Weekly Macro Views (WMV)

Global Markets Research & Strategy

18 June 2024

Weekly Macro Update

Key Global Data for this week:

18 June	19 June	20 June	21 June
• **AU** RBA Cash Rate Target • **EC** CPI YoY • **SG** Non-oil Domestic Exports YoY • **US** Retail Sales Advance MoM • **US** Industrial Production MoM	• **UK** CPI YoY • **US** MBA Mortgage Applications • **PH** BoP Overall • **UK** RPI YoY	• **UK** Bank of England Bank Rate • **US** Housing Starts • **US** Initial Jobless Claims • **ID** BI-Rate • **NZ** GDP SA QoQ • **TA** Export Orders YoY • **HK** Unemployment Rate SA	• **JN** Natl CPI YoY • **JN** Jibun Bank Japan PMI Mfg • **GE** HCOB Germany Manufacturing PMI • **IN** HSBC India PMI Mfg • **US** S&P US Manufacturing PMI • **UK** S&P UK Manufacturing PMI • **EC** HCOB Eurozone Manufacturing PMI

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** US CPI Below Expectations • **Global:** US Consumer Sentiment Falls • **Global:** Japan IP Softer in April • **Global:** Germany CPI Ticked Up
Asia	• **CN:** Mixed Data • **CN:** Weak Money Supply Data

Asia	• **ID:** Mixed Activity Data in May • **PH:** Strong Trade Data to Start 2Q24 • **TH:** BOT Holding the Line Firmly
Asset Class	• **Crude Oil:** Oil Prices Rebounded • **FX & Rates:** RBA to Hold • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Reserve Bank of Australia (RBA)	Bank of England (BoE)	Bank Indonesia (BI)
Tuesday, 18 June	**Wednesday, 19 June**	**Wednesday, 19 June**

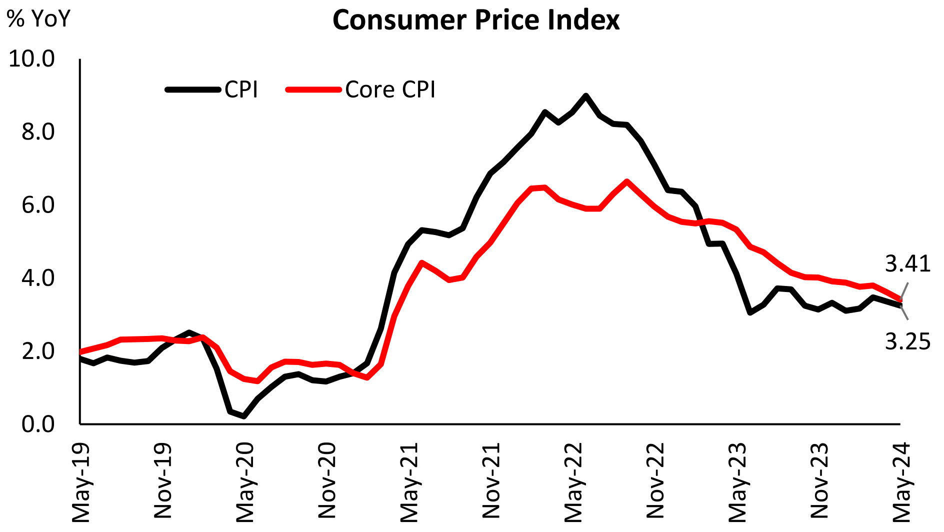
House Views

Cash Rate Target	*Bank rate*	*7D Reverse Repo*
Likely *hold* at 4.35%	**Likely *hold* at *5.25%***	**Likely *hold* at 6.25%**

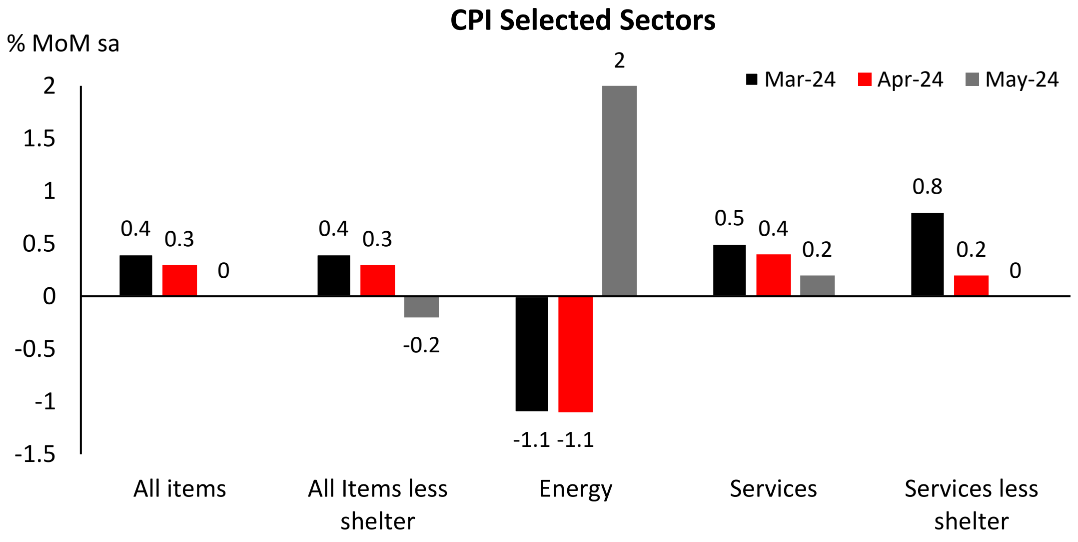
Source: OCBC, Bloomberg.

