



Weekly Macro Views (WMV)

Global Markets Research & Strategy

21 October 2024

Weekly Macro Update

Key Global Data for this week:

21 October	22 October	23 October	24 October	25 October
<ul style="list-style-type: none"> • CH 1-Year Loan Prime Rate • US Leading Index • MA GDP YoY • GE PPI YoY • TA Export Orders YoY 	<ul style="list-style-type: none"> • US Richmond Fed Manufact. Index • HK CPI Composite YoY • MA Foreign Reserves • NZ Trade Balance NZD 	<ul style="list-style-type: none"> • CA Bank of Canada Rate Decision • US MBA Mortgage Applications • SI CPI YoY • TA Industrial Production YoY • EC Consumer Confidence 	<ul style="list-style-type: none"> • US Initial Jobless Claims • SK GDP YoY • EC HCOB Eurozone Mfg PMI • GE HCOB Germany Mfg PMI • JN Jibun Bank PMI Mfg 	<ul style="list-style-type: none"> • US U. of Mich. Sentiment • SI Industrial Production YoY • JN Tokyo CPI Ex-Fresh Food YoY • GE IFO Business Climate

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Central Bank • Mpox weekly update: Case counter & measures imposed • US: Harris' Fox News interview • EU: ECB cuts for the second meeting in a row • UK: Inflation and wage growth continue to ease • JP: Lower inflation in September 	Asia	<ul style="list-style-type: none"> • ID: Weaker trade data • ID: BI keeping rates steady • ID: Cabinet appointments suggest some policy continuity • MY: Fiscal policy is moving in the right direction • MY: Phased removal of fuel subsidies • MY: Solid 3Q24 GDP growth • PH: Inflation is the guiding light • TH: BoT's rate cutting cycle will be shallow
Asia	<ul style="list-style-type: none"> • SG: NODX disappoints in September • CN: From discussion to implementation • CN: More demand side measures to support the property market • CN: Economic growth decelerated in 3Q24 • CN: Marginal improvement in September • HK: PA 24: Consolidate edges and search for new growth areas • HK: PA 24: Marginal step in bolstering the property market • HK: PA 24: Sharpening the existing edges 	Asset Class	<ul style="list-style-type: none"> • ESG • FX & Rates: FX mark time • Global Asset Flows

Central Bank

Forecast – Key Rates

Bank of Canada (BoC)



Wednesday, 23rd October

House Views

Policy Interest Rate

Likely **cut** by **50bp**
from **4.25%** to **3.75%**

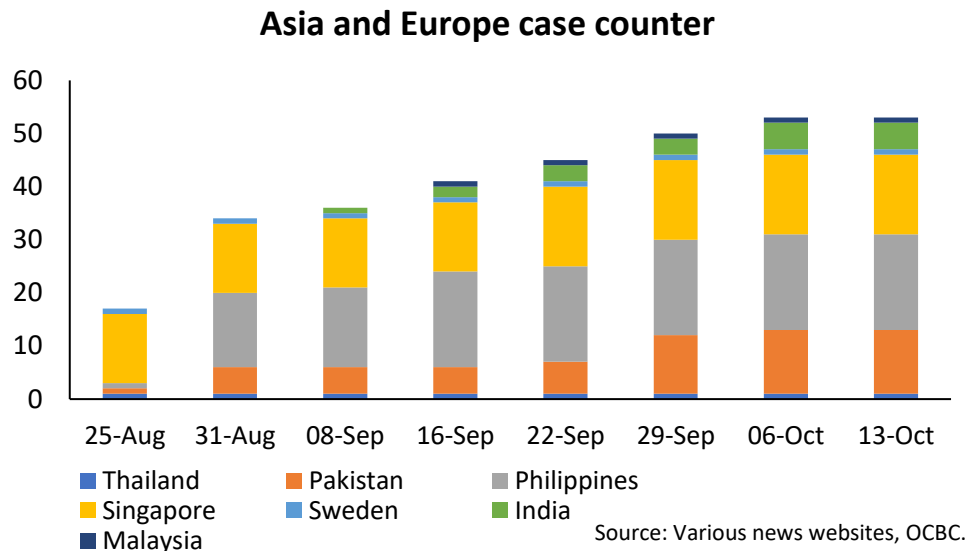
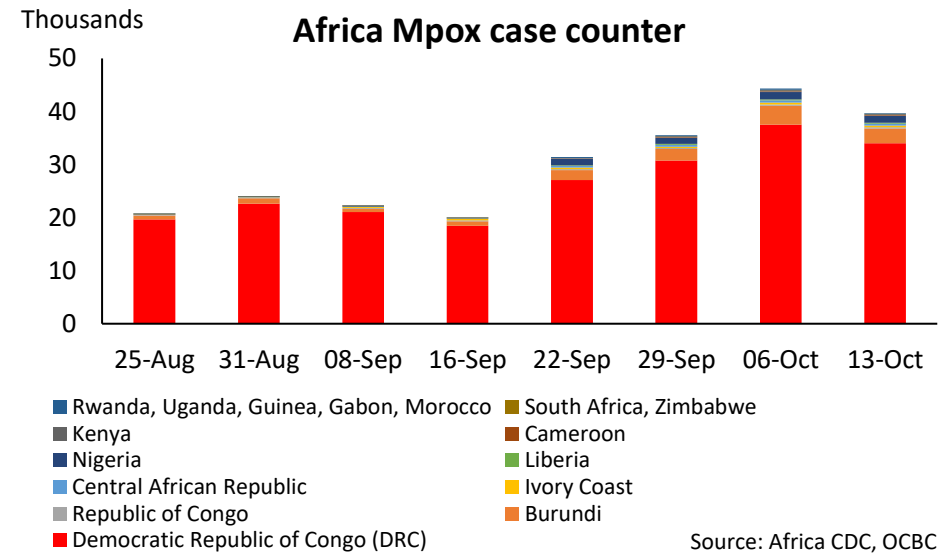
Mpox weekly update: Case counter & measures imposed

Case Count Tracker (Cumulative up to week ending 13-Oct)

Rwanda: Africa CDC and Rwandan health officials warn that mpox cases continue to spread to other African countries, with around 18 countries affected as of October, up from 6 in April.

United States: New measures for incoming passengers have been announced, as all inbound travellers who have been in Rwanda within the last 21 days have to fly into New York JFK, Chicago O’Hare or Washington-Dulles for immediate enhanced health screenings.

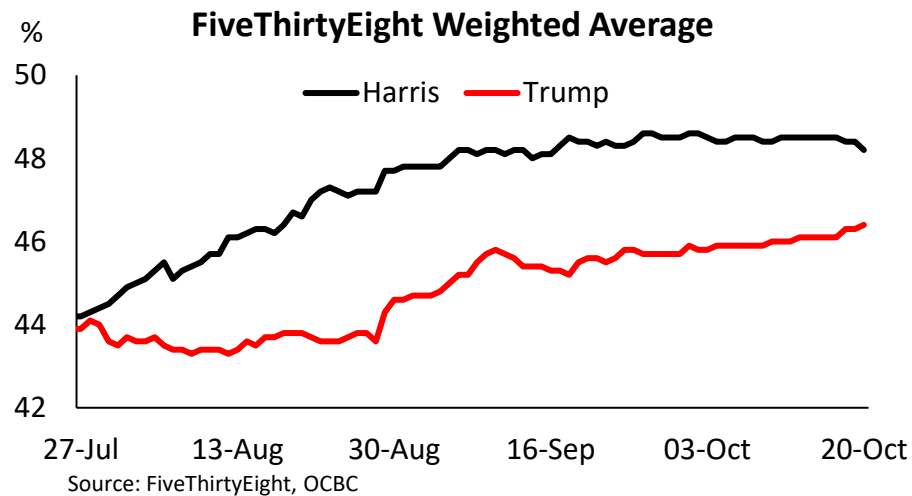
Democratic Republic of Congo (DRC): The rolling out of vaccines has taken longer than anticipated as locals appear unaware or suspicious of the mpox vaccines, according to Reuters. The head of the DRC’s mpox response team, Cris Kacita, said that more needs to be done to boost vaccine uptake as many locals are still unaware about mpox and the vaccinations provided. He further added that the ongoing vaccination campaign would last longer than the planned 10 days as there were still gaps in the awareness campaign.



Source: Reuters, Africa CDC, WHO, OCBC.

US: Harris' Fox News interview

- Kamala Harris participated in an interview with Fox News, sparring with news anchor Bret Baier on issues ranging from immigration, foreign policy and Trump. On immigration, Harris criticized Trump for blocking a bipartisan immigration bill earlier in the year after Baier questioned her border stance. She further indicated that she no longer supports decriminalizing illegal border crossings like she did in 2019 after Baier questioned her on American citizens murdered by illegal immigrants and what solutions she had.
- Harris sought to assert herself as a candidate who could turn the page, mentioning that her "presidency will not be a continuation of Joe Biden's presidency." This comes after repeated attacks by Trump and Republicans on Harris for being bringing nothing new to the table and a continuation of the current unpopular presidency. Polls continue to show both Harris and Trump locked in a dead heat and too tight to call, although trends continue to show Harris' lead diminishing, with most results within the poll's margin of error.



