# Weekly Macro Views (WMV)

Global Markets Research & Strategy

17 March 2025

# Weekly Macro Update

## Key Global Data for this week:

| 17 March | 18 March | 19 March | 20 March | 21 March |
|---|---|---|---|---|
| • **SI** Non-oil Domestic Exports YoY<br>• **US** Retail Sales Advance MoM<br>• **US** NAHB Housing Market Index<br>• **US** Business Inventories | • **EC** ZEW Survey Expectations<br>• **US** Housing Starts MoM<br>• **US** Building Permits MoM | • **JN** BoJ Target Rate<br>• **ID** BI - Rate<br>• **JN** Trade Balance<br>• **EC** CPI YoY<br>• **US** MBA Mortgage Applications | • **UK** Bank of England Bank Rate<br>• **US** FOMC Rate Decision (Upper Bound)<br>• **HK** CPI Composite YoY | • **JN** Natl CPI YoY<br>• **SK** PPI YoY<br>• **EC** Consumer Confidence |

## Summary of Macro Views:

| | |
|---|---|
| **Global** | • **Global:** Central Bank<br>• **Global:** More tariff threats; US government averted shutdown<br>• **US:** Softer February CPI; March FOMC<br>• **Canada:** Bank of Canada cuts 25bp |
| **Asia** | • **SG:** Singapore: SG NODX rises to 7.6% YoY in February<br>• **CH:** Modest pickup of economic activities<br>• **CH:** Ways to boost domestic consumption<br>• **CH:** Tariff is likely to be passed to US Consumers<br>• **MO:** Little signs of bottoming out for housing market<br>• **IN:** Recent data and measures suggests room for RBI to cut |

| | |
|---|---|
| **Asia** | • **ID:** Lowering 2025 GDP growth and CPI forecasts<br>• **ID:** Improving trade performance; BI Preview<br>• **MY:** Industrial production slows in January<br>• **MY:** PM Anwar's article reflects balance and pragmatism<br>• **PH:** Politics heating up as mid-term elections approach<br>• **PH:** Current account deficit widens in 2024<br>• **VN:** Elevating bilateral relations |
| **Asset Class** | • **FX & Rates:** FOMC dot-plot in focus; hawkish hold expected at BoJ<br>• **ESG:** Trump administration exits global loss and damage fund<br>• **Global Asset Flows** |

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# Global: Central Banks

## Forecast – Key Rates

| Bank Indonesia (BI) | Bank of Japan (BoJ) | Bank of England (BoE) | Federal Open Market Committee (FOMC) |
|---|---|---|---|
| **Wednesday, 19th March** | **Wednesday, 19th March** | **Thursday, 20th March** | **Thursday, 20th March** |

**House Views**

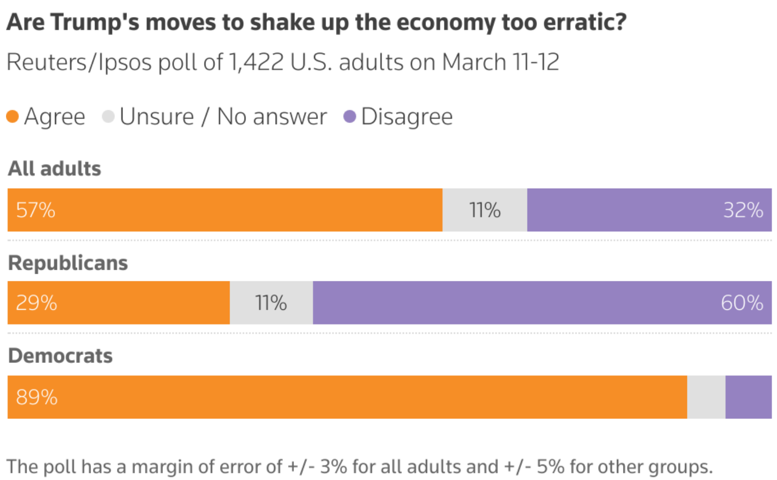
| | | | |
|---|---|---|---|
| *7D Reverse Repo* | *Policy Balance Rate* | *Bank Rate* | *Fed Funds Target Rate* |
| **Likely *cut at 25bp* from *5.75%* to *5.50%*** | **Likely hold at 0.50%** | **Likely *hold at 4.50%*** | **Likely hold at 4.50%** |

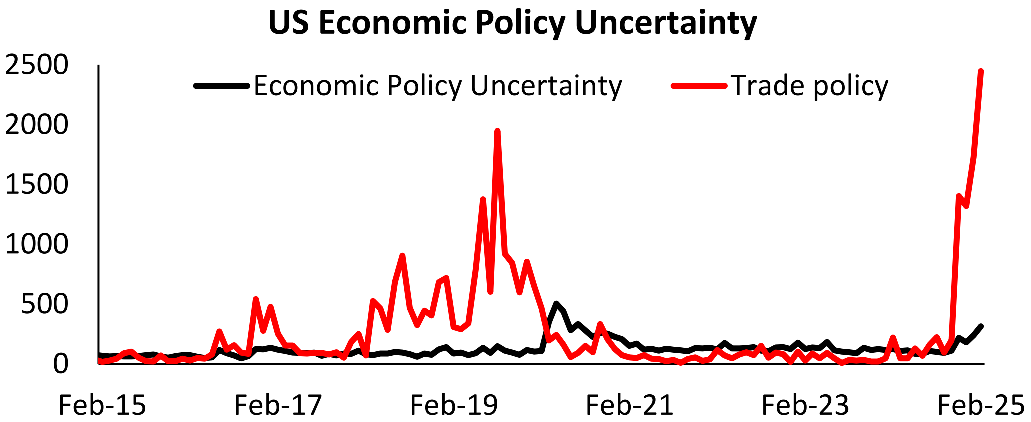
Source: OCBC, Bloomberg

# Global: More tariff threats; US government averted shutdown

- A Reuters/Ipsos poll conducted on March 11-12 found that 57% of Americans believe U.S. President Trump's economic measures are too erratic, and 53% expect the tariff war to do more harm than good. Last week, President Trump threatened to impose a 200% tariff on alcohol imported from the European Union, not long after he revealed plans to levy an additional 25% to 50% tariff on steel and aluminum imports from Canada, which was later backtracked. Nonetheless, President Trump reiterated that he will still impose both the broad reciprocal tariffs and additional sector-specific tariffs on April 2, 2025, as planned. Elsewhere, President Trump revealed that he planned to speak with Russian President Vladimir Putin on Tuesday, March 18, as part of efforts to push for a ceasefire between Russia and Ukraine.

- The US government has averted a shutdown, as President Donald Trump signed a stopgap funding bill that will keep the government open until the end of September, following the bill's passage in the Senate on Friday, just hours ahead of the midnight deadline. The Senate approved the bill on a 54-46 party-line vote, with some Senate Democrats supporting it despite opposition from their House colleagues. The continuing resolution maintains most funding levels from Joe Biden's presidency but reduces non-defense spending by USD13bn while increasing defense spending by USD6bn.




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

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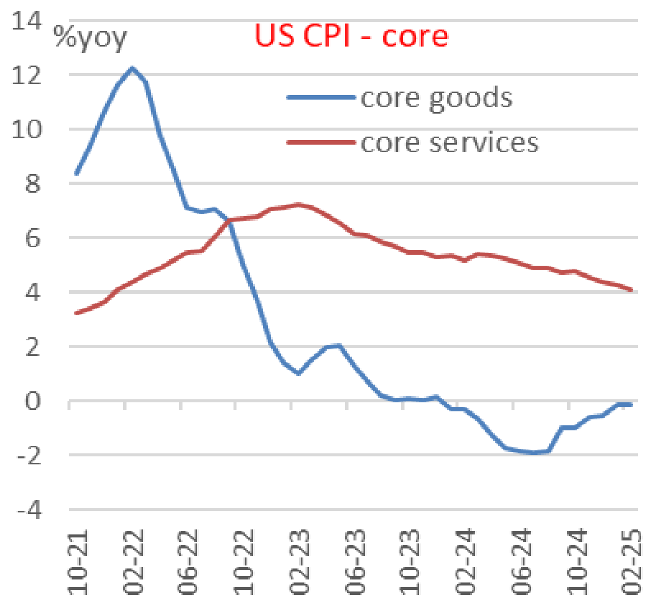
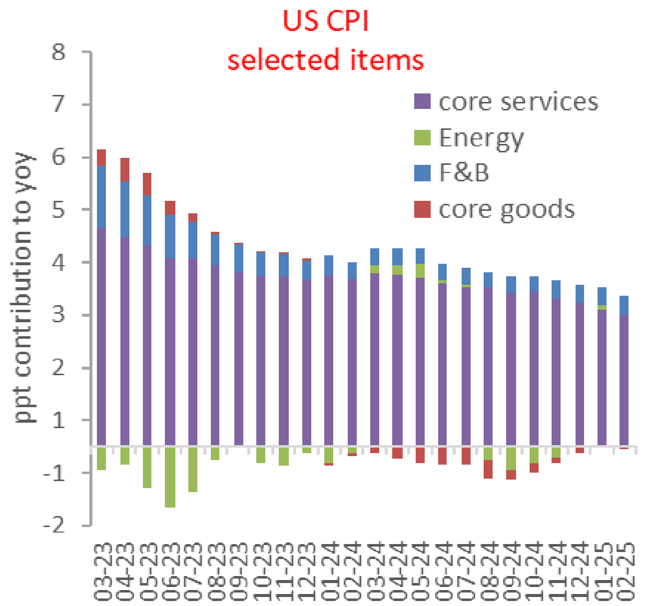
Source: Reuters, PolicyUncertainty, Bloomberg, OCBC.

