Weekly Macro Views (WMV)

Global Markets Research & Strategy

20 January 2025

Weekly Macro Update

Key Global Data for this week:

20 January	21 January	22 January	23 January	24 January
• **CH** Loan Prime Rate • **MA** Trade Balance MYR • **GE** PPI YoY • **HK** Unemployment Rate SA	• **UK** ILO Unemployment Rate 3Mths • **CA** CPI YoY • **SK** PPI YoY • **GE** ZEW Survey Expectations	• **MA** BNM Overnight Policy Rate • **MA** CPI YoY • **NZ** CPI YoY	• **SK** GDP YoY • **JN** Trade Balance • **SI** CPI YoY • **US** Initial Jobless Claims	• **JN** BoJ Target Rate • **JN** Natl CPI YoY • **SI** Singapore MAS Jan. 2025 Monetary Policy Statement • **SI** Industrial Production YoY • **US** U. of Mich. Sentiment

Summary of Macro Views:

Global	• **Global:** Central Banks • **US:** Soft December CPI • **SK:** BoK mantains its policy rate
Asia	• **SG:** December NODX accelerated to 9.0% YoY • **CN:** A V-shape recovery in the last quarter of 2024 • **CN:** Can China escape the middle income trap? • **CN:** Property market is the key for 2025

Asia	• **ID:** BI cuts by 25bp and signals more to come • **ID:** Slowing exports growth in December 2024 • **ID:** High approval rating for the President • **MY:** Solid growth in 2024 • **MY:** Solid December trade data • **TH:** Improved consumer confidence
Asset Class	• **Oil:** Prices closed higher • **FX & Rates** • **ESG:** TNFD deepens engagement in China with Bank of China's participation • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Bank Negara Malaysia (BNM)	Monetary Authority of Singapore (MAS)	Bank of Japan (BoJ)
Wednesday, 22nd January	**Friday, 24th January**	**Friday, 24th January**

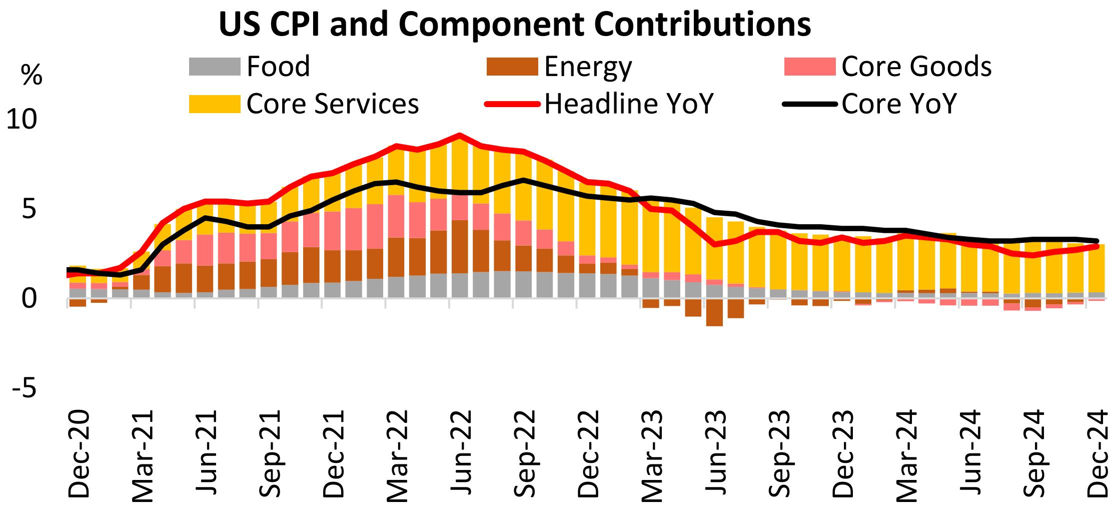
House Views

Overnight Policy Rate	*S$NEER policy stance*	*BoJ Target Rate*
Likely *hold* at 3.00%	**Slope reduction**	**Likely *hike* by *25bps* from *0.25%* to *0.50%***

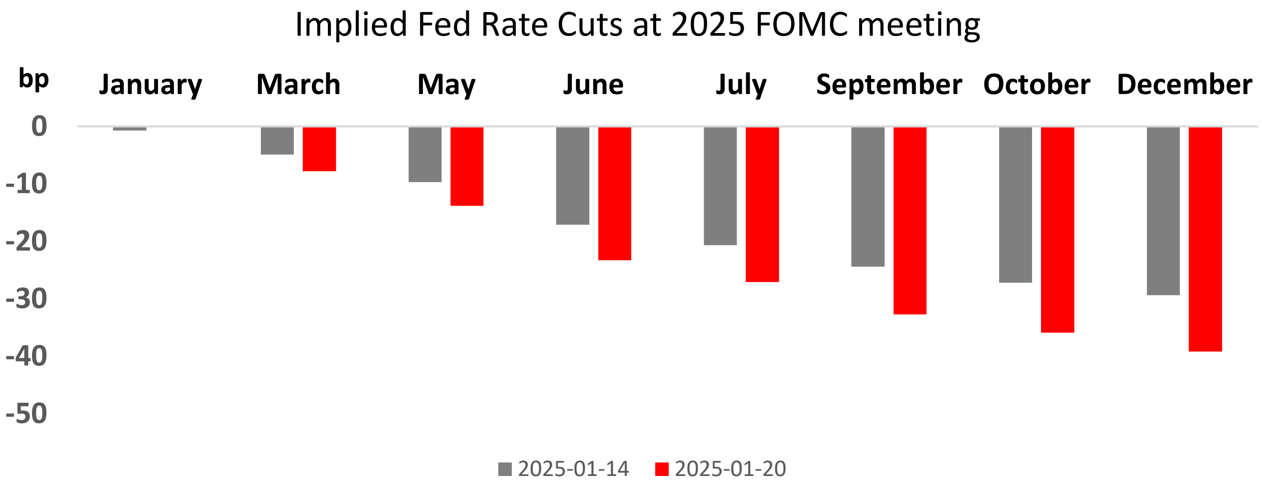
Source: OCBC, Bloomberg

US: Soft December CPI

- Headline CPI increased 0.4% MoM in December, matching expectations while in YoY terms, headline CPI was 2.9% YoY in December versus 2.7% in November, also matching expectations. Higher energy and food inflation were the main drivers of December CPI.
- Core CPI, which excludes food and energy, rose by a lower-than-expected 0.2% MoM from 0.3% in November (Consensus: 0.3%), which translated to a softer 3.2% YoY increase in December versus 3.3% in November (Consensus: 3.3%).
- The in-line CPI print suggested that the broader disinflation trend remains intact. Fed fund futures are pricing in 38.4bp in rate cuts in 2025 versus 29.4bp before the CPI print (14th January).



Source: Bloomberg, OCBC.