Global: US CPI Below Expectations

- Headline CPI for May came in at 3.3% YoY (0.0% MoM), below expectations of a 3.4% rise. Core CPI also came in below estimates, at 3.4% YoY (0.2% MoM) versus consensus 3.5%. This marked the second consecutive month of deceleration, building the case for 'several good months' of inflation data which the Fed would need to gain confidence to initiate the easing cycle.
- Softer May prints came off the back of easing energy prices, with energy inflation falling to 2.0% MoM compared to April's 1.1% MoM rise. Services inflation increased 0.2% MoM, while services inflation excluding rent was unchanged. With slowing market rents in recent months yet to factor into CPI, this would suggest a stronger deceleration in core inflation in 2H24 as rent prices moderate.



Source: BEA, OCBC

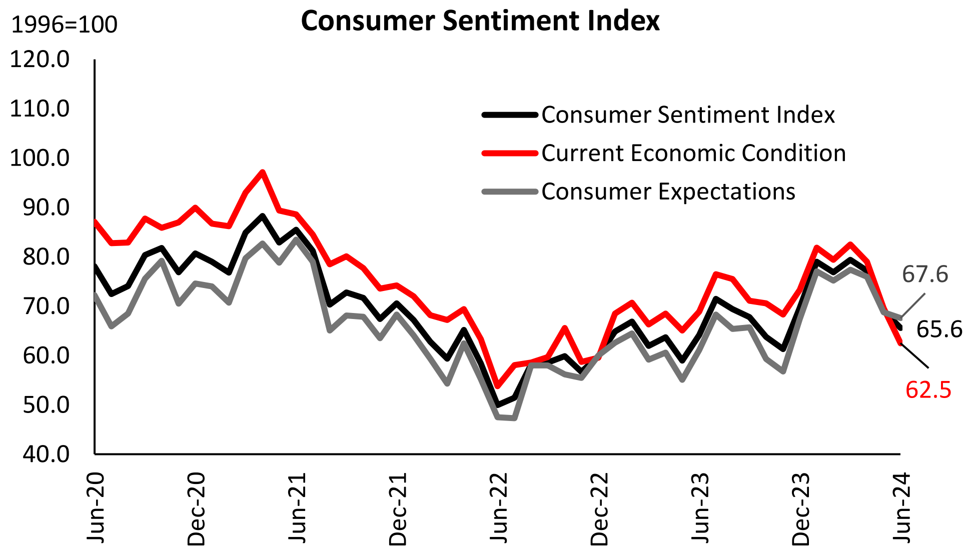


Source: BEA, OCBC

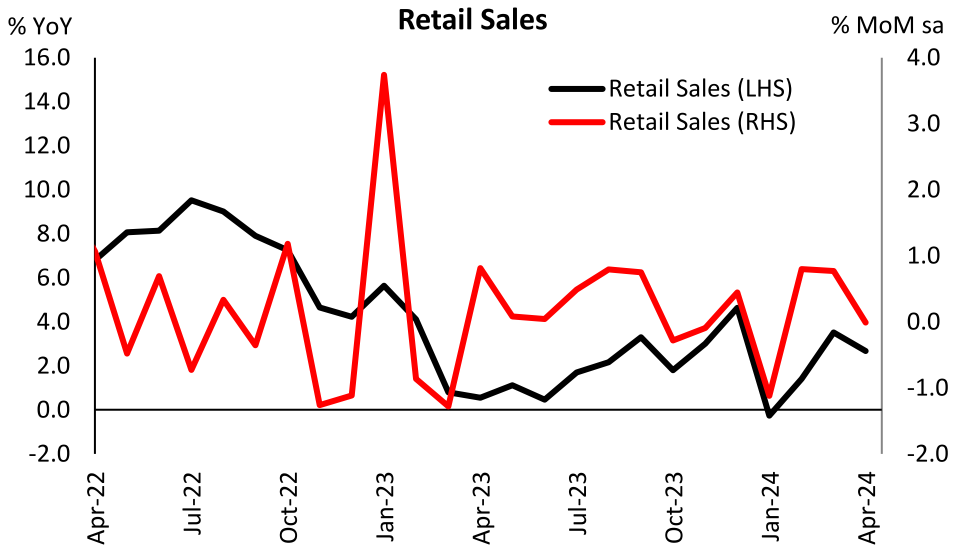
Source: CEIC, BEA, OCBC.

Global: US Consumer Sentiment Falls

- June's preliminary reading came in much lower than expected at 65.6, down from May's 69.1 and lower than the forecast 72. This marked the first fall in 5 months and its lowest value since November 2023.
- The drop in consumer sentiment can be attributed to the slowing fall of inflation as well as slower wage growth which has worried consumers. Inflation has remained sticky in the USA, having decreased less than expected compared to the start of 2024. Meanwhile, wage growth has been steadily decreasing, with average hourly earnings reaching 4.08% YoY in May.
- Retail sales have been affected, as stronger than expected growth in previous months finally settled, with April's MoM retail sales at 0.0% MoM showing no change.



