Weekly Macro Views (WMV)

Global Markets Research & Strategy

4 November 2024

Weekly Macro Update

Key Global Data for this week:

4 November	5 November	6 November	7 November	8 November
• **US** Durable Goods Orders • **US** Factory Orders • **GE** HCOB Mfg PMI • **EC** HCOB Mfg PMI • **IN** HSBC PMI Mfg	• **AU** RBA Cash Rate Target • **ID** GDP YoY • **US** ISM Services Prices Paid • **SI** Retail Sales YoY • **PH** CPI YoY 2018=100 • **TH** CPI YoY • **SK** CPI YoY	• **MA** BNM Overnight Policy Rate • **TA** CPI YoY • **VN** CPI YoY • **PH** Exports YoY • **NZ** Unemployment Rate • **US** MBA Mortgage Applications	• **UK** Bank of England Bank Rate • **US** Initial Jobless Claims • **PH** GDP YoY • **GE** Industrial Production SA MoM • **CH** Exports YoY	• **US** FOMC Rate Decision (Upper Bound) • **US** U. of Mich. Sentiment • **CA** Unemployment Rate • **MA** Industrial Production YoY • **TA** Exports YoY

Summary of Macro Views:

Global	• **Central Banks** • **US:** Neck and neck Presidential race • **US:** Close Senate races; Market implications unclear • **US:** 3Q24 GDP eased slightly • **US:** Cooler headline PCE, sticky core PCE • **US:** Downside surprise to October nonfarm payrolls
Asia	• **SG:** 3Q24 Advance Labour Market report • **SG:** Slight decline in October PMI • **SG:** 4Q24 Business Expectations survey • **CN:** Better coordination between monetary and fiscal policy • **CN:** Improving business sentiment • **HK:** 3Q24 GDP growth slowed to 1.8% YoY • **HK:** Price and rental indexes continue to see diverging trend • **HK:** Wealth effect rendered some support to retail sales • **MO:** GGR full-year growth forecast adjusted down to 24%

Asia	• **ASEAN:** Assessing the impact of potential tariffs • **ASEAN:** An eye on FX • **ID:** Considering some policy changes • **ID:** Easing CPI likely not enough for BI • **TH:** Tepid economic activity in 3Q24
Asset Class	• **Commodities:** Lower crude oil prices • **ESG** • **FX & Rates** • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Reserve Bank of Australia (RBA)	Bank Negara Malaysia (BNM)	Bank of England (BoE)	Federal Open Market Committee (FOMC)
Tuesday, 5th November	**Wednesday, 6th November**	**Thursday, 7th November**	**Friday, 8th November**

House Views

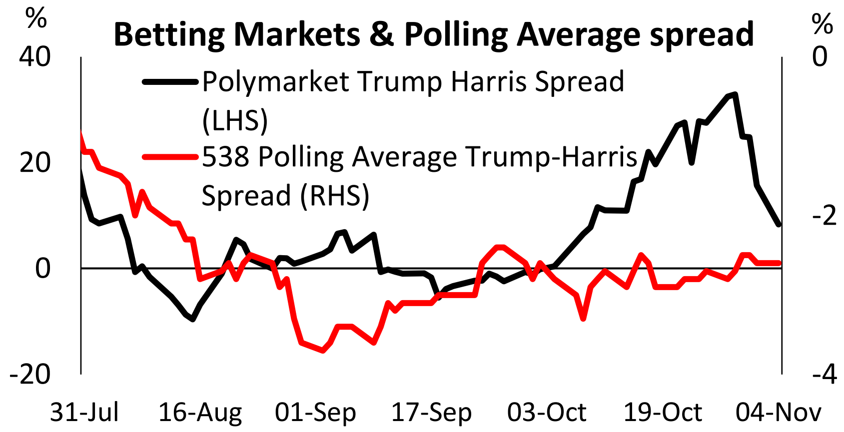
Cash Rate Target	*Overnight Policy Rate*	*Bank rate*	*Fed Funds Target Rate*
Likely hold at 4.35%	**Likely hold at 3.00%**	**Likely *cut* by *25bps* from *5.00%* to *4.75%***	**Likely *cut* by *25bps* from *5.00%* - *5.25%* to *4.75%* - *5.00%***

Source: Bloomberg, OCBC.

US: Neck and neck Presidential race

- Early voting continues to show strong turnout, as about 65 million people have already cast early ballots. Polls continue to show a tight race that remains too close to call. In the latest ABC News/Ipsos poll, Harris was seen leading 51-47% over Trump. Trump continues to hold the lead regarding the economy, which remains voters most important issue (90%). Another poll by the Des Moines Register conducted by famed pollster Ann Seltzer showed Harris leading Trump 47-44% in Iowa, reversing the 4% lead Trump had in the September poll. While Iowa is not a traditional swing state, the shift towards Harris may indicate further inroads that the Harris campaign has made in traditional Republican states and among Midwest voters, which bode well for her push in states such as Michigan, Wisconsin, North Carolina, Texas and Florida.

- Betting markets have began closing the gap between polling averages and election bets, with Polymarket showing Trump's betting lead down more than 10% points over the past five days to ~55%. While the spread between Trump and Harris remains larger than traditional polls suggest, the spread has declined by ~20% points over the last five days.



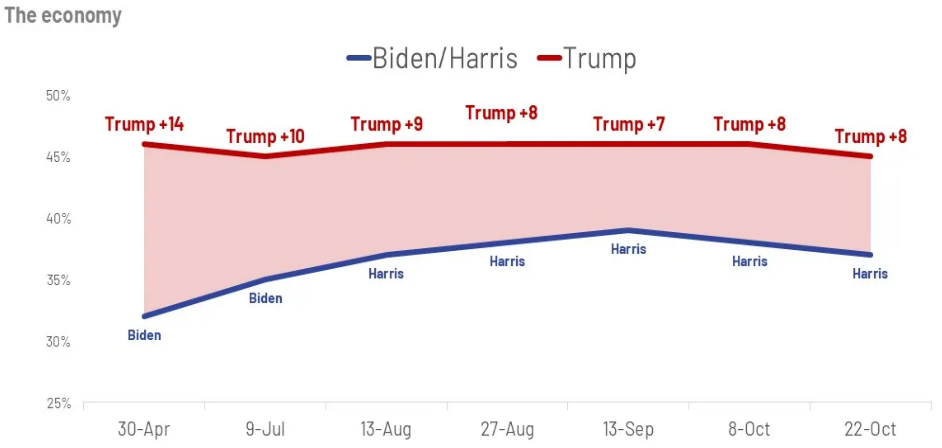
Source: Bloomberg, OCBC

538 Weighted Average Polls	Trump	Harris
Arizona	49.0%	46.5%
Georgia	48.5%	47.1%
Michigan	47.1%	47.8%
Nevada	47.9%	47.3%
North Carolina	48.4%	47.2%
Pennsylvania	48.0%	47.7%
Wisconsin	47.4%	48.2%

Source: FiveThirtyEight, OCBC, as of 3 November

Who do you trust more to handle each of these issues, Harris, Trump, or do you not trust either of them to handle it?

Among all Americans



Source: FiveThirtyEight, Des Moines Register, ABC News, Ipsos, CNA, Polymarket, OCBC.

US: Close Senate races; Market implications unclear

- Apart from the Presidential elections, key Senate elections to watch include Texas, Montana, Ohio, Wisconsin, Michigan, Pennsylvania, Arizona, Nevada, Nebraska and Florida.
- Historically, the S&P 500 tends to do better under a Democratic president, growing 10% compared to 6.7% under Republicans, with all Democratic presidents presiding over a rising stock market during their time in the White House. Volatility tends to fall after the elections, as uncertainty settles down and normalcy returns.

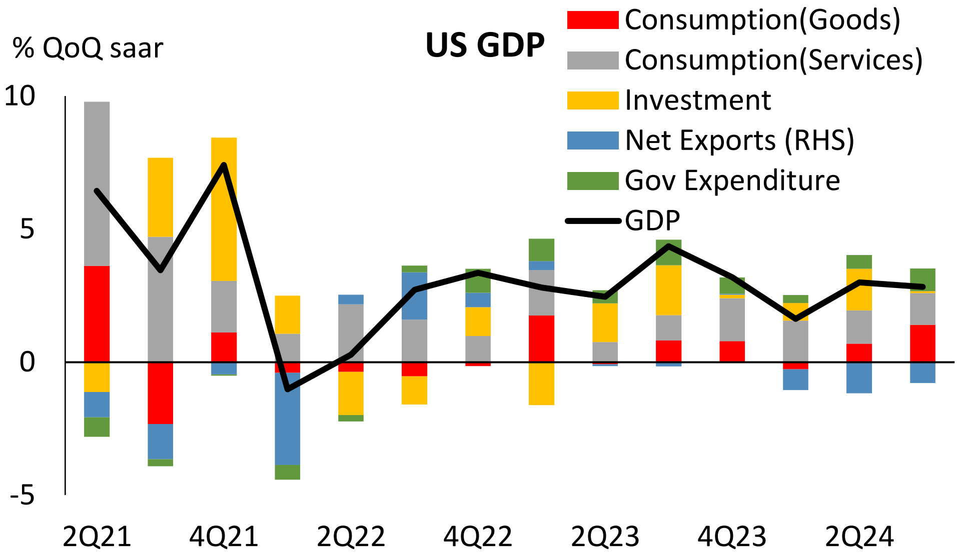
States	What time do polls close?
Arizona	10pm ET (10am SGT – 6 November)
Georgia	7pm ET (7am SGT – 6 November)
Michigan	8pm & 9pm ET (8 and 9am SGT – 6 November)
Nevada	10pm ET (10am SGT – 6 November)
North Carolina	7.30pm ET (7.30am SGT – 6 November)
Pennsylvania	8pm ET (8am SGT – 6 November)
Wisconsin	9pm ET (9am SGT – 6 November)

Year	House	Senate	President	DXY			S&P 500			UST 2Y			UST 10Y			VIX		
				1 day	30 days	90 days	1 day	30 days	90 days	1 day	30 days	90 days	1 day	30 days	90 days	1 day	30 days	90 days
1992	D	D	D	0.1%	1.8%	5.7%	-0.7%	2.4%	5.4%	0.0%	8.3%	-5.3%	0.3%	0.8%	-7.0%	-6.1%	-30.6%	-28.9%
2008	D	D	D	-0.2%	2.0%	1.5%	-5.3%	-16.0%	-17.9%	-2.3%	-40.8%	-35.1%	-0.6%	-31.5%	-26.9%	14.3%	33.3%	-4.6%
2020	D	D	D	-0.2%	-3.0%	-2.8%	2.2%	8.8%	12.0%	-13.0%	-10.7%	-35.5%	-15.2%	0.8%	20.0%	-16.8%	-40.1%	-14.9%
Mean Returns (Democrats)				-0.1%	0.2%	1.5%	-1.2%	-1.6%	-0.2%	-5.1%	-14.4%	-25.3%	-5.2%	-10.0%	-4.6%	-2.9%	-12.5%	-16.1%
2000	R	R	R	0.5%	-1.9%	-4.9%	-1.6%	-6.2%	-5.4%	-0.3%	-9.0%	-21.8%	-0.2%	-9.5%	-11.9%	3.0%	1.7%	-10.9%
2004	R	R	R	-0.9%	-4.1%	-2.2%	1.1%	5.3%	4.5%	0.6%	18.5%	27.6%	0.7%	8.9%	2.0%	-13.2%	-19.8%	-20.8%
2016	R	R	R	0.7%	3.3%	2.1%	1.1%	5.0%	7.2%	4.2%	30.0%	34.6%	10.9%	29.8%	29.8%	-23.3%	-32.6%	-39.3%
Mean Returns (Republican)				0.1%	-0.9%	-1.7%	0.2%	1.4%	2.1%	1.5%	13.1%	13.4%	3.8%	9.7%	6.6%	-11.2%	-16.9%	-23.7%
1988	D	D	R	-1.3%	-3.1%	3.0%	-0.7%	0.5%	7.6%	0.6%	6.1%	8.9%	0.7%	1.8%	1.6%	NA	NA	NA
1996	R	R	D	0.0%	1.4%	6.6%	1.5%	4.2%	10.2%	0.6%	-0.1%	2.8%	0.4%	-0.6%	2.9%	-3.9%	2.8%	10.9%
2012	R	D	D	0.2%	-0.4%	-1.3%	-2.4%	-1.0%	4.7%	-10.5%	-21.0%	-17.1%	-5.9%	-9.4%	11.7%	8.5%	-5.7%	-16.6%
Mean Returns (Split Congress)				-0.4%	-0.7%	2.8%	-0.5%	1.2%	7.5%	-3.1%	-5.0%	-1.8%	-1.6%	-2.8%	5.4%	2.3%	-1.5%	-2.8%
Mean Returns (Total)				-0.1%	-0.5%	0.9%	-0.5%	0.3%	3.1%	-2.2%	-2.1%	-4.5%	-1.0%	-1.0%	2.5%	-4.7%	-11.4%	-15.6%

Source: Bloomberg, Respective state websites, CNN, CFRA, OCBC.