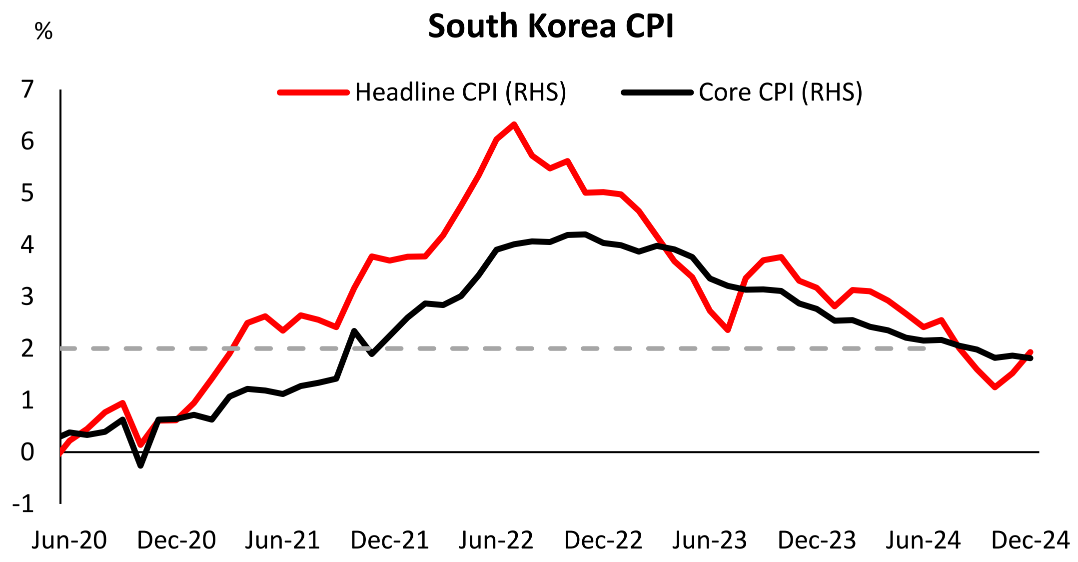


Source: Bloomberg, OCBC

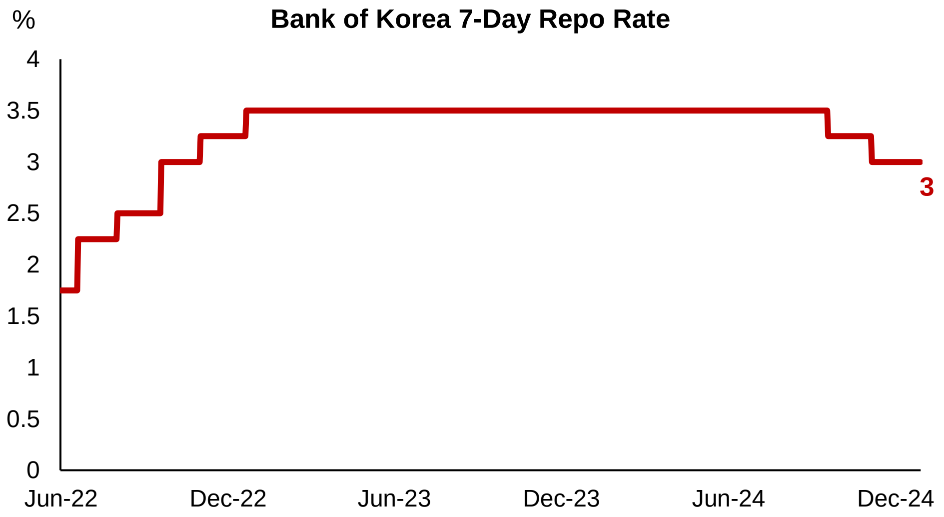
OCBC Source: Bloomberg, OCBC.

South Korea: BoK maintains its policy rate

- Bank of Korea (BoK) unexpectedly maintained its key interest rate at 3% at its 16th January meeting, versus consensus expectations of a 25bp cut. Governor Rhee Chang-yong pointed out that the decision was influenced by a weakening Won due to the Dollar's global strength and political instability within the country.
- Despite the hold, policymakers acknowledged that inflation has stabilized and highlighted the increasing downside risks to GDP growth. BoK revised its 2025 GDP growth forecast lower to 1.6-1.7% YoY from 1.9% in November. Uncertainties in the political situation attributed to lowering ~0.2ppt of GDP growth, according to BoK.
- We continue to forecast a cumulative 50bp in rate cuts from BoK in 2025.



Source: CEIC, OCBC.

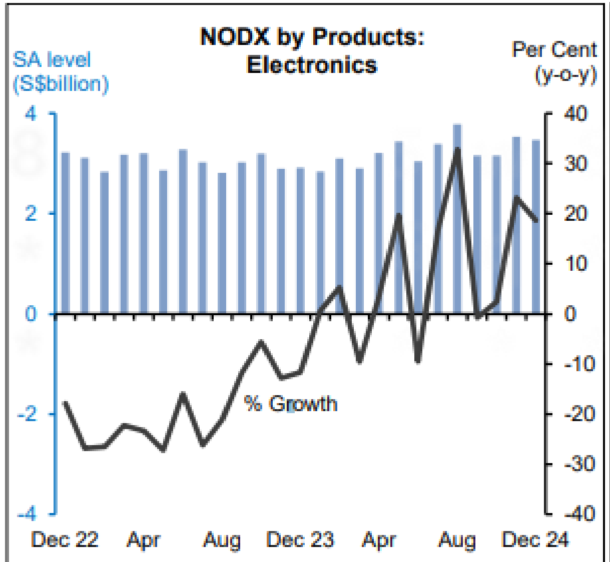


Source: Bloomberg.

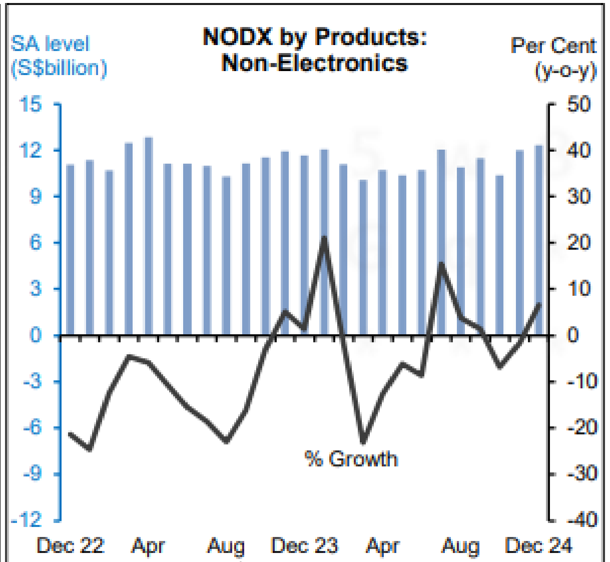
Source: CEIC, Bloomberg, OCBC.

Singapore: December NODX accelerated to 9.0% YoY

- December NODX rose by 9.0% YoY, in line with our forecast and above the Bloomberg consensus forecast of 7.4% YoY. This was an acceleration from the November print of 3.4% YoY (14.7% MoM sa). Both electronics and non-electronics NODX grew by 18.6% YoY and 6.6% respectively in December.
- For full-year 2024, NODX expanded 0.2% YoY, which is still a recovery from 2023's NODX contraction of 13.1%. For 2025, NODX growth may accelerate to around 2-4% YoY given the relatively low base in 2024 and Singapore's FTA with the US when/if Trump 2.0 tariff threats. Trump tariffs that may come into play once he takes office on 20 January, and how much this may impact China and ASEAN GDP and trade growth prospects.



