Weekly Macro Views (WMV)

Global Markets Research & Strategy

3rd June 2024

Weekly Macro Update

Key Global Data for this week:

3 June	4 June	5 June	6 June	7 June
• **US** ISM Manufacturing • **CH** Caixin China PMI Mfg • **UK** S&P Global UK Manufacturing PMI • **ID** S&P Global Indonesia PMI Mfg • **JN** Jibun Bank Japan PMI Mfg	• **SK** CPI YoY • **US** Durable Goods Orders • **US** Factory Orders • **GE** Unemployment Change	• **CA** Bank of Canada Rate Decision • **AU** GDP SA QoQ • **US** ADP Employment Change • **SK** GDP YoY • **PH** CPI YoY • **SG** Retail Sales YoY	• **EU** EUB Main Refinancing Rate • **EU** EUB Deposit Facility Rate • **TA** CPI YoY • **AU** Trade Balance • **US** Trade Balance	• **US** Change in Nonfarm Payrolls • **IN** RBI Repurchase Rate • **TH** CPI YoY • **EU** GDP SA YoY • **GE** Industrial Production SA MoM

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** Shangri La Dialogue Highlights • **Global:** US 1Q GDP Revised Downwards • **Global:** US Core PCE Slows, Personal Spending Lower than Expected • **Global:** Euro Area Inflation Ticked Up in May
Asia	• **SG:** Import and Domestic Supply Prices Eased in April • **HK:** Domestic Demand Stayed Weak • **HK:** Housing Price Up by a Slower Pace • **MO:** Gross Gaming Revenue Refreshed Post-Covid High
Asia	• **ASEAN:** China-FDI Inflows • **ID:** Higher Budget Surplus in April • **ID:** Lower Inflation in May • **ID:** Prabowo-Gibran Transition Team • **VN:** Growth Momentum Resilient in May • **TH:** Improved Economic Activity to Start 2Q24 • **TH:** Wider Medium-Term Fiscal Deficits
Asset Class	• **Crude Oil:** OPEC+ Extend Output Cuts • **ESG:** SG's implementation agreement with Ghana on carbon credits • **FX & Rates:** Relief • **Global Asset Flows**

Global: Central Banks

Forecast – Key Rates

European Central Bank (ECB)	Bank of Canada (BoC)
Thursday, 6th June	Wednesday, 5th June

House Views

Deposit Facility Rate	*Policy Interest Rate*
Likely cut by 25bps from 4.50% to 4.25%	**Likely cut by 25bps from 5.00% to 4.75%**

Source: OCBC, Bloomberg.

Global: Shangri-La Dialogue Highlights

- At this year's dialogue held between 31 May – 2 June in Singapore, key rhetoric from US and Chinese representatives included:
    - China's defence chief Dong Jun warned that "prospects of a peaceful reunification" with Taiwan are being "eroded", accusing external actors of "interfering in domestic issues". He added that Taiwan remains the "core of core issues" for China.
    - US Secretary of Defence Lloyd Austin, meanwhile, proclaimed that the "United States can be secure only if Asia is", stressing that in spite of ongoing conflicts in Europe and the Middle East, "the Indo-Pacific has remained our (the US') priority theatre of operations".
- That said, the two chiefs and their entourage reportedly met for more than an hour on 31 May, with the Chinese defence ministry stating that the meeting was 'positive' and US defence department emphasising the 'importance of maintaining open lines of military-to-military cooperation'. This was the first in-person meeting between the ministries since 2022.
- Overall, direct dialogue between the US and China reveals both camps are working on rebuilding communications following Nancy Pelosi's visit to Taiwan in August 2022, and that they remain cautious in their regional security strategy so as to avoid direct conflict.
- Other key events include Ukrainian President Zelensky's attendance where he tried to drum up support for a peace conference in Switzerland in mid-June, and Filipino President Marcos' keynote address where he stressed that US presence in the Philippines is "crucial to regional peace".

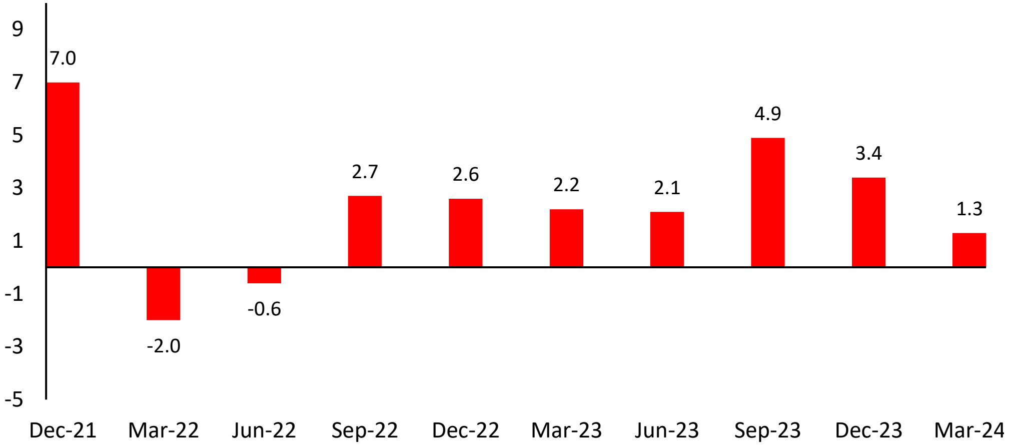
Source: Reuters, Bloomberg, CNA.

Global: US 1Q GDP Revised Downwards

- 1Q24 real GDP growth was revised 0.3pp down to 1.3% QoQ saar (1.6% prior) as expected. The revised 1Q24 GDP reading marks a sharp slowdown from the 3.4% QoQ saar recorded in 1Q24 and pointed to the lowest growth since the contractions in 1H22.
- Downward revisions were observed for consumption (2.0% QoQ vs 2.5% prior), mainly due to a sizeable downwards revision to goods consumption (-1.9% vs -0.4% prior), while services spending remained relatively robust and saw a slight revision down to 3.9% from 4.0% prior. Upward revisions were made to non-residential fixed investment (6.0% vs 5.3% prior), residential investment (15.4% vs 13.9% prior) and government spending (1.3% vs 1.2% prior). Both exports and imports were revised upwards to 1.2% and 7.7% respectively, from 0.9% and 7.2% prior.
- Overall, we take this second reading as further evidence that the US exceptionalism narrative is fading and that a pullback in consumer spending may be on the cards. The data also reflects trends observed in leading data showing relative strength services sector, with services PMI (both S&P and ISM) largely buoying US domestic activity.
- We maintain our forecast for full-year growth to print 2.1% YoY (consensus: 2.4%), with a meaningful slowdown in domestic activity likely from 2Q24 onwards as a loosening labour market and slower wage growth tampers consumption strength.

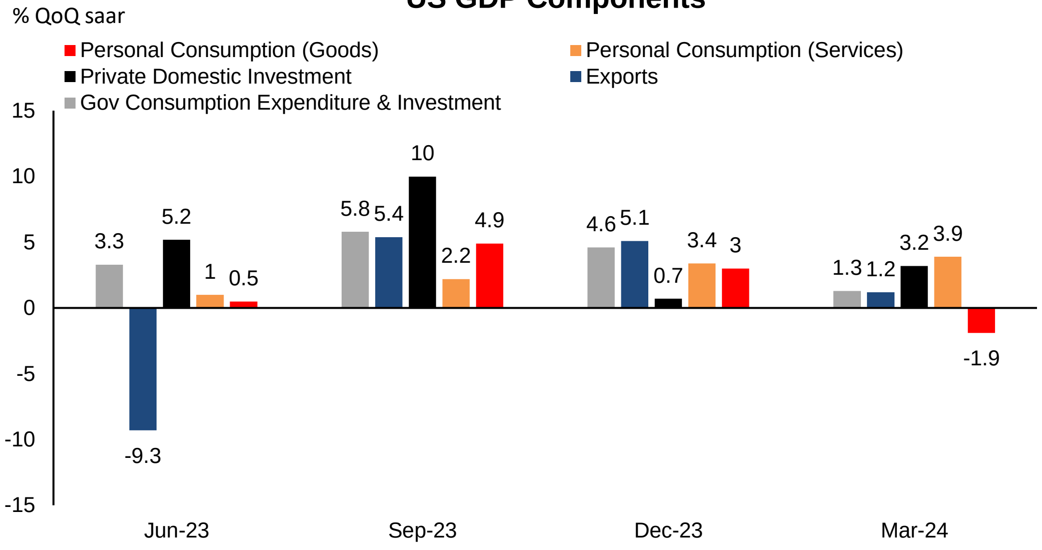
Source: BEA, CEIC, OCBC.

US GDP growth



Source: BEA, CEIC, OCBC.