US: 3Q24 GDP eased slightly

- 3Q24 GDP grew by 2.8% QoQ saar (2.7%% YoY) versus consensus of 2.9% and 3.0% in 2Q24. Growth in government expenditures ticked up to 5.0% QoQ saar (2Q24: 3.1%) as federal spending grew 9.7%. The main drag was investments, which grew 0.3% QoQ saar in 3Q24, down from 8.3% in 2Q24. Key contributors to this decline were structures investment (-4.0% QoQ saar) and residential investment which declined 5.1% (2Q24: -2.8%).
- Strong growth was seen in personal consumption expenditures, which rose 3.7% QoQ saar in 3Q24 (2Q24: 2.8%), carried by stronger goods spending at 6.0% (2Q24: 3.0%). Services consumption, however, moderated slightly to 2.6% QoQ saar in 3Q24. This was accompanied by personal spending for September growing by 0.5% MoM (consensus: 0.4%), while August personal spending was revised upwards to 0.3% MoM. Goods spending growth reversed the 0.2% MoM contraction in August, growing 0.5% in September. Meanwhile, services spending grew 0.5% MoM, the largest growth since March 2024.

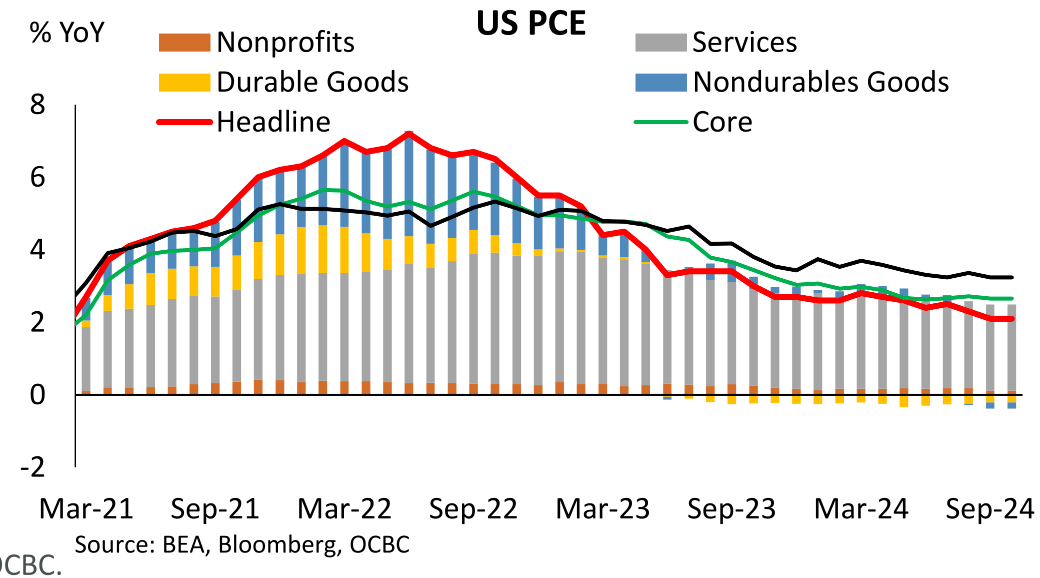


Source: BEA, Bloomberg, OCBC

Source: BEA, Bloomberg, OCBC.

US: Cooler headline PCE, sticky core PCE

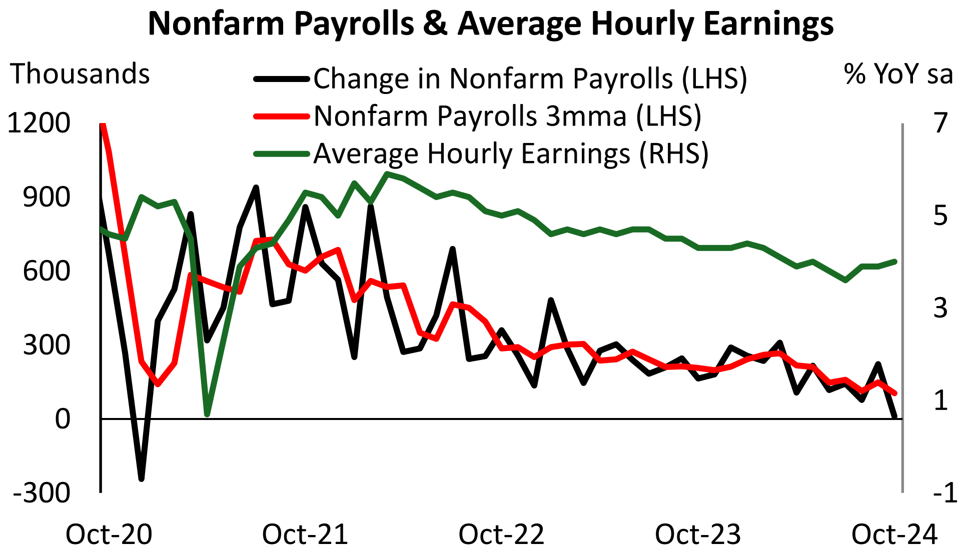
- Headline PCE eased to 2.1% YoY in September (0.2% MoM; August: 2.3%; consensus: 2.1%), while core PCE held steady at 2.7% YoY (0.3% MoM; consensus: 2.6%). Goods inflation continued to remain negative for the sixth consecutive month, contracting by 1.2% YoY in September as durable goods contracted by 1.9% in September. Meanwhile, nondurable goods prices remained negative for the second consecutive month at -0.8% YoY, the lowest reading since December 2020.
- Services inflation eased slightly in September to 3.7% YoY (August: 3.8%), as housing inflation eased to 5.1% (August: 5.3%), the lowest reading since April 2022 . Financial and insurance prices eased to 4.9% YoY in September, versus 5.2% in August. However, healthcare inflation rose by 3.0% YoY in September (August: 2.6%), the highest reading since February 2024 and the second consecutive month of rising healthcare prices. Utilities inflation also picked up to 3.8% YoY, reversing the easing in August to 3.4% (July: 4.2%).



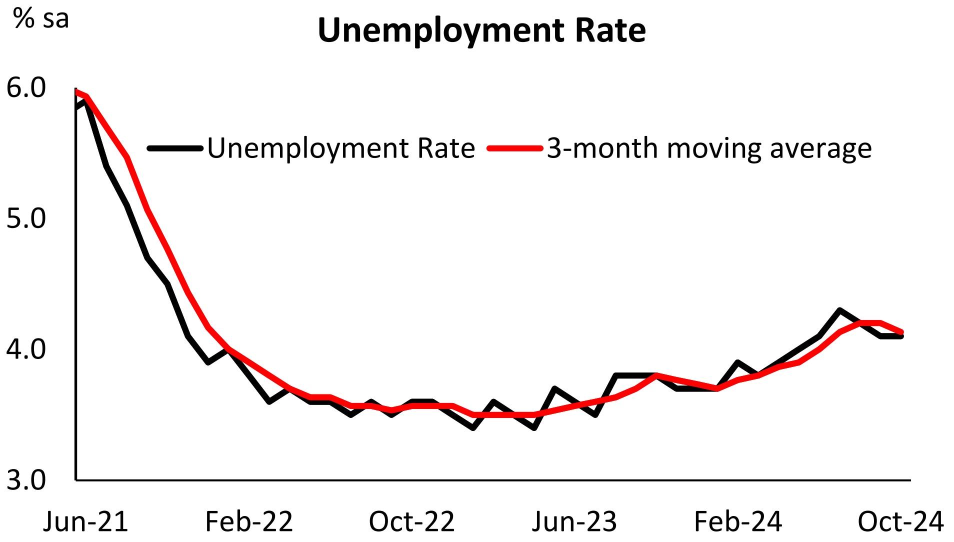
Source: BEA, Bloomberg, OCBC.

US: Downside surprise to October nonfarm payrolls

- October nonfarm payroll data showed that the US economy only added 12k, versus expectations of 100k. TThe September NFP print was revised up to 254k, but the net two-month revision was -112k. Private payrolls shrank 28k, from a revised 223k in September. According to the Bureau of Labour Statistics (BLS), estimates in some industries were likely affected by Hurricanes Helene and Milton due to a shortened collection period, while strikes at Boeing and Textron subtracted 44k jobs from payrolls.
- Meanwhile, average hourly earnings ticked up slightly to 4.0% YoY in October from a downwardly revised 3.9% in September, the highest reading since May 2024. The unemployment rate also held steady at 4.1% in October, while the labour force participation rate slipped marginally to 62.6%. Overall, this data is unlikely to pressure the Fed into repeating its jumbo 50bps cut this week. For this week, we expect a 25bp cut at the FOMC meeting.



Source: BLS, Bloomberg, OCBC



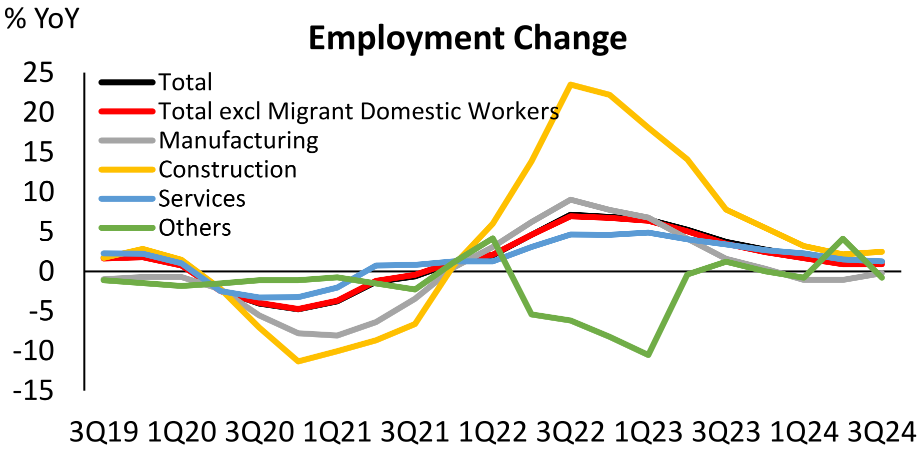
Source: BLS, Bloomberg, OCBC

OCBC

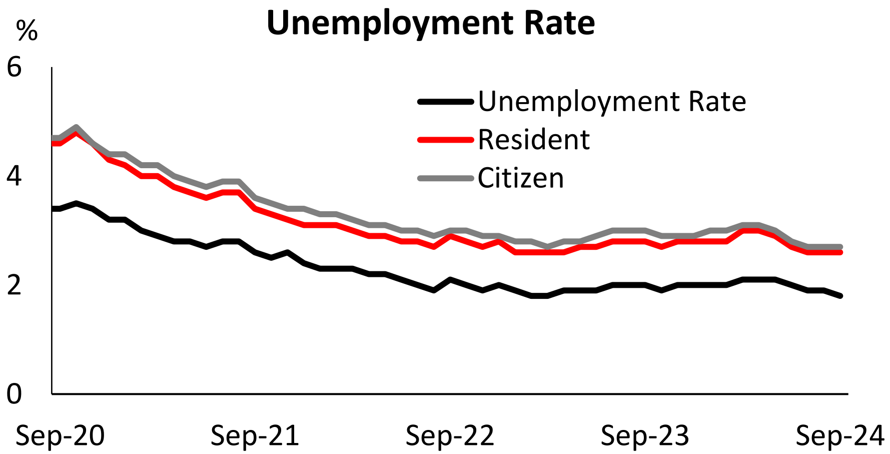
Source: BLS, Bloomberg, OCBC.

Singapore: 3Q24 Advance Labour Market report

- Total employment grew by 24.1k in 3Q24 (2Q24: 11.3k), as both resident and non-resident employment rose at a faster pace. Resident employment increased in sectors such as Infocomms, Professional Services and Health & Social Services. Similar to 2Q24, a majority of non-resident employment came from Work Permit Holders in non-PMET roles in 3Q24. Employment among higher-skilled pass types was stable in 3Q24.
- Unemployment rates were relatively steady in September. The overall unemployment rate dipped to 1.8% in September (August: 1.9%), the lowest reading since March 2023. Meanwhile, the resident and citizen unemployment held steady at 2.6% and 2.7% respectively in September.
- The Ministry of Manpower's forward-looking polls for September indicate a decline in hiring and wage expectations as the number of firms reporting an intention to hire fell to 43.2% (2Q24: 49.4%). Meanwhile, the proportion of firms intending to raise wages fell to 15.6% in 3Q24 (2Q24: 28.6%). MOM expects employment to continue expanding in 4Q24, supported by strong growth and increased year-end hiring for the festive period.



Source: MOM, CEIC, OCBC

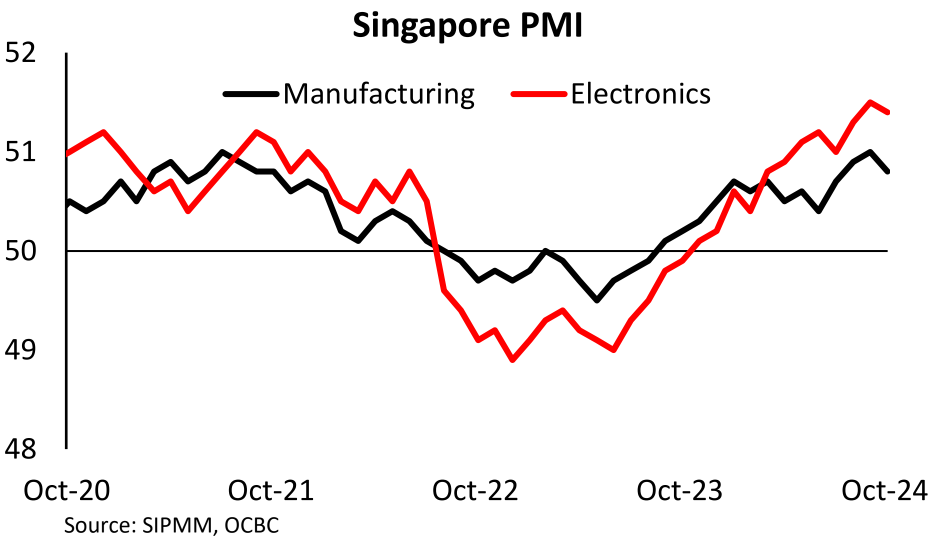


Source: MOM, CEIC, OCBC

Source: MOM, CEIC, OCBC.