Source: EnterpriseSG

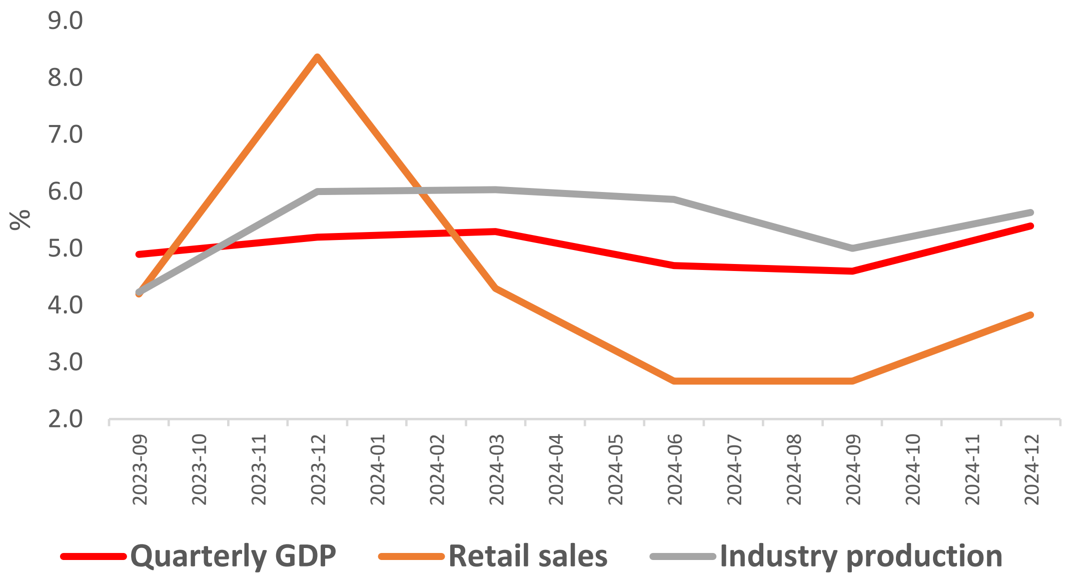


Source: EnterpriseSG

Source: EnterpriseSG, Bloomberg, OCBC.

China: A V-shape recovery in the last quarter of 2024

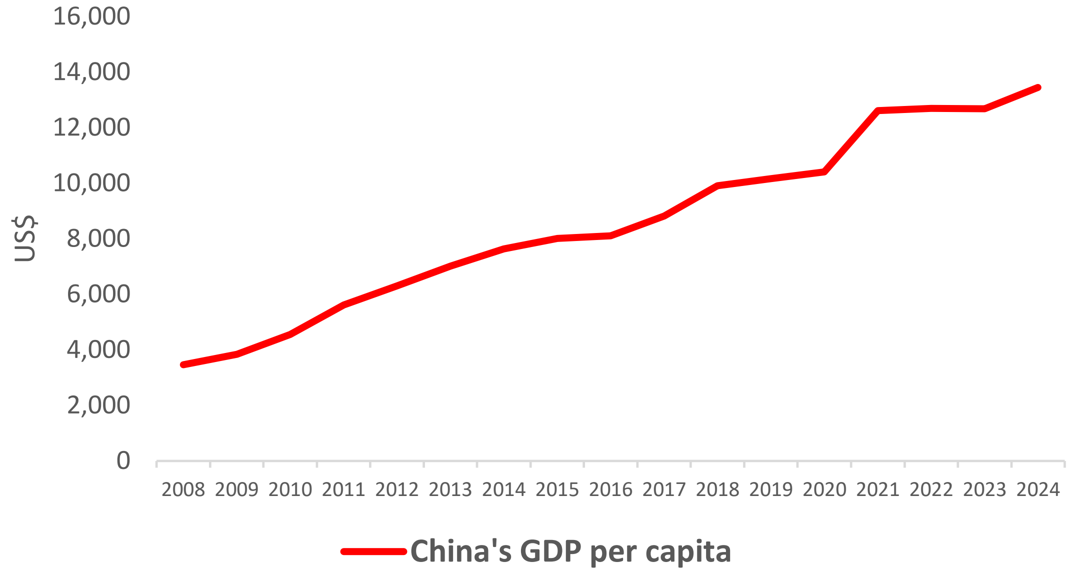
- The economy reaccelerated to 5.4% YoY in 4Q 2024, up from 4.6% YoY in 3Q. Breaking down the data, retail sales growth and industrial production growth improved to 3.8% YoY and 5.7% YoY, respectively, compared to 2.7% YoY and 5% YoY in the previous quarter. Overall, the economy demonstrated a robust V-shaped recovery in the final quarter of the year, reflecting the effectiveness of stimulus measures introduced in late September. This suggests that the economy remains responsive to policy interventions.
- The economy's high sensitivity to stimulus measures highlights its potential to respond effectively to further policy actions. With additional measures expected this year, this responsiveness may help counter rising uncertainties stemming from trade tensions.



Source: Bloomberg, OCBC.

China: Can China escape the middle income trap?

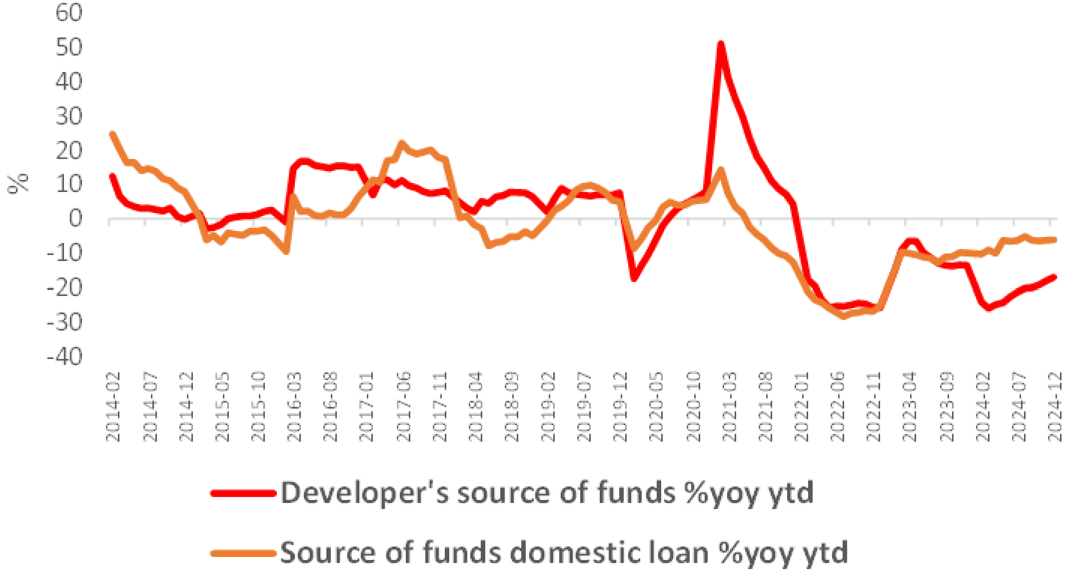
- Nominal economic size reached a record CNY 134.9 trillion in 2024. Based on the exchange rates in 2024, this translates to a GDP just under USD 19 trillion, with GDP per capita approaching USD 13,500. This marks a significant milestone, ending a three-year stagnation of GDP per capita of USD 12,600 range and suggesting that China may have the chance to escape the middle-income trap. If the RMB withstands the pressures of Trade War 2.0, GDP per capita could rise further to USD 15,000 by 2026, lifting China to the high-income group.
- China's efforts in industrial upgrades are bearing fruit. The added value of high-tech manufacturing and equipment manufacturing accounted for 16.3% and 34.6% of total industrial output in 2024, reflecting increases of 0.6 and 1.0 percentage points compared to the previous year.



Source: Bloomberg, OCBC.