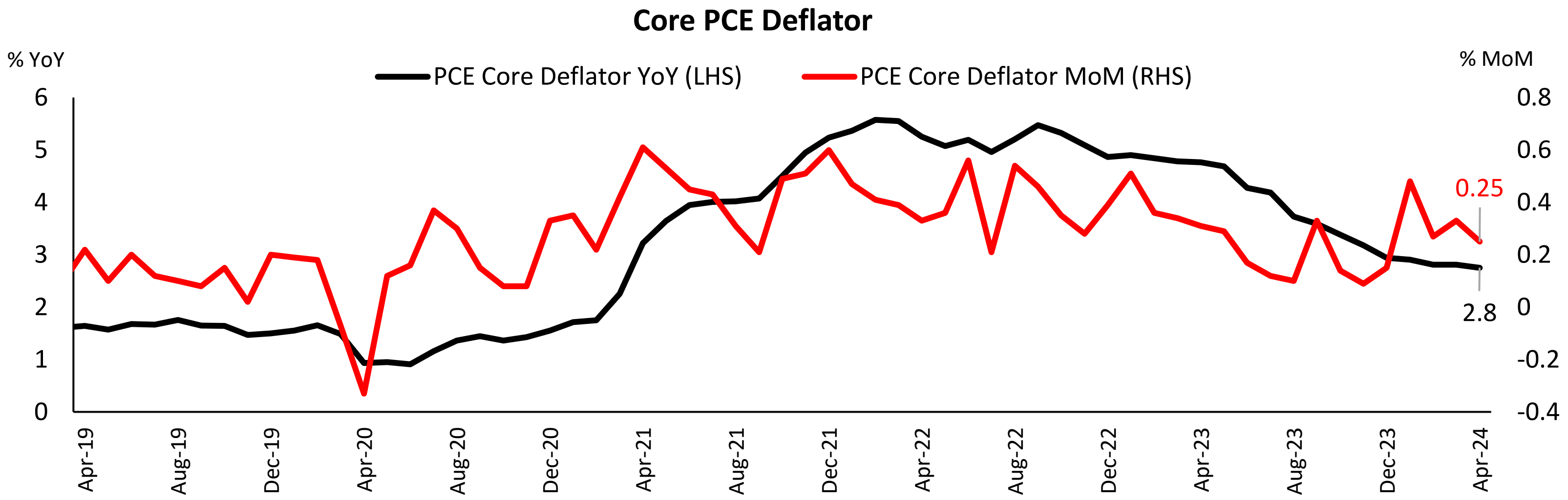
US GDP Components



Source: BEA, CEIC, OCBC.

Global: US Core PCE Slows, Personal Spending Lower than Expected

- The PCE price index for April rose 0.3% MoM (2.7% YoY) in April 2024, tracking sideways from the February and March, and matching consensus expectations. Goods prices rose 0.2% MoM and services prices increased 0.3% MoM.
- The core PCE index (ex food and energy) fell to 0.2% MoM (2.8% YoY) after remaining steady at 0.3% in February and March, marking the slowest core PCE reading this year.
- Personal income growth fell to 0.3% MoM in April, in line with consensus and down from the 0.5% increase in March. Personal spending growth rose 0.2% MoM, easing from the 0.7% rise in March (downwardly revised) and lower than consensus (+0.4%). Spending growth remains buoyed by a greater services spending (+0.4%) due to expenditure on housing and utilities, healthcare, and financial and insurance services. Goods spending declined by 0.2% MoM on account of contractions in spending for recreational goods and vehicles. The savings rate remained steady at 3.6% in April (March was upwardly revised to 3.6% from 3.2%).

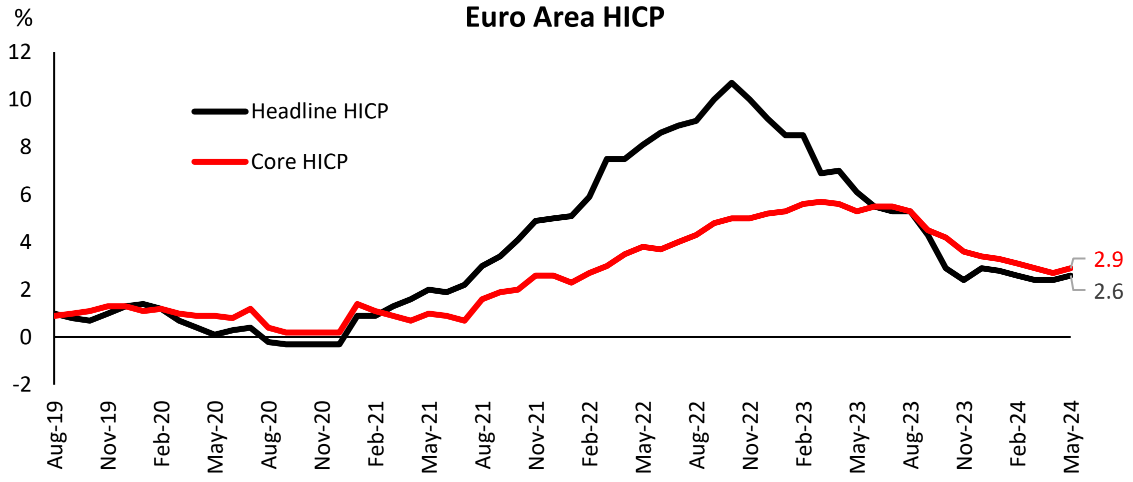


Source: BEA, OCBC.

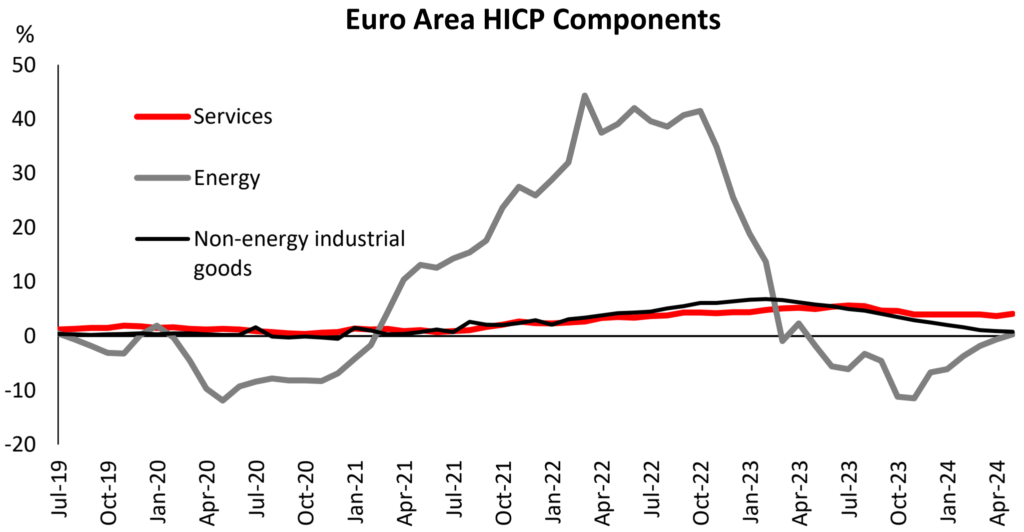
Source: BEA, OCBC.

Global: Euro Area Inflation Ticked Up in May

- EA May HICP data showed headline inflation rising for the first time in five months to 2.6% YoY (Apr: 2.4%; consensus: 2.5%). Core inflation (ex energy, food, alcohol and tobacco) also rose more than expected to 2.9% YoY (Apr: 2.7%; consensus: 2.8%).
- Increases to the May print came from energy (May: 0.3%; Apr: -0.6%) and services (May: 4.1%; Apr: 3.7%) while slowdowns were observed for non-energy industrial goods (May: 0.8%; Apr: 0.9%) and food, alcohol and tobacco (May: 2.6%; Apr: 2.8%)
- Despite the uptick, the May 2024 figure remains a step down from the 2.8% observed in January and matches the 2.6% average in 1Q24. The EU Commission revised down its Euro Area HICP forecast for 2024 and 2025 to 2.5% and 2.1%, respectively at its Spring Forecast (Winter Economic Forecast, 2024: 2.7%; 2025: 2.2%). With average year-to-date headline inflation at 2.6%YoY, EU Commission's forecast implies moderating inflation in the coming months.
- ECB communications have made clear that the current trajectory remains constructive for a June cut, but the rate path beyond that remains uncertain. Our house view remains for a cumulative 75 bps cut this year starting from June.



Source: Eurostat, OCBC.



Source: Eurostat, OCBC.

OCBC

Source: Eurostat, OCBC.