Singapore: Slight decline in October PMI

- October manufacturing and electronics PMI slipped slightly to 50.8 and 51.4 respectively, versus 51.0 and 51.5 previously. New orders, new export orders, output, input purchases, input prices, and future business gauges softened, whereas stocks of finished goods, imports, employment, supplier deliveries and order backlog gauges improved for the manufacturing sector.
- For the electronics industry, what was notable was the electronics deliveries gauge rose to expansion territory (50.0) from 49.8 previously, and the new orders, new exports, output, imports, employment, order backlog and future business gauges stayed resilient above the 51.0 handle, suggesting continued momentum. Looking ahead, the short-term pullback could be partly attributable to the external uncertainties pertaining to the US election outcome, FOMC rate cut trajectory and the strength of China's recovery, but overall growth momentum should sustain in 4Q24.

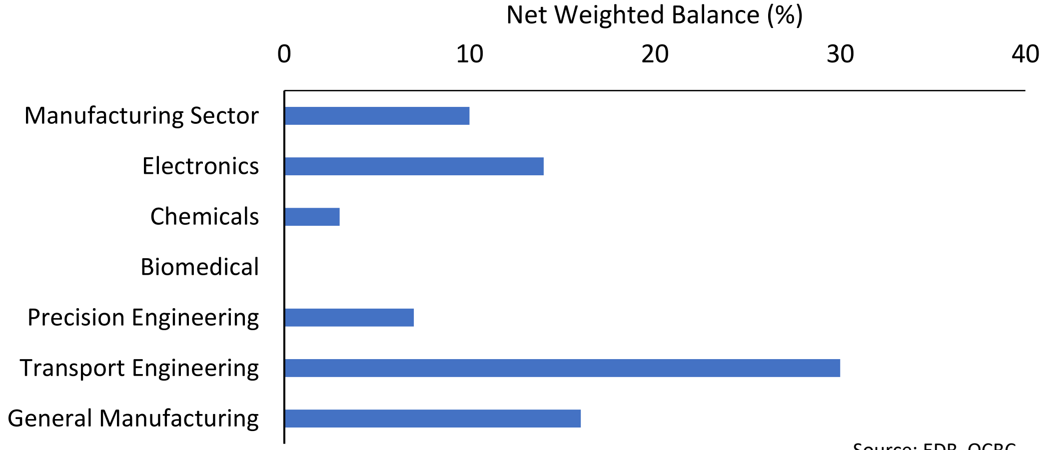


Source: SIPMM, Bloomberg, OCBC.

Singapore: 4Q24 Business Expectations survey

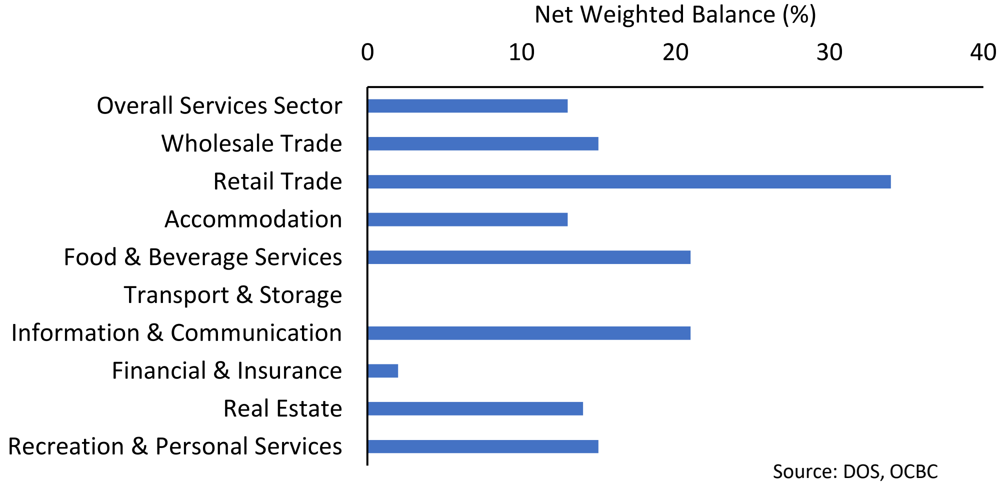
- Business sentiments in the manufacturing sector remain positive, as a net weighted 10% of manufacturing firms anticipate an improved business outlook from October 2024 – March 2025, compared to 3Q24. This comes despite geopolitical and macroeconomic headwinds, with all sectors bar biomedical engineering anticipating improved business prospects. A net weighted 15% of manufacturers expect higher output in 4Q24, with all clusters bar general manufacturing expecting so. 82% of firms expect employment levels to remain similar in 4Q24.
- Meanwhile, the overall services sector also remains upbeat, with a net weighted 13% of firms expecting a more favourable business outlook from October 2024 – March 2025. All sectors bar the transportation & storage sector are optimistic, with the retail trade sector the most optimistic ahead of the upcoming festive periods. A net 14% of services sector firms foresee higher revenue for the same period, with a net 10% anticipating increased hiring demand due to better business and rising demand.

General Business Outlook for Oct 2024 - Mar 2025 (Manufacturing)



Source: EDB, OCBC

General Business Outlook for Oct 2024 - Mar 2025 (Services)



Source: DOS, OCBC

Source: EDB, DOS, OCBC.

China: Better coordination between monetary and fiscal policy

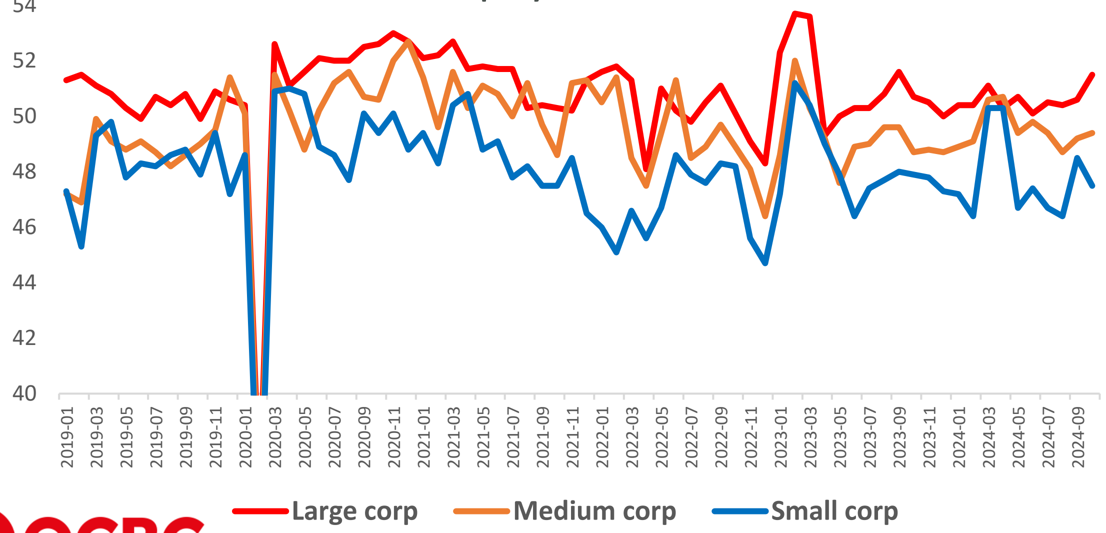
- On 31 October, the People's Bank of China (PBoC) conducted its new outright reverse repo tool, injecting CNY500bn in medium-term liquidity through a six-month operation.
- We see three implications from the introduction of the outright reverse repo. ***Firstly,*** with the inclusion of maturities like 3-month and 6-month terms under the outright reverse repo operation, the central bank seeks to improve its capacity to smooth liquidity conditions across various time frames within one year. This new tool enhances the precision of liquidity management and better addresses the concentrated MLF maturities in the fourth quarter, helping to ensure adequate liquidity through year-end. In the medium term, the tool may also be utilized to replace the MLF.
- ***Secondly,*** the outright reverse repo operation enables the central bank to transition its medium-to-long-term liquidity framework from "RRR cuts + MLF" to a more dynamic model of "bond trading + outright reverse repo". This shift aims to enhance coordination between monetary and fiscal policies.
- ***Thirdly,*** the outright reverse repo operates as a direct bond purchase, granting the central bank full ownership rather than holding bonds as collateral, as with traditional reverse repos. This ownership confers greater flexibility, enabling these bonds to be utilized within swap tools, improving upon the previous practice of using central bank bills in such operations. When combined with swap tools, outright reverse repos can temporarily support financial asset prices, positioning the central bank's innovative monetary policy tools to more effectively stabilize capital markets.

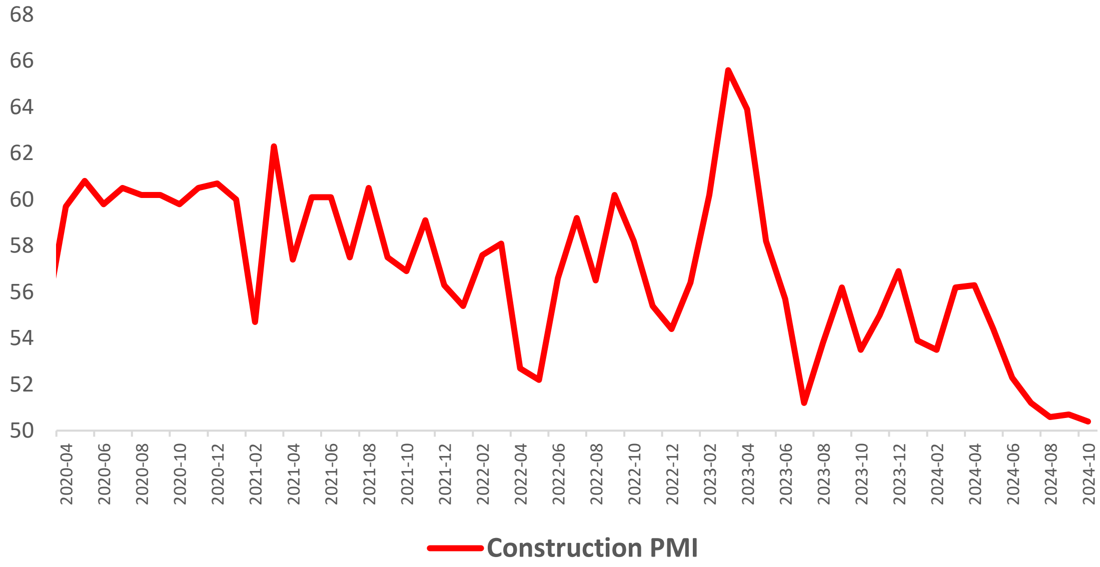
OCBC

Source: Various News, OCBC.

China: Improving business sentiment

- China's massive stimulus has begun to translate to an improving economic sentiment. China's official manufacturing PMI unexpectedly rebounded to 50.1 in October from 49.8 in September, marking its return to expansionary territory for the first time in six months and defying the usual seasonal decline in October. This uptick in manufacturing PMI can be attributed to two key factors: the extensive rollout of stimulus measures since late September, which bolstered market sentiment, and the fading impact of the September typhoon disruptions.
- The non-manufacturing PMI also rose by 0.2 to 50.2, supported by the service sector, as the service PMI returned to expansionary territory at 50.1, driven by both the Golden Week holiday and a wealth effect from the recent equity market rally. However, construction PMI dipped further to 50.4 from 50.7. It may take time for these policies to fully translate into increased physical workload.



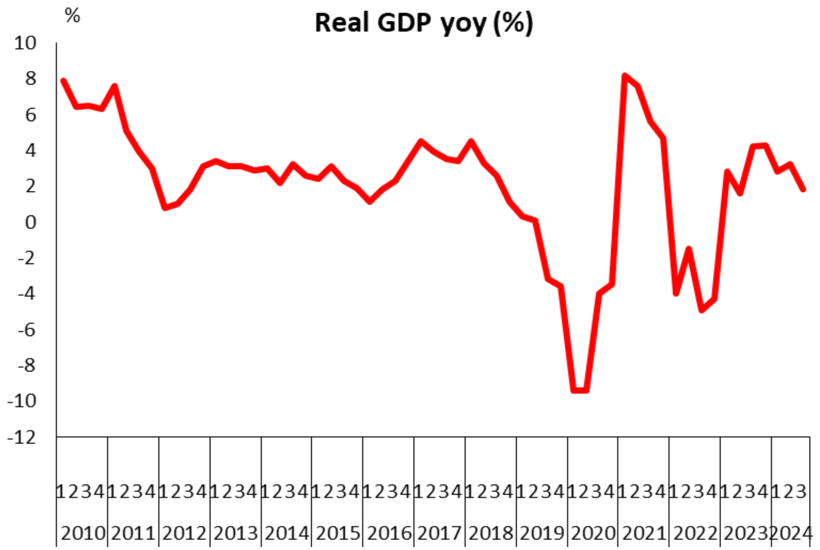


OCBC

Source: Various News, OCBC.