538 Weighted Average Polls	Trump	Harris
Arizona	48.6%	46.7%
Georgia	48.7%	46.9%
Michigan	47.2%	47.4%
Nevada	47.1%	47.6%
North Carolina	48.0%	47.5%
Pennsylvania	47.9%	47.5%
Wisconsin	47.6%	47.8%

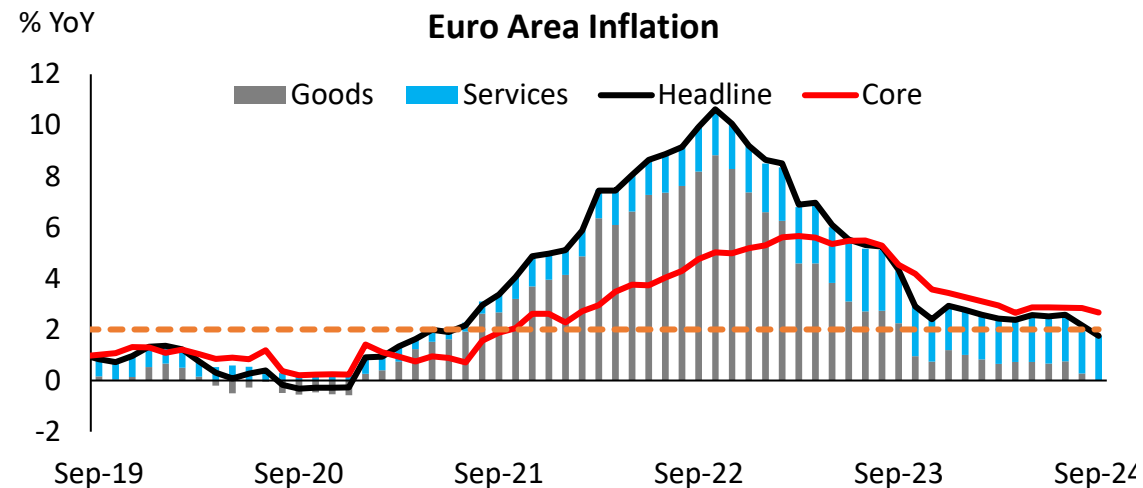
Source: FiveThirtyEight, OCBC, as of 21 October



Source: FiveThirtyEight, NBC News, Bloomberg, Morning Consult, OCBC.

EU: ECB cuts for the second meeting in a row

- The European Central Bank (ECB) eased monetary policy for the third time this year, cutting its deposit facility rate by 25bp and bringing it to 3.25%. The ECB said the decision is based on their “updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission”. There was a downward adjustment in the MPC statement regarding the inflation outlook, as the ECB now expects inflation to reach its 2% target “in the course of 2025” instead of “over the second half” of 2025. At her press conference, ECB President Christine Lagarde said, “We believe the disinflationary process is well on track and all the information we received in the last five weeks were heading in the same direction – lower”.
- That said, as Lagarde pointed out, the MPC statement keeps the “magic language” that the central bank “will keep policy rates sufficiently restrictive for as long as necessary”. The two consecutive rate cuts comes amidst inflation coming in at 1.7% YoY in September (August: 2.2%; consensus: 1.8%). This was accompanied by Portugal’s Mario Centeno highlighting a potential new risk, which was “undershooting target inflation, which could stifle economic growth.”

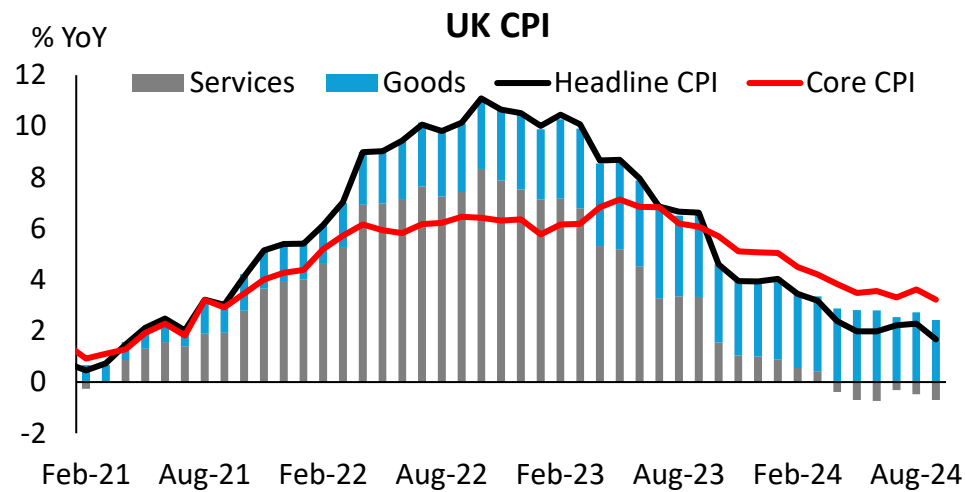


Source: Eurostat, CEIC, OCBC

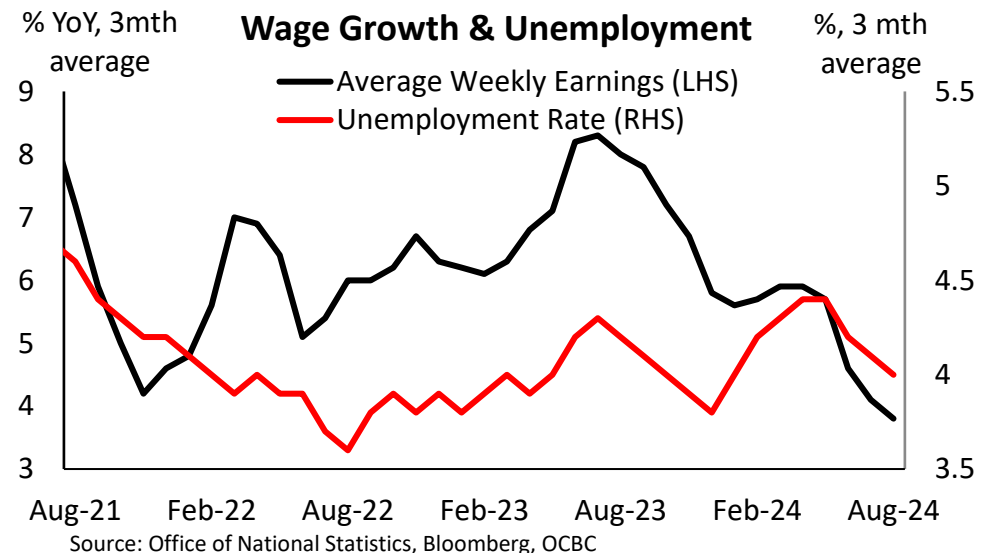
Source: ECB, Eurostat, CEIC, OCBC.

UK: Inflation and wage growth continue to ease

- Both headline and core inflation eased by more than expected in September, as headline inflation eased to 1.7% YoY in September (August: 2.2%; consensus: 1.9%), while core CPI eased to 3.2% (August: 3.6%; consensus: 3.4%). Both goods and services inflation contributed to the lower reading, as goods inflation marked its sixth consecutive month of disinflation at -1.4% YoY (August: -0.9%). Meanwhile, services inflation eased to 4.9% YoY in September (August: 5.6%), the lowest level since May 2022.
- Meanwhile, the unemployment rate ticked down slightly to 4.0% in August (July: 4.1%; consensus: 4.1%), while average weekly earnings growth eased to 3.8% YoY (July: 4.1%; consensus: 3.7%). Excluding bonuses, weekly earnings growth eased to 4.9% YoY (July: 5.1%), the lowest reading since June 2022 (4.7%). Public sector earnings growth eased to 5.2% YoY (July: 5.7%), while private sector wage growth eased to 4.8% YoY (July: 5.0%).



Source: Office of National Statistics, CEIC, OCBC
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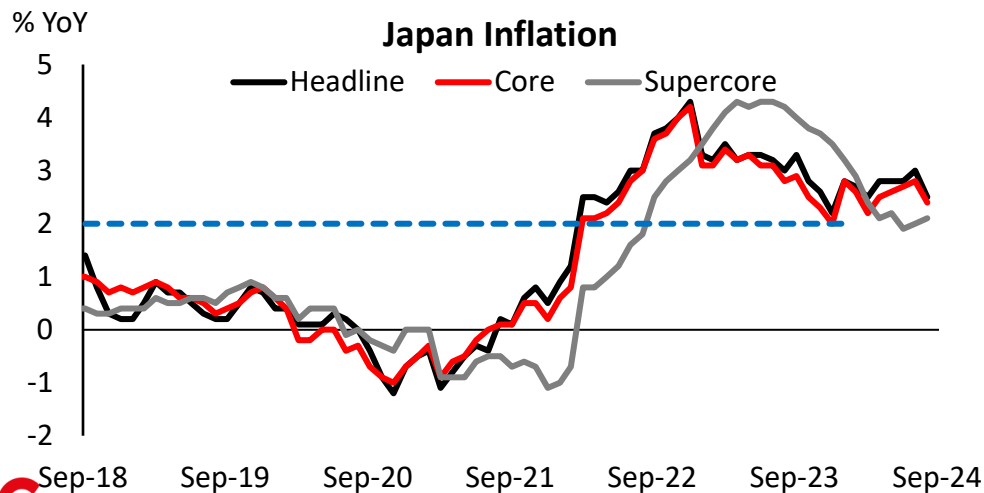


Source: Office of National Statistics, Bloomberg, OCBC

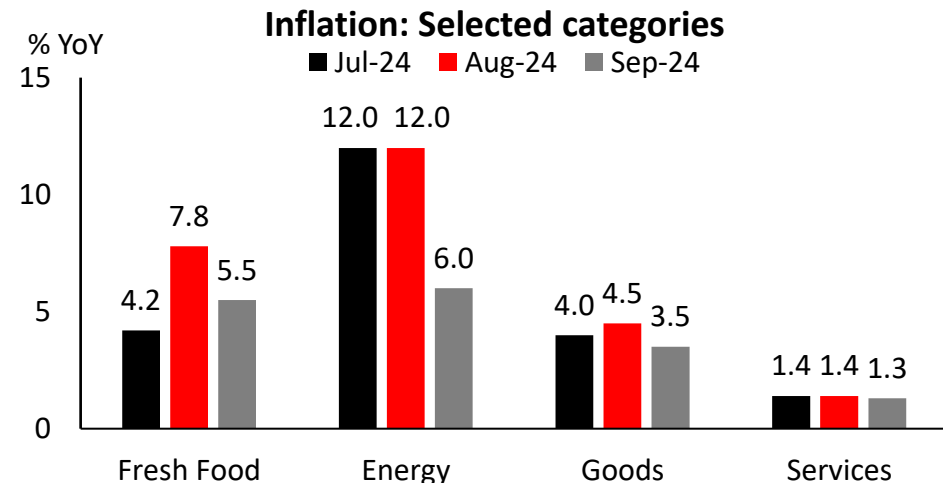


Japan: Lower inflation in September

- Headline inflation eased to 2.5% YoY in September (August: 3.0%; consensus: 2.5%), the lowest reading since April 2024. Core CPI, which excludes fresh food, eased to 2.4% YoY in September (August: 2.8%; consensus: 2.3%), ending five consecutive months of rising inflation. Energy prices were a key driver of easing inflation, rising by a slower 6.0% YoY (August: 12.0%), as the resumption of government electricity and gas subsidies dampened price effects in September.
- Meanwhile, supercore CPI, which excludes fresh food and energy prices, ticked up slightly to 2.1% YoY (August: 2.0%; consensus: 2.0%). Food inflation, excluding fresh food, was a key contributor to the rise in underlying inflation, increasing by 3.1% YoY in September (August: 2.9%), as prices of rice rose 45%.
- Looking ahead, new LDP leader Shigeru Ishiba has called for general elections which will be held on 27 October in the first test for the new Ishiba-led LDP. Further out, while the Bank of Japan (BoJ) may be on pause at its 31 October meeting to pace out policy normalization, our base case remains for a 10-15bp rate hike at the December meeting.



