



Weekly Macro Views (WMV)

Global Markets Research & Strategy

2 September 2024

Weekly Macro Update

Key Global Data for this week:

| 2 September | 3 September | 4 September | 5 September | 6 September |
|---|--|--|--|--|
| <ul style="list-style-type: none"> • GE HCOB Germany Mfg PMI • EC HCOB Eurozone Mfg PMI • CH Caixin China PMI Mfg • ID S&P Global PMI Mfg • JN Jibun Bank PMI Mfg • SK S&P Global PMI Mfg | <ul style="list-style-type: none"> • US ISM Manufacturing • US S&P Global US Manufacturing PMI • SK CPI YoY • CA S&P Global Canada Manufacturing PMI | <ul style="list-style-type: none"> • CA Bank of Canada Rate Decision • AU GDP SA QoQ • US Durable Goods Orders • US MBA Mortgage Applications • US Trade Balance | <ul style="list-style-type: none"> • MA BNM Overnight Policy Rate • US Initial Jobless Claims • SK GDP YoY • TA CPI YoY • PH CPI YoY 2018=100 • TH CPI YoY | <ul style="list-style-type: none"> • US Change in Nonfarm Payrolls • US Unemployment Rate • EC GDP SA QoQ • GE Industrial Production SA MoM • VN CPI YoY |

Summary of Macro Views:

| | | | |
|---------------|--|--------------------|---|
| Global | <ul style="list-style-type: none"> • Central Banks • Mpox weekly update: Case counter & measures imposed • US: Still a close Presidential race • US: Consumption still holding up • US: PCE disinflation continues • Euro Area: Disinflation trajectory still clear • Japan: Higher unemployment and Tokyo CPI | Asia | <ul style="list-style-type: none"> • ID: Steady CPI in August • MY: Watching fiscal measures and SEZ discussions • TH: Mixed July economic activity |
| Asia | <ul style="list-style-type: none"> • HK: Housing prices and rent moved in opposite directions • HK: Retail sales weakened further • MO: Revising downwards our gaming revenue forecast | Asset Class | <ul style="list-style-type: none"> • Commodities: Weaker crude oil prices • FX & Rates: US jobs data in focus this week • ESG: Collaboration between Singapore and Japan • Global Asset Flows |

Central Banks

Forecast – Key Rates

Bank of Canada (BoC)



Wednesday, 4th September

Policy Interest Rate

Likely **cut** by **25bps**
from **4.50%** to **4.25%**

Bank Negara Malaysia (BNM)



Thursday, 5th September

Overnight Policy Rate

Likely **hold** at **3.00%**

House Views

Mpox weekly update: Case counter & measures imposed

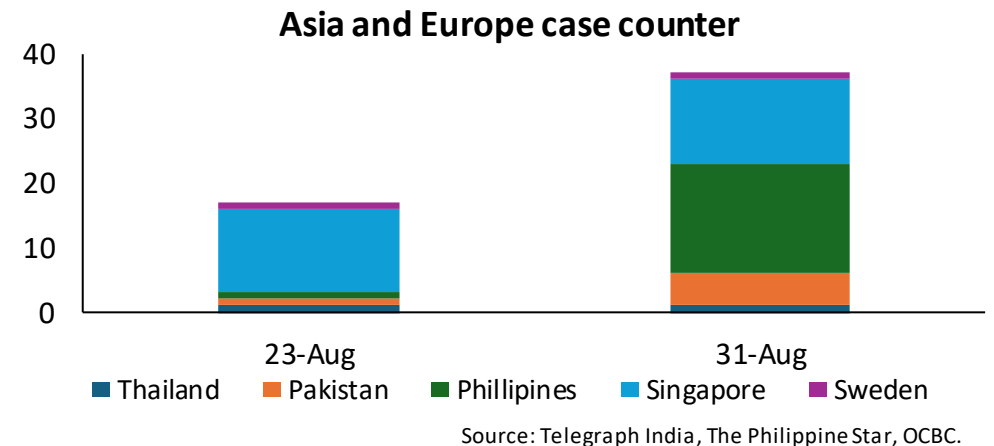
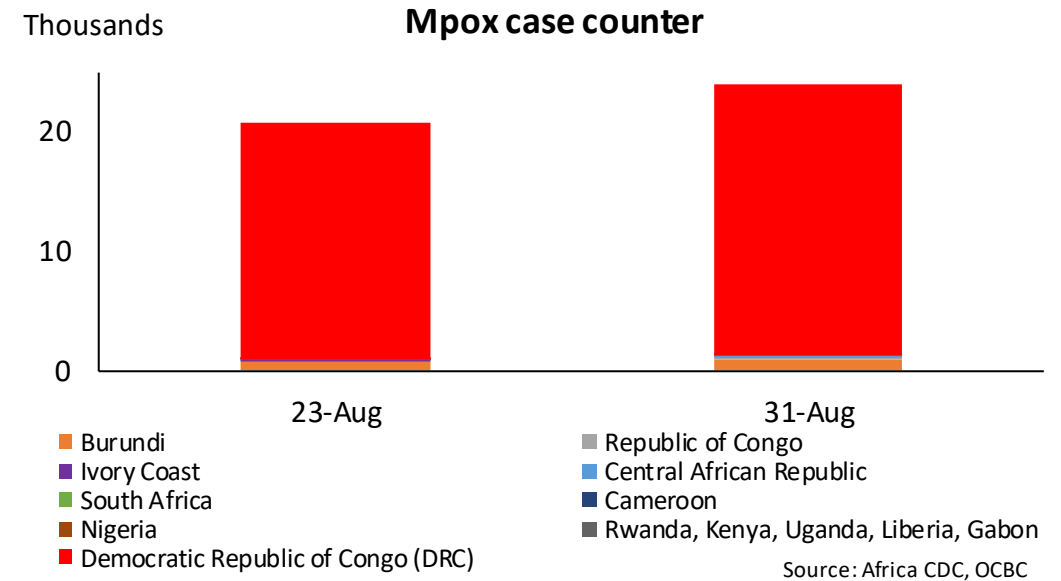
World Health Organisation (WHO): New studies show that droplets are a “minor” form of transmission for the virus. More research needs to be done to fully understand how this new strain is spreading.

Singapore: Singaporeans born in or before the 1980s that were vaccinated against smallpox are moderately protected against Mpox. Health Minister Ong Ye Kung will hold a press conference in the first week of September regarding Mpox.

Africa: Africa CDC has devised a standardized reporting protocol for member states to improve early detection, case reporting and overall situational awareness on Mpox in Africa. None of the pledged vaccines from allies have arrived in Africa, pushing back any plans of starting vaccinations.