# United States: Softer February CPI; March FOMC

- Headline and Core CPI readings came in softer than expected, with both easing 0.2% MoM. The index of shelter accounted for nearly half of the monthly increase; energy index rose by 0.2% MoM on higher electricity and natural gas although gasoline fell. Core foods inflation stayed virtually the same at -0.12% YoY (-0.13% prior) while core services inflation eased to 4.11%YoY (4.31% prior). Given current growth concerns due to softer US data (leading index, ISM manufacturing, services PMI, university of Michigan sentiment, retail sales), February's CPI outcome alone did little to market pricings of Fed funds rate.
- The FOMC is widely expected to keep the target range of the Fed funds rates unchanged at 4.25-4.50% this week, but investors will be looking for indications on future policy moves. The March meeting has an update on SEP (Summary of Economic Projections) which includes the "dot-plot"; expectations are for upward revisions to inflation forecasts and potentially downward revision to growth forecasts.

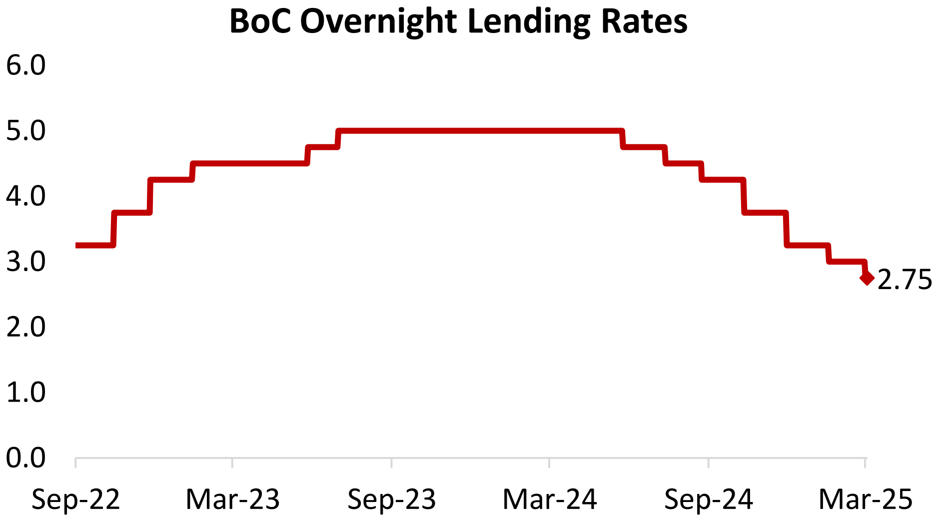



Source: CEIC, OCBC.

# Canada: Bank of Canada cuts 25bp

- Bank of Canada (BoC) reduced its policy overnight rate by 25bps to 2.75%, in line with consensus, which marked the seventh consecutive cut in BoC's monetary policy easing cycle.
- Following Trump's 25% tariffs on steel and aluminum, BOC's Tiff Macklem stated that Canada is now confronting a "new crisis" triggered by the ongoing trade dispute with the United States. "The severity of the economic impact will depend on both the scale and duration of U.S. tariffs, but even the uncertainty alone is already proving harmful," he remarked. Macklem further noted that the depreciation of the Canadian dollar is driving up import costs, while rising unemployment is expected in the coming months as consumer demand weakens.
- Trump's stance on tariffs dampened both business confidence and consumer activity. Survey data by BoC suggested that US – Canada trade tensions will result in rising prices, declining sales, reduced investment, and more restrained spending.

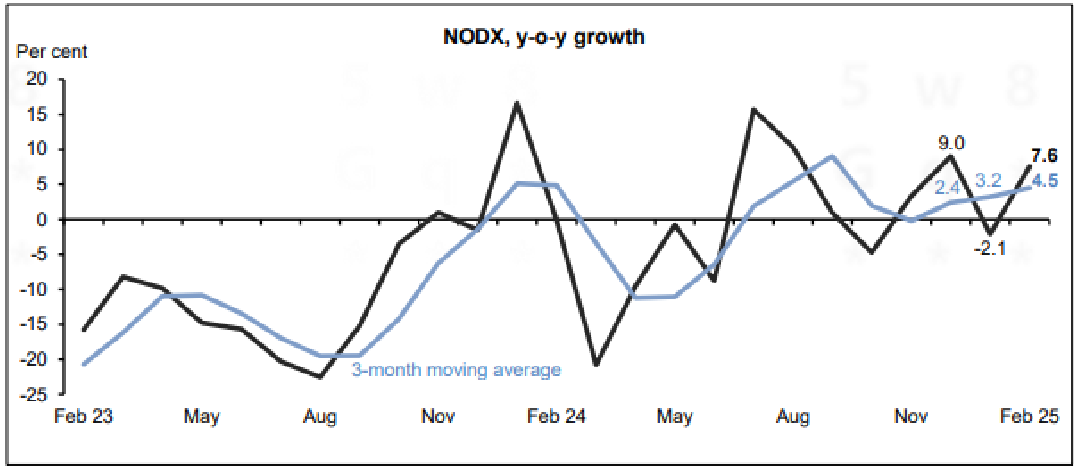


Source: Bloomberg, OCBC.

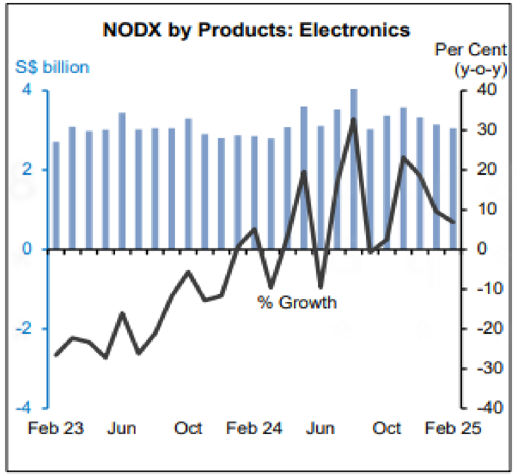
Source: Bloomberg, OCBC.

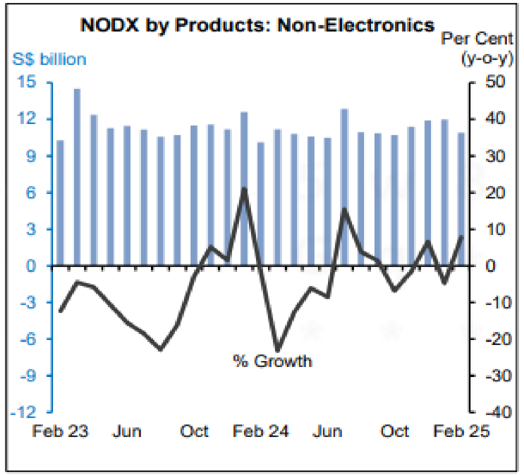
# Singapore: SG NODX rises to 7.6% YoY in February

- Non-oil domestic exports (NODX) less-than-expected to 7.6% YoY in February (Consensus: 9.7%) Nevertheless, it was a reversal to the decline observed in January which printed at -2.1% , as both exports for electronics and non-electronics showed positive growth.
- Electronics NODX increased by 6.9% in February, building on a 9.5% increase from January. The most significant contributors to the growth in electronic NODX were disk media products, integrated circuits (ICs), and personal computers (PCs), which saw rises of 40.6%, 6.9%, and 28.5%, respectively.
- Non-electronic NODX grew by 7.8% YoY in February, recovering from a 4.8% decline in the prior month. Non-monetary gold, measuring instruments, and other specialty chemicals which drove much of the increase, saw growth rates of 106.9%, 23.1%, and 37.5%, respectively.




