Research Monitor (January)

8 January 2025

Key Themes

1. 2025 has started with some fanfare, with market excitement over the news report that Trump may pare back wide-ranging tariffs to just critical imports when he takes office, but this was quickly refuted by Trump. Meanwhile, more Chinese companies including Tencent and Cosco Shipping Holdings Co have been added to the US military blacklist. Adding to the noise levels were the recent Fed rhetoric suggesting to proceed more cautiously with further rate cuts from here, even though it is likely to be still appropriate to move the policy rate towards a more neutral stance. Consequently, the futures market pricing of Fed rate cuts for this year currently stand at only 1.5 cuts of 25bps, with the first cut only coming at the June FOMC. Elsewhere, Canadian PM Trudeau has resigned following a caucus revolt, and Europe is bracing for the coldest winter in four years amid depleting gas stocks after Russian gas flows were halted through a key pipeline route via Ukraine. Closer to home, Singapore and Malaysian leaders signed an agreement for the Special Economic Zone with the target to attract 50 projects in the first five years and create 20,000 skilled jobs.

2. Chinese stocks ended their two-year losing streak in 2024. However, positive sentiment waned around the New Year as investors grew impatient with the lack of detailed follow-through despite verbal assurances from the December Central Economic Work Conference (CEWC) for more policy support. China is likely to close 2024 by achieving its growth target around 5%, but notable disparities in the past year have highlighted underlying challenges for the economy. Despite these gaps between expectations and reality, China’s intention to reflate the economy appears intact. We anticipate more measures to be rolled out in 2025. Firstly, the monetary policy stance will shift to being moderately loose, marking a significant departure from the prudent monetary policy regime in place since 2011, hinting more interest rate and reserve requirement ratio cuts. Secondly, fiscal policy will become more proactive, signalling an intensification from the current proactive fiscal stance. We expect the fiscal deficit target for 2025 to increase to 4%. Thirdly, for the first time, the policy language includes the term “extraordinary” to describe counter-cyclical adjustments. This opens the door for potential large-scale interventions.

3. Flash estimates* indicate that the OCBC SME Index is expected to come in at 50.3 in Dec 2024, slightly lower than 50.7 previously but still an improvement from the 49.5 a year ago. Business sentiment is cautiously optimistic in 1Q25. The better-than-expected 4Q24 growth environment and sustained tech cycle upturn is expected to support SMEs in the outward-oriented sectors. SMEs in the consumer facing sectors are likely to remain weighed down by sustained local outbound travel. On the horizon, the threat of geopolitical tensions, trade wars, and Trump's threatened tariffs remains.

**Using data until 21st December 2024*

*Follow our podcasts by searching ‘**OCBC Research Insights**’ on Telegram!*

Asset Class Views

	House View	Trading Views
FX	**G-10 FX: USD** closed firmer (+2.6%) in Dec, for the 3rd consecutive month in a row. The return of high for longer (US rates) narrative as markets brace for more subdued Fed cut trajectory for 2025, anticipation of US tariffs, and US exceptionalism are some factors invigorating dollar bulls. Focus this month on payrolls report (10 Jan), CPI (15 Jan), Trump inauguration (20 Jan), FOMC (30 Jan) as well as core PCE (31 Jan). Markets are largely expecting Fed to pause at the upcoming FOMC. For the year, markets have already adjusted their expectations – now expecting only 38bp cut in total (less than 2 cuts). Hawkish market repricing in the context of cooling labour market in US may be somewhat excessive in our opinion. We caution that market pricing can be fluid. If US data comes in softer, or there is no follow-through/ scale-back on tariff implementation, then markets pricing can adjust again, and the USD can be at risk of corrective pullback from elevated levels.	Can correct lower in the short term. Support at 107.50, 106.40. Resistance at 109.50, 110.
	EUR traded ~2% lower for the month of December. This was the 3rd consecutive monthly decline. EUR-negative drivers are well-flagged and some of them include: (1) sluggish growth in the Euro-area; (2) anticipation of ECB needing to cut more/ deeper to support growth; (3) rise in energy costs adding to pain for industrials and households; (4) political uncertainties with German Federal elections scheduled on 23 Feb; (5) other external factors such as concerns of universal tariffs, stronger USD. But we argued there may be too much complacency about EUR falling beyond parity while EUR bearish positions may be stretched. These technicalities warrant caution of a EUR short squeeze, especially if European data start to come in better than expected, dovish ECB bets adjust or if US data turn sour. The latter may even be a bigger catalyst for EUR to rebound.	Near term bounce. Resistance 1.0460, 1.0540. Support at 1.0340, 1.02 levels.
	USDJPY traded higher and closed the month of December firmer (+5%). USDJPY's rise was due to higher UST yields and the BoJ keeping policy rate on hold at Dec MPC while also sounded cautious in forward guidance. Focus this month on BoJ MPC (24 Jan). Another dovish hold may undermine JPY. Likelihood of intervention may rise if there is a rapid surge in USDJPY. That said, any intervention in the face of strong USD trend and policy inaction can only be at best in slowing JPY's bout of depreciation pressure. In terms of USDJPY outlook, we are biased for downside play amid Fed-BoJ divergence in policy paths. But the reluctance of BoJ and the guidance for Fed to slow pace of rate cuts suggests that USDJPY may continue to face intermittent upward pressure in the interim.	Consolidate. Support at 156.10, 155.60. Resistance at 158.
	USDCNH closed higher for the third consecutive month for Dec (+1.2%). Broad USD strength, expectations of further China rate cut, continued sell-off (4-5% down) in Chinese equity markets (weak sentiments partly owing to lack of stimulus support) as well as worries of US tariffs were some of the factors weighing on RMB. So far, the daily CNY fixing pattern continues to show that the policymakers are determined to maintain "relative stability" in keeping the daily fix below 7.20. In the near-term timeline, we continue to monitor daily fix (for any signs that policymakers may be allowing for further/measured pace of depreciation), President Trump inauguration on 20 Jan and if there are developments on tariffs while also paying attention to next FOMC (30 Jan).	Still bid but overbought. Resistance at 7.3750. Support at 7.3060/80 levels.
	USDSGD closes +2% higher for the month of December, driven by broad USD strength and poor market liquidity. MAS policy meeting is in focus this month (NLT 31 Jan). While there is little need for MAS to rush to ease policy but given that the disinflation journey has made good progress, we believe MAS now has optionality to ease. MAS can afford to begin with reducing slope of policy band while still maintaining a mild appreciation stance overall. In terms of S$NEER outlook, a slight easing in policy slope should see little impact on S$NEER given that the expectation is already in the price. From index level, S$NEER has already retreated while % deviation from model-implied mid has decreased since Oct-2024. That said, S$NEER may continue to weaken if statement contains more dovish leaning rhetoric (implying further back-to-back easing).	Consolidate, with risk of pullback. Support at 1.3520, 1.3440. Resistance at 1.3730/60 levels.

