Research Monitor (April)

7 April 2025

Key Themes

1. "Liberation Day" tariffs announced on April 2 contributed to big market swings last week, with the S&P falling to the lowest in nearly a year with over US$5trn and the VIX to its highest since early 2020. With some countries quickly retaliating, the risk of a tit-for-tat global trade war have heightened recession risks. The situation is still very fluid and the risk of a negative spiral of market sentiments is in focus in the near-term as business and consumer confidence have been dented by higher-than-expected tariffs. Polymarket pricing for a US recession in 2025 has spiked to around 65%. The US corporate earnings season will kick off on April 11 with the US banks which had just suffered their worst two-day drop since March 2020. Meanwhile, the US Senate has just passed a budget resolution to extend US$1.5trn in new tax cuts and a US$5trn hike in the federal borrowing limit but will face the House before targeting enactment between May to August.

2. ASEAN economies have felt the chills from the recently announced tariff levels, which spurred a slew of growth forecast downgrades and increased expectations for more accommodative monetary and fiscal policy stance. For example, Singapore is facing the minimum 10% tariffs, but the official GDP growth forecast may be downgraded from the current 1-3% range and the government will give more help to households and businesses if needed, according to MTI minister. The next MAS monetary policy meeting is due on April 14 and a further easing (likely another slope reduction) is likely given subdued core inflation. Our 2025 growth forecast is 2.1% but is subject to downside risks should the global trade war escalate and there is prolonged financial market volatility. If tariffs rise to 20% for instance, GDP growth could slow to around 1% YoY. The OCBC SME Index stood at 50.9 in March, up from two consecutive months of contraction earlier this year. Still, the 1Q25 quarterly print of 49.9 is down from the 50.7 in 4Q24. The performance of SMEs in March seems to be weighed down by weaknesses in key domestic-oriented sectors, namely F&B, Education and Retail.

3. President Trump has announced a 34% reciprocal tariff on all Chinese imports, raising the total additional tariffs imposed this year to 54%. When combined with the existing tariffs from Trade War 1.0, total U.S. tariff exposure on Chinese goods is now estimated at around 65%. As such, we revise our 2025 China GDP growth forecast down to 4.6% YoY, from 4.8% YoY previously, to reflect the downside risk. In contrast to our prior expectation that China's response may be measured, preserving space for negotiation, China has taken a more confrontational stance. Its decision to retaliate with broad-based 34% tariffs during a public holiday marked a clear return to the tit-for-tat playbook, exceeding market expectations. As the only major economy to announce formal retaliatory measures, China may risk angering Trump. Markets will closely watch this week's daily USDCNY fixing after the reference rate was set higher, suggesting China may allow more FX flexibility.

Asset Class Views

	House View	Trading Views
FX	**G-10 FX: DXY** extended its decline this month (2.5% MTD) as the unwinding of US exceptionalism trade accelerated. Markets are increasingly focused on how Trump tariffs are hurting the US economy. US data has also been weaker than expected. ISM manufacturing and services disappointed this week, with new orders and employment also surprising to the downside. Ultimately for FX, relative growth matters. If growth in the US slumps as a result of its own doing (i.e. protectionist measures) while growth for the rest of the world holds up (on a relative basis), then USD may end up weaker over time. From an FX point of view, markets appear to shift from trading tariff fears to trading US recession, and to some extent even trading the de-dollarisation narrative. To put things in perspective, US protectionist measures, fading US exceptionalism and ballooning US debt are some catalysts that may question USD's status as a reserve currency. More broadly, we continue to expect a divergent USD play, with USD weaker against major FX, including EUR, CHF and JPY while USD may still maintain a bid tone vs. AxJ FX, taking into consideration the potential implication of Trump tariffs on global growth, global trade and sentiments. That said, the currency bias may change depends on how trade negotiations pan out or if the de-dollarisation thematic overwhelms.	Bearish but near oversold conditions. Support at 101.30, 100.15. Resistance at 103.2, 104.9.
	EUR continued to trade higher to levels not seen in more than 6 months. We are constructive (vs. neutral previously) on EUR's outlook, due to recent developments: 1/ German/European spending plans lending a boost to growth; 2/ signs of a Ukraine peace deal (that can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 3/ prospects of ECB cut cycle nearing its end while there is room for Fed to cut; 4/ China's economic growth showing tentative signs of stabilisation; 5/ EU leaders making efforts to identify concessions it is willing to make to secure partial removal of US tariffs; 6/ signs of portfolio flows, reserve diversification that may favour alternative reserve currencies such as EUR. That said, we still flag the risk that other tariffs on alcohol (200% tariff), lumber, semiconductors and pharmaceutical drugs may still be forthcoming in coming weeks. Tariff imposition may still weigh on EUR.	Nearing overbought. Resistance at 1.1140, 1.1210. Support at 1.0860, 1.072.
	USDJPY fell as demand for safe-haven overwhelmed even as Japan was slapped with a 24% reciprocal tariff rate. We still look for USDJPY to trend lower. Prospects of wage growth, broadening services inflation and upbeat economic activities continue to support BoJ policy normalisation. Fed-BoJ policy divergence should continue to underpin broader direction of travel for USDJPY to the downside.	Sell rallies. Resistance at 147, 148.9. Support at 145.20, 144.1.
	USDSGD fell as USD sell-off overwhelmed tariff concerns. Despite SGD gains, we continue to flag risks that Singapore may be affected by sectoral-specific tariffs (i.e. pharmaceutical, semiconductor) at some point, depending on the Trump's administration (apart from the recently announced 10% reciprocal tariff). The downward kink in USDSGD's 1Q forecast we projected for at the start of the year has more or less played out, as USDSGD fell from its peak of 1.3750 (early Jan) to a trough of just under 1.33 (mid-Mar). Beyond 1Q, USDSGD forecast is projected to skew to the upside for most parts of 2025, taking into consideration the potential implication of Trump tariffs on global trade/ growth and sentiments as well as potential MAS policy easing. That said, the prospects of firmer recovery in EUR and RMB as well as the risk of a sharper sell-off in USD may turn out to be surprise factors that would support SGD.	Consolidate. Support at 1.3310, 1.3270. Resistance at 1.3420, 1.3520 levels.