Singapore: Import and Domestic Supply Prices Eased in April

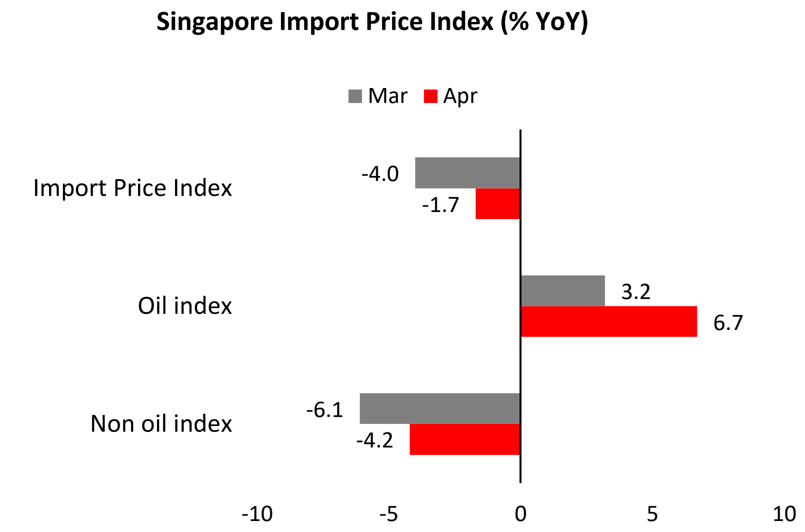
- The import price index fell by 1.7% YoY in April following a 4.0% YoY decrease in March. The oil index rose 6.7% YoY (Mar: 3.2%) while the non-oil index fell 4.2% YoY (Mar: -6.1%).

- Among non-oil imports, the price declines were broad based, with lower prices observed for ‘animal & vegetable oils’ (-11.8%), ‘machinery & transport equipment’ (-5.4%), ‘manufactured goods’ (-4.8%), ‘chemicals and chemical products’ (-2.9%) and ‘beverages & tobacco’ (-1.8%). Higher prices were observed for ‘food & live animals’ (1.7%) and ‘miscellaneous manufactured articles’ (0.6%).

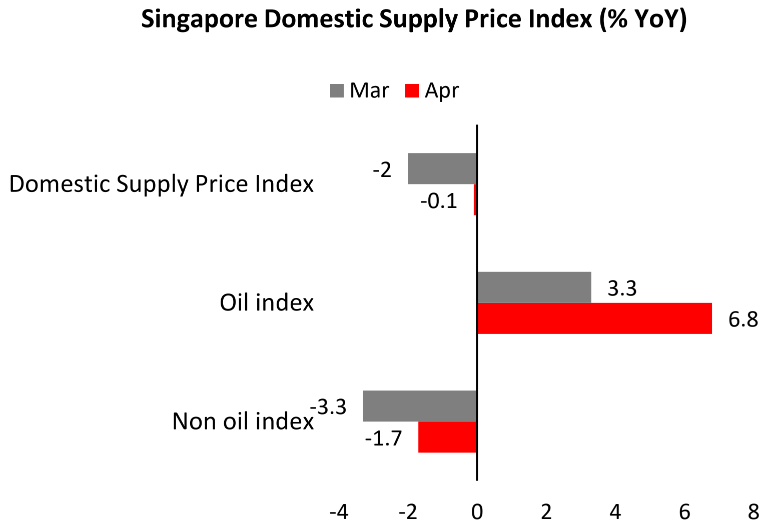
- Similarly, the domestic supply price Index fell by 0.1%YoY in April, easing from an upwardly revised 2% decline in the March. The April print marked the 4th straight month of falling domestic supply prices but marked the smallest decline in sequence.

- The oil index rose by 6.8% while the non-oil index fell by 1.7%. Among the non-oil sub-indices, price declines were observed for ‘animal & vegetable oils’ (-12.2%), ‘manufactured goods’ (-3.0%), ‘chemicals & chemical products’ (-2.3%), ‘machinery & transport equipment’ (-1.6%), ‘miscellaneous manufactured articles’ (-1.4%), and ‘beverages & tobacco’ (-1.3%).

Source: DOS, OCBC.



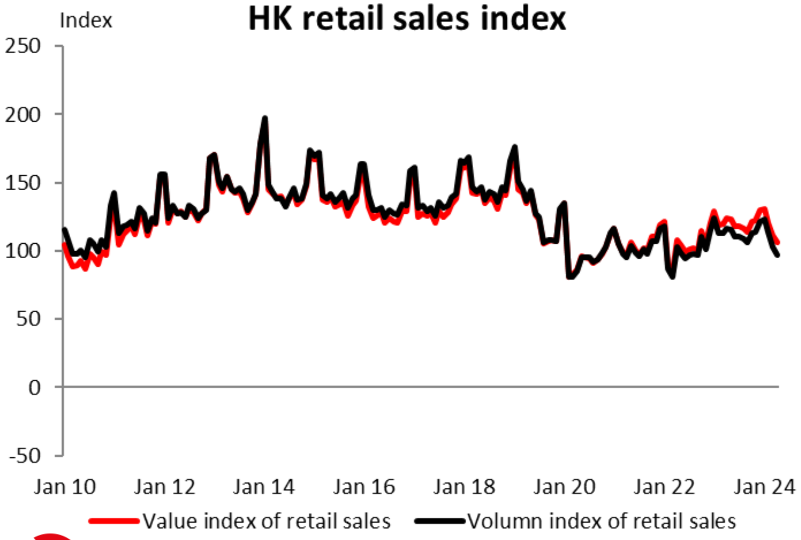
Source: DOS, OCBC.

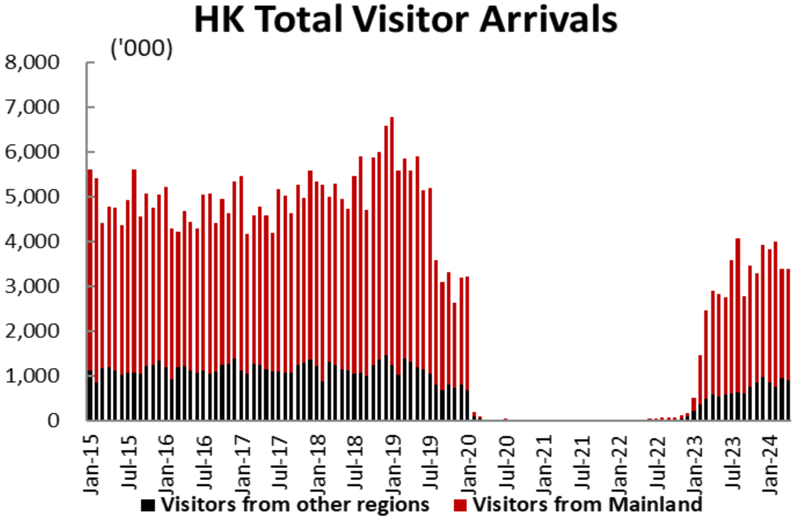


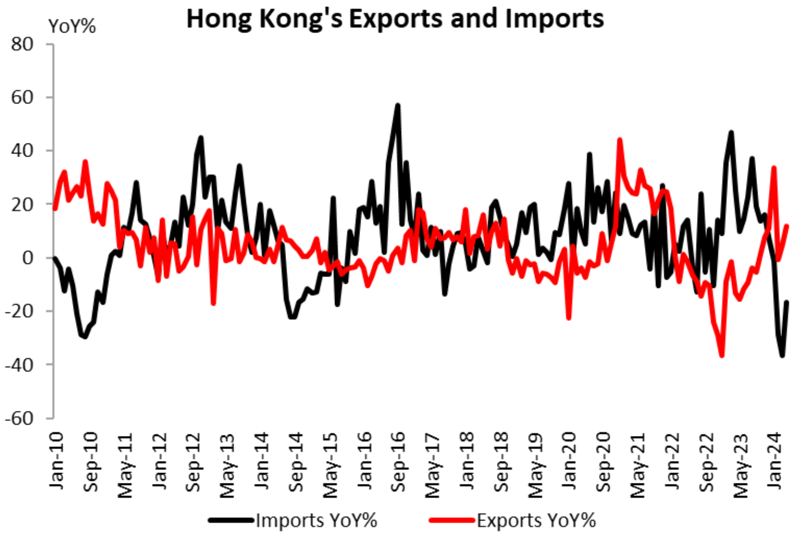
Source: DOS, OCBC.

HK: Domestic Demand Stayed Weak

- Total retail sales in April again surprised the market to the downside, falling by 14.7% YoY and 16.5% YoY in value and volume terms respectively. Taking the March and April data together (to eliminate the impact of Easter holiday), retail sales fell by 10.9% YoY, despite the sharp rebound in tourist arrivals. Local consumption sentiment stayed rather weak, because of the high interest rate environment and negative wealth effect (broad correction in the housing and equity market in the past few years). Meanwhile, residents' increased spending abroad also had some crowding out effect on their spending in the domestic market. We expect the retail sales to stay weak in the near term.
- Separately, merchandise exports and imports rose at a faster pace of 11.9% YoY and 3.7% YoY respectively in April (4.7% YoY and 5.3% YoY respectively in March), against the lower base a year ago. Trade deficit declined to HK$10.2 billion in April, from that of HK$45.0 billion in the previous month. We expect to see decent year-on-year growth in exports in coming months, given the resilient external demand and bottoming out of electronic export cycle. The improved export outlook should help to offset the weakness in domestic demand.





