Weekly Macro Views (WMV)

Global Markets Research & Strategy

7 April 2025

Weekly Macro Update

Key Global Data for this week:

7 April	8 April	9 April	10 April	11 April
• **JN** Labor Cash Earnings • **JN** Leading Index CI • **GE** Industrial Production	• **US** MBA Mortgage Applications • **JN** BoP Current Account Balance • **IN** CPI • **PH** Unemployment Rate	• **NZ** RBNZ Official Cash Rate • **SK** Unemployment rate SA • **US** MBA Mortgage Applications • **NZ** RBNZ Official Cash Rate • **IN** RBI Cash Reserve Ratio	• **US** CPI, Core CPI • **US** Initial Jobless Claims • **JN** PPI • **SG** GDP • **CN** CPI • **PH** BSP Overnight Borrowing Rate	• **US** PPI • **US** U. of Mich. Sentiment • **MY** Industrial Production • **UK** Industrial Production • **UK** Manufacturing Production

Summary of Macro Views:

Global	• **Global:** Central Banks • **US:** Labour market • **Liberation Day tariffs: What we need to know** • **Liberation Day tariffs:** Key Takeaways from April 2 Tariffs • **US**: Recession Probability
Asia	• **Asian economies:** feeling the heat! • **SG:** Top 10 exports to the US • **What's next:** what about SMEs? • **SG:** PMIs remain in expansion • **SG:** Weaker retail sales • China's return to tit-for-tat and its associated risk • **Recap:** impact of trade war 1.0 • **Trade war 2.0:** Impact on China

Asia	• **CN:** things to watch for • **ASEAN:** Hard hit by reciprocal tariffs • **ASEAN:** GDP downgrades and more rate cuts • **VN:** Hardest hit • **ID**: Tariff blow will hurt • **MY:** Waiting for semiconductor tariffs • **TH:** No respite • **PH:** Better by comparison
Asset Class	• **Commodities:** Crude oil selloff • **FX & Rates:** Tariff War Hurts • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Reserve Bank of New Zealand (RBNZ)	Reserve Bank of India (RBI)	Bangko Sentral ng Philippines (BSP)
Wednesday, 9 April	**Wednesday, 9 April**	**Thursday, 10 April**

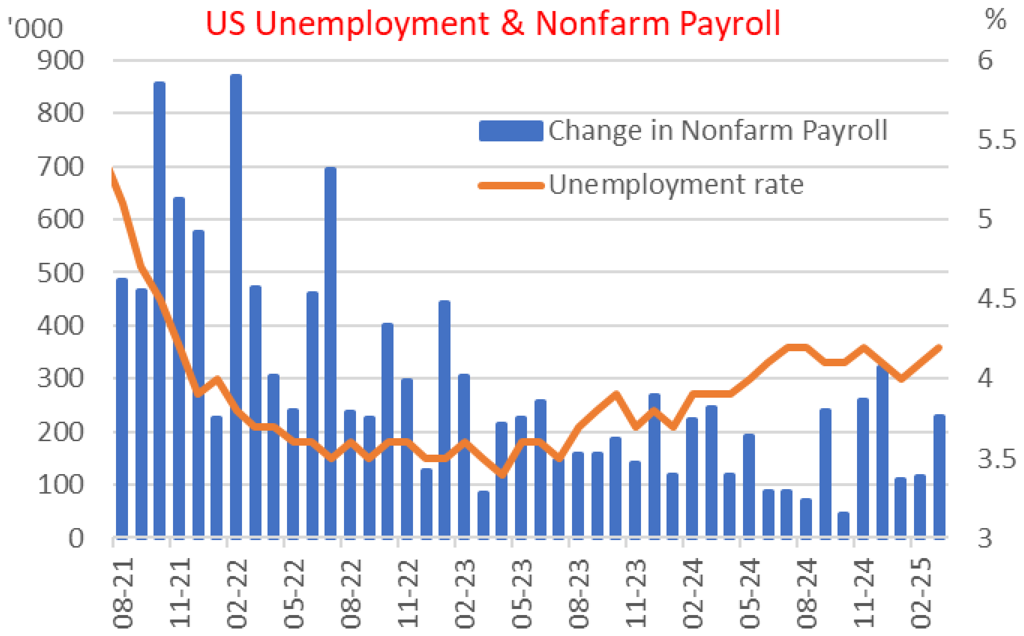
House Views

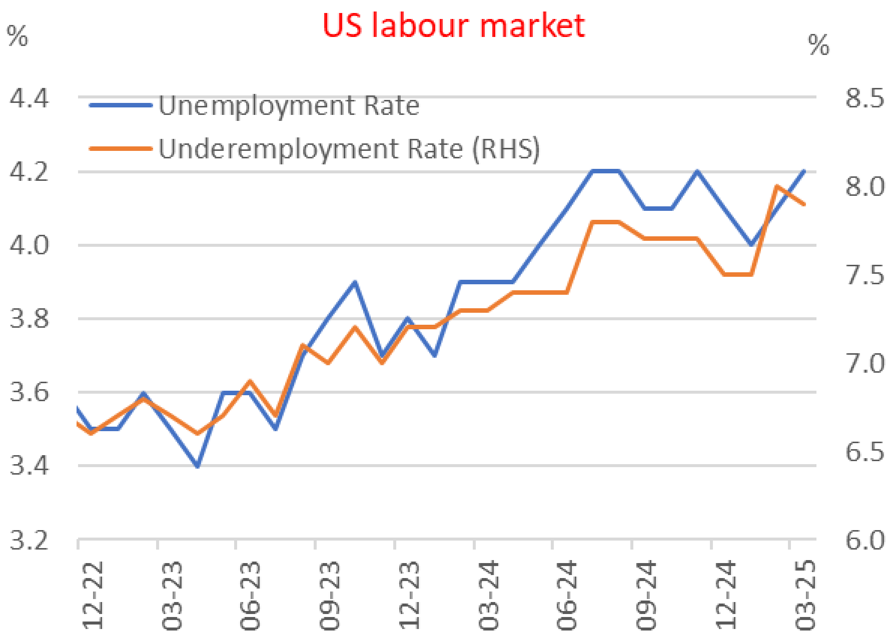
Cash Rate	*Repurchase Rate*	*Overnight Borrowing Rate*
Likely *cut* by *25bps* from *3.75%* to *3.50%*	**Likely *cut* by *25bps* from *6.25%* to *6.00%***	**Likely *cut* by *25bps* from *5.75%* to *5.50%***

Source: OCBC, Bloomberg

US: Labour market

- March non-farm payrolls printed a higher-than-expected 228K with gains mostly in the services sector. Education & health services sector added 77K, leisure & hospitality added 43K. Government added 19K. Under the household survey, the unemployment rate edged further up to 4.2% (vs 4.1% previously); average weekly hours were 34.2 hours, the same as the upwardly revised February number, which was a low level.
- Not all government job cuts announced thus far were reflected in March payrolls; reportedly some federal workers accepted the offer to quit but remain on payroll until September.





Source: Blomberg, CEIC, OCBC Research

Liberation Day tariffs: What we need to know

- 10% minimum tariffs will apply to all imports from April 5. Higher tariffs will kick in from April 9.
- Reciprocal tariffs will apply to all goods with some exceptions – steel, aluminum and automobiles area also subject to tariffs, while copper, pharmaceuticals, semiconductors and lumber products (potential subjects of new tariffs) will be exempt for the time being. Bullion and energy and other certain minerals that are not available in the US also exempt.
- A lot of Greek symbols but the calculation is straightforward:

Reciprocal Tariff (%) = (Trade Surplus with U.S. in 2024 / Total Exports to U.S. in 2024) × 100

Assumptions: price elasticity of import demand set at 4 and elasticity of import prices wrt tariffs set at 0.25.

- USTR cites study that US tariff on China passthrough to retail prices was low (Cavallo et al, 2021).