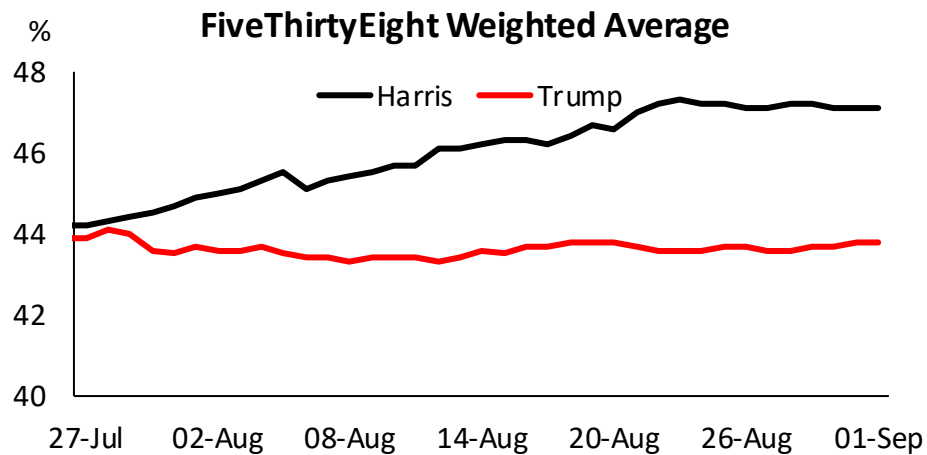
Philippines: Following the recent outbreak, the Department of Health is advising citizens to avoid any close contact with individuals who are suspected or confirmed cases of Mpox.

Case count tracker (Cumulative up to week ending 31-Aug)



US: Still a close Presidential race

- In her first televised interview, Kamala Harris was questioned about her history of shifting policy positions on fracking and climate change, to which she maintained that her “values have not changed” and that she has no plans on banning fracking, a key industry in Pennsylvania. She also criticized Trump’s mishandling of the economy prior to the Covid-19 pandemic.
- Polls continue to show a tight race between Kamala Harris and Donald Trump. Nationally, most polls see Harris ahead of Trump, however, most of her leads are within the poll's margin of errors. The latest Wall Street Journal poll sees Harris at 48% support and Trump at 47%, highlighting how close the polls are. Trump’s polling averages in recent polls have been hovering around 47%, which was his vote share in 2020 and 1% higher than his winning vote share in 2016.
- Notably, Harris has clawed back leads in states like Arizona, Nevada, North Carolina and Georgia. The first Presidential debate is set for 10 September, where we will learn more about each candidate’s policies and their stances on key issues such as abortion, immigration and the economy.



Source: FiveThirtyEight, OCBC

Source: FiveThirtyEight, CNN, NBC, Wall Street Journal, NYT, OCBC.

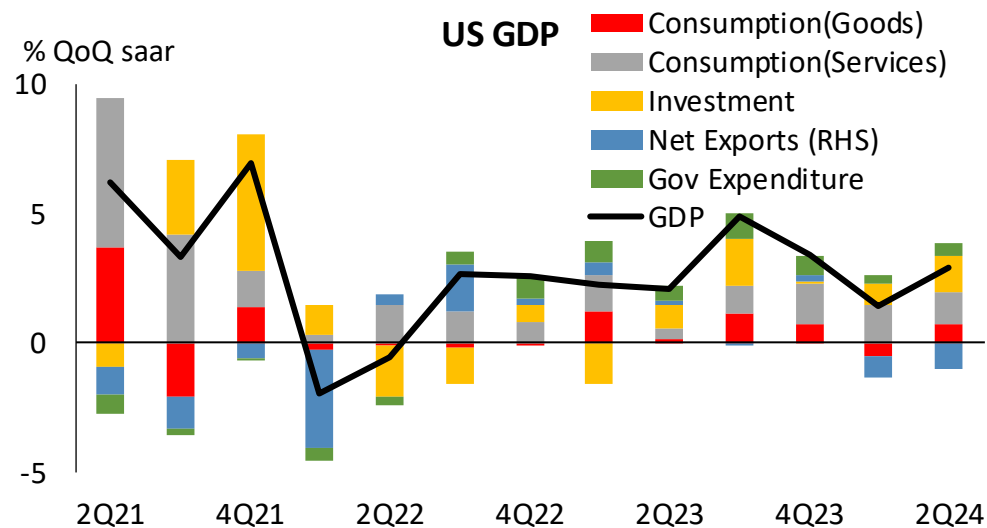
| States Weighted Average Polls | Trump | Harris |
|-------------------------------|-------|--------|
| Arizona | 45.4% | 45.6% |
| Georgia | 45.8% | 46.3% |
| Michigan | 44.1% | 46.5% |
| Nevada | 44.9% | 45.7% |
| North Carolina | 46.1% | 45.7% |
| Pennsylvania | 45.0% | 46.2% |
| Wisconsin | 44.2% | 47.5% |

Source: FiveThirtyEight, as of 1 September

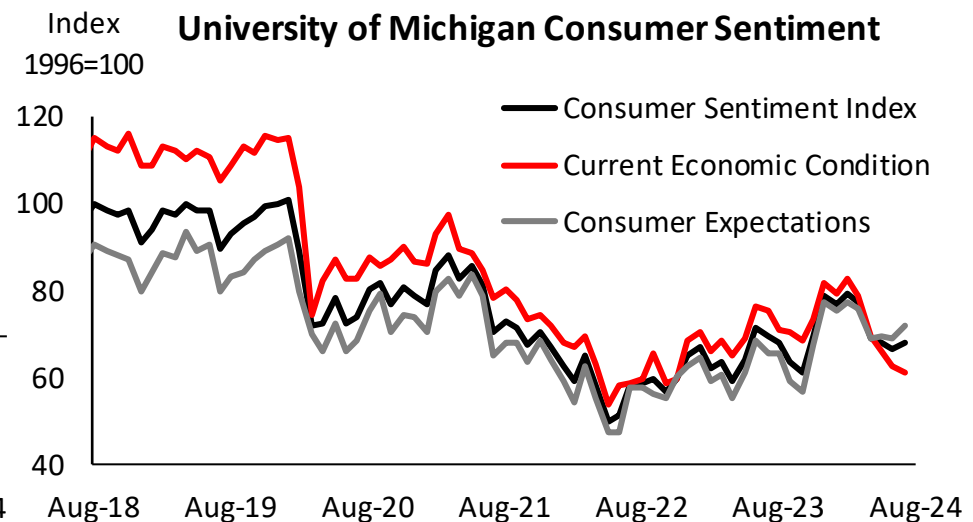


US: Consumption still holding up

- Second estimates of 2Q24 GDP showed that the economy grew 3.0% QoQ saar, up from the 2.8% recorded in the first estimate. Personal consumption was revised upwards to 2.9% QoQ saar from 2.3% prior and the 1.4% growth recorded in 1Q24. This upward revision more than offset downward revisions in other areas. Private domestic investment was revised downwards to 7.5% QoQ saar growth from 8.4% initially. Government spending was also revised downwards to 2.7% QoQ saar from 3.1% prior.
- Strong consumption data was seen in other data releases this week as well. Personal spending saw strong growth in July, increasing 0.5% MoM after the 0.3% rise in June. University of Michigan consumer sentiment rose to 67.9 in August versus 66.4 in July. Consumer expectations rose to 72.1 which stymied a fifth consecutive month of contraction while current economic conditions declined to 61.3 in August. Importantly, the inflation expectations gauge for 1-year ahead eased to 2.8% from 2.9%.