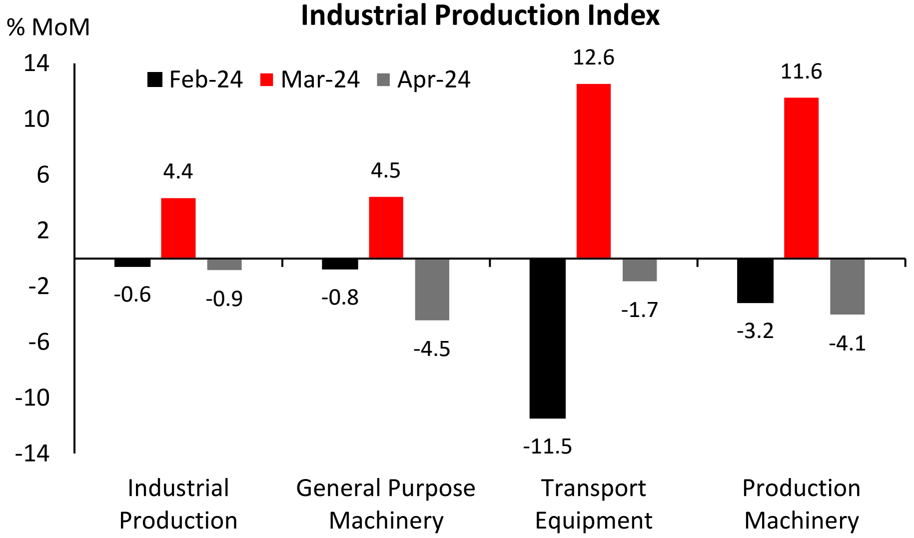
Source: University of Michigan, OCBC



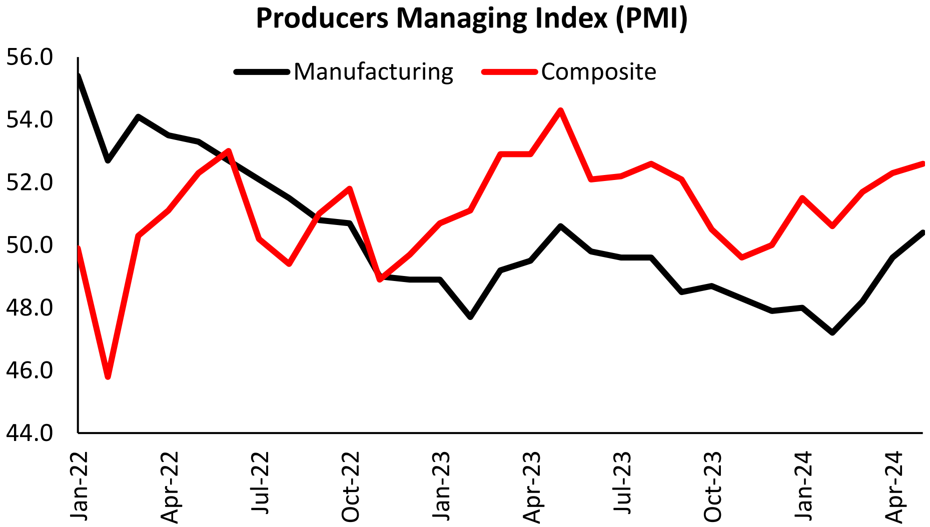
Source: Census Bureau, OCBC

Global: Japan IP Softer in April

- Industrial Production fell more than expected in April, coming in at -0.9% MoM compared to estimates of -0.1% MoM and reversing March's 4.4% increase. Annual measures fared slightly better, coming in at -1.8% and marking the 6th consecutive month of negative annual readings.
- Weaker readings were seen across the board as general-purpose machinery decreased 4.5% MoM while transport equipment dropped 1.7% MoM, offsetting gains made in production machinery which increased 4.1% MoM and 6.5% YoY.
- These weaker readings come despite increasing manufacturing PMI values as May marked the first time in 12 months that PMI was above 50, indicating expansion in the manufacturing sector.



Source: METI, OCBC

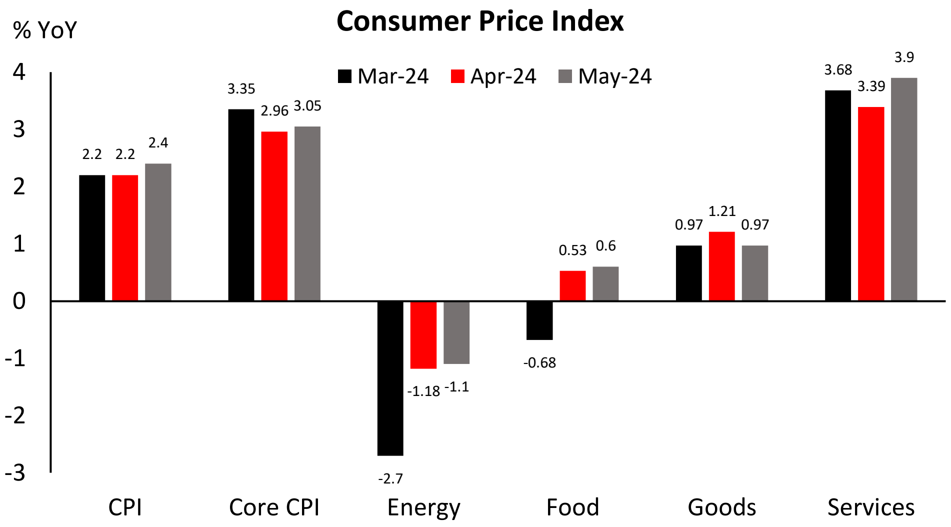


Source: S&P Global, OCBC

Global: Germany CPI Ticked Up

- The final reading for Germany's CPI came in at 2.4% YoY, marking the first rise in 4 months, while HICP came in at 2.8% YoY, resulting in the second consecutive month of prices increasing. This was off the back of higher services prices, increasing 3.9% YoY in May as a result of the end of significant base effects from the introduction of transport subsidies in May 2023.
- German inflation has subsided from pandemic highs with easing food and energy prices. Energy inflation continued to decelerate -1.1% YoY, despite discontinuation of energy price caps, while food prices rose a mere 0.6% YoY.
- This comes amidst a backdrop of an ECB rate cut in June as well as stronger than expected European negotiated wage growth in 1Q24. On wages, Germany was a major driver for this increase, with wages jumping 6.2% YoY in 1Q24, up from 3.6% YoY in 4Q23. This wage growth is despite consistently negative productivity levels, as output per hour in Germany has remained negative since 1Q23.