Country	Export to US (USD billion) in 2024	Trade Surplus with US (USD billion) in 2024	Ratio of Surplus to Export	Reciprocal tariff announced	Discounted reciprocal tariff
China	438.9	295.4	**67%**	**67%**	**34%**
Vietnam	136.6	123.5	**90%**	**90%**	**46%**
Malaysia	52.5	24.8	**47%**	**47%**	**24%**
Indonesia	28.1	17.9	**64%**	**64%**	**32%**
Thailand	63.3	45.6	**72%**	**72%**	**36%**
Philippines	14.2	4.88	**34%**	**34%**	**17%**
India	87.4	45.7	**52%**	**52%**	**26%**
Cambodia	12.7	12.3	**97%**	**97%**	**49%**
Pakistan	5.1	2.98	**58%**	**58%**	**29%**
South Korea	131.5	66	**50%**	**50%**	**25%**
Japan	148.2	68.5	**46%**	**46%**	**24%**

Source: US Census, OCBC Calculation

OCBC

Consider an environment in which the U.S. levies a tariff of rate τ_i on country i and Δτ_i reflects the change in the tariff rate. Let ε<0 represent the elasticity of imports with respect to import prices, let φ>0 represent the passthrough from tariffs to import prices, let m_i>0 represent total imports from country i, and let x_i>0 represent total exports. Then the decrease in imports due to a change in tariffs equals Δτ_i*ε*φ*m_i<0. Assuming that offsetting exchange rate and general equilibrium effects are small enough to be ignored, the reciprocal tariff that results in a bilateral trade balance of zero satisfies:

$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

Source: USTR

Key Takeaways from April 2 Tariffs

1. **Trump's style is shock first, negotiate subsequently**. The art of dealmaking: expecting "phenomenal" deals. Alignment with the US on economic and national security matters.
2. **Likely not the end of the tariff story yet**: sectoral tariffs? Room to hike to 20% minimum tariffs?
3. **Differentiate between short-term and medium-term impact**:
    a) Short-term: increased market volatility, trade shifts, re-shoring/on-shoring.
    b) Medium-term: reduce reliance on US, diversify from USD assets?
4. **Comparisons with Smoot-Hawley in 1930s**: targeted to help American farmers with +20% tariffs.
    a) Real economic impact: Great Depression from 1929-1933 saw real national income fell by 36%, unemployment surged to >25%, more than 40% of banks were closed etc.
    b) Financial market upheaval: October 1929 and June 1930 crashes. Stocks lost US$1b on 16 June when President Hoover said "I shall approve the tariff bill".
    c) Prompted retaliation and "beggar-thy-neighbour" policies.
    d) Reversal: President Roosevelt signed the Reciprocal Trade Agreements Act in 1934, reducing tariff levels and promoting trade liberation and cooperation.
5. **More challenging times ahead for Asia:** growth brakes will elicit policy response.

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HERO'S FUNERAL FOR A. E. F. MASCOT; GOT U. S. PENSION

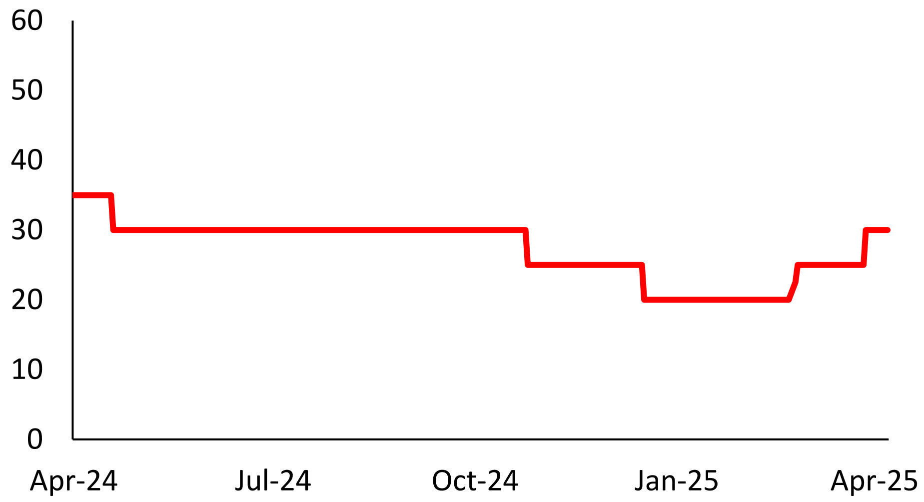
Changes Former Schedule in More Than Thousand Instances — Four G. O. P. Conferees Witness Signature With Secretary Mellon and Commissioner of Customs.

Source: Economist, google images

US: Recession Probability

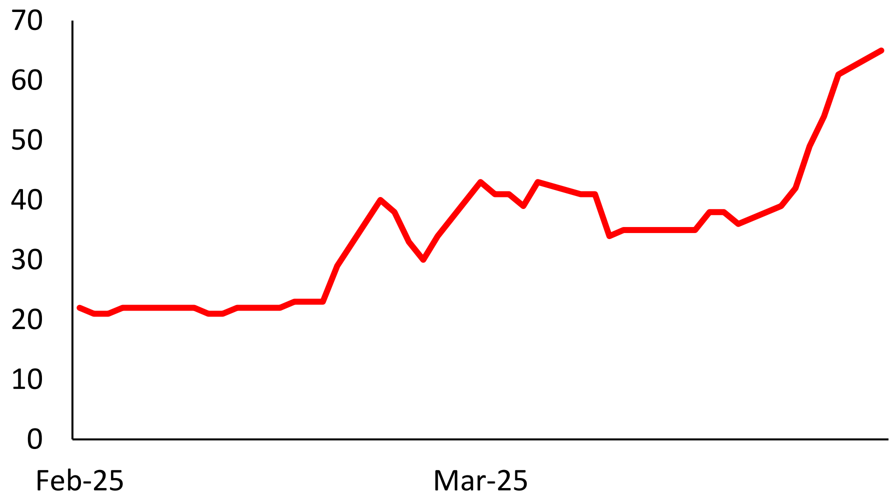
- Given the rapid deterioration in market sentiments post the April 2 tariff announcements, market concerns for a US recession has risen sharply, as reflected in the Polymarket pricing which is hovering around 65% probability. This is in sharp contrast to the Bloomberg estimate which is based on market forecasts of US growth that is lagging.

US Recession Probability Forecast



Source: Bloomberg, OCBC.

US Polymarket US recession in 2025



Source: Polymarket, Bloomberg, OCBC.

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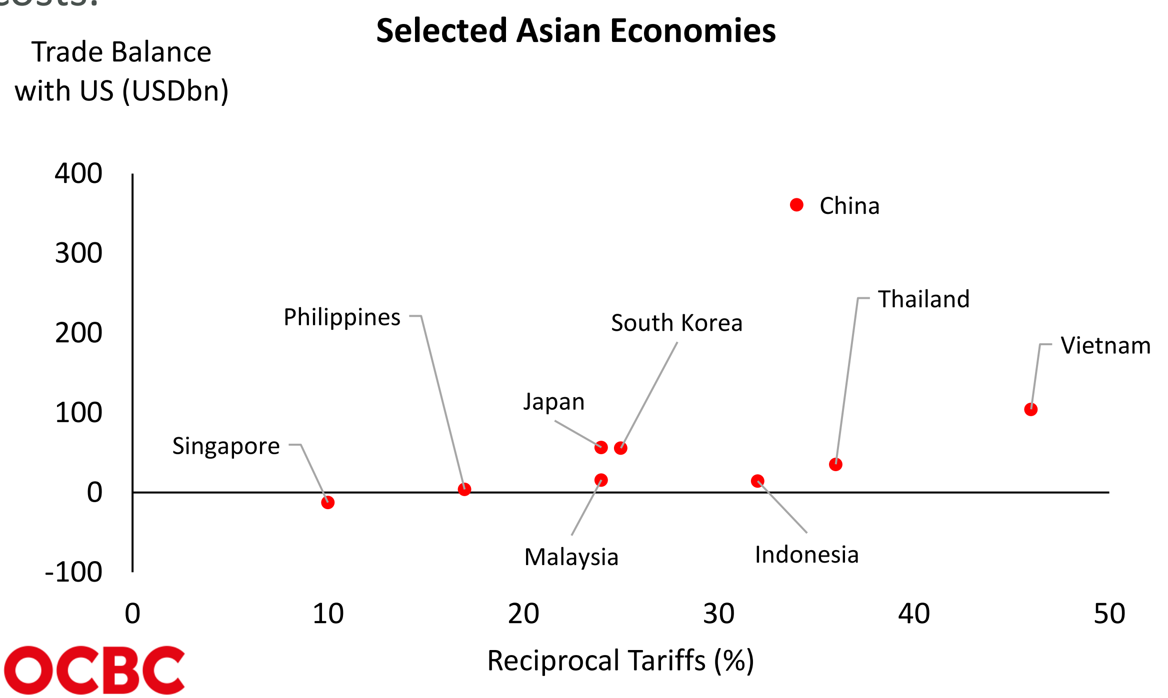
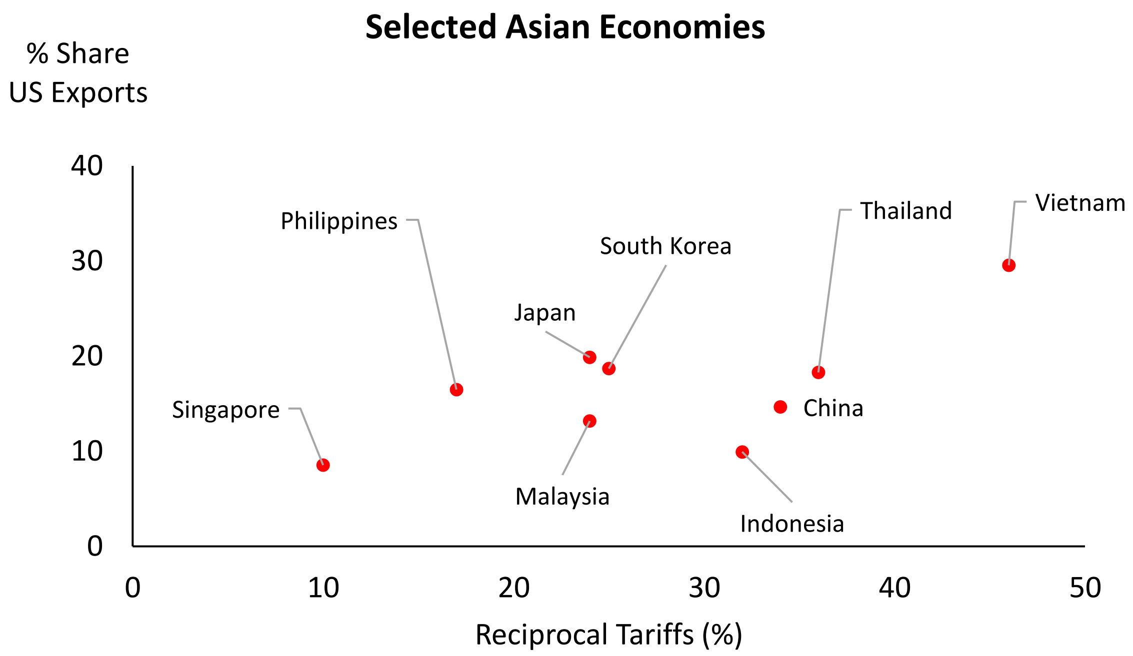
Asian economies: feeling the heat!