Source: BEA, Bloomberg, OCBC
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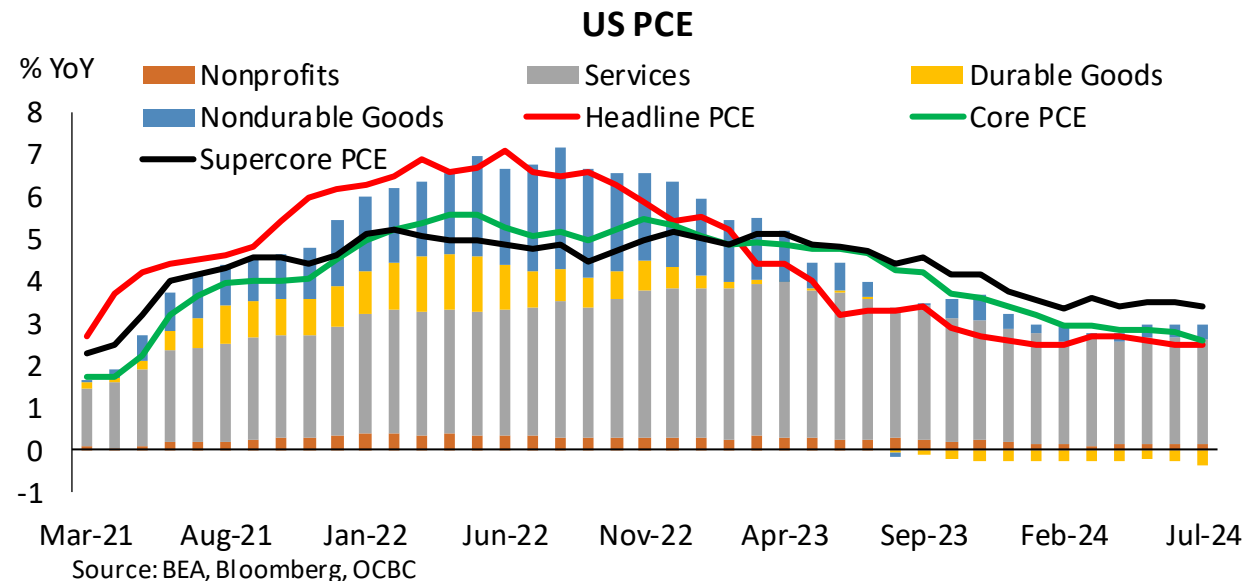


Source: University of Michigan, CEIC, OCBC



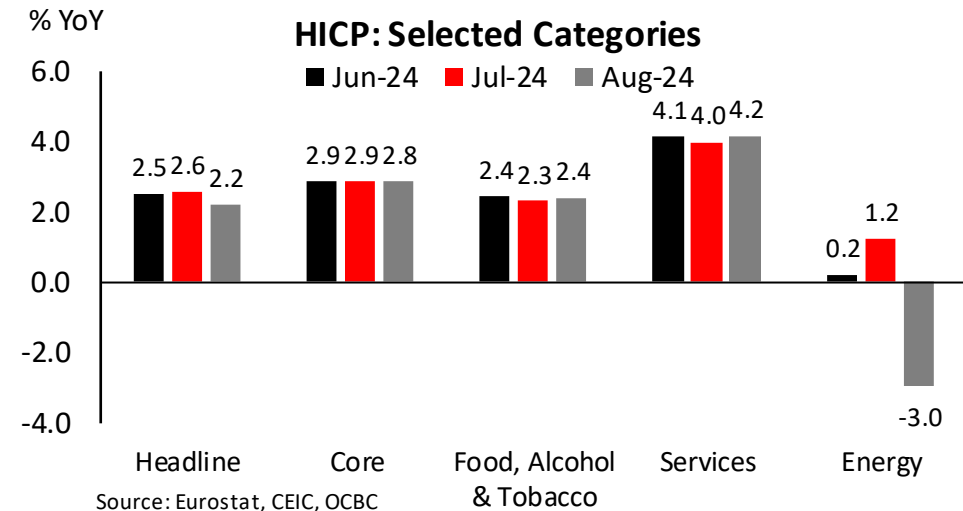
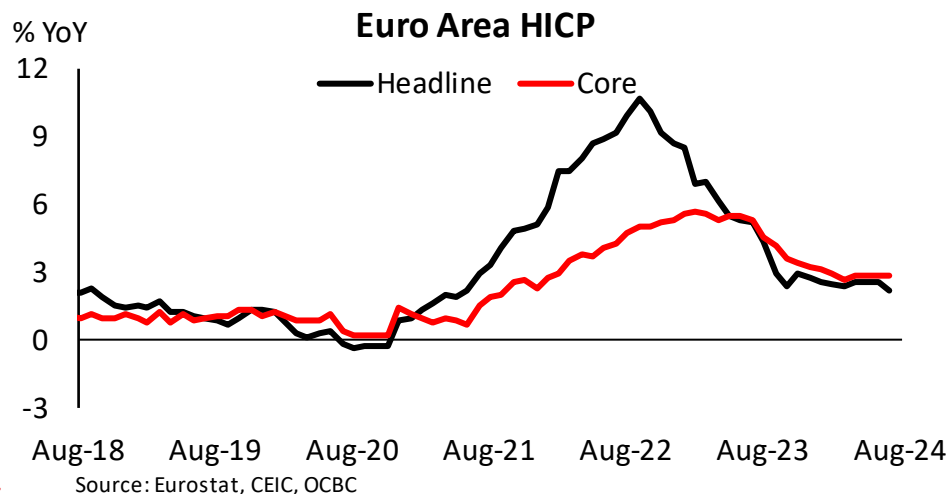
US: PCE disinflation continues

- Headline PCE held steady at 2.5% YoY (0.2% MoM) in July, in line with consensus estimates. Core PCE also held steady at 2.6% YoY (0.2% MoM), coming in below consensus estimates of 2.7%. Services inflation eased slightly to 3.7% YoY in July versus 3.8% in June. That said, housing inflation remained the main driver of services inflation, rising by 5.3% YoY in July. Goods inflation was flat in July after a 0.2% YoY contraction in June.
- Personal income rose by 0.3% MoM in July (June: 0.2%), beating consensus estimates of +0.2%. Looking ahead, a whole slate of labour market data will be released this week, of which the August non-farm payrolls report on Friday is key. The Fed's focus has increasingly shifted towards the labour market as it weights the two-sided risks to its dual mandate. Our base case remains for a 25bp cut at the September FOMC meeting; however, we see risks that a sharper cooling in the labour market opens the door to a 50bp cut.