China: Property market is the key for 2025

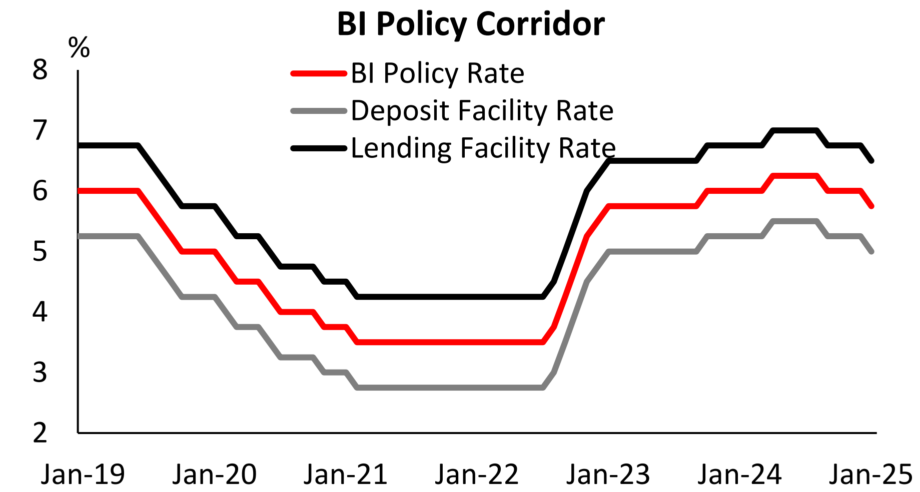
- In 4Q24, the contraction in real estate investment unexpectedly widened to 10.6% YoY, compared to an average decline of 10.1% over the first three quarters. This sharper-than-expected drop occurred despite a rebound in property transaction volumes and stabilization of property prices, reflecting the ongoing funding challenges faced by Chinese developers. Developers' sources of funds contracted by 17% in 2024, with only modest improvements in the second half of the year.
- The root cause of the property downturn lies in weak income expectations. While disposable income grew by 5.1% in real terms in 2024, overall income expectations remain subdued. The sustainability of the property market recovery will likely hinge on China’s ability to create high-quality jobs.



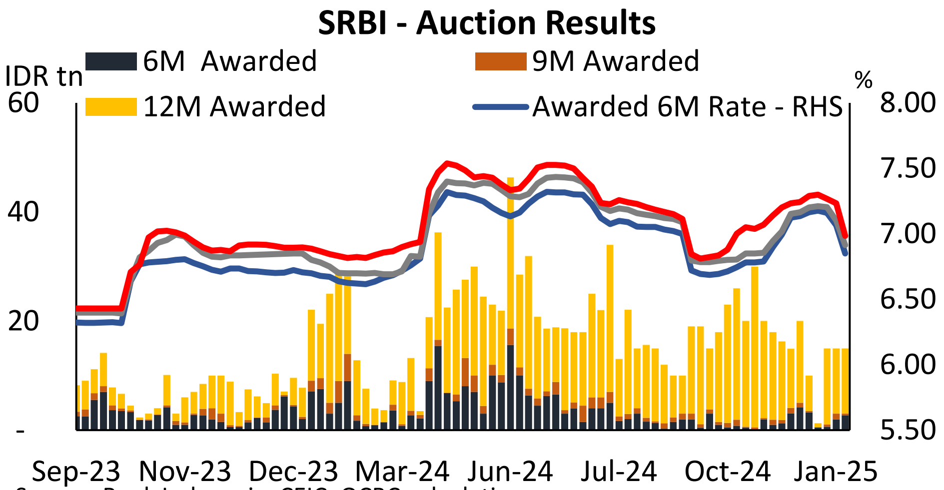
Source: Bloomberg, OCBC.

Indonesia: BI cuts by 25bp and signals more to come

- Bank Indonesia (BI) surprised markets by cutting its policy rate by 25bp to 5.75% on its 15 January 2025 meeting, contrary to consensus expectations of a hold at 6.00%. The tone of the press briefing from Governor Perry Warjiyo was dovish and focused on downside risks to growth. In addition, BI revised its 2025 GDP growth forecast to 4.7-5.5% (from 4.8-5.6%) and expects 2024 growth to fall below the midpoint of its 4.7-5.5% range (OCBC: 5.0%).
- Notwithstanding our expectations for the outcome of its meeting, we had anticipated BI to cut its policy rate by a cumulative 50bp in 2025. We now expect BI to follow through with an additional 25bp cut in the coming months. The timing will be dependent on the stability of the Indonesian Rupiah (IDR).
- The pass through from the cut was visible in the latest Bank Indonesia Rupiah Securities (SRBI) auction on 17 January 2025. Yields fell lower across all tenors, with the 12-month note dropping to 6.98%, down 25bp from the previous auction on 10 January 2025.



Source: Bank Indonesia, CEIC, OCBC

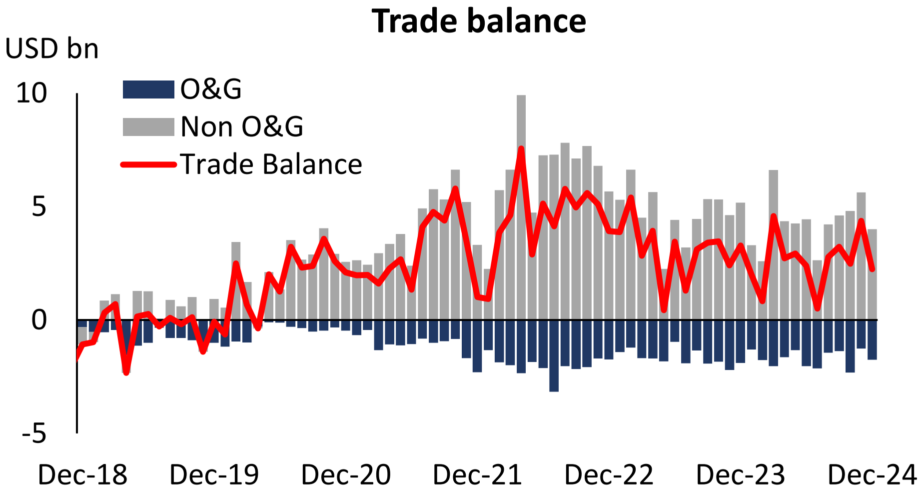


Source: Bank Indonesia, CEIC, OCBC calculation.

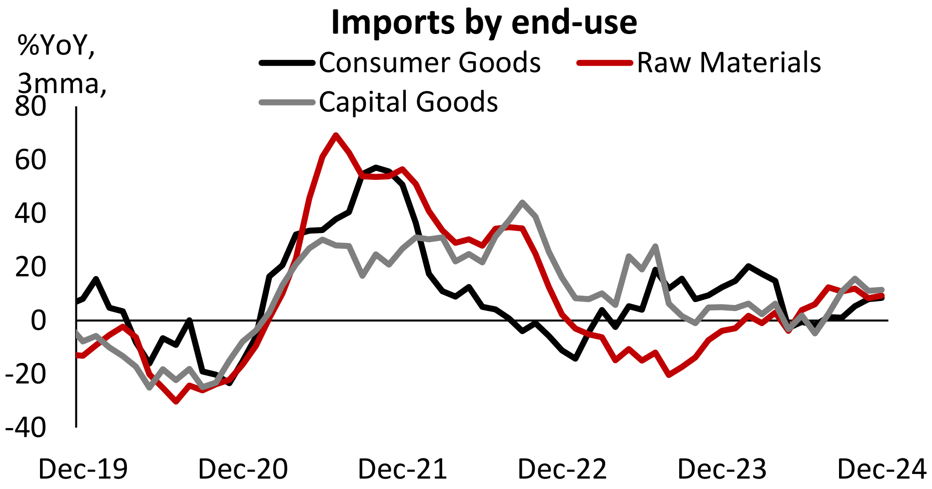
Source: BI, CEIC, Bloomberg, OCBC.