Source: Destatis, OCBC



China: Mixed Data

- Due to the five-day Labor Day Holiday falling in May this year, two days longer than in 2023, the month-on-month increase in industrial production decelerated, while consumption growth improved. Service consumption has grown rapidly, with travel and cultural tourism remaining active. However, retail sales of automobiles were weaker than expected, declining by 4.4% YoY. The domestic car market is highly competitive, and price wars have led some consumers to adopt a wait-and-see approach.

- Manufacturing has been a standout sector in the first half of this year, reflecting strong external demand for China's economy. The rising global demand for Chinese products, coupled with the global economic soft landing, highlights the increasing competitiveness and appeal of Chinese products resulting from industrial upgrades. Current production trends indicate a shift towards high-tech, smart, and green manufacturing. High-tech manufacturing has maintained double-digit growth, with its added value increasing by 10.0% YoY. In terms of fixed asset investment, manufacturing investment has grown rapidly. From January to May, manufacturing investment increased by 9.6% YoY, 5.6 percentage points higher than the growth rate of total investment, contributing 57.3% to total investment growth.

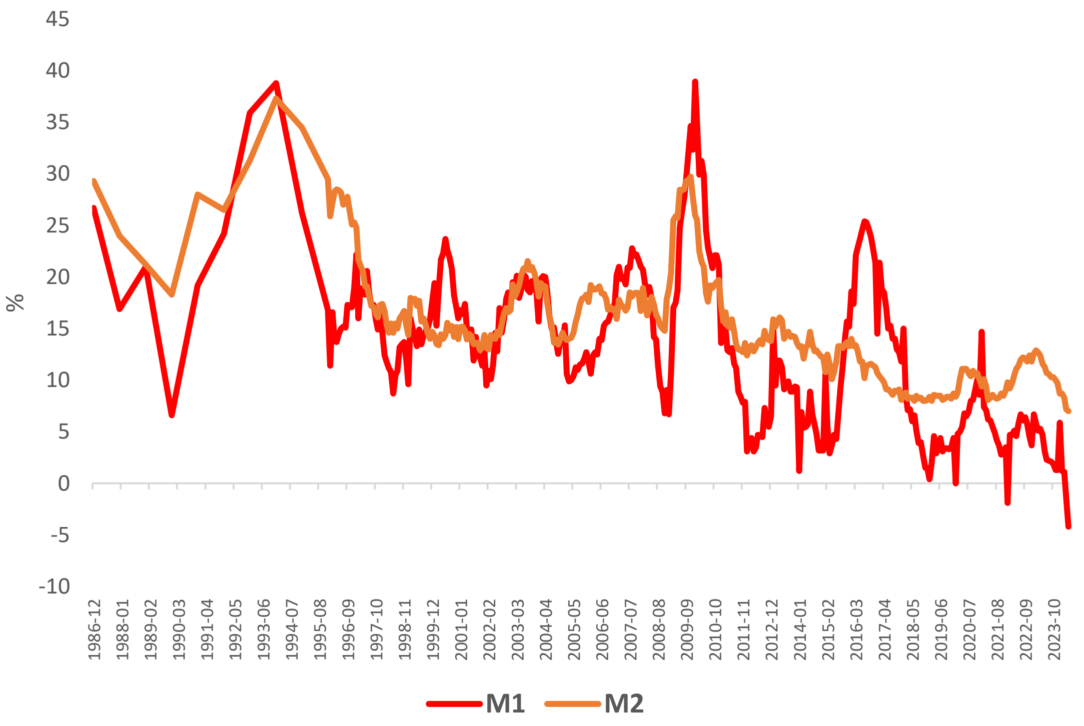
Source: Wind, CEIC, OCBC

China: Weak Money Supply Data

- Despite resilient manufacturing sector and improving domestic demand, the latest May economic data failed to boost the sentiment as China's money supply growth hit the record low. Both M1 and M2 growth slowing to record lows. M2 growth decelerated to 7% YoY in May from 7.2% YoY in April, while the contraction in M1 growth widened to 4.2% YoY in May from 1.4% YoY previously. The gap between M2 and M1 widened further.

- Statistically, China's M1 does not include household demand deposits and government deposits, making it more sensitive to fluctuations in corporate demand deposits. The recent sharp contraction in M1 was partially attributed to technical issues, as China's market interest rate self-regulation mechanism clamped down on high-interest deposit behavior via manual interest rate adjustments.

- In addition to technical issues, the contraction in M1 was also a result of the weak property market. The contraction in M1 also reflects that confidence in the real economy still requires further restoration.

