Weekly Macro Views (WMV)

Global Markets Research & Strategy

11 November 2024

Weekly Macro Update

Key Global Data for this week:

11 November	12 November	13 November	14 November	15 November
• **JN** BoP Current Account Balance • **ID** Consumer Confidence Index • **CH** FDI YTD YoY CNY • **NZ** 2Yr Inflation Expectation	• **GE** CPI YoY • **GE** ZEW Survey Expectations • **UK** Jobless Claims Change • **UK** ILO Unemployment Rate 3Mths • **IN** Industrial Production YoY	• **US** CPI YoY • **US** MBA Mortgage Applications • **JN** PPI YoY • **SK** Unemployment rate SA • **AU** Wage Price Index QoQ	• **EC** GDP SA YoY • **US** Initial Jobless Claims • **US** PPI Final Demand MoM • **AU** Unemployment Rate	• **JN** GDP SA QoQ • **JN** Industrial Production MoM • **UK** GDP YoY • **UK** Industrial Production MoM • **HK** GDP YoY • **US** Retail Sales Advance MoM

Summary of Macro Views:

Global	• **US:** Election aftermath • **US:** Economic implications • **US:** FOMC outlook post elections • **US:** ISM manufacturing PMI down, services ticks up • **SK:** Inflation continues to ease in October
Asia	• **SG:** Retail sales higher, lifted by auto sales • **CN:** Trump 2.0: Trade policy is the key for the global economy. • **CN:** Trump 2.0: What does his mean for China? • **CN:** Path to resolving the CNY12trn hidden debt

Asia	• **ID:** Weaker growth in 3Q24 • **MY:** Bank Negara Malaysia holds the line • **MY:** Industrial production eased in September • **PH:** Dip in 3Q24 growth likely temporary • **PH:** Uptick in inflation • **PH:** CREATE MORE Act • **TH:** Low inflation persists
Asset Class	• **Commodities:** Higher crude oil prices • **ESG** • **FX & Rates:** Adjustments • **Global Asset Flows**

OCBC

US: Election aftermath

- Donald Trump has been re-elected as President of the United States, winning all swing states. Interestingly, Donald Trump is also on course to win the popular vote. His base of support this round came from heavily white working-class, and heavily college-educated white and majority Hispanic segments. His catch phrase of "Trump will fix it“ evokes market excitement about his potential policy changes for domestic issues of inflation, immigration and abortion, but also for external issues such as foreign and trade policies.
- The Republicans also managed to clinch the Senate, flipping the states of West Virginia, Ohio, Montana, Pennsylvania and fending off strong challenges in Florida, Nebraska and Texas. The House of Representatives remains the Democrats last chance to prevent a clean ‘red sweep’ of Congress and the Presidency. The Republicans currently lead 213-203 and are likely to secure all three legislative bodies. 218 is the required to get majority.
- US-China relations are already frosty, and trade tariffs (if implemented) may exacerbate the situation. However, Trump is also a negotiator and may be inclined to cut a deal if he gets what he wants. Hence, the question is whether there will be a deal. The strategic industries most at risk remain advanced manufacturing, especially semiconductors, EVs, solar panels etc.
- For the Fed, Trump has been quite vocal. However, he did not replace the Fed chair as earlier threatened in his last term. Hence, we need to separate noise from facts. Since the Fed is already cutting interest rates, he may heed sound counsel and leave the Fed alone for the moment. However, the question is whether tariffs will reignite inflation and complicate the picture for the Fed (i.e., they cannot cut rates as much as they intended).

Source: Bloomberg, Various News, OCBC.

US: Economic implications

- The election outcome will likely have implications for the fiscal deficit, growth, inflation and the broader macroeconomic outlook. A comprehensive analysis by the Committee for a Responsible Federal Budget (CRFB) indicates that former President Donald Trump would likely increase federal deficits and debt beyond current projections. In its central estimates, the CRFB noted that Trump's plan could increase it by about USD7.8trn. However, the estimates vary significantly, with the range from USD1.7trn to USD15.6trn, reflecting uncertainty in policy interpretations.

Candidate proposals impact - Central estimate (rounded to nearest USD50bn)	Trump
Extend and Modify Parts of the Tax Cuts & Jobs Act (TCJA)	5,350
Reduce Individual Taxes and Expand Tax Breaks	3,750
Reduce Business Taxes and Expand Tax Breaks	250
Increase Resources for Health Care and Long-Term Care	150
Increase Defence Spending	400
Support Paid Leave, Preschool, Child Care, and Education	n/a
Restrict Immigration and Strengthen Border Security	350
Increase Housing-Related Spending and Tax Breaks	150
Subtotal, Deficit-Increasing Policies	10,400
Increase Taxes on Corporations and High-Earners	n/a
Increase Tariffs	2,700
Reduce Other Spending and Tax Breaks	1,000
Subtotal, Deficit-Reducing Policies	3,700
Net Interest	1,050
Total, Net Deficit Impact	- 7,750
Source: Committee for a Responsible Federal Budget	

Source: Committee for a Responsible Federal Budget, OCBC.

US: FOMC outlook post elections

- The FOMC decided to unanimously lower the target range for the Fed funds rate by 25bps at the 7 November FOMC meeting, to 4.50-4.75%. The November FOMC statement was similar to the September FOMC statement, with some differences as they described the labour market because of what had happened. The statement removed the phrase that the Committee "has gained greater confidence" that inflation is moving sustainably towards 2% - we do not interpret it as reflecting a change in the inflation outlook. The line "has gained greater confidence" was in the September FOMC statement as it marked the start of the easing cycle.
- Fed Chair Powell commented that the election will have no near-term effect on monetary policy decisions. The timeline of any potential tariffs suggests that the impact on inflation, if any, may only be felt from Q32025 (or later) onwards. It remains more likely than not that there will be another 25bp Fed Funds rate cut at the December FOMC meeting, in our view.
- To sum up, we now expect one 25bp Fed funds rate cut each in December, January, March, Q2-2025 and Q3-2025, adding up to 100bps of cuts in 2025. This expected profile will bring the Fed funds rate target range to 3.25-3.50% at end 2025. This will be consistent with the stance of bringing rates gradually down over time to a more neutral level.

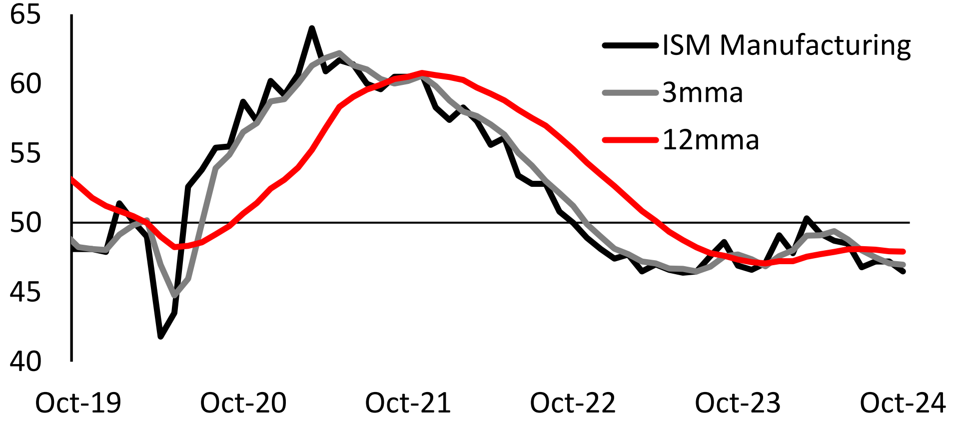
USD Interest Rates	Q424	Q125	Q225	Q325	Q425
FFTR upper	4.50	4.00	3.75	3.50	3.50

Source: FOMC, OCBC Research.

