mixed bag of labour data results for January, Fed's Kashkari commented last Friday that the most important piece of data is the decline in the unemployment rate. Following the data, markets pared back rate cut expectations, with Fed funds futures pricing in 36bps of cuts this year.



Source: Bloomberg, OCBC

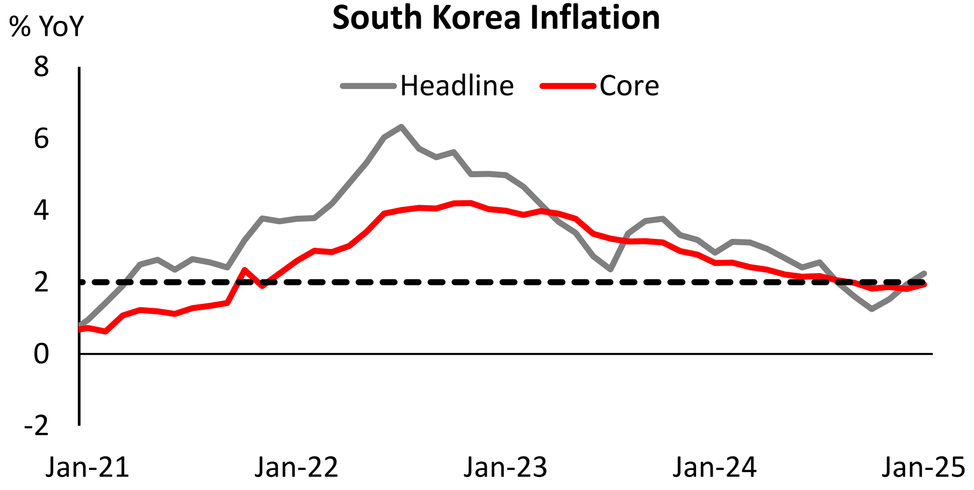


Source: Bloomberg, OCBC

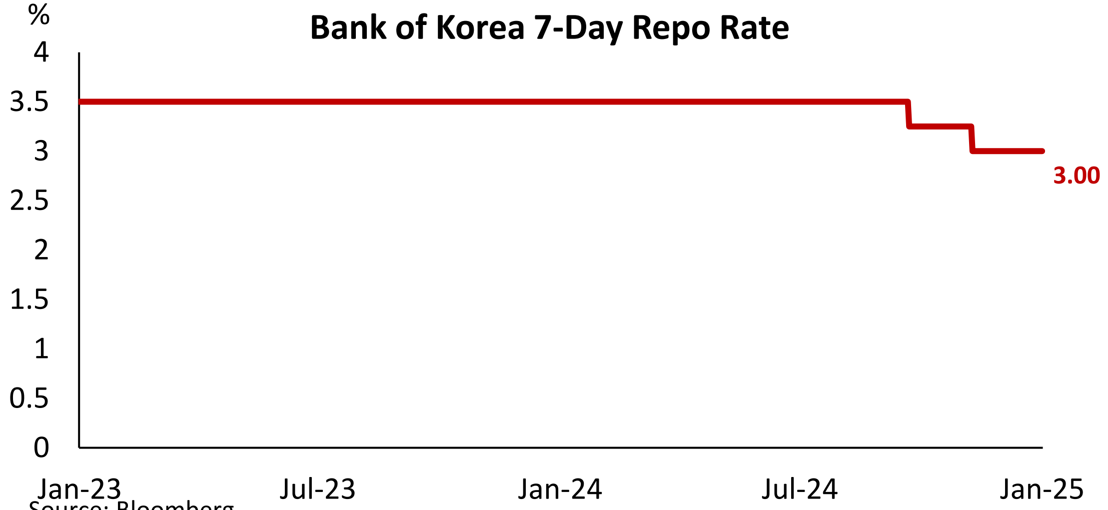
OCBC Source: Bloomberg, OCBC

South Korea: January inflation rate ticking up to 2.2%

- Headline CPI edged up to 2.2% YoY in January, versus 1.9% in December, marking the highest rate of increase in 6 months. Core inflation which excludes food and energy prices accelerated 1.9% YoY from 1.8% YoY in December.
- The main drivers of the headline CPI were ‘Transport’ (3.3% YoY versus 1.3%), ‘Alcoholic Beverages & Tobacco’ (0.2% versus -0.4%), ‘Furnishings, Household Equipment & Routine Maintenance’ (2.1% versus 1.6%) ,‘Housing, Water, Electricity & Other Fuels’ (1.8% versus 1.7%) categories, ‘Recreation and Culture’ (2.1% versus 1.2%), ‘Restaurants & Hotels’ (3.0% versus 2.8%). These more than offset the lower ‘Food & Non-Alcoholic Beverages’ component (2.4% YoY versus 2.5%).
- The Bank of Korea (BoK) anticipates inflation will continue to ease to 1.9% YoY in 2025, following an average of 2.3% in 2024. While the BoK kept its policy rate at 3% during its January meeting—despite broad expectations of a 25bp cut, we expect the central bank to lower rates by two 25bp cuts by end 2025, driven by falling inflation.



Source: Statistics Korea, CEIC, OCBC

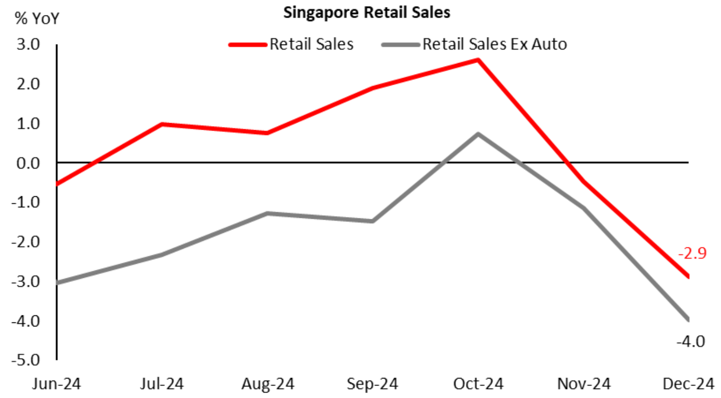


Source: Bloomberg.

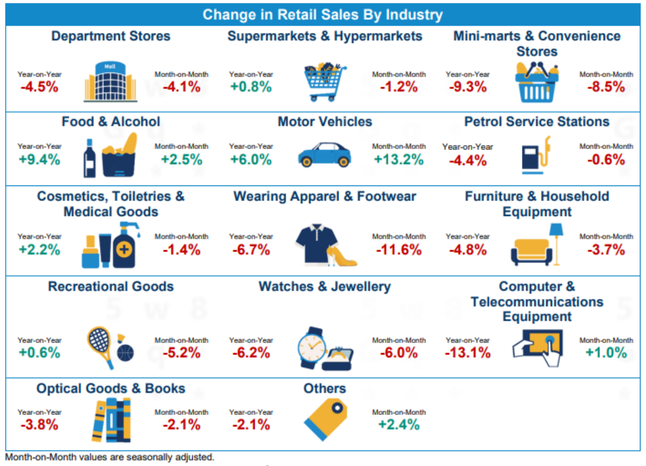
Source: CEIC, Statistics Korea, Bloomberg, OCBC

Singapore: December retail sales tanked

- Singapore's retail sales contracted 2.9% YoY (-1.5% MoM sa) in December 2024. This is below our forecast of 1.0% YoY and the worst performance since February 2022. It also marked a deterioration from the revised drop of 0.5% YoY in November 2024, making it the second consecutive month of declines. Excluding motor vehicles, retail sales decreased a sharper 4.0% YoY (-3.5% MoM sa) versus -1.1% YoY in November.
- The main drags in sales came from computer & telecommunications equipment (which fell by double-digits for the third straight month by 13.1% YoY), mini-marts & convenience stores (-9.3%), wearing apparel & footwear (-6.3%), furniture & household equipment (-4.8%), and department stores (-4.5%). This is likely attributable to the year-end holiday season when many Singaporeans travel overseas.
- For 2025, we expect that retail sales should expand around 2% YoY compared to 1.2% growth in 2024 and 2.3% in 2023. While Singapore's GDP growth may moderate from the 4% in 2024 to around 1-3% forecast by MTI this year (our forecast: 2.2%)