Indonesia : Slowing exports growth in December 2024

- Export growth eased to 4.8% YoY in December compared to 9.1% in November. Non-oil and gas (O&G) export growth slowed to 4.8% YoY in December 2024 versus 9.5% in November, driven by mining and manufacturing exports, more than offsetting higher agriculture exports. Oil & gas export growth picked up slightly to 4.1% YoY versus 2.5% in November.
- By contrast, import growth reaccelerated to 11.1% YoY in December versus 0.2% in November driven by non-O&G and O&G imports. By end-use, improvements were also broad based, led by capital goods (19.6% from - 1.7%), consumer goods (12.4% from 0.6%), and raw materials (12.4% from 0.6%).
- Consequently, the trade surplus narrowed to USD2.2bn in December from USD4.4bn in November driven by a wider O&G trade deficit and a narrower non-O&G trade surplus. For the full year 2024, the trade balance narrowed to USD31.0bn, down from USD36.9bn in 2023.



Source: Statistics Indonesia (BPS), CEIC, OCBC

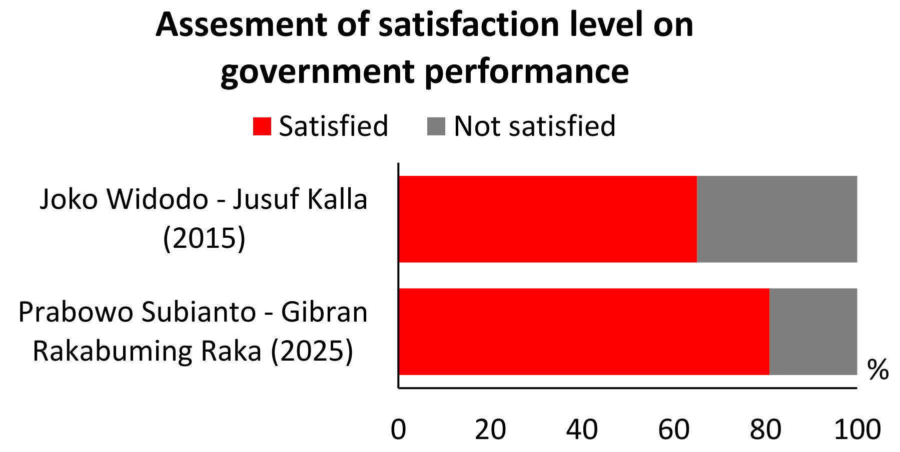


Source: Statistics Indonesia (BPS), CEIC, OCBC.

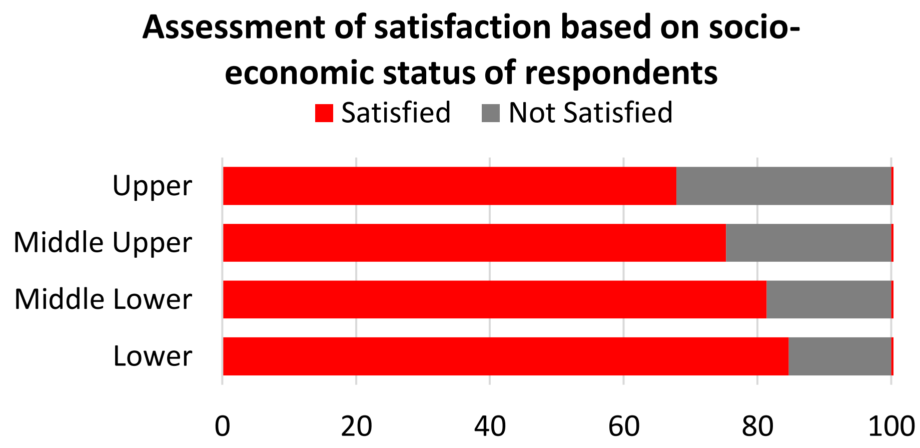
Source: BPS, CEIC, Bloomberg, OCBC.

Indonesia : High approval rating for the President

- President Prabowo Subianto's approval rating stood at 80.9% within his first 100 days in office, surpassing his predecessor Joko Widodo's rating of 65.1% during the same period for his first term, according to a nationwide survey conducted by Litbang Kompas. Notably, his popularity is particularly strong among lower-income respondents, with 84.7% expressing satisfaction with his leadership and the delivery of several campaign programs.
- Specifically, the implementation of the free lunch program starting 6 January 2025, and the scaling back of the planned broad-based value-added tax (VAT) for 2025 were popular among respondents. In addition, the administration also received strong support for its programs to renovate schools and provide free medical check-ups, as well as to build more hospitals.



Source: Litbang Kompas. Note: The survey was conducted from 4 January 2025 to 10 January 2025, with polls conducted across 39 provinces involving 1,000 respondents and a margin of error of 3.1%.



Source: Litbang Kompas. Note: The survey was conducted from 4 January 2025 to 10 January 2025, with polls conducted across 39 provinces involving 1,000 respondents and a margin of error of 3.1%.

Source: Litbang Kompas.

Malaysia: Solid growth in 2024

- The advance 4Q24 GDP growth estimates show that the economy grew by 4.8% YoY in 4Q24 versus 5.3% in 3Q24. For 2024, the economy grew 5.1% YoY, from a downwardly revised 3.6% in 2023, consistent with the official forecast of 4.8-5.3%.
- By sector, growth in 4Q24 was strongest for the services and construction sectors. Although growth in manufacturing sector slowed to 4.3% YoY versus 5.6% in 3Q24, it remained resilient, nonetheless. Growth in agriculture and mining sectors contracted in 4Q24 compared to growth in 3Q24.
- We maintain our 2025 GDP growth forecast of 4.5% driven by solid domestic demand support and resilient, albeit moderating, export growth. The strength in household and investment spending will likely sustain in 2025 while E&E export growth will remain strong, but moderate from growth rates seen in 2024. On monetary policy, our base case is for BNM to keep its policy rate unchanged at 3.00%.

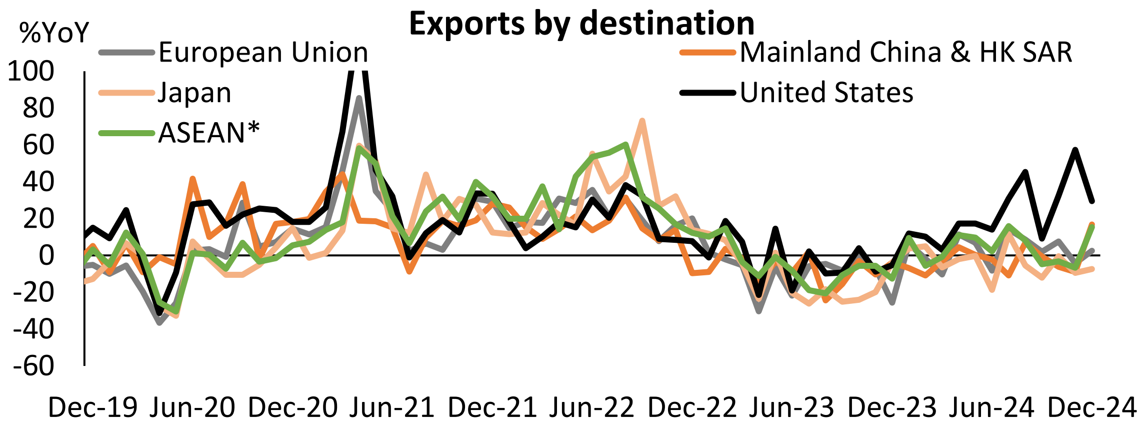
%YoY	1Q23	2Q23	3Q23	4Q23	1Q24	2QQ4	3Q24	4Q24 (advance estimates)
Headline GDP growth	**5.5**	**2.8**	**3.1**	**2.9**	**4.2**	**5.9**	**5.3**	**4.8**
Agriculture, Forestry & Fishing	1.4	-0.7	0.3	1.9	1.7	7.3	3.9	-0.6
Mining & Quarrying	1.6	-2.1	-1.1	3.5	5.7	2.7	-3.9	-1.4
Manufacturing	3.2	0.1	-0.1	-0.3	1.9	4.7	5.6	4.3
Construction	7.4	6.2	7.2	3.6	11.9	17.3	19.9	19.6
Services	7.1	4.5	4.9	4.1	4.8	5.9	5.2	5.3