US: ISM manufacturing PMI down, services ticks up

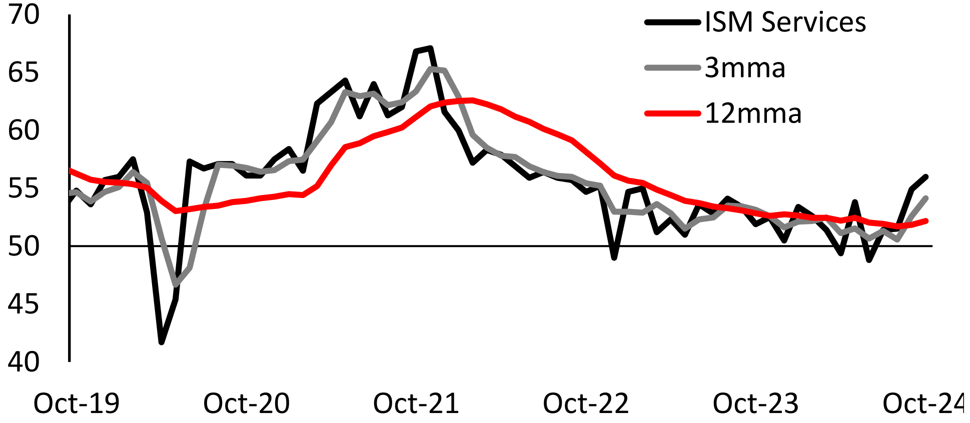
- ISM manufacturing ticked down to 46.5 in October (September: 47.2; consensus: 47.6), marking the seventh consecutive month of contraction in the services sector and the lowest reading since June 2023. New orders fell to 44.6 versus 47.4 in September, the lowest since May 2023, while production fell similarly to 44.8 (September: 45.9).
- Meanwhile, ISM services ticked up to 56.0 in October (September: 54.9), against expectations of a drop to 53.8. The October reading marked the fourth consecutive month of expansion in the services sector and was the highest since June 2022. Although both continued to expand healthily, new orders eased slightly in October to 57.5 (September: 59.4) while business activity eased as well to 57.2 (September 59.9). A main driver of the increased reading was employment, which increased to 53.0 (September: 48.1), indicating healthy employment demand from the services sector. The October readings continue to indicate a still struggling manufacturing sector and a robust and resilient services sector that is fueling the US economy.

ISM Manufacturing PMI



Source: ISM, Bloomberg, OCBC

ISM Services PMI



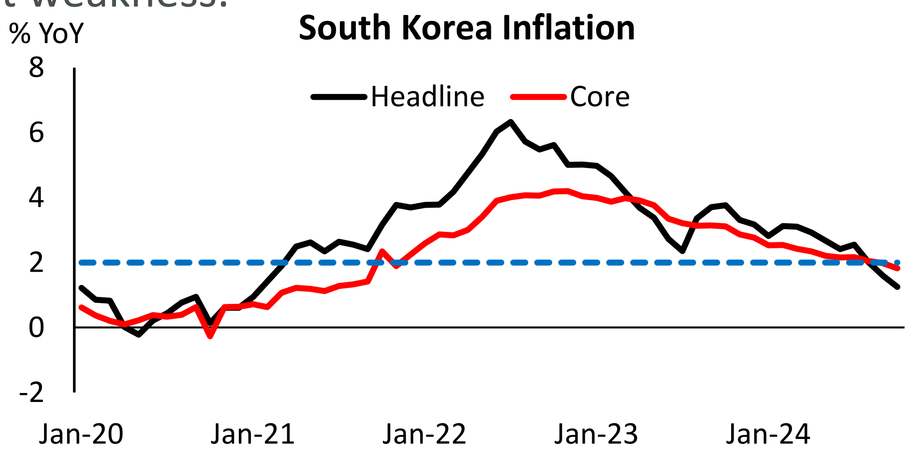
Source: ISM, Bloomberg, OCBC

OCBC

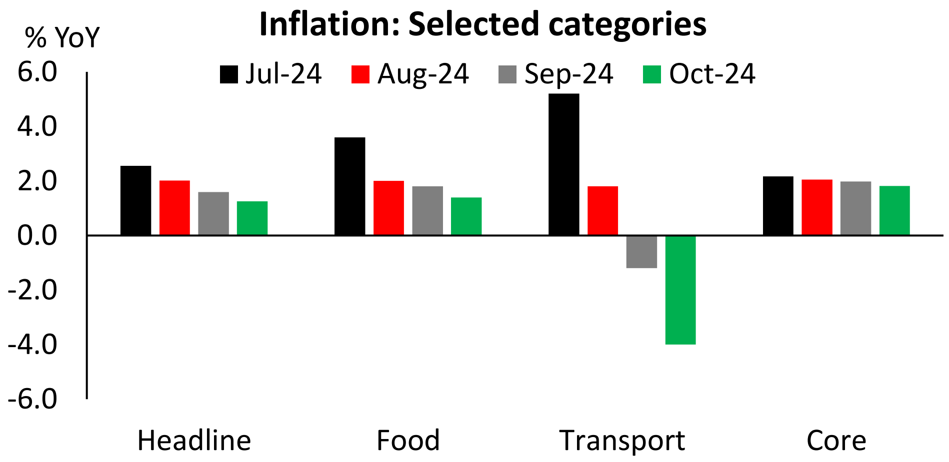
Source: ISM, Bloomberg, OCBC.

South Korea: Inflation continues to ease in October

- Headline inflation eased by more than expected to 1.3% YoY in October (September: 1.6%; consensus: 1.4%). This marked the second consecutive month of headline inflation below the Bank of Korea's (BoK) 2% inflation target and the lowest reading since January 2021. Meanwhile, core inflation eased to 1.8% YoY in October (September: 2.0%; consensus: 1.9%), below the 2% target for the first month since November 2021 and the lowest reading since September 2021.
- The ease in inflation was broad based, with most major categories seeing a tick down in inflation. A key driver of the lower reading was transport inflation, which eased to -4% YoY (September: -1.2%), the second consecutive month of deflation. Food inflation also eased in October to 1.4% YoY (September: 1.8%), the lowest reading since February 2020. Amidst the cooler inflation backdrop, other key factors that the BoK will take into monetary policy consideration include elevated housing prices in Seoul and by extension, housing debt, as well as KRW strength. BoK Governor Rhee Chang Yong has highlighted that the strength of the KRW will be a major factor in policy decisions moving forward, given recent weakness.