- **Small Asian economies may have less room to negotiate** due to purchasing power: Cambodia and Laos for instance.
- **Singapore's 10% tariff is relatively mild** vis-à-vis other Asian economies. To-date, sectoral tariffs have not yet materialized for semiconductors, pharmaceuticals etc. MTI minister Gan warned of "significant impact" and said will engage US counterparts to understand and address concerns. Our revised 2025 GDP growth forecast is 2.1%. MAS is likely to ease monetary policy settings at the upcoming MAS policy review given subdued core inflation (forecast: 1.5%).
- **Policy implications**: supply chains (China+1, re-shoring), mix of manufacturing versus services, FDI, business & consumer costs.



Source: CEIC, OCBC.



Source: CEIC, OCBC.

SG: Top 10 exports to the US:

- Which sectors may be most affected?

		Exports to US (2023)		
Country	**HS Code (06)**	**Description**	**% Share**	**USD bn**
Singapore	293499	Nucleic acids and their salts, other heterocyclic compounds, n.e.c. in heading number 2934	7.4	3.3
	210690	Food preparations; n.e.c. in item no. 2106.10	6.3	2.8
	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	6.2	2.7
	851762	Communication apparatus (excluding telephone sets or base stations); machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	5.9	2.6
	841191	Turbines; parts of turbo-jets and turbo-propellers	5.3	2.3
	854239	Electronic integrated circuits; n.e.c. in heading no. 8542	3.8	1.7
	848620	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor devices or of electronic integrated circuits	3.5	1.5
	901920	Therapeutic respiration apparatus; ozone, oxygen, aerosol therapy apparatus; artificial respiration or other therapeutic respiration apparatus	3.0	1.3
	890520	Floating or submersible drilling or production platforms	2.7	1.2
	854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	2.7	1.2

Source: ASEANstats, UN Comtrade, OCBC

Singapore's top 10 imports to the US:

- Room for buying more from the US?

		Imports from US (2023)		
Country	HS Code (06)	Description	% Share	USD bn
Singapore	270900	Oils; petroleum oils and oils obtained from bituminous minerals, crude	14.9	7.8
	841191	Turbines; parts of turbo-jets and turbo-propellers	12.8	6.7
	880240	Aeroplanes and other aircraft; of an unladen weight exceeding 15,000kg	7.3	3.8
	841112	Turbo-jets; of a thrust exceeding 25kN	6.8	3.6
	880730	Other parts of aeroplanes, helicopters or unmanned aircraft	6.8	3.5
	841199	Turbines; parts of gas turbines (excluding turbo-jets and turbo-propellers)	2.1	1.1
	848690	Machines and apparatus of heading 8486; parts and accessories	1.9	1.0
	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	1.2	0.6
	848620	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor devices or of electronic integrated circuits	1.0	0.5
	847170	Units of automatic data processing machines; storage units	0.9	0.5

Source: ASEANstats, UN Comtrade, OCBC

What's next: what about SMEs?

- Amcham survey has some interesting insights.

Figure 1. Does the implementation of U.S. tariffs have an impact on your company? (n=36)

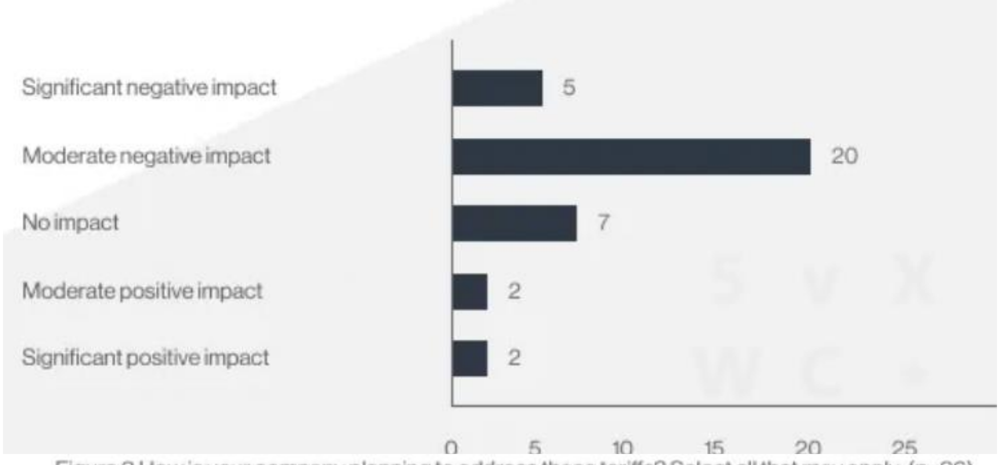


Figure 3. How is your company planning to address these tariffs? Select all that may apply. (n=36)

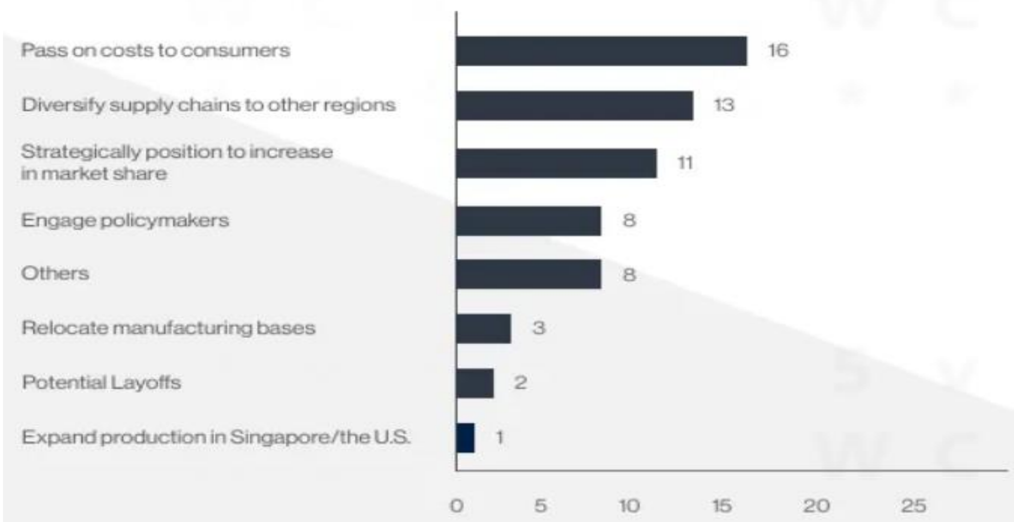


Figure 2. How does U.S. tariffs impact your company? Select all that apply. (n=36)

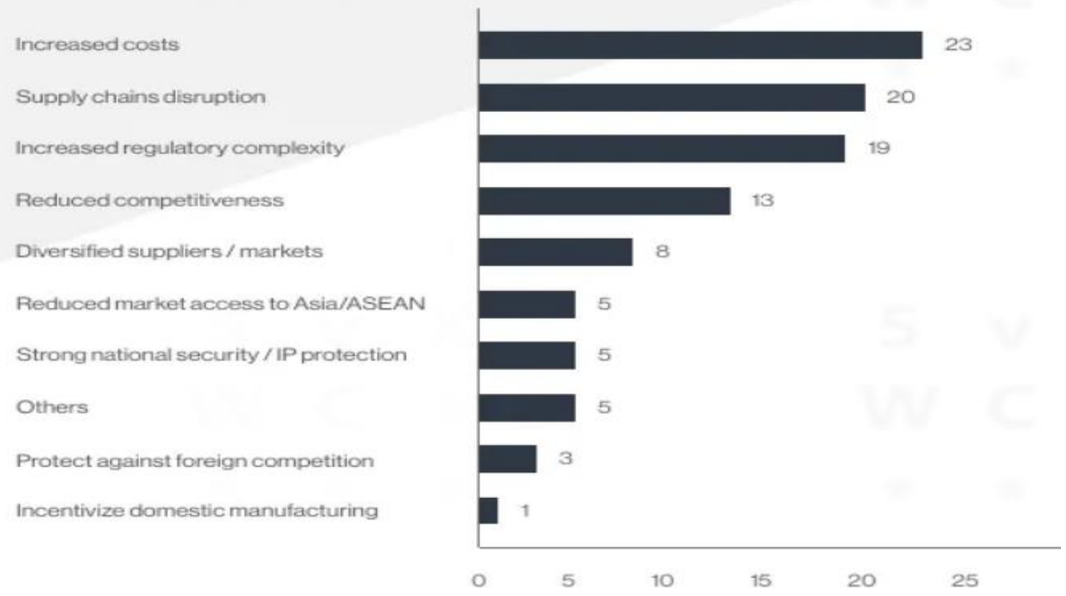


Figure 4. Which of the following impacts your company the most? Select all that may apply? (n=36)