Source: CEIC, OCBC

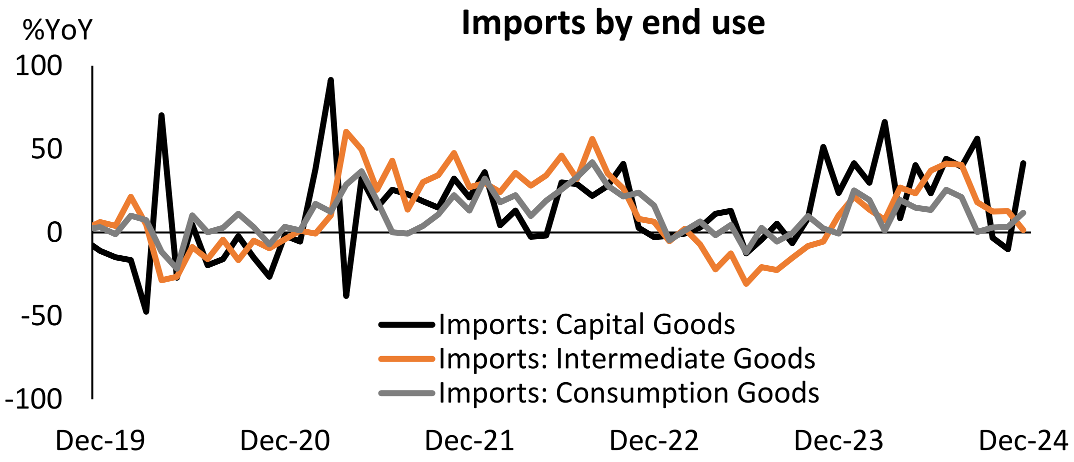
Source: DOSM, CEIC, OCBC.

Malaysia: Solid December trade data

- Export growth rose by a higher-than-expected 16.9% YoY in December versus 3.9% in November (Consensus: 8.8%; OCBC: 7.3%). Exports of electrical and electronics (E&E) products was the main driver, up 27.8%% YoY (Nov: 12.4%) along with petroleum products (8.4% YoY versus -33.4% in Nov). Export growth to the US (29.4% YoY versus 57.3% in Nov) and China (9.6% versus -11.9%) were solid along with ASEAN (15.4% versus -6.8% in Nov).
- Import growth jumped to 11.9% YoY in December versus 1.6% in November (Consensus: 5.6%; OCBC: 4.9%) driven by capital goods imports (41.5% YoY versus -10.1% in Nov) and consumer goods imports (11.9% YoY versus 3.3% in Nov). These more than offset slower growth in intermediate goods imports (1.4% YoY versus 12.7% in Nov).
- The trade surplus widened to MYR19.2bn from MYR15.0bn in November. For 2024, the trade surplus stood at MYR136.9bn versus MYR215.2bn in 2023.



*ASEAN includes Indonesia, Philippines, Myanmar, Singapore, Thailand & Vietnam.
Source CEIC; OCBC.

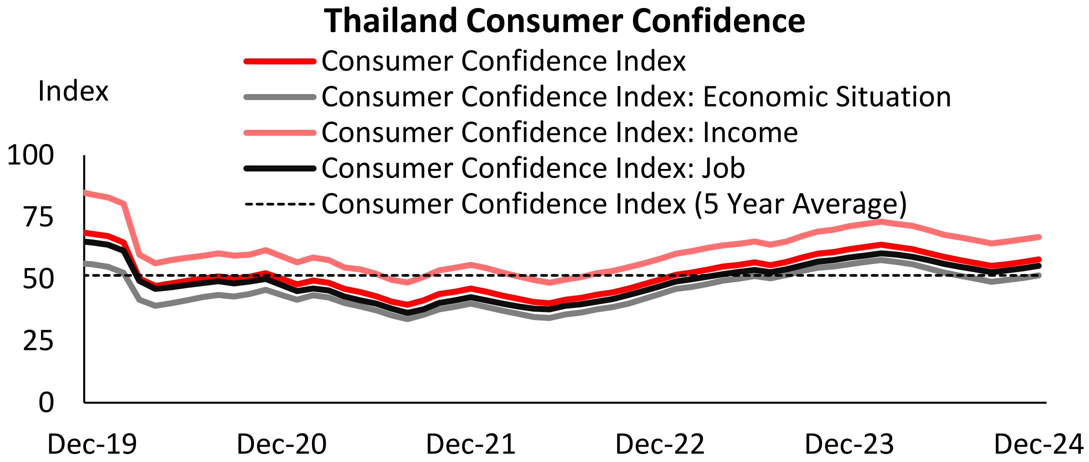


Source: CEIC; OCBC.

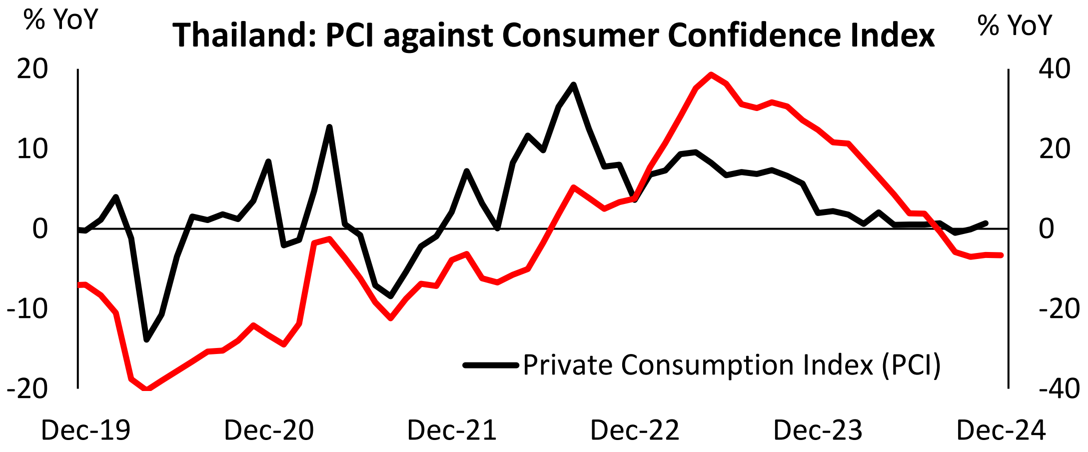
Source: DOSM, CEIC, OCBC.