Source: Statistics Korea, CEIC, OCBC

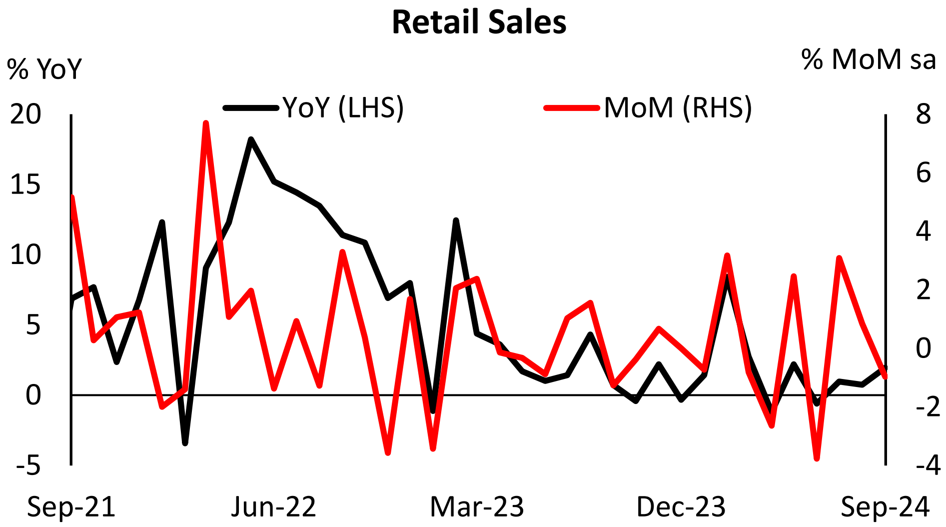


Source: Statistics Korea, CEIC, OCBC

Source: Statistics Korea, CEIC, OCBC.

SG: Retail sales higher, lifted by auto sales

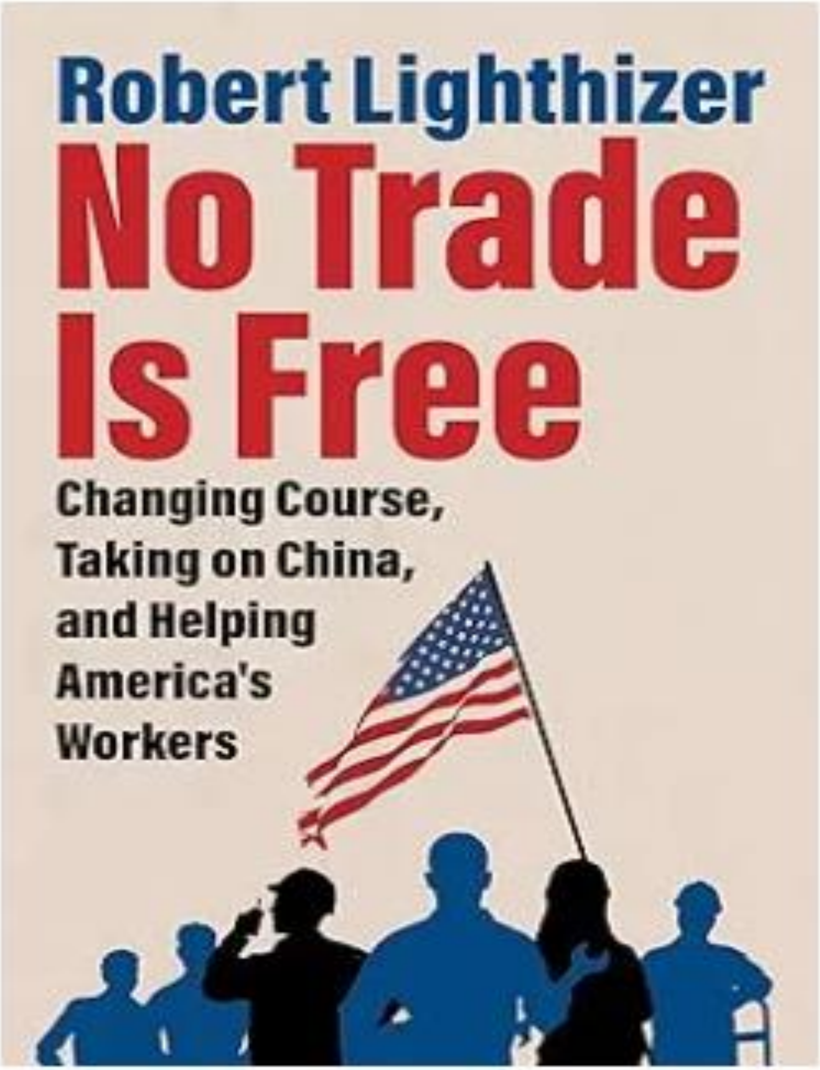
- September retail sales rose more than expected by 2.0% YoY (0.4% MoM sa), but was largely lifted by auto sales (29.6% YoY and 5.0% MoM sa). Excluding motor vehicles, retail sales would have shrunk 1.4% YoY (-0.2% MoM sa), extending the August decline of 1.3% YoY (-0.2% MoM sa). This marked the fourth consecutive month of retail sales excluding motor vehicle sales contracting after flatlining in May 2024. This illustrates that private consumption has likely moderated in line with the gradually cooling domestic labour market conditions.
- Year-to-date retail sales growth stand at 1.9% YoY, and we expect that 4Q24 retail sales should chalk up an improved performance of 3.4% YoY to bring full-year 2024 retail sales to around 2-3% YoY which is similar to 2023's 2.3% YoY. Motor vehicles sales have been the star performer this year, expanding by 20.4% YoY year-to-date and 24.6% YoY in 3Q24, aided by the increased COE quotas and a recent pickup in demand for EVs. Looking ahead, the performance of the retail sales industry is likely dependent on the domestic labour market and the strength of the tourist dollar.



Source: DOS, CEIC, OCBC

Source: DOS, MOM, CEIC, OCBC.