	House View	Trading Views	
Rates	We have long argued our base-case for three 25bp Fed funds rate cuts this year reflects a no-recession scenario. We are of the view that triggers for rate cuts will likely need to come from the labour market/growth front; continued cooling in the labour market will justify rates at less restrictive levels as long as there is no strong rebound in inflation. We have pencilled in one 25bp Fed funds rate cut in each of Q2, Q3 and Q4 2025. The risk, however, is there may be delays in rate cuts if the inflation impact of tariffs is reflected in the data sooner than the growth impact, given the dramatically high tariff rates to start with. Nevertheless, should there be a delay in rate cuts compared to our and market expectation (a 25bp cut by June FOMC was fully priced), the Fed may need to play some catch-up in the second half of the year. To recap, the March FOMC already carried a few elements which turned out to be mildly more dovish than the markets might have expected. First, the median dot stayed at where it was, i.e. pointing to 50bps of cuts this year, although some of the individual dots shifted higher by 25bps. Second, the "longer-run" rate stayed at 3.00%, against expectation for a revision higher. Third, GDP growth forecasts have been revised downward, more so for 2025 (from 2.1% to 1.7%), representing an acknowledgement of downside growth risk, in addition to inflation worries. Fourth, QT pace will slow, via a lower monthly redemption cap on Treasury securities, which started on 1 April. Bank of England kept its Bank Rate unchanged at 4.5% by an 8-1 vote on 20 March. The status quo decision had been widely expected, while the 8-1 vote was marginally less dovish. We believe one 25bp cut per quarter remains consistent with the "gradual and careful" approach to the further withdrawal of monetary policy restraint. The uncertainty Governor Bailey mentioned refers to both inflation and growth, which does not sound as hawkish to us as interpreted by the markets. In terms of the split of votes, it has tilted marginally to the less dovish side; that said, the votes reflect more of the views at a particular meeting, rather than representing a strong forward guidance. Risk to our Bank Rate forecast is to the upside given potentially higher inflation pressure than expected.	**USD rates:** Markets will stay volatile as inflation worries and growth concerns may take turn to be the dominating theme at different points of time. On balance, we expect yields to fluctuate within the already lowered ranges. 10Y breakeven just broke below the 2.2-2.4% range which we have seen as fair; while we see room for further downside to real yield should growth deteriorate. That said, after recent rallies, USTs may consolidate around current levels near-term. Interim upticks in yields upon any concession in tariff rates achieved by negotiations cannot be ruled out but we do not see a reversal to an extended uptrend in yields before the next major catalyst. **SGD rates** fell by 20-32bps over the past month mostly following USD rates, with some underperformances in recent days. Implied SGD rates fell as a result of lower USD rates, and more negative forward points notwithstanding the earlier reduction in the S$NEER. SGD liquidity has stayed flushed. For how long this flush liquidity condition will last is uncertain. SORA the overnight itself has been volatile. Still, on the SORA OIS curve, the 2Y and 3Y rates represent the lowest points, appearing to have incorporated the view for an extended period of flush liquidity and even some further downside to the floating rate. Chasing these rates lower is not preferred. **IndoGBs** underperformed USTs over the past month on domestic, idiosyncratic factors, while the market has been close in recent days on holidays not being able to react to the global market development. 10Y IndoGB-UST yield spread widened to 300bps, which may provide some support to the domestic bonds. While foreign bond flows fluctuated by the day, foreign holdings of IndoGBs (including bills) have stayed within the range of IDR890-900trn for most of March. Recent auctions were upsized, in line with our expectation; Q1 gross issuances amounted to IDR222.2trn, similar to target. Auctions are scheduled to resume on 15 April. **MGS** yields were down by a few bps over the past month, continuing to trade in a relatively stable manner. MYR IRS further outperformed MGS in recent days. While we had earlier commented that "IRS may be a bit more sensitive to any downward move in USD rates, given the stable nature of MGS", the bond/swap moves have gone beyond our expectations. Current bond/swap spreads appear supportive of MGS, and there may be some catch-up to be played by the bond side. Asset swap pick-up has also improved. Market pricing of rate cuts remained subdued, and part of the pricing may be attributable to the somewhat elevated 3M KLIBOR compared to OPR. 3M KLIBOR remained sticky	→ → ↓ ↓

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	BoJ kept its policy target rate unchanged at 0.5% as widely expected. The Statement was somewhat balanced. It opined "there remain high uncertainties surrounding Japan's economic activity and prices", and mentioned "some weakness has been seen in part" in Japan's economy. Apart from these, the Statement sounded upbeat on inflation – "with a growing sense of labour shortage, the output gap will improve and medium- to long-term inflation expectations will rise"; and in the "outlook" paragraph it ended with "in particular, with firms' behaviour shifting more toward raising wages and prices recently, exchange rate developments are, compared to the past, more likely to affect prices." – that is to say, a weak Yen will exert a bigger upward pressure on inflation than in the past. This assessment on the interactions among wages, prices and exchange rate would be consistent with continued policy normalisation, in our view. Our base-case remains for an additional 50bps of hikes for the rest of this year.	downward at 3.66%; we now expect an even slower pace of spread narrowing with OPR. Recent bond auctions continued to be well received, with bid/cover ratios at just above 3x level. **CNY rates.** CGBs have been stabilising since mid-March after the earlier sell-off mostly in January and February, as bond supply was gradually digested. More recently, CGB yields edged lower upon US tariff announcement. Market expectations are for domestic stimulus and support policy to come through. Even if outright easing is not materialising imminently, CGBs benefit from safe haven flows. The situation on the trade front and hence growth implications is very fluid. For 10Y CGB yield, we will watch if 1.6% is broken before eying the next range. CGB yields and repo-IRS are biased to the downside near-term.	↓