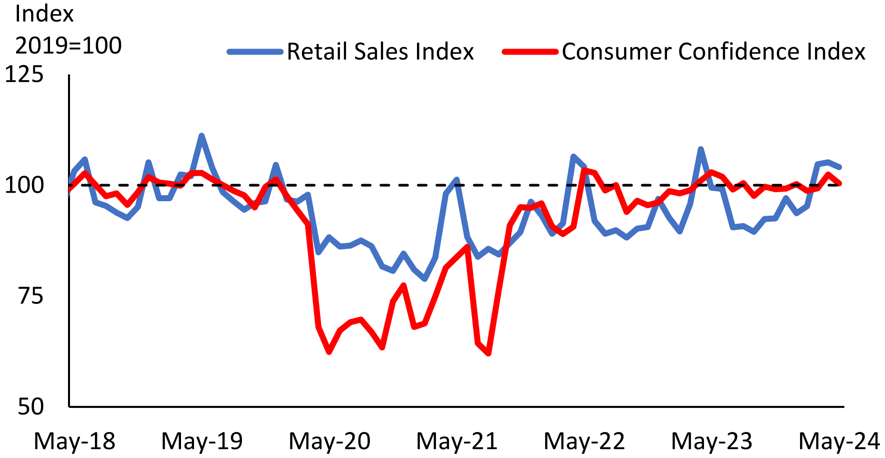


Source: Wind, CEIC, OCBC

Indonesia: Mixed Activity Data in May

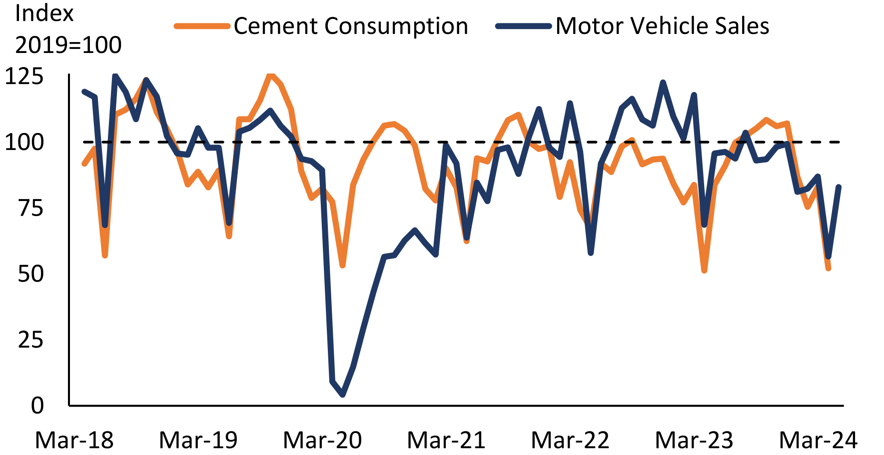
- Activity data continues to paint a mixed picture in May, with survey-based consumer confidence index (CCI) remaining above 100, while retail sales estimate a pickup following a contraction in the previous month. Meanwhile, car sales remained weak with a 13.3% YoY contraction, and cement consumption increased by 1.5% in April, but both remained below pre-pandemic levels.
- Specifically, Bank Indonesia's retail sales survey estimates a 4.7% YoY growth in May 2024, a significant increase from the 2.7% contraction in the previous month. The higher sales expectation is expected to come from increased sales in the 'clothing,' 'food, beverages & tobacco,' as well as 'spare parts and accessories' goods. Meanwhile, the CCI eased marginally to 125.2 in May from 127.7 in April, as weakness was broad-based in both the 'present-situation' and 'expectations' sub-indexes. Nevertheless, the May print brings the April-May average to 126.5, up from 124 in 1Q24. According to the same survey, respondents anticipate higher price pressures over the next three months (July) and six months (October).
- Wholesale car sales rose to 71,263 units (-13.3% YoY) in May from 48,637 units in April, according to Gaikindo. May sales bring the year-to-May wholesale car sales to 334,969 units, still reflecting a 21% YoY contraction.

Survey based retail sales & consumer confidence indices..



Source: Bank Indonesia, CEIC, OCBC

... versus car sales and cement consumption



Source: Indonesia Cement Association, GAIKINDO, CEIC, OCBC

OCBC

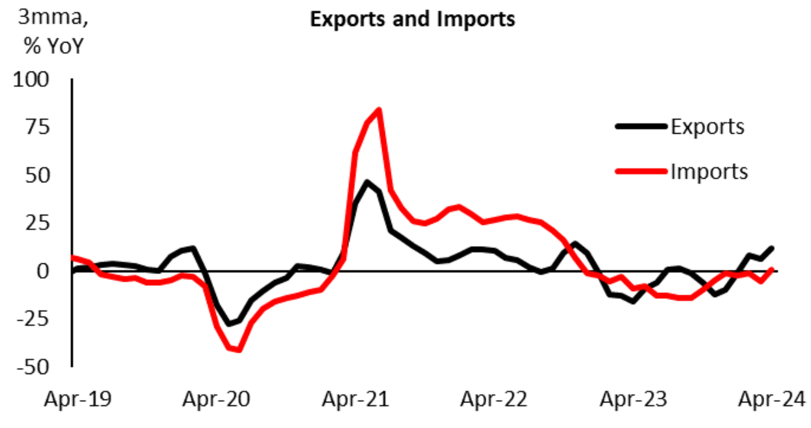
Source: Bank Indonesia, Gaikindo, Indonesia Cement Association, CEIC, OCBC.