*Note: On a 3-month moving average (3MMA) y-o-y basis, NODX rose by 4.5% in February 2025, following the 3.2% increase in January 2025.*

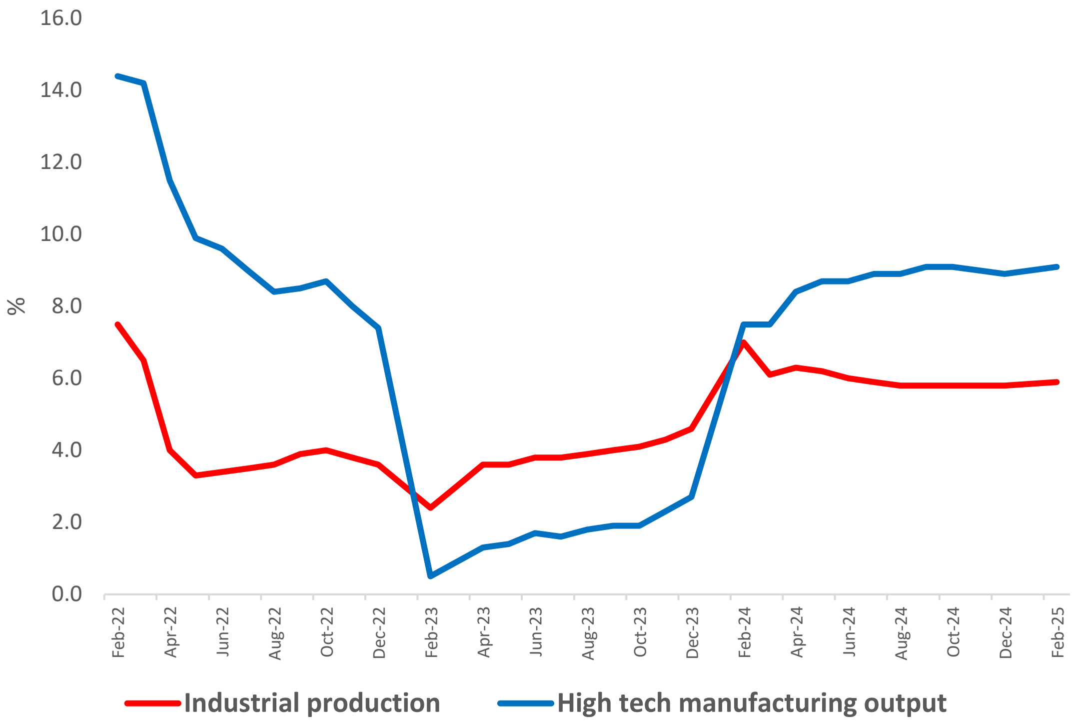


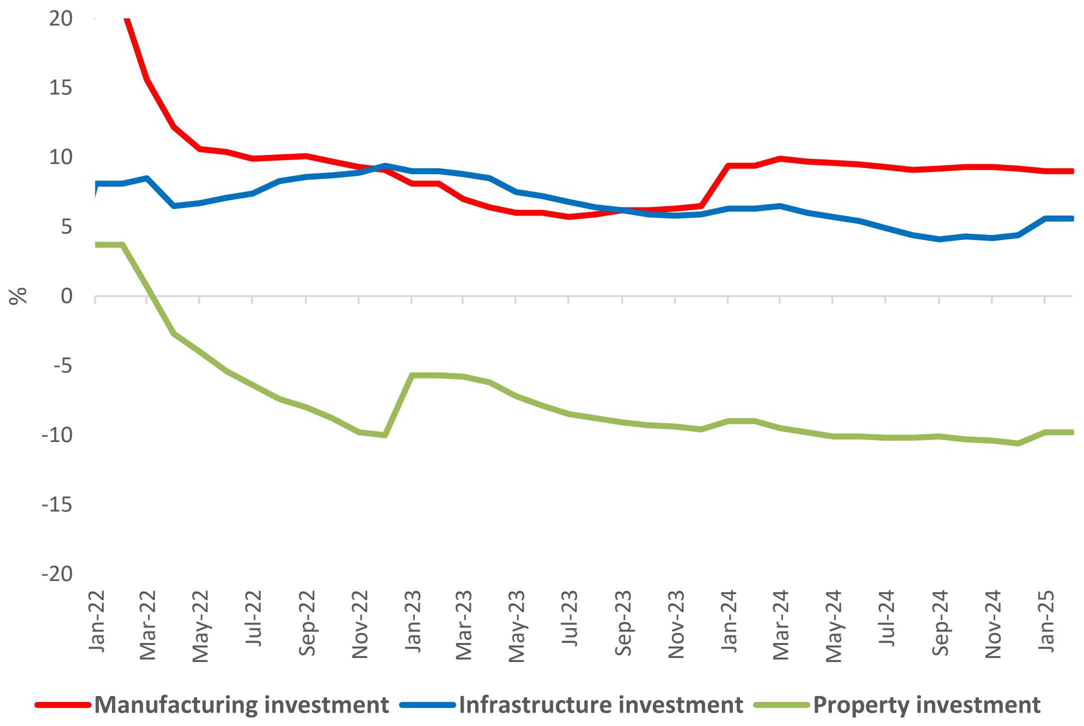




Source: EnterpriseSG, OCBC.

# China: Modest pickup of economic activities

- The key Chinese economic indicators for the first two months of 2025 have surpassed market expectations.
- These stronger-than-expected data suggest that the economy is likely to grow by about 5% in Q1 2025. However, rising tariff uncertainties may still challenge the economy's ability to meet its full-year growth target in 2025.
- Meanwhile, the property market, though showing signs of stabilization, remains subdued.




Source: Wind, Google, OCBC

# China: Ways to boost domestic consumption

- The General Office of the CPC Central Committee and the General Office of the State Council have issued the Special Action Plan to Boost Consumption.

| Key avenues to boost consumption | |
|---|---|
| Urban and Rural Residents' Income Enhancement Initiative. | Focusing on four key areas: promoting reasonable wage growth, expanding asset based income channels, implementing multiple measures to increase farmers' income, and addressing overdue payments to improve household earnings.<br>A major highlight is the expansion of asset based income channels, signaling the government's commitment to stabilizing the stock market and creating a wealth effect. |
| Housing consumption | The plan explicitly outlines supportive policies for the housing provident fund, including timely reductions in provident fund loan interest rates and an expansion of its usage scope. This marks the first time a State Council-issued consumption-boosting document has explicitly detailed measures to support housing consumption, |
| Auto consumption | Fostering a robust used-car market, and strengthening information sharing in the automotive sector. |
| Service consumption | In 2024, China's service retail sales grew by 6.2% YoY, outpacing goods retail sales by 3 percentage points, |

Source: Bloomberg, OCBC

# China: Tariff is likely to be passed to US consumers

**POLITICS**

## China's Commerce Ministry held talks with Walmart after report on price cut demand, state media says

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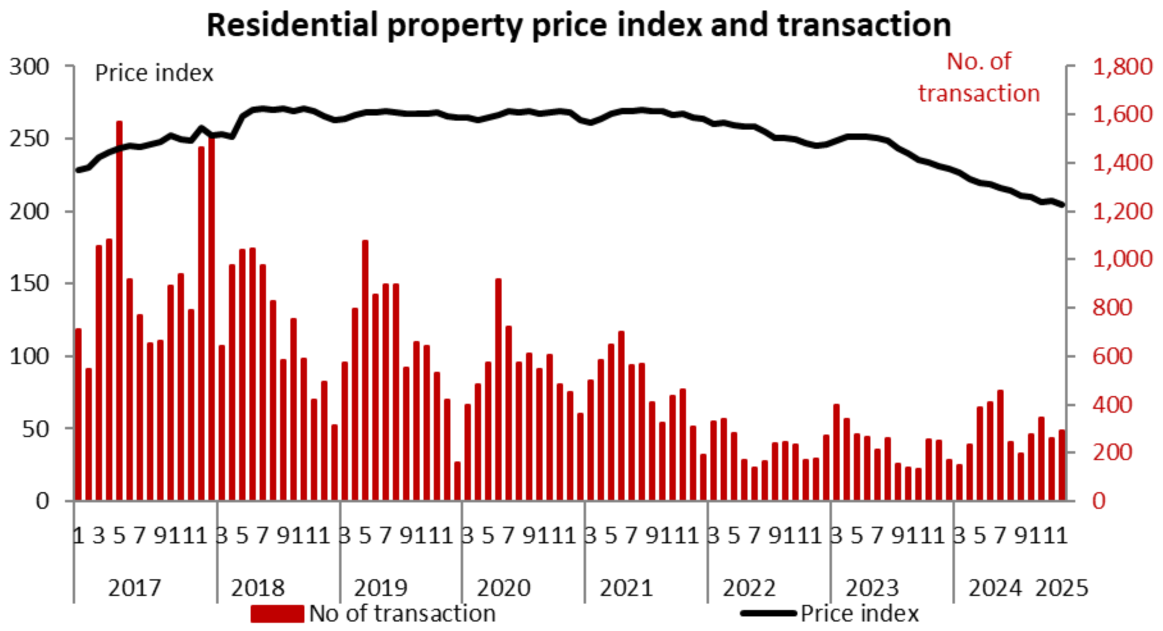
**KEY POINTS**

- China's Ministry of Commerce has held talks with Walmart as the U.S. retail giant reportedly requested price cuts from Chinese suppliers to offset the tariff costs, a state-backed media outlet said Wednesday.
- The announcement came after Bloomberg reported last Thursday that Walmart had asked some Chinese suppliers, including makers of kitchenware and clothing, to lower prices by as much as 10% for each round of U.S. tariffs.