HK: 3Q24 GDP growth slowed to 1.8% YoY

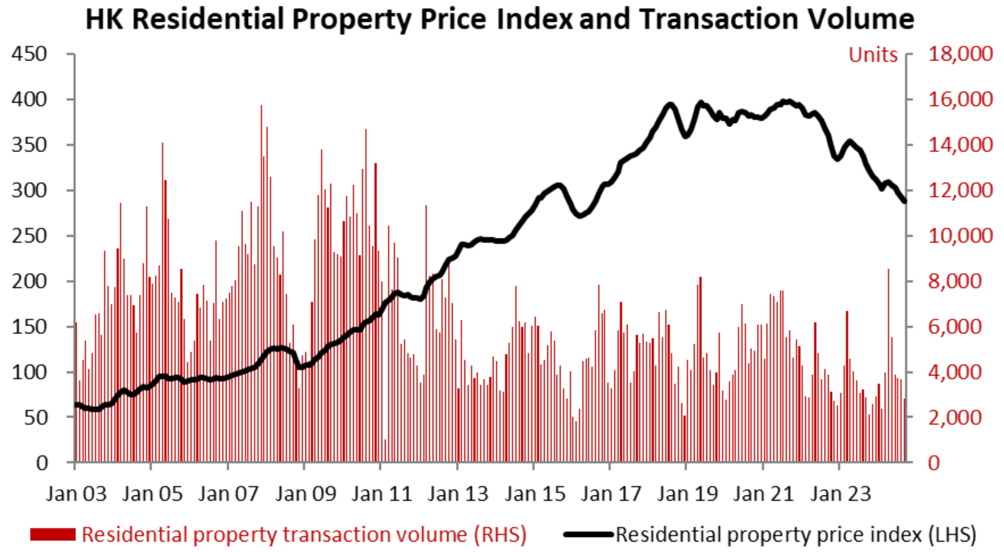
- According to the advance estimate, GDP grew at the slowest pace in five quarters, by 1.8% YoY in 3Q24 (2Q: 3.2% YoY; 1-3Q: 2.6%). On a seasonally adjusted basis, real GDP declined by 1.1% QoQ (2Q: 0.3% QoQ). Growth momentum was weakening, on the back of weak goods export growth and further contraction in domestic consumption.
- Exports of goods and gross fixed capital formation slowed to 3.9% YoY and 3.7% YoY, respectively (2Q: 7.5% YoY and 4.1% YoY), reflecting the weaker external demand and higher base of comparison a year ago. Meanwhile, private consumption expenditure contracted further, by 1.4% YoY (2Q: -1.6% YoY), amid the weak consumption sentiment and still elevated interest rate environment. However, government expenditures and exports of services continued to grow, by 2.1% YoY and 2.4% YoY respectively (2Q: 2.2% YoY and 1.1% YoY).
- The near-term economic outlook remains somewhat challenging, with more signs of softening in external demand. That said, recent stimulus measures unveiled by China and Fed rate cuts on the horizon should render some support. We keep our full year growth forecast for 2024 unchanged at 2.4%.



Source: HK C&SD, OCBC.

HK: Price and rental indexes continue to see diverging trend

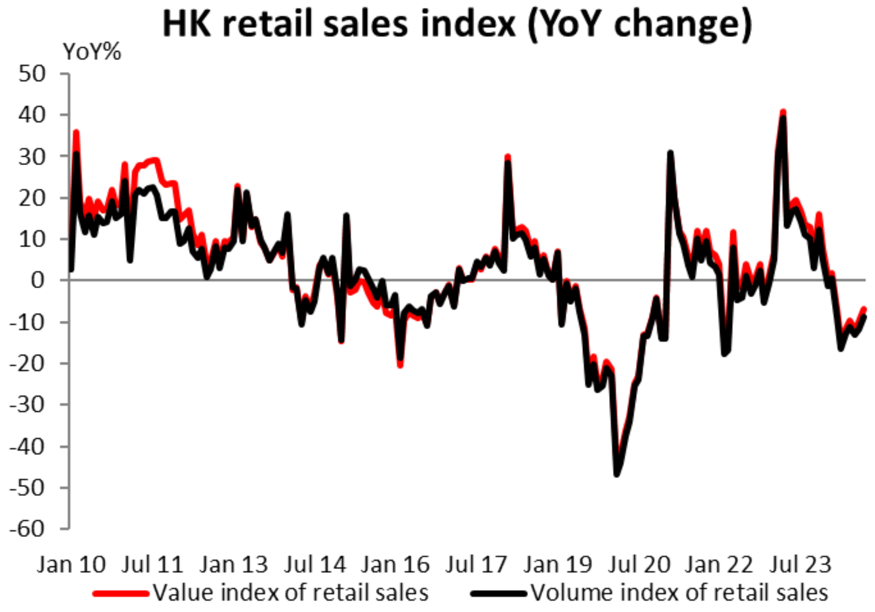
- The residential property price index fell by 1.7% MoM in September, to the lowest level since August 2016. Meanwhile, the rental index rose for the seventh consecutive month, by 0.1% MoM. In the first nine months this year, the housing price index fell cumulatively by 7.5%, whereas the rental index increased by 5.4%.
- By flat size, the mass-market and medium-sized properties (Class A, B and C; below saleable area of 100 square meters) and large-sized properties (Class D and E; saleable area of 100 square meters or above) fell by 1.7% MoM and 1.6% MoM respectively in September. As for the rental index, mass-market and medium-sized properties were little changed, while large-sized properties rose by 0.3% MoM.
- Following the FOMC meeting, developers had upped the pace of launch of primary projects and these projects have generally been well received by market. Buying power has been directed to the primary market, and hence housing prices in the secondary market remain under pressure. Still, we expect to see some stabilisation in the housing market down the road, given the prime rate cut and easing of financial conditions.

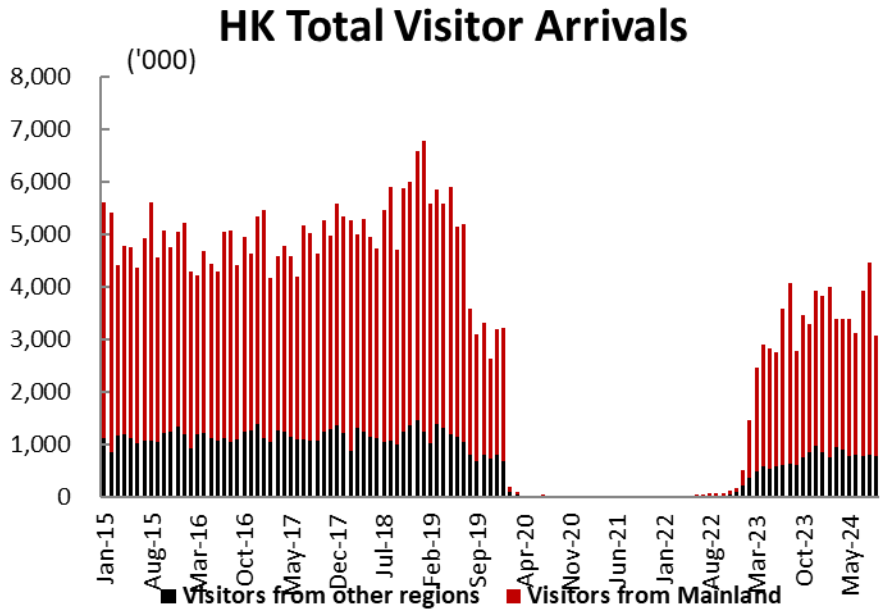


Source: HK RVD, OCBC.

HK: Wealth effect rendered some support to retail sales

- The positive wealth effect created from the stock market rally in late September rendered some support to the overall consumption sentiment. Total retail sales declined further, albeit at a slower pace of 6.9% YoY in value terms (Aug: -10.0% YoY), despite the sharp decrease in visitor arrivals after the end of Summer holiday. In the first nine months this year, total retail sales fell cumulatively by 7.6% YoY in value terms.
- In sequential basis, total retail sales edged up by 1.2% MoM in value terms in September. During the month, "department stores" (-10.3% MoM) and "jewellery, watches and valuable gifts" (-9.3% MoM) posted the sharpest declines, while that of "consumer durable" (+31.1% MoM) recorded strong rebound, conceivably due to release and sales of new iphone.

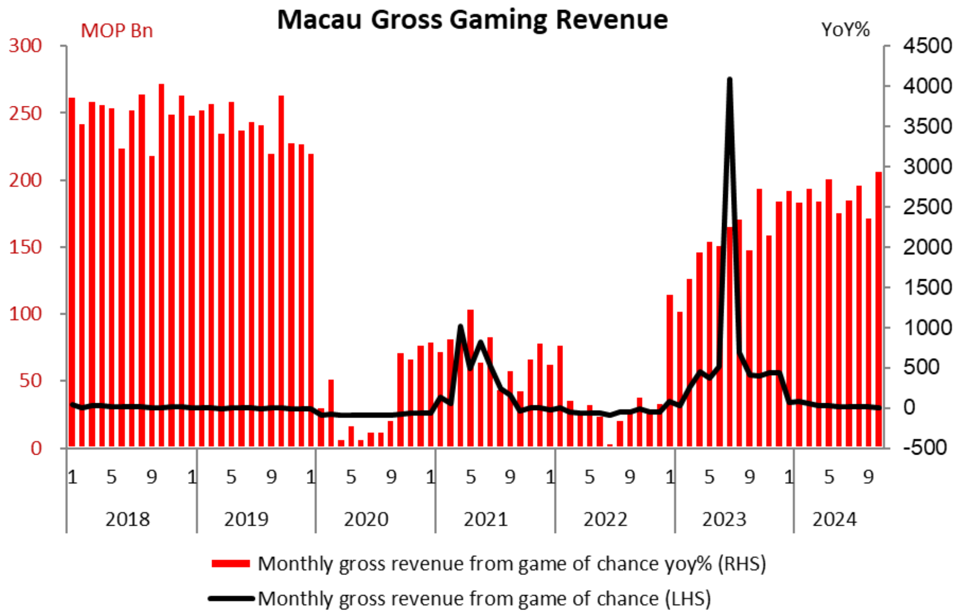




Source: HK Census and Statistics Department, OCBC.

MO: GGR full-year growth forecast adjusted down to 24%

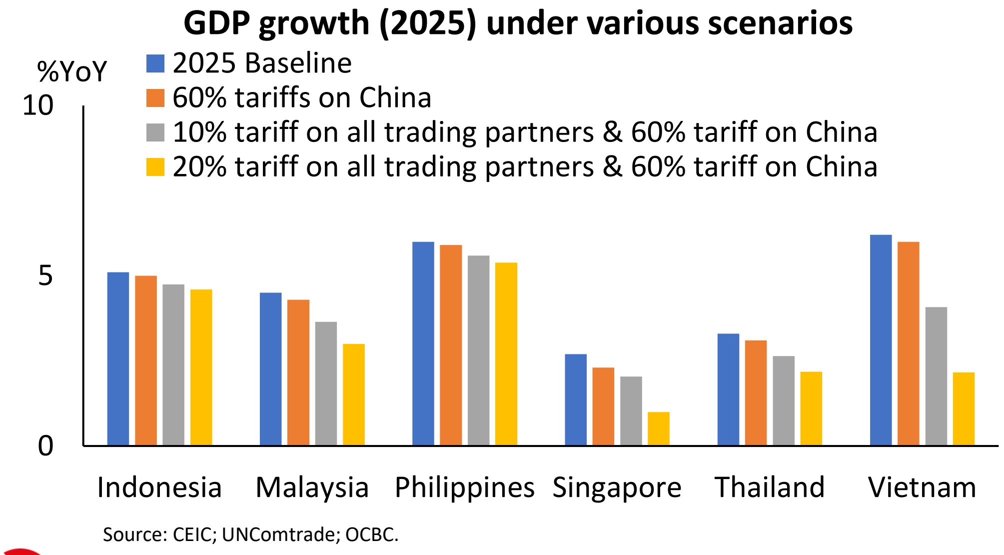
- Gross gaming revenue (GGR) grew 6.6% YoY to MOP20.79bn in October (+20.5% MoM), the highest tally in more than four years, as foot traffic in casinos rose during the Golden Week. During the seven-day holiday, total visitor arrivals surged by 22.9% compared to the same period last year.
- In the first ten months, the gross gaming revenue rose by 28.1% YoY. As the base normalises, growth in gross gaming revenue is likely to slow further in November and December, hence we have revised our full year forecast down from 27% to 24%.
- In the first nine months, Macau recorded 25.9 million inbound visitors, returning to around 86% of the pre-pandemic level in 2019. Meanwhile, hotel occupancy rate averaged at 85.4%, below that of 90.8% in 2019. Earlier this year, eight more mainland cities were added to the cities where residents can apply for Individual Visit Scheme visas to travel Macau and Hong Kong. In the near term, inbound tourism sector in Macau is likely to grow at a moderated, yet still solid pace.