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

	House View	Trading Views	
Credit	**Asiadollar credit spreads widened in March.** As of 31 March 2025, Bloomberg Asia USD Investment Grade spreads widened 10bps m/m to 80bps, while Bloomberg Asia USD High Yield spreads widened ~35bps m/m to 435bps amidst Liberation Day uncertainties and uncertainties over Indonesia's economic outlook. Spreads widened further in early April with IG and HY widening to 90bps and 488bps respectively as of 4 April 2025, due to worse-than-expected tariffs announced. **March saw a significant increase in Asiadollar bond issuance (excluding JP and AU) of USD31.5bn in March** against USD6.32bn in February. Per Bloomberg, March is the busiest month for primary market issuance since 2021 as companies are rushing to raise funds before the next wave of US tariffs in April. That said, demand for debt was strong in March. **The SGD Credit Universe returned +0.51% m/m on lower SORA OIS yields, with all segments showing a positive return in March.** Longer Tenors segment was the best performer with a gain of 0.94%. Meanwhile, AT1s was the laggard with a gain of 0.32%, which was likely influenced by a relatively large issue, SGD800mn HSBC 5%-PERP. Other major issues included Equinix Inc's SGD500mn 5Y green bond at 3.50% and Swiss RE AG's SGD450mn 6NC5 Tier 2 at 3.75%. **The SGD primary markets overall issuances activity also saw a significant increase with ~SGD3.88bn** from 15 issuers in March compared to ~SGD1.56bn from 8 issuers in February. Relative to the Asiadollar credit market, we view the SGD credit market as a safer heaven which may benefit from reallocation away from other risky asset markets and as such, we **shift to be Overweight the SGD credit market from Neutral.** With defaults in the SGD credit market expected to be low, total returns should remain positive due to carry, though credit spreads may widen from heightened volatility and rates compression. We though remain vigilant to the possible risks of stagflation. Within the SGD credit market, we are now **Underweight bank capital AT1s amidst rising recession risks.**	**CAPITA 3.35% '31 (SGD bullet)** • CICT is one of SG's largest landlords, with Singapore comprising 94.5% of CICT's SGD26.0bn property value as of 31 Dec 2024. Assets are split between Office (35%), Integrated Development (29%) and Retail (36%). • As of 31 December 2024, committed occupancy rate remained healthy and rose 0.3 ppts q/q to 96.7%. This was due to higher occupancy rates for retail (+0.3 ppts q/q to 99.3%), office (+0.2ppts q/q to 94.8%) and integrated development (+0.7 ppts q/q to 98.9%). Meanwhile, retention rate is healthy for retail (84.5%) and office (81.9%). • Credit metrics remain stable with Aggregate leverage falling 0.9 ppts q/q to 38.5% due to the divestment of 21 Collyer Quay. Meanwhile, reported interest coverage ratio improved 0.1x q/q to 3.1x, with slightly improved results and lower aggregate leverage. • Investment grade REIT trading at an attractive yield of ~3.0%. **OUECT 3.9% '31s (SGD bullet)** • OUE Real Estate Investment Trust ("OUEREIT")'s overall 2024 results are decent with stable performance from Commercial and Hospitality segments. • Net property income ("NPI") in 2024 fell 0.4% y/y to SGD234.0mn due to upward revision of property tax for Hilton Singapore Orchard and Crowne Plaza Changi Airport. Excluding the property tax impacts, NPI would have increased by 2.3% y/y. • We expect OUEREIT's business risks to improve following the disposal of Lippo Plaza in Shanghai. On 27 December 2024, OUEREIT completed the disposal of the entire 91.2% share of strata ownership of Lippo Plaza in Shanghai at an agreed property value of RMB1.68bn (~SGD313.2mn). Based on our calculation, if the proceeds were to be used for debt repayment, the aggregate leverage will decline to ~35% (Dec 2024: 39.9%). Post disposal, OUREIT's assets are wholly located in Singapore. • This issue looks decent with an ask yield to maturity of 3.8%.	↑ ↑

