Research Monitor (December)

4 December 2024

Key Themes

1. Tariffs could be the proverbial tail that wags the dog in 2025. President-elect Trump will only be inaugurated on 20 January 2025, but his cabinet picks and policy priorities in terms of tackling inflation, immigration and the economy already have financial markets in upheaval. While our baseline is a balanced global macroeconomic outlook, the dispersion of potential outcomes is significantly wider ahead. Any simplistic assumptions (e.g. stronger USD, higher US equities and higher UST bond yields) may not sustain, depending on if the Trump policy shifts materialise and if the bite is as bad as the bark. Trump has nominated Scott Bessent as the Treasury Secretary, throwing the focus on the latter's "3-3-3" plan – a framework to achieve 3% economic growth, trim the deficit to 3% of GDP and increase oil output by 3mbpd.

2. In the interim, swings in monetary policy expectations have rattled financial markets amid speculation that a Fed rate pause may be imminent. With the looming dark clouds, greater market volatility appears likely given major trade actions. ASEAN economies have generated better-than-expected 3Q24 GDP growth but may be under increasing scrutiny under Trump's laser tariff focus.

3. The dust appears to be settling in China in November. While the return of Trump means more uncertainty for the next four years, China has announced a comprehensive CNY12trn domestic debt resolution package – while the amount announced aligns with expectations, it may not meet the demands of all stakeholders. Notably, there will be no issuance of additional central government bonds or adjustments to the deficit ratio in 2024. Additionally, the debt resolution responsibility remains primarily with local governments. Fiscal policy remains focused on risk prevention without substantial demand side stimulus. The resolution of tail risks should boost risk appetite; however, the lack of demand side stimulus means that it will take longer time to repair the household balance sheet. The RMB weakened in November due to increasing tariff risk concerns. China's reaction under Trade War 2.0 may be different - a stable RMB might better serve China's interests by preserving its ability to export inflation while minimizing domestic economic disruptions. However, exporting inflation would likely create global ripple effects, exacerbating challenges for other economies and heightening market volatility.

4. Flash estimates* indicate that the OCBC SME Index rebounded from 49.9 to 50.9 (expansion) in November. SMEs in manufacturing and outward-oriented sectors should benefit from resilient external demand and the ongoing global electronics recovery whereas consumer-facing SMEs, such as in retail trade and F&B, may face less favourable conditions as local outbound travel has picked up while tourist spending has been sluggish. SMEs face high operating costs despite some easing in inflationary pressures.
   **Using data until 21st November 2024*

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Asset Class Views

	House View	Trading Views
FX	**G-10 FX: USD** looks on track to close >1% higher for the month of November as markets adjusted for a possible return of US exceptionalism, less dovish Fed stance and policy uncertainties associated with a Trump presidency. Powell indicated a cautious approach to rate decisions, leading markets to recalibrate their expectations for rate cuts in 2025. Trump's anticipated return may bring significant shifts in fiscal and trade policies, raising concerns about tariffs that could impact global trade, growth and inflation. That said, stretched USD valuation, technical signals and potential December seasonality effect (DXY fell in 8 out of the last 10 Decembers) are some considerations for profit-taking on USD longs in the near term.	Near Term Downside. Support at 105, 104.10. Resistance at 107, 108.10.
	EUR traded ~3% lower for the month of November. Slump in PMIs (reinforcing concerns of slowing growth), widening in EU-UST yield differential, worsening of geopolitical development between Ukraine-Russia (higher natural gas prices), fears of US protectionism measures, German political uncertainty, an acceleration in dovish re-pricing of ECB cut cycle were some factors that can be attributable to EUR's decline. That said, EUR shorts are now facing a squeeze in the short term as Trump trade momentum fades and December seasonality plays up. We do not rule out markets fading the rally on political concerns in Germany in coming weeks. A confidence vote has been brought forward to 16 Dec (versus 15 Jan 2025 previously) and a new election is likely on 23 Feb 2025. Political uncertainty in Germany may further weigh on EUR in the interim, though we do expect this to come to pass. Overall, concerns of political uncertainty in Germany, policy uncertainties associated with Trump presidency, softer growth momentum in Euro-area and potential widening of EU-UST yield differentials are some of the factors that may weigh on the EUR. But over the medium term, EUR can revert to trend higher when growth stabilises, and political and policy uncertainties find some clarity.	Short Squeeze. Resistance 1.0620, 1.0780. Support at 1.05, 1.0350.
	USDJPY traded choppily, rising 3% at one point only to reverse them entirely into month-end. For the month, USDJPY was down 1.6%. Hotter than expected Tokyo CPI, services PPI added fuel to BoJ hike bets and JPY bulls. Recent data confirmed price pressures remain intact while labour market developments also pointed to upward wage pressure in Japan with 1/ jobless rate easing, 2/ job-to-applicant ratio increasing; 3/ PM Ishiba and trade unions calling for another 5-6% wage increase at shunto wage negotiations for 2025. These developments reinforced the notion that BoJ policy normalisation should continue and UST-JGB yields can narrow further (as Fed cut and BoJ hikes). This supports the bias for USDJPY downside.	Bearish bias. Support at 148, 145. Resistance at 152, 153.30.
	Asian FX and SGD: The last few weeks has seen downtrend in most AxJs FX. Tariff concerns associated with policy uncertainties under Trump presidency, higher UST yields and re-escalation in geopolitical tensions in Ukraine were amongst some of the drivers of undermining Asian FX at one point. Into late month, USD long unwinding provided a breather for Asian FX. Over the next few weeks, we continue to watch 3 risks: (1) December FOMC meeting; (2) global macro conditions. Any signs of US/global recession or inflation re-accelerating would derail the momentum seen in Asian FX, but this is a lesser risk at this point. (3) geopolitical risks.	
	USDSGD looks on track to close (>1%) higher for the month of November, influenced by geopolitical tensions, USD moves and fluctuations in JPY and RMB. S$NEER has also been easing from 2% above model-implied mid in Oct to about 0.9% above model-implied mid. Historically positive correlation between the change in S$NEER and MAS core inflation shows that SGD strength can ease when core inflation eases materially. Further slippage in core CPI may see S$NEER trend lower. But in the interim, we are of the view S$NEER may stabilize in 0.9-1.4% above model-implied mid until we see another catalyst. We look for MAS to stay on hold at Jan MPC as it assesses geopolitical and tariff risks.	Corrective pullback. Support at 1.3340, 1.3290. Resistance at 1.3520.