	House View	Trading Views	
Commodities	We expect global oil prices to continue moderating in 2025, with Brent and WTI averaging USD77/bbl and USD73/bbl, respectively, down from 79.9/bbl and USD75.8/bbl in 2024. The expectation for oil prices to continue easing is driven by our anticipation of a buildup in global oil inventories. Our projections indicate that the crude oil market may be relatively balanced in 1H25 before experiencing a supply surplus in 2H25 due to weak demand growth and ample supply, related to OPEC+ planned output increases from April 2025 onwards (second tranche of the additional voluntary cuts of 2.2mbpd) and robust non-OPEC+ production growth. On the geopolitical front, risks have largely diminished since the onset of the Israel-Hamas conflict in late 2023. In 2025, we anticipate that volatility will remain subdued due to the available spare crude oil capacity from OPEC. In the event of a supply disruption, there is a considerable amount of capacity available to cushion the impact. However, there is a concentration risk, as most of this capacity lies in the Persian Gulf, which must be accessed through the Strait of Hormuz. President-elect Donald Trump will be sworn in on 20 January, with his policies taking centre stage. The implications of his policies regarding trade, energy and foreign affairs will be significant for the outlook this year.	Crude oil benchmarks rebounded to close higher in December, with WTI and Brent increasing by 5.5% MoM and 2.3% MoM, respectively, to close at USD71.7/bbl and USD74.6/bbl. Nevertheless, this late boost was still insufficient, as oil prices recorded a second consecutive annual decline. Geopolitical tensions in the Middle East were expected to support higher oil prices. However, gains have been relatively muted due to the uninterrupted supply from the region. Additionally, lingering demand concerns and the prospect of a supply glut in 2025 limited any potential upside gains. As a result, prices have traded in a relatively tight range during the final two months of 2024. Heading into 2025, crude oil prices are off to a solid start for the year. Dwindling US crude oil inventories have sustained momentum for higher oil prices, but gains were somewhat constrained by the continued strengthening of the US dollar. Meanwhile, it has been reported that US President Biden is looking to ban new offshore oil and gas development along most of the US coastline, affecting ~625mn. Acres. According to the Energy Information Administration, 14.4% of US crude oil production comes from the Federal Offshore Gulf of Mexico, while about 0.1% was produced in the Federal Offshore Pacific (California) in 2023. We are skeptical that any potential upside risks for higher oil prices from this could be sustained, given that the share of Federal Offshore oil production have dwindled over the past few decades. Furthermore, the availability of spare crude oil capacity from OPEC+ would further limit prolonged price spikes, as the group continues to seek a window of opportunity to increase its oil output from April 2025. In the near term, we expect Brent crude to remain range-bound in USD71-77/bbl.	→