Macroeconomic Views

	House View	Key Themes
United States	With the sharp market reaction to the higher-than-expected tariffs on April 2, there is some downside risk to our 2025 GDP growth forecast of 1.7% and it is prudent to shade down to 1.3% amid the heightened uncertainties and potential fall-out for trade prospects and business disruptions. While the tariffs aim to boost US self-reliance, they also introduce risks, including slower growth, persistent inflation and heightened market volatility. At this juncture, the situation is still very fluid, but clearly downside growth risks have risen. We retain our house view that the Fed will cut interest rates by a further cumulative 75bps this year as the US economy, labour market and core inflation eases.	Early signs of stagflation emerged in March as the 1-year inflation expectations gauge from the latest University of Michigan survey jumped to 4.9% (highest since November 2022) from 4.3% in February. Meanwhile the 5-10 year inflation gauge also accelerated from 3.5% to 3.9% (highest since February 1993). The Conference Board's consumer confidence index tumbled 7.2 points to 92.9, the lowest level since January 2021. On April 2, President Trump announced larger than expected reciprocal tariff levels with far-reaching implications for the US economy. First, GDP growth could moderate as trade disruptions impact supply chains and increase costs for businesses and consumers, albeit the extent depends on retaliatory actions and how quickly companies adjust. The futures market has increased the cumulative rate cuts to four cuts of 25bps for the rest of this year, which is even more dovish than our house view of three cuts.
Euro Area	We reduce our GDP growth forecast to 0.9% in 2025 from 1.2% based on the various tariff announcements from the US. EU has been bearing the brunt from tariffs. The impact of the tariffs could be exacerbated on growth in the coming months, given that the EU has stated that it will retaliate. The nature and form of the retaliation remains under discussion. This will also complicate the situation for price pressures. Prior to the escalation of tariffs, headline CPI was forecasted to ease to 2.0%. We have another 25bp rate cut pencilled in from the European Central Bank (ECB) for the remainder of the year, but we see a risk that ECB could cut further.	Donald Trump imposed 20% reciprocal tariffs on the EU. Prior to this, he had imposed 25% tariffs on specific sectors such as autos, steel and aluminium, which have a bearing on EU growth. EU announced a set of countermeasures of ~EUR26bn in response to metal tariffs (effective mid-April). The bloc is still deliberating its response to reciprocal tariffs. France and Germany have advocated for a unified reaction. Meanwhile, ECB speakers, reacting to the reciprocal tariffs, have broadly agreed that the tariffs will weigh on GDP growth. However, the outlook on inflation is less clear. The ECB account noted that "both a rate cut and a pause" are on the table for the 17 April meeting. The data was mixed in March, even as sentiment was buoyed by Germany's parliament approving the large fiscal package. Headline CPI eased modestly to 2.2% YoY in March from 2.3% in February, while core inflation stood at 2.4% (Feb: 2.6%).
Japan	We forecast 2025 GDP growth to reach 1.0% YoY on account of higher consumption and investment spending. But the downside risks to growth are increasingly becoming more evident, particularly from US tariffs. 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 expect a total of two 25bp rate hikes from the Bank of Japan (BoJ) in 2025.	The US hit 24% tariffs on Japanese exports to the US, eliciting sharp responses from the authorities. The tariffs on the automobile and automobile component sectors still remain at 25%. PM Shigeru Ishiba called the tariffs a "national crisis" while BoJ Governor Kazuo Ueda said the tariffs added to the uncertainty around the economic outlook and will weigh on growth. The stock market has been reeling under the impact of the tariff announcement. Meanwhile, according to preliminary figures, "spring wage offensive" negotiations, as of March 14, resulted in an average wage rise of 5.46%, the highest level since the 5.66% increase of 1991 (past finalized figures).

	House View	Key Themes
China	China set its 2025 growth at around 5%. China's central and local governments will issue CNY11.86 trillion in debt in 2025, a YoY increase of CNY2.9 trillion—underscoring a more proactive fiscal stance to offset external headwinds. Meanwhile, China lowers its inflation target to 2% from usual 3%, indicating monetary policy still has a role to play. We expect China's growth to moderate to 4.6% due to headwinds from the US tariff while CPI may remain low at around 1.5%.	President Trump has announced a 34% reciprocal tariff on all Chinese imports, raising the total additional tariffs imposed this year to 54%. When combined with the existing tariffs from Trade War 1.0, total U.S. tariff exposure on Chinese goods is now estimated at around 65%. If fully implemented, the larger-than-expected tariff shock will weigh meaningfully on China's 2025 growth outlook. Roughly 20% of this year's 54% tariff imposed on China can be attributed to fentanyl-related concerns, suggesting potential room for negotiation. China has refrained from announcing any retaliatory measures within the first 24 hours, suggesting Beijing may be keeping the door open for future dialogue. Nevertheless, China's strategic success or failure will not be defined solely by its interactions with the United States, but rather by how it engages with third-party countries and its ability to build a new international order through broader multilateral relationships. President Xi is scheduled to visit Vietnam, Malaysia, and Cambodia in mid-April—his first overseas trip this year. We expect China to emphasize its role as a reliable trading partner to ASEAN amid rising global trade uncertainty. Regionally, China-Japan-Korea economic dialogue has also resumed after a five-year hiatus, with China potentially stepping up its leadership role in promoting free trade across Asia. It is more difficult to quantify the eventual impact on China's exports and economy from the rising tariff. Applying export elasticity estimates from trade war 1.0, a 54% tariff could equate to a potential 1% GDP loss for China in 2025. However, the situation is more nuanced this time. A universal tariff regime may dilute the relative impact, and in the absence of viable alternatives, higher prices may simply be passed on to consumers in the US. Ultimately, the real economic cost may depend more on substitution limits than the nominal tariff rate itself. Looking ahead, we expect China to place greater emphasis on boosting domestic demand. The recently announced Special Action Plan to Boost Consumption highlights policy intent to stabilize household spending and encourage durable goods replacement. We expect monetary easing to complement this effort, starting with a RRR cut as early as April, followed by a policy rate cut in Q2 to support sentiment.
Singapore	We had slightly trimmed our 2025 GDP growth forecast from 2.2% to 2.1% in light of the 10% tariffs announced on April 2, but the risk remains to the downside if global trade tensions escalate further and financial market volatility persists. The official 1-3% growth forecast looks increasingly likely to be downgraded, possibly to 0-2% in our view. Given softening core inflation prints, a further MAS policy easing is likely on the table, possibly at the upcoming April MPS. While 2025 Budget is already announced, there is fiscal room to lend support to Singapore businesses and households if economic conditions deteriorate as a result of the US tariffs.	The March manufacturing and electronics PMIs retreated marginally by 0.1 points to 50.6 and 50.9 respectively whereas the S&P Global Singapore PMI rose from 51.0 to 52.7, marking the fastest improvements in four months. That said, business sentiments are likely to be dented amid the heightened uncertainties and growing global trade tensions. Notwithstanding whether a monetary policy easing does materialise at the April MPS, there is downside risk to the official 2025 growth forecast of 1-3%. Recall that in February 2020, the official growth forecast was shaded down from 0.5-2.5% to -0.5% to 1.5% due to Covid and subsequently pared further as the pandemic worsened. Meanwhile back in August 2019, there was also a forecast downgrade from 1.5-3.5% to 0-1% during the US-China trade conflict, and also in August 2015 during China's slowdown when the forecast was cut from 2-4% to 2-2.5%.