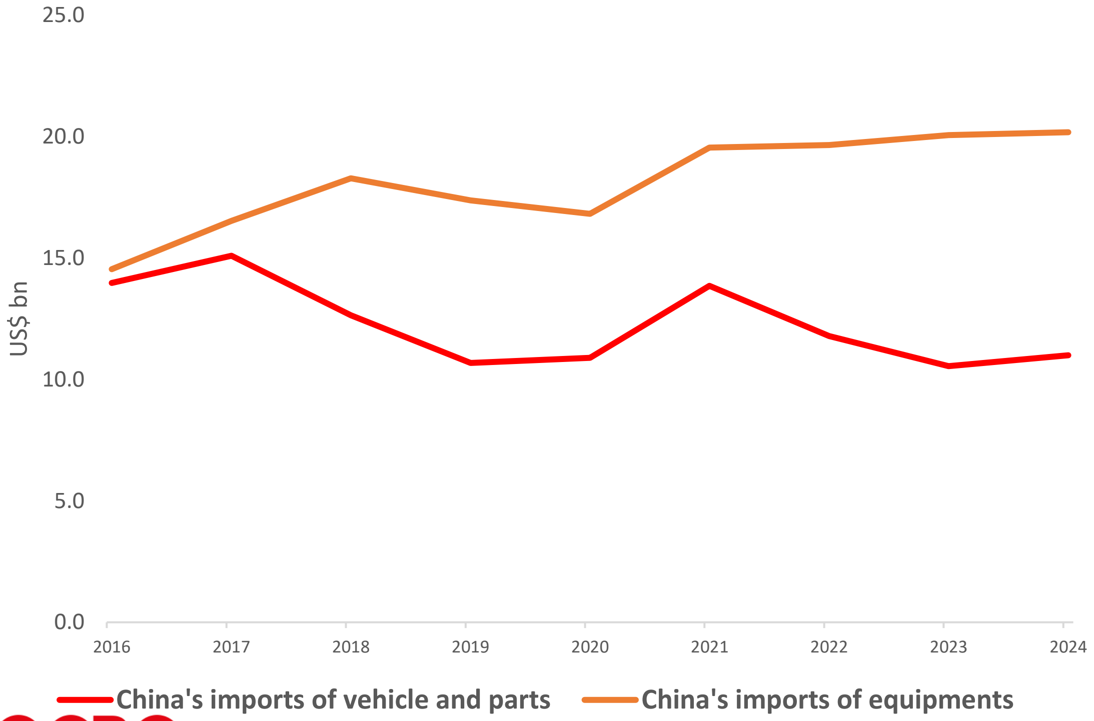
Source: Bloomberg, OCBC

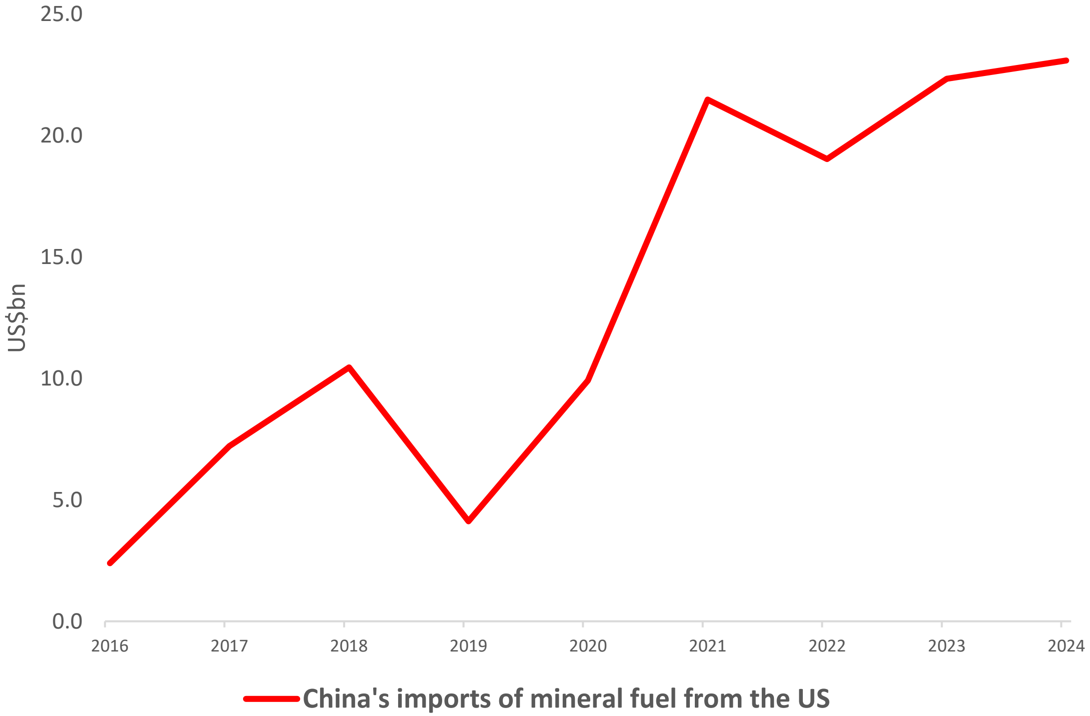


Source: Department of Statistics Singapore

China: Trade war 2.0 - China's modest reaction

- China's response to the latest round of U.S. tariffs has been measured and strategic. The affected trade volume is likely between $13 billion and $20 billion, which is significantly lower than the $50 billion worth of U.S. goods targeted during Trade War 1.0 in April 2018.
- There are two key reasons behind this calibrated approach. First, China is opting for a more diversified response, utilizing non-tariff countermeasures. Second, China appears to be leaving room for further negotiations. The newly announced tariffs will only take effect on February 10, providing a window for the call between two leaders.