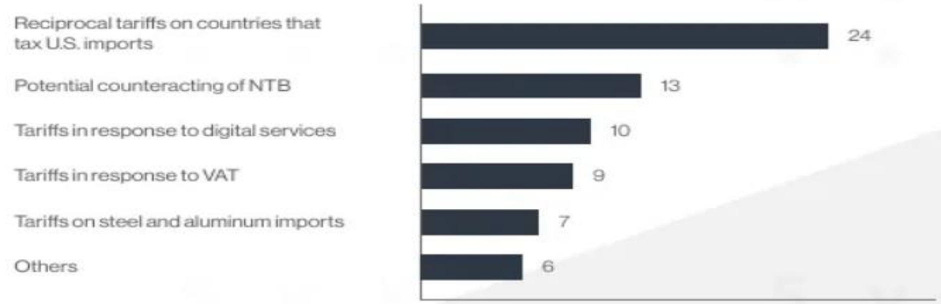
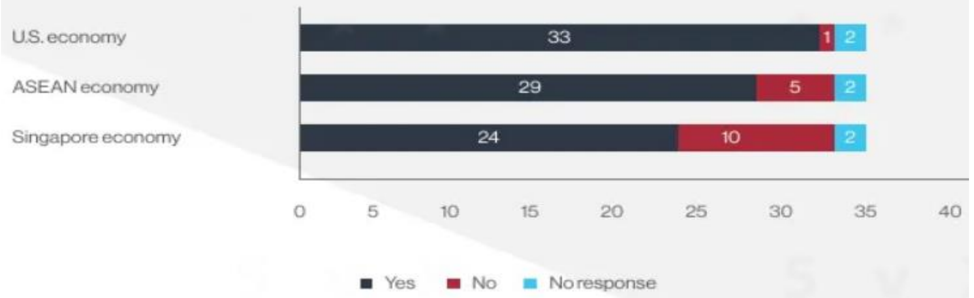
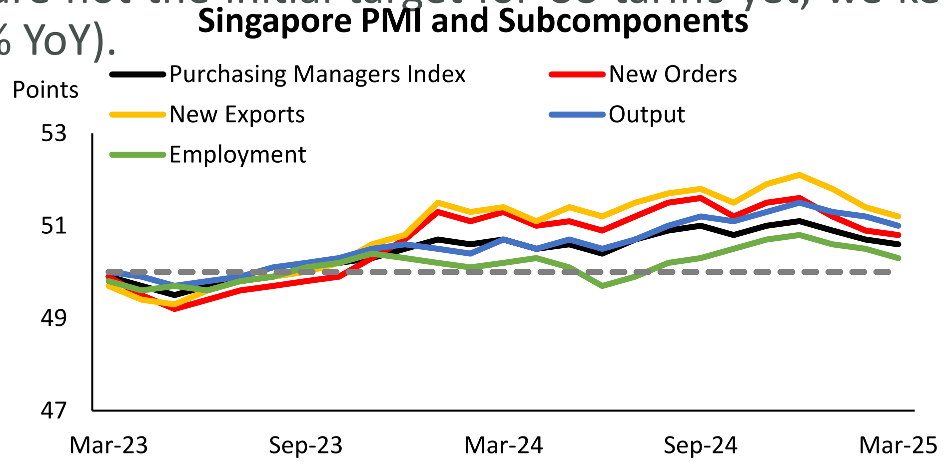


Figure 6. Do you think that the tariffs will harm the: (n=36)

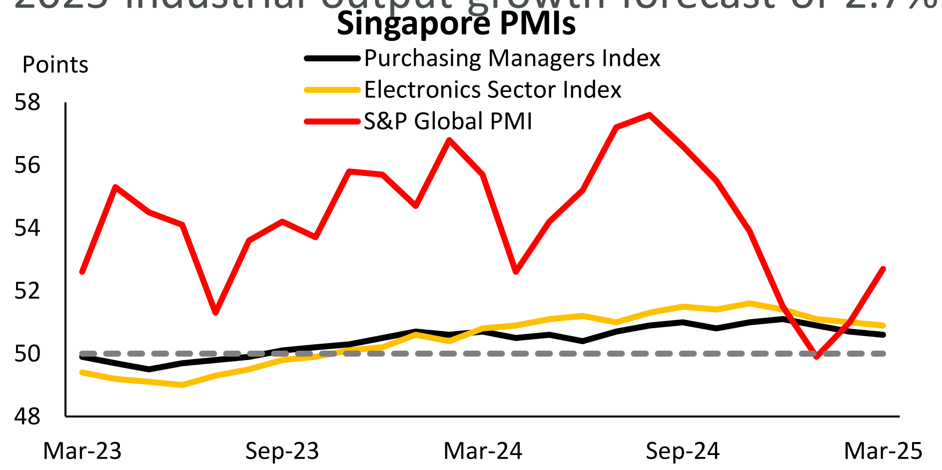


Singapore: PMIs remain in expansion

- Manufacturing PMI eased to 50.6, marking its lowest level in 9 months, down from 50.7 in February. Similarly, electronics PMI slightly edged lower to 50.9 in March, down from 51.0 the previous month. Although both PMIs have decreased, the sectors remain in expansion territory, albeit at a slower rate. Specifically, key components within the PMI print remains in expansion, including new orders (50.8 vs 50.9 in February), new exports (51.2 vs 51.4), output (51.0 vs 51.2) and employment (50.3 vs 50.5 in February).
- In contrast, the S&P Global Singapore PMI rose to 52.7 points in March versus 51.0 in February. This marks the second consecutive month of expansion, which bodes well for the broader Singapore economy outside of the manufacturing or electronics sector.
- Looking ahead, the question remains if the expansion would sustain in the coming months following the recent US reciprocal tariff move. PM Lawrence Wong warned about "the dangers that are building up in the world, and brace ourselves for more shocks to come". At this juncture, given the fluidity of the tariff situation and that ASEAN including Singapore are not the initial target for US tariffs yet, we keep our 2025 industrial output growth forecast of 2.7% YoY (2024: 3.8% YoY).



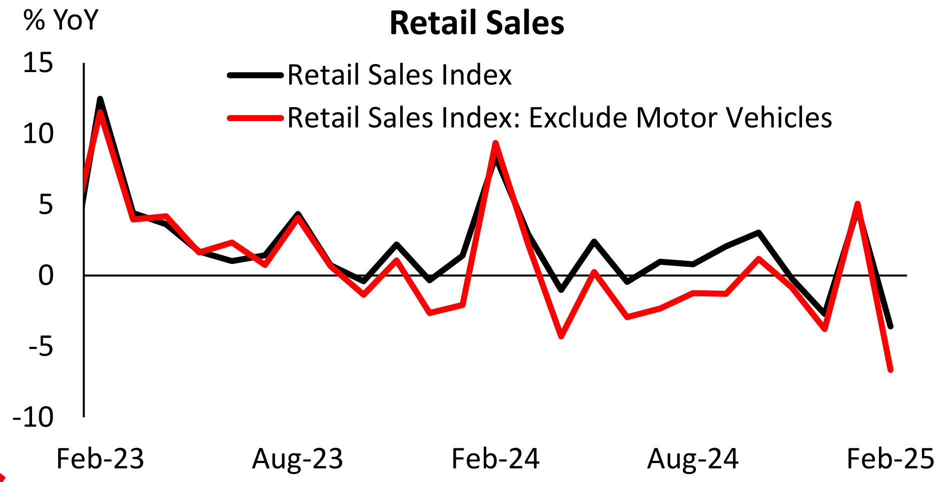
Source: Bloomberg, SIPMM, OCBC.