	House View	Key Themes
South Korea	We expect 2025 GDP growth to moderate to 1.9% YoY from 2.1% in 2024 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.	The BoK has pledged to closely monitor market volatility and intervene if necessary, following the larger-than-expected impact of the U.S. reciprocal tariffs on South Korea. Despite heightened uncertainty, we still expect the BoK to keep its policy rate unchanged at its upcoming meeting on April 17, as there remains room for negotiation on the trade front. In a major political development, President Yoon Suk Yeol has officially been removed from office after the Constitutional Court upheld his impeachment for declaring martial law last year. A presidential election must now be held within the next 60 days. The political transition sets the stage for a potential shift toward more progressive economic and social reforms. Democratic Party leader Lee Jae-myung, who currently leads in public opinion polls, is expected to pursue a more balanced foreign policy—maintaining the defense alliance with the U.S. while seeking to stabilize ties with China. On North Korea, Lee advocates for conditional engagement, signaling a more cautious and diplomatic stance. His moderate and pragmatic approach may help improve market sentiment and support the Korean won, which in turn could translate into a more favorable outlook for growth.
Hong Kong	Our full-year GDP growth forecast for 2025 is revised downward to 1.9%, accounting for the more challenging external environment and US-China tit-for-tat tariff war. Separately, the unemployment and inflation rates are pitched at 3.1% and 2.0% YoY respectively for 2025. Hong Kong's trade performance is expected to weaken in the coming months, due to the high base effect and prospect of tariff implementation. Meanwhile, retail sales are likely to remain sluggish. Separately, we expect the local banks to slash the prime rate further by 25 basis points in the second quarter this year, following Fed's decision to resume rate cuts. This will likely bring the HKD prime rate cut cycle to an end, after returning to the long-term level before the 2022 Fed rate hike cycle.	Local equity plunged fell alongside the global market selloff, while HKD rates also fell sharply since the announcement of US' reciprocal tariffs and the subsequent retaliation from China. Meanwhile, Hong Kong is starting to feel the pain from widening trade war. Merchandise exports to Asia as a whole grew by 25.0% YoY in February, yet that to US fell by 18.5% YoY. In sequential terms, merchandise exports declined by 15.7% in February, to the lowest level in one year. In view of sharp asset market correction and US-China tit-for-tat tariff war, we revise downward Hong Kong's full year growth projection from 2.2% to 1.9%. Separately, the Hong Kong Monetary Authority (HKMA) kept its base rate unchanged at 4.75%, following Fed's cautious hold decision last month. Concurrently, major Hong Kong banks also left their HKD prime rates unchanged. The HKMA flagged that interest rates in Hong Kong might still remain at relatively high levels for some time, as HKD interbank rates generally track the US dollar counterparts.
Malaysia	We reduce our 2025 GDP growth forecast to 4.3% YoY from 4.5%. This is given the impact of weaker external demand as most of Malaysia's trading partners are hit by tariffs. If the tariffs on semiconductors are announced before 2H25 when RON95 rationalization is due, we see a risk that the government could delay RON95 rationalization in a bid to support growth. We now pencil in a cumulative 50bp in rate cuts for 2026. The timing could, however, be brought forward.	The reciprocal tariffs at 24% is steep but less so than regional peers. The relief for Malaysia's exports, for the moment, is that semiconductor exports are still exempt from the reciprocal tariffs. This accounts for approximately a third of total exports to the US. However, we expect these will likely come in 2025. The authorities have the room to remain nimble around policy decisions this year, particularly if the shock to growth becomes large. We see a chance the government could delay the implementation of RON95 rationalisation and delay certain tax increases to support growth, while also providing space for BNM to deliver rate cuts. Our base case, for now, remains for RON95 rationalisation in 2H25, the risk is rising that the government will delay.

	House View	Key Themes
Macau	We revise downward Macau's economic growth forecast to 4.0% in 2025, from the previous estimate of 5%, taking into account the more challenging external environment and the slowing gaming sector recovery. Nonetheless, Macau's economy remains in solid footing this year, amid sustained recovery in tourism sector and non-gaming investments. Separately, the unemployment and inflation rates are pitched at 1.7% and 0.8% YoY respectively for 2025. Macau's gross total gaming revenue is expected to grow in a mid-single digit figure, supported by the premium mass segment.	Macau's gross gaming revenue increased by 6.8% YoY to MOP19.74 billion in February, despite fewer visitor arrivals during the month (at 3.15 million). In periods ahead, gaming sector recovery is expected slow, as the base normalised. Separately, Macau's housing market showed little sign of bottoming out nor stabilizing, after four consecutive years of downturn. In sequential terms, the residential property price index fell by 1.3% in Nov24-Jan25, after rebounding by 0.1% in Oct24-Dec24. Compared to the recent high, the residential property price index fell cumulatively by 24.6%. Headwinds, such as uneven economic recovery and stiff competition from neighbouring city Zhuhai, continued to dampen housing market demand. We tip the decline of housing prices at 4% YoY for 2025, following a decline of 11.7% YoY in 2024, with further prime rate cuts and mainland's increased housing support measures offsetting part of the headwinds.
Indonesia	We have cut our 2025 GDP growth forecast to 4.7% YoY, accounting for reciprocal tariffs and perceived domestic policy risks. The muddy outlook on fiscal policy and the perceived risks around Danatara will be exacerbated by the significantly high 32% reciprocal tariffs. With the risks to growth set to become more evident, we expect Bank Indonesia (BI) to lower its policy rate by a cumulative 50bp this year. The timing of the rate cuts will still depend on IDR stability. More fundamentally, the authorities will need to take proactive steps to convince investors of policy certainty and transparency; both factors are crucial to preventing a further backsliding of sentiment and asset value erosion.	The incoming data has been decidedly weaker, with the biggest tell being the 14.3% YoY drop in consumer goods exports as well as -10% YoY drop in retail motor vehicle sales. BI, however, looked through this data supporting IDR stability and sentiment, as the JCI hit an intra-day circuit breaker on 18 March. The JCI since recovered, however, the nature of sell-off exposed the authorities to the sensitivities of the market to unorthodox policy changes, limited communication and unclear outcomes. The official announcement of the structure of Danantara, the sovereign wealth fund, proved timely to assuage fears around poor management and a lack of transparency. The sharp 32% reciprocal tariffs from the US will be another challenge for policy makers to deal with. The government has said that it will try and negotiate with the US, but in the interim sectors as palm oil, footwear, furniture, apparel and electrical equipment will be hard hit.
Philippines	We have revised lower our 2025 GDP growth forecast to 5.9% YoY from 6.0%. The marginal revision was driven by our expectations of a limited impact from the latest US tariff plan. On inflation, we expect average headline CPI of 3.0% YoY in 2025, implying a pickup in inflation in the coming months. Nevertheless, this is broadly consistent with Bangko Sentral ng Pilipinas (BSP)'s annual headline inflation 2-4% target. We expect a cumulative 50bp in rate cut for 2025, with the first 25bp cut in April, taking the policy rate to 5.25% by end-2025.	The Trump administration has announced an 18% reciprocal tariff rate on the Philippines. This is, by far, one of the lowest rates in the region leading to a modest GDP impact. Meanwhile, headline and core inflation slowed to 1.8% YoY and 2.2% YoY in March, down from 2.1% and 2.4% in February. We expect the BSP to implement a 25bp rate cut at its 10 April meeting to support economic growth. Indeed, sentiment remains upbeat in the coming quarters. Politics has begun to heat up ahead of the 12 May mid-term elections. The relations between the Marcos-Duterte families have further soured following the former President Rodrigo Duterte being handed to the International Criminal Court. The outcome of the elections will be critical for the remainder of President Marcos Jr's presidency.