	House View	Trading Views	
Commodities	We have revised our forecast for Brent and WTI oil prices to average USD80/bbl and USD76/bbl in 2024, down from USD82/bbl and 78/bbl previously. This adjustment partly reflects mark-to-market considerations, given that year-to-date Brent and WTI prices have averaged USD80.5/bbl and USD76.3/bbl. Importantly, this underscores our view that global oil prices will continue to fluctuate in a tight range. Upside potential over concerns that escalating geopolitical tensions in the Middle East and Europe could disrupt global oil supply may be offset by lingering demand concerns and prospects of a supply glut in 2025. In 2025, we expect global oil prices to continue moderating, with Brent and WTI averaging USD77/bbl and USD73/bbl, as the anticipated buildup in global oil inventories is expected to curtail any upward pressure on oil prices.	Crude oil benchmarks failed to hold onto the gains made in October, with WTI and Brent declining by 1.8% MoM and 0.3% MoM, respectively, to close at USD68.0/bbl and USD72.9/bbl. Geopolitical tensions in Europe, along with disruptions in oil operations in the Gulf of Mexico and the North Sea, were among the factors that had supported higher oil prices. However, these gains were more than offset by factors including a stronger DXY profile, and the announcement of an Israel-Hezbollah ceasefire agreement. Over the next few weeks, we will be monitoring risks related to the supply side. There was some relief in Middle Eastern tensions following a ceasefire agreement between Israel and Hezbollah. However, the situation remains fragile due to reports of violations in the agreement. Any signs of an escalation would stoke upward pressure on oil prices. Meanwhile, OPEC+ will hold its last meeting for the year on 5 December. Crude oil prices remain weak and have broadly traded within a narrow range. Given the prospects of a supply glut next year, we believe the likelihood of another extension of planned production increases for 1-2 months is on the table, in our view. However, the challenge is for the group to establish a delicate balance between supporting the oil market and managing the risk of potentially losing some market share to non-OPEC+ production growth.	→

	House View	Trading Views	
Rates	FOMC lowered the target range for the Fed funds rate by 25bps at the 7 November FOMC meeting. Powell commented that the elections will have no near-term effect on monetary policy decisions. It remains more likely than not that there will be another 25bp Fed Funds rate cut at the December FOMC meeting, in our view. Looking into 2025, we have pencilled in four 25bp Fed funds rate cuts which will bring the range to 3.25-3.50% by end-2025; this will be consistent with the stance of bringing rates gradually down over time to a more neutral level. Risk is however that the Fed may be able to deliver fewer rate cuts or have to pause rate cut earlier than we expect, given inflation impact of potential tariffs.	**USD rates**: UST yields have retraced from the recent highs attained in mid-November, amid signs of some unwinding of elections trade. Recent coupon bond auctions were well received, suggesting those yield levels after the earlier upticks were seen as appealing by some investors. USD OIS priced a 66% chance of a 25bp cut at the December FOMC meeting, while market will also watch the updated dot-plot. With OIS pricing of rate cuts not particularly aggressive, any upside to short-end yields may be capped. At the longer end, 10Y real yield has fallen back to just below the 2% level, while 10Y breakeven is trading within range; after the recent falls, long end yields may consolidate in the near term. We maintain a steepening bias to the curve.	↓

	House View	Trading Views	
Rates	We expect BoE to hold Bank Rate unchanged at the December MPC meeting. The pick-up in October inflation was expected, primarily due to the higher energy cap which will exert a similar impact on November and December inflation. We expect inflation to mostly print in the range of 2.0-2.5% in 1H2025, which is consistent with a gradual path of rate cuts – we expect one 25bp cut in each quarter in 2025 which will bring the Bank Rate to 3.75% by end-2025. Again, risk to our Bank Rate forecast is to the upside should inflation prove more persistent. The ECB has already cut rates by a cumulative 75bps this year thus far and is likely to deliver another 25bp cut at December meeting amid weak growth. Lower rates may help channel savings into spending and/or investment. We continue to look for a 15bp BoJ rate hike at the December meeting. Potential constraint on further increase in the labour force, and changing firms' wage and price setting behaviour, point to the prospects for the virtuous cycle between wage growth and inflation continuing to play out, and hence for inflation to stay sustainably around the 2% target. This inflation outlook is likely to allow the BoJ to continue with monetary policy normalization.	**SGD rates** outperformed USD OIS over the past month, with SGD-USD rates spreads becoming more negative. The relative performance was in line with historical pattern. 2025 SGS issuance calendar has been released. As MAS expects outstanding SGS "to grow at a slightly faster pace than in 2024", we put our preliminary estimate of 2025 gross SGS supply at SGD26-27bn. The supply outlook is supportive of SGS as usual, as MAS can calibrate the issuance sizes of each bond depending on prevailing market demand and market liquidity.	↓
		IndoGBs traded on the weak side and underperformed USTs over the past month. Demand at recent auctions was not as strong as those in earlier months, partly as IndoGB-UST yield differentials had narrowed in the early Aug-early Nov period. Month to 25 November, banks and foreign investors have reduced holdings of government securities, which were more than offset by increased holdings by other domestic investors. IndoGB-UST yield differentials have since widened mildly, and upon some further widening, foreign flows may start to come back.	→
		MGS outperformed MYR IRS during the early part of November and the movement has since reversed. The last auction (the 3Y MGII) of the year has been cancelled; this was implied by the current funding status as the remaining 10Y MGS auction is likely enough to cover the funding needs. MGS is likely to stick to its relative stable nature while the 2025 supply outlook is constructive.	→
		CNY rates softened further amid expectation for additional monetary easing and continued liquidity support. We maintain a steepening bias on the CGB curve against the monetary policy backdrop and potential supply risk coming in 2025.	↓