	House View	Trading Views	
Rates	FOMC lowered the target range for the Fed funds rate by 25bps at the December FOMC meeting, with one member voting for a hold. Powell commented that the policy stance "is now significantly less restrictive. We therefore can be more cautious as we consider further adjustments to our policy rate". A pause in rate cuts may come as early as January. Our base-case is one 25bp cut each in Q1, Q2 and Q3, adding up to 75bps of Fed funds rate cuts in 2025. We hold a more dovish view compared to median dot and current market pricing. First, our expected profile already represents a well slower pace of easing compared to the 100bps of back-to-back rate cuts that had been delivered. Second, current interest rate level is probably still restrictive. For one, Powell opined the labour market is less tight than in 2019 – when the Fed funds rate peaked at 2.50%.	**USD rates**: The UST curve bear steepened over the past month mainly driven by higher long-end yields. 10Y real yield at 2.26% appears elevated but part of it may be due to a wider term premium reflecting fiscal concerns. The rising term premium has contributed to the steepening of the UST curve, when front-end pricing was not dovish. While the rise in term premium has been rapid, the absolute level is not particularly elevated in historical context, which worths monitoring. Curve steepening is one of our key calls, where we have a more sanguine outlook on short-end bonds.	↓
		SGD rates underperformed outperformed USD OIS over the past month, USD rates over the past weeks, when rates were on an uptrend; this was somewhat against historical pattern. But SGD-USD rate spreads were very negative to start with. If MAS eases its SGD NEER policy by a slope reduction, there may be a mild upward pressure on the forward points and hence short-end SGD rates; this will then add to our SGD rates underperformance view. The recent upward move in the forward points appears to reflect MAS easing expectation.	↓
	BoE cut kept Bank Rate unchanged at 4.75% at its December MPC meeting, by a 6-3 vote; three members preferred to reduce the Bank Rate by 25bps. With three votes for a cut, the decision was seen as a dovish hold. We maintain our expectation for one 25bp cut in each quarter of 2025 adding up to a total of 100bp cuts in 2025. However, further upside risk to inflation needs to be monitored.	**IndoGBs** outperformed USTs over the past month, more so at the longer end. Yields nevertheless rose taking cue from USD market. Q1 issuance target has been set at IDR228trn, similar to the realised issuances of which will be consistence with individual auction size of around IDR231trn in Q1-2024. With 6 conventional and 5 sukuk auctions in the quarter, each being one fewer than that in Q1-2024, individual auction sizes will need to be higher at around IDR28trn for conventional and IDR12trn for sukuk to meet the quarter's issuance target.	↓
	BoJ kept the overnight call rate unchanged at 0.25% by an 8-1 vote, with Tamura voting for a 25bp hike. We continue to expect further policy normalization in 2025, as the prospect remains for inflation to stay sustainably around the 2% target, premised on a positive output gap and the virtuous cycle between wage and price continuing to play out as the labour market continues to tighten gradually. The 15bp December rate hike that we had expected did not materialise but given the dissident vote was for a 25bp hike, we now see the quantum of each future hike at 25bp instead. We expect three 25bp hikes in 2025, which will then bring the BoJ Target Rate to 1.00% by end-2025.	**MGS** outperformed USTs by a wide margin over the past month, as MGS stuck to its stable nature in line with our view. Bond/swap spreads were little changed over the month after previous round of bond outperformance. MGS/MGII auction calendar has been released; we expect gross annual issuances at MYR163-164bn. Maturity is the heaviest in Q3 followed by Q4 while there is no maturity in Q2; quarterly gross issuances may be adjusted accordingly. KLIBORs have been creeping higher over the past weeks, widening the spreads over OPR; the spread between KLIBOR and OPR may not return to multi-year averages soon.	↓
		CNY rates softened further amid expectation for additional monetary easing and continued liquidity support, when the growth outlook remained subdued. There may be some consolidation in yields: CGBs are supported by domestic asset allocation which may well keep yields at low levels; but the bond market is already running ahead of policy, with short-end bond yields well below repo rates and IRS. IRS may catch up in the downward move if an interest rate cut materialises.	↓

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

<table>
<tr><th></th><th>House View</th><th>Trading Views</th><th></th></tr>
<tr><td>Credit</td>
<td>Asiadollar credit spreads exhibited disparity in December, with Bloomberg Asia USD Investment Grade spreads widening ~4bps m/m to 78bps, while Bloomberg Asia USD High Yield spread tightened 41bps m/m to 417bps as at time of writing. This could be partially due to the happenings during the US Federal Reserve Meeting ("FOMC") in December, where Fed Chair Jerome Powell indicated a slower pace of rate cuts in 2025 after issuing a 25bps rate cut in that meeting.

December saw a large slowdown in Asiadollar bond issuance (excluding Japan) of USD4.4bn as of 31 December 2024 against USD15.4bn in November per Bloomberg data. Issuances predominantly happened in the earlier half of December up till 20 December with the top 3 largest issuances for the month from the Chinese financial and local government sectors, consisting of (i) China Construction Bank (Asia) Corporation Limited issuing a USD1bn bond, (ii) Bank of Communications Co Ltd/Hong Kong issuing a USD300mn bond and (iii) Cixi State Owned Asset Investment Holdings Co. Ltd. issuing a USD300mn sustainability bond.

The SGD primary market's overall issuance activity was very quiet in December, with an issuance level of only SGD492mn from 6 issuers. This followed November which had SGD2.9bn across 9 issuances. The SGD Credit Universe returned +0.17% m/m as at time of writing despite higher SORA OIS yields. The only weak performer were the longer tenors.

We do not expect too much capital losses in 2025 with credit spreads to remain tight relative to historical levels amidst a stable economic and credit environment, still high yields while interest rates are expected to remain flat or decline in 2025. This supports our overall neutral stance for SGD credit in 1H2025.</td>
<td>HOBEE 4.35% ‘29s
• Ho Bee Land Ltd (“HOBEE”) is more of a property owner, with property investments in Singapore and London accounting for 85% of its total assets.
• Portfolio occupancy was 95% as at end-1H2024 for the investment property, with well staggered lease expiry profile and revenue visibility in 2028 and beyond.
• Rising rates have dampened profitability, with EBITDA/Interest in 1H2024 falling to 1.5x (2022: 3.0x). That said, with Bank of England starting to cut rates, finance costs should decline in 2H2024.
• We are Overweight HOBEE 4.35% ‘29s which is one of the few bullet papers trading above 4%.

BACR 5.4 ‘PERPc30s (SGD)
• Barclays current three-year plan announced in February 2024 reflects management’s intention to allocate capital to better returning businesses that includes Barclays UK, UK Corporate Bank and Private Bank and Wealth Management. Recent actions in this regard include the acquisition of Tesco Bank in the UK and exit of non-priority businesses in Germany and Italy. We think this is positive for underlying fundamentals.
• 3Q2024 results were constructive given the solid performance of its UK businesses and the Investment Bank’s ability to take advantage of increased market volatility and deal activity. That said, overall performance remains in line with expectations and reflects the dominant contribution of Barclays Investment Bank to total income at 47.7% in 9M2024.
• While overweight this AT1, we have a neutral call on bank capital instruments in general as valuations have already tightened considerably through 2024.</td>
<td>↑