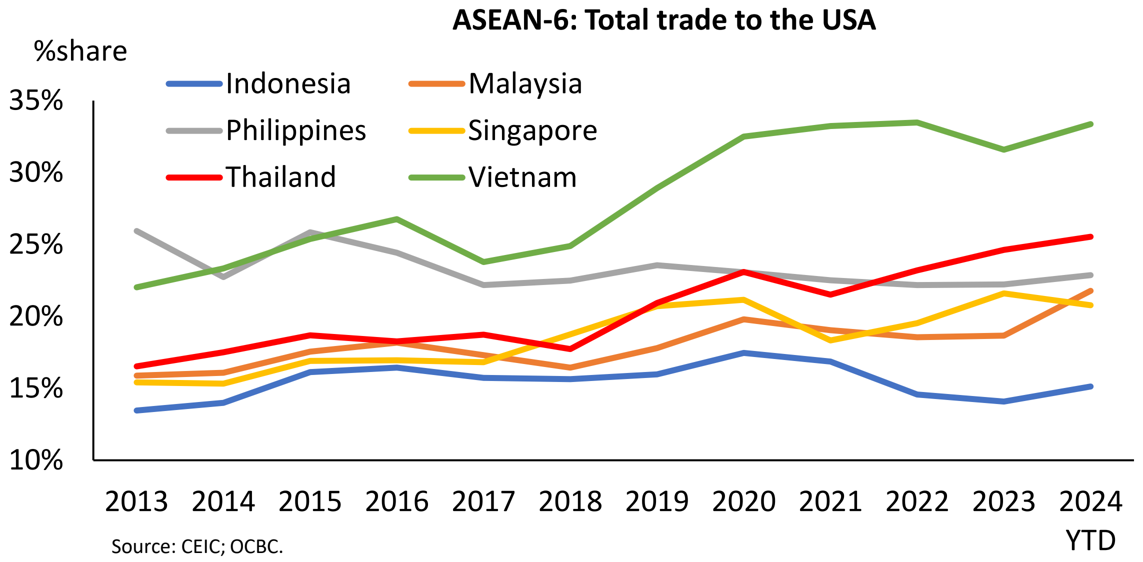


Source: DSEC, OCBC.

ASEAN: Assessing the impact of potential tariffs

- Under scenario 1, we assume a 60% tariff is imposed on China's exports to the US. Under scenarios 2 and 3, tariffs are imposed on all trading partners including ASEAN along with 60% tariffs on China's exports to the US. Under scenario 2, we assume a tariff of 10% is imposed on all US trading partners including the ASEAN countries along with a tariff of 60% on China's exports to the US. Under scenario 3, a 20% tariff is imposed on US trading partners, along with a tariff of 60% on China's exports to the USA.
- Vietnam will, in our view, be the most sensitive in the ASEAN-6 region to higher tariffs from the US. Vietnam's exports to the US were 27% of total exports in 2023, edging higher to 29% year-to-August 2024. The other open economies of Singapore, Malaysia and Thailand will be impacted to varying degrees. Note the impact for Singapore is more ambiguous given its bilateral FTA with the US. Indonesia and the Philippines could be more resilient as domestic demand-oriented economies.



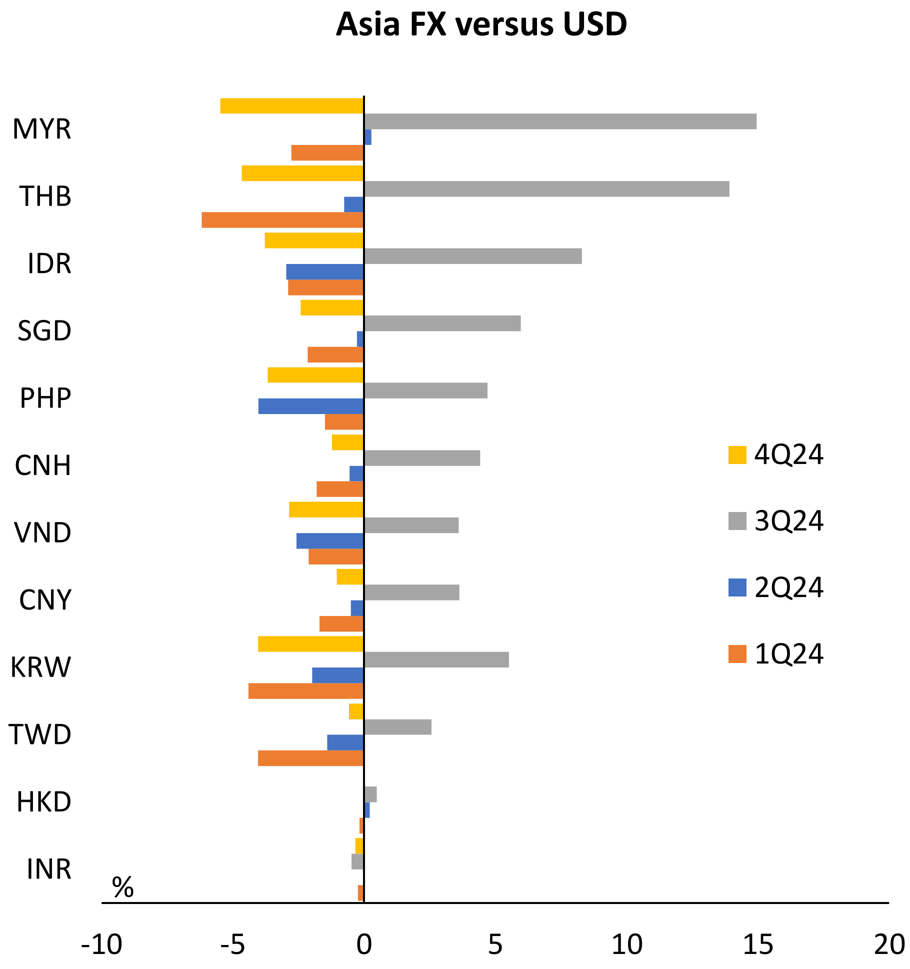


OCBC

Source: CEIC, UNComtrade, OCBC.

ASEAN: An eye on FX

- ASEAN currencies have come under pressure in 4Q24 versus USD. The authorities in Indonesia, Malaysia and the Philippines.
- In Indonesia, the authorities are discussing potential changes to the regulations on export earnings. The regulation, in its present form, mandates that natural resources exporters keep 30% of foreign currency earnings onshore for a minimum period of three months. The discussions are focused on extending this minimum period to six months to bolster FX reserves and USD liquidity.
- Bank Negara Malaysia (BNM), in a written statement to Bloomberg news, stated that markets should look beyond “short-term currency dynamics.” It added that “as Malaysia is a small and open economy, the ringgit will continue to be subject to global financial market developments and short-term foreign exchange market dynamics.”
- On 26 October, Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona noted “If the uncertainty, if the risks persists” then “59 is possible but I don’t know if it’s likely.”

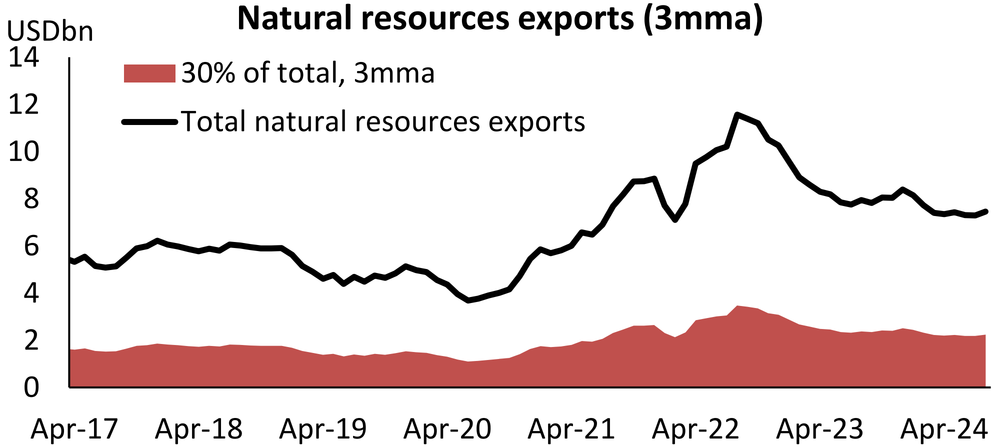


Last updated: 4 November '24. Source: Bloomberg, OCBC.

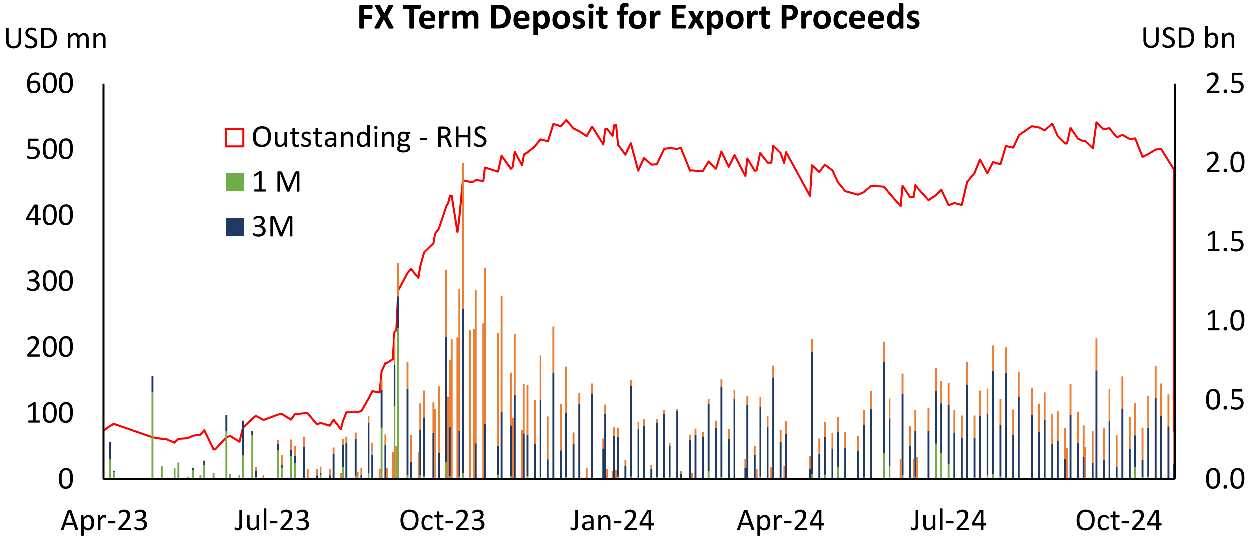
Source: Bloomberg, OCBC.

Indonesia: Considering some policy changes (I)

- Coordinating Minister for Economic Affairs Airlangga Hartarto signaled that the government is considering extending the duration for mandatory retention of export earnings for natural resource exporters beyond the current three months.
- The existing regulation requires natural resource exporters (i.e., mining, forestry, plantations, and fisheries) with earnings of at least USD 250,000 or the equivalent to keep a minimum of 30% of their foreign exchange proceeds onshore for at least three months. This mandatory regulation was introduced in August 2023 as part of efforts to increase dollar supply.
- Our tracking of Bank Indonesia's indicates that the net outstanding balance of foreign exchange term deposits for export proceeds has fallen to USD1.96bn as of 31-Oct, compared to USD2.16bn as of 30-Sep, with placements continuing to be dominated by the 3-month tenor compared to the 1- and 6-month tenors.



Source: CEIC; OCBC. Note: Natural resources exports under HS 8 digits for Live Animals & Animal Products, Fats, Oils, Waxes of Animal and Vegetable; Mineral Products.

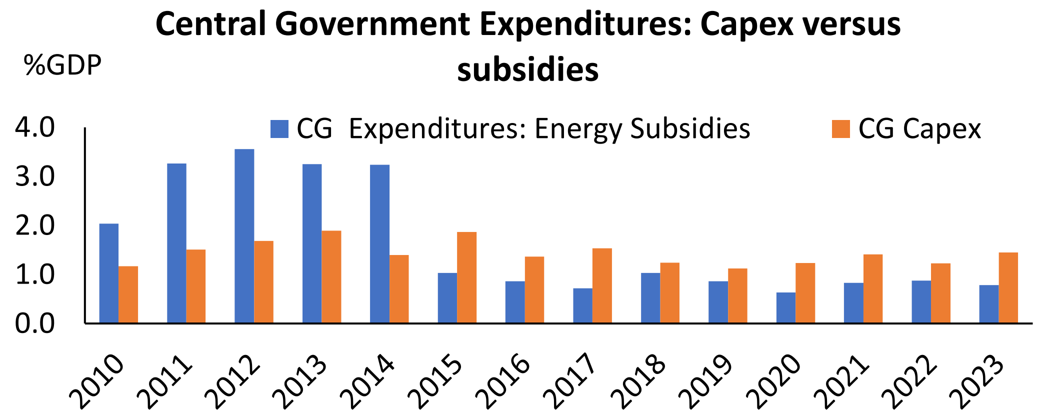


Source: Bank Indonesia, CEIC, OCBC calculation.