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

	House View	Trading Views	
Credit	Asiadollar credit spreads started to widen somewhat in the second half of November, a turnaround from a tightening trend since the second half of September. That said, credit spreads remained tight, trading near multi-year low levels. Bloomberg Asia USD Investment Grade spreads and Bloomberg Asia USD High Yield spreads reaching 74bps (flat m/m) and 459bps (+6bps m/m), respectively, as of 28 November 2024. November saw a slight slowdown in Asiadollar bond issuance (excluding Japan) of USD15.5bn as of 28 November 2024 against USD16.3bn in October per Bloomberg data. Large issuances from sovereigns consist of (i) Perusahaan Penerbit SBSN Indonesia III (Republic of Indonesia) issuing a USD2.75bn debt in three tranches, (ii) People's Republic of China Ministry of Finance issuing a USD2bn debt in two tranches with exceptional receptions, trading ~20bps negative spread against US Treasury yields. Alibaba Group Holding was also a major issuer in November, bringing USD2.65bn worth of debt in three tranches. Another issuer worth mentioning is SP Group Treasury Pte Ltd (guarantor: Singapore Power Ltd) which issued USD700mn worth of debt in the Asiadollar market. The SGD primary market's issuance came down to SGD2.8bn in November, down from an exceptionally strong issuance in October of SGD4.2bn. Notable issuances from the month came from (i) HDB with a SGD900mn Fixed, (ii) Barclays PLC with a SGD600mn AT1 and (iii) ANZ with a SGD600mn Tier 2. The SGD Credit Universe +0.08% m/m as of 28 November 2024 (October: +0.07%) as SORA OIS yields tightened m/m, though offset by modest spreads widening across SGD Credit Universe. Financial Institutions Capital Instruments fell (AT1s: -0.20%, Tier 2s: -0.09%) in October partly due to the issuance of BACR 5.4%-PERP, which offer somewhat higher yield in comparison to the others.	**OUECT 3.9 '31 (SGD)** • OUEREIT is a mid-sized diversified REIT in Singapore, with a market cap of SGD1.5bn as of 27 November 2024 while total assets under management were SGD6.3bn as of 31 December 2023. By 3Q2024 revenue, OUEREIT's assets are contributed by offices (48%), retail (17%) and hospitality (35%). By region, 3Q2024 revenue was contributed by six assets in Singapore (93%) and one in Shanghai (7%). Within hospitality and retail, it owns Crowne Plaza Changi Airport, Hilton Singapore Orchard, Mandarin Gallery. For offices, OUEREIT owns 50% stakes of OUE Bayfront, OUE Downtown and 68% stakes of One Raffles Place in Singapore and Lippo Plaza (7%) in Shanghai. • Overall 3Q2024 results are largely stable with consistent performance from Singapore Hospitality, Retail and Office segments. Results are slightly affected by more cautious consumer sentiments on both Retail and Hospitality segments. The outlook is stable, underpinned by the premium asset portfolio in Singapore. • Attractive ask yield of ~3.8% with a credit spread of 110bps. **SOCGEN 8.25% 'PERPc27s (SGD)** • Societe Generale ("SocGen")'s 3Q2024 result outperformed its YTD performance with 3Q2024 net income up around 280% y/y against 9M2024 net income that was up 35.9% y/y although this was influenced by a EUR338mn exceptional goodwill impairment recognised in 3Q2023. Excluding this, 3Q2024 net income was still up ~77% y/y. • Amidst SocGen's improved overall performance, SocGen Chief Executive Officer Slawomir Krupa announced several management changes focused on French retail banking that are designed to continue the improvement in French retail banking that has previously struggled. Mr Krupa is currently pursuing a strategic roadmap presented in September 2023, targeting a streamlined, more synergetic and efficient business model with lower costs, while strengthening the Group's capital base.	↑ ↑

Macroeconomic Views

	House View	Key Themes
United States	We have upgraded our 2024 full-year growth forecast to 2.8% from 2.4% prior. We expect GDP growth to moderate to 2.0% moving into 2025, as consumption tailwinds moderate. Our headline CPI forecast for 2024 remains at 2.9% YoY, but prices should ease to 2.4% YoY in 2025. The Federal Reserve may cut by 25bps at the last meeting this year on 18 December, and potentially cut a further cumulative 100bps in 2025.	3Q24 GDP growth has remained robust at 2.8% QoQ saar, indicating a still resilient economy. While headline and core PCE ticked up in October, the October FOMC minutes show Fed members remain confident that inflation will return to the 2% target over time. Tariffs, deportations and tax cuts will be the key economic policies to watch out from 20 January 2025. Trump has already threatened to impose more tariffs on Canada, Mexico and China. It remains to be seen if his tariff threats will be implemented or merely used as bargaining chips. On the monetary policy front, Fed Chair Powell has indicated that near-term policy decisions will face little pressure from the elections.
Euro Area	We maintain our 2024 GDP growth forecast at 0.7% YoY. The manufacturing sector remained tepid in 2024, but should gradually improve in 2025, and GDP growth should pick up to 1.2%. We maintain our 2024 headline CPI forecast of 2.4% YoY and expect a moderation to 2.0% in 2025. The European Central Bank (ECB) has maintained its "data dependent, meeting-by-meeting" approach through 2024 and we do not expect a shift in messaging. We expect the ECB to cut by 25bp at its 12 December meeting and deliver a cumulative 75bp worth of cuts in 2025.	GDP growth improved to 0.9% YoY in 3Q24, raising hopes of a stronger and more sustained economic recovery moving into 4Q24 and 2025. Industrial production remained muted, but with declining inventories, some improvements are expected next year. Meanwhile, headline CPI remained at or below the ECB's 2% target in September and October. While negotiated wage growth ticked higher to 5.4% YoY in 3Q24, the overall labour market picture appears supportive of both the growth and inflation outlook. ECB officials have increasingly flagged downside risks to economic growth, especially with the prospect of tariffs from the US. ECB Vice President Guindos said that 'concerns about high inflation have shifted to economic growth', indicating a clear path for the ECB to continue to ease monetary policy.
Singapore	We have revised our full-year 2024 growth forecast up to 3.6% YoY given the better-than-expected 3Q24 growth. For 2025, we keep our 2.7% YoY GDP growth forecast but stay cognisant of the higher 2024 growth base as well as risks pertaining to what happens after Trump takes office on 20 January 2025. For full-year 2024, we are on track to see headline and core CPI come in at 2.4% YoY and 2.7% respectively, before moderating to around 2% YoY in 2025. Geopolitical tensions, macroeconomic risks and political uncertainty in the US remain top of the mind risks that warrant a prudent approach. As such, the hurdle to any easing move by MAS at the upcoming policy review in January 2025 may remain high.	3Q24 GDP growth was stronger than expected at 5.4% YoY as all sectors saw upward revisions. Growth in the manufacturing sector was upgraded to 11% YoY, aided by the electronics recovery. Meanwhile, the finance & insurance sector saw strong growth, highlighting the effect of global monetary policy easing boosting tailwinds. Accordingly, MTI revised up its 2024 full-year growth forecast to 3.5% YoY. On the inflation front, October headline and core CPI decelerated more than expected to 1.4% YoY and 2.1% respectively, down from 2.0% and 2.8% in September and indicating a strong disinflationary path. For MAS, the core inflation objective is paramount – while an easing in its policy stance is still logical given greater conviction that core inflation is headed in the right direction towards the 1.5-2.5% range in 2025, nevertheless, there is no hurry to do so given the many moving parts and external uncertainties. Moving forward, watch the upcoming Budget 2025, where further fiscal support to address the rising cost of living may materialise.