Philippines: Strong Trade Data to Start 2Q24

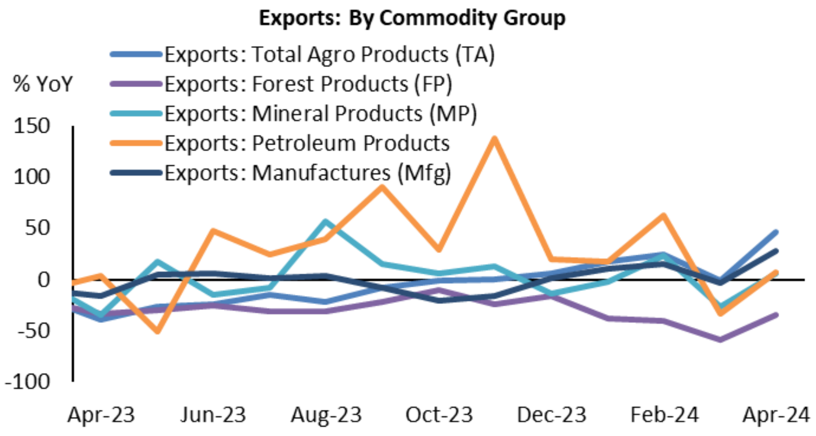
- April exports accelerated to 26.6% YoY versus -7.3% in March. Similarly, April imports increased by 12.6% YoY (March: -17.7%). Consequently, the trade deficit widened to USD4.8bn versus USD3.4bn in March.

- On the exports front, the drivers of growth were supported by higher shipments in 'total agro products' (46.8% YoY versus -0.9% in March), 'mineral products' (6.5% YoY versus -26.4%), 'petroleum products' (6.7% YoY versus -33.0%), and 'manufactures products' (28.1% YoY versus -2.9%). This more than offset contraction in 'forest products' (-35.0% YoY versus -58.3%). Export growth started 2Q24 on a strong note, bringing the Jan-April export growth to 9.6% YoY versus -7.6% in 2023.

- We expect robust GDP growth of 6% YoY in 2024 versus 5.5% in 2023, implying growth momentum of 6.0% in 2Q-4Q24 GDP growth versus 5.7% in 1Q24. The main drivers of growth, in our view, will be from improved government spending and external demand growth.



Source: Philippine Statistics Authority, CEIC, OCBC



Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC.

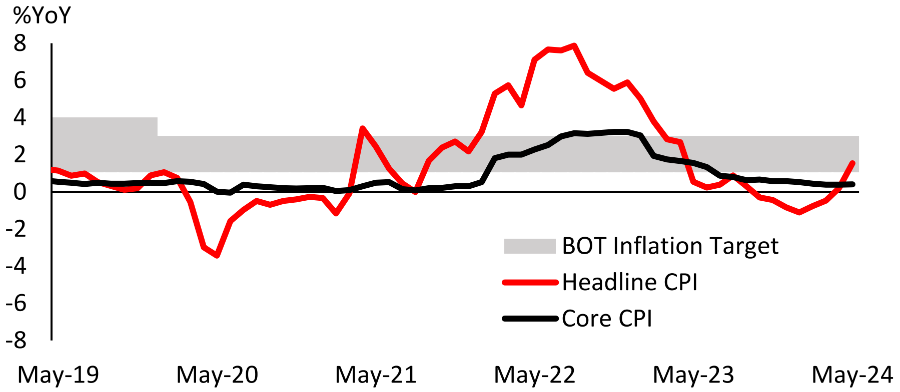
Thailand: BOT Holding the Line Firmly

- Bank of Thailand (BOT) maintained its policy rate at 2.50%, as expected. The Monetary Policy Committee (MPC) voted 6-1 in favour of the decision. This was a more hawkish shift in the MPC votes as two members had previously voted for a 25bp cut at the 10 April meeting.

- There were no changes to the growth or inflation forecasts suggesting BOT deems recent economic activity data as in line with its expectations. BOT maintained its 2024 full year growth forecast at 2.6% (OCBC: 2.8%). For 2025, the forecast was unchanged at 3.0%. Similarly, the headline and core inflation forecasts were unchanged at 0.6% YoY and 0.5% for 2024. Headline CPI averaged -0.1% YoY from Jan-May 2024, implying a pickup in inflationary pressures in the coming months, similar to our expectations.

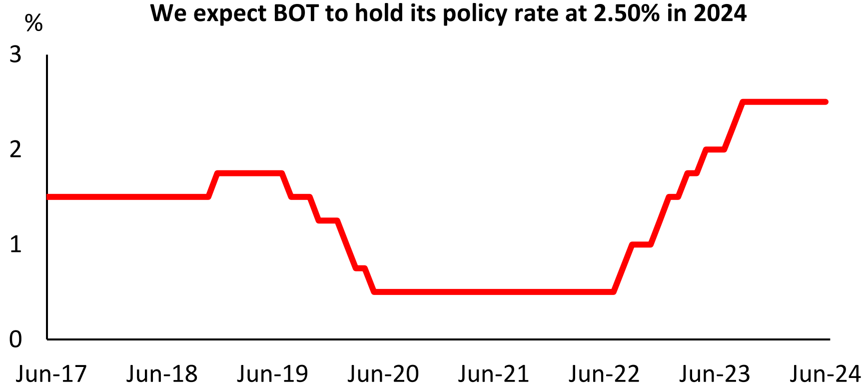
- The BOT will likely remain nimble in terms of its approach to evolving growth and inflation outlook. However, our baseline remains for the BOT to keep its policy rate unchanged at 2.50% for the rest of 2024.