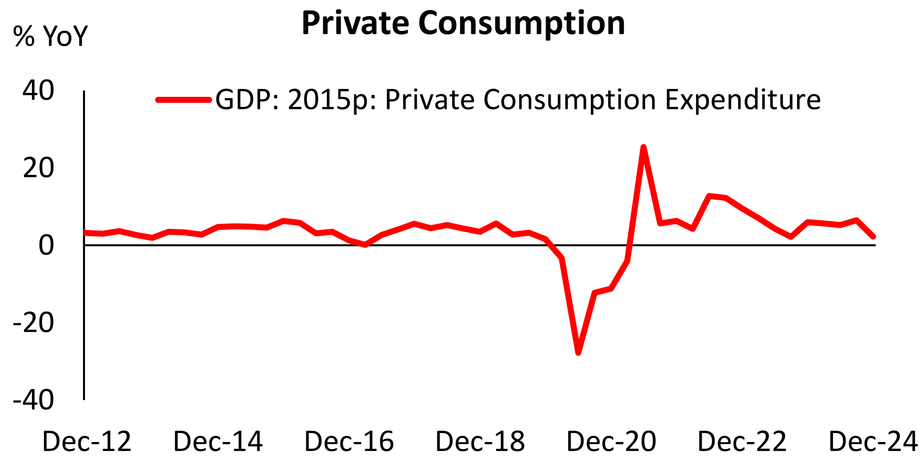
Source: Bloomberg, SIPMM, OCBC.

Singapore: Weaker retail sales

- February retail sales declined by more-than-expected to -3.6% YoY (Consensus: -0.2%; OCBC: -1.4%) versus an upwardly revised 4.7% in January. Excluding autos, retail sales declined by 6.7%, down from an upwardly revised 5.1% in the previous month.
- The key drivers were ‘wearing apparel & footwear’ (-18.4% YoY), ‘department store’ (-14.6%), ‘supermarkets & hypermarkets’ (-13.3%), ‘food & alcohol’ (-12.5%), ‘petrol service stations’ (-10.6%), ‘recreational goods’ (-8.1%), ‘mini-marts & convenience stores’ (-5.9%), and ‘furniture & household equipment’ (-5.3%). These more than offset higher retail sales from the rest of the industries.
- Retail sales averaged 0.8% YoY in Jan/Feb 2025, down from 4.6% in Jan/Feb 2024. We see increasing downside risk to our retail forecast of ~2.4% in 2025 following the recent reciprocal tariff announced by the Trump administration. The latest round of tariffs will add to the “risk-off mood” due to heightened uncertainties which will drive appetite for lower-risk, and soften retail sales.



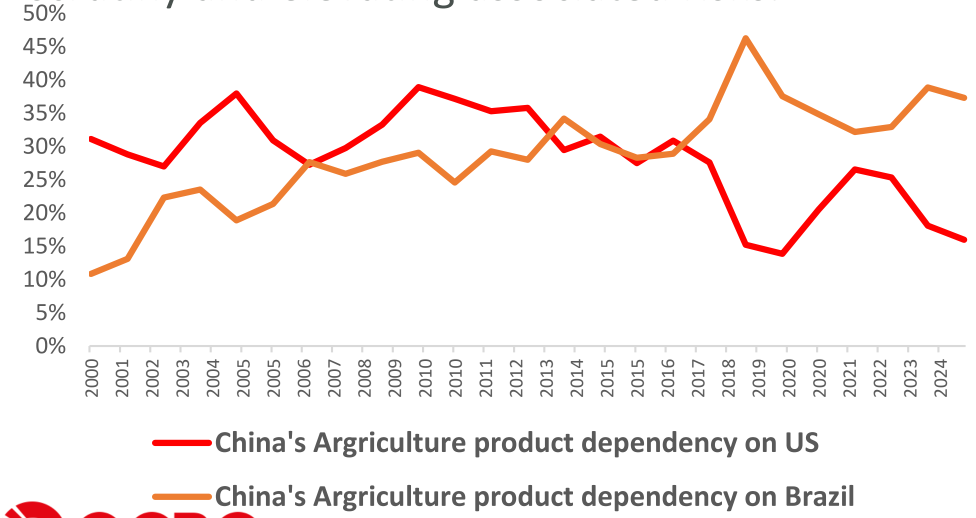
Source: Singstat, CEIC, OCBC.



Source: Singstat, CEIC, OCBC.

China’s return to tit-for-tat and its associated risk

- The immediate inflationary impact of China’s blanket tariff on all U.S. imports appears limited.
- With the imposition of higher tariffs on U.S. agricultural goods, we expect China to further diversify its sourcing toward South American suppliers. However, this reorientation implies greater reliance on maritime logistics through the Panama Canal, potentially inviting further geopolitical scrutiny and elevating associated risks.



Source: Bloomberg, OCBC

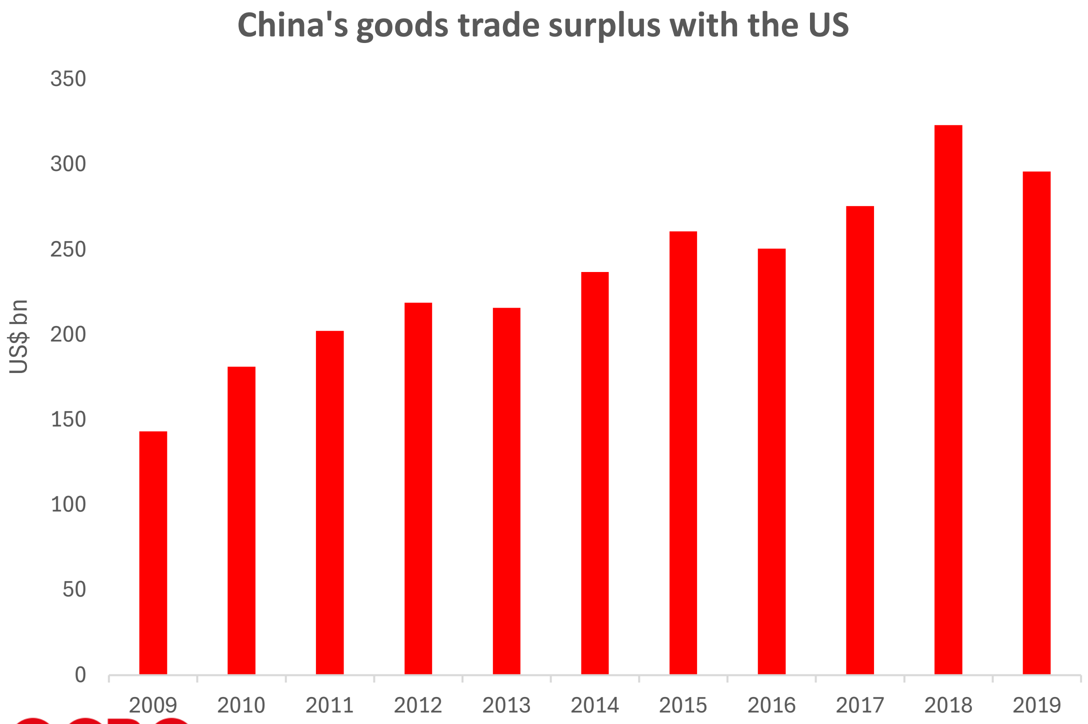
China’s top 10 imports from the US by section under Harmonized System in 2024

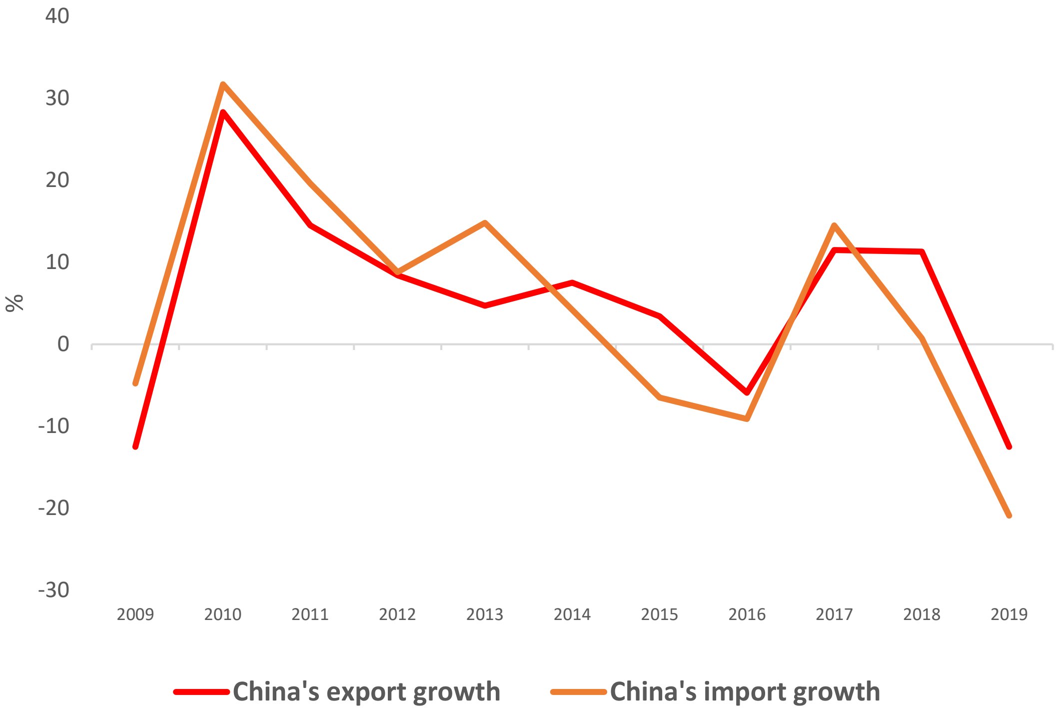
	Total value in 2024	Share in total US imports	China’s dependence on the US
HS Section16: Machinery and mechanical appliances; electrical equipment	US$37.9 billion	23%	5%
HS Section 5: Mineral products	US$25.9 billion	16%	43%
HS Section 6: Products of the chemical or allied industries	US$20.6 billion	13%	12%
HS Section 2: Vegetable products	US$16.6 billion	10%	16%
HS Section 17: Vehicles, aircraft, vessels and associated transport equipment	US$15.3 billion	9%	20%
HS Section 18: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus	US$12.8 billion	8%	16%
HS Section 7: Plastics and articles thereof; rubber and articles thereof	US$8.7 billion	5%	11%
HS Section 15: Base metals and articles of base metals	US$7.1 billion	4%	5%
HS Section 1: Live animals; animal products	US$4.4 billion	3%	9%
HS Section 4: Prepared foodstuffs; beverages, spirits and vinegar	US$3.7 billion	2%	10%