	House View	Key Themes
Japan	We have revised our 2024 GDP forecast down to -0.3% YoY as subdued domestic investment and negative export growth prove to be drags. The 2025 picture should be rosier at 1.0% YoY on account of higher consumption and investment spending. The virtuous wage inflation cycle continues to play out and inflation is expected to stay sustainably around the 2% target moving forward. We expect 2024 inflation to come in at 2.5% YoY and average 2.0% in 2025. The overall rhetoric from the Bank of Japan (BoJ) seems mildly hawkish and we expect a total of four 15bp rate hikes till end-2025, which will bring the target rate to 0.85% by end-2025.	3Q24 GDP growth eased to 0.2% QoQ sa from the 0.5% growth in 2Q24. Consumption grew for a second consecutive quarter, albeit at a slower pace. The pace of rebound remains slow, as industrial production and retail sales for October grew less than expected. The wage-inflation cycle remains strong, as super-core CPI ticked up to 2.3% YoY in October. Forward looking Tokyo CPI shot up unexpectedly to 2.6% YoY in November. Nominal wage growth continues to remain strong, though real cash earnings continue to remain weak due to elevated inflation. Services PPI also ticked up to 2.9% YoY, indicating a strong passthrough in costs to businesses and suggesting a virtuous cycle that will keep inflation sustainably above the BoJ's 2% target. The BoJ's assessment from its October report sees risks to prices skewed towards the upside for 2025, indicating further space for the BoJ to continue normalizing its target rate. PM Ishiba is planning a JPY13.5trn supplementary budget to help low-income households and offset rising prices.
South Korea	We expect 2024 GDP growth of 2.2% YoY, on account of stronger external demand even as domestic demand conditions remain muted. However, increasing headwinds to external demand and a slow recovery in domestic consumption means that 2025 GDP growth is likely to slow to 1.9%. Both headline and core inflation have continued to ease, creating room for the Bank of Korea (BoK) to ease monetary policy. The BoK unexpectedly cut by 25bp at its 28 November meeting, bringing its policy rate down to 3%. We expect the BoK to ease its policy rate down to 2.5% by end 2025.	Headline and core inflation remained below the BoK's 2% target for the third and second consecutive month respectively at 1.5% YoY and 1.9% in November, indicating a benign inflationary outlook. The BoK further delivered an unexpected 25bp cut at its 28 November meeting, citing uncertainty from the incoming Trump administration as a key factor for its decision despite previous fears about KRW weakness. BoK also cut its 2025 growth forecast to 1.9% from 2.1% previously. Growth has moderated in recent months as export growth moderates, with the BoK expecting a further cooling. The BoK highlighted that it would continue to keep an eye on KRW volatility, reiterating Governor Rhee Chang Yong's previous comments, and indicated that it would seek to reduce volatility through swap agreements and government policy. 3 members of the MPC have indicated an openness to a rate cut in the next three months.
Thailand	We have revised our 2024 GDP growth forecast up to 2.6% from 2.3% prior, as we expect positive tailwinds from the implementation of phase 1 of the digital wallet programme. For 2025, we forecast GDP growth of 3.3% YoY supported by the remaining phases of the digital wallet programme. We have also revised up our 2024 headline inflation forecast to 0.6% YoY from 0.4% prior as inflation is expected to pick up in 4Q24. We expect Bank of Thailand (BoT) to save its bullet for next year and forecast a 25bps cut to the policy rate in 1Q25, taking it to 2.00%.	Recent political cases against Thaksin Shinawatra were dismissed by the Constitutional Court, reducing political uncertainties in the near-term. However, a case against former PM Thaksin will be heard from July 2025, which could have economic implications. The government's policies remain focused on boosting consumption, including additional holidays in 2025, cash subsidy for farmers and the digital wallet program. Longer-term plans to boost the property sector and infrastructure spending lack details. The economy will likely continue to underperform regional peers in 2025. Structural constraints including a rapidly ageing population, elevated household debt and slow progress on infrastructure projects will weigh on potential growth. The persistent dissonance between BoT and the government will do investor sentiment no favours.