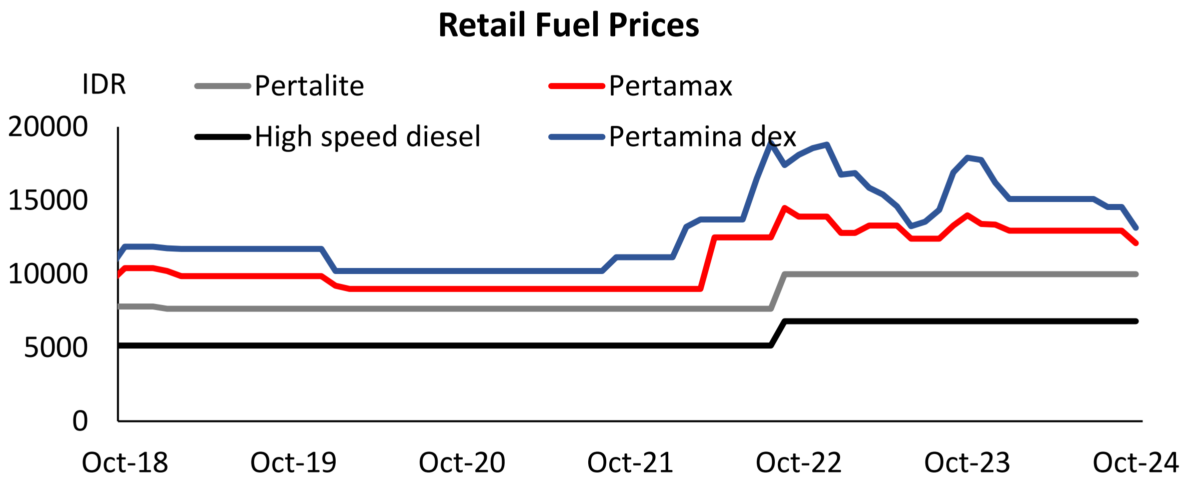
Source: BI, MoF, Bloomberg, OCBC.

Indonesia: Considering some policy changes (II)

- President Prabowo Subianto has directed his administration to develop a more targeted energy subsidy scheme that directly benefits eligible individuals as part of efforts to prevent misuse by ineligible parties. The new scheme could reportedly come in the form of direct cash handouts.
- The plan to introduce targeted fuel subsidies is welcome given that the government is still spending 0.8% of GDP (2023) on energy subsidies.
- The government has extended the corporate tax holiday policy for investment plans worth at least IDR 100 billion in key 'pioneer' industries to December 2025. These industries include, but are not limited to, the upstream basic metal industry, the oil and gas refining/milling industry, economic infrastructure, and the digital economy. In addition, the new regulation states that there will be adjusted incentives for companies that are subject to the 15% global minimum tax rule.



Source: CEIC; OCBC.

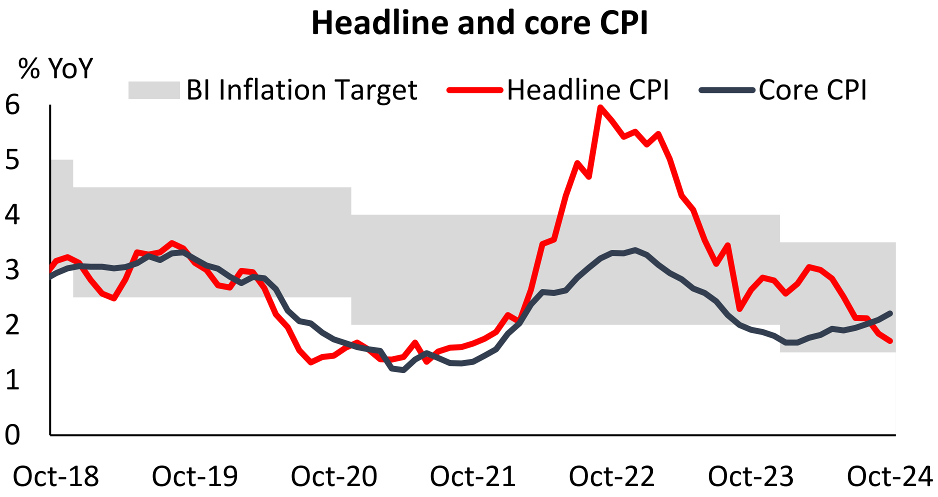


Source: Pertamina, CEIC, OCBC.

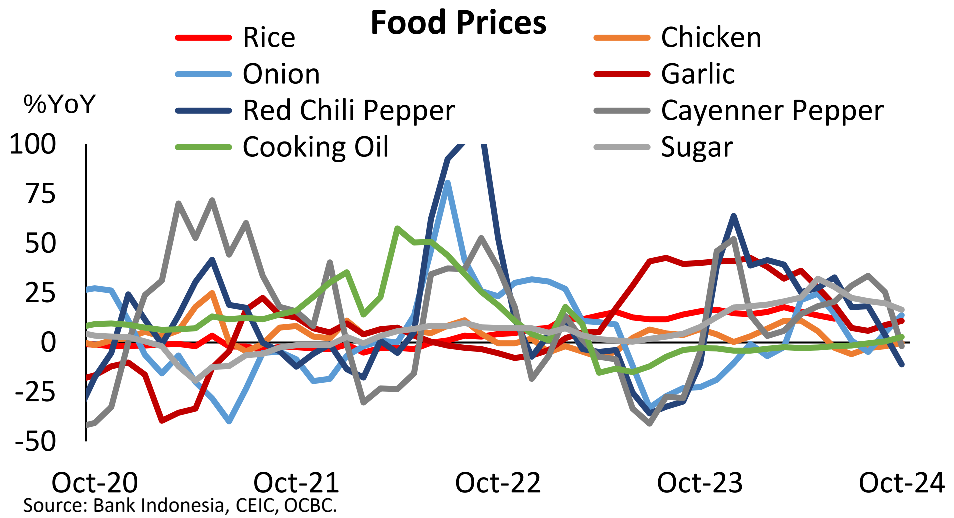
Source: Pertamina, CEIC, OCBC.

Indonesia: Easing CPI likely not enough For BI

- Headline inflation eased to 1.7% YoY in October from 1.8% in September, matching expectations. This was driven by a decline in transportation CPI (-0.1% YoY in October versus 0.9% in September), reflecting lower unsubsidized fuel prices for the month, along with lower inflation for the 'food, beverage, and tobacco' (2.3% from 2.6%) and 'recreation, sports, and culture' (1.5% from 1.6%) components. Despite lower food prices, CPI inflation for the 'restaurant' component picked up October versus September. Similarly, core inflation rate rose to a 15-month high of 2.2% YoY, up from 2.1% in September but we suspect this was mainly driven by higher global gold prices.
- The October print brings the year-to-date CPI average to 2.5% YoY, compared to 3.7% in 2023. We continue to forecast 2024 CPI to average 2.5% YoY, implying stable price pressures in the last two months of 2024. While benign inflation supports Bank Indonesia's dovish bias, IDR volatility so far in 4Q24 makes its more likely for BI to cut its policy rate by 25bp at its December rather than at the November meeting.



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



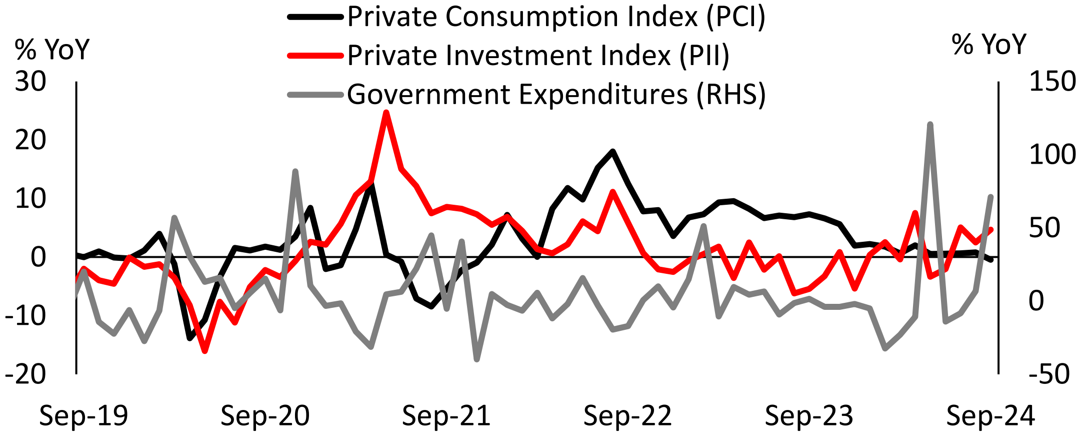
Source: Bank Indonesia, CEIC, OCBC.

Source: BPS, Bank Indonesia, Bloomberg, OCBC.

Thailand: Tepid economic activity in 3Q24

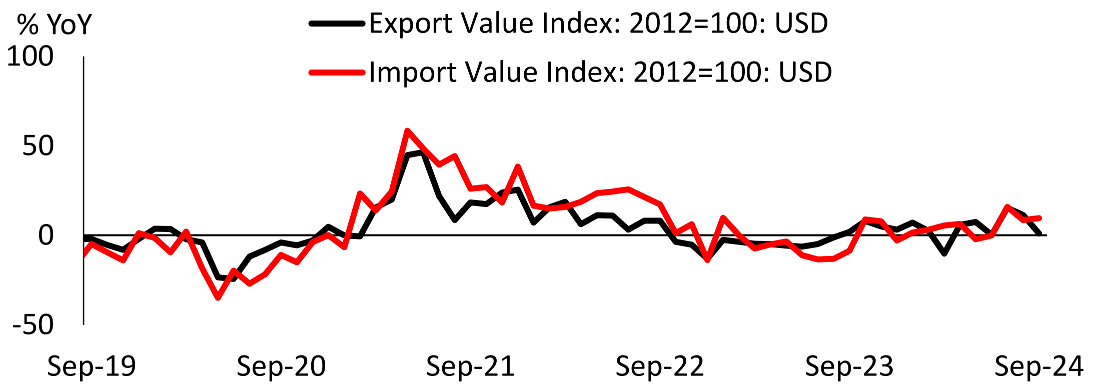
- September economic activity was mixed relative to August. On the domestic demand front, growth in private investment index rebounded to 4.7% YoY (August: 2.5%), while the private consumption index fell by -0.4% YoY (August: +0.8%). Government spending rebounded for capex and operating expenditures. On the external front, export growth slowed to 1.1% YoY (August: 11.4%) while import growth remained robust at 9.5% YoY (August: 8.5%). The trade surplus widened to USD2.5bn versus USD2.4bn in August but the current account surplus narrowed to USD0.6bn versus USD1.4bn in August.
- Growth momentum for 3Q24 slowed compared to 2Q24. Our tracking estimate shows that GDP growth was modestly slower at 2.2% YoY versus 2.3% in 2Q24. The government's fiscal measures as well as looser monetary policy conditions could support growth momentum in the coming quarters. Following the surprise 25bp cut to its policy rate on 21 August, we expect another 25bp rate cut in 1Q25, taking the policy rate to 2.00% by end-2025.

Private Sector Demand and Government Spending



Source: Bank of Thailand, CEIC, OCBC

Export and Import Value Index



Source: Bank of Thailand, CEIC, OCBC

OCBC

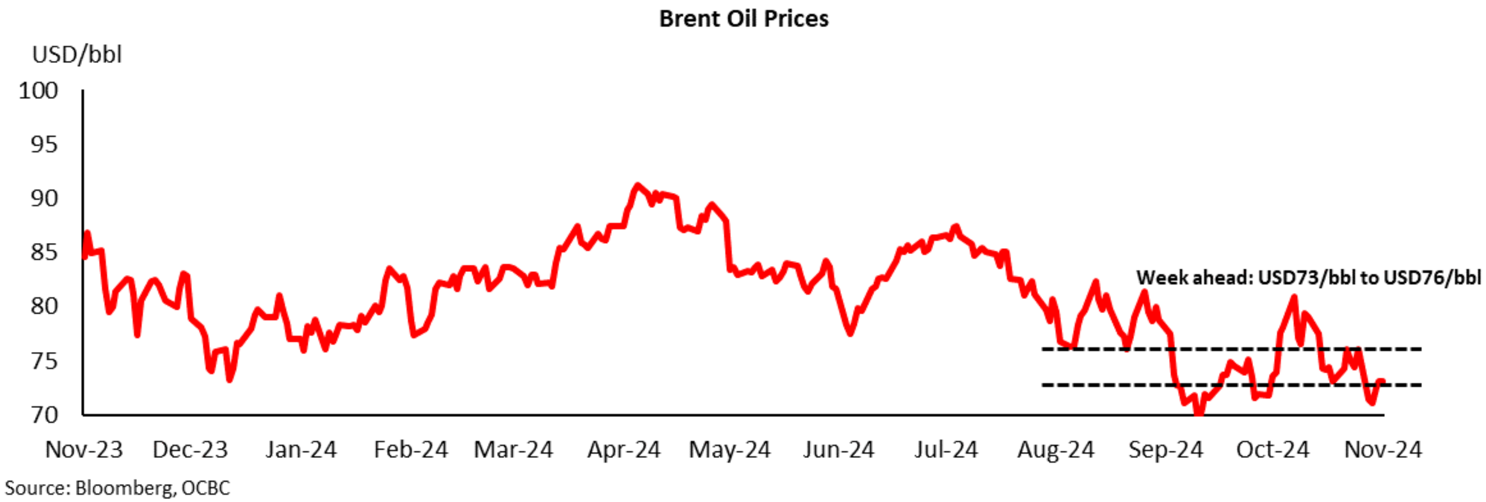
Source: Bank of Thailand, CEIC, OCBC.

Commodities

Source: Bloomberg, OCBC Research
Source: Bloomberg, OCBC Research

Crude Oil: Lower crude oil prices

- Crude oil benchmarks closed lower last week, with WTI and Brent declining by 3.2% and 3.9% week-on-week, respectively, and closing at USD69.5/bbl and USD73.1/bbl.
- The primary driver of the lower oil prices was the unwinding of the geopolitical risk premium following Israel's measured approach to its retaliatory strike against Iran, which avoided targeting nuclear and oil infrastructure.
- Nevertheless, oil prices are expected to rise due to prospects of a re-escalation in Middle East tensions, following reports that Iran is preparing a retaliatory strike against Israel from Iraqi territory in the coming days. Additionally, oil prices will be supported by the recent announcement from OPEC+ to delay its planned production increase of 2.2mbpd for one month, until the end of December 2024. We expect Brent oil prices to trade higher, within a range of USD73-76/bbl.