↑</td></tr>
</table>

*Follow our podcasts by searching ‘**OCBC Research Insights**’ on Telegram!*

Macroeconomic Views

	House View	Key Themes
United States	We expect GDP growth to moderate to 2.0% moving into 2025, as consumption tailwinds moderate. Our headline CPI forecast for 2025 stands at 2.4%. A pause in rate cuts may come as early as 28-29 January, versus from Q2 onwards as we previously anticipated. We now expect a cumulative 75bps in rate cuts in 2025, comprising cuts of 25bps each in 1Q24, 2Q24, and 3Q24. President-elect Donald Trump will be sworn in as President on 20 January, with his policies taking centre stage. The sequencing of his policies in terms of tariffs, taxes and immigration will be important for the outlook this year.	At the 17-18 December FOMC meeting, the FOMC reduced interest rates by 25bp, as expected. However, the outlook was more hawkish than market participants had expected. The median FOMC participant is expecting only two 25bps cuts in 2025, versus four 25bps cuts in September. The SEP also indicated an upward revision of 2025 GDP growth to 2.1% from 2.0%, 2025 core PCE inflation at 2.5% from 2.2%. 2025 unemployment rate was also projected lower at 4.3% from 4.4%. Looking ahead, President-elect Trump has already signalled protectionist trade policies are forthcoming, threatening tariffs on Canada, Mexico, and China. Whether these actions will materialize or serve as strategic bargaining tools remains unclear, adding further uncertainty to the economic outlook. Notwithstanding, Trump inherits an economy which remains on resilient footing in terms of growth and the labour market.
Euro Area	We project GDP growth to improve to 1.2% in 2025, while the headline CPI is forecasted to ease to 2.0%. The European Central Bank (ECB) has maintained its "data-dependent, meeting-by-meeting" approach throughout 2024, and we anticipate no change in this approach. For 2025, we expect the ECB to deliver a cumulative 75bps worth of cuts.	Eurozone GDP growth improved to 0.9% YoY in 3Q24, up from 0.6% in 2Q24, raising hopes for a more sustained recovery into 2025. Meanwhile, headline inflation edged up to 2.2% in November versus 2.0% in October. ECB cut its deposit rate by 25 bps to 3.00% at its 12 December meeting, with emphasis on a cautious approach to balancing growth and price stability. The ECB staff macroeconomic projection remains optimistic about the region's prospects, projecting steady growth and a gradual moderation in inflation through 2027.
Singapore	We forecast GDP growth of 2.2% for 2025, recognizing the higher-than-expected 2024 growth base and the policy uncertainties following Trump's inauguration on January 20, 2025. Both headline and core inflation are expected to ease 1.5-2.5% in 2025, opening the door for a monetary policy easing as early as January. Budget 2025 is expected to be the last budget in the current term of government and is well-positioned to be a generous pre-election budget.	The economy zipped to 4% YoY growth in 2024, the highest since 2021. This exceeded the official growth forecast and also general market expectations and was partly attributed to the 4Q24 growth momentum surprising at 4.3% YoY (0.1% QoQ sa). The growth support was broad-based, with manufacturing, construction and services growth still resilient at 4.2%. 5.9% and 4.3% YoY respectively in 4Q24. With growing confidence that core inflation is on track to reach the 1.5% to 2.5% range in 2025, the window for a monetary policy easing is open as early as the January meeting. Budget 2025, set to be announced on 18 February, is also expected to be generous and introduce additional fiscal measures to help mitigate rising costs for individuals and help businesses alike as the FY24 fiscal outturn should be a bumper surplus due to buoyant corporate and personal income taxes, Goods and Services Taxe, and Vehicle Quota Premiums.
Japan	We forecast 2025 GDP growth to reach 1.0% YoY on account of higher consumption and investment spending. The virtuous wage inflation cycle is expected to stay sustainably around 2.0% target moving forward, with our inflation forecast to average 2.0% in 2025. We now expect three 25bp BoJ Target Rate hikes in 2025, which will then bring the Target Rate to 1.00% by end-2025.	November headline CPI rose by 2.9% YoY versus 2.3% YoY in October, driven by food prices. BOJ kept its uncollateralized overnight call rate steady at 0.25% during its 19 December meeting. BoJ statement commented the "virtuous cycle from income to spending gradually intensifies"; and the "virtuous cycle between wages and prices continuing to intensify". However, Ueda's comments during the press conference were seen as not hawkish enough with a lack of hint for a January hike. Looking ahead, the BOJ's quarterly report on regional economic conditions, due for release on 9 January, is expected to shed light on whether wage increases are gaining traction nationwide. This will likely be considered important input for BOJ deliberations ahead of its next policy decision on 24 January.