Trump 2.0: Trade policy is the key for the global economy



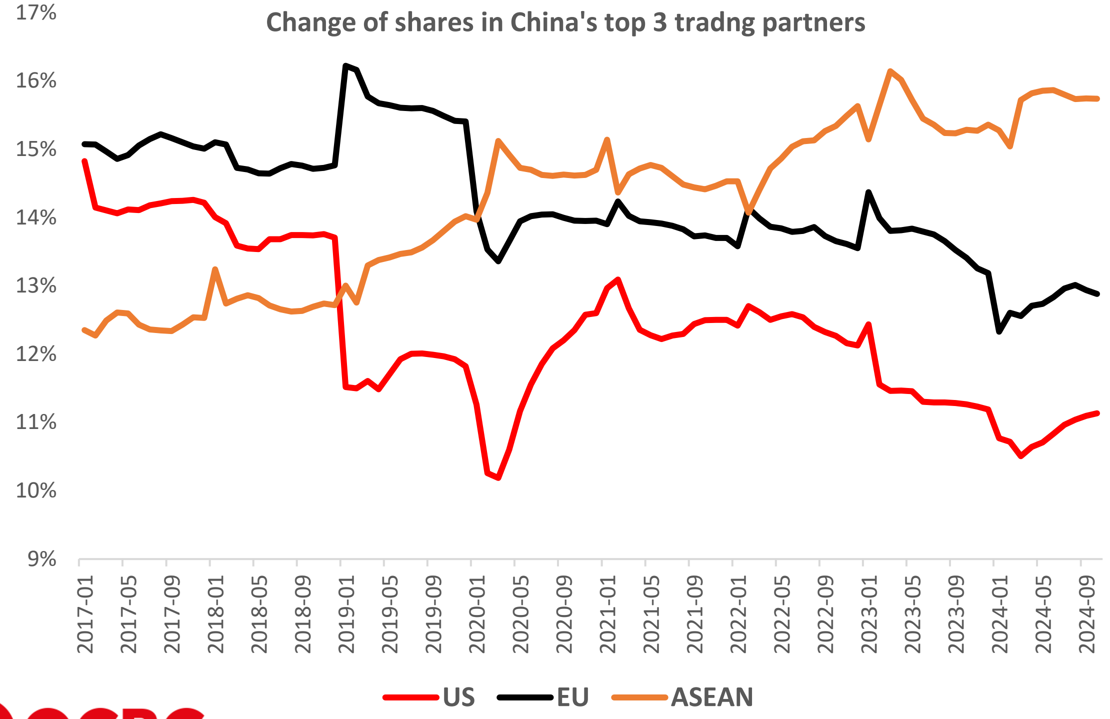
- "America First" not only means prioritizing the U.S. over foreign nations but also carries two additional implications: first, prioritizing American producers over consumers; second, sacrificing some economic efficiency to protect the welfare of certain American workers.
- In his book, Robert Lighthizer advocates for a strategic decoupling from China.
- Two measures to achieve trade balance include: first, revoking China's Most Favored Nation (MFN) status; second, imposing additional tariffs on imports from China.

OCBC

Source: Google, OCBC.

Trump 2.0: What does this mean for China?

- Future tariffs under a Trump 2.0 administration are likely to rely on Section 301. Based on the 2018-2019 trade war timeline, it took about 11 months from the start of a Section 301 investigation to the initial tariffs. Even with an expedited approach, new tariffs would likely require at least 6 months, potentially impacting trade by the second half of 2025 if Trump assumes office in January.
- Studies from the first trade war estimate China’s export elasticity to tariffs at approximately -1.7 to -2.5, indicating that for every 1% increase in tariffs, China’s exports to the U.S. could decline by 1.7% to 2.5%.



OCBC

Source: BEA, Bloomberg, OCBC.

China: Path to resolving the CNY12trn hidden debt

- According to Ministry of Finance estimates, as of the end of 2023, the total hidden debt balance nationwide stood at CNY14.3trn after detailed project reviews and hierarchical reporting. Minister Lan outlined a three-pronged policy approach aimed at reducing the amount of hidden debt to CNY2.3trn by 2028.
- Overall, the amount announced last Friday aligns largely with expectations but 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 for 2024. Additionally, the debt resolution responsibility remains primarily with local governments rather than shifting to the central government. As a result, compared to central government-led leverage increases, the chain of reaction to economic support from the local government-led resolutions may be longer.

The path to resolving the CNY12trn debt
First, raising the local government debt ceiling by CNY6trn to swap existing hidden debt over three years (2024-2026) at CNY2trn annually.
Second, allocating CNY800bn per year for five years through newly issued local government special bonds to supplement government fund resources for debt resolution, cumulatively addressing CNY4trn of hidden debt.
Third, extending repayment terms for CNY2trn of hidden debt related to shantytown redevelopment beyond 2028, allowing repayment according to original contract terms starting in 2029.

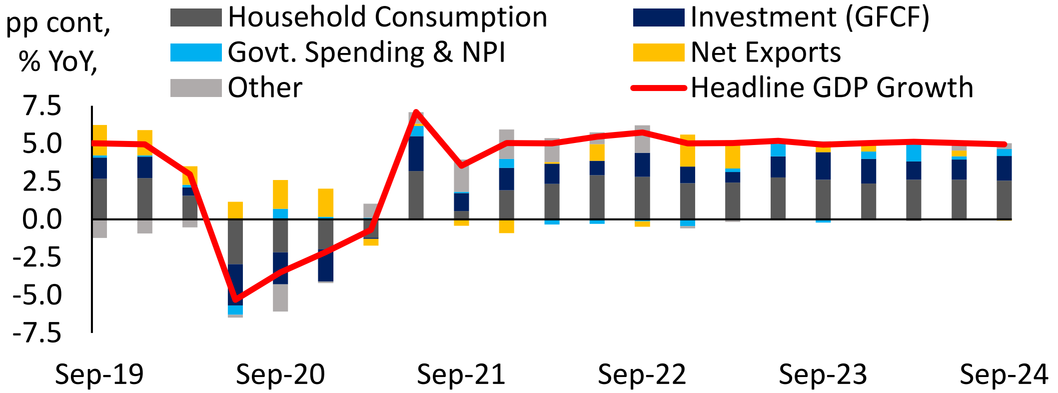
OCBC

Source: BEA, Bloomberg, OCBC.

Indonesia: Weaker growth in 3Q24

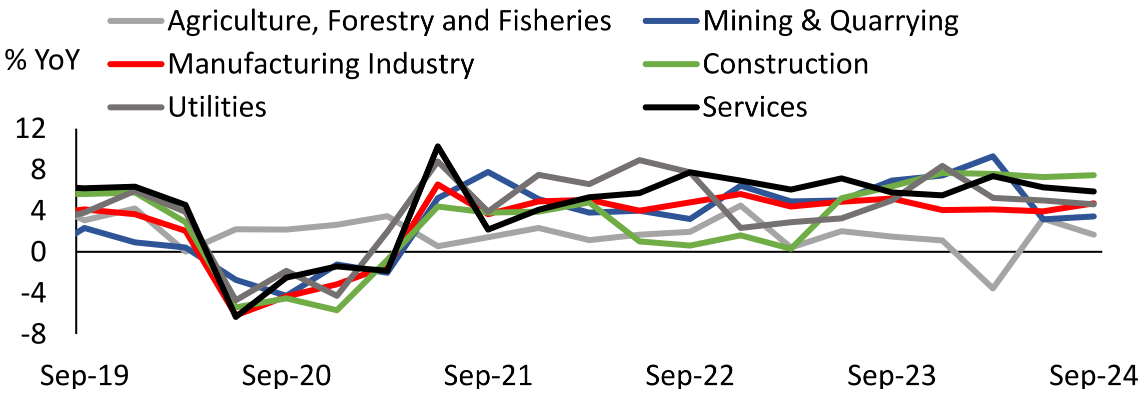
- GDP growth slowed to 4.9% YoY in 3Q24 versus 5.0% in 2Q24, matching our forecast but below consensus expectations of 5.0%.
- Domestic demand remained the main driver of growth, contributing 4.6 percentage points (pp) to headline GDP growth compared to 4.2pp in 2Q24. The strength in domestic demand was reflected in import growth, which picked up to 11.5% YoY versus 7.8% in 2Q24. This far outpaced the marginal improvement in exports growth (9.1% from 8.2). Net exports, as a result, shaved off 0.1pp off headline GDP after adding 0.2pp in 3Q24.
- GDP growth for the 1Q-3Q24 averaged 5.0% YoY, consistent with our full year 2024 GDP growth forecast of 5.0%. We expect 4Q24 GDP growth to remain on the weaker side similar to 3Q24, bringing the full-year 2024 growth to 5.0%. Slowing growth justifies Bank Indonesia's bias to reduce its policy rate further, but the timing of the rate cuts will be dependent on IDR stability.