Thailand: Improved consumer confidence

- The consumer confidence index (CCI) rose for the third consecutive month to 57.9 in December from 56.9 in November. This increase in CCI was broad-based across the sub-indices of ‘economic situation’ (51.4 versus 50.4 in November), ‘income’ (67.0 versus 66.1 in November), and ‘job’ (55.3 versus 54.3 in November).
- The final reading for December suggests that an uneven recovery in economic growth momentum is likely to continue. Nevertheless, the economy looks set to end 2024 on a stronger footing. Our tracking estimate suggests growth of 4Q24 of 3.5% YoY versus 3.0% in 3Q24. The data will be released on 17 February.
- We expect the Bank of Thailand to lower its policy rate by 25bp in 2025. With near-term GDP growth holding, BoT will likely preserve its bullet for 2Q24 onwards rather than at its 26 February meeting.



Source: Center for Economics and Business Forecasting, University of the Thai Chamber of Commerce, CEIC, OCBC.



Source: Center for Economics and Business Forecasting, University of the Thai Chamber of Commerce, Bank of Thailand, CEIC, OCBC.

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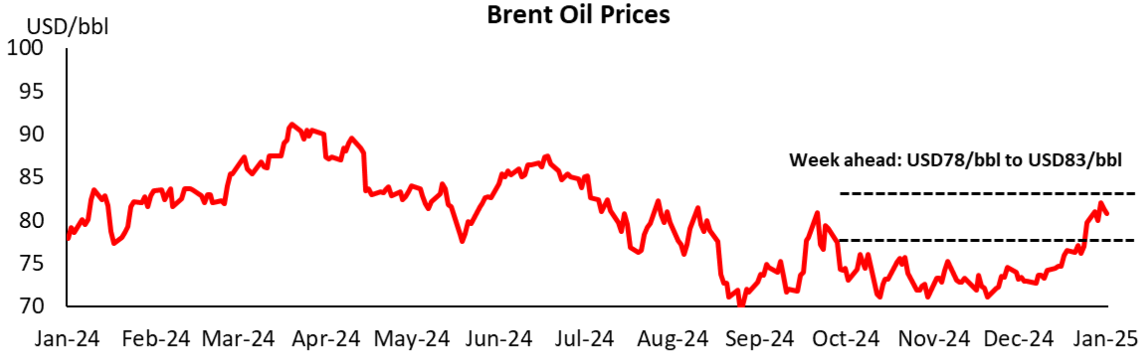
Commodities

Oil: Prices closed higher

- Crude oil benchmarks extended their gains for the fourth consecutive week, with WTI and Brent increasing by 1.7% and 1.3% week-on-week, respectively, and closing at USD77.9/bbl and USD80.8/bbl.
- The primary driver of higher oil prices was concerns about supply disruption following the imposition of US sanctions on Russia. Meanwhile, dwindling US crude oil inventories further exerted upward pressure on oil prices. However, gains were limited by an Israel-Hamas ceasefire deal which took effect on 19 January.
- President Donald Trump was inaugurated on 20 January, formally starting his second term in the White House. Looking ahead, his policies regarding trade, energy and foreign affairs will be significant for the oil outlook for 2025. We maintain the current corridor of USD78-83/bbl for Brent but acknowledge the potential of a two-tail risks of breakouts in the near-term, due to his policies.

	EIA		IEA		OPEC	
	2024	2025	2024	2025	2024	2025
Supply	102.6	104.3	102.9	[redacted]	102.3	[redacted]
Demand	102.8	104.1	102.9	104.0	103.7	105.2
Balance	-0.2	0.2	0.0	[redacted]	-1.5	[redacted]

Note: -ve denotes a deficit; +ve denotes a surplus.
Data based on January 2025 monthly report.
Source: EIA, IEA, OPEC, OCBC.



Source: Bloomberg, OCBC.

Source: EIA, IEA, OPEC, Bloomberg, Reuters, OCBC.

FX & Rates

FX & Rates

- **DXY.** Media reports indicated Trump may issue more than 200 executive actions on Monday. There remains quite a fair bit of expectations that tariffs may soon be announced. But we believe tariff uncertainty remains in terms of timing, magnitude and scope of products. A longer delay for tariff announcement may provide a breather for risk proxies, and we do not rule out USD pullback (lower). That said, a swift order for tariff implementation is likely to undermine sentiments and provide a boost to the USD.

- **JPY Rates.** We see this week's BoJ meeting as a live one for a potential hike; our base-case is a 25bp hike. This should be seen as a continuation of policy normalization. The prospect remains for inflation to stay sustainably around the 2% target, premised on a positive output gap and the virtuous cycle between wage and price continuing to play out as the labour market continues to tighten gradually. For one, the expansion in the labour force, if any, is likely to slow down, contributing to the labour market tightness. JPY OIS has added to rate hike expectation and now price an 88% chance of a 25bp hike. Further out, market prices another 25bp hike by year-end. Unless BoJ sounds hawkish together with a rate hike this week, we suspect initial reaction in swaps may be mild. On bond side, upside to the 10Y JGB yield may be limited in the near term. First the spread between the 10Y yield and 20Y yield has recently narrowed somewhat although it stays above multi-year median levels – this may be explained by lower demand at the super long end. Second, the 10Y yield is already a few bp above swap rates. The next level to watch is 1.25% for the 10Y.

- **USDSGD.** Focus this week on CPI (Thu) and upcoming MAS MPC (Fri). On the latter, we are looking for MAS to ease policy at the upcoming MPC by reducing the policy slope slightly but still maintain a mild appreciation stance. Given that the disinflation journey has made good progress, we believe MAS now has optionality to ease especially if it takes on a pre-emptive stance in the face of policy transmission lag.

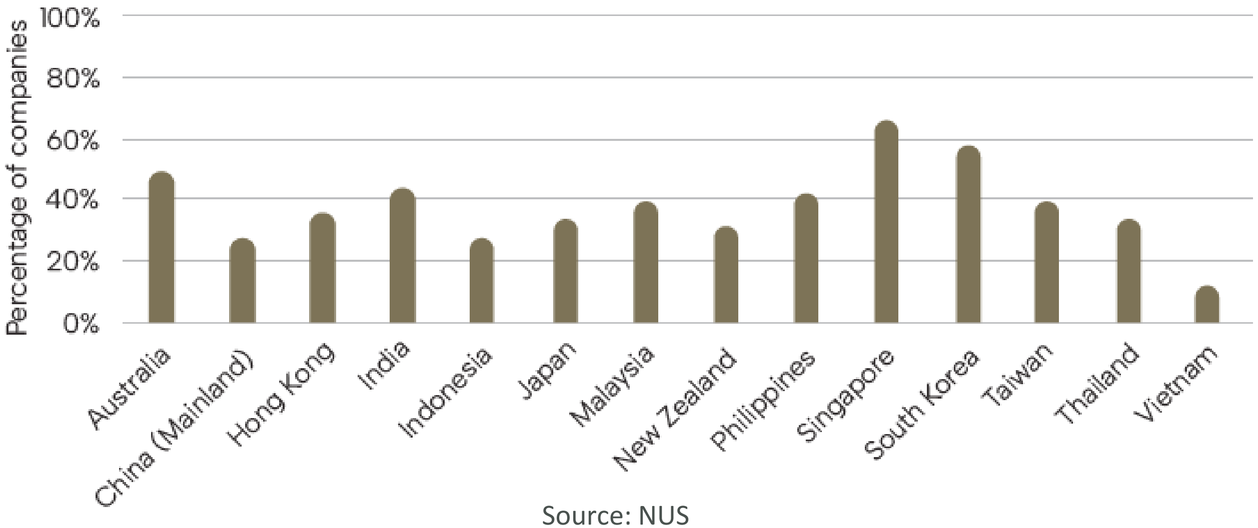
OCBC

ESG

ESG: TNFD deepens engagement in China with Bank of China's participation

- The Bank of China is the first Chinese financial institution to join the Taskforce on Nature-related Financial Disclosures (TNFD), marking a significant expansion in Chinese input into the work of the Taskforce and in the presence of TNFD in the Chinese market.
- The TNFD also announced the launch of new TNFD Consultation Groups in China. The Institute of Finance and Sustainability (IFS) will convene a Consultation Group in mainland China and Hong Kong Green Finance Association and Business Environment Council (BEC) will co-convene a Consultation Group in Hong Kong.
- According to a study by NUS on nature-related practices in APAC, nature-related issues are not deemed material to most assessed companies and is still a nascent issue compared to climate. 39% of assessed companies have integrated nature-related issues into their overall risk management. Notably, Singapore (66%) and South Korea (58%) have the highest percentage of companies that have integrated nature-related issues into their overall risk management. These developments can support the growing momentum in the Chinese market and pave the way for enhanced nature-related corporate reporting.