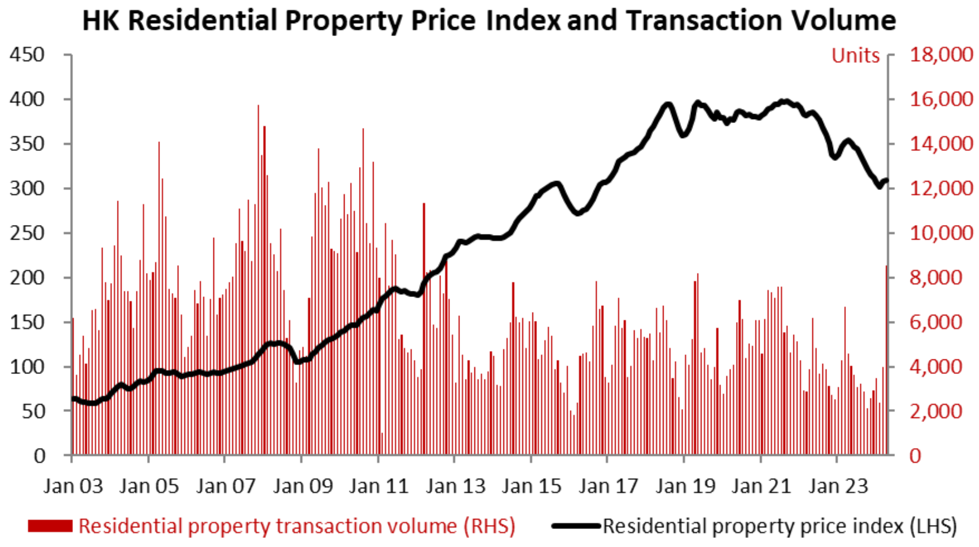


OCBC

Source: HK Census and Statistics Department, OCBC

HK: Housing Price Up by a Slower Pace

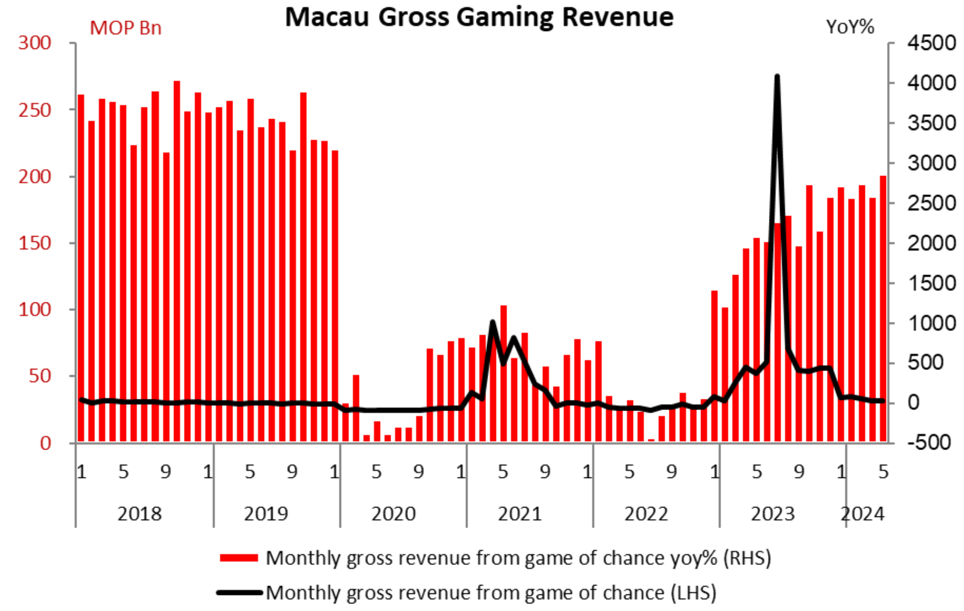
- The residential property price index extended month-on-month gains in April, although at a slower pace of 0.3% (1.8% MoM in March). In the first four months this year, the housing price fell cumulatively by 0.8%. On the other hand, rent index rose at a faster pace of 1.0% in April over the previous month, suggesting still solid housing need. Trading activities in the residential property jumped to 8551 cases in April, the highest since 2012, from that of 3971 cases in March.
- Comparing with the peak, housing price fell by 22.5% cumulatively in April. Analyze by flat size, the mass-market and medium-sized properties (Class A, B and C; below saleable area of 100 square meter) and large-sized properties (Class D and E; saleable area of 100 square meter or above) both rose by 0.3% over the preceding month in April. As for rental index, they increased further by 0.9% and 1.0% month-on-month respectively in April.
- The upbeat sentiment in the housing market faded more recently, as Fed rate cut expectation was pushed further back. In addition, major developers continued to cut prices for primary projects to boost sales.



Source: HK Rating and Valuation Department, Land Registry, OCBC

MO: Gross Gaming Revenue Refreshed Post-Covid High

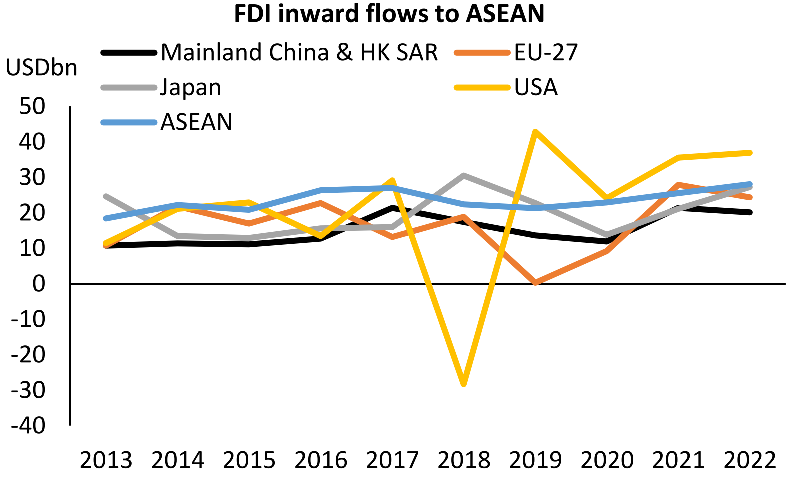
- Exports of gaming services continued to underpin Macau's economic growth. The gross gaming revenue recovered to MOP21.19 billion in May (+29.7% YoY), the best performing month since the start of the pandemic. Specifically, the gross gaming revenue in the mass and premium mass market, reached the record high in May. In the first five months this year, the gross gaming revenue rose by 47.9% YoY. Comparing to that same period in 2019, the total was still down by 23.6%.
- Separately, according to the International Monetary Fund's (IMF) report, Macau's GDP is forecasted to grow by 13.9% this year (vs. our estimate at 16%), driven by "the further recovery in the gaming sector and pickup in private investment, partly due to commitments from gaming concessionaires to invest in non-gaming sectors". Headline inflation is projected to accelerate only gradually and stabilize around 2.5% over the medium-term.



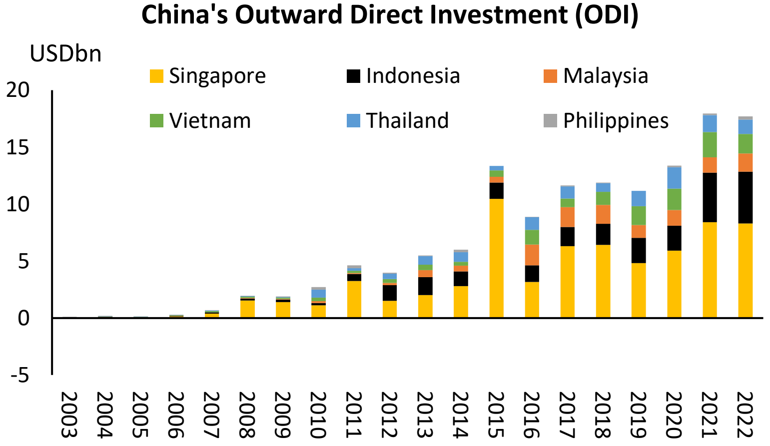
Source: DSEC, OCBC

ASEAN: China-FDI Flows

- FDI inflows into the ASEAN-6 economies of Indonesia, Malaysia, Philippines, Thailand, Singapore and Vietnam have been gaining traction and rose to USD236bn in 2023 compared to annual average of USD190bn in 2020-22.
- FDI inflows into the ASEAN region were the highest from the USA, Japan, EU and Mainland China & HK SAR (2022). This was underpinned by global factors such as a diversification of global and regional supply chain as well as the adoption of 'China+1', 'friend-shoring', 'offshoring' and related strategies.
- Within the ASEAN-6 region, Singapore received the bulk of the inflows in 2022. Among the remaining economies, Indonesia was the biggest recipient of inflows, followed by Vietnam, the Philippines, Malaysia and Thailand. Most FDI inflows were directed towards the 'manufacturing' and 'financial and insurance' sectors. The transportation, construction and wholesale sectors also received a decent share of FDI inflows.
- the nature of FDI inflows into ASEAN from China has evolved over the past decade, diversifying from infrastructure into electronics, resources, and food industries. More broadly, the manufacturing, wholesale & retail trade, finance and insurance, real estate and professional services sectors have witnessed higher FDI inflows from China.
- For a more detailed analysis, please refer to the report **'ASEAN-6: Gauging ASEAN-China FDI Flows'** published on 29 May 2024.