Source: Statistical Bureau, CEIC, OCBC



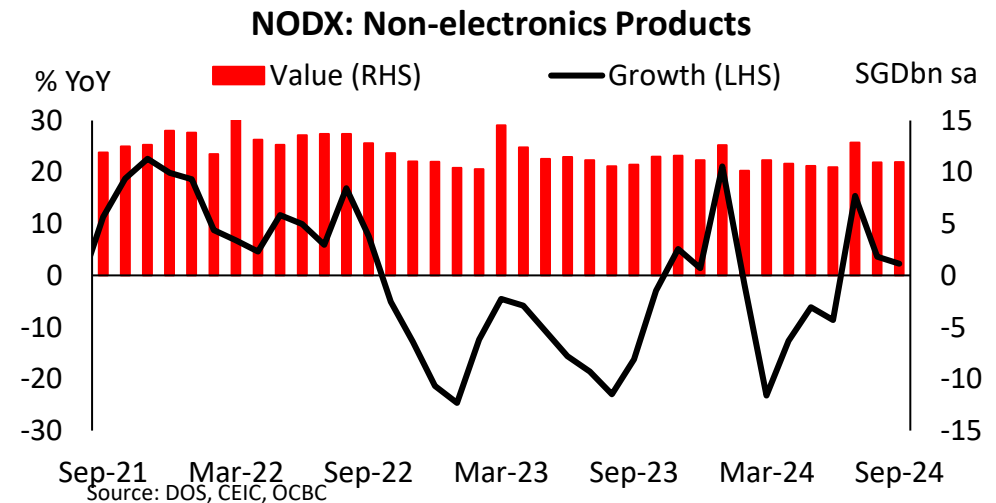
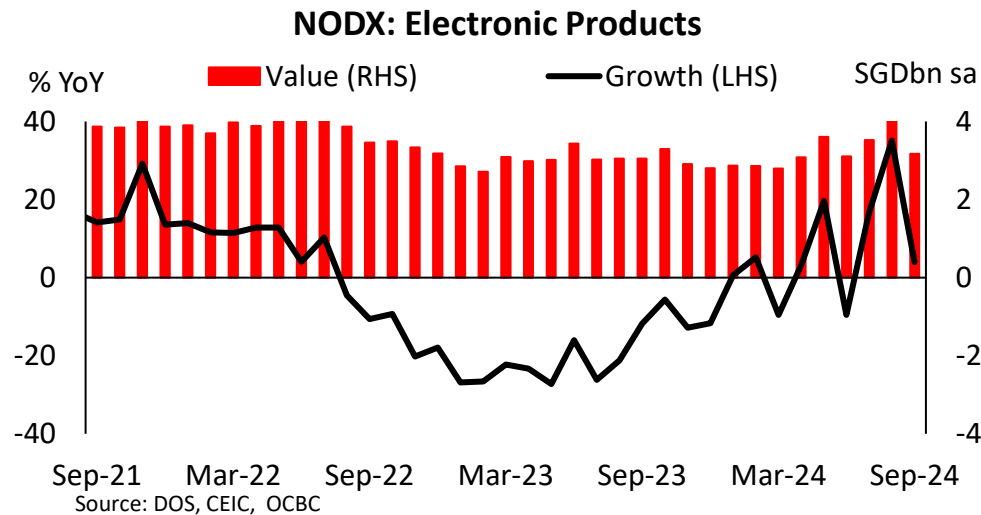
Source: Statistical Bureau, CEIC, OCBC

Source: Japan Statistics Office, Bloomberg, CEIC, OCBC.



Singapore: NODX disappoints in September

- Non-oil domestic exports (NODX) disappointed at 2.7% YoY (1.1% MoM sa) in September, missing market expectations for 9.1% YoY (4.9% MoM sa) and our forecast of 8.9% YoY (4.8% MoM sa). Electronics exports slowed dramatically from 35.1% YoY in August to 4.0% YoY in September, while non-electronics exports also moderated to 2.3% YoY in September, down from 3.6% YoY in August.
- Given the weakness in the September NODX data, full year 2024 NODX growth is likely to undershoot the 4% forecast handle. 4Q24 NODX growth is likely to disappoint as low base effects from 2023 fade for October and November. NODX growth year-to-date is still very soft at -0.2% YoY - to get to 4% YoY, NODX growth for the rest of the year needs to average 16.7% YoY. If October-December NODX growth averages just half that pace ie ~8-9% YoY, then full year 2024 NODX may only reach 2% YoY. The worst-case scenario is a mild full-year 2024 NODX contraction (2023: -13.1% YoY), albeit not our baseline scenario.



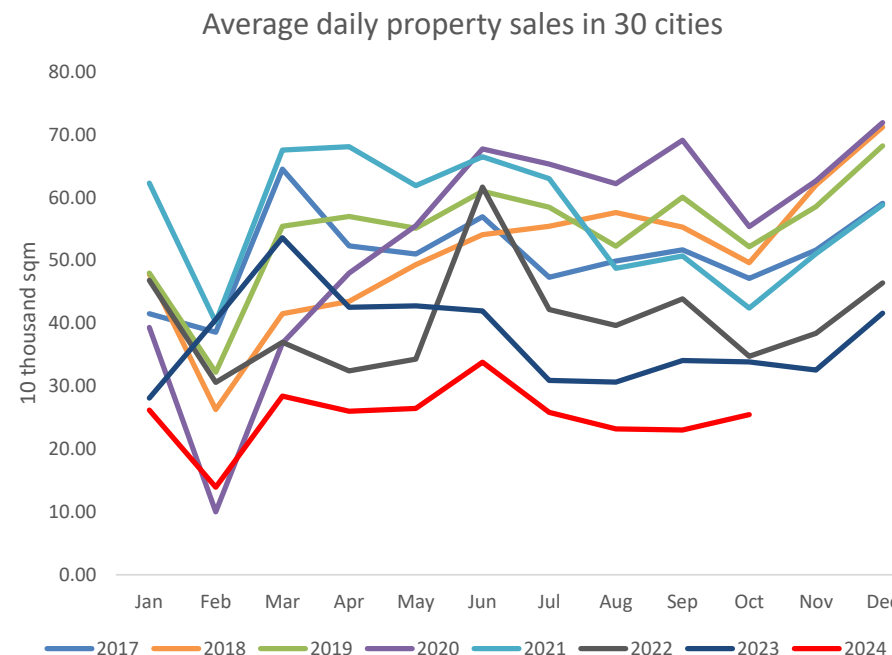
Source: DOS, CEIC, OCBC.

China: From discussion to implementation

- Last Friday, the People's Bank of China (PBoC) announced the establishment of a CNY300bn stock repurchase and equity increase re-lending facility. Effective immediately, 21 financial institutions can issue loans to eligible listed companies and major shareholders for stock repurchases and equity increases. Additionally, the PBoC officially launched the Securities-Fund-Insurance Swap Facility (SFISF), with 20 securities and fund companies approved to participate. The initial allocation of quota has exceeded CNY200bn.
- PBoC Governor Pan also reiterated that the central bank may further reduce the RRR by 25-50bps by the end of the year, contingent on market liquidity conditions. On interest rates, commercial banks have already announced reductions in deposit rates, and the Governor suggested that the Loan Prime Rate (LPR), expected to be announced this morning, will likely be lowered by 20-25bps. This advance reduction in deposit rates ahead of loan rate cuts appears aimed at stabilizing bank's net interest margins. On 21 October, the PBoC reduced both the 1-year and 5-year LPR by 25bps.
- Additionally, the Governor emphasized the need to **enhance the monetary policy framework, with a focus on fostering a reasonable recovery in prices** and placing greater reliance on rate-based policy tools. This showed that PBoC may be more serious about tackling deflation.