	House View	Key Themes
South Korea	We expect 2025 GDP growth to moderate to 1.9% due to increasing headwinds in external demand and a slow recovery in domestic consumption. Inflation is forecasted to reach 2.0%. We expect Bank of Korea (BoK) to ease its policy rate down to 2.5% in 2025 as headline and core inflation continues to ease.	South Korea's headline CPI rose to 1.9% YoY in December 2024, up from 1.5% YoY the previous month and reaching its highest level since August 2024. Headline inflation is likely to remain close to BoK's 2% target, but a decidedly weaker growth outlook continues to support our forecast another cumulative 50bps in rate cuts in 2025. Indeed, the Finance Ministry's recent growth lowered its 2025 GDP growth forecast to 1.8% from 2.2%, previously, reflecting recent domestic and global uncertainties. BoK for its part 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. Three members of the MPC have indicated an openness to a rate cut in the next three months.
Thailand	We expect economic growth to accelerate to 3.3% YoY in 2025, (2024: 2.6%), as we expect tailwinds from the remaining phases of the digital wallet programme and minimum wage increases to support consumption. However, the impact of potential tariffs under "Trump 2.0" could hinder growth momentum. Headline CPI is expected to accelerate to 2.2% YoY in 2025 versus 0.4% in 2024. However, there are some downside risks to our forecast following the decision to lower power tariffs from Jan-April. On monetary policy, we expect Bank of Thailand (BoT) to preserve its bullets, and we forecast a 25bps cut in 2025, taking it to 2.00%.	The nomination of former finance minister Kittiratt Na-Ranong as BoT Chairman has been ruled out by the Office of the Council of State. This should help ease some concerns about potentially interferences on MPC decisions. The government has signalled that will work swiftly to re-appoint a new BoT chairman. The economy looks set to end 2024 on stronger footing. Our tracking estimate suggests growth of 4Q24 of 3.5% YoY versus 3.0% in 3Q24. This should allow BoT room to keep policy rates on hold in the near-term. In addition, the second phase of the digital wallet programme is expected to start in January. This along with the approval of new minimum wage increases should support consumption in 1Q25. Trade and investment ties could also be boosted by the inclusion of Thailand into the BRICS+ alliance, as its newest partner country.
China	The Chinese economy decelerated to 4.6% year-on-year in real terms in the third quarter of 2024, down from 4.7% in the second quarter. For the first three quarters, the economy grew by 4.8% year-on-year. With the National Development and Reform Commission already advancing a 200 billion yuan investment plan for the fourth quarter, we expect the economy to return to growth above 5% in Q4, bringing full-year growth closer to the 5% target.	China is likely to close 2024 by achieving its growth target around 5%, but notable disparities in the past year have highlighted underlying challenges for the economy. Firstly, there is a disparity between economic recovery and public sentiment. While economic indicators demonstrated a V-shaped recovery in 2024, public sentiment remained cautious. My personal trip to tier-1 cities in the last week of 2024 revealed persistent concerns about weak income expectations and job security. Secondly, there is a disparity between property market stabilization and weak retail sales in tier-1 cities. Resale property prices in tier-1 cities increased MoM for the second consecutive month in November. In contrast, retail sales in cities like Beijing and Shanghai declined sharply, falling 14.1% YoY and 13.5% YoY respectively in November. This divergence highlights the widening income gap. Thirdly, there is a disparity between deflationary pressures and reflation measure. Despite market urgency to combat deflation, China's actions to reflate the economy fell short of expectations. In September, the central bank governor signalled a potential 25-50bps RRR cut before year-end, following a 50bps cut in September. However, this did not materialize, even as inflation data remained subdued in October and November.

	House View	Key Themes
Hong Kong	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. Looking forward to 2025, we expect the housing market to stabilise somewhat and price index to end the year flat. Hong Kong's trade performance is likely to weaken further, partly due to the high base effect and softening external demand. On the other hand, we expect retail sales to stay weak in the next couple of months. If the property and stock markets failed to recover meaningfully, retail sales are forecast to fall further by a low single digit in 2025. Yet, if positive wealth effects stemming from asset market rallies are sustained, retail sales are expected to see a mild expansion of around 2%.	The residential property price index edged up by 0.1% MoM in November, barely extending October's rally (+0.9% MoM in October), while rental index declined at a moderated pace of 0.4% MoM (-0.7% MoM in October). While there are signs of stabilization of housing market, thanks to the multiple prime rate cuts (totalling 62.5bp in 2024) and increased demand from non-local buyers, we still see multiple hurdles to sustained rebound in housing prices. Separately, growth of merchandise exports slowed further to 2.1% YoY in November, partly due to the high base effect, while that of imports paced up to 5.7% YoY. Weakening of external demand, coupled with front-loading of exports and stockpiling of imports amid the US tariff threat, is likely to shape the trade performance of Hong Kong in the near-term. Total retail sales in Hong Kong saw accelerated decline, at 7.3% YoY in value terms in November, as local consumption sentiment was dented by the weak stock market performance. Hang Seng Index fell for two straight months in October and November, reversing the positive wealth effect seen earlier during the 30%+ rally. We expect retail sales to stay weak in the next couple of months.
Macau	Macau's gross total gaming revenue is expected to refresh post-Covid high in coming months, after logging a 23.9% YoY increase in 2024. Yet, with the normalised base, year-on-year growth should fall to a mid- to high single digit figure, i.e. 5%-8%, in 2025. Meanwhile, we expect Macau's economic growth to come in at 9% YoY and 5% YoY respectively in 2024 and 2025, taking into account the higher base and lagged recovery in China's outbound travels. As for other economic indicators, the unemployment and inflation rate are pitched at 1.7% and 1.3% YoY respectively for 2025.	Macau's gross gaming revenue fell unexpectedly by 1.3% MoM (-2.0% YoY), to MOP18.20bn in December, as scrutiny over gaming activities tightened notably ahead of President Xi's visit to Macau (18-20 December) for the celebration of the 25th anniversary of the city's handover. For 2024 as a whole, Macau's gross gaming revenue reached MOP226.78 billion, reflecting a robust year-on-year growth of 23.9%, closely aligning with our full-year forecast at 24.0%. On the other hand, local housing market remained lacklustre of late, despite the prime rate cuts totalling 62.5bps, as buyers continued to be deterred by the low rental yields in comparison to the prevailing mortgage rates, coupled with the heightened economic uncertainties. Compared the recent peak, Macau's residential property price index fell cumulatively by 22.4%. The housing price correction is likely to sustain into 2025, without reversing the crisis of confidence.
Indonesia	We expect GDP growth of 5.1% in 2025, versus 5% in 2024, supported by investment spending and private consumption. Investment from both the public and private sectors will be bolstered by a continued focus on physical infrastructure development and incentives for foreign direct investment (FDI). Meanwhile, inflationary pressure is expected to remain manageable, with the full-year 2025 CPI projected to average 2.8%, compared to 2.3% in 2024, which is broadly within Bank Indonesia's target range of 1.5% to 3.5%. Given the backdrop of stable growth and inflation, Bank Indonesia (BI) will remain vigilant regarding external risks.	The budget deficit was recorded at IDR507.8trn at the end of December 2024, equivalent to 2.3% of GDP, lower than the projection of 2.7%. The 2025 fiscal deficit is targeted at 2.5% of GDP, we see room for the government to pursue expansionary fiscal policies. President Prabowo's administration launched the initial phase of its key program of free school meals for students on 6 January, with pregnant and breastfeeding women and toddlers to be included at a later stage. The program is budgeted to cost IDR71trn in 2025. The government announced on December 31, 2024, that an increase in the value-added tax rate from 11% to 12% will only apply to luxury goods and services, such as private jets, yachts, and luxury homes, while the 11% rate will continue to apply to all other items. Meanwhile, basic necessities will continue to be exempt from VAT, maintaining a 0% rate for essential goods and services.