Source: ASEAN Secretariat; OCBC.

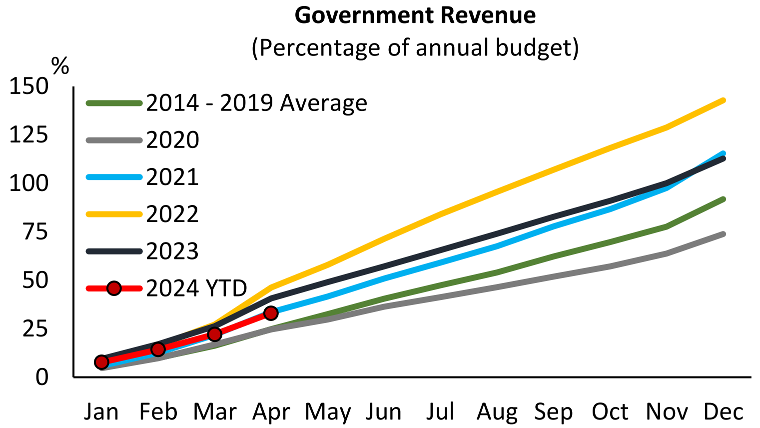


Source: CEIC; OCBC.

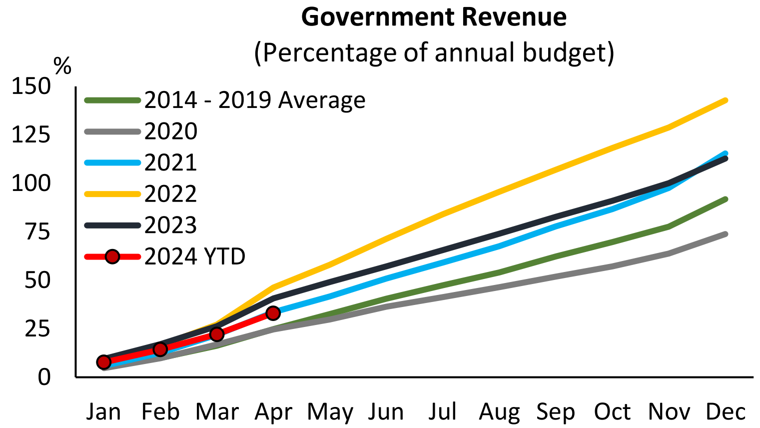
Note: We averaged the FDI inflows over the three years (2020-2022) to smooth out pandemic related disruptions. Source: Statistics Indonesia (BPS), CEIC, OCBC.

Indonesia: Higher Budget Surplus in April

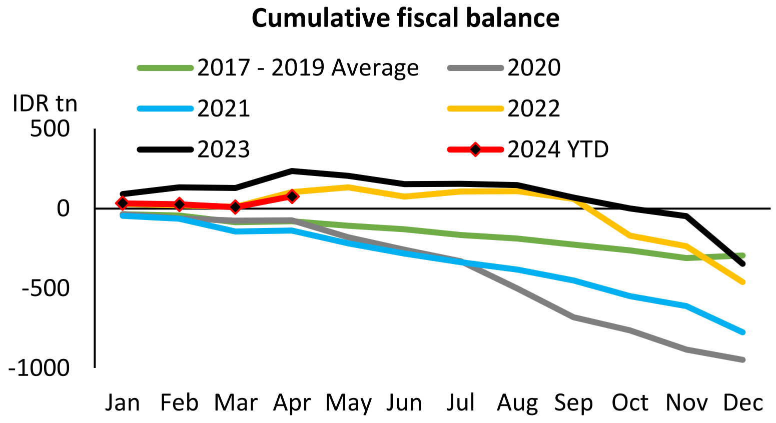
- The state budget recorded a surplus of IDR75.7tn, equivalent to 0.33% of GDP, as of 30 April 2024. This is similar to 2022 fiscal outcomes, when the boost from commodity prices supported the fiscal position.
- Notwithstanding, there are some signs that revenue collection growth is slowing. Tax revenue collections contracted by 7.6% YoY in April, (March: -16.9%), while non-tax revenue collection dropped by 38% YoY versus +37% in March, namely because of reduced profit transfers from SOEs.
- Meanwhile, state expenditure dropped by 4.0% YoY, or 25.5% of the budgeted amount. Specifically, central government spending dropped by 6.4% YoY in April from 14.2% in March. Current expenditures* dropped by 8.5% YoY versus 23.5% YoY in 1Q24, reflecting some reversal in election related spending. Capital expenditure continued to rise by 22.0% YoY (March: 11.9% YoY; 1Q24: 17.8%) as focus on expediting infrastructure and development spending sustains.



Source: Indonesia Directorate General of Budget, CEIC, OCBC.



Source: Indonesia Directorate General of Budget, CEIC, OCBC.



Source: Indonesia Directorate General of Budget, CEIC, OCBC.

OCBC

Note: *We define current expenditures as personnel, material, interest payment, subsidies, grants, social assistance and others.
Source: Ministry of Finance, CEIC, OCBC.

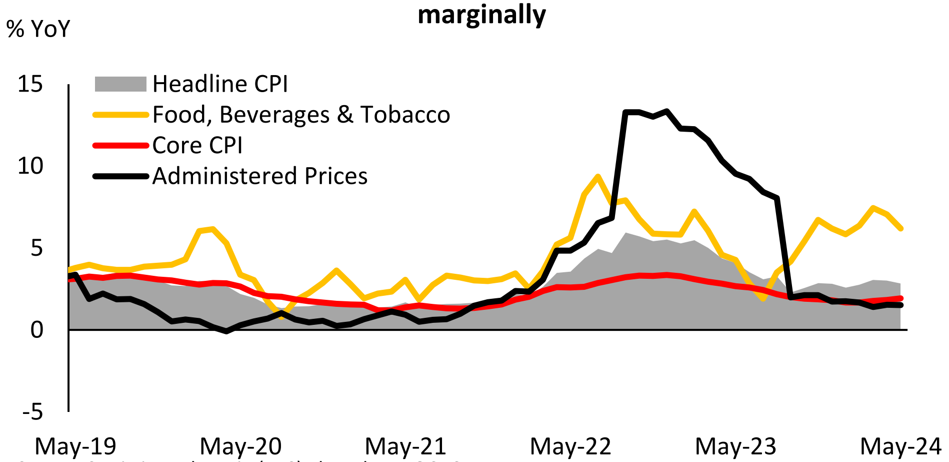
Indonesia: Lower Inflation in May

- Headline CPI eased by more-than-expected to 2.8% YoY in May versus 3.0% in April (Consensus & OCBC: 3.0%), but still within Bank Indonesia's 1.5-3.5% target range. Meanwhile, the core print picked up marginally to 1.9% YoY from 1.8% in the previous month.

- Looking at the drivers, 'food, beverage, and tobacco' inflation eased significantly to 6.1% YoY in May from 7.0% in April. Notably, Statistics Indonesia (BPS) noted that inflationary pressures eased for some key staples including rice, onions, and chicken, which more than offset the uptick in red chili prices. The authorities have been working to increase the supply of key food items to alleviate price pressures; their efforts are beginning to bear fruit. Meanwhile, transportation CPI rose slightly to 2.1% YoY in May from 1.3% in April.

- Year-to-May headline inflation averaged 2.8% YoY. Looking ahead, we continue to expect the headline CPI to print closer to the upper bound of BI's inflation target range and average 3.1% in 2024(2023: 3.7%).

Headline CPI eased in May while Core print picked up marginally



Source: Statistics Indonesia (BPS) Bloomberg, OCBC.

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

Indonesia: Prabowo-Gibran Transition Team

- A 'synchronization task force', aka the Prabowo-Gibran transition team, met with Finance Minister Sri Mulyani on Friday (31/5), marking the first known formal effort made by the incoming administration to prepare for the Prabowo-Gibran takeover on 20 October. The task force is set to meet with all other ministries.
- The task force members are all from Prabowo's Gerindra party, including Sufmi Dasco Ahmda, who is the party's operational chair and the current deputy speaker of the House of Represenatives, as the transition chief, and Thomas Djiwandono, Gerindra party treasurer and Prabowo's nephew, as the transition team finance division head.
- Finance Minister Sri Mulyani commented that the MOF is pleased and will coordinate with the transition team, especially now that her team is drafting the 2025 budget "which will serve as the foundation for the next year government [...] to implement their programs."