China: More demand side measures to support the property market

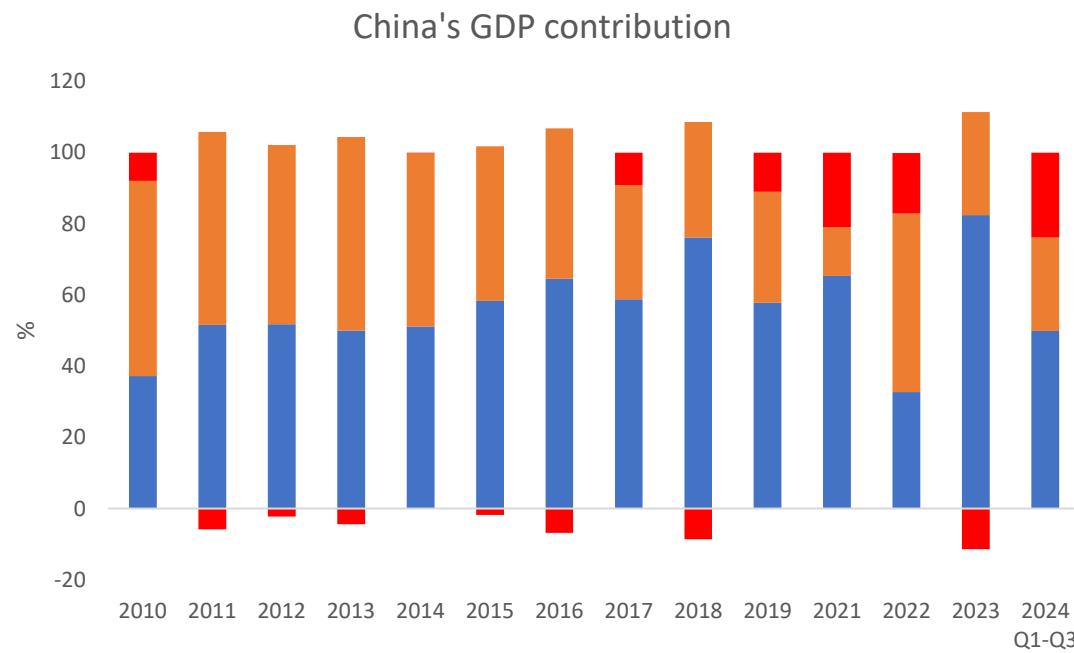
- The Ministry of Housing and Urban-Rural Development (MOHURD) introduced a series of "comprehensive measures" aimed at stabilizing and reversing the downward trend in the real estate market. Two new incremental policies include the revamp of 1 million urban village and dilapidated housing units and an increase in the credit support for "whitelist" projects up to 4 trillion yuan. However, market reactions were mixed, leading to increased volatility in real estate stocks. The 1mn unit revamp plan appears modest compared to the 6mn unit target for shantytown redevelopment in 2016, but it represents the largest demand-side stimulus in the recent slate of real estate policies. In the short term, the direction of these policies may be more impactful than their scale, as the monetization of resettlement directly injects liquidity into the demand side. MOHURD also indicated the potential to expand the scale of these redevelopment efforts in the future.



Source: Various news, OCBC.

China: Economic growth decelerated in 3Q24

- On data, the economy decelerated to 4.6% YoY in real terms in the third quarter of 2024, down from 4.7% in the second quarter. For the first three quarters, the economy grew by 4.8% YoY. China's GDP deflator contracted for the sixth consecutive quarter, though the contraction narrowed in the third quarter. External demand strengthened, with net exports contributing 1.1 percentage points to cumulative GDP growth, up from 0.7 percentage points in the first half of the year. This indicates that in 2024, external demand has accounted for over 20% of China's economic growth.

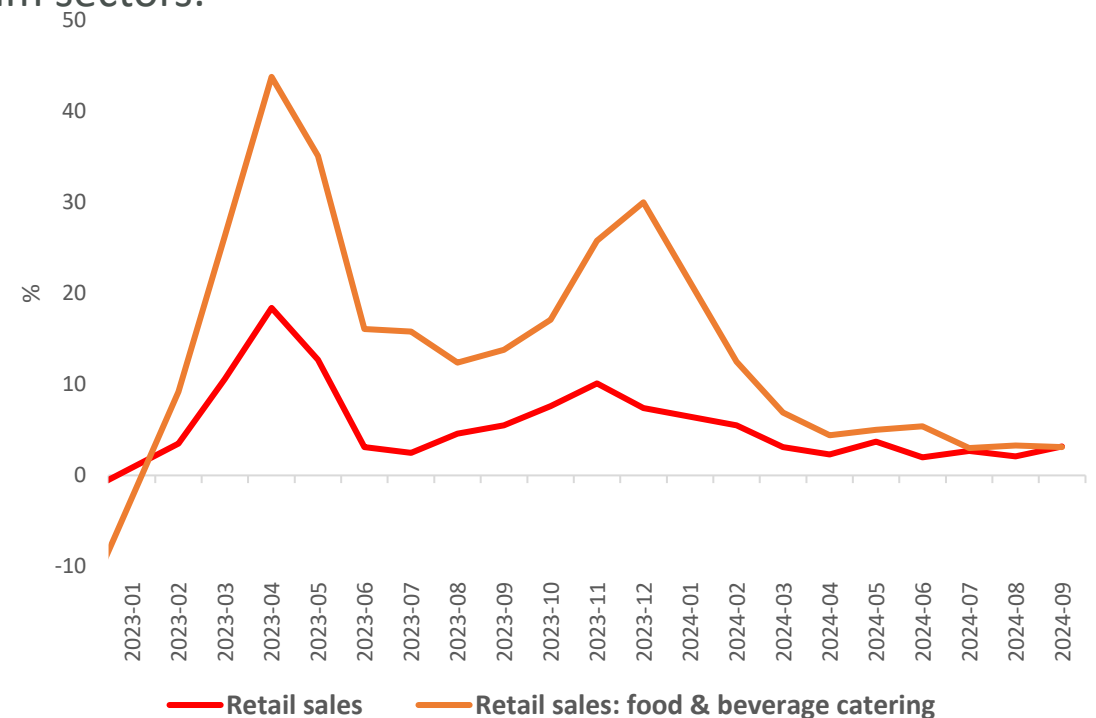
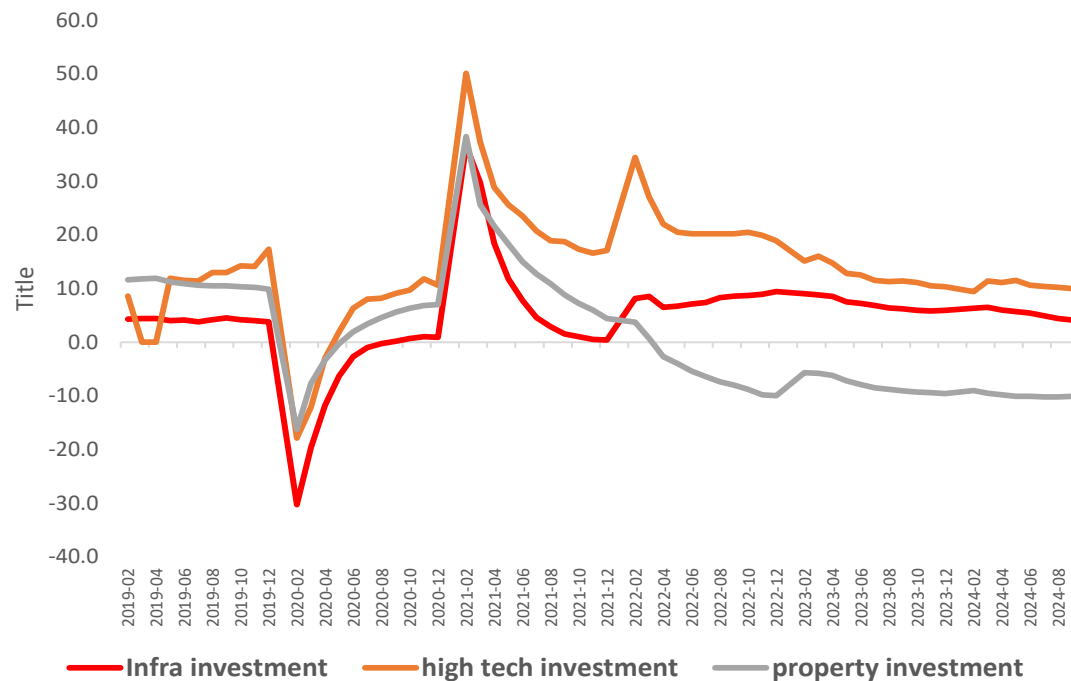


■ Consumption ■ Capital formation ■ Net export

Source: Various news, OCBC.

China: Marginal improvement in September

- GDP growth slowed in the third quarter, mainly due to weaker performance in July and August. However, September showed signs of stabilization and recovery, with marginal improvements in key economic indicators.
- On the domestic demand front, retail sales in September rebounded more than expected, rising 3.2% YoY, driven by a recovery in car and furniture sales.
- Manufacturing continued to act as an economic stabilizer. Investment in manufacturing grew from 8.0% in August to 9.7% in September, with growth concentrated in downstream sectors.



Source: Various news, OCBC.

HK: PA 24: Consolidate edges and search for new growth areas

- Hong Kong's Chief Executive John Lee delivered his third Policy Address (PA) on 16 October. The 2024 Policy Address can be interpreted as a continuity of previous policy direction, though with more focus back on “prosperity” instead of “stability”. Overall speaking, it attempts to consolidate Hong Kong's existing edges and search for new growth areas, while offering supports to selected sectors facing structural challenges.
- The most impactful policies were likely on housing sector. Mortgage rules are eased further, with loan-to-value ratio for all residential property loans raised to 70%. Investment in residential properties is now allowed under the New Capital Investment Entrant Scheme, provided that the transaction price of the residential property concerned is no less than HKD50mn. Separately, Hong Kong government moved to phase out the subdivided units, which used to symbolize the city's inadequate housing problem.
- There were an array of new initiatives to develop the local financial industries, including attracting new capital and products to the stock market. Meanwhile, for the first time, the authority pushed to establish an international gold-trading market in Hong Kong.
- The government continued to support the retail and tourism industries, through organising more mega events and enabling more mainland tourists to visit. The government also proposed to cut tax levied on liquor with import price of HKD200 or above, from 100% to 10% , as part of plan to boost the “Night Economy”.
- Acknowledging the difficulties faced by the small-and-medium sized enterprises (SMEs) amid ongoing structural challenges, the government re-launched the principal moratorium arrangement, a Covid-era special relief measures for SMEs. The HKMA announced to cut the countercyclical capital buffer ratio from 1% to 0.5% with immediate effect.