Source: Bloomberg, Reuters, OCBC.
Source: Bloomberg, OCBC Research

ESG

ESG: China ETS prices rose ~44% since Jan 2024 and reached new record high

- China ETS prices remained above 100 CNY/t and reached a new record high of 104.43 CNY/t, amid growing compliance demand and prospects of a supply shortfall.
- Prices have risen by around 44% so far since Jan this year, following government announcements of more stringent regulations to stimulate the market.
- Stricter government rules introduced this year are expected to drive facilities in the China ETS to accelerate their green shift. The new regulations include stricter penalties for noncompliance with the ETS, stricter emissions caps for fossil fuel power generators, and imposing obligations on steel, aluminum and cement producers next year.
- Two weeks ago, China announced that about 8 mn tons' worth of additional emission permits will be created. Intensive trading still resulted in higher prices despite a slight increase in supply. Prices could stay above 100 CNY/t throughout the rest of the year.

Source: Eikon, OCBC (as of 1 Nov)

Source: Carbon Pulse, OCBC.

FX & Rates

OCBC

FX & Rates: Unwinding of Trump trade

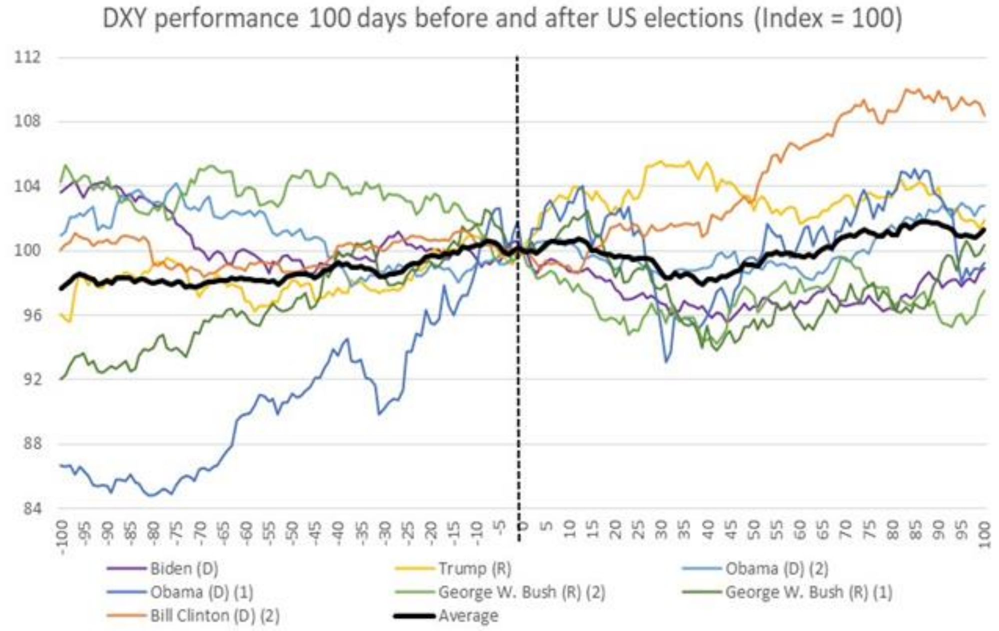
- **USD Rates.** At the front-end, Fed funds futures pricing for the rest of the year has been stable, last at 47bps; but market pared back 2025 rate cut expectation to the latest 76bps, reflecting worries about inflation implication of potential tariffs. At the longer end, 10Y real yield rose further by 9bps to above the 2% level; according to NY Fed ACM model, 10Y term premium has risen by more than 40bps from its low in mid-September, reflecting worries over fiscal positions. This may shed some light on the room for potential retracement, although investors are likely to stay on the sidelines and reluctant to add to duration at this juncture as the election result is too close to call. For this week, we expect a 25bp cut at the FOMC meeting. On liquidity, usage at the Fed's o/n reverse repo fell by USD45.8bn to USD155bn on Friday; this week, net bills settlement is USD41bn which is the usual amount. Total reverse repo on the Fed's balance sheet fell to USD627bn as of 30 October from USD668.6bn in the prior week while bank reserves were stable at USD3.2trn.

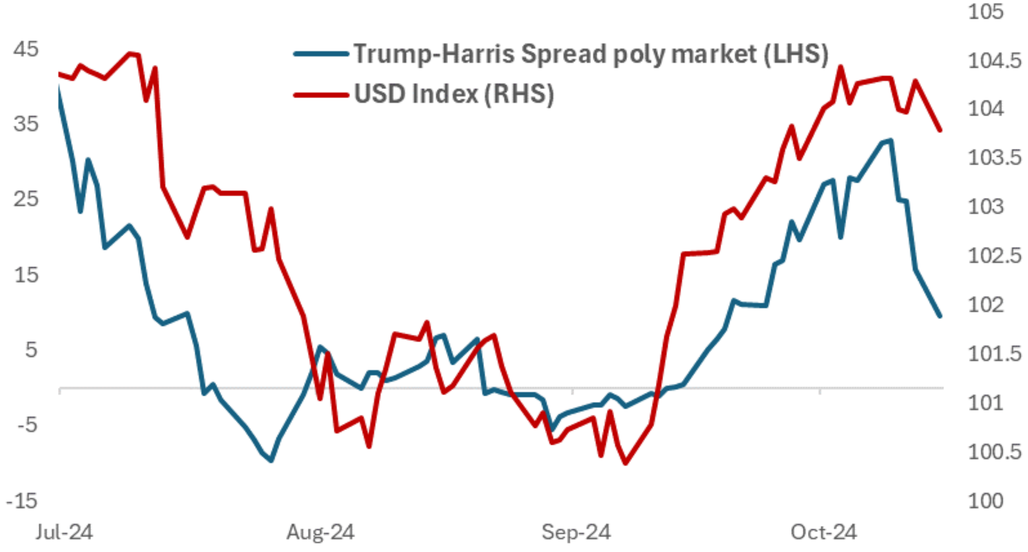
- **DXY.** Between now and election outcome, we still expect 2-way trades. Some of the build-up in USD gains seen in the last month may correct lower in the interim but given that Harris and Trump remain neck-and-neck even at this point, the pullback may also be shallow ahead of event day. Hence on decision day, FX price action may be asymmetric, depending on how much is being corrected between now and then. On US election outcome, results should start to come in on 6 Nov 7am (SGT) onwards. But the range of time zones across US means that some states on the west coast like Alaska and Hawaii are still polling. Some states will also count votes more quickly than others but if the race is tight, then counting should continue and the winner may only be announced a few days later. One other point to note is that mail-in votes take longer to count as they need to be verified (vs. in-person voting) and this year is a record 70million of early votes being cast. Tallying of the votes is expected to see USD trade choppy.

- **CNY Rates.** PBoC conducted its first OMO outright reverse repo last Thursday, following the announcement of this new tool last Monday; CNY500bn of 6M reverse repos was conducted. Amount of OMO outright reverse repos to be conducted this month may be higher, in view of the CNY1.45trn of MLF maturing in mid-month.

US elections – Binary but asymmetric

- In the betting market, Trump's lead has narrowed significantly to 9.6ppts from high of 32.9ppts (29 Oct). Coincidentally (or not), the DXY also peaked around the same time and subsequently declined since then.
- Between now and election outcome, we still expect 2-way trades. Some of the build-up in USD gains seen in the last month may correct lower in the interim but given that Harris and Trump remain neck-and-neck even at this point, the pullback may also be shallow ahead of event day.
- Hence on decision day, FX price action may be asymmetric, depending on how much is being corrected between now and then.

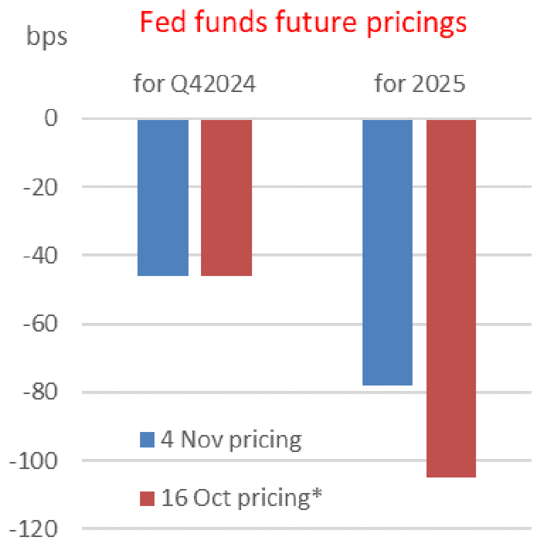


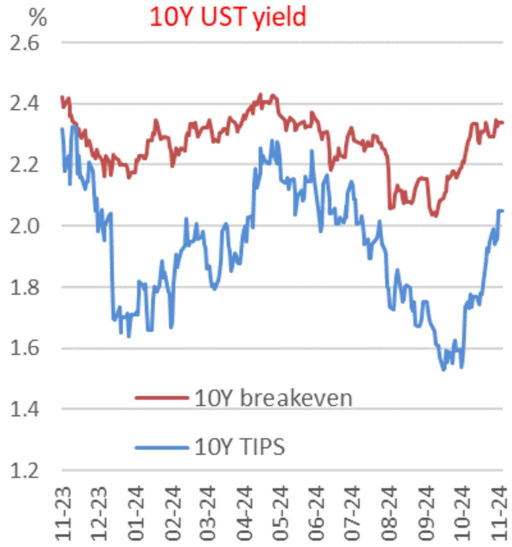


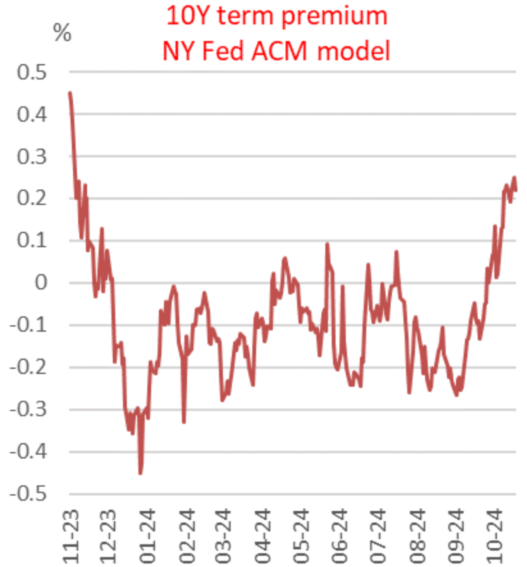
Source: Bloomberg, OCBC Research

Rates: Election premium

- The rates market has priced in a fair bit of a Trump win scenario as illustrated by the more recent adjustments in rate cuts expectation, and the movements in 10Y term premium and/or real yield.
- Fed funds futures pricing for the rest of the year has been stable over the past couple of weeks, last at 47bps; but market further pared back 2025 rate cut expectation to 76bps, reflecting worries about inflation implication of potential tariffs.
- According to NY Fed ACM model, 10Y term premium has risen by more than 40bps from its low in mid-September. This shall reflect worries over fiscal positions, and the magnitude may shed some light on the room for potential retracement in long-end yield. To the upside, the latest 10Y term premium is 26bps below the high in October 2023. That said, investors are likely to stay on the sidelines at this juncture.