Position in the Task Force	Name	Profile
Chair	Sufmi Dasco Ahmad	Gerindra Party DPP Chairman Deputy Speaker of the House of Representative
Vice Chair	Ahmad Muzani	Gerindra Party secretary general
Finance Division Head	Thomas Djiwandono	Gerindra Party treasurer Prabowo nephew
Other Members	Budisatrio Djiwandono	Gerindra Party Deputy Chair Member of the House of Representatives Prabowo nephew
	Sugiono	Gerindra Party Deputy Chair Member of the House of Representatives
	Prasetyo Hadi	Gerindra Party Member Member of the House of Representatives

Source: Various news sources.

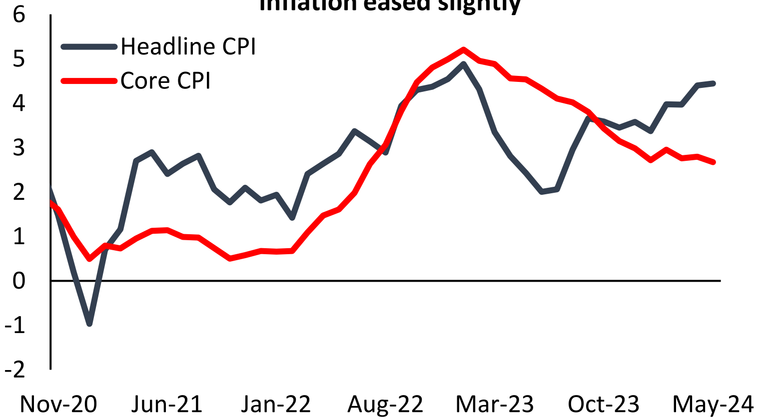
Vietnam: Growth Momentum Resilient in May

- Activity data in May were broadly supportive of growth, with retail sales, industrial production, and exports all showing accelerated growth, while inflation remained steady within the SBV's target range.

- Retail sales rose by 9.5% YoY in May, compared to 9.0% in April; industrial production growth rose to 8.9% YoY in May versus 6.3% in April, with most sectors, including manufacturing, showing improvement. On the trade front, both exports and imports increased in May, with exports rising by 15.8% YoY and imports by 29.9%, compared to 10.6% and 19.9% in April, respectively. As a result, the trade balance shifted to a deficit of USD1.0bn, compared to a surplus of USD0.7bn in April.

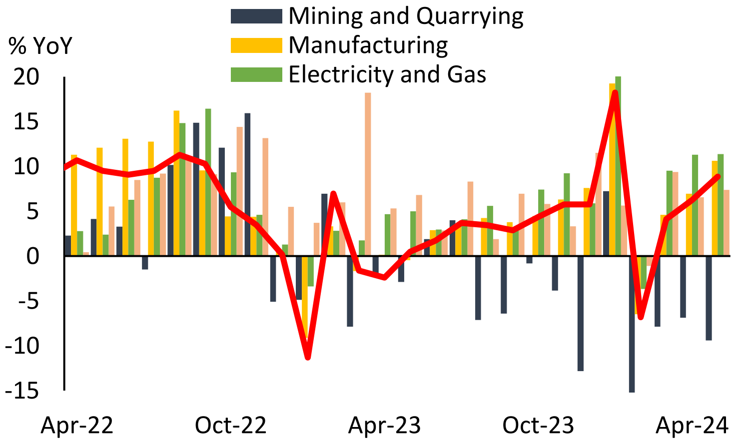
- The April and May activity data suggest that economic growth momentum improved in 2Q24 versus 1Q24. Our tracking estimate suggests GDP growth of 6.0% YoY in 2Q24 (1Q24: 5.7%). Meanwhile, SBV remains mindful of VND depreciation risks. It raised its reverse repurchase rate to 4.5% from 4.25% on 22 May through open market operations as an effort to stabilize the currency.

Headline inflation was stable in May, while core inflation eased slightly



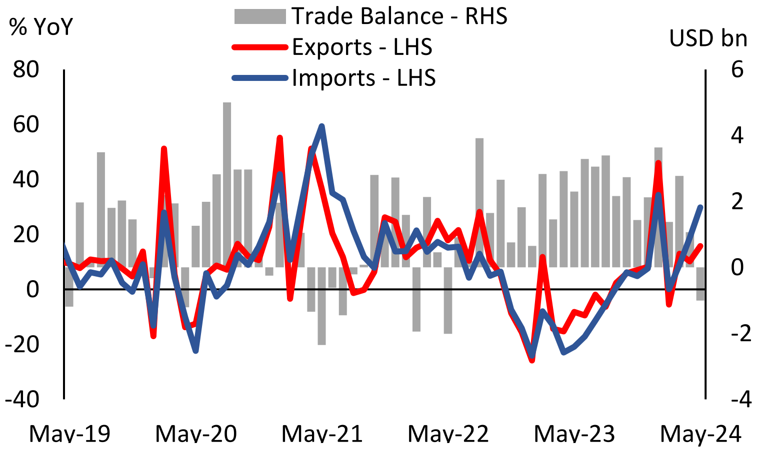
Source: GSO, CEIC, OCBC.

Industrial Performance Index



Source: GSO, CEIC, OCBC.

Trade Performance



Source: GSO, CEIC, OCBC

Source: GSO, CEIC, OCBC.

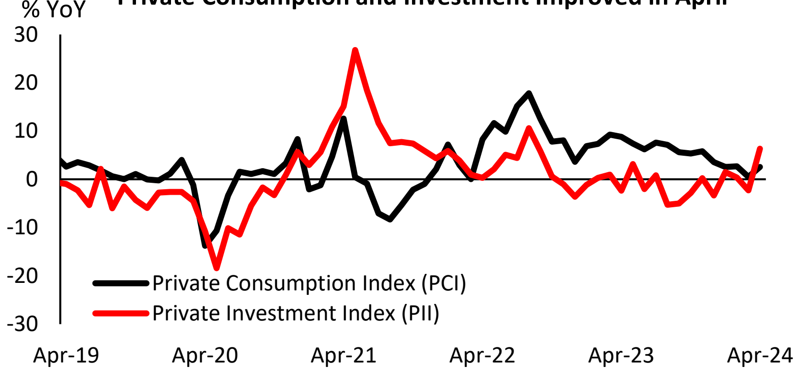
Thailand: Improved Economic Activity to Start 2Q24

- April economic activity improved relative to 1Q24. Growth in the private consumption index improved to 2.6% YoY in April versus 1.8% in 1Q24. Meanwhile, the private investment index accelerated to 6.3% YoY in April (1Q24: -0.3%). By contrast, government spending remained weak at -11.4% YoY in April versus -21.2% in 1Q24. This should materially improve in May following the approval of the FY23-24 budget at the end of April.

- Despite the mixed domestic demand picture, the external front was brighter. Both export and import growth picked up to 5.8% YoY and 6.4% YoY in April versus -1.0% and 3.2% in 1Q24. Specifically, export growth was driven by higher shipments including 'agro-manufacturing', 'electronics', and 'automotive'. Consequently, the trade surplus narrowed to USD0.3bn in April versus USD1.0bn in March while the current account balance flipped into a small deficit of USD0.04bn (March: +USD1.1bn).

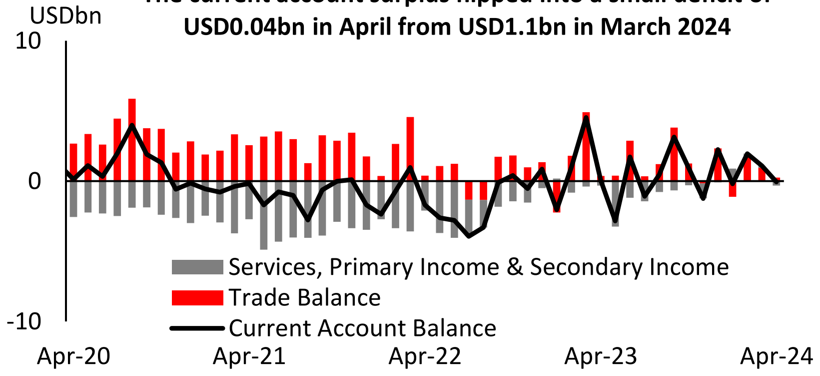
- We maintain our 2024 GDP growth at 2.8% YoY versus 1.9% in 2023, implying better economic growth in the subsequent quarters as the drag from government spending fades, the implementation of the digital wallet programme in 4Q24, as well as resilient tourism activities.