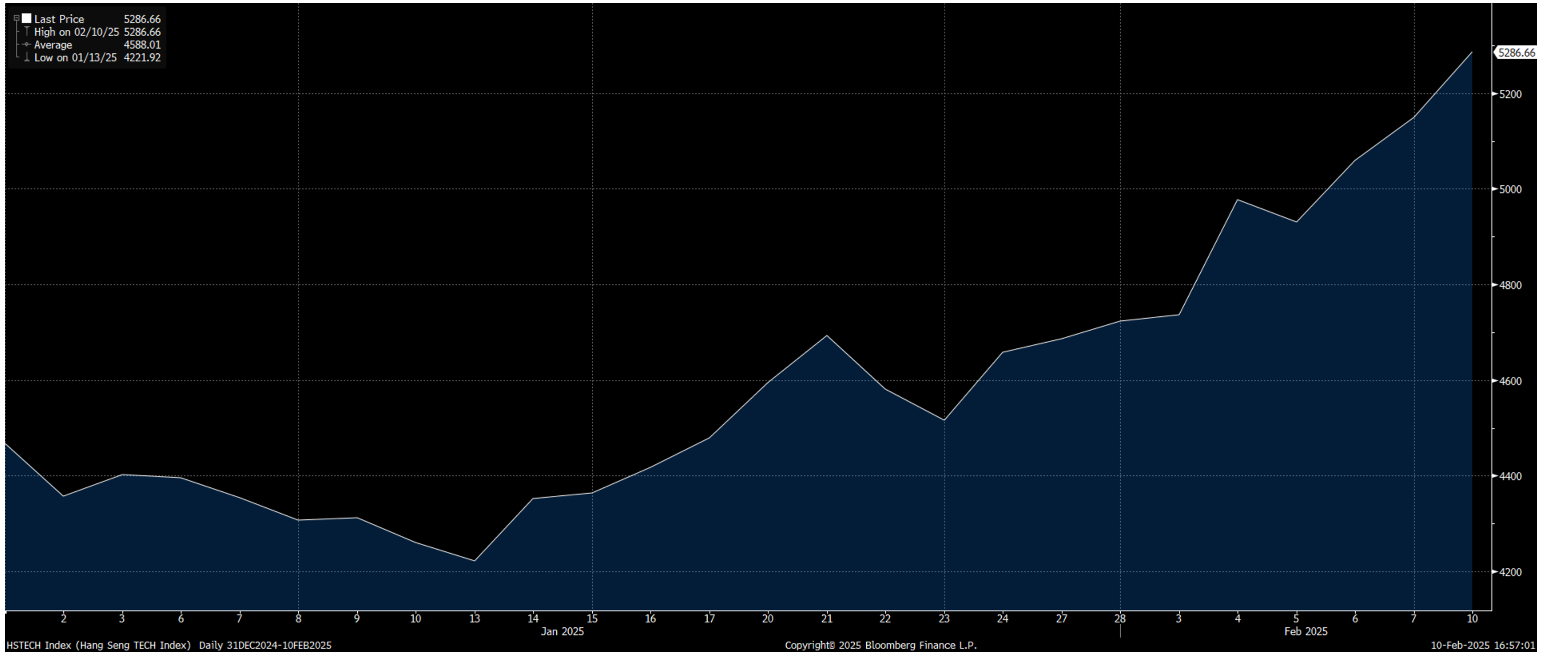




Source: Wind, OCBC

China: AI hype outweighs the tariff risks

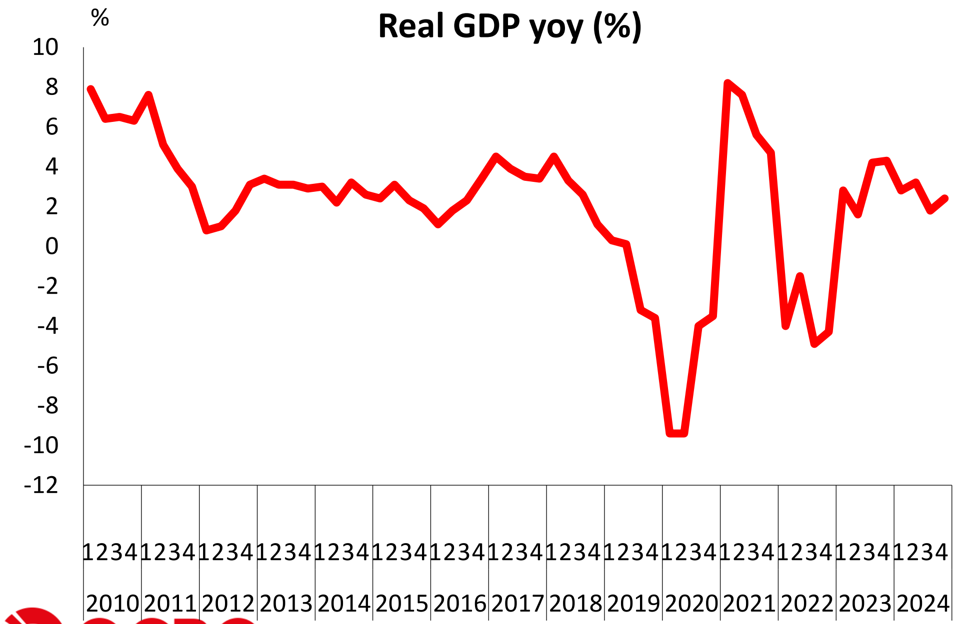
- DeepSeek may not be revolutionary, however it has introduced three notable changes to the AI industry, signaling a shift in competitive dynamics. First, DeepSeek's ultra-low cost has been widely covered by global media. Second, Deepseek worked around the Nvidia's high level CUDA platform by using Nvidia's PTX (Parallel Thread Execution) language directly, an intermediate representation. This indicates that it's possible to "get closer to the metal" on Nvidia hardware without going through the usual CUDA pathways. This alternative for developers may also dilute the ecosystem control by Nvidia. Third, DeepSeek is open-source, reinforcing the notion that large language models (LLMs) are becoming depreciating assets. Overall, the AI narrative is shifting from a focus on infrastructure development to real-world AI applications.



Source: Bloomberg, OCBC

Hong Kong: Economy grew by 2.5% YoY in 2024

- Real GDP growth accelerated to 2.4% in the final quarter of 2024, from an upwardly revised 1.9% in the third quarter, due to a smaller drag from private consumption. For 2024 as a whole, the economy expanded by 2.5% YoY (2023: 3.2% YoY).
- During the fourth quarter of 2024, private consumption expenditure contracted by a slower pace of 0.2% YoY (3Q24: -1.3%), as a 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%).



	2024		2025 Forecast
	Actual	Forecast	
GDP (YoY %)	2.5	2.4	2.2
CPI (YoY %)	1.7	1.7	2.0
Unemployment (%)	3.0	3.1	3.0
Resi PPI (YoY %)	-7.1	-7.5	0

Source: HK Census and Statistics Department, OCBC

Hong Kong: Impacts of tariff still manageable

- The US administration indicated the 10% additional levy on all Chinese imports, which took effect last week, would also apply to Hong Kong's exports. As a response, the Hong Kong government planned to file a complaint with WTO, for violation of WTO rules and failing to recognize Hong Kong's status as a separate customs territory.
- Under the tariff measures, products manufactured in Hong Kong will be liable for the extra levy. Hence, Hong Kong's domestic exports to US will bear the brunt of tariff. In 2024, Hong Kong's total domestic exports to US stood at HK$5,908 million, accounting for 10.2% total domestic exports and 0.1% of total exports. Based on a set of assumptions and rough calculation, the total value added affected is around HK$510 million, which translates to roughly 0.02% of GDP.
- While re-exports (HK$4,485 billion in 2024) and offshore trade (HK$5,109 billion in 2021) (trading services provided by local firms for non-local parties under which traded goods will not enter Hong Kong) are not directly affected by the additional tariffs on Hong Kong's exports, they are not entirely immune to the challenging environment amid the heightened US-China trade tensions.
- By far, the impacts of tariff on Hong Kong are seen as manageable, but chances are that this ongoing trade negotiation may still take a turn for the worst and result in further hike in tariff rate or other retaliatory measures.

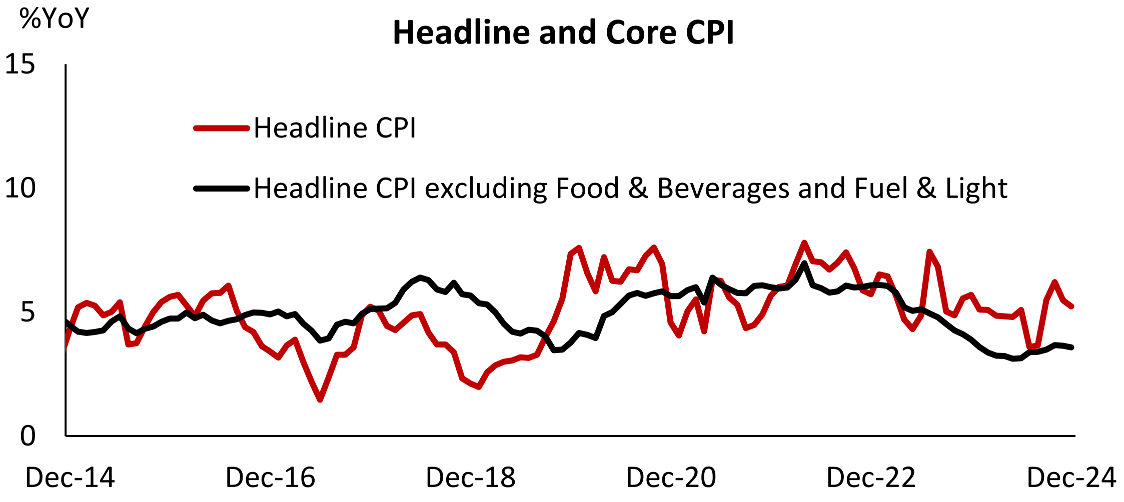
India: RBI delivers 25bp cut as expected

- Reserve Bank of India (RBI) delivered a 25bp rate cut at its 7 February meeting, taking the repo rate to 6.25%, in line with consensus and our expectations.
- The justification for the rate cut hinged on headline inflation returning to RBI's 2-6% target range, with RBI maintaining a neutral monetary policy stance. Sanjay Malhotra, in his first address as RBI Governor, highlighted on the global front, the disinflation process was stalling largely due to sticky services price inflation. He added that "divergent trajectories of monetary policy across advanced economies, lingering geopolitical tensions and elevated trade and policy uncertainties have exacerbated financial market volatility."
- A neutral stance and a fairly benign inflation-growth forecast mix support our forecast of an additional 25bp rate cut from RBI likely in 2Q24. This nonetheless implies that RBI rate cutting cycle will be relatively shallow.