GDP: Expenditure



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

GDP: Industry

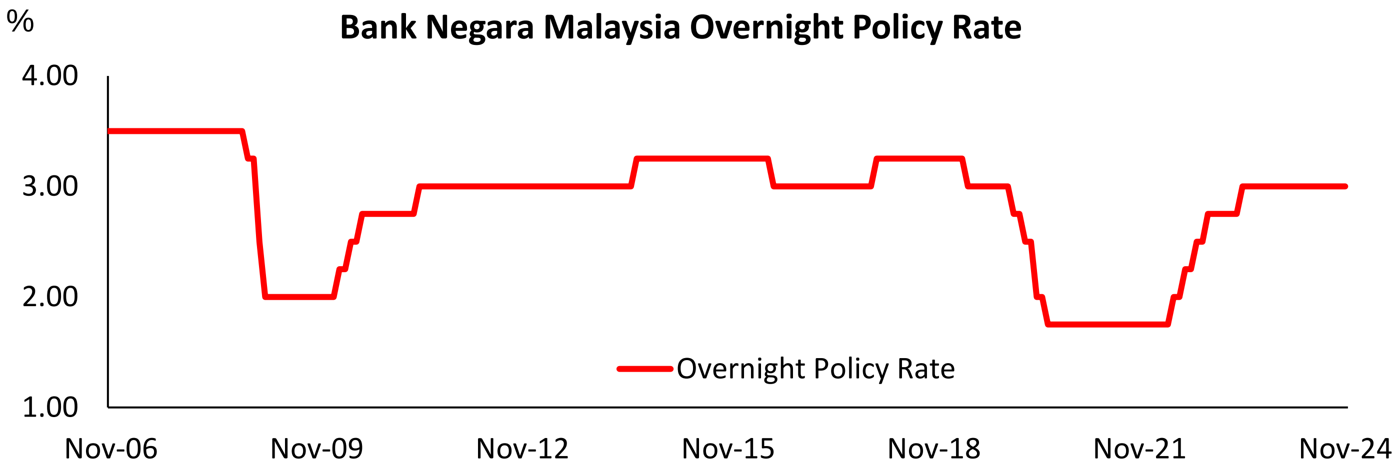


Note: Services = Combined value of Wholesales & Retail Trade, Repairs, Transportation & Storage, Accommodation & Food Beverages Activity, Information & Communication, Financial & Insurance Activity, Real Estate, Business Services, Public Admin, Defense & Social Security, Education Services, Human Health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

Source: BPS, CEIC, OCBC.

Malaysia: Bank Negara Malaysia holds the line

- Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.00%, in line with expectations.
- BNM noted that the inflation outlook remains subject to domestic policy changes, while the currency could experience near-term volatility due to the US election outcome. Our baseline forecast is for headline inflation to average 2.1% YoY in 2025. Specifically, if RON95 rationalisation is implemented as outlined in Budget 2025, we estimate that retail prices could rise by 20-25% from July 2025, pushing our estimate of average inflation higher to 2.6-2.8% YoY in 2025. The government has estimated a wider headline inflation range of 2.0-3.5% in 2025 versus 1.5-2.5% in 2024.
- We expect BNM to keep its policy rate unchanged at 3.00% in 2025. That said, BNM is likely to remain vigilant of second-round inflationary pressures.