Private Consumption and Investment Improved in April



Source: Bank of Thailand, CEIC, OCBC

The current account surplus flipped into a small deficit of USD0.04bn in April from USD1.1bn in March 2024



Source: Bank of Thailand, CEIC, OCBC

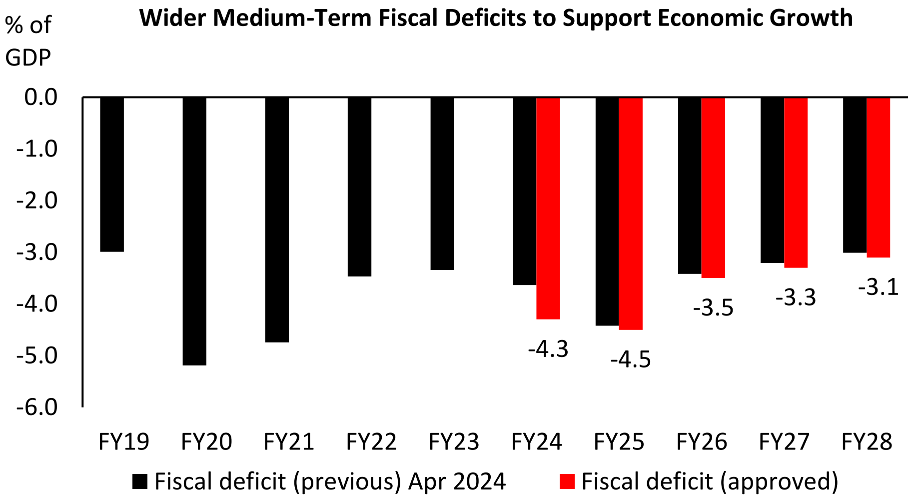
Source: Bank of Thailand, CEIC, OCBC.

Thailand: Wider Medium-Term Fiscal Deficits

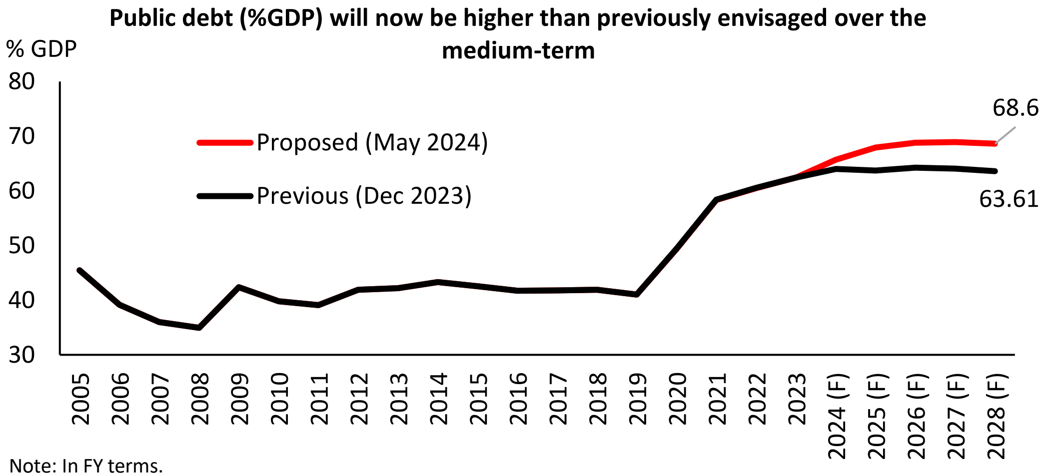
- To account for higher spending for the digital wallet programme, the cabinet revised its medium-term budget plan to account for wider deficits from FY24 until FY25.

- The biggest adjustments will come in FY24 – the FY24 budget deficit will be widened to 4.3% of GDP compared to 3.7% previously. Consequently, the deficit will narrow to 3.1% of GDP in FY28. Public debt will be higher over the medium-term by almost 5percentage points of GDP.

- Higher fiscal deficits over the medium-term, which much of the spending focused on bolstering consumption expenditures, risks inefficient allocation of resources. Redirecting spending towards more focused capital and development expenditures will raise potential growth prospects.



Source: Bloomberg, OCBC



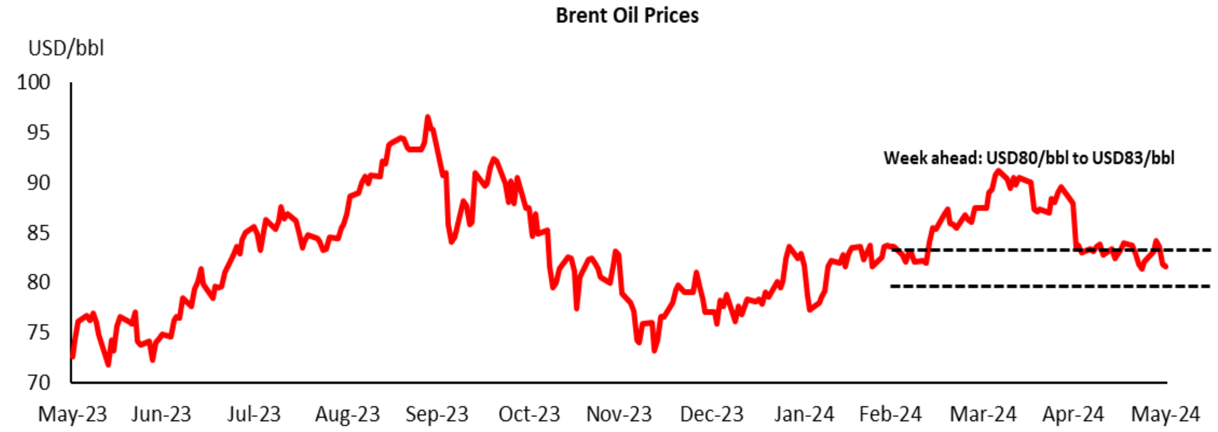
Note: In FY terms.
Source: PDMO, CEIC, OCBC

Source: PDMO, Bloomberg, CEIC, OCBC.

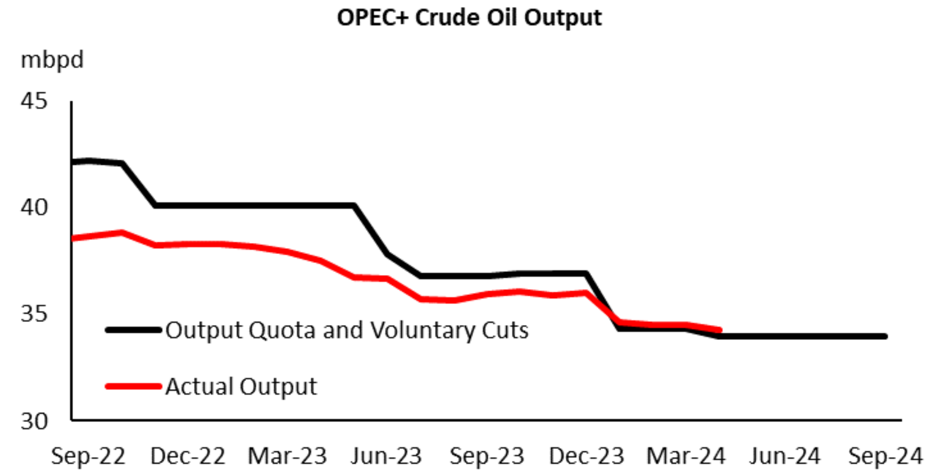
Commodities

Crude Oil: OPEC+ Extend Output Cuts

- WTI and Brent declined by 0.9% and 0.6% to close lower at USD77.0/bbl and USD81.6/bbl respectively.
- The focus for the oil market was the outcome of the 2 June OPEC+ meeting. The announcement of the extension of November 2023 output cuts (2.2mbpd) through 3Q23 was as anticipated. However, the group surprised by announcing that these cuts will not be extended beyond 3Q23 and will undergo a gradual “phased out on a monthly basis until end-September 2025 to support market stability”, implying the return of some crude oil into the market that may potentially build up global oil inventories.
- OPEC+ also announced the extension of an earlier group-wide cap from end-2024 to end-2025, as well as the April 2023 output cuts (1.66 mbpd) to end-2025. On balance, OPEC+ will continue oil production cuts by ~5.86 mbpd (~5.7% of global demand) through 3Q24, before gradually reducing the output cuts.
- Looking ahead, we expect oil prices to trade in a fairly rangebound manner — between USD 80/bbl and USD83/bbl. For the week, the key focuses are EIA weekly inventories report, US manufacturing PMIs, and China May trade data.