Monetary policy committee and voting patterns

MPC members	06-Dec-24	MPC members	07-Feb-25
Shri Saugata Bhattacharya	Hold	Shri Saugata Bhattacharya	Cut by 25bps
Dr. Rajiv Ranjan	Hold	Dr. Rajiv Ranjan	Cut by 25bps
Dr. Michael Debabrata Patra	Hold	Rajeshwar Rao	Cut by 25bps
Shri Shaktikanta Das	Hold	Sanjay Malhotra	Cut by 25bps
Professor Ram Singh	Cut by 25bps	Professor Ram Singh	Cut by 25bps
Dr. Nagesh Kumar	Cut by 25bps	Dr. Nagesh Kumar	Cut by 25bps

Source: RBI; OCBC.

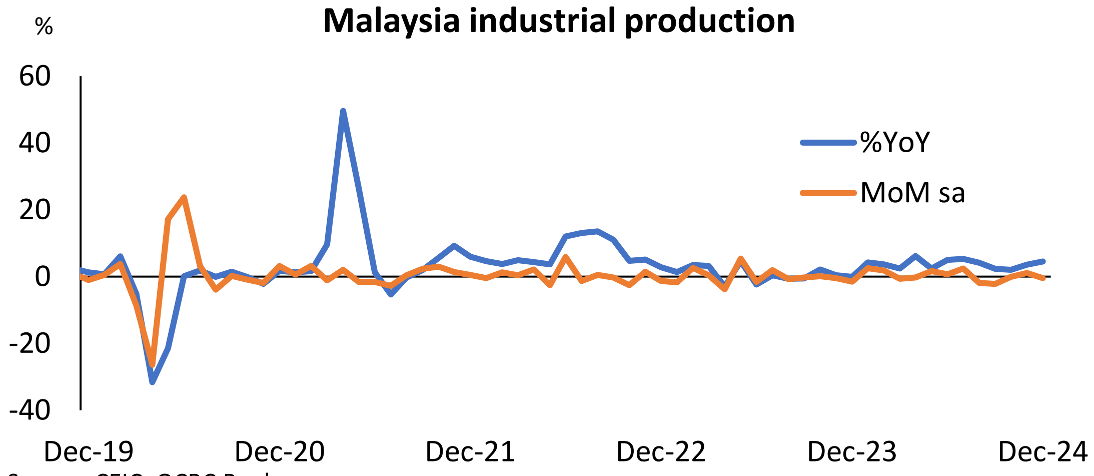


Source: CEIC; OCBC

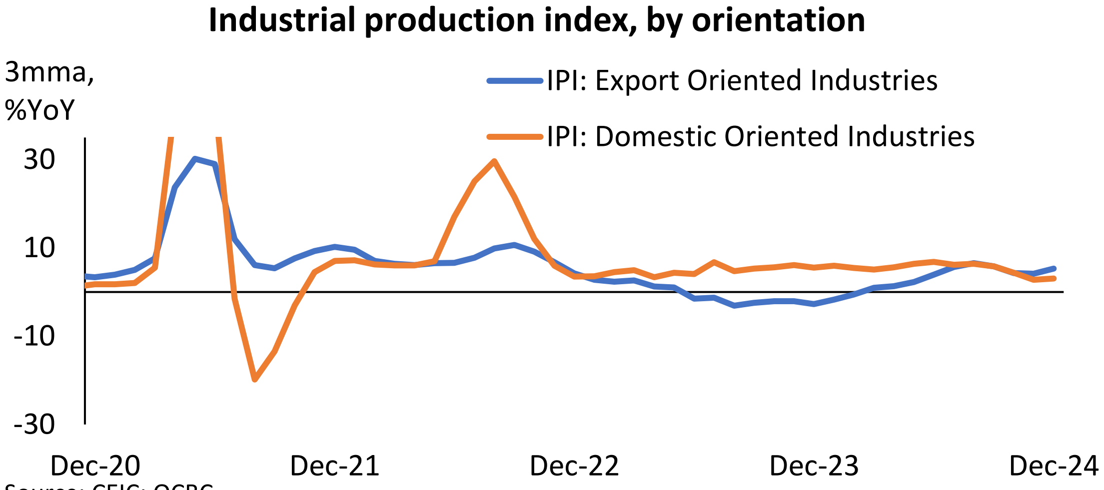
Source: Singstat, MAS, CEIC, OCBC.

Malaysia: December IP growth resilient

- The industrial production index rose by 4.6% YoY in December 2024 versus 3.6% in November, disappointing expectations (Consensus: 5.0%; OCBC: 5.5%).
- Notwithstanding, the print showed some resilience across the various subsectors including manufacturing (5.8% YoY in December versus 4.6% in November) and mining (0.4% versus -0.8%) while electricity (3.5% from 3.9%) output slowed modestly. By orientation, improvements were seen in both the export-oriented (6.8%, up from 5.8%) and domestic-oriented (3.7%, up from 2.2%) sectors. For the full year, the industrial production index grew by 3.8%, marking a strong improvement from 0.7% in 2023, with all major sectors recording positive growth.
- The 4Q24 industrial production outcome suggests that the 4Q24 GDP growth advance estimate of 4.8% YoY is unlikely to be revised.



Source: CEIC; OCBC Bank



Source: CEIC; OCBC

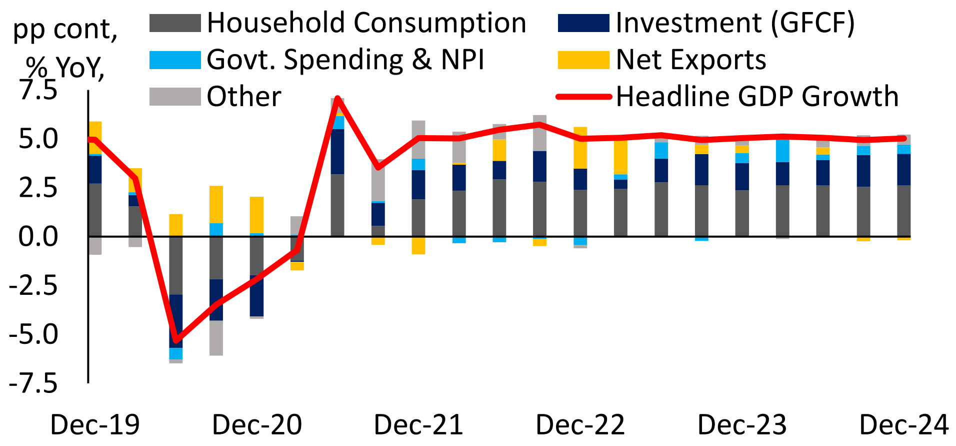
OCBC

Source: Singstat, MAS, CEIC, OCBC.