	House View	Key Themes
China	The Chinese economy decelerated to 4.6% YoY in real terms in 3Q24, down from 4.7% in 2Q24. For the first three quarters, the economy grew by 4.8% YoY. With the National Development and Reform Commission already advancing a CNY200bn investment plan for the fourth quarter, we expect the economy to return to growth above 5% in 4Q24, bringing full-year growth closer to the 5% target. For 2025?	The massive stimulus has begun to translate to improving economic sentiment. The official manufacturing PMI unexpectedly rebounded to 50.1 in October from 49.8 in September, marking its return to expansionary territory for the first time in six months and defying the usual seasonal decline in October. The October economic data suggests that recent easing measures are gaining traction. Resilient manufacturing and rebounding infrastructure investments offset continued declines in real estate investment. Infrastructure investment increased by 4.3% YoY for Jan-Oct, a 0.2 percentage point (pp) acceleration compared to Jan-Sep, marking the first rebound since March. Consumption also picked up, supported by trade-in programs, the National Day holiday, and early "Double Eleven" promotions. Total retail sales grew by 4.8% YoY in October, accelerating by 1.6pp from September. Trade-in policies significantly boosted sales of home appliances, automobiles, furniture, and office supplies, collectively contributing 1.2pp to overall retail sales growth. China is poised to achieve growth exceeding 5% in 4Q24, bringing the annual growth rate to approximately 4.9%. However, this recovery is uneven, characterized by persistently low inflation and a cautious appetite for leverage within the corporate sector. Consequently, we anticipate further policy support from the Chinese government to bolster the recovery efforts.
Hong Kong	Headwinds from China's economic slowdown and the elevated interest rate environment are likely to moderate after China's stimulus package and the Fed's rate cuts. However, "Trump 2.0" could risk a worsening of US-China relations, and thereby dealing a blow to Hong Kong's recovery. Our full year GDP growth forecast for 2024 and 2025 are 2.4% YoY and 2.2% respectively, accounting for waning support from a low base. We tip the overall unemployment rate at 3.0% this year and 3.1% in 2025 amid a tight labour market. We now expect the housing price index to fall by 6-9% in 2024 and stay flat in 2025. Approaching end-2024, Hong Kong dollar liquidity is likely to tighten further. Hence, there is room for HKD rates to underperform USD rates. We expect commercial banks to pause prime rate cuts in December, before slashing prime rates further by 37.5bp in 2025.	The economy grew by 1.8% YoY in 3Q24, the slowest pace in five quarters (2Q24: 3.2%; 1-3Q24: 2.6%). On a QoQ basis, real GDP declined by 1.1% QoQ sa (2Q: 0.3%). Growth momentum has weakened, on the back of weak goods export growth and a further contraction in domestic consumption. Growth in goods exports and gross fixed capital formation slowed to 4.0% YoY and 3.7% respectively (2Q24: 7.5% and 4.1%), reflecting weaker external demand and a higher base of comparison a year ago. Meanwhile, growth in private consumption expenditure contracted further by 1.3% YoY (2Q24: -1.6%), amid the weak consumption sentiment and still elevated interest rate environment. On the flip side, government expenditure and exports of services continued to grow by 2.1% YoY and 2.4% respectively (2Q24: 2.2% and 1.1%). Within the period, total visitor arrivals rose 9.6% YoY to an average of 3.8mn per month. Citing increased global economic uncertainties and escalation of trade conflicts, the government revised downward its 2024 full-year growth forecast to 2.5%, from the previous range of 2.5%-3.5%, and cut the headline inflation forecast to 1.7% YoY from the previous estimate of 1.9%.

	House View	Key Themes
Macau	Growth is likely to slow further through end-2024, given the tighter scrutiny over gaming activities, still-weak macroeconomic backdrop in China and the high base effect. We revise our full-year growth forecast down to 9% YoY, from the previous estimate of 11% YoY. A full recovery is likely to be delayed until late 2025, assuming that outbound travel in China will fully recover by then. Even then, the pace of growth may still vary across sectors. Industries with strong links to tourism are likely to be supported, albeit seeing milder expansions, while the rest may struggle to find cyclical momentum. All in all, we expect 2025 growth to come in at 5% YoY. Meanwhile, we expect the 2025 unemployment and inflation rate to come in at 1.7% and 1.3% YoY respectively.	Real GDP rose at a slower pace of 4.7% YoY in 3Q24 (2Q24: 7.7% YoY), dragged by moderating services exports growth. Both external and domestic demand expanded at a decelerated pace of 4.7% YoY and 4.6% respectively (2Q24: 17.3% and 1.0%). In the first three quarters this year, the economy grew by 11.5% YoY, rebounding to around 85.9% of pre-pandemic level in 2019. The weakening of growth momentum was broad based. Growth of gaming services exports moderated to 11.2% YoY (2Q24: 21.5%), while exports of other tourism services declined further by 14.5% YoY (2Q24: -13.4%). Taken together, exports of services grew at a much slower pace of 1.3% YoY in 3Q24 (2Q24: 6.2%). On the domestic front, private consumption expenditure recorded modest gains at 1.9% YoY (2Q24: 4.3%), as the base of comparison normalised. Nonetheless, gross fixed capital formation growth picked up to 14.7% YoY (2Q24: 1.6%), as the private sector stepped up investment. We expect total gross gaming revenue to grow by 24% YoY in 2024, while full-year tourist arrivals may return to 87% of pre-pandemic levels. The labour market has returned to a full employment status with the unemployment rate falling back to 1.7%. Meanwhile, we expect full-year 2024 inflation to come in at 1.0%.
Indonesia	The political transition to President Prabowo was smooth and the first steps by the new government have signalled prudent economic policy making, namely re-appointing Finance Minister, SOE Minister and Coordinating Minister for Economic Affairs. We expect GDP growth of 5.1% in 2025 versus 5.0% in 2024 supported by investment spending and private consumption. Against a backdrop of stable growth and inflation, Bank Indonesia (BI) will remain vigilant of external risks. We now expect cumulative rate cuts of 50bps versus 100bps previously, taking the policy rate to 5.50% rather than 5.00%. The timing will depend on IDR moves.	Budget 2025 has pegged the fiscal deficit at 2.5% of GDP from 2.7% in 2024. This assumes an increase in the VAT rate to 12% from the current 11% in 2025, as legislated by the 2021 Tax Harmonisation Law. However, contradictory statements from the FM and Economics Coordinating Minister have thrown into question whether this increase will materialise. Authorities are exploring other avenues to raise revenues, including re-introducing a tax amnesty program. On the external front, although the current account deficit narrowed to 0.6% of GDP in 3Q24 from 1% of GDP in 2Q24, portfolio flows remain under pressure. The authorities' focus remains on attracting capital inflows to help mitigate IDR depreciation pressures. This was underscored by high SRBI rates from recent auctions and plans to extend the minimum tenor for maintaining foreign currency natural resources export earnings onshore to 6 months from 3 months.
Malaysia	GDP growth averaged 5.1% YoY in 1Q-3Q24 and on the back of this, we revise higher our 2024 GDP growth forecast to 5.2% from 5.0%. This implies GDP growth of 5.2% in 4Q24. We maintain our 2025 forecast of 4.5% YoY, supported by still solid domestic demand and resilient export growth. There are two key knowns unknowns for 2025. On the external front, the potential implications of US tariffs and on the domestic front, the mechanism of implementation of RON95 rationalisation.	Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.00% on 6 November which was the last meeting for 2024. We expect that BNM will keep its policy rate unchanged in 2025. However, there are many moving parts and risks to be cognisant off including second round inflationary pressures from RON95 rationalisation, the impact of potential US tariffs and domestic wage increases. Meanwhile, the government has continued to pursue FDI investments and incentivise moving up the value chain within crucial electronics sectors, such as semiconductors. The impending announcement of the Johor-Singapore SEZ in early December is highly anticipated. Indeed, property transactions in Johor have risen steadily through 2024.