	House View	Key Themes
Malaysia	The economy is on strong footing as we begin 2025. Cyclical factors such as improvements in electronics exports, sustained strength in tourist arrivals and continued focus by the government on infrastructure spending will likely continue to support growth momentum into 2025. These factors will see crucial engines of growth such as exports and investments supportive of economic momentum in 2025. Importantly, structural reform momentum remains steadfast. The authorities are committed to fiscal consolidation, implementing medium-term development plans and establishing new engines of growth such as the Johor-Singapore Special Economic Zone (JS-SEZ).	We expect 2025 GDP growth to remain strong at 4.5% from 5.2% in 2024. The highly anticipated announcement of the JS-SEZ will take centre stage at the start of this year. In an increasingly inward-looking world, this cross-border SEZ stand outs as a unique opportunity for trade, industry, and more secular development. The JS-SEZ will be more than 3,500 square kilometres, covering Iskandar Malaysia, the Pengerang Integrated Petroleum Complex, and critical logistics hubs. The JS-SEZ will be divided into nine flagship zones, with each zone focused on certain sectors. Meanwhile, incoming activity data suggests that growth momentum was stable to end-2024. November exports grew by 4.1% YoY while import growth was 1.6%, leading to a trade surplus of MYR15.3bn wider than MYR11.9bn in October. Exports to the US, South Korea, Taiwan and India more than offset weaker exports to Mainland China & HK SAR, EU and Japan.
Vietnam	We expect GDP growth to slow to 6.2% YoY in 2025, down from 7.1% in 2024, partly due to a lagging recovery in the construction and property sectors and potential trade weaknesses under 'Trump 2.0.' Nonetheless, our forecast still anticipates resilience in consumption and investment activities. To that end, the authorities will remain vigilant against increasingly elevated downside risks to growth and will be nimble in terms of policy support. On inflation, the National Assembly targets an inflation rate of 4.5% on average in 2025, slightly above our forecast of 4.0% and higher than the 2024 average of 3.6%. In this context, we expect the SBV to remain vigilant regarding external risks and maintain our call for policy rates to stay unchanged in 2025.	Headline and core inflation rose marginally to 2.9% YoY in December from 2.8% in November. In particular, food and foodstuff inflation eased to 3.9% YoY in December versus 4.1% in November, while the negative CPI print in transportation lessened notably (-0.9% versus -3.3%). Lower food prices highlight that the adverse impact of natural disasters on food distribution has started to subside in December. Meanwhile, December trade data was largely positive. Specifically, export growth was robust at 12.8% YoY in December, compared to 8.2% in November. Notably, exports of electronics—which broadly include computers, telephones, insulated wires, mobile phones, cameras, etc.—rebounded significantly to 13.2% YoY in December, up from 1.2% in November. On the import front, imports rose by 19.2% YoY in December, compared to 9.8% in November, signalling a pickup in domestic activities. Looking ahead, the authorities have signalled a need to remain "close" to the US, with almost 30% of Vietnam's exports directed there (year-to-date 2024) and a large bilateral trade surplus with the US.
Philippines	GDP growth is expected to remain stable at 6.0% YoY in 2025, on account of stabilising household spending, higher investment spending and better export growth. However, challenges may persist due to the rising threat of protectionism and uncertainties surrounding China's economic recovery. Headline inflation in 2025 is expected to moderate further to 3.0% YoY versus 3.2% in 2024. On monetary policy, we continue to assess that BSP prioritise growth considerations, provided headline inflation remains within its 2-4% target range. BSP Governor Remolona said that they are open to a rate cut in early 2025. We expect the policy rate to be at 5.50% by end-2025.	President Marcos Jr. signed the PHP6.3trn budget for 2025 (or 22.0% of the government's projected GDP) after an initial delay to review the approved final spending plan. Consequently, this led to the vetoing of PHP194bn worth of spending. That said, the budget still represents a 2.4% increase from an earlier projection of PHP6.2trn, that sought to support economic growth momentum and reduce poverty. The two largest allocations were to the education and public work sectors. The government remains committed to fiscal prudence. Indeed, the fiscal deficit has improved. On a 12-month rolling sum basis until November 2024, the deficit narrowed to 6.0% of GDP from 6.2% of GDP in 2023. Both revenue and expenditure growth expanded to 15.2% YoY and 13.0% YoY in Jan-Nov '24 compared to 7.9% and 3.4% in 2023, respectively. This puts the government on track to achieving its fiscal deficit of 5.7% of GDP for 2024. Meanwhile, inflation target is set to remain unchanged at 2-4% through 2028.