HK: PA 24: Marginal step in bolstering the property market

- The government proposed to further ease the mortgage rules, following the removal of all demand-side management measures early this year. The loan-to-value ratio for all residential property loans, regardless of uses, will be raised to 70%. Separately, investment in residential properties is now allowed under the New Capital Investment Entrant Scheme, provided that the transaction price of the residential property concerned is no less than HKD50mn. Previously, the permissible investment asset classes under the scheme only cover equities, debt securities etc.
- These policies unequivocally benefit the luxury segment of the housing market but are considered to have limited impact on the overall sentiment. In fact, in the first nine months this year, less than 30% of the residential property transactions had a total consideration (i.e. property value) of HKD8mn or above. Near-term challenges in housing market remained, but we expect to see some stabilisation in the housing prices down the road, given the recent prime rate cut and easing of financial conditions. A more forceful rebound of prices will however require help from banks to loosen their mortgage scrutiny, while Hong Kong stays the course of economic recovery.

Property value	Before	After
Self-use		
≤ HKD30mn	70%	70%
> HKD30mn and ≤ HKD35mn	60-70%	
> HKD35mn	60%	
Non-self-use		
Regardless of value	60%	70%



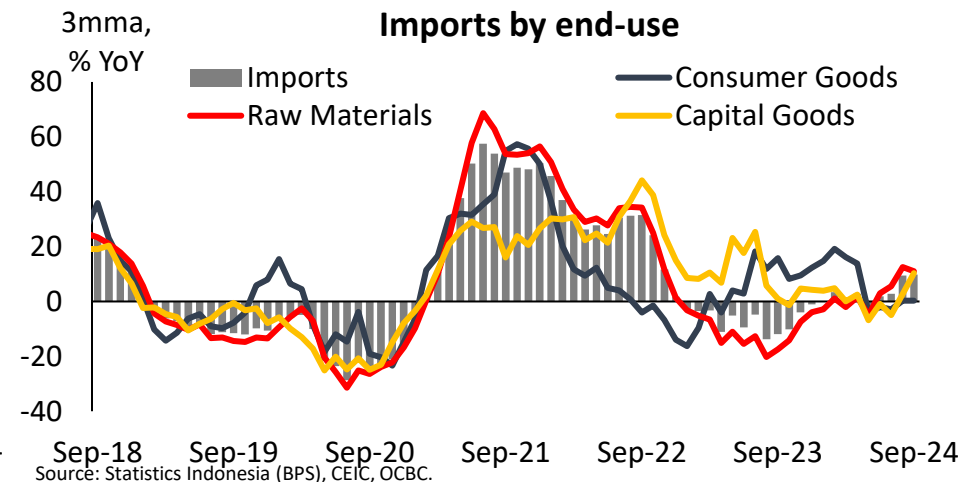
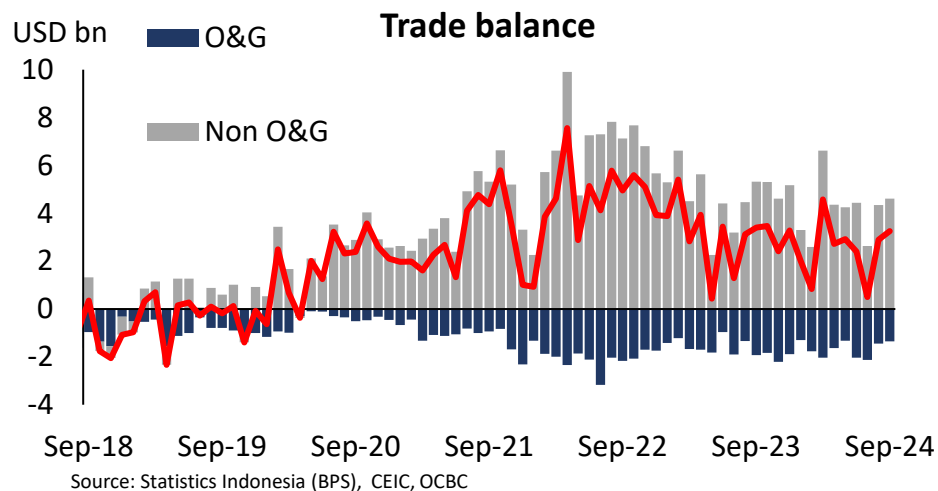
Source: Policy Address 2024, OCBC.

HK: PA 24: Sharpening the existing edges

- One of the core focuses of the Policy Address was to consolidate and enhance the existing edges of local economy. To this end, there were an array of new initiatives to develop the financial industries, including:
 - *Set up central clearing system for RMB-denominated bond repo transactions*
 - *Increase issuance of RMB bonds and RMB sovereign bonds*
 - *Enhance the Cross-boundary Wealth Management Connect Scheme*
 - *Expand night-time, cross-border service capability of RMB Real Time Gross Settlement System to facilitate global settlement*
 - *HKEx to encourage more listed companies to have shares listed in the RMB stock trading counter*
 - *Expand the Bond Connect (Southbound Trading)*
 - *Encourage large-scale Mainland enterprises to list in Hong Kong*
 - *Link the Faster Payment System (FPS) in Hong Kong and the Internet Banking Payment System (IBPS) in the Mainland, to facilitate real-time, cross-boundary small-value payments by residents*
 - *Add qualifying transactions eligible for tax concessions for funds and single-family offices*
- Meanwhile, for the first time, the authority introduced an initiative to establish an international gold-trading market, in a bid to enhance Hong Kong's capabilities in storage, trading, settlement and delivery of the precious metal.

Indonesia: Weaker trade data

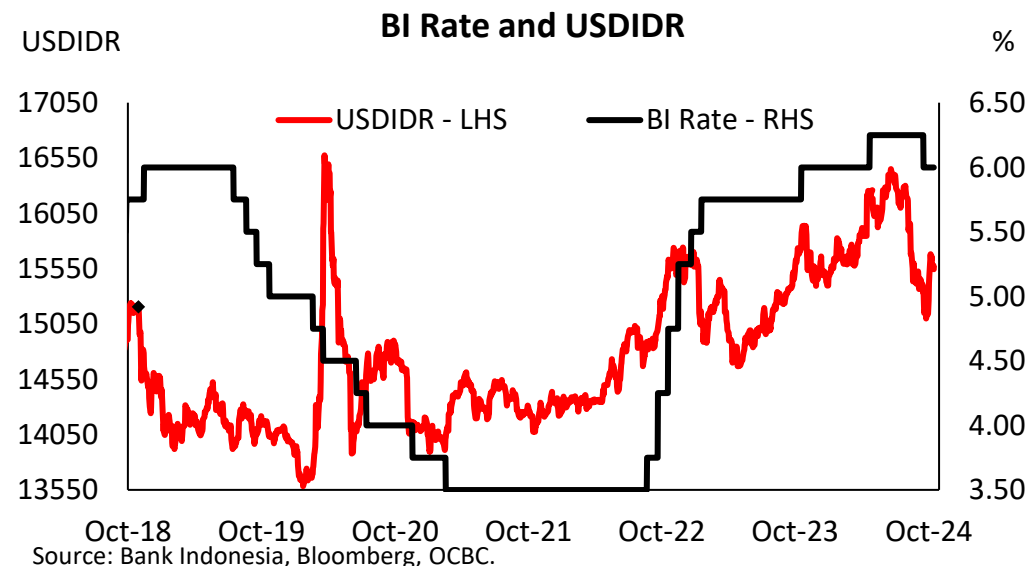
- September trade data were weaker-than-expected. Export growth slowed to 6.4% YoY versus 7.1% in August (Consensus: 8.1%; OCBC: 9.6%) while import growth slowed to 8.5% YoY versus 9.5% (Consensus: 12.1%; OCBC: 15.1%). The trade surplus widened to USD3.3bn in September from USD2.8bn in August on the back of a wider non-oil & gas trade surplus of USD4.6bn versus USD4.3bn in August while the oil & gas deficit remained unchanged at USD1.4bn.
- The weakness in exports was driven mainly by oil & gas exports (-16.7% YoY versus -8.7% in August), which we suspect is largely due to price effects. Global oil prices fell by 21.9% YoY in September versus -7.3% in August. Meanwhile, non-oil & gas export growth was unchanged at 8.1% YoY in September versus August. Within non-oil & gas exports, growth of agriculture exports was strong while manufacturing and mining exports weakened. Similar to exports, oil & gas import growth slumped to -24.0% YoY versus -0.5% in August while non-oil & gas imports rose by 16.3% YoY versus 11.1% in August. By end-use, consumer and capital goods imports picked up while raw material imports slowed in September.



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

Indonesia: BI keeping rates steady

- **BI's decision to hold the policy rate unchanged at 6.00% reflects the focus on IDR stability**, while keeping the door open for further calibrated rate cuts in the coming months. BI's key forecasts on growth, inflation and current account for 2024 were unchanged from the previous meeting on 18 September. Indeed, BI noted that its "focus in the short-term is IDR stability" while it will keep "an eye on room for policy rate cuts".
- Even accounting for the modest IDR appreciation versus USD on 15 October, IDR has depreciated 1.5% versus USD since BI's 18 September meeting. BI has continued to focus on attracting capital flows and on that note, the yield on 9M and 12M SRBI instruments have been higher since the end of September.
- The shift in bias to becoming more growth supportive is clear and to that end, BI has extended its macroprudential liquidity incentives to end-2025 (originally set to expire end 2024). Rate cuts, however, will come in a deliberated manner based on IDR movements. We expect another 25bp cut from BI in either November or December, followed by a cumulative 75bps cut in 2025.



Source: Bank Indonesia, Bloomberg, OCBC.