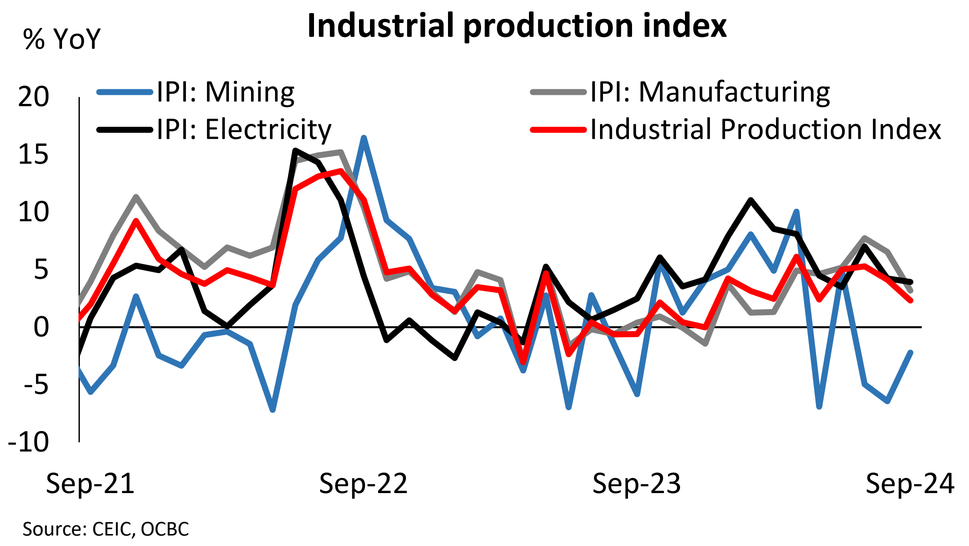


Source: Bank Negara Malaysia, CEIC, OCBC

Source: BNM, CEIC, OCBC

Malaysia: Industrial production eased in September

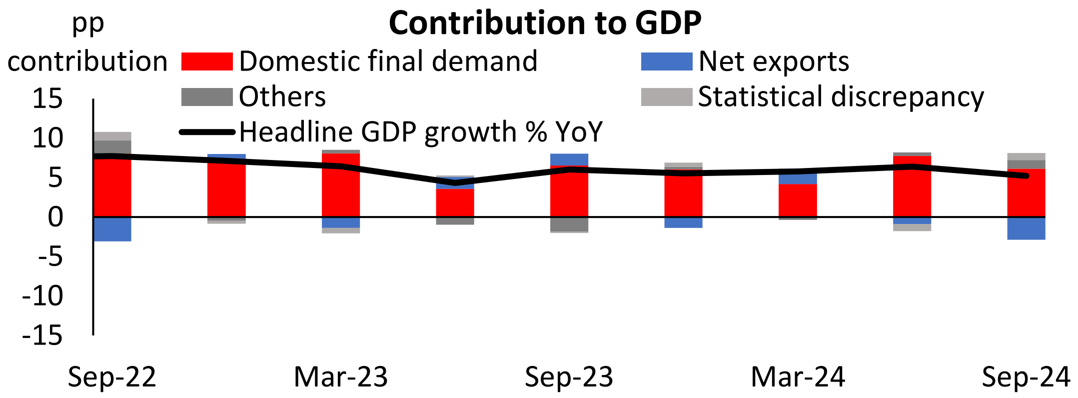
- Industrial Production Index (IPI) growth eased to 2.3% YoY in September versus 4.1% in August, with weaknesses observed across key sectors.
- Specifically, manufacturing IPI growth slowed to 3.2% YoY in September from 6.2% in August, as all manufacturing subsectors saw slower growth, driven by the ‘transport equipment and other manufactures’ component. Electricity IPI growth also slowed to 3.9% YoY versus 4.2%, while mining IPI declined for the third consecutive month to -2.2% YoY in September (August: -6.4%).
- Consequently, the September data brings IPI growth to 3.9% YoY in 3Q24, compared to 4.5% in 2Q24. Manufacturing IP growth was higher at 5.8% YoY versus 4.9% in 2Q24, broadly consistent with the advance 3Q24 estimate of 5.7%. As such, we expect the advance 3Q24 GDP estimate of 5.3% is unlikely to be revised based on IP.



Source: DOSM, CEIC, OCBC

Philippines: Dip in 3Q24 growth likely temporary

- GDP growth surprised to the downside, slowing to 5.2% YoY in 3Q24 versus an upwardly revised 6.4% in 2Q24. The demand side drivers were mixed.
- Government spending slowed in 3Q24 while investment spending sustained its double-digit growth rates. Meanwhile, household spending growth improved to 5.1% YoY versus 4.7% in 2Q24, reflecting improved consumer sentiment and lower inflationary pressures. Consequently, the contribution of domestic demand narrowed to 6.1 percentage points (pp) from 7.7pp in 2Q24 but remained robust. This was reflected in higher imports growth of 6.4% YoY (2Q24: 5.3%). Exports growth of goods and services, by contrast, declined by 1.0% YoY (2Q24: +4.2%). As a result, the negative contribution of net exports widened to -2.9pp from -0.9pp in 2Q24.
- Looking ahead, we maintain our full year 2024 GDP growth forecast of 6.0% YoY. This implies a pick-up in 4Q24 GDP growth to 6.4% YoY, supported by reconstruction efforts following recent typhoons, a sustained focus on infrastructure development, improved household spending bolstered by lower inflation and the ongoing rate cutting cycle. For 2025, we forecast stable GDP growth of 6.0%.



Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC.

Philippines: Uptick in inflation

- Headline CPI accelerated to 2.3% YoY in October versus 1.9% in September, matching consensus expectations (Consensus: 2.3%; OCBC: 2.1%). Meanwhile, core CPI held steady at 2.4% YoY in October.
- The main driver of the higher headline CPI was due to higher prices within the food & non-alcoholic beverages (2.9% YoY versus 1.4%) category. This increase more than offset lower inflation in utilities (2.4% YoY versus 3.3%) and transport (-2.1% YoY versus -2.4%).
- The October figure brings the year-to-date headline CPI to average at 3.3% YoY, within BSP 2-4% target range, compared to 6.0% in 2023. We maintain our 2024 headline CPI forecast at 3.2% YoY, indicating well-contained inflationary pressure for 4Q24. Consequently, this provides the Bangko Sentral ng Pilipinas with further room to implement another 25bp cut, at its 19 December meeting, bringing the policy rate down to 5.75%.

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

Source: Philippine Statistics Authority, CEIC, OCBC

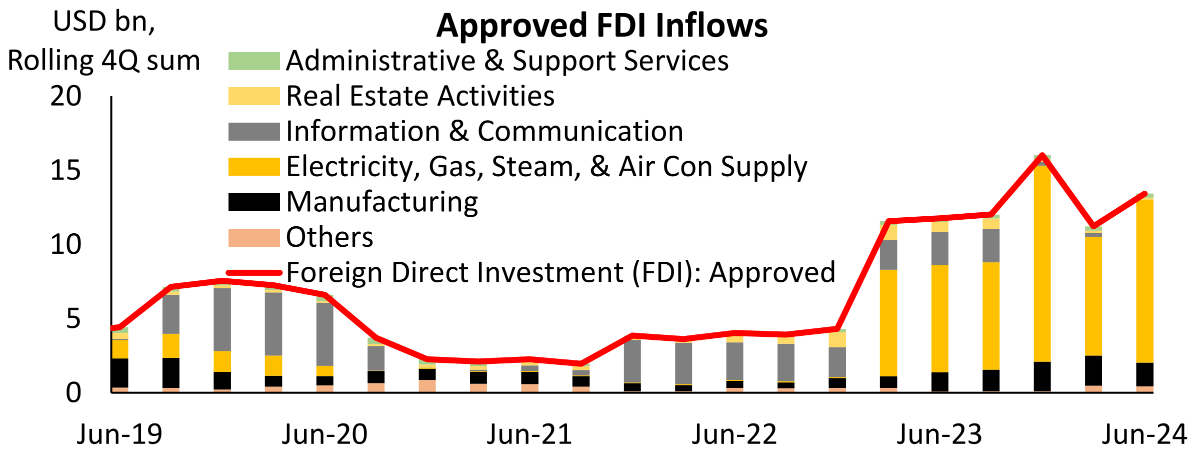
Source: Philippine Statistics Authority, CEIC, OCBC.

Philippines: CREATE MORE Act

- President Ferdinand Marcos Jr. signed into law the Corporate Recovery and Tax Incentives for Enterprises to Maximise Opportunities for Reinvigorating the Economy (CREATE MORE Act), aiming to create more job opportunities and bolster economic growth.
- The CREATE MORE Act reduces the corporate income tax rate for registered businesses enterprises (RBEs) under the enhanced deductions regime to 20% (previous: 25%). Additionally, the CREATE MORE Act grants a 100% additional deduction on power expenses to cut the costs for the manufacturing sector, and extends the maximum duration of tax incentives by another ten years to 27 years (previous: 17 years).
- Although the revenue loss will be PHP5.9bn from 2025 to 2028 (i.e., 0.004% of projected GDP of the same period), the government, however, expects higher FDI inflows in the coming years.

Country	2020	2023	Latest
Indonesia	25	22	22
Malaysia	24	24	24
Philippines	**30**	**25**	**20**
Singapore	17	17	17
Thailand	20	20	20
Vietnam	20	20	20

Source: PwC for latest and 2023, KPMG for 2020



Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, Philippine News Agency, SEPO, Bloomberg, CEIC, KPMG, PwC, OCBC.