Source: Wind, OCBC

Recap: impact of trade war 1.0

- The formula behind the reciprocal tariff calculation suggests that the Trump administration is more concerned with reciprocal trade balances rather than tariff rates themselves. Even if a country reduces its tariff rates to zero, it may still face U.S. reciprocal tariffs as long as it maintains a trade surplus with the United States.
- 2019's experience showed that China's goods trade surplus only dropped marginally as China's import growth contracted more than export growth. Trump's blanket tariff may lead to the decline of global trade growth.

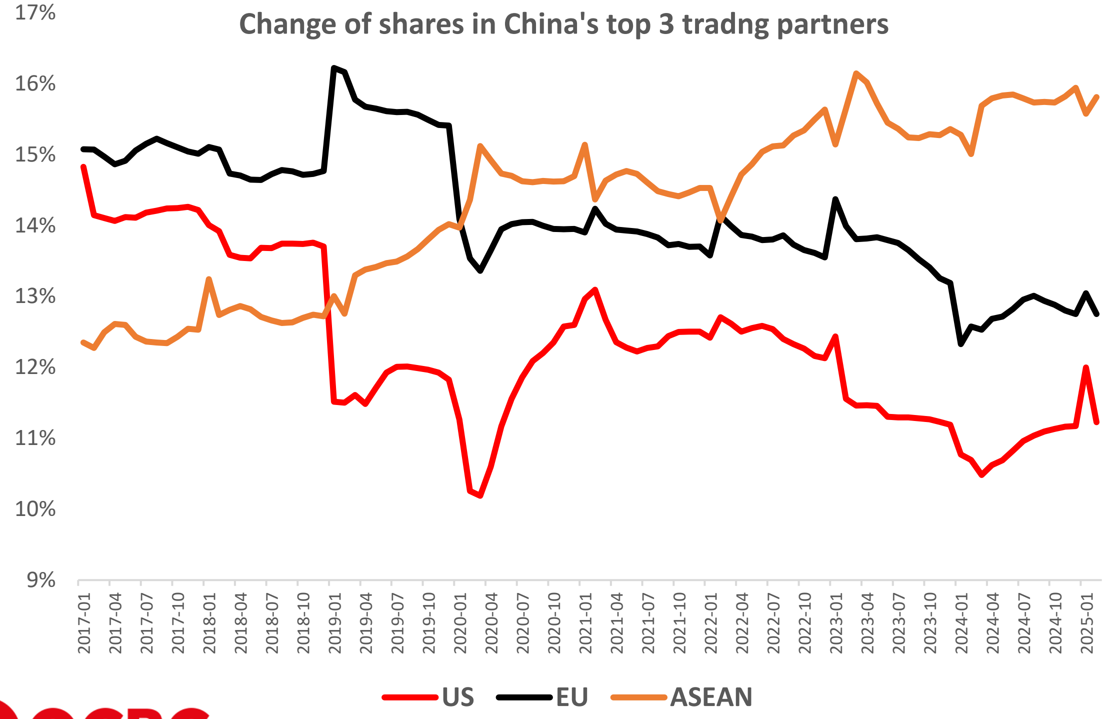




Source: Bloomberg, OCBC

Trade war 2.0: Impact on China

- Studies from the first trade war estimate China's export elasticity to tariffs at approximately -1.7 to -2.5, indicating that for every 1% increase in tariffs, China's exports to the U.S. could decline by 1.7% to 2.5%.
- Applying export elasticity estimates from trade war 1.0, a 54% tariff could equate to a potential 1% GDP loss for China in 2025. However, the situation is more nuanced this time. A universal tariff regime may dilute the relative impact, and in the absence of viable alternatives, higher prices may simply be passed on to consumers in the US. Ultimately, the real economic cost may depend more on substitution limits than the nominal tariff rate itself.



Source: Bloomberg, OCBC

China: things to watch for

Four things to watch for	
Firstly	As Asia has borne the brunt of the reciprocal tariff measures, China may step up as the defender of free trade. President Xi is scheduled to visit Vietnam, Malaysia, and Cambodia in mid-April—his first overseas trip this year. We expect China to emphasize its role as a reliable trading partner to ASEAN amid rising global trade uncertainty.
Secondly	The greater concern lies in the risk of accelerated U.S.-China economic decoupling. As the only major economy to announce formal retaliatory measures, China may risk angering Trump. Markets will closely watch this week's daily USDCNY fixing
Thirdly	Domestically, Premier Li Qiang's remarks at the China Development Forum on March 23 suggested that Beijing is bracing for "shocks that exceed expectations," particularly from external sources. He also indicated that additional policy support may be introduced if needed. Investors will now look for signs of incremental easing or counter-cyclical measures to cushion near-term downside risks.
Fourthly	With the imposition of higher tariffs on U.S. agricultural goods, we expect China to further diversify its sourcing toward South American suppliers. However, this reorientation implies greater reliance on maritime logistics through the Panama Canal, which serves as a key gateway for South American exports to Asia. Given the strategic significance of the canal, China is unlikely to scale back its engagement in the region—potentially inviting further geopolitical scrutiny and elevating associated risks.

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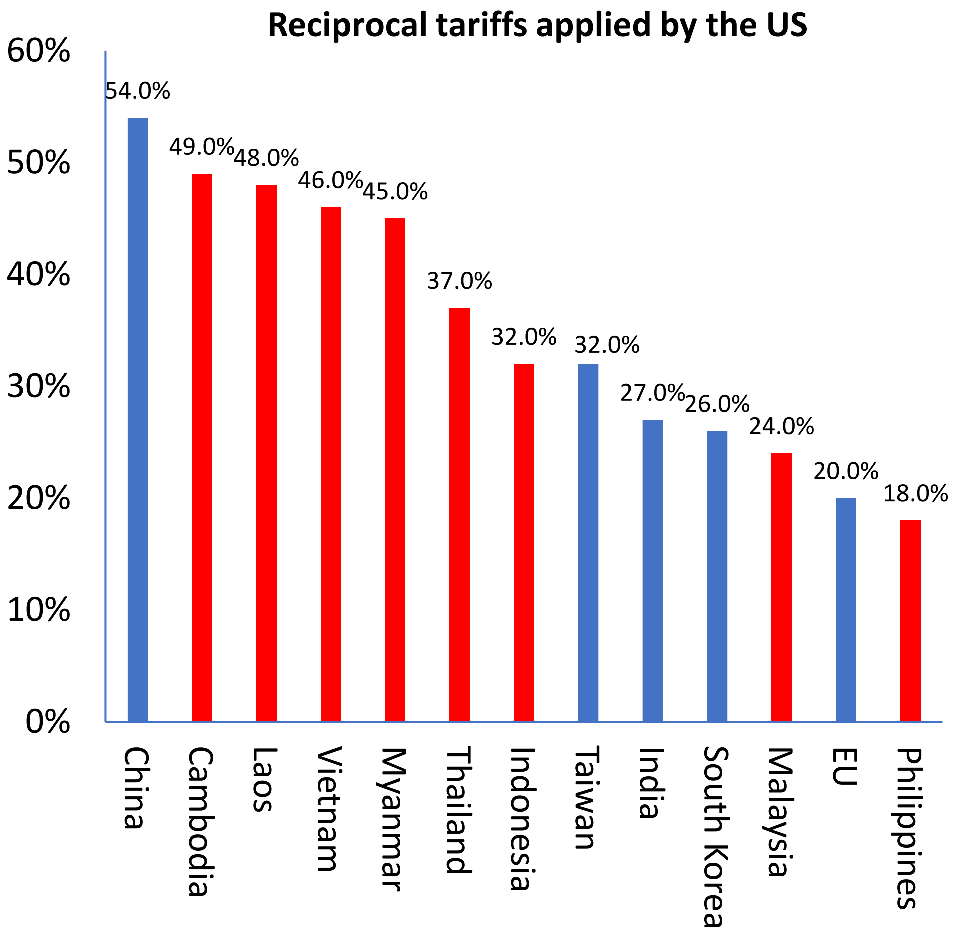
Source: Bloomberg, OCBC