	House View	Key Themes
Thailand	We revise lower our 2025 economic growth forecast to 2.0% YoY, down from 2.8%, given the impact of the 37% reciprocal tariff rates on growth. On inflation, headline inflation is expected to average at 1.6% YoY in 2025, up from 0.4% in 2024. Nevertheless, we see increasing downside risks to our inflation forecast. We now expect the Bank of Thailand (BoT) to reduce its policy rate by a cumulative 50bps in 2025.	The permanent secretary at the Ministry of Commerce, estimated that exports could decrease by USD7-8bn if tariffs were raised by 11%. The outcome was much higher-than-expected, implying an even bigger hit. Moreover, economic growth has so far been undershooting expectations, with headwinds to growth mainly domestic driven. Tourist arrivals will also likely dip from the impact of the recent Myanmar earthquake.
Vietnam	The economy will reel under the shock of reciprocal tariffs, imposed at 46%. As economy reliant on exports, 30% of which are directed towards US, the tariff impact will be magnified through the economy impacted investments and consumption. We reduce our 2025 GDP growth forecast to 5.0% YoY versus our previous forecast of 6.2%. We now expect the State Bank of Vietnam (SBV) to reduce its policy rate by 50bps this year compared to our previous forecast of no change.	1Q25 GDP growth was already relatively resilient at 6.6% YoY, by our estimates, supported by a front-loading of exports to the US. But the outlook for the rest of the year is less rosy. Vietnam's exports to the US include a gamut of products from smartphones, communication apparatus, photovoltaic cells, footwear, furniture to laptops. Exports to the US could be reduced by as much as 35-40%, by our estimates. The government has room to step up on fiscal policies, including remaining focused on infrastructure spending. The authorities remain open to negotiations and have requested US officials to postpone the tariffs on 9 April.
ASEAN-5	The ASEAN economies were hard hit by President Trump's tariffs. The reciprocal tariff rates were significantly higher than expected. The situation is fluid, and we will continue to monitor our forecasts based on incoming information. The sharp escalation of tariffs rates, if realised, will have a hard-hitting impact on economic growth through the export channels. Based on import elasticities and our back of the envelope calculations, Vietnam will be hardest hit with GDP growth, followed by Thailand, Malaysia while Indonesia and India could be more insulated. Philippines, by our estimates, will be least impacted.	We now expect regional central banks to become more supportive of growth, particularly in 2H25. We are adding rate cuts to our Vietnam, Thailand, Indonesia and India forecasts. We expect the State Bank of Vietnam and Bank of Thailand to cut by an additional 50bps in 2H25, while Bank Indonesia and Reserve Bank of India will likely cut by an additional 25bp on top our current forecast of 25bp. This implies an additional 50bps in rate cuts by end-2025. Although the growth impact is limited for BSP, we expect it will take the opportunity to lower rates further to mitigate downside risks. We, therefore, expect a cumulative 50bp in rate cuts in 2025.

Growth & Inflation Forecast

(% YoY)	GDP			Inflation		
	2024	2025F	2026F	2024	2025F	2026F
United States	2.8	1.3	1.9	3.0	2.4	2.2
Euro Area	0.9	0.9	1.3	2.4	2.0	2.0
China	5.0	4.6	4.6	0.2	1.5	2.0
Hong Kong	2.5	1.9	2.3	1.8	2.0	2.1
Macau	8.8	4.0	3.0	1.0	0.8	0.8
Taiwan	4.6	2.5	2.3	2.2	2.3	1.9
Indonesia	5.0	4.7	5.2	2.3	2.8	2.7
Malaysia	5.1	4.3	4.5	1.8	2.7	1.8
Philippines	5.7	5.9	6.0	3.2	3.0	2.5
Singapore	4.3	2.1	2.5	2.4	1.5	1.5
Thailand	2.5	2.0	3.0	0.4	1.6	2.0
Vietnam	7.1	5.0	6.2	3.6	4.0	4.0

Source: Bloomberg, OCBC Research (Latest Forecast Update: 7 April 2025)