Euro area: Disinflation trajectory still clear

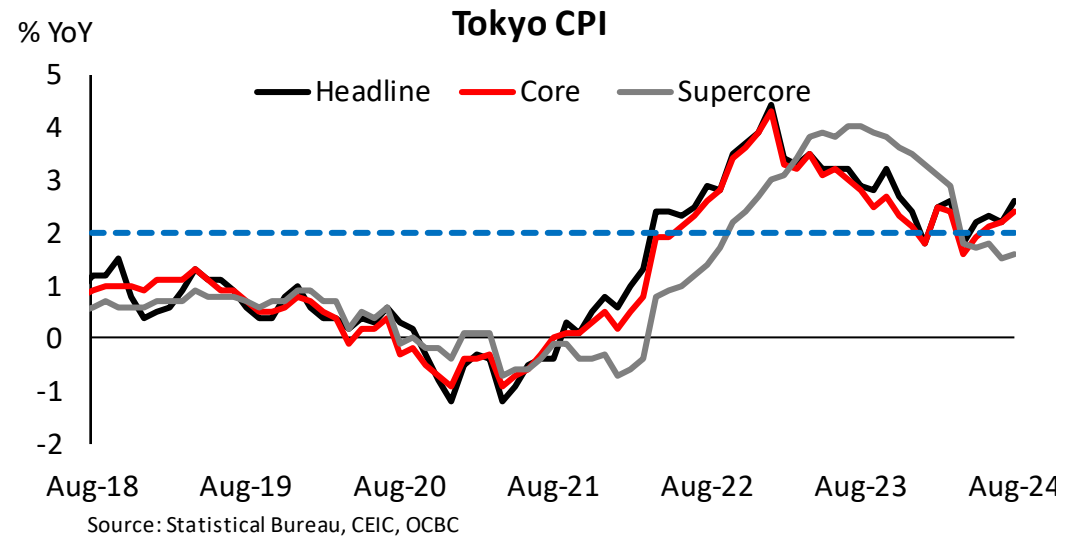
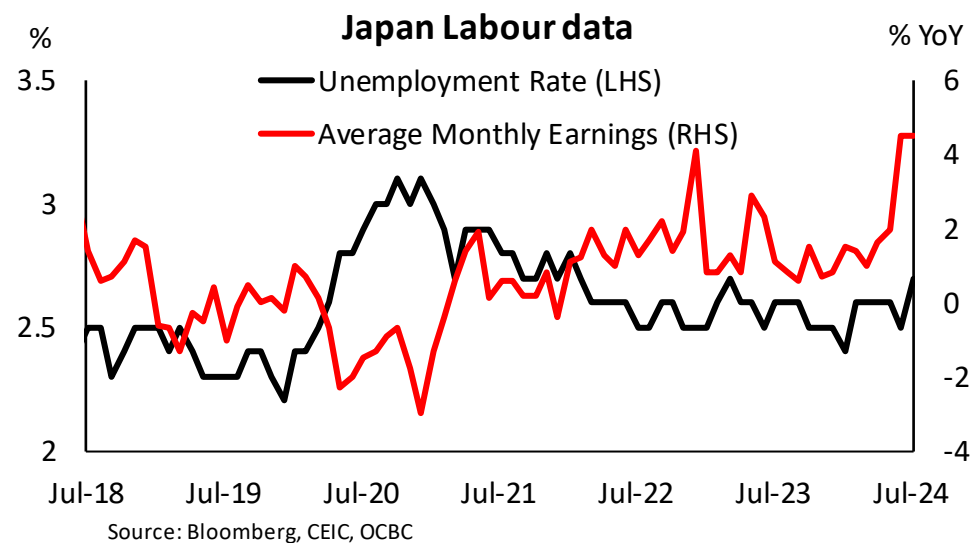
- Euro area disinflation trend continues to be intact as headline inflation eased to 2.2% YoY in August, down from 2.6% in July, in line with consensus expectations. This was the lowest reading since July 2021. Core inflation, excluding food and energy prices, was modestly lower at 2.8% YoY in August (July: 2.9%).
- Services inflation was the key inflation driver in August, ticking up to 4.2% YoY (July: 4.0%). Energy inflation returned to deflation in August after three months of positive price growth, coming in at -3.0% YoY (July: 1.2%). ‘Food, alcohol & tobacco’ inflation saw a slight increase to 2.4% YoY in August (July: 2.3%).
- Recent speeches by ECB officials such as France’s Francois Villeroy have corroborated a dovish bias. ECB members continue to emphasise that monetary policy easing will need to be careful and “proceed gradually and cautiously”. Our base case remains for two more 25bp cuts by end-2024.



Source: Eurostat, Bloomberg, Reuters, CEIC, OCBC.

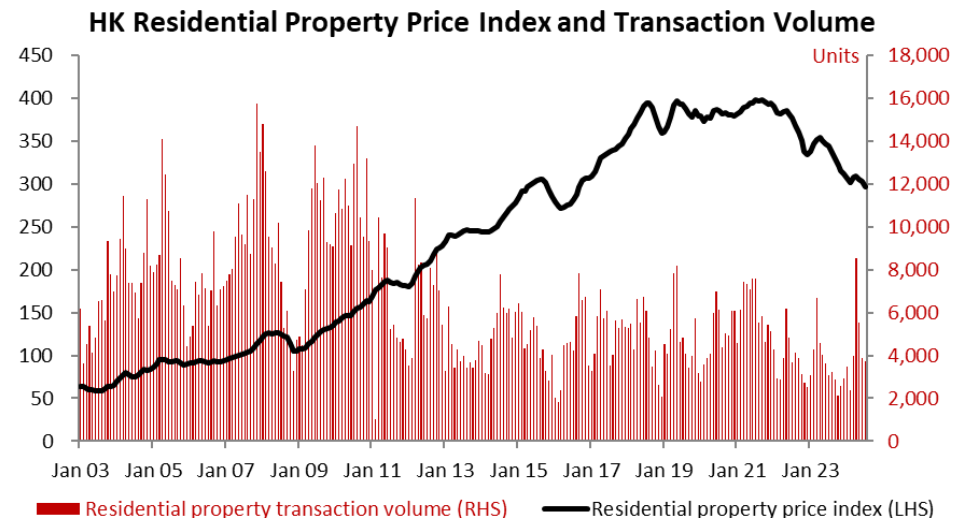
Japan: Higher unemployment and Tokyo CPI

- The unemployment rate ticked higher to 2.7% in July, against expectations of a steady 2.5%. This was the first increase in the unemployment rate in five months as more workers left their jobs to find better pay or more vacation time. The number of workers who left their jobs rose 9.5% while those who were retrenched fell 2.2%.
- Tokyo CPI picked up in August, with headline CPI rising to 2.6% YoY from 2.2% in July, beating expectations of a rise to 2.3%. Core CPI, excluding fresh food, ticked up to 2.4% YoY, against expectations that it would hold steady at 2.2% and the highest reading in six months. Supercore CPI, which excludes fresh food and energy, increased to 1.6% YoY, up from 1.5% in July. Our house view remains for one additional rate hike of 10-15bps by the BoJ before the end of 2024.