Source: CNBC, OCBC

# MO: Little signs of bottoming out for housing market

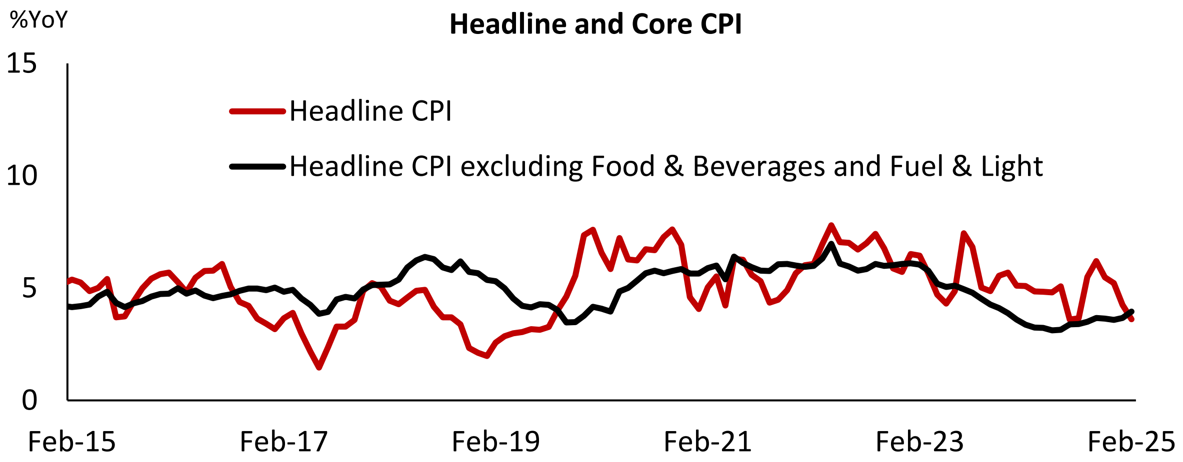
- Macau's housing prices continued their slide down the slippery road, after a brief rebound in December. In sequential terms, Macau's residential property price index fell by 1.3% in Nov24-Jan25, after rebounding by 0.1% in Oct24-Dec24. Compared the recent high, residential property price index fell cumulatively by 24.6%. On the other hand, trading volume remained subdued at 294 cases in January, not far from the six-month moving average at 297.
- Housing market showed little signs of bottoming out nor stabilizing, after four consecutive years of downturn. Headwinds, such as uneven economic recovery and stiff competition from neighbouring city Zhuhai, continued to dampen housing market demand. We tip the year-on-year decline of housing prices at 4% for 2025, following a decline of 11.7% YoY in 2024, with further prime rate cut and mainland's increased housing support measures offsetting part of the headwinds.



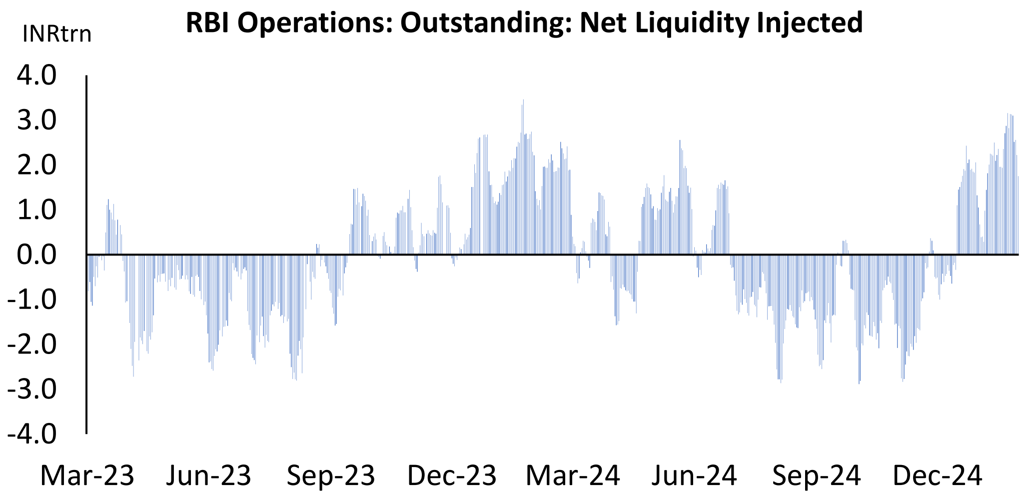

Source: DSEC, OCBC research

# India: Recent data and measures suggests room for RBI to cut

- Industrial production growth improved to 5.0% YoY in January versus 3.5% in December, driven by the manufacturing and mining sub-sectors, which more than offset the weakness in the electricity subcomponent.
- Headline CPI eased to 3.6% YoY in February versus 4.3% in January, but the improvements were mainly led by food prices. Food CPI 3.7% YoY versus 6.0% in January, reflecting favourable base effects. Core CPI picked up to 4.0% YoY in February versus 3.7% in January.
- The liquidity situation in the banking system remains tight. But the Reserve Bank of India (RBI) said that it will conduct two open market operations totaling INR1trn on 12 March and 18 March. It will also conduct a dollar-rupee buy-sell swap of USD10bn on 24 March. This should help RBI proceed with a 25bp rate cut at its 9 April meeting.



Source: CEIC; OCBC



Source: CEIC; OCBC.

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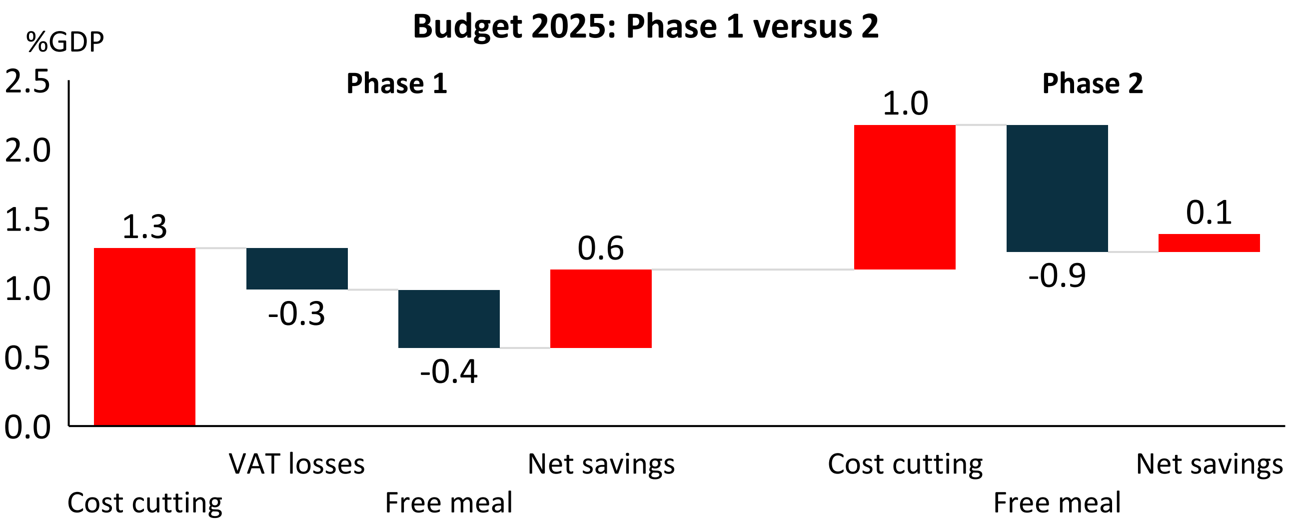
# Indonesia: Lowering 2025 GDP growth and CPI forecasts

- The policy mix has become less certain since the start of 2025 under President Prabowo. We have downgraded our 2025 GDP growth forecast to 4.9% YoY in 2025 versus 5.0% in 2024. The direction of fiscal policy is unclear and is an overhang for the overall policy direction.
- We have lowered our 2025 CPI inflation forecast to an average of 2.0% YoY from 2.7% given the sharply lower headline inflation average of 0.3% in January/February 2025.

| No | Measures |
|---|---|
| 1 | Significant budget cuts worth 1.3% of GDP |
| 2 | Two months of electricity discount |
| 3 | Extending the sales tax exemption for property |
| 4 | Extending exemptions for luxury goods sales tax and sales tax for battery-based electric vehicles |
| 5 | Lowering domestic flight ticket price |
| 6 | Value Added Tax (VAT) hike for only luxury goods |
| 7 | 6.5% minimum wage increase in 2025 |
| 8 | Danantara Sovereign Wealth Fund |
| 9 | Natural resource exporters are required to retain all export proceeds (DHE) onshore for at least one year |



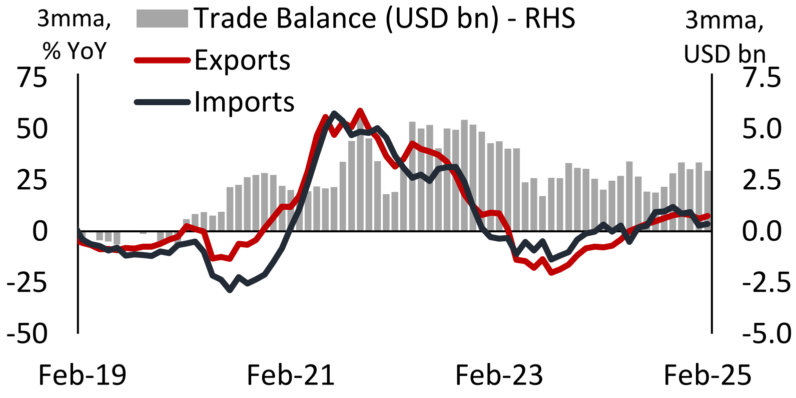

Source: Gerindra 17th anniversary celebrations; OCBC.