Source: Bloomberg, OCBC



Note: Angola left OPEC effective 1 Jan 2024.
Source: Platts OPEC+ survey by S&P Global Commodity Insights, OCBC

Source: Bloomberg, Reuters, OCBC

ESG

OCBC Bank

ESG: SG's implementation agreement with Ghana on carbon credits

- Singapore and Ghana signed an Implementation Agreement on carbon credits cooperation under Article 6 of the Paris Agreement on 27 May, which sets out a legally binding framework and processes for the generation and international transfer of carbon credits between Singapore and Ghana.
- This comes as GenZero has already been investing in a forest restoration project in the Kwahu region of Ghana, which involves replanting degraded forest reserves. More than 20 million seedlings of native species are to be planted over seven years.
- Like the agreement with Papua New Guinea, the deal with Ghana requires project developers to contribute 5% of their share of proceeds from authorised carbon credits towards climate adaptation in Ghana. These funds will go towards helping Ghana prepare for and adapt to climate change impacts e.g. heat resilience and coastal protection. Singapore has also committed to having 2% of authorised carbon credits cancelled at first issuance to ensure additional contribution to overall mitigation of global emissions.
- As the verification of carbon credits from the Ghana project will begin in 2028, more time is required for carbon tax-liable companies in Singapore to use carbon credits from this project (if deemed eligible) to offset up to 5% of their taxable emissions.
- Singapore has concluded substantive negotiations with Bhutan, Paraguay and Vietnam, and signed MoUs/Letters of Intent on carbon credits collaboration with Cambodia, Chile, Colombia, Dominican Republic, Fiji, Kenya, Mongolia, Morocco, Peru, Rwanda, Senegal, and Sri Lanka, with the aim of inking similar Implementation Agreements.

Source: GenZero, NCCS, The Straits Times

FX & Rates

FX & Rates: Relief

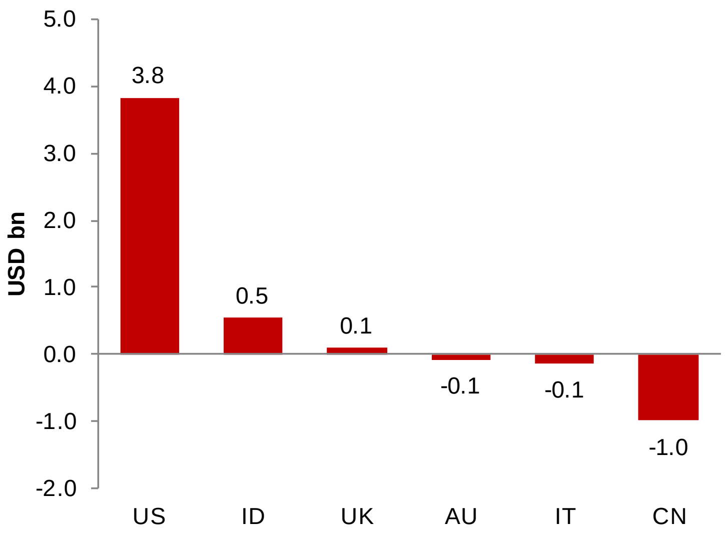
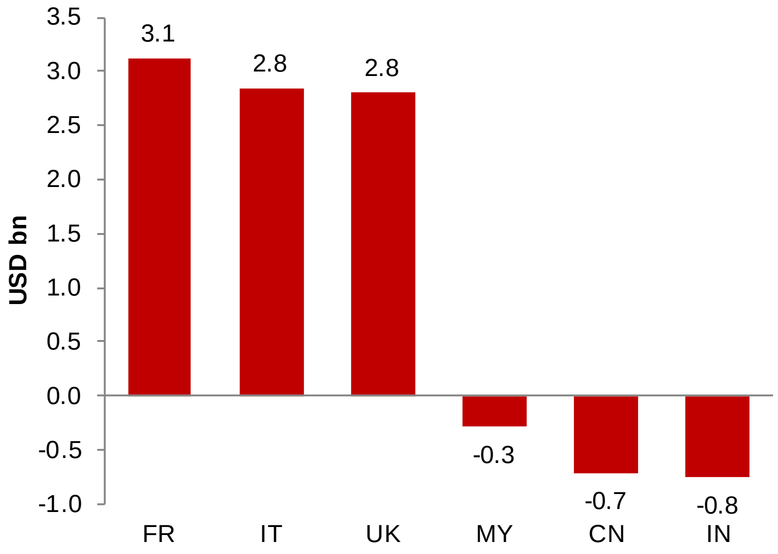
- USD rates. The pattern continued with downward revisions to Q1 data while April data printed softer, pointing to a more conductive environment for the Fed to deliver some rate cuts in the later part of the year. The liquidity condition has turned more constructive as well, with heavy net coupon bond supply out of the way; net bills settlement is at a modest USD17bn this week. The data calendar however remains heavy this week, with May ISM manufacturing and services, April factory orders/final reading of durable goods orders, May non-farm payroll and labour market report. We continue to monitor as to whether the 10Y UST yield can stay in a range below the 4.5% mark; long-end yields remain driven more by real yields than breakevens.
- EUR rates. The latest readings are unlikely to undermine ECB's intention to deliver the first interest rate cut at this week's meeting; but the outcome underlines our view that there may not be back-to-back interest rate cuts in the early part of the easing cycle. EUR OIS almost fully priced a 25bp rate cut at this week's MPC meeting, and no cut at the July meeting, which looks fair to us. Further out, we see a small room for dovish adjustment as EUR OIS price a total of 55bps of cuts this year, versus our base-case for 75bps.
- XAUXAG. Bullish Divergence Underway. The gold-silver ratio continued to go higher, in line with our technical call for bullish divergence. The rise was driven by softer silver after China NBS PMI surprised to the downside on Fri. Manufacturing PMI slipped into contractionary territory. Silver is both a proxy for precious and industrial demand and the softer China data has some influence via the industrial channel.

OCBC

Asset Flows

Global Equity & Bond Flows

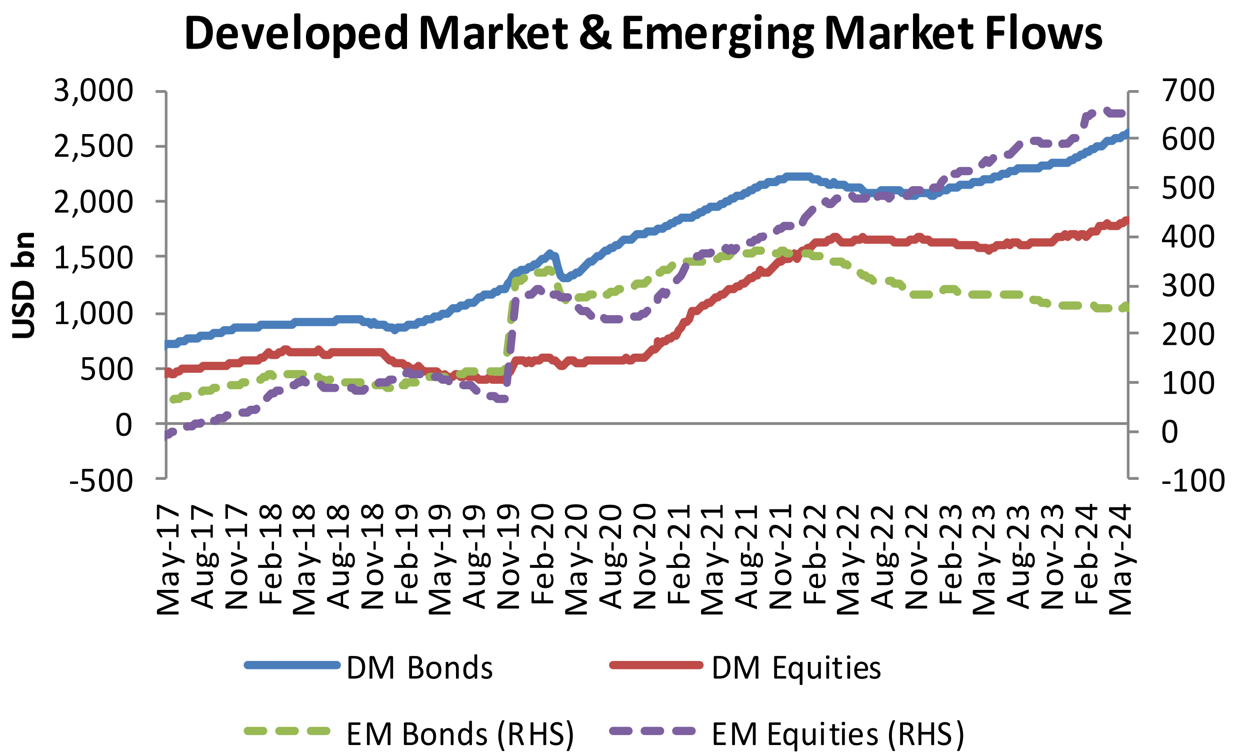
- Global equity markets saw net inflows of $1.8bn for the week ending 29 May, a decrease from the inflows of $10.4bn last week.
- Global bond markets reported net inflows of $5.1bn, a decrease from last week's inflows of $12.4bn.

Equity top gainers & losers	Bonds top gainers & losers
	

Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($1.7bn) and Emerging Market Equities ($73.51mn) saw inflows.
- Developed Market Bond ($5.8bn) saw inflows while Emerging Market Bond ($720.29mn) saw outflows.



Source: OCBC, EPFR

Thank you

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