Indonesia: Cabinet appointments suggests some policy continuity

Coordinating Minister		
1	Coordinating Ministry for Political Security Affairs	Budi Gunawan
2	Coordinating Ministry for Legal, Human Rights, Immigration and Corrections	Yusril Ihza Mahendra
3	Coordinating Ministry for Economic Affairs	Airlangga Hartarto
4	Coordinating Ministry for Human Development and Cultural Affairs	Pratikno*
5	Coordinating Ministry for Infrastructure and Regional Development	Agus Harimurti Yudhoyono*
6	Coordinating Ministry for Community Empowerment	Abdul Muhaimin Iskandar
7	Coordinating Ministry for Food	Zulkifli Hasan*
Minister		
8	Ministry of State Secretariat	Prasetyo Hadi
9	Ministry of Home Affairs	Muhammad Tito Karnavian
13	Ministry of Law	Supratman Andi Agtas
15	Minister of Immigration and Corrections	Agus Andrianto
16	Ministry of Finance	Sri Mulyani Indrawati
17	Minister of Primary and Secondary Education	Abdul Mu'ti
18	Minister of Higher Education, Science, and Technology	Satryo Soemantri Brojonegoro
19	Ministry of Culture	Fadli Zon
22	Ministry of Manpower	Yassierli
24	Ministry of Industry	Agus Gumiwang Kartasasmita
25	Ministry of Trade	Budi Santoso
26	Ministry of Energy and Mineral Resources	Bahlil Lahadalia
27	Ministry of Public Works	Dudy Hanggodo
28	Ministry of Housing and Residential Areas	Maruarar Sirait
33	Ministry of Agriculture	Andi Amran Sulaiman
35	Minister of Marine Affairs and Fisheries	Sakti Wahyu Trenggono
37	Minister of National Development Planning/Head of Bappenas	Rachmat Pambudy
39	Ministry of State-Owned Enterprises	Erick Thohir
42	Minister of Investment and Downstream/Head of Investment Coordinating Board	Rosan Perkasa Roeslani
43	Minister of Cooperatives	Budi Arie Setiadi*
44	Minister of Micro, Small and Medium Enterprises	Maman Abdurahman
46	Minister of Creative Economy/Head of Creative Economy Agency	Teuku Riefky Harsya

Source: Indonesia Parliament; OCBC.

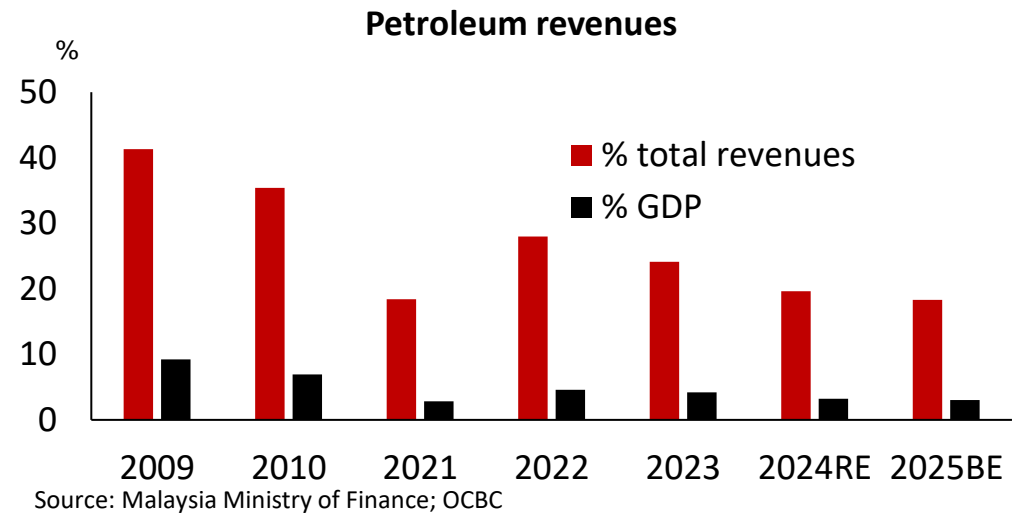
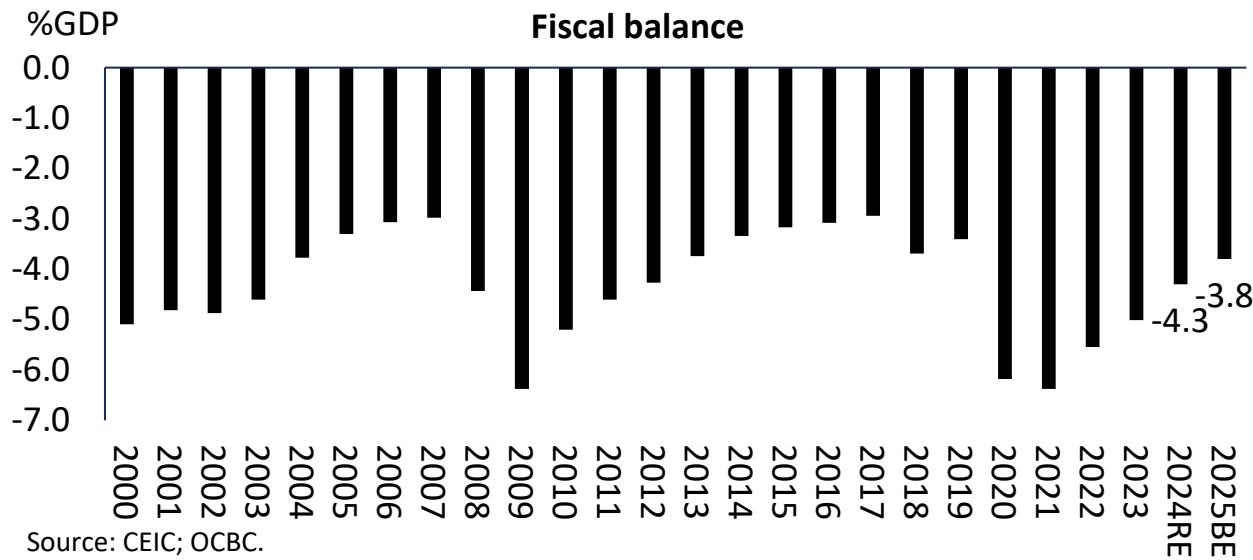
- President Prabowo Subianto's cabinet selection surprised to the upside. His economic team remains solid led mainly by technocrats rather than bureaucrats.
- Specifically, Sri Mulyani Indrawati has been retained as finance minister and this news was taken positively by investors given her solid track record.
- Erick Thohir has also been retained as State Owned Enterprise (SOE) minister, which should help assuage some of the concerns around the management of SOE's following the amped up infrastructure spending.
- The number of cabinet ministers is significantly higher at 48 ministers from 34 members under President Joko Widodo. The risks associated with a larger cabinet includes increased bureaucracy and red tape.



Note: Those names highlighted in yellow were also in President Joko Widodo's cabinet. Those with a * had a different portfolio in President Jokowi's cabinet.

Malaysia: Fiscal policy is moving in the right direction

- The government aims to narrow the fiscal deficit to 3.8% of GDP in 2025 from 4.3% of GDP in 2024 on the assumption that revenues will grow by 5.5% YoY in 2025 (versus 2.3% in the 2024 revised budget estimate) and expenditures will rise by 3.3% YoY after remaining flat in 2024.
- On the revenue front, the government is trying to reduce the dependency on Petronas dividends. The initiatives to broaden the scope of sales and services tax (effective 1 May 2025), introduce a dividend tax (AY2025), raise excise duties for sugary drinks (1 January 2025) and introduce a carbon tax in certain sectors (iron & steel) in 2026 are steps in the right direction and will help generate incremental revenues, admittedly the extent of additional revenues generation is unclear.



Malaysia: Phased removal of fuel subsidies

- On the expenditure front, the skew was tilted towards operational expenditures, which are budgeted to increase by 4.2% YoY in 2025 versus 3.3% in 2024 (RE). Within this, the most substantial increase is for emolument spending reflecting increases in civil servant salaries scheduled for two phases, the first of which is effective 1 December 2024 and the second in January 2026. Similarly, pensions and gratuities are expected to rise in 2025 versus 2024.
- Importantly, subsidies & social assistance spending is projected to drop by 14.4% YoY in 2024. Targeted RON95 rationalisation is expected from mid-2025 onwards, removing access for the top 15% of earners and foreigners. This segment accounts for 40%, or MYR8bn (0.4% of GDP), of the petrol subsidies given out, according to PM Anwar.

MYRbn	2023	2024		2025	
	Actual	Budget Estimates	Revised estimates	Budget estimates	%YoY
Central Govt Revenue	315.0	307.6	322.1	339.7	5.5
Tax Revenues	229.2	243.6	241.0	259.0	7.5
Direct Taxes	171.3	185.0	177.1	188.8	6.6
Indirect Tax	57.8	58.6	64.0	70.2	9.8
Non-Tax Revenues	85.8	64.0	81.0	80.7	-0.4
Central Govt Expenditures	406.4	393.0	406.3	419.7	3.3
Central Govt Current Expenditure	311.3	303.8	321.5	335.0	4.2
Emoluments	91.9	95.6	99.8	105.9	6.2
Pension and Gratuities	34.1	32.4	34.4	40.6	17.7
Debt Service Charges (DS)	46.3	49.8	50.8	54.7	7.7
Supplies and Services	35.9	38.0	39.2	40.7	3.7
Subsidies & Social Assistance	71.8	52.8	61.4	52.6	-14.4
Asset Acquisition	1.0	1.7	1.7	1.2	-30.6
Net Development Expenditure	95.1	89.2	84.8	84.7	-0.2
Gross Development Expenditure	96.1	90.0	86.0	86.0	0.0
Loan Recoveries	1.0	0.8	1.2	1.3	14.5
Fiscal balance	-91.4	-85.4	-84.3	-80.0	
% GDP	-5.0	-4.3	-4.3	-3.8	