Source: Various news sources, Gerindra Party 17th anniversary celebrations, OCBC

# Indonesia: Improving trade performance; BI Preview

- Exports and imports growth improved by more than expected to 14.1% YoY in February (Consensus: 7.6%, OCBC: 12.7%) and 2.3% (Consensus: 1.4%; OCBC: 7.5%) from 4.7% and -3.0% in January, respectively. Consequently, the trade surplus narrowed marginally to USD3.1bn in February from USD3.4bn in January. Taken together with January data, exports growth improved to 9.2% YoY versus 8.0% in 4Q24, while imports growth slowed to -0.4% from 9.5%
- Bank Indonesia (BI) is caught between a rock and a hard place. Twin deficits, weakening growth and policy uncertainties may not do IDR any favors. We anticipate that Bank Indonesia (BI) will reduce its policy rate by 25bp during its meeting on 19 March, consensus is for hold. Admittedly, it is a close call, particularly in light of the recent fluctuations in the rupiah. We lean towards a rate cut, as signs of weakening growth momentum have become increasingly evident in recent weeks. We believe it would be prudent for BI to prioritize growth at this juncture. Nevertheless, it is likely that BI will need to manage some depreciation pressures on the IDR, which has underperformed relative to its regional counterparts, even in the absence of a rate cut in February.

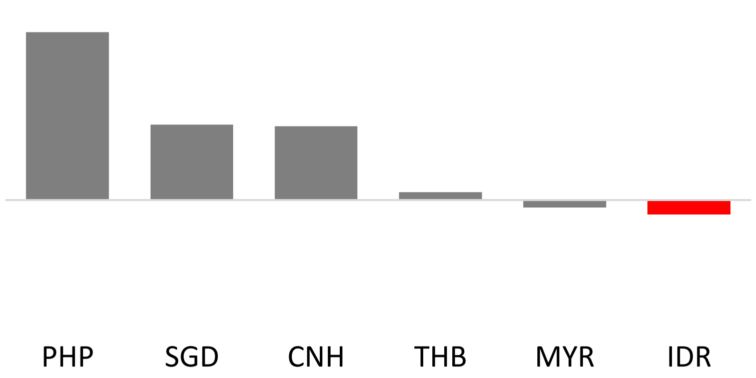
**Trade Performance**




Source: Statistics Indonesia (BPS), CEIC, OCBC.

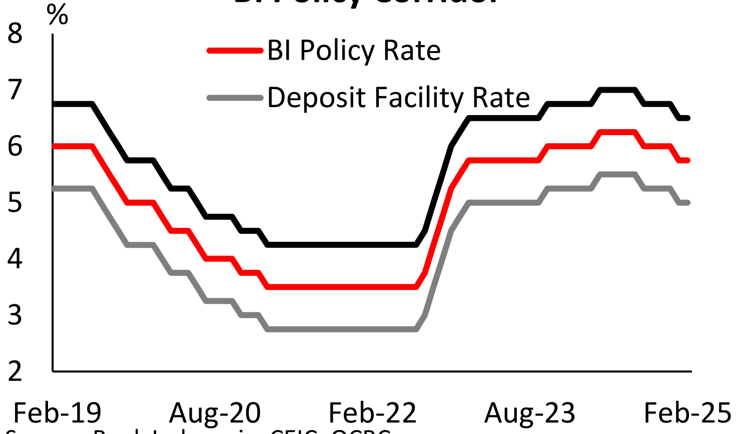
**Selected ASEAN FX performance against USD**

(19 Feb 2025 - 15 Mar 2025)




Source: Bloomberg, OCBC.

**BI Policy Corridor**




Source: Bank Indonesia, CEIC, OCBC

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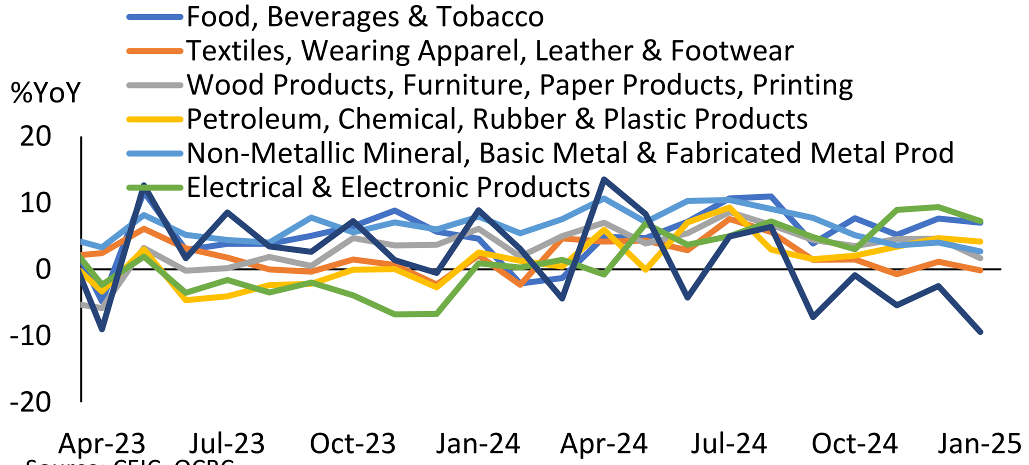
Source: BPS, BI, Bloomberg, CEIC, OCBC.

# Malaysia: Industrial production slows in January

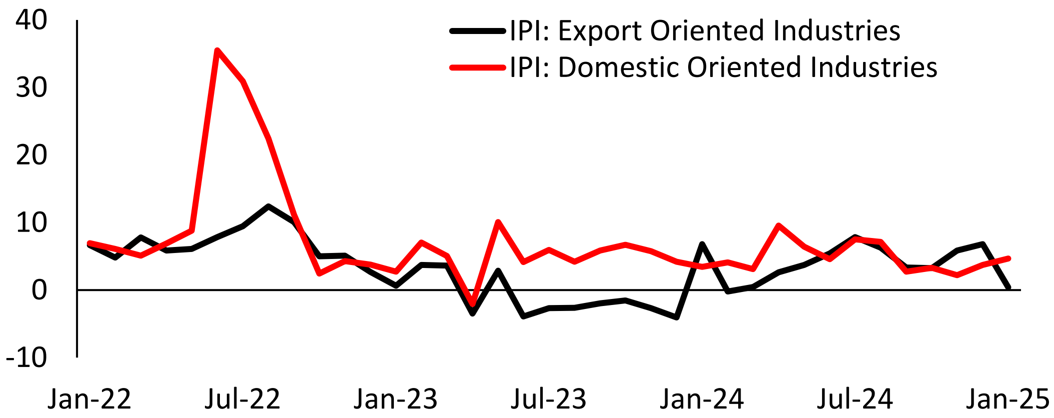
- January industrial production growth slowed to 2.1% YoY versus 4.6% in December (Consensus: 2.7%; OCBC: 1.4%). The slowdown was broad-based and led by the mining, manufacturing and electricity sub-sectors. Specifically, within the manufacturing sector which accounts for 68.3% of the total industrial production index, growth slowed sharply in the transport equipment sector while electrical and electronics products IP was relatively resilient.
- By orientation, export-oriented IP slowed sharply to 0.4% YoY in January versus 6.8% in December, more than offsetting higher domestic oriented IP (4.7% YoY versus 3.7% in December).
- While the January IP data is subject to seasonal variations from the moving Lunar New Year holidays, the details suggest fairly resilient domestic demand amid easing external demand conditions. This is broadly consistent with our view for the rest of this year. As such, we continue to forecast 2025 GDP growth at 4.5% YoY versus 5.1% in 2024.

**Manufacturing industrial production, by sub-sector**




Source: CEIC, OCBC.

**Industrial production, by orientation**




Source: CEIC, OCBC.

Source: DOMS, CEIC, OCBC.