Indonesia: 4Q24 GDP growth

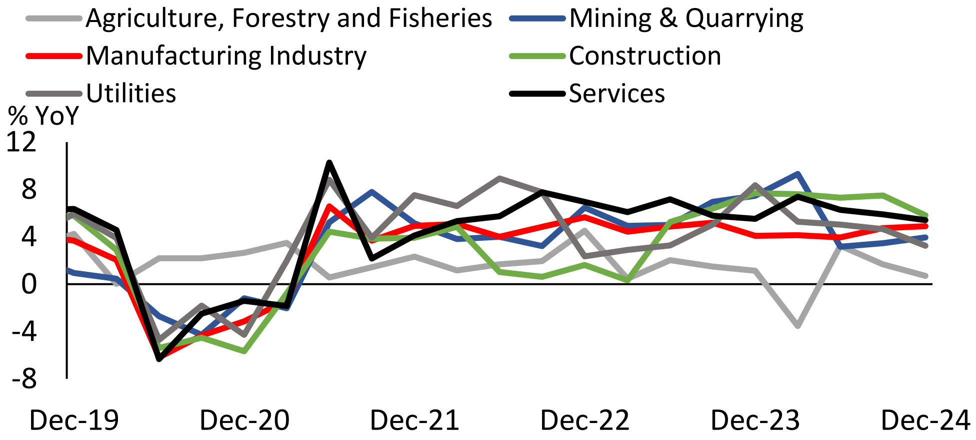
- GDP growth improved to 5.0% YoY in 4Q24 from 4.9% YoY in 3Q24, largely in line with consensus expectations. Domestic demand continued to be the primary driver of growth in 4Q24, contributing 4.7 percentage points (pp) to the headline print. Growth in household consumption rose slightly to 5.0% YoY from 4.9% in 3Q24, while investment spending growth eased to 5.0% from 5.2%. Meanwhile, government spending growth slowed to 4.2% from 4.6%. Both exports (7.6% YoY in 4Q24 from 8.8% in 3Q24) and imports (10.4% from 11.9%) grew at a slower pace in 4Q24 compared to 3Q24. As a result, net exports shaved off 0.2 pp from headline GDP growth in 4Q24, similar to 3Q24.
- For the full year, GDP growth was steady at 5.0% YoY in 2024, matching the pace of 2023 and aligning with our forecast. We expect GDP growth to strengthen marginally to 5.1% in 2025, supported in part by investment spending and private consumption.

GDP: Expenditure



Note: Other refers to combined value of change in inventories and statistical discrepancies. Source: Statistics Indonesia (BPS), CEIC, OCBC.

GDP: Industry



Note: Services = Combined value of Wholesales & Retail Trade, Repairs, Transportation & Storage, Accommodation & Food Beverages Activity, Information & Communication, Financial & Insurance Activity, Real Estate, Business Services, Public Admin, Defense & Social Security, Education Services, Human Health & Social Work Activity, Other Services. Source: Statistics Indonesia (BPS), CEIC, OCBC.

Source: BPS, CEIC, OCBC.

Philippines: Stable inflation

- Headline CPI held steady at 2.9% in January, slightly higher than expectations (OCBC and Consensus: 2.8%). By contrast, core CPI edged lower to 2.6% YoY in January versus 2.8% in December 2024.
- The main drivers of the headline CPI were due to higher prices within the 'food & non-alcoholic beverages' (3.8% YoY versus 3.4%), 'alcoholic beverages & tobacco' (3.5% versus 3.1%), and 'transport' (1.1% versus 0.9%) categories. These increases were offset by lower inflation in clothing (2.3% YoY versus 2.4%), utilities (2.2% versus 2.9%), restaurants (3.2% versus 3.8%), and personal care (2.8% versus 2.9%). For 2025, we expect headline CPI to moderate further to 3.0% YoY, down from 3.2% in 2024.
- Lower-than-expected 4Q24 and 2024 GDP growth and the stable January inflation print will provide room for the BSP to deliver another 25bp cut at its 13 February meeting.

Drivers of inflation, %YoY	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Headline CPI inflation	**2.8**	**3.4**	**3.7**	**3.8**	**3.9**	**3.7**	**4.4**	**3.3**	**1.9**	**2.3**	**2.5**	**2.9**	**2.9**
Food & Non-Alcoholic Beverages	3.5	4.6	5.6	6.0	5.8	6.1	6.4	3.9	1.4	2.9	3.4	3.4	3.8
Alcoholic Beverages & Tobacco	8.4	8.6	6.7	4.9	4.2	3.8	3.4	3.3	3.1	3.0	3.1	3.1	3.5
Clothing & Footwear	3.8	3.6	3.6	3.6	3.4	3.2	3.1	3.0	2.9	2.7	2.6	2.4	2.3
Housing, Water, Electricity, Gas & Other Fuels	0.7	0.9	0.5	0.4	0.9	0.1	2.3	3.8	3.3	2.4	1.9	2.9	2.2
Furnishings, HH Equip & Routine HH Maintenance	3.9	3.3	3.2	3.1	3.1	2.8	2.8	2.7	2.6	2.4	2.7	2.7	2.6
Health	3.3	3.0	3.2	3.0	2.9	2.9	2.8	2.6	2.6	2.6	2.6	2.5	2.5
Transport	-0.3	1.2	2.1	2.6	3.5	3.1	3.6	-0.2	-2.4	-2.1	-1.2	0.9	1.1
Information & Communication	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.2	0.2	0.2	0.2
Recreation, Sport & Culture	4.0	3.8	3.9	3.8	3.5	3.5	3.4	3.3	2.8	2.6	2.4	2.5	2.4
Education Services	3.8	3.8	3.8	3.8	3.8	3.8	6.1	5.5	4.3	4.3	4.3	4.3	4.2
Restaurants & Accommodation Services	5.5	5.3	5.6	5.4	5.3	5.1	4.9	4.6	4.1	3.9	3.9	3.8	3.2
Financial Services	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	0.0
Personal Care & Misc Goods & Services	4.0	3.8	3.6	3.5	3.4	3.2	3.2	3.0	2.9	2.8	2.9	2.9	2.8
Core CPI	**3.8**	**3.6**	**3.4**	**3.2**	**3.1**	**3.1**	**2.9**	**2.6**	**2.4**	**2.4**	**2.5**	**2.8**	**2.6**

Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC.

Thailand: Higher inflation

- Headline inflation rose to 1.3% YoY in January, up from 1.2% in December 2024. Nonetheless, this remains modest. Meanwhile, core inflation held steady at 0.8% YoY for the fifth consecutive month.
- The main driver of higher inflation was driven by a smaller contraction in the "Apparel & Footwears" (-0.2% YoY versus -0.5%) category. This more than offset lower inflation in food (0.8% YoY versus 1.3%), medical (-0.5% versus -0.4%), and transport (2.1% versus 2.7%).
- For 2025, we expect headline CPI to accelerate to 1.6% YoY, up from 0.4% in 2024. On monetary policy, we maintain the view that the rate cuts from Bank of Thailand (BoT) will be shallow. We anticipate the BoT will implement another 25bp rate cut, bringing the policy rate down to 2.00% this year.