Thailand: Low inflation persists

- Headline CPI picked up to 0.8% YoY in October versus 0.6% in September, slightly below consensus expectations (Consensus: 0.9%; OCBC: 1.0%). Meanwhile, core inflation held steady at 0.8% YoY.
- The main drivers for higher inflation were driven by smaller year-on-year contractions in ‘Apparel & Footwears’ (-0.5% YoY versus -0.7%) and ‘Transport & Communication’ (-0.3% YoY versus -1.8%). This more than offset lower food inflation (1.9% YoY versus 2.3%).
- With the 2024 year-to-date headline CPI averaging 0.3%, we see downside risks to our full year forecast of 0.6% YoY. On monetary policy, we remain of the view that Bank of Thailand’s rate cutting will be shallow, with another 25bp rate cut in 1Q25, taking the policy rate to 2.00%.

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

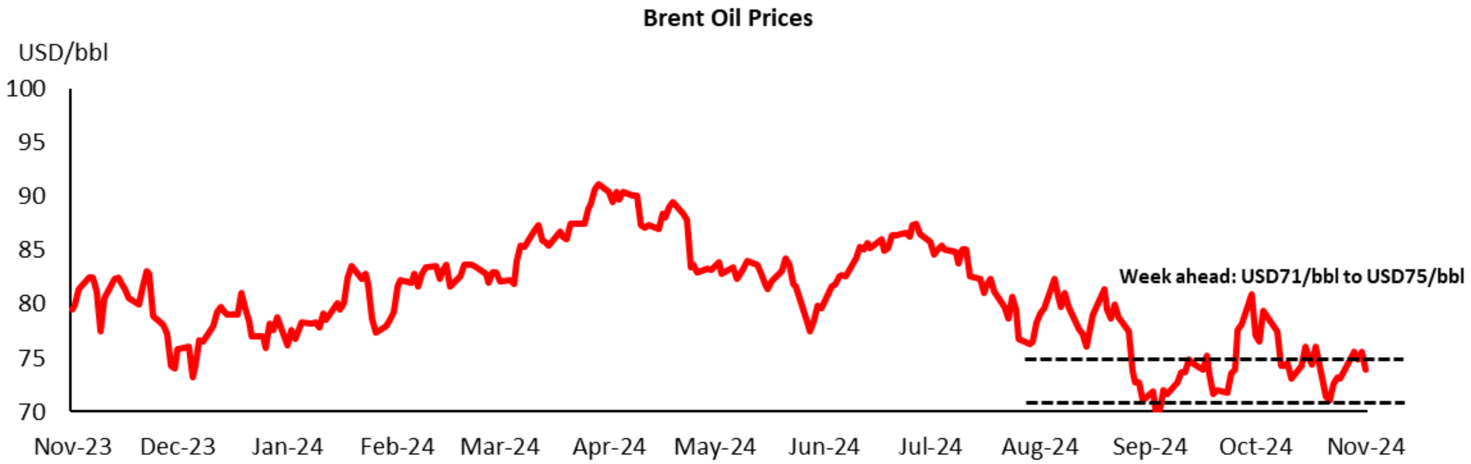
Source: Ministry of Commerce, CEIC, OCBC

Source: Ministry of Commerce, CEIC, OCBC.

Commodities

Crude Oil: Higher crude oil prices

- Crude oil benchmarks closed higher last week, with WTI and Brent increasing by 1.3% and 1.1% week-on-week, respectively, and closing at USD70.4/bbl and USD73.9/bbl.
- The primary driver of higher oil prices was due to prospects of a re-escalation in Middle East tensions as well as the delay in OPEC+ planned production increase of its 2.2mbpd until the end of December 2024. Nevertheless, some of these gains were pared back due to a stronger DXY profile, a larger-than-expected buildup in US crude oil and fuel inventories, and disappointment regarding China’s recent economic stimulus packages.
- Looking ahead, we expect oil prices to trade range bound between USD71-75/bbl. For the week, the key focuses are China’s activity data on Friday. We also have monthly releases from EIA, IEA, OPEC.



Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC.

ESG

ESG: Trump's re-election and impact on global climate action

- **Slowing down US' role in global climate action**: The US is preparing to withdraw from the Paris Agreement again. During Trump's first term, the US formally withdrew from the Paris Agreement in 2020, citing unfair economic burden imposed on American workers and businesses. This is alongside plans to increase oil and gas production, as well as rescind unspent funds allocated by the Inflation Reduction Act (IRA). The latter may face opposition from his own party as IRA-related investments into green energy have been hugely beneficial to Republican districts.
- **COP29 impact**: There is concern that Trump's re-election may reduce the ability of countries to agree on a new climate finance target at COP29. This may put more pressure on the rest of the world's developed nations to increase climate funding. Nonetheless, countries are expected to progress on other priorities like Article 6 discussions and more ambitious Nationally Determined Contributions (NDCs) ahead of the 2025 deadline.
- **Limited impact on Asia's low-carbon transition**: If US clean energy manufacturing declines, this can open up new supply chain markets that China can leverage to continue growing its renewable energy sector. Higher tariffs on clean energy products are expected to continue shrinking China's share of the solar component markets in the US. However, high-growth markets for renewable energy components like Malaysia and Thailand are set to ensure that China's solar module export trajectory remains high. Strong ASEAN collaboration is also expected to continue i.e. low-carbon electricity imports, carbon credit collaborations, strengthening carbon capture and storage capabilities.