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	1.5
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	2.3	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	4.0*	2.2	4.8	2.4	2.0
Thailand	1.9	2.6	3.3	1.2	0.4	2.2
Vietnam	5.0	7.1	6.2	3.3	3.6	4.0

*MTI Advance Estimates

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

Rates Forecast

USD Interest Rates	Q125	Q225	Q325	Q425
FFTR upper	4.25	4.00	3.75	3.75
SOFR	4.07	3.83	3.59	3.59
3M SOFR OIS	4.05	3.90	3.70	3.70
6M SOFR OIS	3.95	3.90	3.70	3.70
1Y SOFR OIS	3.90	3.85	3.75	3.75
2Y SOFR OIS	3.90	3.85	3.75	3.75
5Y SOFR OIS	3.85	3.90	3.80	3.80
10Y SOFR OIS	3.95	3.95	3.85	3.85
15Y SOFR OIS	4.00	4.00	3.90	3.90
20Y SOFR OIS	4.00	4.00	3.90	3.90
30Y SOFR OIS	4.00	4.05	3.95	3.95
SGD Interest Rates	**Q125**	**Q225**	**Q325**	**Q425**
SORA	2.90	2.78	2.65	2.50
3M compounded SORA	2.90	2.85	2.70	2.58
3M SGD OIS	2.70	2.60	2.55	2.50
6M SGD OIS	2.70	2.65	2.60	2.55
1Y SGD OIS	2.60	2.60	2.55	2.55
2Y SGD OIS	2.60	2.60	2.55	2.55
3Y SGD OIS	2.65	2.60	2.60	2.60
5Y SGD OIS	2.65	2.60	2.60	2.60
10Y SGD OIS	2.70	2.70	2.65	2.65
15Y SGD OIS	2.70	2.70	2.65	2.65
20Y SGD OIS	2.65	2.65	2.65	2.65

MYR Interest Rates	Q125	Q225	Q325	Q425
OPR	3.00	3.00	3.00	3.00
1M MYR KLIBOR	3.28	3.25	3.25	3.22
3M MYR KLIBOR	3.65	3.55	3.55	3.52
6M MYR KLIBOR	3.63	3.60	3.60	3.58
1Y MYR IRS	3.45	3.40	3.40	3.40
2Y MYR IRS	3.40	3.35	3.35	3.35
3Y MYR IRS	3.40	3.35	3.35	3.35
5Y MYR IRS	3.50	3.40	3.40	3.40
10Y MYR IRS	3.65	3.60	3.55	3.55
HKD Interest Rates	**Q125**	**Q225**	**Q325**	**Q425**
1M HKD HIBOR	4.00	3.70	3.45	3.45
3M HKD HIBOR	4.10	3.85	3.60	3.60
6M HKD IRS	4.05	3.80	3.55	3.55
1Y HKD IRS	3.75	3.70	3.60	3.55
2Y HKD IRS	3.65	3.65	3.55	3.55
5Y HKD IRS	3.60	3.55	3.50	3.50
10Y HKD IRS	3.60	3.55	3.50	3.50
UST yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y UST	4.05	3.90	3.85	3.85
5Y UST	4.20	4.05	4.00	4.00
10Y UST	4.40	4.30	4.25	4.25
30Y UST	4.60	4.45	4.45	4.45
SGS yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y SGS	2.65	2.60	2.55	2.50
5Y SGS	2.70	2.65	2.60	2.55
10Y SGS	2.80	2.70	2.65	2.60
15Y SGS	2.80	2.75	2.70	2.65
20Y SGS	2.75	2.65	2.65	2.65
30Y SGS	2.75	2.70	2.70	2.70
MGS yields	**Q125**	**Q225**	**Q325**	**Q425**
3Y MGS	3.35	3.30	3.30	3.30
5Y MGS	3.50	3.45	3.40	3.40
10Y MGS	3.70	3.65	3.60	3.60
IndoGB yields	**Q125**	**Q225**	**Q325**	**Q425**
2Y IndoGB	6.60	6.30	6.20	6.10
5Y IndoGB	6.70	6.50	6.40	6.30
10Y IndoGB	6.80	6.70	6.65	6.60

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

FX Forecast

Currency Pair	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
USD-JPY	154.00	152.00	151.00	150.00	149.00
EUR-USD	1.0480	1.0400	1.0350	1.0300	1.0400
GBP-USD	1.2650	1.2700	1.2750	1.2750	1.2800
AUD-USD	0.6400	0.6450	0.6500	0.6500	0.6550
NZD-USD	0.5750	0.5800	0.5850	0.5900	0.6000
USD-CAD	1.4200	1.4200	1.4300	1.4400	1.4450
USD-CHF	0.9000	0.9000	0.9100	0.9200	0.9250
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	107.10	107.31	107.55	107.84	107.15
USD-SGD	1.3600	1.3700	1.3750	1.3800	1.3820
USD-CNY	7.3000	7.3500	7.3700	7.3900	7.4000
USD-CNH	7.3200	7.3600	7.3800	7.4000	7.4100
USD-THB	34.00	34.20	34.20	34.00	33.80
USD-IDR	16000	16100	16200	16200	16300
USD-MYR	4.4800	4.5200	4.5400	4.5800	4.6000
USD-KRW	1450	1455	1470	1475	1480
USD-TWD	32.60	32.70	32.80	33.10	33.10
USD-HKD	7.7600	7.7700	7.7800	7.7900	7.7900
USD-PHP	58.00	58.30	58.50	58.70	58.80
USD-INR	85.50	85.70	85.90	86.00	86.00
USD-VND	25200	25400	25500	25600	25600
EUR-JPY	161.39	158.08	156.29	154.50	154.96
EUR-GBP	0.8285	0.8189	0.8118	0.8078	0.8125
EUR-CHF	0.9432	0.9360	0.9419	0.9476	0.9620
EUR-SGD	1.4253	1.4248	1.4231	1.4214	1.4373
GBP-SGD	1.7204	1.7399	1.7531	1.7595	1.7690
AUD-SGD	0.8704	0.8837	0.8938	0.8970	0.9052
NZD-SGD	0.7820	0.7946	0.8044	0.8142	0.8292
CHF-SGD	1.5111	1.5222	1.5110	1.5000	1.4941
JPY-SGD	0.8831	0.9013	0.9106	0.9200	0.9275
SGD-MYR	3.2941	3.2993	3.3018	3.3188	3.3285
SGD-CNY	5.3676	5.3650	5.3600	5.3551	5.3546
SGD-IDR	11765	11752	11782	11739	11795
SGD-THB	25.00	24.96	24.87	24.64	24.46
SGD-PHP	42.65	42.55	42.55	42.54	42.55
SGD-VND	18529	18540	18545	18551	18524
SGD-CNH	5.3824	5.3723	5.3673	5.3623	5.3618
SGD-TWD	23.97	23.87	23.85	23.99	23.95
SGD-KRW	1066.18	1062.04	1069.09	1068.84	1070.91
SGD-HKD	5.7059	5.6715	5.6582	5.6449	5.6368
SGD-JPY	113.24	110.95	109.82	108.70	107.81
Gold $/oz	2670	2690	2700	2720	2740
Silver $/oz	30.34	30.74	30.68	30.91	33.01