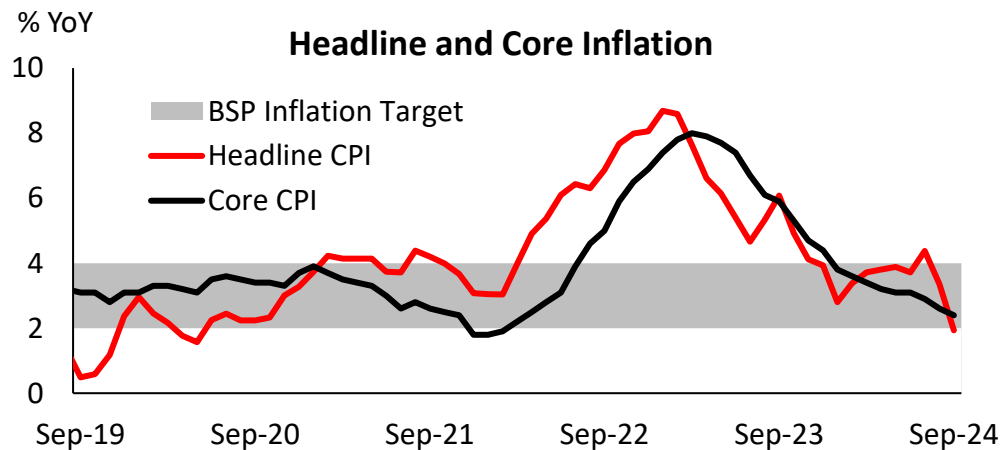
Malaysia: Solid 3Q24 GDP growth

- The advance estimates show that 3Q24 GDP growth was solid at 5.3% YoY, versus 5.9% in 2Q24, beating expectations (Consensus: 5.3%; OCBC: 4.9%). Strong growth in the manufacturing and construction sectors supported growth in 3Q24 and we see some upside risks to our 2024 GDP growth forecast of 5.0%.
- Meanwhile, on the external front, trade data released on 18 October showed that exports contracted by 0.3% YoY in September versus 12.0% in August while import growth also slowed to 10.9% YoY versus 26.2% in August. For 2Q24, export growth slowed to 7.8% YoY versus 8.0% in 2Q24 while import growth picked up to 20.8% YoY versus 13.7% in 2Q24. The solid import growth print underscores the strength of domestic demand, which has been a crucial driver of growth so far this year.
- The weakness in September export growth, however, and the continued volatility in electronics & electrical appliances exports have led us to maintain our 2024 GDP growth forecast of 5.0% for now. The risks admittedly are to the upside particularly if export growth rebounds in the coming months. Our baseline is for Bank Negara Malaysia (BNM) to keep its policy rate unchanged at 3.00% for the rest of 2024 and 2025.

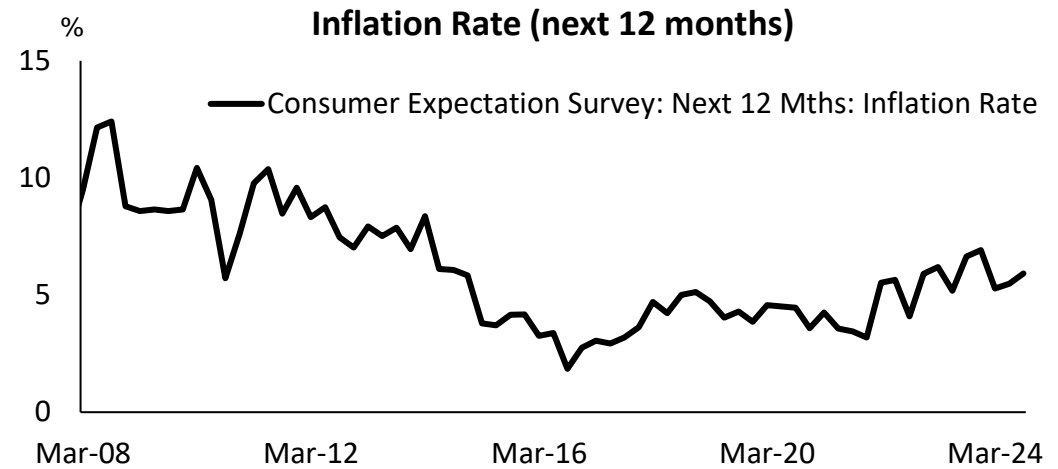
%YoY	3Q23	4Q23	1Q24	2Q24	3Q24 (advance estimate)
Headline GDP growth	3.1	2.9	4.2	5.9	5.3
Agriculture, Forestry & Fishing	0.3	1.9	1.7	7.2	4.0
Mining & Quarrying	-1.1	3.5	5.7	2.7	-3.4
Manufacturing	-0.1	-0.3	1.9	4.7	5.7
Construction	7.2	3.6	11.9	17.3	19.5
Services	4.9	4.1	4.8	5.9	5.3
Source: CEIC; OCBC					

Philippines: Inflation is the guiding light

- **BSP’s decision to lower its policy rate by 25bp was in line with consensus and our expectations, taking the key policy rate to 6.25%.** The decision was supported by further evidence of disinflation. Indeed, BSP adjusted lower its 2024 ‘risk-adjusted’ headline CPI forecast to 3.1% from 3.3% but raised its 2025 forecast to 3.3% from 2.9%. Specifically, BSP noted that the September headline inflation print of 1.9% YoY was due to base effects but even accounting for this, the print was low.
- We expect another 25bp cut at the 19 December meeting. This will, by our forecasts, be followed by a cumulative 75bps of cuts in 1H25, taking the policy rate to 5.00%. The BSP will remain vigilant of inflationary pressures given household inflation expectations remains sticky. That said, proactive policies to import rice (~9% of the CPI basket) and prevent hoarding have materially helped in reducing food prices. During the press conference, BSP Governor Eli Remolona noted that the nominal neutral rate is roughly at 5.00%.



Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas, CEIC, OCBC



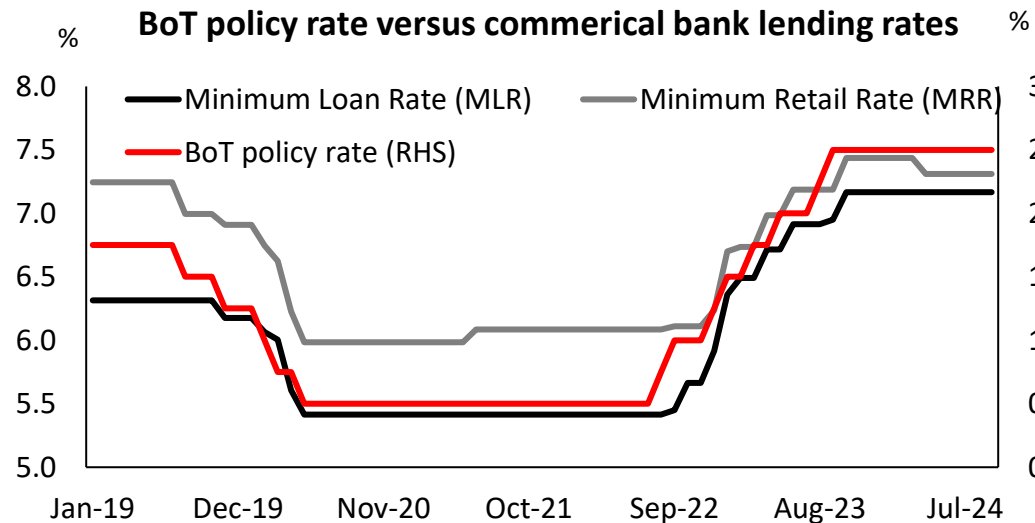
Source: CEIC, OCBC



Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas, CEIC, OCBC.

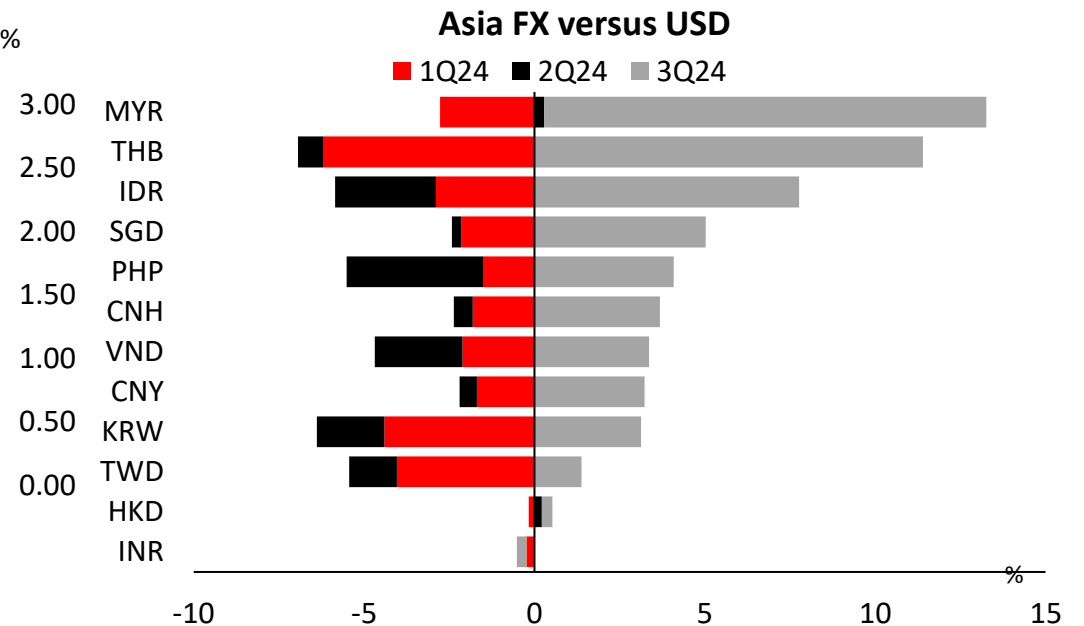
Thailand: BoT's rate cutting cycle will be shallow

- BoT cut its policy rate by 25bp, in a surprise move, with a 5-2 vote in favour of the outcome. While it is compelling to believe that BoT acquiesced to the government's call for lower rates, rate cuts were on the cards for BoT justified by growth-inflation-financial stability fundamentals, in our view. Bank of Thailand's (BoT) rate cutting cycle will be shallow, in our view. We had expected BoT to cut in 4Q24 and it delivered a 25bp cut at its 16 October meeting. We expect another 25bp cut in 1Q25.
- BoT has noted that financial conditions have become somewhat tighter lately given the recent appreciation of THB versus USD. Our broader trajectory for a stronger DXY is likely to remain supportive of THB strength. BoT noted that lower rates could also relieve debt servicing burdens for household, but the degree of pass-through onto commercial bank lending rates and importantly loan refinancing rates remains unclear.