OCBC

Source: IEA, OCBC, Reuters

FX & Rates

FX & Rates: Adjustments

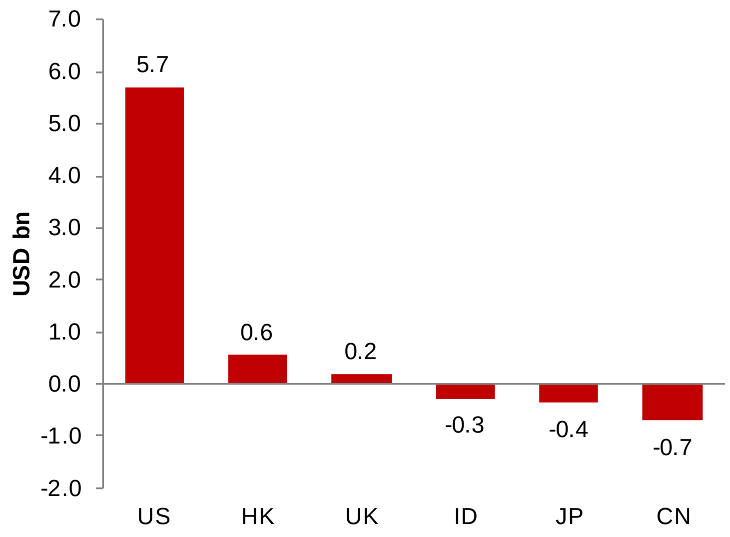
- **USD Rates.** The timeline of any potential tariffs suggests that the impact on inflation, if any, may only be felt from Q32025 onwards. It remains more likely than not that there will be another 25bp Fed Funds rate cut at the December FOMC meeting, in our view. But in view of potential inflation impact starting to emerge in the latter part of 2025, we remove one 25bp rate cut that we previously expected for Q4-2025. We now expect one 25bp Fed funds rate cut each in December, January, March, Q2-2025 and Q3-2025, adding up to 100bps of cuts in 2025. This expected profile will bring the Fed funds rate target range to 3.25-3.50% at end 2025. This will be consistent with the stance of bringing rates gradually down over time to a more neutral level.
- **DXY.** Trump's threat on tariff remains one of the biggest risks that markets are concerned about, but we do not know how long it takes for those policies to be in place after all, President inauguration only takes place on 20th Jan. And we do not know for sure if election threats/ promises become reality. Tariff risk and Trump policy uncertainty may keep USD supported on dips but in the event of a delay to implementing tariffs or even in the scenario it doesn’t materialise, then further unwinding of Trump trade may also be likely. The uptick may raise doubts if Fed will still cut rates in Dec. But we expect Fed to cut in Dec amid cooling job market. Moreover, post-FOMC last week, Powell commented that the election will have no near-term effect on monetary policy decisions.
- **USDJPY.** There is some uncertainty if PM Ishiba will win enough votes to lead a new government as the new PM. LDP and Komeito need support from some in the opposition to pass major legislation, including an extra budget to fund an economic stimulus package. Assuming no major upset. i.e. Ishiba may still win and a minority government may suffice with opposition DPP and JIP as partners on confidence and supply agreement. Point to note is that these opposition partners had earlier critique BoJ for raising rates.
- **CNY Rates.** The CNY6trn of debt swap program over a three-year period still represents additional funds, but the usage will constrain any spillover onto real economic activities. In the absence of additional central government bond issuances, long-end CGB yields are likely to settle around current levels and we now see the range for 10Y CGB yield at 2.05-2.15% through to year-end. We maintain a steepening bias on the CGB curve primarily premised on downside to short-end yields on potential further monetary easing. With additional LGBs issuances for debt swap and heavy MLF maturity, an RRR cut before year end is highly likely.

Asset Flows

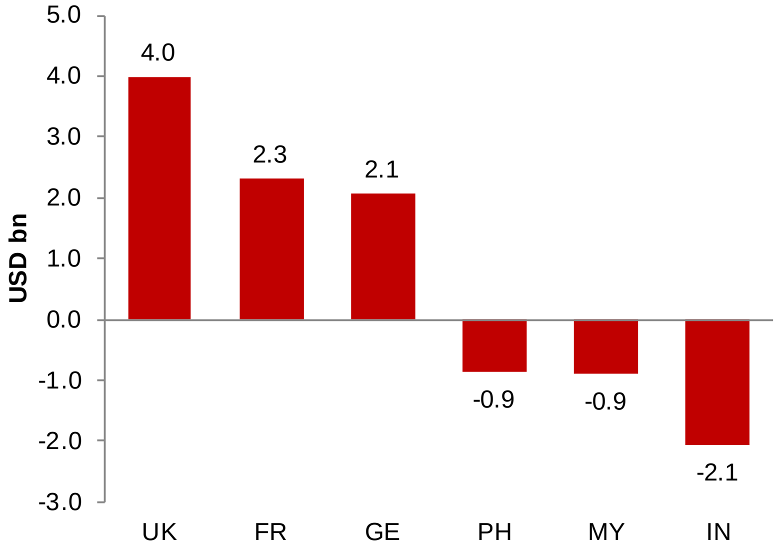
Global Equity & Bond Flows

- Global equity markets saw net inflows of $36.1bn for the week ending 6 November, an increase from the outflows of $1.3bn last week.
- Global bond markets reported net inflows of $14.6bn, a decrease from last week's inflows of $17.9bn.

Equity top gainers & losers



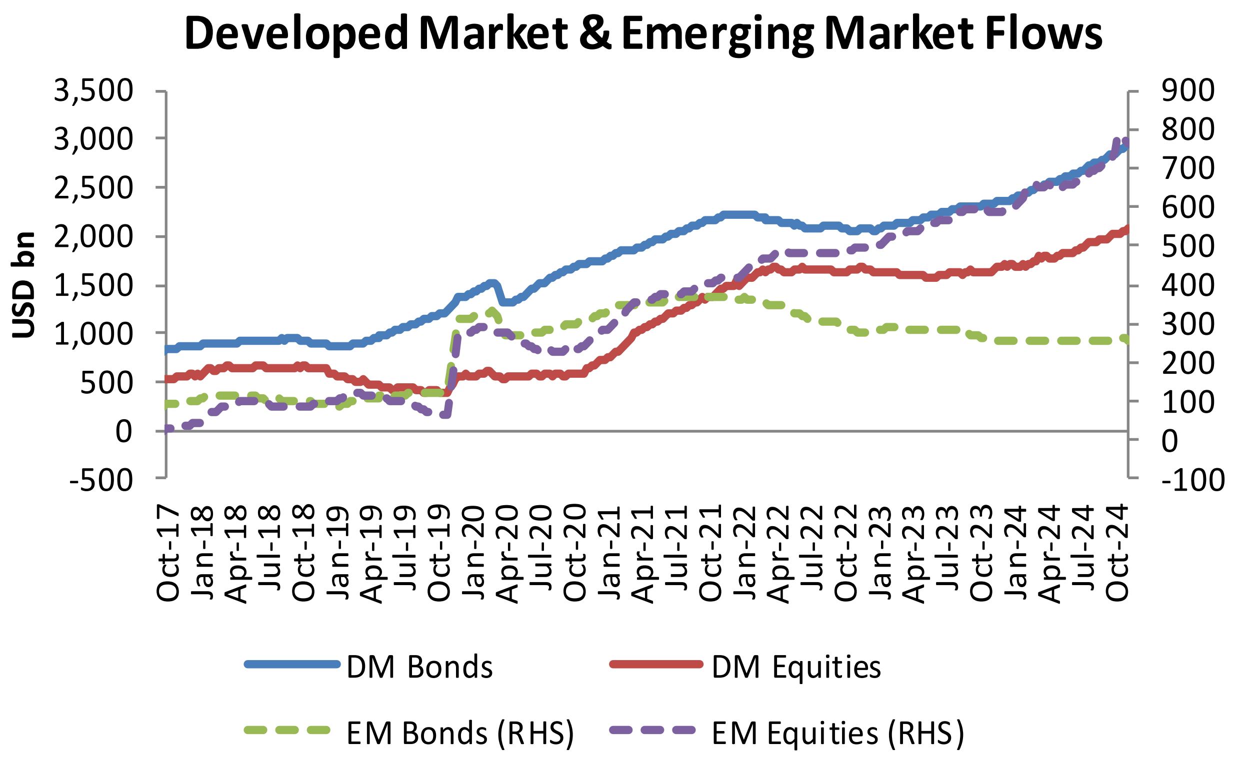
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($36.7bn) saw inflows and Emerging Market Equities ($682.30mn) saw outflows.
- Developed Market Bond ($17.0n) and Emerging Market Bond ($2.5bn) saw outflows.



Source: OCBC, EPFR

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