Figure 16: Nature-related issues integrated into overall risk management



Source: NUS

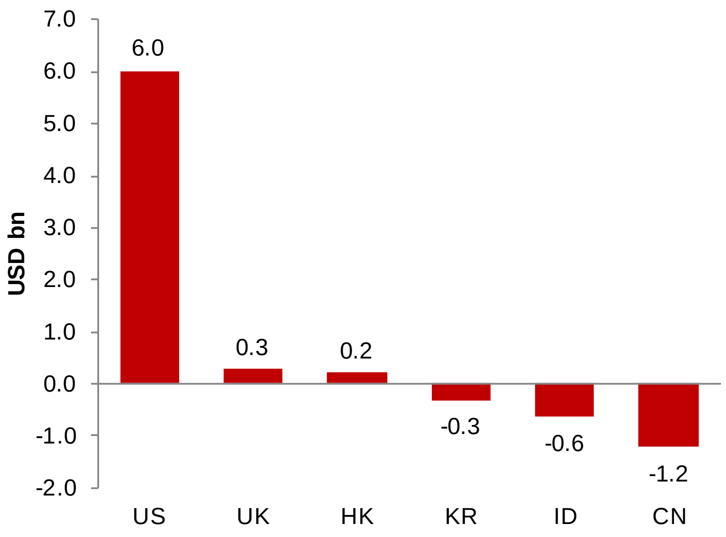
Source: NUS, TNFD

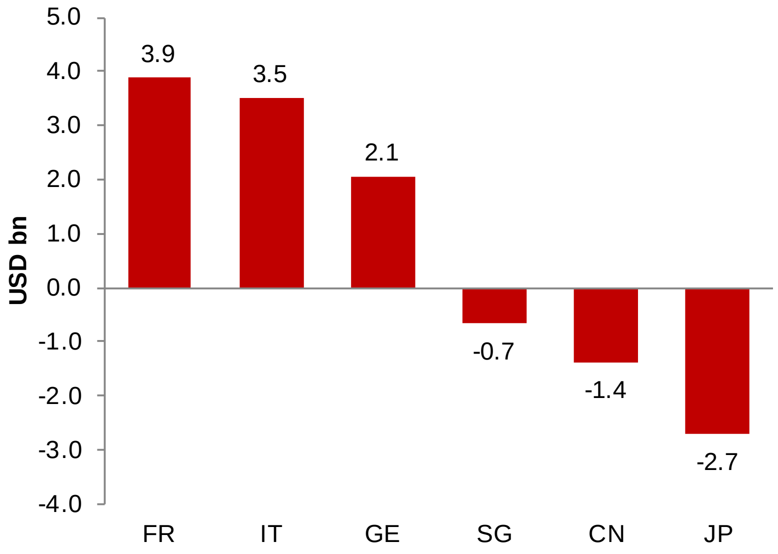
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflows of $13.02bn for the week ending 15 January 2025, a decrease from the inflows of $25.47bn last week.
- • Global bond markets reported net inflows of $11.36bn, a decrease from last week's inflows of $21.58bn.

Equity top gainers & losers	Bonds top gainers & losers

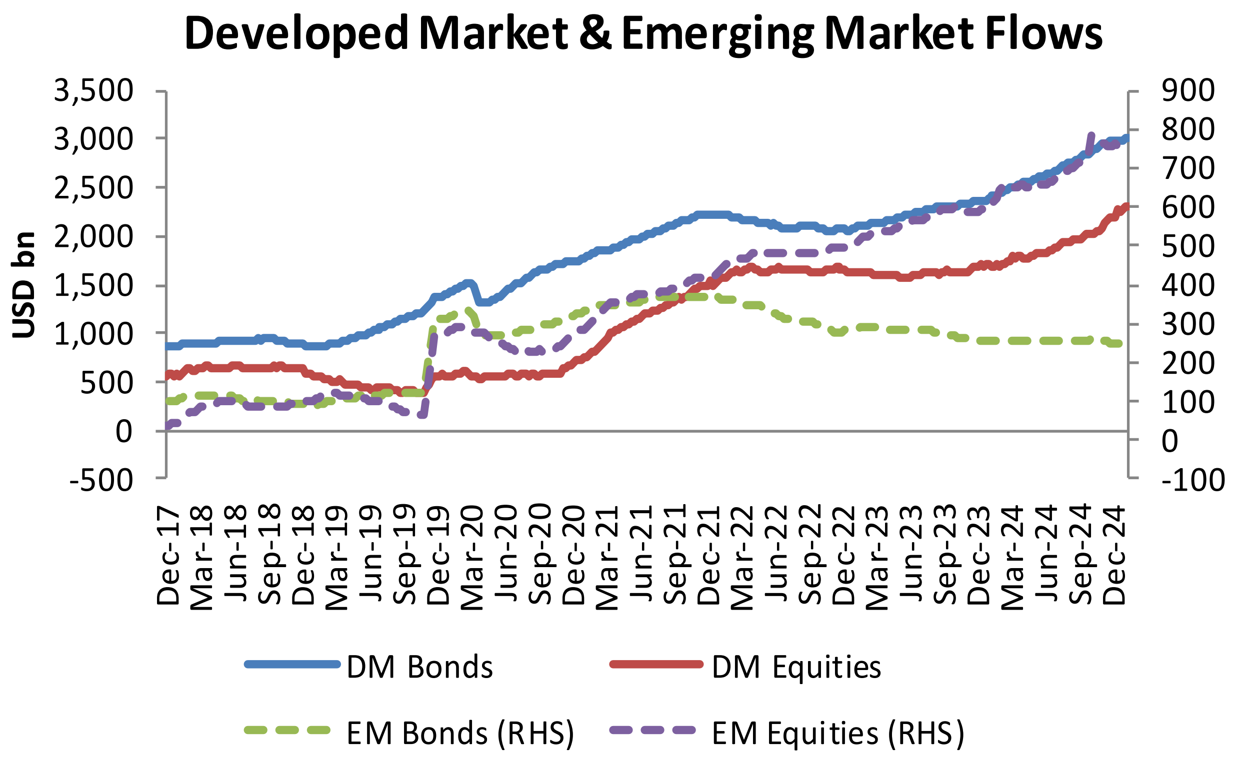




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($14.86bn) saw inflows and Emerging Market Equities ($1.84bn) saw outflows.
- Developed Market Bond ($11.27bn) saw inflows and Emerging Market Bond ($44.9mn) saw inflows.



Source: OCBC, EPFR

Global Markets Research & Strategy

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