Drivers of inflation, % YoY	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Headline CPI	**-1.1**	**-0.8**	**-0.5**	**0.2**	**1.5**	**0.6**	**0.8**	**0.4**	**0.6**	**0.8**	**0.9**	**1.2**	**1.3**
Food & Non Alcoholic Beverages	-1.1	-1.0	-0.6	0.3	1.1	0.5	1.3	1.8	2.3	1.9	1.3	1.3	0.8
Apparel & Footwears	-0.1	-0.2	-0.1	-0.2	-0.4	-0.5	-0.5	-0.6	-0.7	-0.5	-0.5	-0.5	-0.2
Housing & Furnishing	-0.7	-0.8	-0.9	-0.8	2.1	-0.8	-0.8	-0.9	0.4	0.4	0.4	0.4	0.4
Medical & Personal Care	0.9	0.9	0.3	0.4	0.5	0.1	-0.4	0.0	-0.1	-0.6	-0.3	-0.4	-0.5
Transport & Communication	-2.5	-1.2	-0.4	0.9	2.4	2.4	2.0	-1.0	-1.8	-0.3	1.4	2.7	2.1
Recreation, Reading, Education and Religion	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.6	0.6	0.5	0.4	0.4
Tobacco & Alcoholic Beverages	0.9	1.2	1.4	1.4	1.4	1.5	1.5	1.6	1.3	0.9	0.8	0.8	0.8
Core Consumer Price Index	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**	**0.6**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**

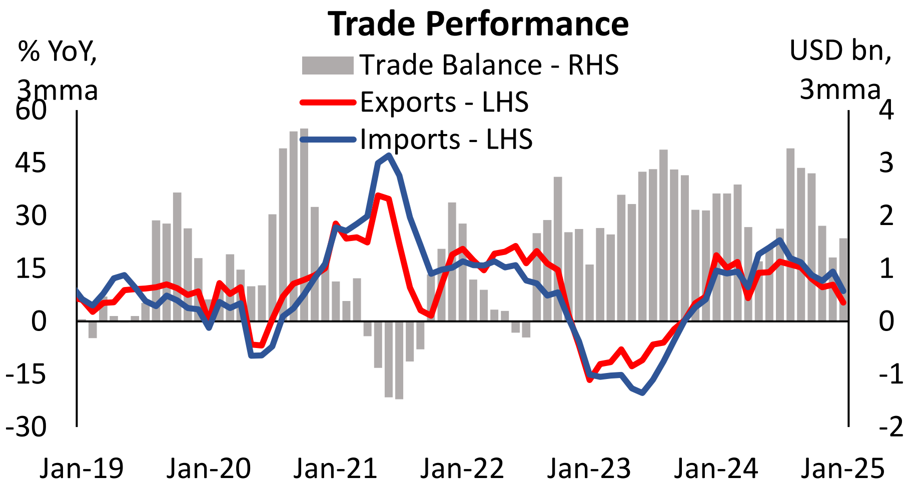
Source: Ministry of Commerce, CEIC, OCBC

OCBC

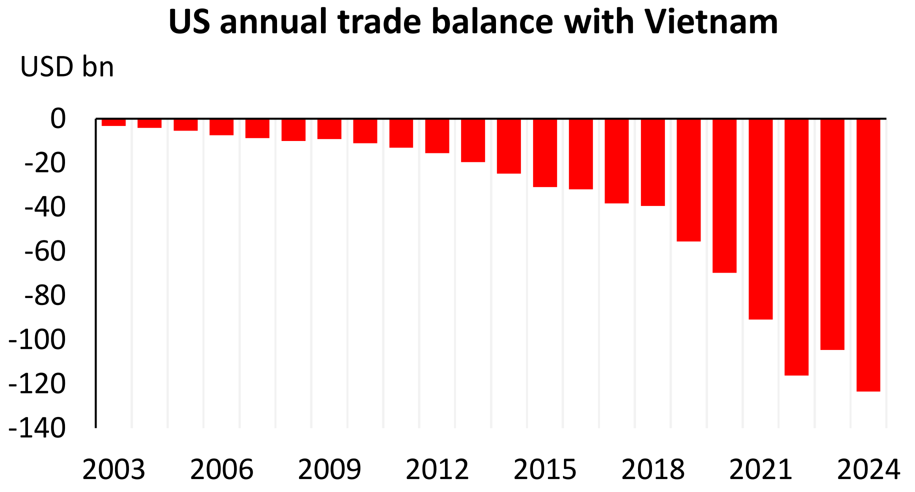
Source: Ministry of Commerce, CEIC, OCBC.

Vietnam: Weak January activity data (1)

- The monthly activity data for January was weaker-than-expected impacted by the Lunar New Year and Tet celebrations. On the external front, exports dropped 4.0% YoY in January 2025 (Consensus: 3.3%) following growth of 12.8% in December 2024. Similarly, imports contracted by 2.6% YoY (Consensus: 11.4) compared to 19.2% in December. Consequently, resulted in the trade balance surplus widening to USD3.0bn in January 2025 from USD0.5bn in December 2024.
- The trade balance with the US remained substantial at USD10.4bn in January, similar to the USD10.5bn surplus in December. Vietnam trade surplus with the US reached USD123.5bn in 2024 from USD104.5bn in 2023, making it the third largest trade surplus country with the US after China and Mexico.
- While US President Donald Trump's tariff measures thus far have been primarily directed at China, Canada, and Mexico, the US's deepening trade deficit with Vietnam makes it vulnerable to future tariff measures.



Source: GSO, CEIC, OCBC

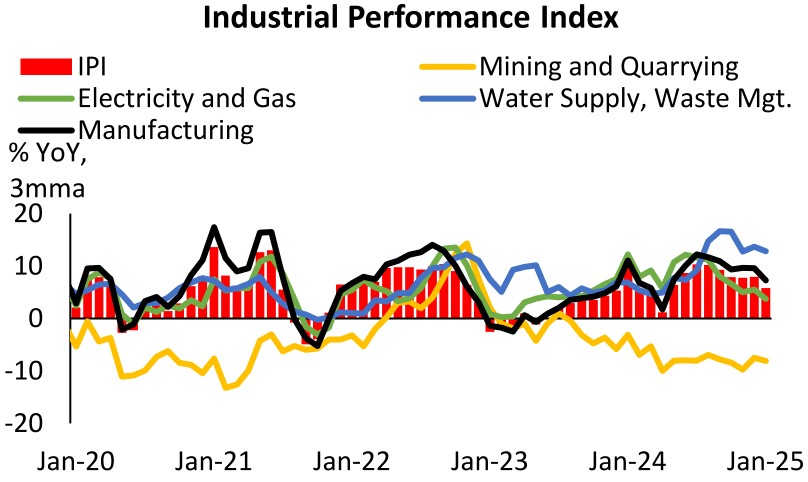


Source: Bloomberg, US Census Bureau, OCBC.

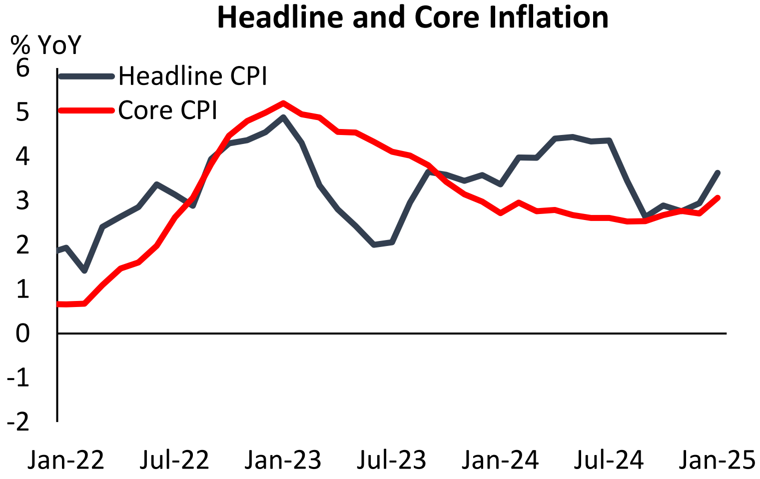
Source: GSO, US Census Bureau, Bloomberg, CEIC, OCBC.