# Malaysia: PM Anwar’s article reflects balance and pragmatism

PM Anwar Ibrahim penned an article for Project Syndicate, titled The Global South’s Path to Economic Resilience, dated 14 March 2025. Some interesting observations are:

1) Clear acknowledgement of the tumultuous times we live in: “As the Sino-American rivalry intensifies, the region’s development goals are increasingly at risk, along with the peace and stability that have underpinned its economic progress.”
2) He also noted that “In the face of profound global uncertainty, midsize powers like Malaysia cannot afford simply to endure.” and that “…the erosion of multilateral cooperation and the growing sense of distrust represent a dangerous new normal.”
3) Specifically, Malaysia is focused on boosting global collaboration and to this end, the PM gave the examples of GCC, BRICS, China and India (stand-alone). As Chairman of ASEAN, Malaysia sees neighbouring countries also making similar moves.
4) He also noted the focus on building the semiconductor industry and moving up the value chain. He said Malaysia will unveil its second chip-design park in the coming weeks. The Malaysia Semiconductor IC Design Park was launched in Puchong, Selangor as the nation's first chip design hub, in August 2024.
5) The commitment to sustainability remains steadfast: “Malaysia has set a clear goal: to shift away from fossil fuels and generate 70% of its energy from renewables by 2050.”
6) The recognition “that countries thrive when the state is accountable, inclusive, and committed to fostering institutions that earn public trust.”

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Source: Project Syndicate, OCBC.

# Philippines: Politics heating up as mid-term elections approach

- Former President Rodrigo Duterte surrender to custody of the International Criminal Court on 12 March 2025. According to ICC, “On 24 May 2021, the Office of the Prosecutor of the ICC requested authorisation from the Chamber to initiate an investigation into crimes allegedly committed on the territory of the Philippines in the context of the “war on drugs” campaign waged by the Government of the Philippines between 1 November 2011 and 16 March 2019. On 14 June 2021, the Prosecution’s request was made public. On 15 September 2021, the Chamber authorised the investigation.”
- This trial takes place against a backdrop of a well published souring of relations between the Marcos-Duterte and **scheduled mid-term elections on 12 May 2025**. The outcome of these elections, which will be 18,280 positions being contested across various levels of government, will be particularly important for its House of Representatives and Senate outcomes. These will help determine the political capital President Marcos can pull through for the remainder of this Presidency in 2028.

| Timeline for mid-term elections | |
|---|---|
| 08-Oct-24 | Commissions on Elections (Comelec) accepts certificates of candidacy |
| 13-Dec-24 | Comelec accounted 66 senatorial aspirants to run for elections |
| 12-Jan-25 | Start of election period and gun ban |
| 11-Feb-25 | Campaiging for Senators and party-list groips |
| 28-Mar-25 | Campaiging period for House of Representatives, parliamentary, provinvial, city and municipal officials |
| 13 April to 12 May 2025 | Casting of votes by overseas voters |
| 28 April to 30 April 2025 | Local absentee voting |
| 12-May-25 | Election day |
| Source: ABS-CBN; Nikkei Asia Review; Tribune; OCBC. | |

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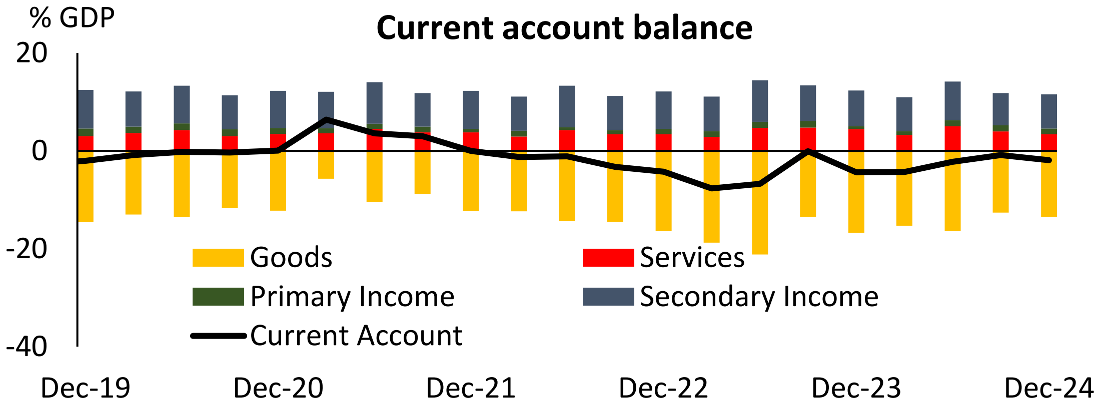
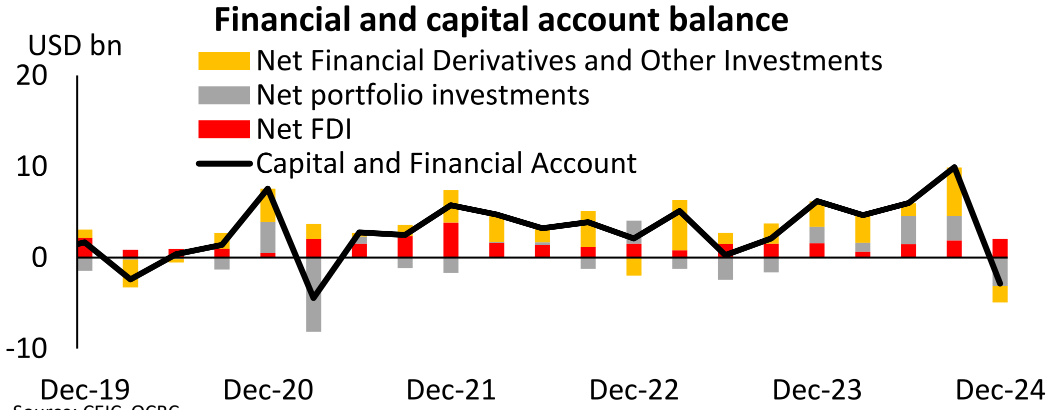
Source: ABS-CBN, Nikkei Asia Review, Tribune, OCBC.

# Philippines: Current account deficit widens in 2024

- The current account deficit (CAD) widened to USD17.5bn (3.8% of GDP) in 2024, although the 4Q24 CAD narrowed to USD4.6bn from USD5.1bn in 3Q24. Interestingly, the trade deficit narrowed from marginally to USD14.9bn from USD15.1bn in 2023, but the services surplus narrowed to USD3.2bn from USD4.2bn in 2023. Similarly, the secondary income surplus also narrowed to USD6.9bn from USD7.1bn in 2023.
- On the capital and financial account, the economy recorded net inflows of USD17.7bn from USD13.7bn in 2023. Net FDI inflows rose to USD6.1bn in 2024 from USD5.4bn in 2023, while the portfolio account recorded net inflows of USD3.6bn compared to outflows of USD3.5bn in 2023. That said, for 4Q24, net portfolio outflows worth of USD3.1bn were recorded. The basic balance 'net FDI + current account balance' deficit widened sharply to USD11.5bn in 2024 from USD7.0bn in 2024.
- Given the sharper than expected CAD in 2024 and few changes in the trend drivers for 2025, we widen our CAD forecast to 3.0% of GDP from 2.0%, previously.



Source: CEIC. OCBC



Source: CEIC, OCBC.

Source: CEIC, OCBC.

# Vietnam: Elevating bilateral relations

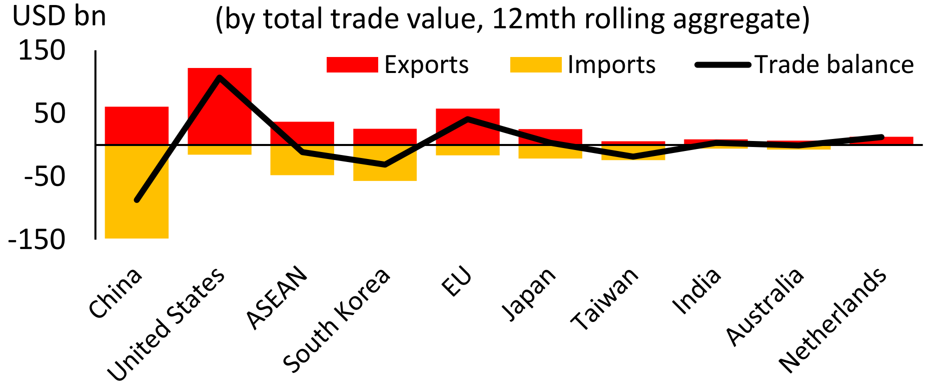
- Vietnam has upgraded its bilateral relations with Indonesia (10 March) and Singapore (12 March) to a Comprehensive Strategic Partnership, following Party General Secretary To Lam's official visit to both countries last week. With Indonesia, both countries aim to strengthen their economic and defense cooperation, setting a bilateral trade target of USD18bn. With Singapore, both countries plan to deepen cooperation in emerging sectors like the digital economy and renewable energy. In addition, the partnership aims to enhance political trust, expand economic ties, and promote cooperation in various fields, including defense, culture, education, and tourism.
- Across the pacific, Vietnam's Minister of Industry and Trade Nguyen Hong Dien met with the US Trade Representative Jamieson L. Greer on 13 March, focusing on advancing bilateral economic and trade cooperation. While the US Trade Representative highlighted the need for Vietnam to improve its trade balance between the two countries, Minister Dien noted that the Vietnamese government is weighing the option of "proactively reviewing and considering the removal of trade barriers" and "building an effective control mechanism for trade fraud, origin fraud, and illegal transshipment," according to the ministry's website. In addition, following the meeting, Vietnamese and American companies signed several agreements in the energy and mineral sectors, estimated to be worth USD4.1bn. These companies include PetroVietnam Power, Binh Son Refining, as well as ConocoPhillips, Excelerate Energy, and GE Vernova.

| Vietnam's Comprehensive Strategic Partnership relations | | | |
|---|---|---|---|
| China | May-08 | Australia | Mar-24 |
| Russia | Jul-12 | France | Oct-24 |
| India | Sep-16 | Malaysia | Nov-24 |
| The Republic of Korea | Dec-22 | New Zealand | Feb-25 |
| The United States | Sep-23 | Indonesia | Mar-25 |
| Japan | Nov-23 | Singapore | Mar-25 |

Source: Vietnam Government News, OCBC.