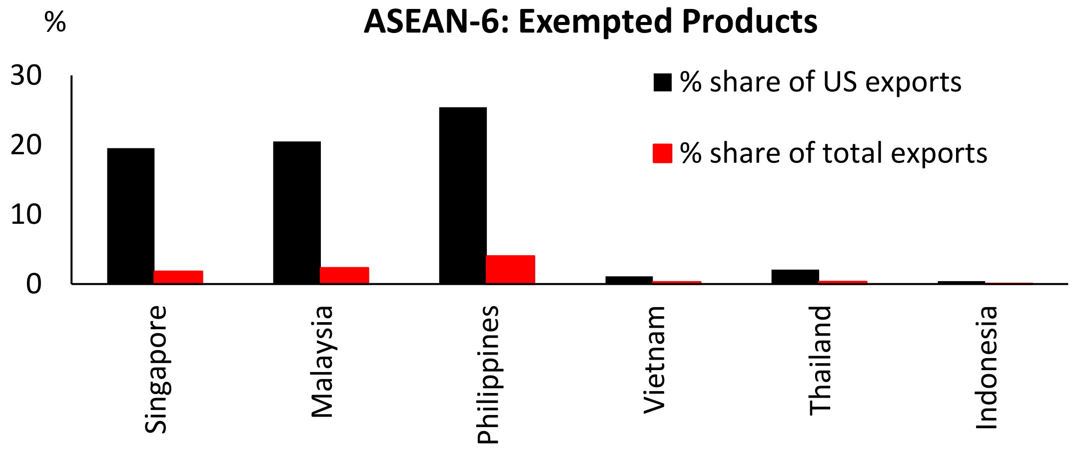
ASEAN: Hard hit by reciprocal tariffs



Source: White House; OCBC. China's tariffs are reciprocal + additional 20% from earlier in 2025

- The blanket tariffs will come into effect on 5 April 2025, while reciprocal tariffs will come into effect on 9 April.

- There are still some exemptions under the reciprocal tariff arrangements, including those items that are already under investigation including copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, energy and energy products.



Source: UNcomtrade, OCBC.

ASEAN: GDP downgrades and more rate cuts

Vietnam will be hardest hit with GDP growth, followed by Thailand, Malaysia while Indonesia and India could be more insulated. Philippines, by our estimates, will be least impacted.

We now expect regional central banks to become more supportive of growth, particularly in 2H25. We are adding rate cuts to our Vietnam, Thailand, Indonesia and India forecasts.

%YoY	Previous forecast (2025)	Revised forecast (2025)	Change in GDP growth
Vietnam	6.2	5.0	-1.2
Thailand	2.8	2.0	-0.8
Malaysia	4.5	4.3	-0.2
Indonesia	4.9	4.7	-0.2
India	6.2	6.0	-0.2
Philippines	6.0	5.9	-0.1

Source: OCBC.

%, year-end	Present rate (2025)	Revised forecast (2025)	Change policy rate (bp)
Vietnam	4.50	4.00	-0.50
Thailand	2.00	1.50	-0.50
Malaysia	3.00	3.00	*Rising risk of a rate cut in 2H25*
Indonesia	5.75	5.25	-0.50
India	6.25	5.75	-0.50
Philippines	5.75	5.25	-0.50

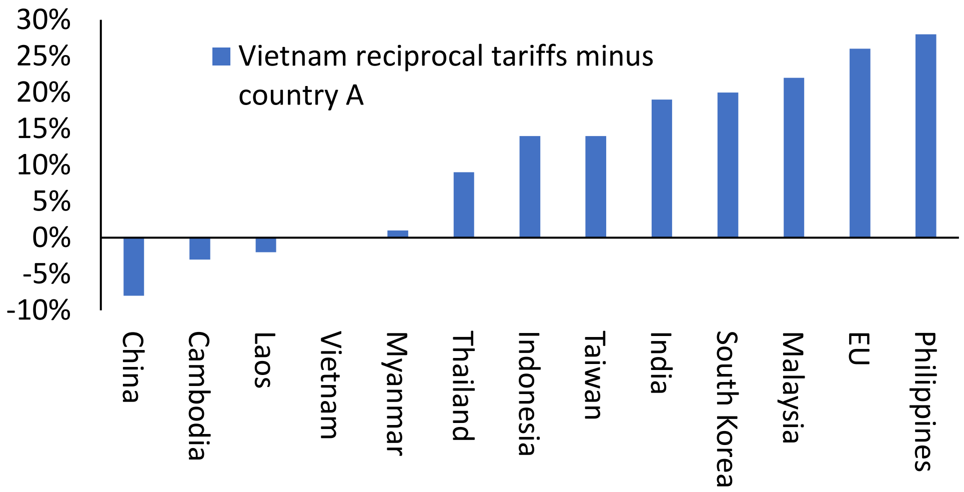
Source: OCBC.

OCBC

Vietnam: Hardest hit

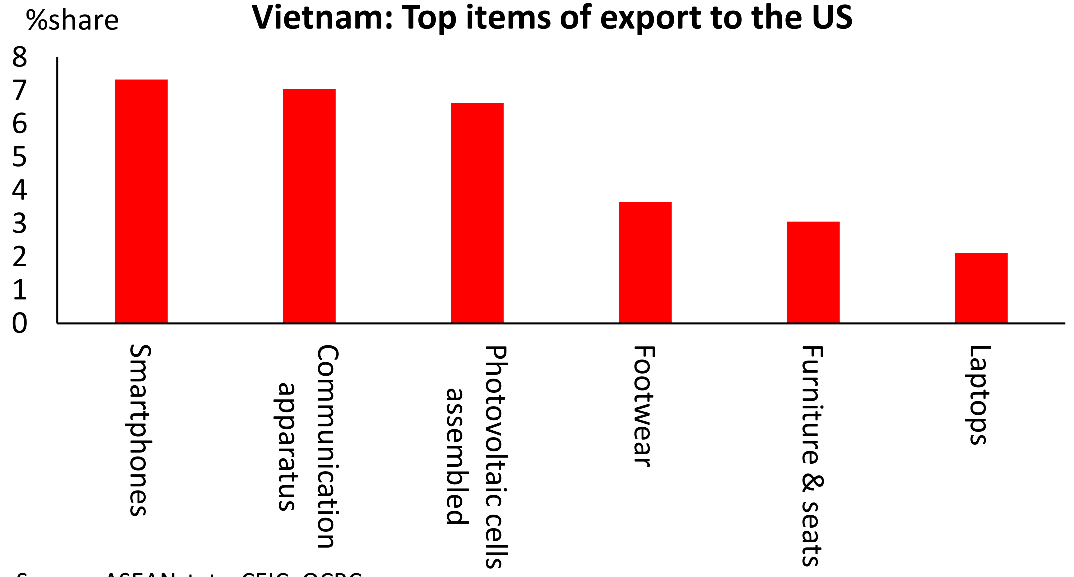
- We reduce our 2025 GDP growth forecast to 5.0% YoY versus our previous forecast of 6.2%. Vietnam's exports to the US totaled USD119.4bn in 2024, which can be reduced by as much as 35-40%, by our estimates.
- The impact on economic growth, however, is not straightforward particularly for 2025 considering that 1Q25 GDP growth was already relatively resilient at 6.6% YoY, by our estimates.
- We now expect the State Bank of Vietnam to reduce its policy rate by 50bps this year compared to our previous forecast of no change.

Reciprocal tariff differentials compared to Vietnam



Note: We compared to total tariffs for China at 54%. Note: White House; OCBC.

Vietnam: Top items of export to the US

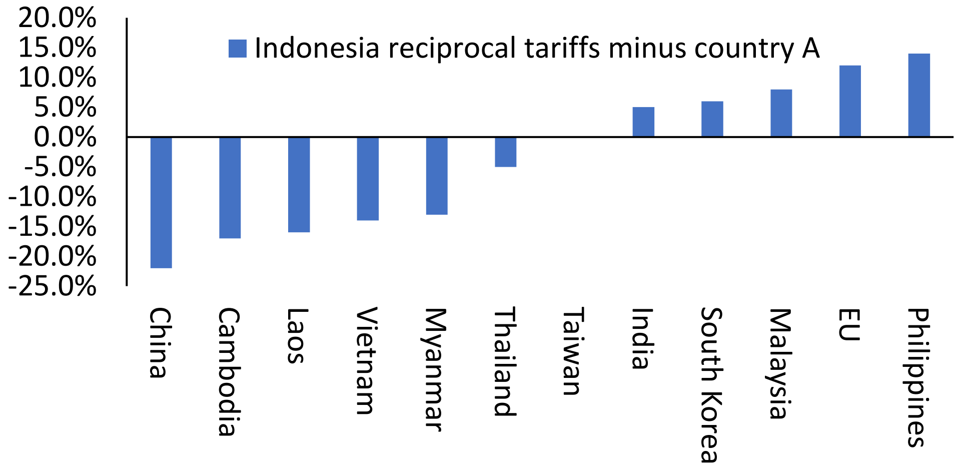


Source: ASEANstats, CEIC, OCBC.