Vietnam: Weak January activity data (2)

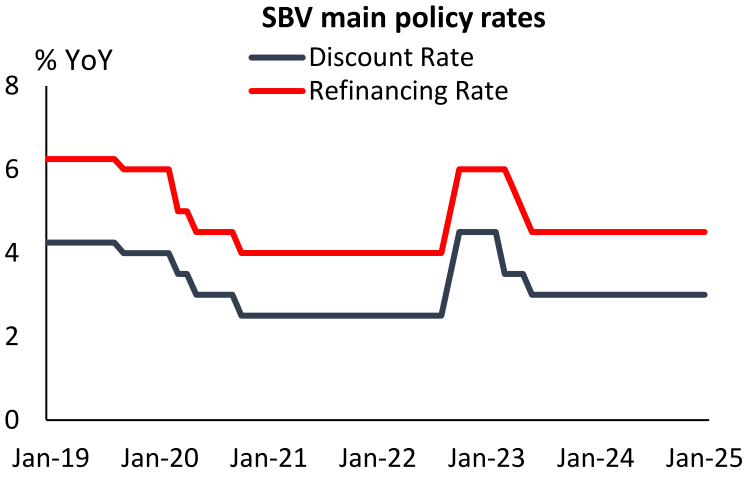
- Industrial production index growth also slowed to 0.6% YoY in January versus 8.8% in December. Notably, the slowdown in IPI was broad-based, led by manufacturing, followed by water supply and waste management, and electricity and gas Retail sales, however, improved to 9.5% YoY in January 2025, up from 9.3% in December 2024. Notably, the higher sales were driven primarily by improvements in services (9.8% from 7.9%), tourism (17.3% from 9.9%), and accommodation.
- Headline CPI rose more than expected to 3.6% YoY in January 2025 versus 2.9% in December 2024. The higher CPI driven by food and foodstuff (4.4% YoY in January, up from 3.9% in December) as well as health and personal care (14.1% from 5.3%), which more than offset lower CPI on components such as housing and construction materials, while deflation in the transportation sector continued. Looking ahead, we maintain our forecast for the headline CPI to average 4.0% in 2025, up from 3.6% in 2024. This remains below the government's 4.5% target. From a monetary policy standpoint, We continue to project that policy rates will remain unchanged in 2025.



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



Source: GSO, CEIC, OCBC.



Source: State Bank of Vietnam, CEIC, OCBC.

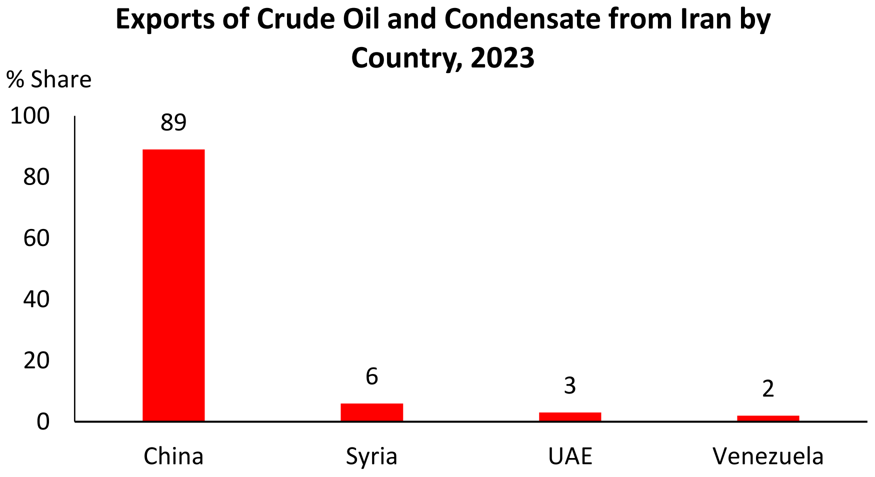
OCBC

Source: GSO, SBV, CEIC, OCBC.

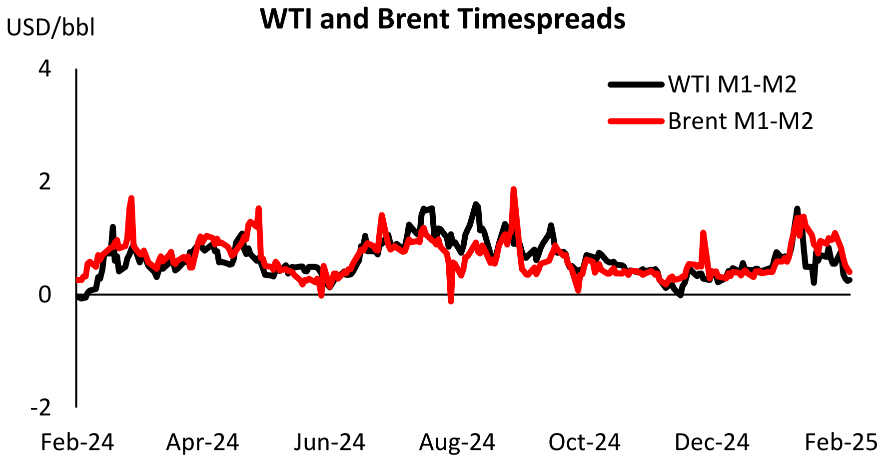
Commodities

Oil: Sold off

- Crude oil benchmarks continue to face downward pressure, with WTI and Brent declining by 2.1% and 2.7% week-on-week, respectively, closing at USD71.0/bbl and USD74.7/bbl.
- The oil market has sold off for the third consecutive week due to concerns about the impact of US-China tariff on global economic growth and commodity demand. This decline more than offset the upward pressure on oil prices resulting from the tightening US stance on Iranian oil exports. The US Department of Treasury introduced a new sanctions package on Iran, targeting an international network facilitating the shipping of Iranian crude oil to China. Entities and individuals in various jurisdictions, as well as several vessels, were targeted.
- We maintain our base case for Brent oil prices to average USD77/bbl in 2025, down from USD79.9/bbl in 2024. Our price conviction is driven by our anticipation of a buildup in global oil inventories, as supply would remain ample to meet demand.



Source: EIA, Vortexa Tanker Tracking, OCBC.



Source: Bloomberg, OCBC.

Source: EIA, Vortexa Tanker Tracking, Bloomberg, Reuters, OCBC.

FX & Rates

FX & Rates: Tariff threats again

- **DXY.** Trump announced plans to impose 25% tariffs on steel and aluminum imports (no mention of effective date) and spoke about introducing reciprocal tariffs. Not forgetting that China tariffs on US goods come into effect today, we cannot rule out further deterioration in US-China trade tensions. Mixed US data last Friday show some signs of labour market softening and increasing inflation expectations. Rebound risk is not ruled out, with eyes on CPI (wed), Powell's semi-annual testimony to lawmakers (Tues, Wed), PPI (Thu), retail sales and IP (Fri).
- **USD Rates.** UST yields rose with inflation worries more reflected at the short end, with the UST bearish flatter; the uptick in the 10Y nominal yield was mainly driven by higher real yield while 10Y breakeven was relatively stable. Near-term reaction in USTs to negative tariff headlines may remain relatively muted compared to that in some other asset classes, as there are counteracting factors – namely, growth concerns and safe-haven flows – to inflation worries. The UST curve tended to flatten in reaction to negative tariff headlines - inflation worries may be more reflected at the short end while growth concerns more at the long end. In the absence of negative tariff headlines, we do not see much room for flattening, as front-end pricing is not dovish while near-term downside to the term premium appears limited. Immediate support for 10Y UST is at 4.52% followed by 4.60%; resistance sits at 4.40%.
- **EURUSD**. EUR continued to trade under pressure of tariff concerns – be it universal tariffs, reciprocal tariffs or tariffs on EU imports that could happen "pretty soon" (with no definite deadline yet). Tariff undertainty may continue to weigh on EUR now.
- **USDJPY.** USDJPY rose with heightened tariff concerns as Trump announced plans to impose 25% on all steel and aluminum imports and reciprocal tariffs on all nations. Risk of a direct tariff hit on Japanese goods may cause JPY to come under pressure.
- **CNY Rates.** PBoC continued with post-holidays liquidity drainage which is as expected. We remain of the view that liquidity is likely to stay supported despite the usual post-holiday drainage, with big amounts of outstanding outright reverse repo; we believe PBoC will still keep the liquidity condition stable. In offshore, implied CNH rates have been edging higher over recent days; 1W implied CNH rate traded at 3.33% and 2W at 3.19% this morning, partly due to higher USD rates and partly to higher forward points. Front-end implied CNH rates are likely to stay at high end of ranges near-term, given tariff uncertainty.