**Vietnam top 10 trading partners**

(by total trade value, 12mth rolling aggregate)




Source: Vietnam Customs, CEIC, OCBC.

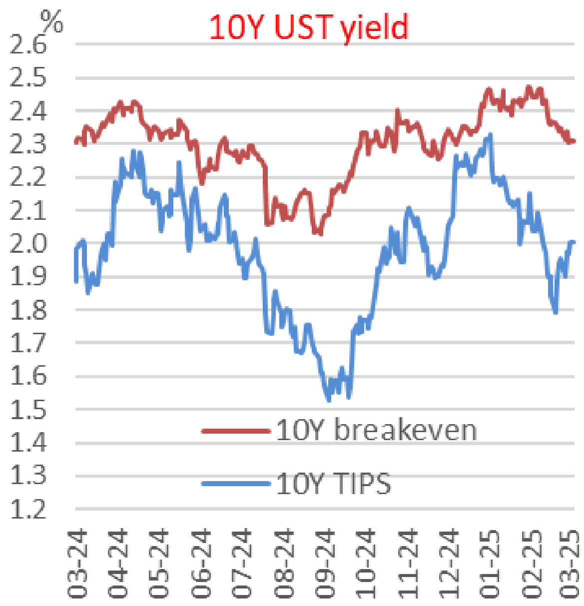
# FX & Rates

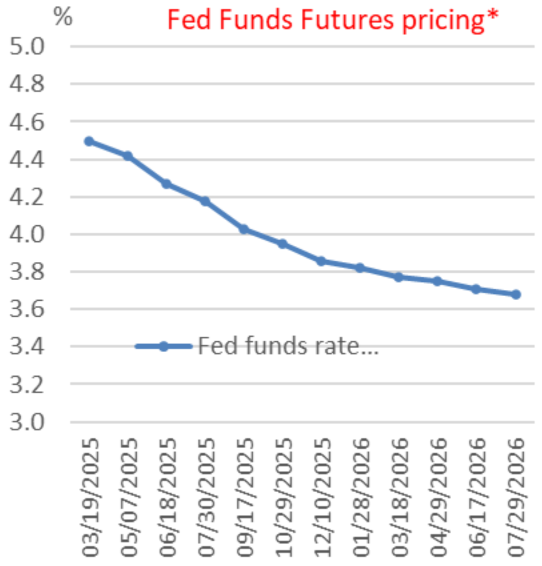
# FX & Rates: FOMC dot-plot in focus; hawkish hold expected at BoJ

- **USD Rates.** Consensus is for a status quo at the upcoming FOMC meeting (19 Mar) and things to look out for: 1/ Dot-plot, as part of SEP. Until recent days, market expectation was for the median dot on the dot-plot to move higher at the March update, but this outlook has since become uncertain. FOMC members are unlikely to run ahead of the curve on either side. On balance, There is a fair chance that the median dot stays where it was, pointing to two cuts this year. A higher median dot will likely lead to some hawkish market repricing; an unchanged median dot will be seen as a greenlight for current market pricing; in the scenario where the median dot stays unchanged, but the distribution of dots shows some dovish adjustments, markets may mildly add to rate cut expectations. 2/ Commentaries. Thus far, Committee members' comments focused on inflation impact of tariffs, with little touch on the growth impact; we would therefore like to see Powell at least mentioning the risk of slower growth instead of insisting on the current solid or resilient activities. 3/ QT. Any more concrete hints on the timeline for ending QT will be welcome.
- **JPY Rates**. BoJ is widely expected to keep its policy rate unchanged at its next meeting (19 Mar), with JPY OIS pricing appearing not hawkish enough to us. Our base-case remains for additional 50bps of hikes before year end. We expect a hawkish hold, with potential hints from the BoJ that the timeline for the next hike might be as early as May or June – versus market pricing of September.
- **CNY Rates.** China unveiled more measures to support consumption, mainly through raising income; this may help lift overall risk sentiment in the domestic market and result in rotation away from bonds – we wrote last week that "we continue to see two-way risks surrounding CGBs near-term, as the rotation between equities and bonds alternates over the days". As far as monetary policy is concerned, officials said to lower interest rate on housing provident funds loans at an appropriate time - so, still at an appropriate time, a stance which may not excite bond investors much. In offshore, the DF curve traded heavy, albeit with some upticks at certain tenors. The offshore-onshore spread at 12M points narrowed to 366pips; while we opined that the relatively loose CNH liquidity may stay for a while more, chasing further narrowing in the spreads is not preferred.
- **SGD Rates.** Front-end SGD SORA OIS saw some paying interests over the past couple of days, likely upon profit-taking flows. We wrote early last week, that "on the SORA OIS curve, the 2Y and 3Y rates represent the low points, at around 2.10-2.15% level, appearing to have incorporated the view for an extended period of flush liquidity; we see limited downside to these rates with risks of interim rebounds." The liquidity outlook remains uncertain, but our medium-term view remains for short-end SGD-USD OIS spreads (1Y and 2Y) to gradually move higher, i.e. to become less negative. Bond/swap spreads at current levels remain supportive of SGS.

# USD rates: FOMC dot-plot in focus

- Market focus on 1/ the dot-plot  - median dot and the dispersion of the dots; 2/ commentaries, as to whether there will be some reference to downside risk to growth; and 3/ any timeline on ending QT.
- *Dot-plot scenarios*: a higher median dot will likely lead to some hawkish market repricing; an unchanged median dot will be seen as a greenlight for current market pricing; in the scenario where the median dot stays unchanged, but the distribution of dots shows some dovish adjustments, market may add mildly to rate cut expectations.
- UST yields have already moved into lower ranges and are likely to oscillate in these lower ranges; catalysts are probably required to push yields back into the higher ranges seen in January. Some interim uptick in yields cannot be ruled out, but this may come as a correction, rather than a reversal to an extended uptrend in yields. 10Y breakeven appears sticky downward at 2.3% level;  downside to 10Y UST yield will likely require a lower real yield – there is room if data print soft again, with 10Y real yield having gone back up to around 2% level.

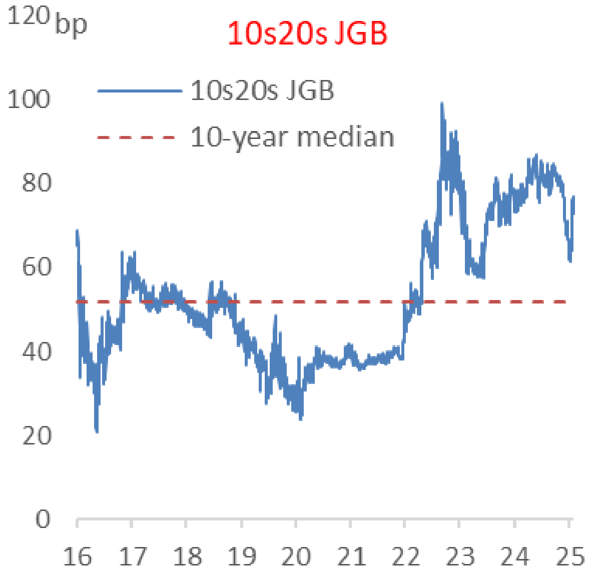


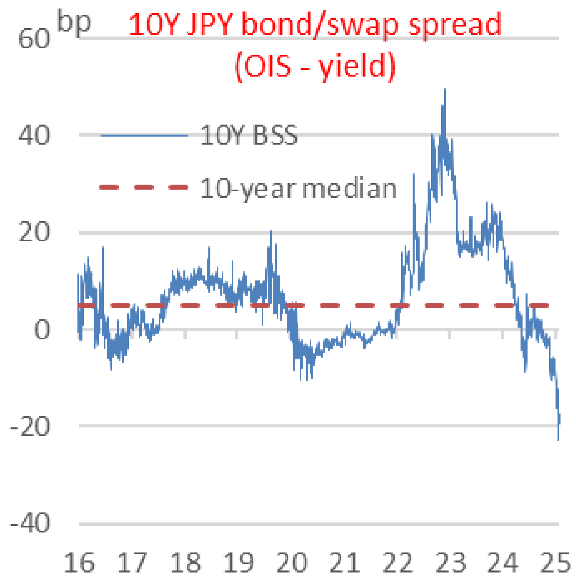




Source: Blomberg, OCBC Research   *17 March 2025 pricing

# JPY rates: a potential hawkish hold at the BoJ

- Rengo revealed initial *shunto* outcome; companies have offered an average 5.46% in pay hike so far, which was the biggest increase in 34 years, although the number was not as eye-catching as what has been demanded. This outcome does not change near-term monetary policy expectation, with the BoJ widely expected to keep its policy target rate unchanged later this week.
- We expect a hawkish hold, with potential hints from the BoJ that the timeline for the next hike might be as early as May or June – versus market pricing of September. Such hints can take the form of commenting on the latest *shunto* result and expressing yet higher confidence that there will be pass-through onto the broader price levels. Our base-case remains for additional 50bps of hikes before year end. JPY OIS pricing of 30bps appears not hawkish enough to us.
- On JGBs, the recent re-steepening of the 10s20s segment opens room for some upside to 10Y JGB yield; but current 10Y bond/swap level may lend some support to the bond. Expect range at 1.44-1.57%.