Source: CEIC, OCBC.

Source: Bloomberg, CEIC, OCBC.



Last updated: 24 September 2024. Source: Bloomberg, OCBC.

ESG



ESG: Malaysia to implement carbon tax by 2026, coinciding with EU CBAM

- Malaysia plans to introduce a carbon tax on the iron, steel and energy industries by 2026, announced at Budget 2025. The tax revenue will be used to finance green technology programmes and research. No further details on the mechanism or tax rate was provided in the Budget speech.
- The timeline of the carbon tax coincides with the EU's Carbon Border Adjustment Mechanism's (CBAM) definitive regime that will begin from 2026. The EU CBAM was designed to level the playing field between the EU and third-country producers, by putting a fair price on carbon on certain imported products while phasing out free allocation of emissions allowances to the European industry. It is a carbon leakage instrument that functions in tandem with the EU ETS, that requires EU importers to purchase CBAM certificates equivalent to the weekly average auction price of EU ETS allowances. The initial phase of the CBAM will apply to six carbon-intensive goods that are at the most significant risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. The CBAM's product scope aims to be extended to cover all EU ETS sectors by 2030.
- However, if importers can prove that a carbon price has already been paid during the production of the imported goods, the corresponding amount can be deducted. This has spurred trade partners like Malaysia to accelerate their decarbonisation efforts through implementing carbon taxes, so that they can reduce the tariffs on the goods paid to the EU.
- To ensure that companies remain competitive, the carbon tax will likely start out low to enable companies to transition and could be coupled with other government incentives to support companies in reducing emissions.

FX & Rates



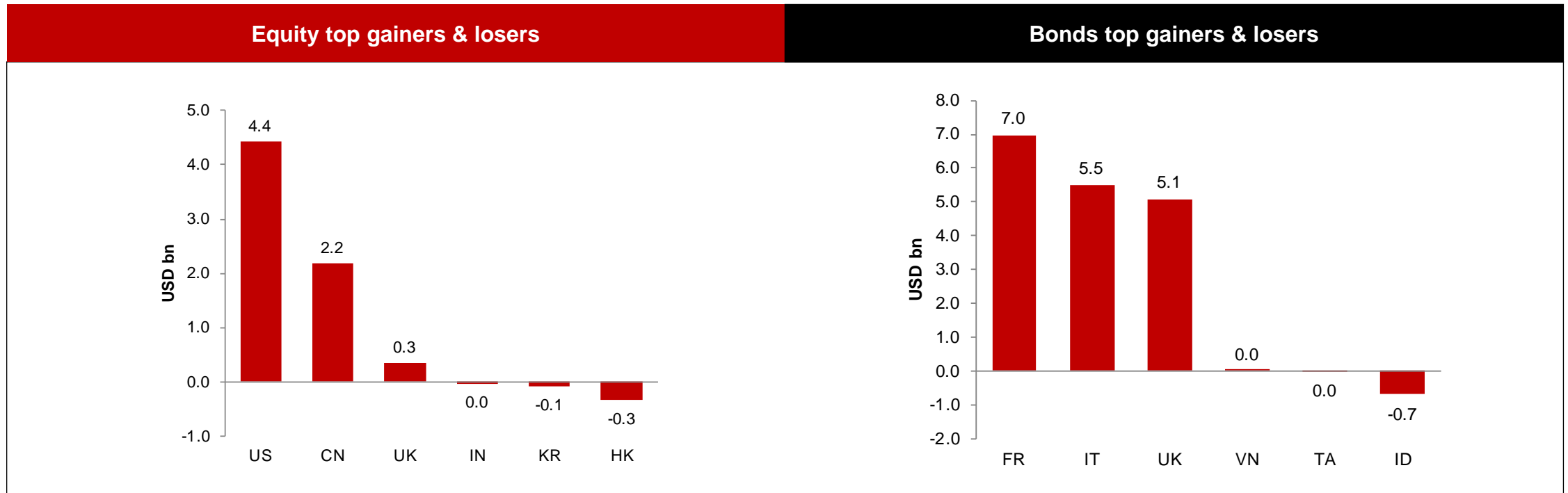
FX & Rates: FX mark time

- **USD Rates.** For the week ahead, there are existing home sales, initial jobless claims, PMIs and durable goods order, etc. Investors are likely to take an overall assessment of second-tier data with any single piece of these data unlikely to sway the market too much. This week, net bills settlement amount to USD41bn which is the normal size. Again, net bills issuances in this quarter have been planned on the low side in view of the debt ceiling deadline, likely leaving the liquidity situation supportive in the interim.
- **USDJPY.** USDJPY eased lower, tracking the dip in UST yields last Fri while markets continue to watch BoJ rhetoric. Last Fri, Governor Ueda said that the outlook for overseas economies including the US is uncertain and financial markets continue to be unstable. He also said that the FX rate is now more likely to impact prices than in the past. Earlier, FX chief Mimura flagged “sudden, one-sided move” in FX. He also said “We’ll keep monitoring the forex market with a high sense of urgency, including any speculative moves.
- **CNY Rates.** Reaction to this morning’s LPR outcome is muted thus far (1Y and 5Y LPR are each cut by 25bps to 3.10% and 3.60% respectively). Market likely looks past this expected LPR cut and looks forward to more easing. Another RRR cut before year end is highly likely, amid heavy MLF maturity and the prospect of additional bond supply. We continue to expect the 10Y CGB yield to trade in the range of 2.05-2.25% over the coming weeks; this range reflects our upward bias to long end yields.
- **MYR Rates.** Budget 2025 represents the plan to continue with fiscal consolidation which is in line with expectations. Fiscal deficit has been budgeted at MYR80bn, versus an estimated MYR84.3bn for 2024. How much the reduction in net borrowings translates into lower net MGS+MGII issuances depending on MoF’s strategy on bill issuances. Assuming minimal net bill issuances or a small bills paydown, we expect gross MGS+MGII supply in 2025 at MYR163-164bn. The supply outlook shall point to a constructive backdrop for the domestic bond market, but after all, the reduction in supply is not dramatic. We remain of the view that MGS shall trade in a relatively stable manner with yields lagging our expected downward moves in UST yields. Year-to-date gross issuances (excluding today’s auction) amounted to MYR153.5bn, on track with full year borrowing needs.

Asset Flows

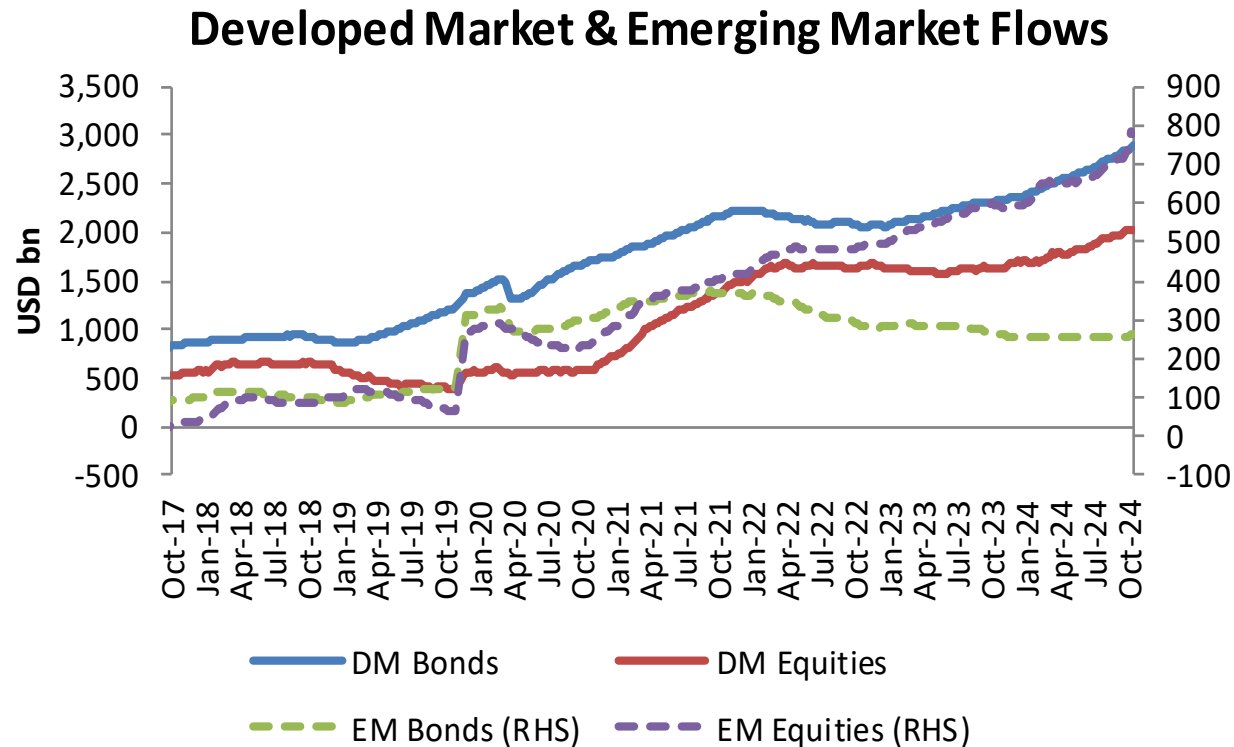
Global Equity & Bond Flows

- Global equity markets saw net inflows of \$21.3bn for the week ending 16 October, a decrease from the inflows of \$39.6bn last week.
- Global bond markets reported net inflows of \$23.0bn, an increase from last week's inflows of \$17.4bn.



DM & EM Flows

- Developed Market Equities (\$25.0bn) saw inflows and Emerging Market Equities (\$3.7bn) saw outflows.
- Developed Market Bond (\$21.7bn) and Emerging Market Bond (\$1.2bn) saw inflows.



Thank you



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