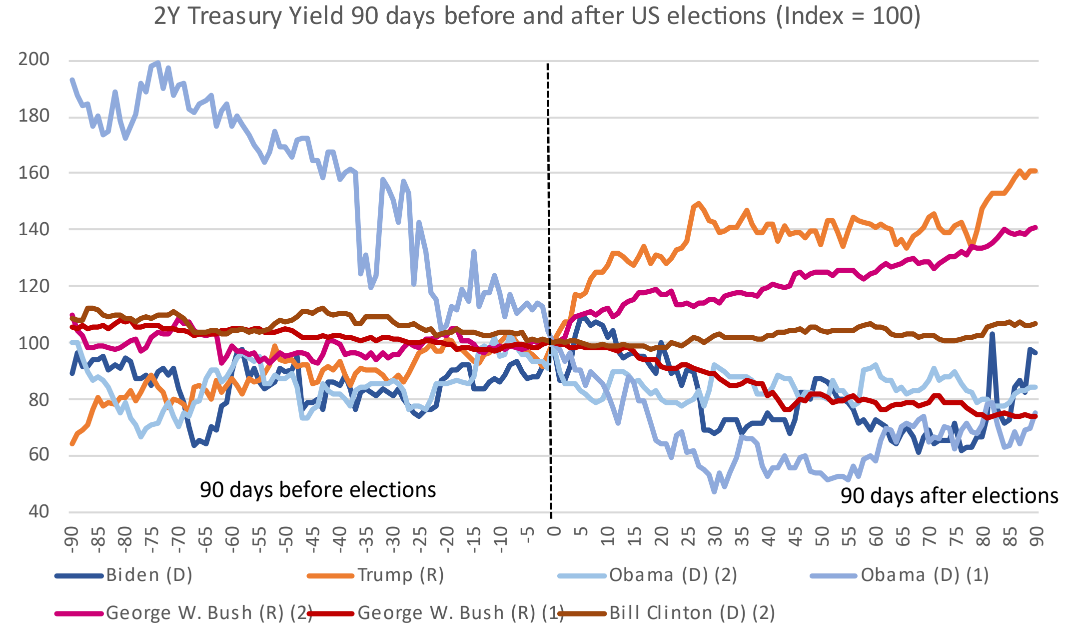


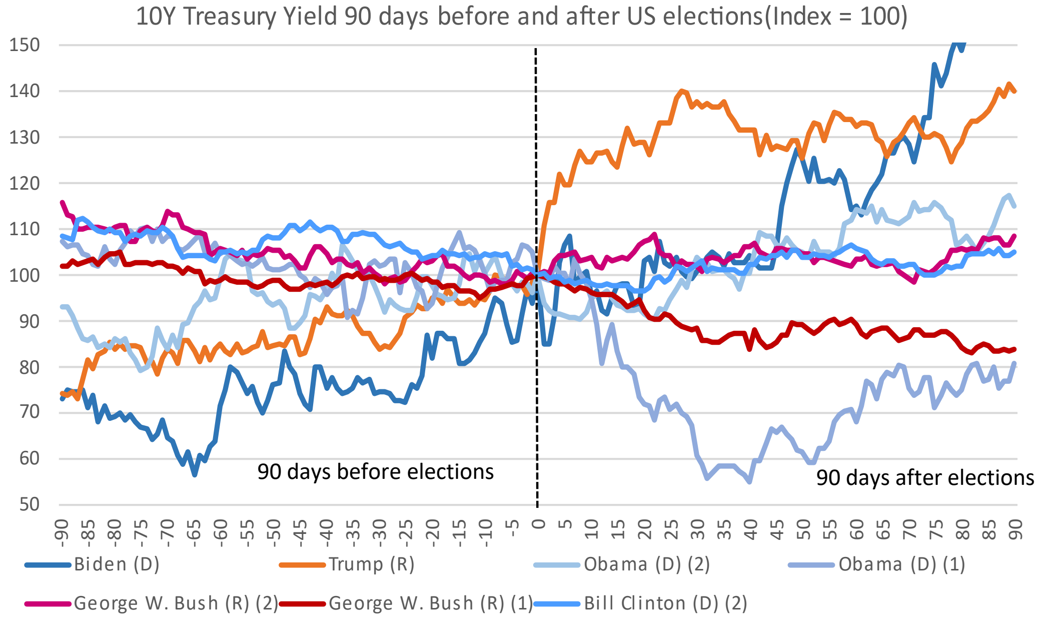
Source: Bloomberg, OCBC Research.

*the recent lows in rates

US rates: Past performances around US elections

- We review movements in the 2Y and 10Y UST yields before and after past US elections. There may be an impression that short-end bond yields tended to go up when a Republican candidate won the presidency. But that was mostly attributable to the prevailing monetary policy cycle, which was in turn based on the then economic fundamentals, in our view.
- Past movements in the 10Y UST yield may also help illustrate the point that we shall not make generalized conclusions. The 10Y yield rose steadily after *Biden 2020 election* and after *Trump 2016 election*, for example.





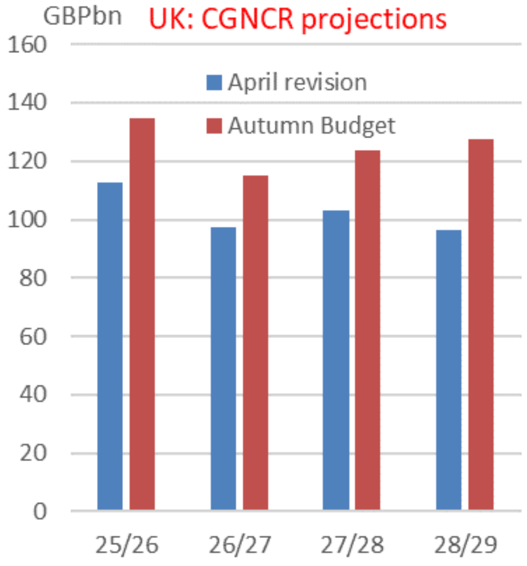
OCBC

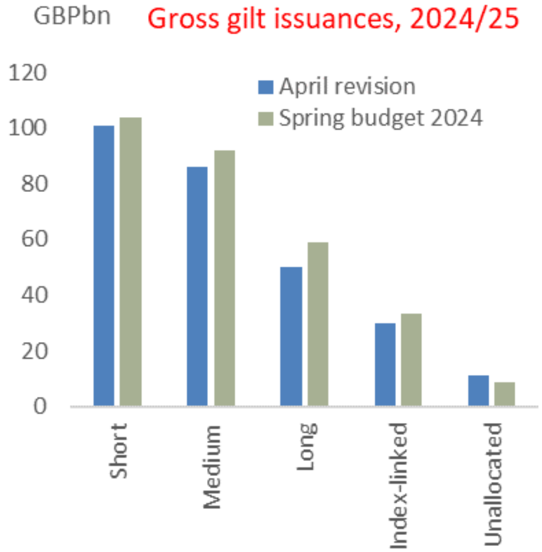
Source: Bloomberg, OCBC Research.

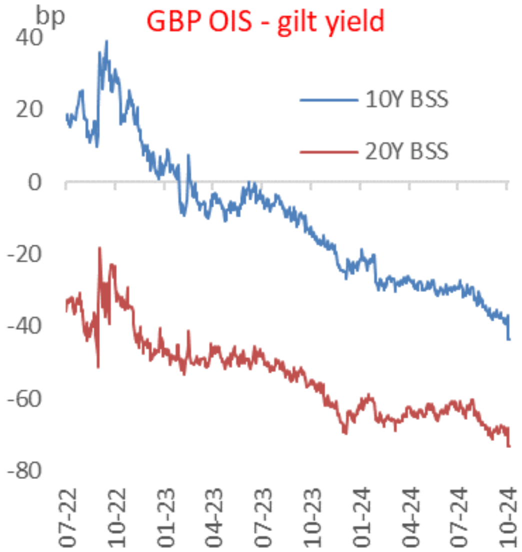
Note: (D) refers to Democrat Presidents and (R) refers to Republican Presents. (1) refers to the first term and (2) refers to their second term in office. Values are indexed to 100 on the day of the elections

GBP rates: UK Budget

- Fiscal spending is budgeted to increase by GBP70bn a year over the next five years; half of the increase in spending is planned to be funded through an increase in tax and the rest through an increase in borrowing. The more expansionary Budget pushed up yields via two channels, namely higher supply and potentially higher inflation pressure.
- For fiscal 2024/25, most of the increased borrowing will be via long-end gilts, followed by medium-tenors.
- Our base-case remains for only one more 25bp cut by the BoE before year-end, likely at this week's November MPC meeting. GBP OIS last priced 32bps of cuts before year end, versus as much as 43bps priced earlier.
- Gilt underperformance against swaps has been extended. As increased net borrowing is planned for the years ahead, there may not be a quick reversal in Gilts' relative performance.







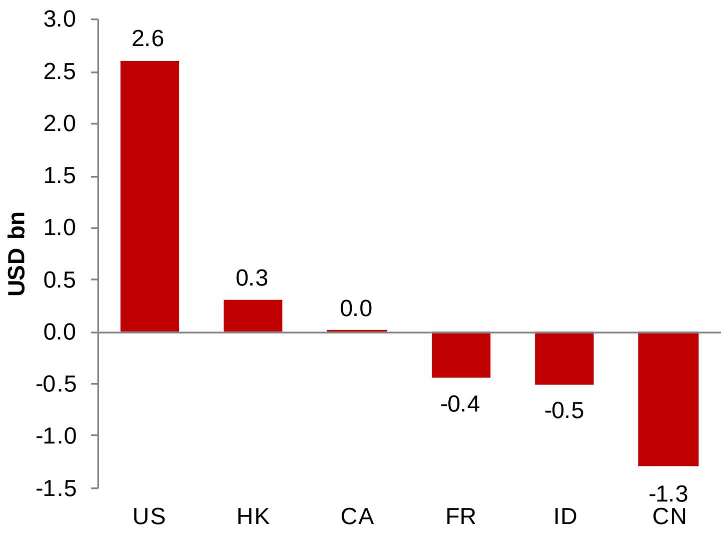
Source: UK DMO, Bloomberg, OCBC Research

Asset Flows

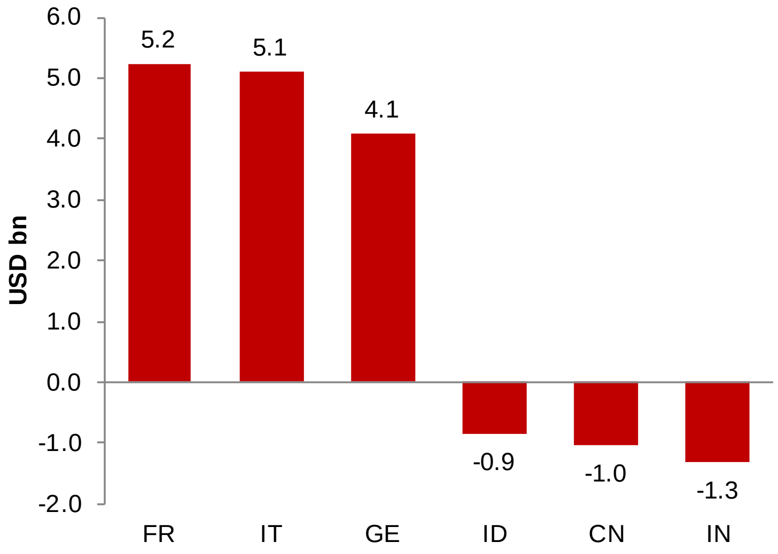
Global Equity & Bond Flows

- Global equity markets saw net outflows of $1.3bn for the week ending 30 October, a decrease from the inflows of $3.9bn last week.
- Global bond markets reported net inflows of $17.9bn, an increase from last week's inflows of $13.4bn.

Equity top gainers & losers



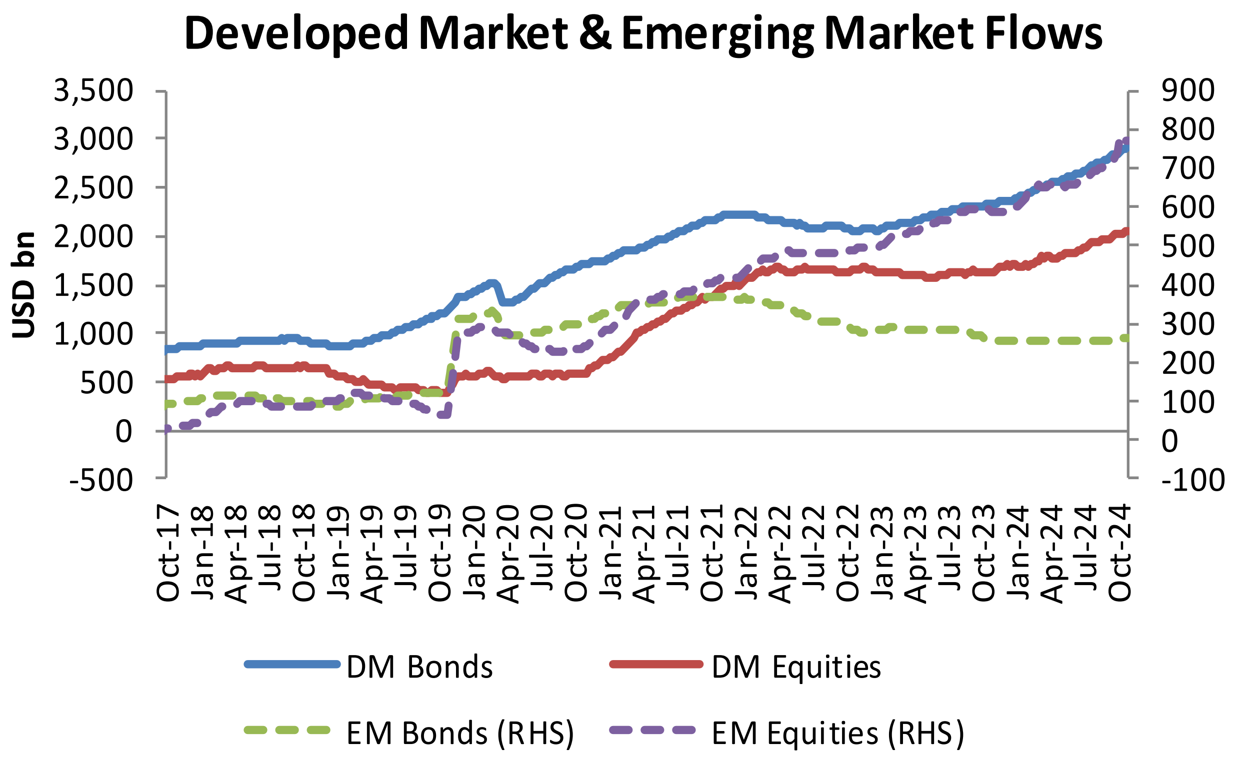
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($4.1bn) saw inflows and Emerging Market Equities ($5.4bn) saw outflows.
- Developed Market Bond ($19.4bn) and Emerging Market Bond ($1.5bn) saw outflows.



Source: OCBC, EPFR

Thank you

Global Markets Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

Co.Reg.no.: 193200032W

OCBC