HK: Housing prices and rent moved in opposite directions

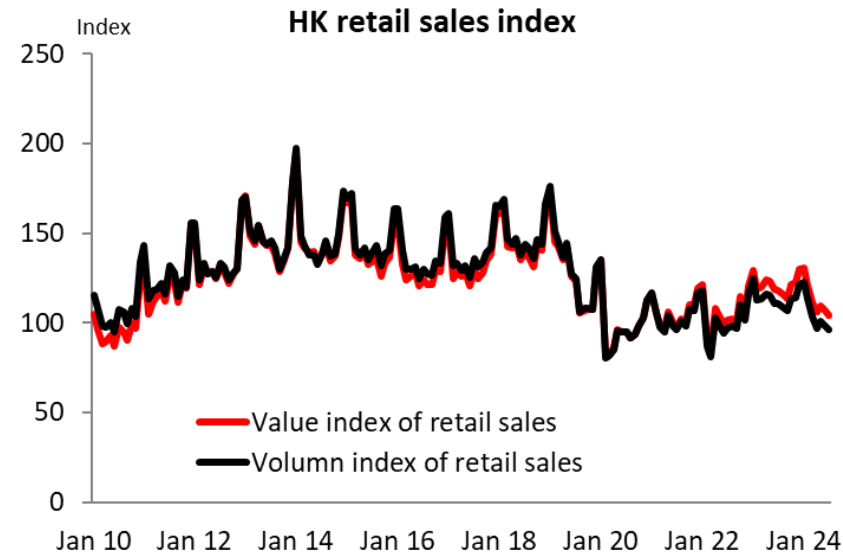
- Housing prices and rents continue to move in opposite directions. The residential property price index fell at a faster pace of 1.9% MoM in July (-1.0% MoM in June), to the lowest level since September 2016, while rental index rose for the fifth consecutive month, by 1.1% MoM. In the first seven months this year, the housing price index fell cumulatively by 4.7% (our full-year estimate: -3% to -6%), whereas the rental index increased by 4.4%.
- Trading activities cooled further in July, falling to 3723 cases, below the monthly average of 5481 cases after the removal of housing cooling measures.
- Rate cuts are generally positive catalysts for housing prices, except for the 2001 cycle where the aftermath of the 1997 Asian financial crisis and SARS still clouded the outlook. If past experiences are of any guidance, the upcoming rate cut cycle should see stabilisation in the housing market. Moreover, a more forceful rebound of prices will require help from banks to loosen their mortgage scrutiny, while the world economy continues on the soft-landing path.



Source: HK Rating and Valuation Department, OCBC

HK: Retail sales weakened further

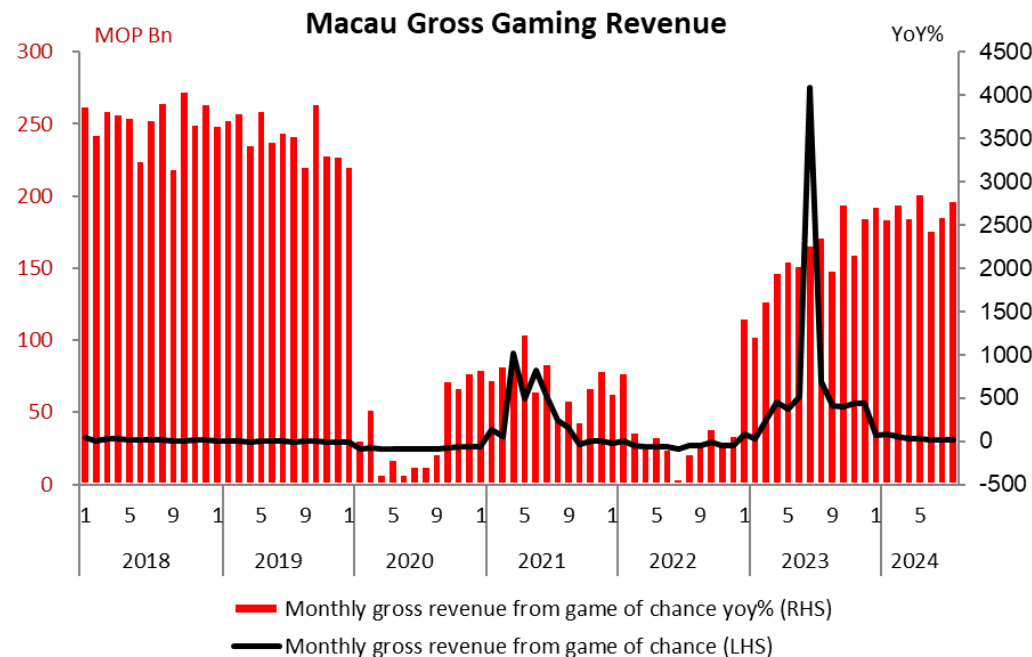
- The retail market continues to grapple with weak consumption sentiment and more outbound travels by residents during the summer holidays. Total retail sales fell for the fifth consecutive month, by 11.8% YoY in July, (-13.3% YoY in volume terms), to the lowest tally since September 2022 at HKD29.1bn.
- Consumers are generally considered more price sensitive, with retailers reporting that any increase in sales figures was due to vigorous promotions and discounts. Separately, Hong Kong's total visitor arrivals reached 3.92 million in July, up by 25.5% MoM. Yet, the notable growth in inbound tourists did not translate to a surge in tourist spending, as they cut back spending on big ticket items.
- In the first seven months this year, total retail sales fell cumulatively by 7.3% YoY. We expect retail sales to stay weak in the next couple of months and record a high single-digit decline for the full year.



Source: HK Census and Statistics Department, OCBC

MO: Revising downwards our gaming revenue forecast

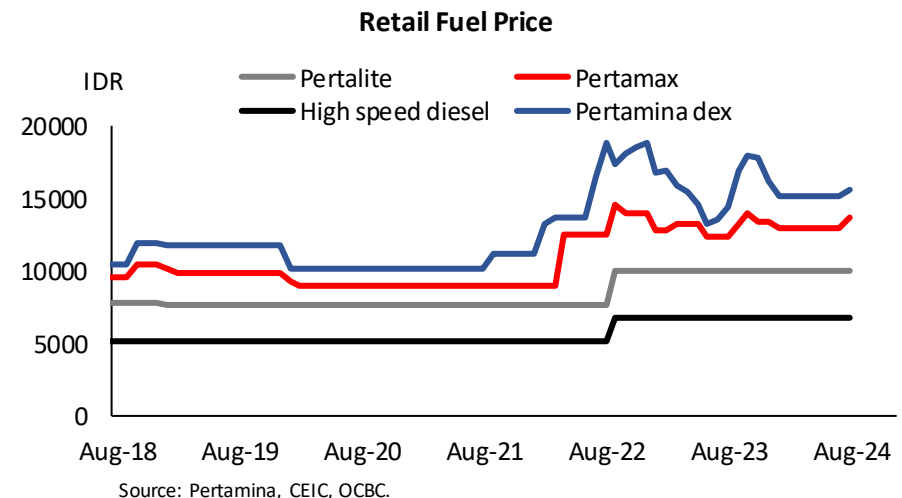
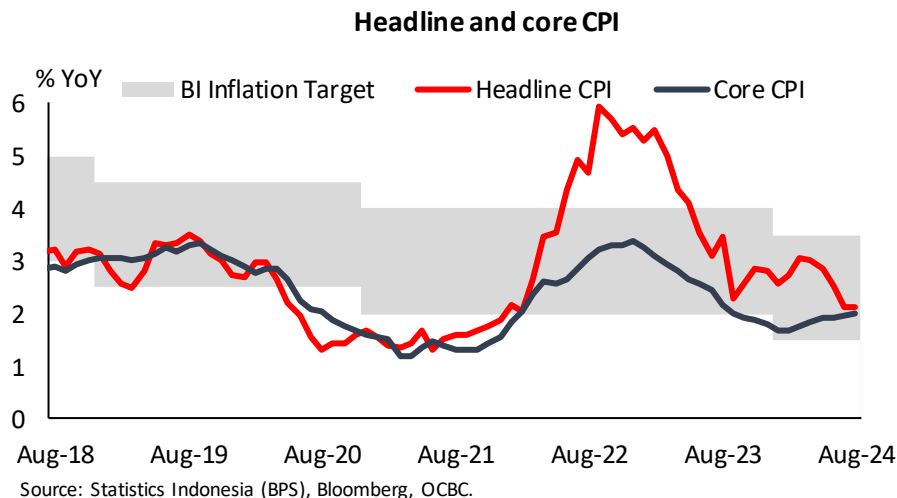
- Macau's gross gaming revenue grew 14.8% YoY and 6.2% MoM to MOP19.75bn in August. Compared with the same period in 2019, gross gaming revenue in March was down by 24.5% YoY.
- Waning impact from Euro 2024 and other mega sports events, together with the solid summer holiday demand provided growth impetus for the gaming sector, despite the recent crackdown on gaming related activities. For the first eight months as a whole, gross gaming revenue rose by 33.4% YoY, close to our full-year estimate of 33%.
- Growth is likely to slow further in the second half of this year, given the more heavy-handed crackdown on gaming related activities and the high base effects. Correspondingly, we revised our full-year growth forecast down to 27% YoY.