	House View	Key Themes
Vietnam	We expect 2025 GDP growth of 6.2% YoY versus 6.5% in 2024, but this still suggests resilience in key growth drivers such as exports and consumption. The economy will likely be in the firing line of US protectionism should blanket tariffs be imposed by President-elect Trump. In the interim, it will continue to benefit from supply-chain diversification and 'China +1' policies. The authorities will stand guard against increasingly elevated downside risks to growth and will be nimble in terms of policy support.	The authorities have signalled a need to remain "close" to the US, with almost 30% of Vietnam's export being directed there (YTD 2024) and the large bilateral trade surplus with the US. Domestically, the impact of typhoon Yagi is still being felt in affected areas as agriculture production remains impacted and headline inflation rose to 2.9% YoY in October (September: 2.6%). The authorities continue to support economic growth, which has recovered in an uneven manner in 2024. The State Bank of Vietnam will raise credit quotas to spur loan growth; the PM has urged faster implementation of public infrastructure projects, and the government is backing initiatives to enable land conversion for housing projects.
Philippines	We expect GDP growth to remain stable at 6.0% YoY in 2025 driven by stabilising household spending and higher investment spending. The fiscal consolidation agenda remains on track, while the mid-term elections on 12 May 2025 will be watched closely. The acrimony between President Marcos and former VP Sara Duterte has increased, although market reactions have remained fairly muted. Bangko Sentral ng Pilipinas (BSP) rate cutting cycle is likely to be impinged upon by external risks, namely US tariff policies. We now expect a cumulative 50bps in rate cuts, likely in 1H25.	S&P Global Ratings, which currently assigns the sovereign rating at BBB+, shifted its outlook to 'positive' from 'stable' on 26 November, potentially setting the stage for the sovereign to move into the 'A' bracket of ratings in 12 months. The move was justified by the fiscal prudence maintained in 2024 and further efforts to make the investment environment more conducive. Under the CREATE MORE Act, the corporate tax rate will be lowered to 20% from 25%. Meanwhile, headline CPI remains within BSP's 2-4% target range albeit bumpy within the range. A slew of typhoons, four within ten days in November, have destroyed lives and livelihoods, and could have an impact on food prices and GDP growth in 4Q24. The volatility of inflation and depreciation pressures on PHP will obfuscate the path for further easing by BSP.
ASEAN-5	The ASEAN-5 economies of Indonesia, Malaysia, Philippines, Thailand and Vietnam are exposed to US trade tariffs to different degrees. The implications of higher tariffs will vary depending on whether the US restricts blankets tariffs to China or extends them to all trading partners. Under scenarios of blanket tariffs on global partners, Vietnam, Thailand, Malaysia, the Philippines and Indonesia are exposed to one-time GDP growth shocks from most to least affected. The room for counter-cyclical policies are also economy specific.	2024 has proved to be a resilient year for growth, although the economic recovery has been uneven in most economies within the region. There are numerous risks and challenges that lay ahead for 2025 but the focus of the authorities on keeping fiscal policies intentional, i.e., targeted towards development spending, and monetary policies nimble will support macroeconomic stability in the region. The on-going supply chain diversification has benefited the region immensely and will likely continue into 2025, with or without the threat of tariffs materialising. Crucially, the authorities of the region remain open to foreign trade and investments, which will allow of deeper intra and inter-regional connectivity, in time mitigating concentration risks vis-à-vis one partner such as USA.

Growth & Inflation Forecast

(% YoY)	GDP			Inflation		
	2023	2024	2025	2023	2024	2025
United States	2.5	2.8	2.0	4.1	2.9	2.4
Euro Area	0.5	0.7	1.2	5.5	2.4	2.0
China	5.2	4.9	4.8	0.2	0.4	2.4
Hong Kong	3.3	2.4	2.2	2.1	1.7	2.0
Macau	80.5	9.0	5.0	0.9	1.0	1.3
Taiwan	1.4	4.2	2.8	2.5	2.1	2.2
Indonesia	5.0	5.0	5.1	3.7	2.5	2.8
Malaysia	3.6	5.2	4.5	2.5	1.8	2.7
Philippines	5.5	6.0	6.0	6.0	3.2	3.0
Singapore	1.1	3.6	2.7	4.8	2.4	2.0
Thailand	1.9	2.6	3.3	1.2	0.4	2.2
Vietnam	5.0	6.5	6.2	3.3	3.7	4.0