Rates Forecast

USD Interest Rates	Q225	Q325	Q425	Q126
FFTR upper	4.25	4.00	3.75	3.50
SOFR	4.05	3.84	3.59	3.34
3M SOFR OIS	4.05	3.90	3.70	3.50
6M SOFR OIS	3.95	3.80	3.70	3.50
1Y SOFR OIS	3.65	3.60	3.55	3.50
2Y SOFR OIS	3.35	3.40	3.40	3.50
5Y SOFR OIS	3.30	3.35	3.45	3.50
10Y SOFR OIS	3.45	3.45	3.55	3.55
15Y SOFR OIS	3.60	3.60	3.70	3.60
20Y SOFR OIS	3.60	3.60	3.70	3.60
30Y SOFR OIS	3.50	3.55	3.65	3.65
SGD Interest Rates	**Q225**	**Q325**	**Q425**	**Q126**
SORA	2.35	2.35	2.30	2.30
3M compounded SORA	2.40	2.36	2.33	2.31
3M SGD OIS	2.20	2.25	2.25	2.30
6M SGD OIS	2.20	2.25	2.25	2.30
1Y SGD OIS	2.15	2.15	2.20	2.25
2Y SGD OIS	2.15	2.20	2.20	2.30
3Y SGD OIS	2.20	2.25	2.25	2.30
5Y SGD OIS	2.20	2.25	2.30	2.35
10Y SGD OIS	2.30	2.30	2.35	2.35
15Y SGD OIS	2.35	2.40	2.40	2.40
20Y SGD OIS	2.35	2.40	2.40	2.40

MYR Interest Rates	Q225	Q325	Q425	Q126
OPR	3.00	3.00	3.00	3.00
1M MYR KLIBOR	3.26	3.26	3.25	3.25
3M MYR KLIBOR	3.64	3.60	3.57	3.55
6M MYR KLIBOR	3.70	3.68	3.65	3.60
1Y MYR IRS	3.50	3.45	3.40	3.40
2Y MYR IRS	3.40	3.35	3.35	3.35
3Y MYR IRS	3.35	3.35	3.35	3.35
5Y MYR IRS	3.45	3.40	3.40	3.40
10Y MYR IRS	3.60	3.60	3.55	3.55
HKD Interest Rates	**Q225**	**Q325**	**Q425**	**Q126**
1M HKD HIBOR	3.45	3.35	3.25	3.20
3M HKD HIBOR	3.65	3.50	3.40	3.35
6M HKD IRS	3.55	3.45	3.35	3.30
1Y HKD IRS	3.40	3.35	3.35	3.30
2Y HKD IRS	3.25	3.25	3.25	3.25
5Y HKD IRS	3.20	3.20	3.20	3.25
10Y HKD IRS	3.30	3.30	3.30	3.35
UST yields	**Q225**	**Q325**	**Q425**	**Q126**
2Y UST	3.60	3.50	3.45	3.40
5Y UST	3.75	3.70	3.65	3.60
10Y UST	4.05	3.95	3.90	3.90
30Y UST	4.45	4.45	4.45	4.40
SGS yields	**Q225**	**Q325**	**Q425**	**Q126**
2Y SGS	2.35	2.35	2.30	2.30
5Y SGS	2.35	2.35	2.35	2.35
10Y SGS	2.55	2.50	2.45	2.45
15Y SGS	2.65	2.60	2.55	2.55
20Y SGS	2.65	2.65	2.65	2.60
30Y SGS	2.65	2.65	2.65	2.70
MGS yields	**Q225**	**Q325**	**Q425**	**Q126**
3Y MGS	3.40	3.30	3.30	3.30
5Y MGS	3.50	3.45	3.45	3.40
10Y MGS	3.70	3.65	3.65	3.60
IndoGB yields	**Q225**	**Q325**	**Q425**	**Q126**
2Y IndoGB	6.45	6.35	6.30	6.25
5Y IndoGB	6.70	6.65	6.55	6.45
10Y IndoGB	6.95	6.90	6.80	6.75

Source: OCBC Research (Latest Forecast Update: 7 April 2025)

FX Forecast

Currency Pair	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
USD-JPY	145.00	144.00	142.00	142.00	141.00
EUR-USD	1.1000	1.1090	1.1140	1.1150	1.1160
GBP-USD	1.2900	1.2950	1.3000	1.3100	1.3150
AUD-USD	0.6050	0.6050	0.6100	0.6100	0.6200
NZD-USD	0.5550	0.5580	0.5600	0.5600	0.5700
USD-CAD	1.4200	1.4300	1.4400	1.4350	1.4300
USD-CHF	0.8550	0.8500	0.8450	0.8400	0.8450
USD-SEK	10.40	10.20	9.95	9.90	9.70
DXY	102.63	101.97	101.40	101.18	100.89
USD-SGD	1.3500	1.3550	1.3600	1.3600	1.3500
USD-CNY	7.3000	7.3200	7.3500	7.3500	7.3200
USD-CNH	7.3200	7.3400	7.3600	7.3500	7.3200
USD-THB	34.20	34.20	34.30	34.30	34.10
USD-IDR	16800	16850	17050	17050	16850
USD-MYR	4.4400	4.4600	4.4800	4.5000	4.4600
USD-KRW	1445	1460	1465	1465	1445
USD-TWD	33.00	33.10	33.40	33.60	33.20
USD-HKD	7.7700	7.7800	7.7900	7.7900	7.7800
USD-PHP	57.30	57.50	57.50	57.20	56.80
USD-INR	85.50	85.70	85.80	85.80	85.70
USD-VND	25800	25850	25900	25900	25850
EUR-JPY	159.50	159.70	158.19	158.33	157.36
EUR-GBP	0.8527	0.8564	0.8569	0.8511	0.8487
EUR-CHF	0.9405	0.9427	0.9413	0.9366	0.9430
EUR-SGD	1.4850	1.5027	1.5150	1.5164	1.5066
GBP-SGD	1.7415	1.7547	1.7680	1.7816	1.7753
AUD-SGD	0.8168	0.8198	0.8296	0.8296	0.8370
NZD-SGD	0.7493	0.7561	0.7616	0.7616	0.7695
CHF-SGD	1.5789	1.5941	1.6095	1.6190	1.5976
JPY-SGD	0.9310	0.9410	0.9577	0.9577	0.9574
SGD-MYR	3.2889	3.2915	3.2941	3.3088	3.3037
SGD-CNY	5.4074	5.4022	5.4044	5.4044	5.4222
SGD-IDR	12444	12435	12537	12537	12481
SGD-THB	25.33	25.24	25.22	25.22	25.26
SGD-PHP	42.44	42.44	42.28	42.06	42.07
SGD-VND	19111	19077	19044	19044	19148
SGD-CNH	5.4222	5.4170	5.4118	5.4044	5.4222
SGD-TWD	24.44	24.43	24.56	24.71	24.59
SGD-KRW	1070.37	1077.49	1077.21	1077.21	1070.37
SGD-HKD	5.7556	5.7417	5.7279	5.7279	5.7630
SGD-JPY	107.41	106.27	104.41	104.41	104.44
Gold $/oz	3100	3130	3160	3180	3200
Silver $/oz	31.63	31.94	33.26	34.57	35.56