Source: DSEC, OCBC

Indonesia: Steady CPI in August

- Headline CPI was unchanged at 2.1% YoY in August, similar to the July print. Similarly, core inflation steadied at 2.0% YoY in August, also unchanged from July. This brings the year-to-August headline CPI average to 2.6%, compared to 3.7% in 2023. Looking ahead, we maintain our forecast for headline CPI to average 2.5% in 2024, within Bank Indonesia's 1.5% - 3.5% target range, implying relatively well contained price pressures ahead.
- Specifically, the drivers of August headline CPI were mixed. Lower inflation in the 'food, beverage, and tobacco' category, education, and health were more than offset by higher utilities, transportation, and personal care & other services inflation.
- While there are some plans to restrict subsidized fuel starting on October 1, 2024, with authorities emphasizing that the subsidy distribution will be more targeted, including the prohibition of luxury cars from using subsidized fuel, the impact on inflation may be limited.

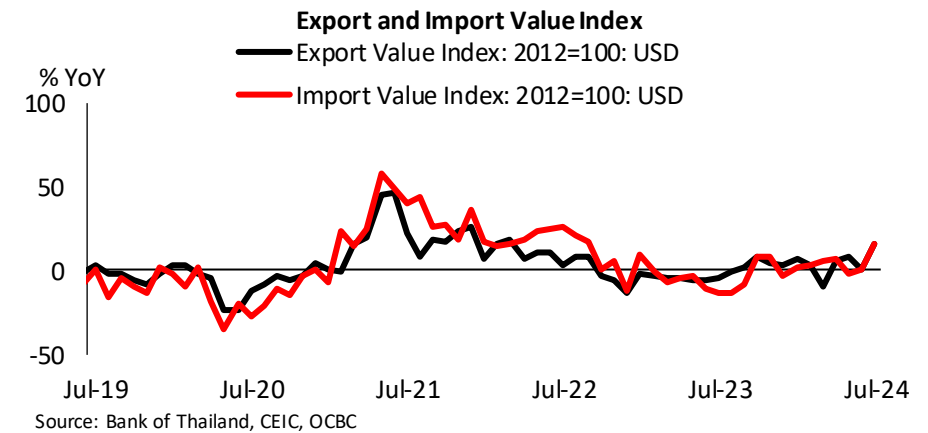
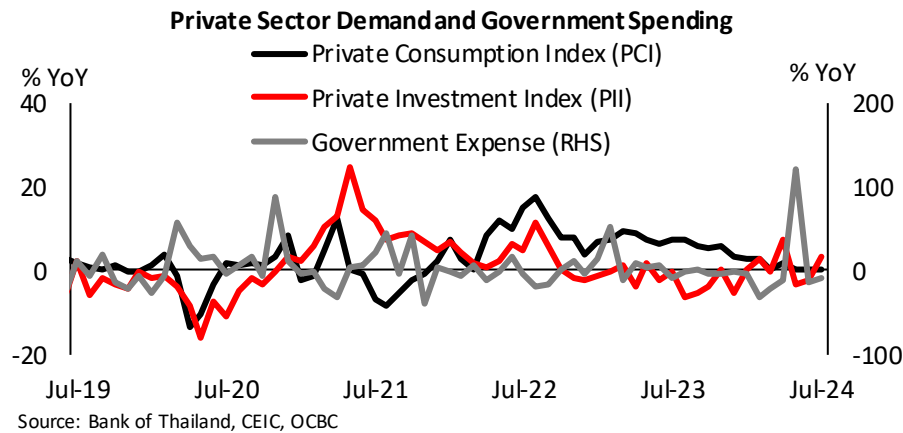


Malaysia: Watching fiscal measures and SEZ discussions

- There were some news report on 28 August suggesting that the Malaysian authorities would consider re-introducing the Goods & Services Tax (GST) instead of rationalizing RON95 petroleum subsidies. The government, however, later denied such discussions.
- The re-introduction of the GST, provided careful consideration and implementation, would be positive for the fiscal rationalization agenda as it helps widen the tax base. GST revenues accounted for 3.3% of GDP in 2016-17 compared to SST revenues of about 2% in 2023. By that same token, RON95 subsidy rationalization would generate significant savings depending on the magnitude of retail RON95 price adjustments, which is currently ~70% below RON97 prices. Notwithstanding, we expect some moderation in expenditures in 2H24, along with higher revenue collections, as the government looks to achieve its fiscal deficit target of 4.3% of GDP for 2024.
- Separately, progress seems to be underway with the Johor-Singapore SEZ. Singapore's Ministry of Trade and Industry released a statement in which it noted that the officials from Singapore and Malaysia met from 28-30 August to advance discussions on the SEZ. A range of topics were discussed and that both sides see the JS-SEZ as "a win-win initiative" and that "both sides will work towards the 11th Malaysia-Singapore Leaders' Retreat later this year."

Thailand: Mixed July economic activity

- July economic activity continued to show mixed results relative to June. Export growth rebounded, while growth in the private sector was mixed. However, government spending remained weak.
- On the domestic demand front, growth in private investment index accelerated to 3.4% YoY (June: -2.3%), while growth in private consumption index held steady at 0.2% YoY in July. In contrast, growth in government spending remained in contraction, albeit slightly improved, to -8.2% YoY in July (June: -13.9%). On the external front, export growth accelerated to 15.3% YoY (June: 0.3%) while import growth picked up to 15.8% YoY (June: -0.1%). Consequently, the trade surplus narrowed to USD0.9bn versus USD2.4bn in June, while the current account surplus narrowed to USD0.3bn versus USD2.0bn in June.
- This persistent weakness in domestic demand suggests that looser monetary policy conditions have room to support growth. We expect the Bank of Thailand to cut its policy rate by 25bp in 4Q24 followed by another 25bp rate cut in 1Q25. This will bring the policy rate to 2.00% by end-2025.