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ESG

ESG: Refreshed Singapore Green Bond Framework

- MOF released its refreshed Singapore Green Bond Framework this month, updated from when it was first published in 2022, laying out the requirements around sovereign green bonds issued to finance green public sector projects. The Singapore Government has planned to issue up to $35bn in public sector green bonds by 2030 to support the growth of the sustainable finance market here. The Framework aligns with the Singapore-Asia Taxonomy, and continues to be aligned with the core components of the International Capital Market Association (ICMA) Green Bond Principles and the ASEAN Capital Markets Forum ASEAN Green Bond Standards.
- Data centres that meet the green building rating system laid out by the Building and Construction Authority are among some of the new economic activities that can be financed with green bonds issued by Singapore's government, in addition to clean transport infrastructure e.g. electric charging or hydrogen-based refuelling of vessels and aircraft, vessels using biofuels that meet the Singapore-Asia Taxonomy's Green criteria for biofuels.
- More details were added for economic activities that were listed in the first edition, such as providing thresholds on emissions intensity, water loss and waste recovery across various sectors, including power generation, water management and the circular economy (referenced from the Singapore-Asia Taxonomy). The updated framework serves as a reference for Statutory Boards' respective green bond frameworks to finance green projects that can contribute to Singapore's climate ambition.

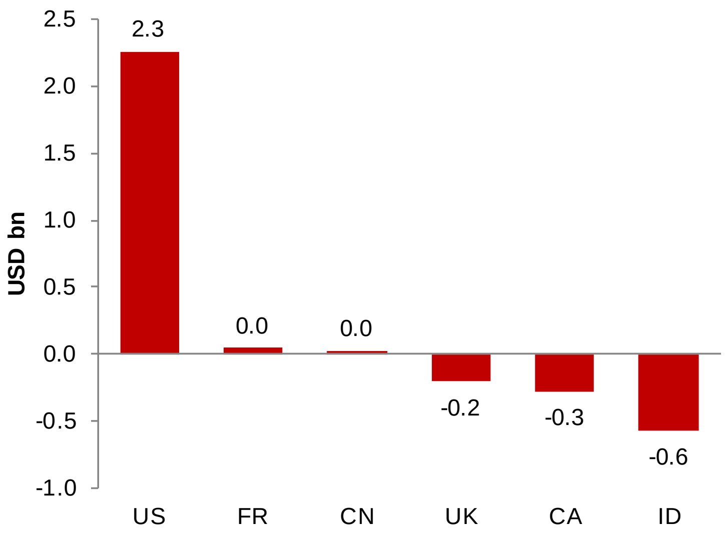
Source: MOF, BT

Asset Flows

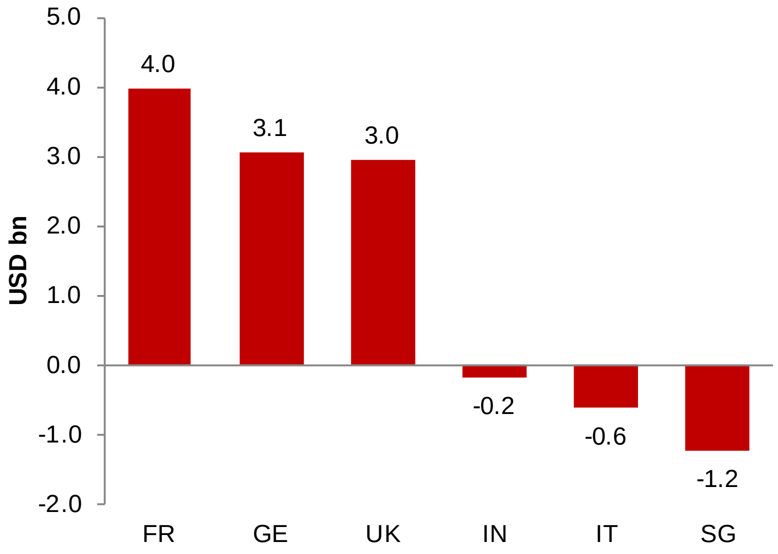
Global Equity & Bond Flows

- Global equity markets saw net outflows of $603mn for the week ending 5 February 2025, a decrease from the inflows of $23.9bn last week. Global bond markets reported net inflows of $17.5bn, an increase from last week's inflows of $13.3bn.
- Global bond markets reported net inflows of $16.4bn, an increase from last week's inflows of $17.5bn.

Equity top gainers & losers



Bonds top gainers & losers



Source: OCBC, EPFR

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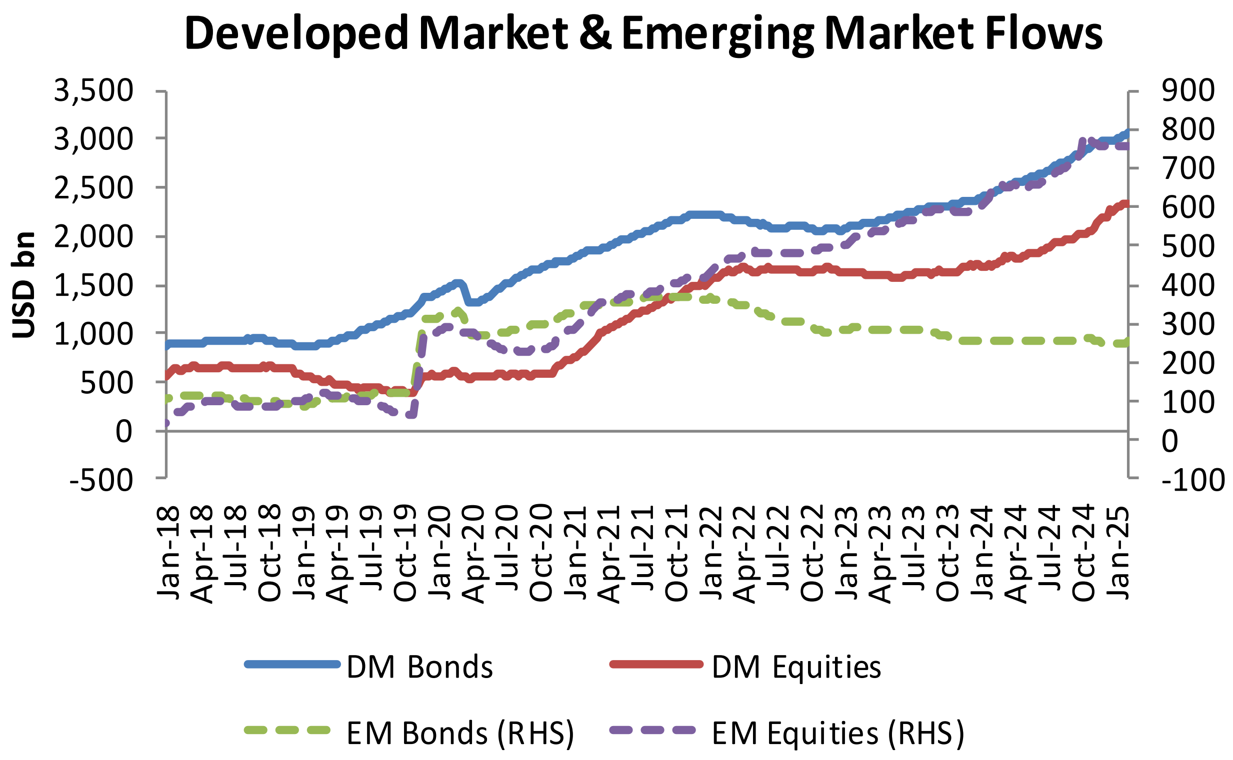
DM & EM Flows

- Developed Market Equities ($391mn) saw outflows and Emerging Market Equities ($200mn) saw outflows.
- Developed Market Bond ($15.0bn) saw inflows and Emerging Market Bond ($1.4bn) saw inflows.



Source: OCBC, EPFR

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