Headline CPI acelerated in May while core CPI held steady



Source: Bureau of Trade and Economic Indices, CEIC, OCBC

We expect BOT to hold its policy rate at 2.50% in 2024



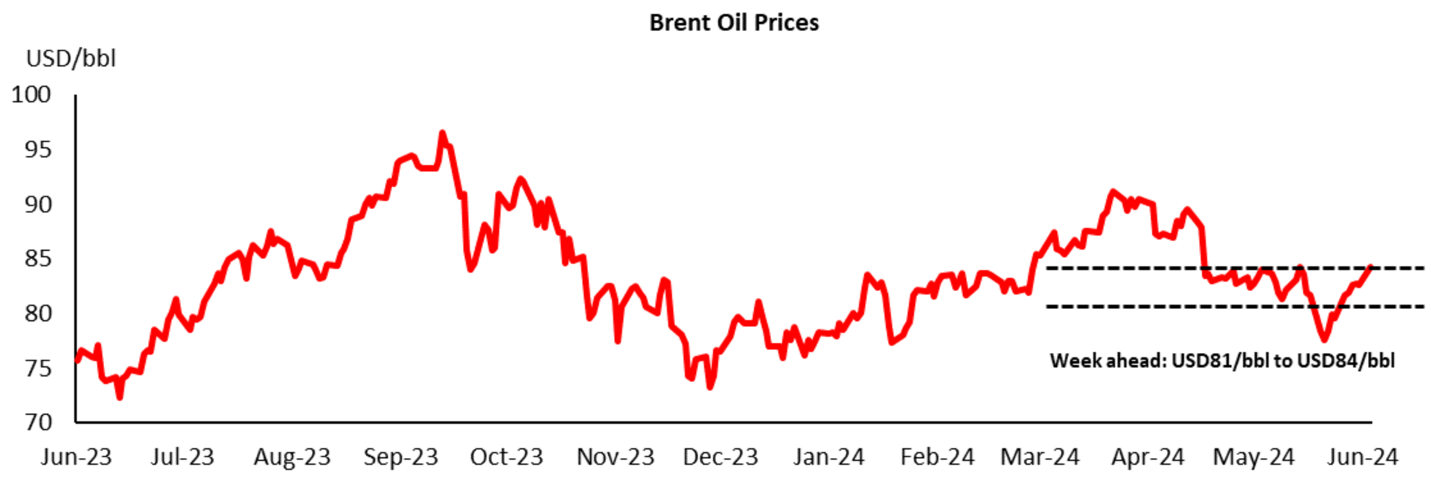
Source: Bank of Thailand, CEIC, OCBC

Source: Bureau of Trade and Economic Indices, Bank of Thailand, CEIC, OCBC.

Commodities

Crude Oil: Oil Prices Rebounded

- Crude oil benchmarks rebounded: WTI and Brent rose by more than 3.7% week-on-week, to close higher at USD78.5/bbl and USD82.6/bbl respectively.
- The increase in oil prices comes on the back of strong selling pressure at the start of June. Nevertheless, we believe gains were limited by bearish Energy Information Administration (EIA) Weekly Petroleum Status Report. The EIA reported that US crude and gasoline inventories rose by 3.7mn bbls and 2.6mn bbls to 459.7mn bbls and 233.5 mn bbls, respectively, for the week ending 7 June.
- Looking ahead, the key focuses are EIA weekly inventories report, and S&P Global Prelim June PMI (i.e., US, UK, Eurozone). With little on the calendar, we expect oil prices to trade modestly higher, between USD81/bbl and USD84/bbl.



Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC

FX & Rates

FX & Rates: RBA to Hold

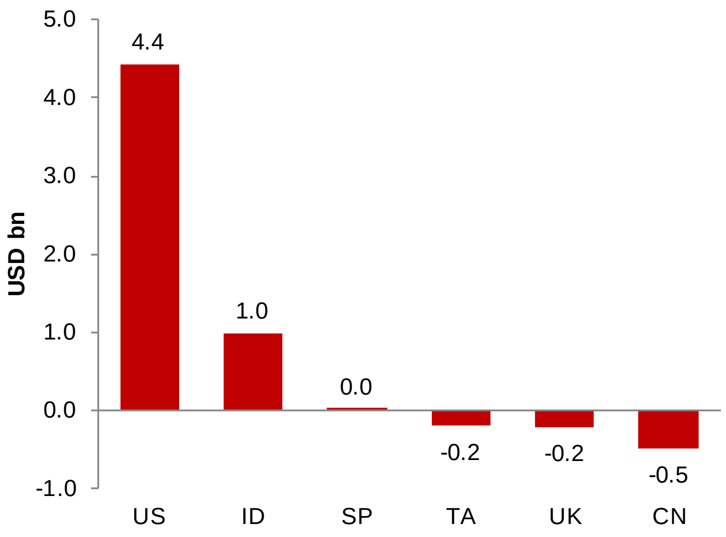
- **DXY.** 2-way trade likely in the range of 104.80 – 105.80 in absence of key catalyst. This week's data release on industrial production, retail sales data (Tue) and prelim PMIs (Fri) will shed further light on how the US exceptionalism narrative pans out.
- **AUDUSD.** RBA remained on hold as expected and is likely to be amongst the last few DM central banks to cut rate. Sticky inflation and still-tight labour market are some of the reasons for RBA to stay on hold. We expect 1 cut from RBA sometime later this year. Overall, our assessment is that disinflation path should remain on track. Moderation in wage growth should ease concerns of price-wage spiral and reinforce our view that the RBA remains on track to lower rates in the later part of the year.
- **EURUSD.** Decline in EUR somewhat stabilised after France's Le Pen said she will work with Macron if she wins legislative elections. Elsewhere, the newly formed Popular Front coalition is also gaining ground, according to polls. We remain cautious of how French political risk may still weigh on EUR intermittently until we get a clearer outcome on 30 Jun and 7 July.
- **EURCHF.** Short EURCHF remains a popular trade to express a view on election anxiety in France and the SNB possibly maintaining a hold at this week's MPC. SNB chief had indicated that SNB sees "small upward risk" to the central bank's inflation forecast. He added that if this risk were to materialise, then their monetary policy would be deemed more accommodative than intended. And that would also be associated with a weaker CHF, which could be counteracted by selling foreign currency, which implicitly can mean buying CHF on the other side of the equation. This can contribute to CHF strength. SNB's comments, inflation uptick and signs of economic activity picking up slightly may suggest that an SNB rate cut may be delayed to Sep meeting.