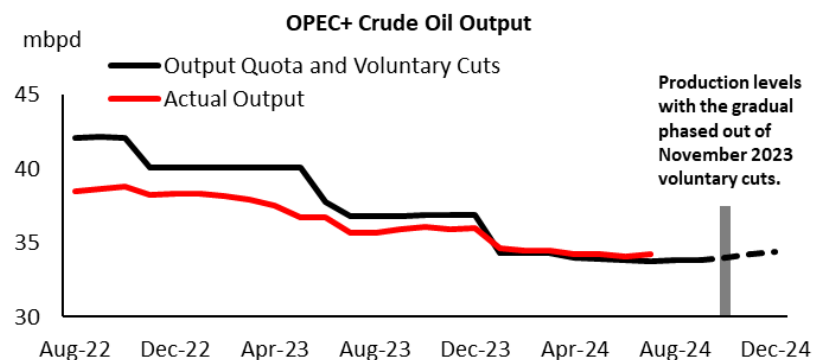
Source: Bank of Thailand, CEIC, OCBC

Commodities



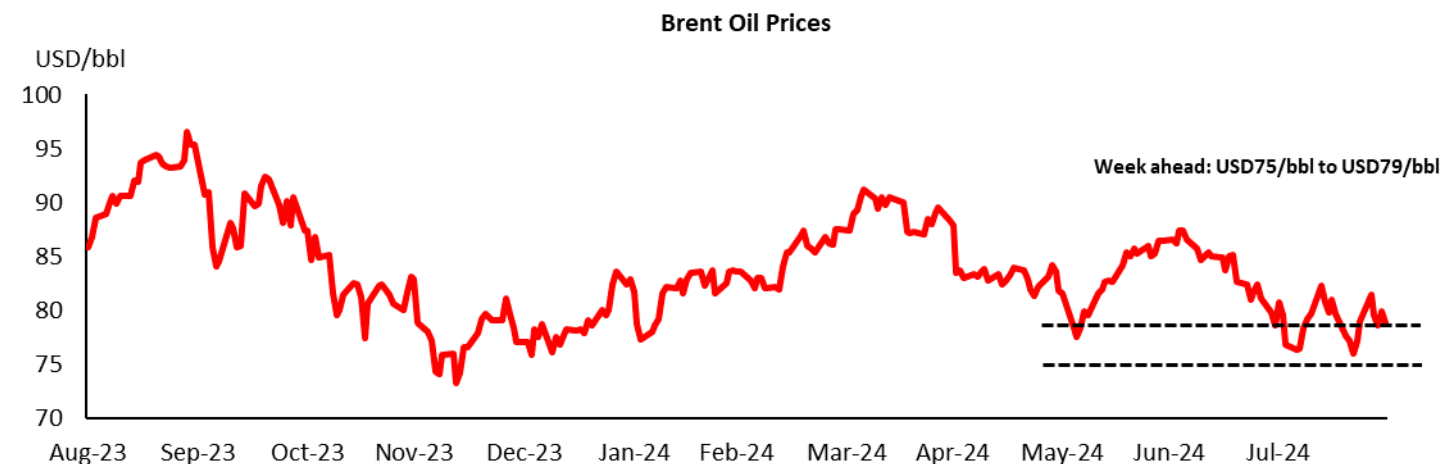
Crude Oil: Weaker Prices

- WTI and Brent declined by 1.7% and 0.3% to close at USD73.6/bbl and USD78.8/bbl respectively, week ending 30 August 2024.
- The decline in oil prices was mainly driven by prospects of higher supply from the OPEC+ alliance from October onwards. It was reported that the OPEC+ alliance is planning to proceed with their previously announced plan to gradually phase out their additional voluntary cuts (announced in November 2023) of 2.2 mbpd. Expectations of ample oil supply and concerns of slowing demand more than offset supply risks from Libya.
- Looking ahead, we expect oil prices to trade lower and within a range of USD75-79/bbl. Over the weekend, China’s manufacturing PMI came in weaker than expected at 49.1 for August, even though the Caixin manufacturing PMI improved to 50.4 points. We expect oil prices to trade under renewed pressure on lingering demand concerns. For the week, the key focus will be US August manufacturing PMI, July labour data, as well as EIA weekly inventories report.



Note: Angola left OPEC effective 1 Jan 2024; OPEC shared that the gradual phasing out of its November 2023 voluntary cuts is data dependent (i.e., the increase can be paused or reversed subject to market conditions).

Source: Platts OPEC+ survey by S&P Global Commodity Insights, OPEC, OCBC



Source: Bloomberg, OCBC



Source: Bloomberg, Reuters, OCBC.

FX & Rates



FX & Rates: US jobs data in focus this week

- **DXY.** Given that the Fed has shifted focus towards supporting labour market, the USD and markets can be more sensitive to a busy week of US labour market-related releases including ISM employment data (Tue), JOLTs job openings (Wed), ADP employment, ISM services employment (Thu), and the highlight US payrolls report on Fri. Data interpretation may be tricky this time, given that markets are already pricing in a very dovish outcome for the Fed this year (about 100bps cut; 31% probability of 50bp cut in Sep). We identified 3 possible scenarios: 1/ if US data comes in much better than expected. This may imply that US economy is faring better than expectations. US equities can rally, USD can go up while dovish Fed cut expectations can unwind. 2/ If US data comes in much worse than expected. Then the soft landing view may be in doubt. US equities are at risk of being sold off (recall the 5 Aug market crash). Risk-off trades may pressure high-beta FX, including AUD, NZD, KRW while JPY, CHF and to some extent, USD can benefit. 3/ If US data comes in largely in line with estimates – not good, not bad. This supports soft landing story. US equities can find relief rally while USD can revert back to trading near its lows. Scenario 3 will be the least disruptive to markets.
- **EURUSD.** EUR further slipped amid softer CPI prints out of Euro-area, Germany and Spain. This adds to expectation that ECB may lower rate again at its upcoming meeting on 12 Sep. This week, focus is on Mfg PMI (today), services PMI, PPI (Wed), retail sales (Thu) and GDP (Fri). ECBspeak this week is largely quiet with Nagel tomorrow, Villeroy on Thu. It is perhaps worth mentioning that ECBspeak lately have not been outright dovish and officials seemed to posture for a more gradual pace when it comes to policy easing. Another series of underwhelming data print could move the needle for markets to price in a more dovish ECB and for the EUR to trade lower.