Source: Blomberg, CEIC, OCBC Research

# ESG

# ESG: The Trump administration exits global loss and damage fund

- The Trump administration is pulling out of the international climate loss and damage fund, which is a fund meant to compensate for damage by polluting nations to developing countries most affected by climate change impacts. This is in addition to the US' withdrawal from the Paris Agreement and reversal of EV policies in the US. It has also withdrawn from the Just Energy Transition Partnerships (JETP) with South Africa, Indonesia and Vietnam.
- With the US reducing its climate finance contributions, the responsibility to mobilise international climate finance for developing countries may shift to other developed countries.
- The US is expected to continue reducing its climate finance contributions to developing South-east Asian countries, potentially slowing the implementation of some energy transition projects and climate solutions.
- Nonetheless, the Trump administration's support for geothermal and nuclear energy can lead to enhanced US-Southeast Asia partnerships in these areas. Some South-east Asian nations, including Indonesia and the Philippines, are rich in geothermal resources and could attract US investment and expertise to further develop this sector's capabilities in the region. Nuclear energy is another clean energy source that South-east Asian nations are actively exploring, in the hope of ensuring greater energy resilience.



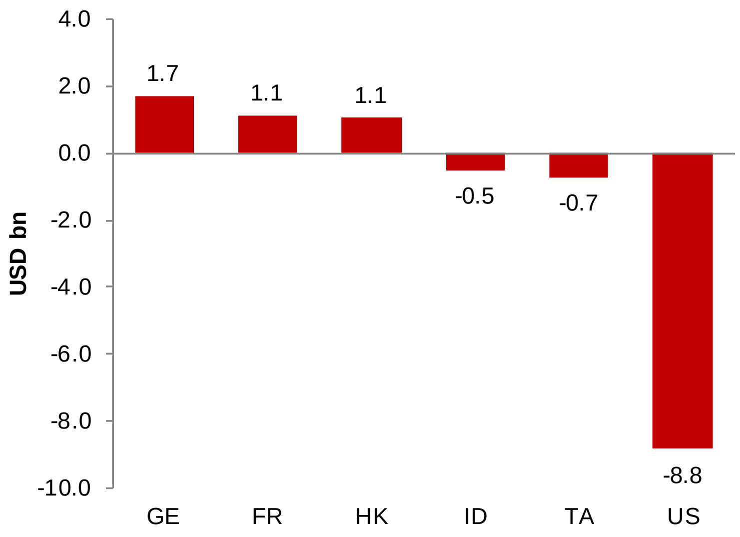
Source: CNA, OCBC

# Asset Flows

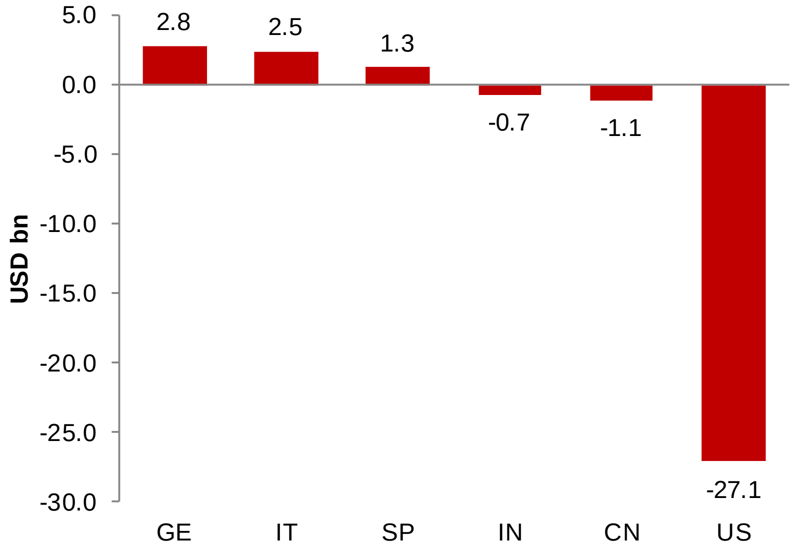
# Global Equity & Bond Flows

- Global equity markets saw net outflows of $2.8bn for the week ending 12 March 2025, a decrease from the inflows of $22.8bn last week.
- Global bond markets reported net inflows of $7.2bn, a decrease from last week's inflows of $11.9bn.

**Equity top gainers & losers**



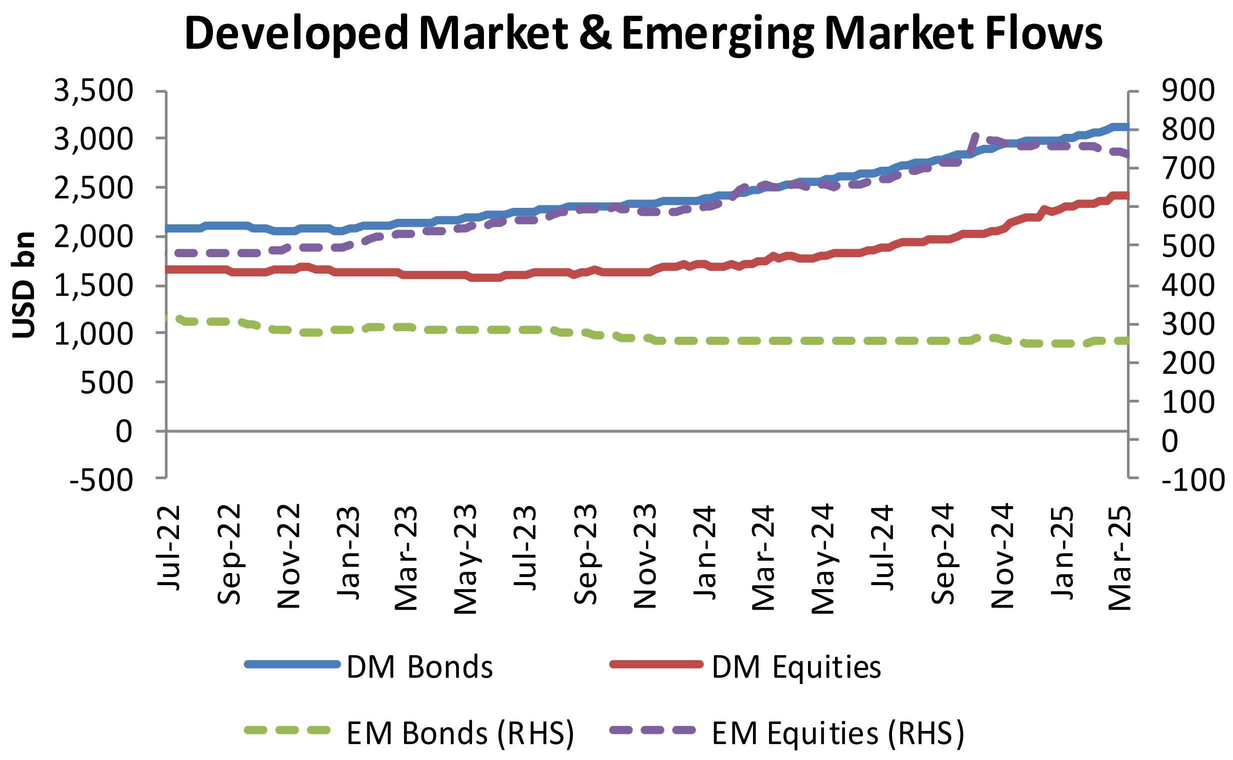

**Bonds top gainers & losers**




Source: OCBC, EPFR

# DM & EM Flows

- Developed Market Equities ($380mn) saw inflows and Emerging Market Equities ($3.1bn) saw outflows.
- Developed Market Bond ($8.3bn) saw inflows and Emerging Market Bond ($1.1bn) saw outflows.




Source: OCBC, EPFR

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