Source: OCBC Research (Latest Forecast Update: 7 April 2025)

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

Macroeconomic Calendar

Date Time	C	Event	Period	Survey	Actual	Prior
08/04 12:00	ID	CPI YoY	Mar	1.20%	--	-0.09%
08/04 12:00	ID	CPI Core YoY	Mar	2.50%	--	2.48%
10/04 09:30	CH	CPI YoY	Mar	0.10%	--	-0.70%
10/04 20:30	US	CPI YoY	Mar	2.60%	--	2.80%
10/04 20:30	US	CPI Ex Food and Energy YoY	Mar	3.00%	--	3.10%
10/04 20:30	US	CPI Core Index SA	Mar	326.41	--	325.475
10/04 20:30	US	CPI Index NSA	Mar	320.151	--	319.082
10/04 - 14/04	SI	GDP YoY	1Q A	4.90%	--	5.00%
10/04 - 14/04	SI	GDP SA QoQ	1Q A	--	--	0.50%
15/04 18:30	IN	CPI YoY	Mar	3.60%	--	3.61%
16/04 10:00	CH	GDP YoY	1Q	5.20%	--	5.40%
16/04 10:00	CH	GDP YTD YoY	1Q	5.10%	--	5.00%
16/04 10:00	CH	GDP SA QoQ	1Q	1.40%	--	1.60%
16/04 14:00	UK	CPI YoY	Mar	--	--	2.80%
16/04 14:00	UK	CPI Core YoY	Mar	--	--	3.50%
16/04 14:00	UK	CPIH YoY	Mar	--	--	3.70%
16/04 14:00	UK	CPI Services YoY	Mar	--	--	5.00%
16/04 17:00	EC	CPI YoY	Mar F	--	--	--
16/04 17:00	EC	CPI Core YoY	Mar F	--	--	2.40%
18/04 07:30	JN	Natl CPI YoY	Mar	--	--	3.70%
18/04 07:30	JN	Natl CPI Ex Fresh Food YoY	Mar	--	--	3.00%
18/04 07:30	JN	Natl CPI Ex Fresh Food, Energy YoY	Mar	--	--	2.60%
22/04	MO	CPI YoY	Mar	--	--	2.60%
23/04 13:00	SI	CPI YoY	Mar	--	--	0.90%
23/04 13:00	SI	CPI Core YoY	Mar	--	--	0.60%
24/04 07:00	SK	GDP YoY	1Q A	--	--	1.20%
24/04 07:00	SK	GDP SA QoQ	1Q A	--	--	0.10%
25/04 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Apr	--	--	2.40%
25/04 07:30	JN	Tokyo CPI YoY	Apr	--	--	2.90%
25/04 07:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Apr	--	--	2.20%
30/04 17:00	EC	GDP SA QoQ	1Q A	--	--	0.20%
30/04 17:00	EC	GDP SA YoY	1Q A	--	--	1.20%
30/04 20:30	US	GDP Annualized QoQ	1Q A	--	--	2.40%
30/04 20:30	US	GDP Price Index	1Q A	--	--	2.30%
30/04 20:30	US	Core PCE Price Index QoQ	1Q A	--	--	2.60%
30/04 22:00	US	Core PCE Price Index YoY	Mar	--	--	2.80%
30/04 22:00	US	PCE Price Index YoY	Mar	--	--	2.50%

Source: Bloomberg

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
01/04 11:30	AU	RBA Cash Rate Target	Apr-1	4.10%	4.10%	4.10%
09/04 10:00	NZ	RBNZ Official Cash Rate	Apr-9	3.50%	--	3.75%
09/04 12:30	IN	RBI Repurchase Rate	Apr-9	6.00%	--	6.25%
09/04 12:30	IN	RBI Cash Reserve Ratio	Apr-9	4.00%	--	4.00%
10/04 15:00	PH	BSP Overnight Borrowing Rate	Apr-3	5.50%	--	5.75%
10/04 15:00	PH	BSP Standing Overnight Deposit Facility Rate	Apr-3	5.00%	--	5.25%
16/04 21:45	CA	Bank of Canada Rate Decision	Apr-16	2.75%	--	2.75%
17/04 20:15	EC	ECB Main Refinancing Rate	Apr-17	--	--	2.65%
17/04 20:15	EC	ECB Deposit Facility Rate	Apr-17	--	--	2.50%
17/04 20:15	EC	ECB Marginal Lending Facility	Apr-17	--	--	2.90%
21/04 09:00	CH	1-Year Loan Prime Rate	Apr-21	3.10%	--	3.10%
21/04 09:00	CH	5-Year Loan Prime Rate	Apr-21	3.60%	--	3.60%

Source: Bloomberg

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