ESG



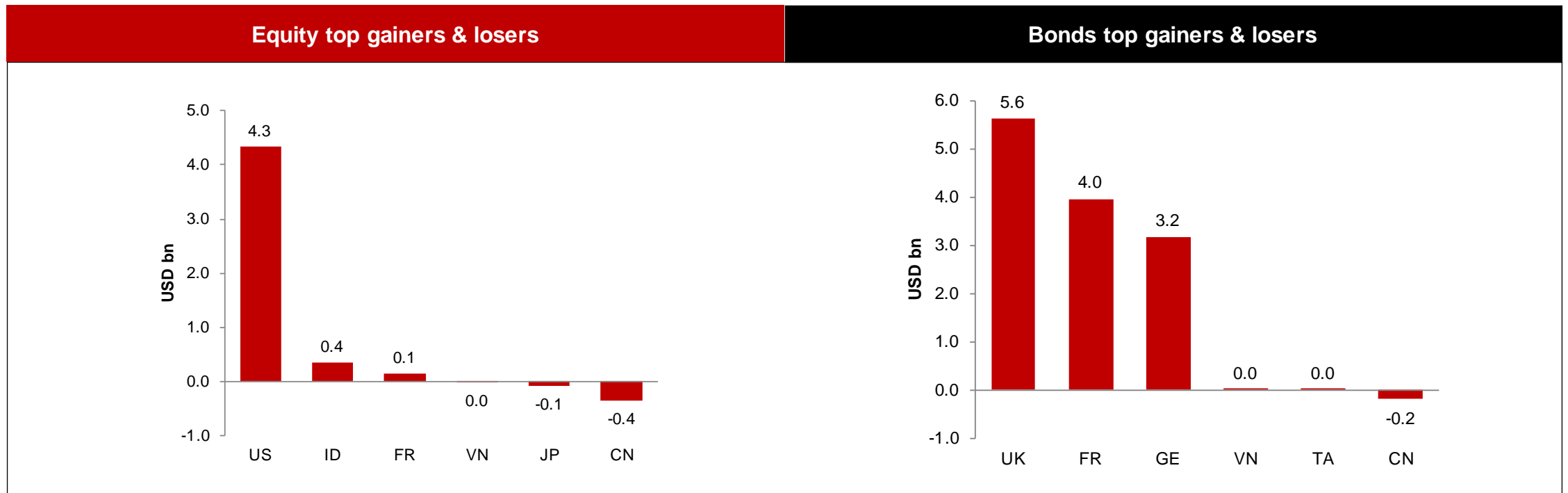
ESG: Carbon capture and storage collaboration between Singapore and Japan

- Countries planning to export CO₂, including Japan and Singapore, and importers like Indonesia signed a series CCUS agreements at the Asia Zero Emissions Community Ministerial Meeting in Jakarta.
- Singapore and Japan aim to pursue collaboration opportunities on carbon capture and storage (CCS), through knowledge exchange on best practices for cross-border CCS and insights on CCS technologies. The collaboration also aims to bring together expertise and resources from Singapore and Japan to accelerate CCS adoption in the region, as both countries lack domestic storage capacity and have plans to export CO₂ to other ASEAN economies for storage.
- The Singapore government is working with S Hub, a consortium comprising Shell and ExxonMobil, to evaluate the technical feasibility of aggregating CO₂ emissions in Singapore and collaborating with international partners to study potential CO₂ storage sites. S Hub has plans to develop a CCS project that can permanently store at least 2.5 mn tonnes of CO₂ a year by 2030.
- Agreements around measurement, monitoring and verification protocols for exported CO₂ would need to be established, alongside cost-sharing and liabilities, to scale cross-border CO₂ transport and storage. There are also legal aspects of shipping CO₂ across international borders that require intergovernmental negotiations.

Asset Flows

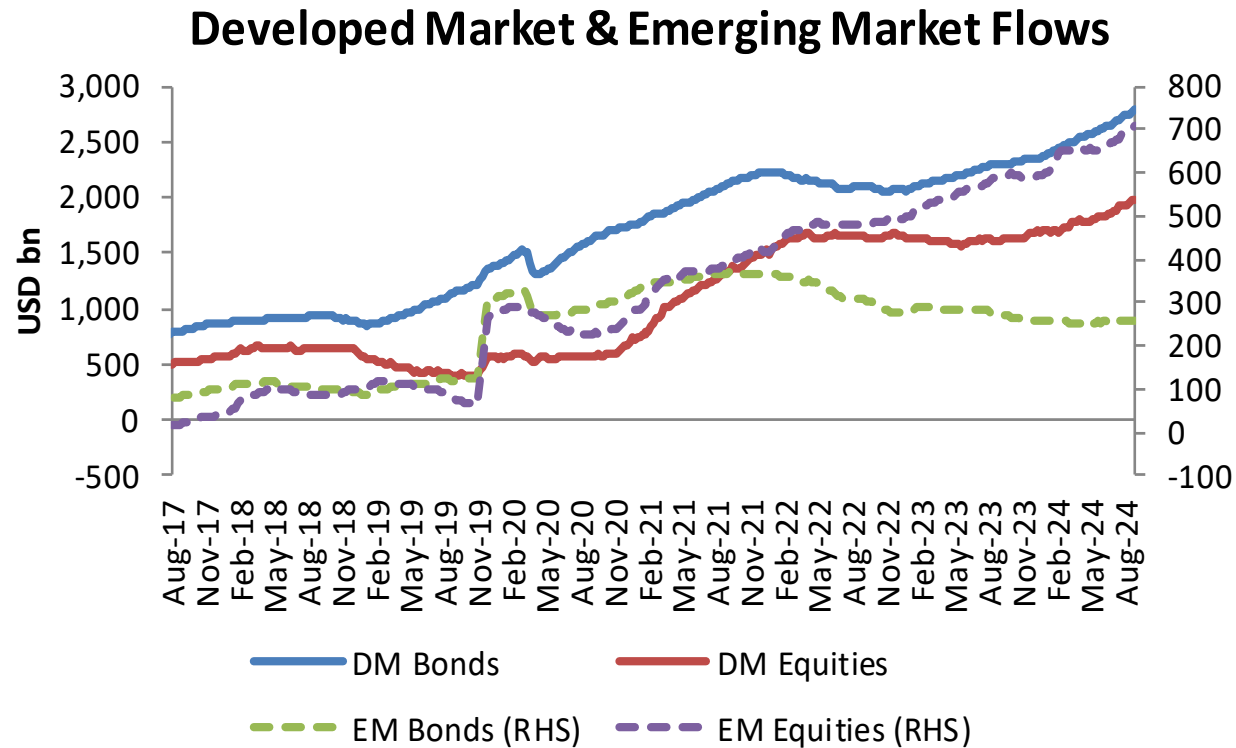
Global Equity & Bond Flows

- Global equity markets saw net inflows of \$13.6bn for the week ending 28 August, a decrease from the inflows of \$20.3bn last week.
- Global bond markets reported net inflows of \$20.6bn, an increase from last week's inflows of \$14.9bn.



DM & EM Flows

- Developed Market Equities (\$6.5bn) and Emerging Market Equities (\$7.1bn) saw inflows.
- Developed Market Bond (\$20.3bn) saw inflows and Emerging Market Bond (\$219.96mn) saw inflows.



Source: OCBC, EPFR

Thank you



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