Source: Bloomberg, OCBC Research (Latest Forecast Update: 3rd December 2024)

Rates Forecast

USD Interest Rates	Q424	Q125	Q225	Q325	Q425
FFTR upper	4.50	4.00	3.75	3.50	3.50
SOFR	4.32	3.82	3.58	3.34	3.34
3M SOFR OIS	4.25	3.80	3.65	3.45	3.45
6M SOFR OIS	4.15	3.70	3.65	3.45	3.45
1Y SOFR OIS	4.00	3.65	3.50	3.50	3.50
2Y SOFR OIS	3.85	3.65	3.50	3.50	3.50
5Y SOFR OIS	3.70	3.60	3.55	3.55	3.55
10Y SOFR OIS	3.75	3.65	3.60	3.60	3.60
15Y SOFR OIS	3.80	3.70	3.65	3.65	3.65
20Y SOFR OIS	3.80	3.70	3.65	3.65	3.65
30Y SOFR OIS	3.70	3.70	3.70	3.70	3.70
SGD Interest Rates	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
SORA	3.05	2.90	2.78	2.65	2.50
3M compounded SORA	3.05	3.00	2.85	2.70	2.58
3M SGD OIS	2.75	2.65	2.50	2.45	2.45
6M SGD OIS	2.70	2.60	2.50	2.45	2.45
1Y SGD OIS	2.60	2.50	2.45	2.45	2.45
2Y SGD OIS	2.50	2.45	2.45	2.45	2.45
3Y SGD OIS	2.50	2.45	2.40	2.40	2.40
5Y SGD OIS	2.55	2.50	2.50	2.50	2.50
10Y SGD OIS	2.60	2.60	2.60	2.60	2.60
15Y SGD OIS	2.60	2.60	2.60	2.60	2.60
20Y SGD OIS	2.55	2.55	2.60	2.60	2.60

MYR Interest Rates	Q424	Q125	Q225	Q325	Q425
OPR	3.00	3.00	3.00	3.00	3.00
1M MYR KLIBOR	3.28	3.28	3.25	3.25	3.22
3M MYR KLIBOR	3.60	3.58	3.55	3.55	3.52
6M MYR KLIBOR	3.65	3.63	3.60	3.60	3.58
1Y MYR IRS	3.55	3.45	3.40	3.40	3.40
2Y MYR IRS	3.45	3.35	3.35	3.35	3.35
3Y MYR IRS	3.45	3.35	3.35	3.35	3.35
5Y MYR IRS	3.50	3.40	3.40	3.40	3.40
10Y MYR IRS	3.65	3.55	3.55	3.55	3.55
HKD Interest Rates	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
1M HKD HIBOR	4.18	3.75	3.45	3.20	3.20
3M HKD HIBOR	4.28	3.85	3.60	3.35	3.35
6M HKD IRS	4.13	3.75	3.55	3.30	3.35
1Y HKD IRS	3.80	3.60	3.45	3.40	3.35
2Y HKD IRS	3.60	3.55	3.45	3.40	3.40
5Y HKD IRS	3.40	3.40	3.40	3.40	3.40
10Y HKD IRS	3.40	3.40	3.40	3.40	3.40
UST yields	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
2Y UST	4.10	3.75	3.65	3.60	3.60
5Y UST	4.00	3.85	3.75	3.75	3.75
10Y UST	4.20	4.10	4.05	4.00	4.00
30Y UST	4.40	4.30	4.20	4.20	4.20
SGS yields	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
2Y SGS	2.70	2.55	2.50	2.45	2.45
5Y SGS	2.65	2.60	2.55	2.50	2.50
10Y SGS	2.70	2.65	2.60	2.60	2.55
15Y SGS	2.75	2.70	2.65	2.60	2.60
20Y SGS	2.75	2.70	2.65	2.65	2.65
30Y SGS	2.70	2.70	2.70	2.70	2.70
MGS yields	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
3Y MGS	3.40	3.30	3.30	3.30	3.30
5Y MGS	3.55	3.45	3.40	3.40	3.40
10Y MGS	3.75	3.65	3.60	3.60	3.60
IndoGB yields	**Q424**	**Q125**	**Q225**	**Q325**	**Q425**
2Y IndoGB	6.30	6.10	6.10	6.10	6.10
5Y IndoGB	6.60	6.50	6.40	6.40	6.30
10Y IndoGB	6.80	6.75	6.70	6.65	6.60

Source: OCBC Research (Latest Forecast Update: 29th November 2024)