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

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

*Follow our podcasts by searching '**OCBC Research Insights**' on Telegram!*

Macroeconomic Calendar

Date Time	C	Event	Period	Survey	Actual	Prior
02/01 08:00	SI	GDP YoY	4Q A	3.80%	4.30%	5.40%
02/01 12:00	ID	CPI YoY	Dec	1.58%	1.57%	1.55%
06/01 10:00	VN	CPI YoY	Dec	3.00%	2.94%	2.77%
06/01 11:30	TH	CPI YoY	Dec	1.40%	1.23%	0.95%
06/01 21:00	GE	CPI YoY	Dec P	2.40%	2.60%	2.20%
06/01 21:00	GE	CPI EU Harmonized YoY	Dec P	2.60%	2.90%	2.40%
07/01 09:00	PH	CPI YoY 2018=100	Dec	2.60%	2.90%	2.50%
09/01 09:30	CH	CPI YoY	Dec	0.10%	--	0.20%
15/01 15:00	UK	CPI YoY	Dec	--	--	2.60%
15/01 15:00	UK	CPI Core YoY	Dec	--	--	3.50%
15/01 21:30	US	CPI YoY	Dec	2.80%	--	2.70%
16/01 15:00	GE	CPI YoY	Dec F	--	--	2.60%
16/01 15:00	GE	CPI EU Harmonized YoY	Dec F	--	--	2.90%
17/01 10:00	CH	GDP YoY	4Q	5.10%	--	4.60%
17/01 18:00	EC	CPI YoY	Dec F	--	--	--
21/01 21:30	CA	CPI YoY	Dec	--	--	1.90%
22/01 05:45	NZ	CPI QoQ	4Q	--	--	0.60%
23/01 07:00	SK	GDP YoY	4Q A	--	--	1.50%
23/01 07:00	SK	GDP SA QoQ	4Q A	--	--	0.10%
23/01 13:00	SI	CPI YoY	Dec	--	--	1.60%
24/01 07:30	JN	Natl CPI YoY	Dec	--	--	2.90%
29/01 08:30	AU	CPI QoQ	4Q	--	--	0.20%
29/01 08:30	AU	CPI YoY	4Q	--	--	2.80%
30/01 10:00	PH	GDP YoY	4Q	--	--	5.20%
30/01 18:00	EC	GDP SA YoY	4Q A	--	--	0.90%
30/01 18:00	EC	GDP SA QoQ	4Q A	--	--	0.40%
30/01 21:30	US	GDP Annualized QoQ	4Q A	--	--	3.10%
31/01 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Jan	--	--	2.40%
31/01 21:00	GE	CPI YoY	Jan P	--	--	--
31/01 21:00	GE	CPI EU Harmonized YoY	Jan P	--	--	--

Source: Bloomberg

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
10/01 - 31/01	SI	Singapore MAS Jan. 2025 Monetary Policy Statement				
16/01 00:00	SK	BOK Base Rate	Jan-16	--	--	3.00%
20/01 09:15	CH	1-Year Loan Prime Rate	Jan-20	3.10%	--	3.10%
20/01 09:15	CH	5-Year Loan Prime Rate	Jan-20	3.60%	--	3.60%
22/01 15:00	MA	BNM Overnight Policy Rate	Jan-22	--	--	3.00%
24/01 00:00	JN	BOJ Target Rate	Jan-24	--	--	0.25%
29/01 22:45	CA	Bank of Canada Rate Decision	Jan-29	3.00%	--	3.25%
30/01 03:00	US	FOMC Rate Decision (Upper Bound)	Jan-29	--	--	4.50%
30/01 03:00	US	FOMC Rate Decision (Lower Bound)	Jan-29	--	--	4.25%
30/01 21:15	EC	ECB Main Refinancing Rate	Jan-30	--	--	3.15%
30/01 21:15	EC	ECB Deposit Facility Rate	Jan-30	--	--	3.00%
30/01 21:15	EC	ECB Marginal Lending Facility	Jan-30	--	--	3.40%

Source: Bloomberg

Macro Research

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

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

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

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

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

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

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

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

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

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

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

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

Co.Reg.no.: 193200032W

*Follow our podcasts by searching '**OCBC Research Insights**' on Telegram!*