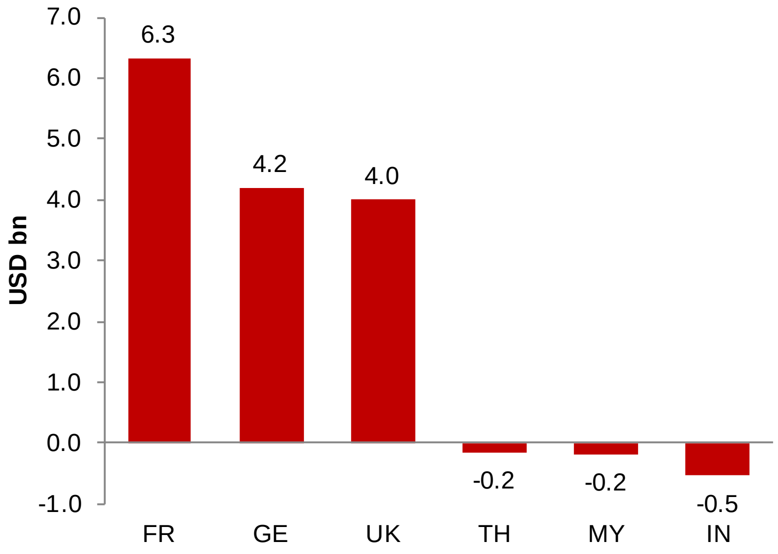
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflows of $6.3bn for the week ending 12 June, a decrease from the inflows of $10.7bn last week.
- Global bond markets reported net inflows of $10.2bn, a decrease from last week's inflows of $17.7bn

Equity top gainers & losers	Bonds top gainers & losers

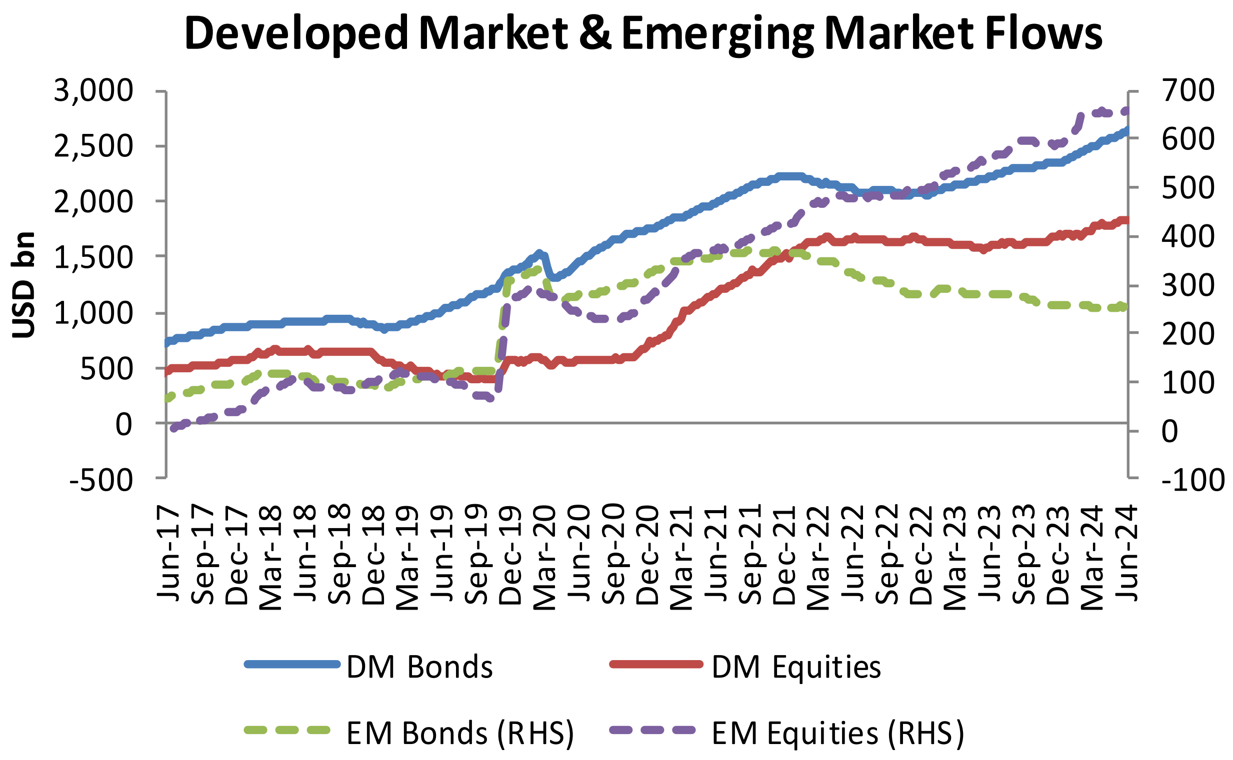




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($5.5bn) and Emerging Market Equities ($854.04mn) saw inflows.
- Developed Market Bond ($10.6bn) saw inflows while Emerging Market Bond ($1448.91mn) saw outflows.



Source: OCBC, EPFR

Thank you

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