FX Forecast

Currency Pair	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
USD-JPY	148.00	145.00	143.00	142.00	141.00
EUR-USD	1.0600	1.0600	1.0550	1.0500	1.0500
GBP-USD	1.2600	1.2700	1.2800	1.2800	1.2900
AUD-USD	0.6550	0.6650	0.6650	0.6700	0.6750
NZD-USD	0.5950	0.6000	0.6000	0.6050	0.6100
USD-CAD	1.4050	1.3900	1.4000	1.4100	1.4200
USD-CHF	0.8900	0.8800	0.8900	0.8900	0.9000
USD-SEK	10.86	10.95	10.95	10.80	10.50
DXY	105.67	105.17	105.27	105.47	105.26
USD-SGD	1.3520	1.3450	1.3500	1.3550	1.3600
USD-CNY	7.3000	7.2100	7.2600	7.2900	7.3100
USD-CNH	7.3200	7.2300	7.2800	7.3100	7.3300
USD-THB	34.50	34.00	34.10	34.50	34.70
USD-IDR	15900	15700	15700	15850	16000
USD-MYR	4.4800	4.4100	4.4400	4.4600	4.5000
USD-KRW	1390	1370	1375	1390	1405
USD-TWD	32.70	32.30	32.40	32.50	32.80
USD-HKD	7.7800	7.7700	7.7700	7.7800	7.7900
USD-PHP	58.60	58.00	58.30	58.50	58.70
USD-INR	85.00	84.70	84.90	85.10	85.20
USD-VND	25400	25200	25250	25350	25450
EUR-JPY	156.88	153.70	150.87	149.10	148.05
EUR-GBP	0.8413	0.8346	0.8242	0.8203	0.8140
EUR-CHF	0.9434	0.9328	0.9390	0.9345	0.9450
EUR-SGD	1.4331	1.4257	1.4243	1.4228	1.4280
GBP-SGD	1.7035	1.7082	1.7280	1.7344	1.7544
AUD-SGD	0.8856	0.8944	0.8978	0.9079	0.9180
NZD-SGD	0.8044	0.8070	0.8100	0.8198	0.8296
CHF-SGD	1.5191	1.5284	1.5169	1.5225	1.5111
JPY-SGD	0.9135	0.9276	0.9441	0.9542	0.9645
SGD-MYR	3.3136	3.2788	3.2889	3.2915	3.3088
SGD-CNY	5.3994	5.3606	5.3778	5.3801	5.3750
SGD-IDR	11760	11673	11630	11697	11765
SGD-THB	25.52	25.28	25.26	25.46	25.51
SGD-PHP	43.34	43.12	43.19	43.17	43.16
SGD-VND	18787	18736	18704	18708	18713
SGD-CNH	5.4142	5.3755	5.3926	5.3948	5.3897
SGD-TWD	24.19	24.01	24.00	23.99	24.12
SGD-KRW	1028.11	1018.59	1018.52	1025.83	1033.09
SGD-HKD	5.7544	5.7770	5.7556	5.7417	5.7279
SGD-JPY	109.47	107.81	105.93	104.80	103.68
Gold $/oz	2660	2690	2720	2740	2760
Silver $/oz	30.93	30.92	31.09	31.14	31.36

Source: OCBC Research (Latest Forecast Update: 3rd December 2024)

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
02/12 12:00	ID	CPI YoY	Nov	1.50%	--	1.71%
03/12 07:00	SK	CPI YoY	Nov	1.70%	--	1.30%
04/12 08:30	AU	GDP SA QoQ	3Q	0.50%	--	0.20%
04/12 08:30	AU	GDP YoY	3Q	1.10%	--	1.00%
05/12 07:00	SK	GDP YoY	3Q P	--	--	1.50%
05/12 07:00	SK	GDP SA QoQ	3Q P	--	--	0.10%
05/12 09:00	PH	CPI YoY 2018=100	Nov	2.40%	--	2.30%
05/12 16:00	TA	CPI YoY	Nov	--	--	1.69%
06/12 00:00	VN	CPI YoY	Nov	--	--	2.89%
06/12 11:30	TH	CPI YoY	Nov	1.20%	--	0.83%
06/12 18:00	EC	GDP SA QoQ	3Q F	--	--	0.40%
06/12 18:00	EC	GDP SA YoY	3Q F	--	--	0.90%
09/12 07:50	JN	GDP SA QoQ	3Q F	--	--	0.20%
09/12 07:50	JN	GDP Annualized SA QoQ	3Q F	--	--	0.90%
09/12 07:50	JN	GDP Deflator YoY	3Q F	--	--	2.50%
09/12 09:30	CH	CPI YoY	Nov	--	--	0.30%
10/12 15:00	GE	CPI YoY	Nov F	--	--	--
11/12 21:30	US	CPI YoY	Nov	--	--	2.60%
12/12 18:30	IN	CPI YoY	Nov	--	--	6.21%
17/12 21:30	CA	CPI YoY	Nov	--	--	2.00%
18/12 15:00	UK	CPI YoY	Nov	--	--	2.30%
18/12 18:00	EC	CPI YoY	Nov F	--	--	2.00%
19/12 05:45	NZ	GDP SA QoQ	3Q	--	--	-0.20%
19/12 21:30	US	GDP Annualized QoQ	3Q T	--	--	2.80%
20/12 07:30	JN	Natl CPI YoY	Nov	--	--	2.30%
23/12 13:00	SI	CPI YoY	Nov	--	--	1.40%
23/12 15:00	UK	GDP QoQ	3Q F	--	--	0.10%
23/12 15:00	UK	GDP YoY	3Q F	--	--	1.00%
27/12 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Dec	--	--	--
31/12 07:00	SK	CPI YoY	Dec	--	--	--

Source: Bloomberg

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
06/12 12:30	IN	RBI Repurchase Rate	Dec-06	6.50%	--	6.50%
06/12 12:30	IN	RBI Cash Reserve Ratio	Dec-06	4.50%	--	4.50%
10/12 11:30	AU	RBA Cash Rate Target	Dec-10	--	--	4.35%
11/12 22:45	CA	Bank of Canada Rate Decision	Dec-11	3.25%	--	3.75%
12/12 21:15	EC	ECB Main Refinancing Rate	Dec-12	--	--	3.40%
12/12 21:15	EC	ECB Deposit Facility Rate	Dec-12	--	--	3.25%
12/12 21:15	EC	ECB Marginal Lending Facility	Dec-12	--	--	3.65%
18/12 15:00	TH	BoT Benchmark Interest Rate	Dec-18	--	--	2.25%
18/12 15:20	ID	BI-Rate	Dec-18	--	--	6.00%
19/12 00:00	TA	CBC Benchmark Interest Rate	Dec-19	--	--	2.00%
19/12 00:00	JN	BOJ Target Rate	Dec-19	--	--	0.25%
19/12 03:00	US	FOMC Rate Decision (Upper Bound)	Dec-19	4.50%	--	4.75%
19/12 03:00	US	FOMC Rate Decision (Lower Bound)	Dec-19	4.25%	--	4.50%
19/12 15:00	PH	BSP Overnight Borrowing Rate	Dec-19	--	--	6.00%
19/12 15:00	PH	BSP Standing Overnight Deposit Facility Rate	Dec-19	--	--	5.50%
19/12 20:00	UK	Bank of England Bank Rate	Dec-19	--	--	4.75%
20/12 09:00	CH	1-Year Loan Prime Rate	Dec-20	--	--	3.10%
20/12 09:00	CH	5-Year Loan Prime Rate	Dec-20	--	--	3.60%

Source: Bloomberg

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