Indonesia: Tariff blow will hurt

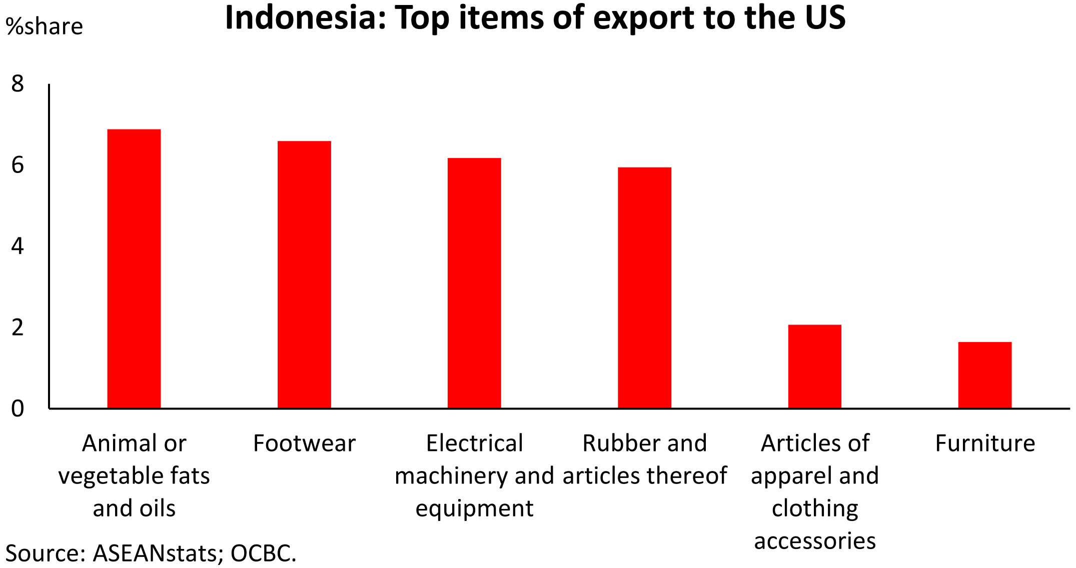
- The reciprocal tariff rate of 32% is substantial and one of the most surprising, by our estimates. Indonesia's exports to the US are quite broad-based across rubber, footwear, E&E, palm oil, cotton and furniture. Only 0.4% of total exports to the US are currently exempt from tariffs.
- This suggests that the impact of growth will be more broad-based across various sectors. We have lowered our 2025 GDP growth forecast by 0.2pp to 4.7% YoY, significant for a mainly domestic demand driven economy.
- We also expect Bank Indonesia (BI) to lower its policy rate by a cumulative 50bp this year, compared to 25bp previously. From an FDI perspective, Indonesia's tariff rates are more competitive than Laos, Vietnam but less so than India and Malaysia.

Reciprocal tariff differentials compared to Indonesia



Note: We compared to total tariffs for China at 54%. Note: White House; OCBC.

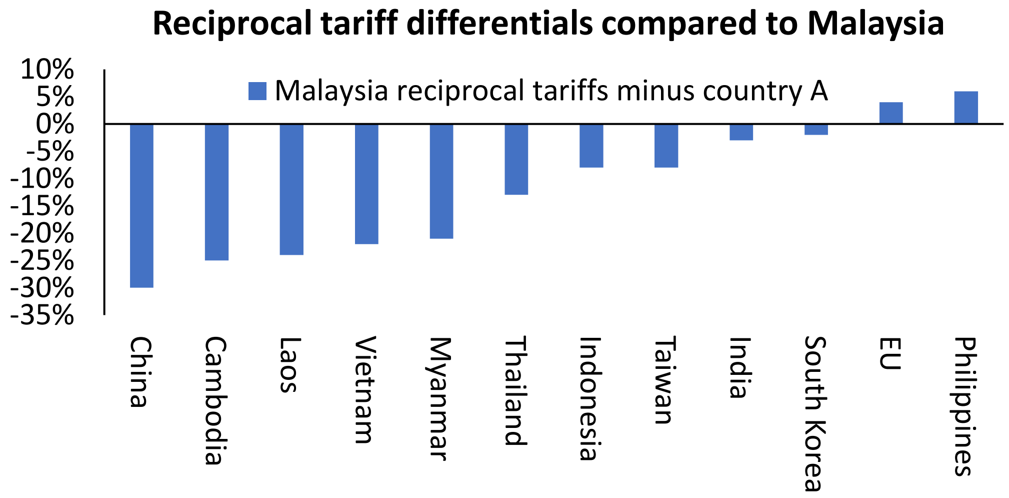
Indonesia: Top items of export to the US



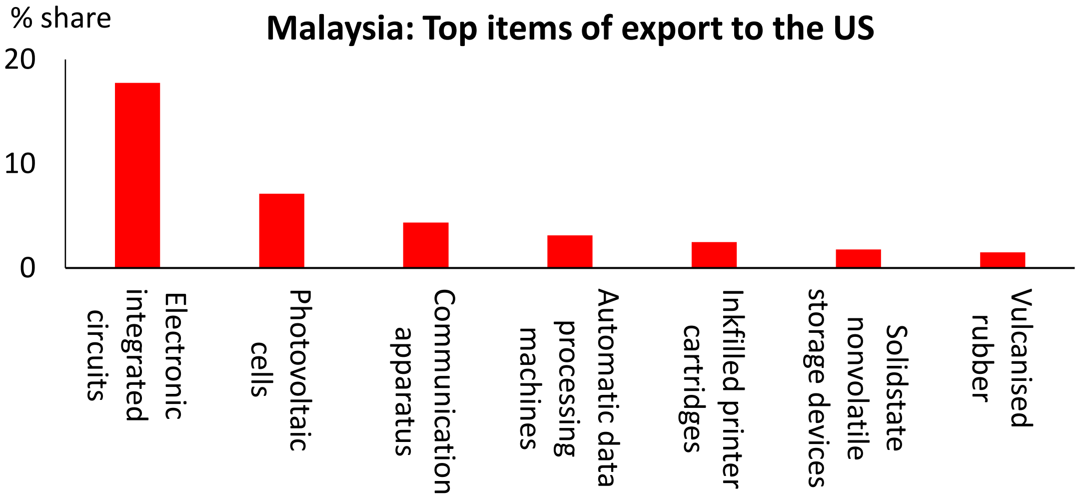
Source: ASEANstats; OCBC.

Malaysia: Waiting for semiconductor tariffs

- We reduce our 2025 GDP growth forecast to 4.3% YoY from 4.5%. This is given the impact of weaker external demand as most of Malaysia's trading partners are hit by tariffs.
- The relief for Malaysia's exports, for the moment, is that semiconductor exports are still exempt from the reciprocal tariffs. This accounts for approximately a third of total exports to the US. If the tariffs on semiconductors are announced before 2H25 when RON95 rationalization is due, we see a risk that the government could delay RON95 rationalization in a bid to support growth.
- We expect Bank Negara Malaysia (BNM) to keep its policy rate unchanged at 3.00%. We see a rising risk of rate cuts in 2H25. However, if RON95 rationalization is delayed, the room to ease could open up sooner.



Note: We compared to total tariffs for China at 54%. Note: White House; OCBC.



Source: ASEANstats, OCBC.

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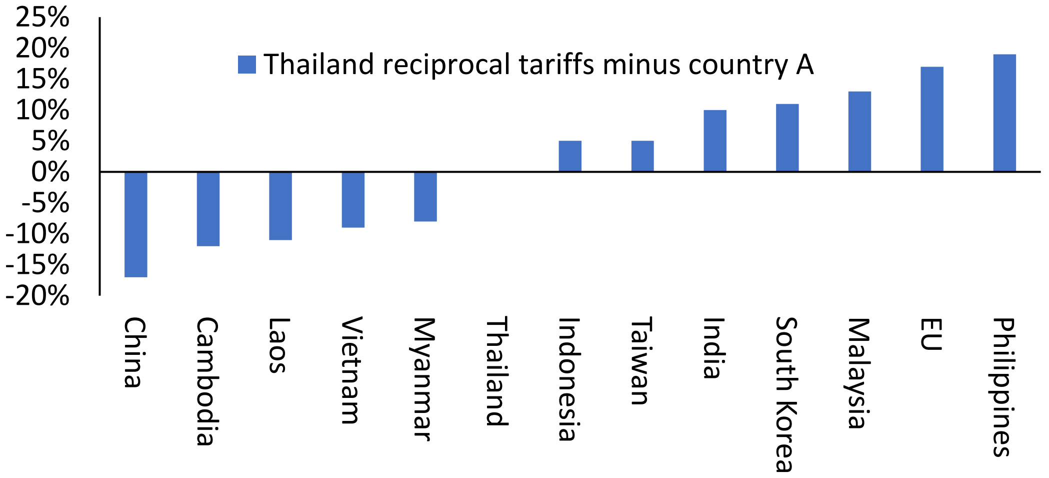
Thailand: No respite

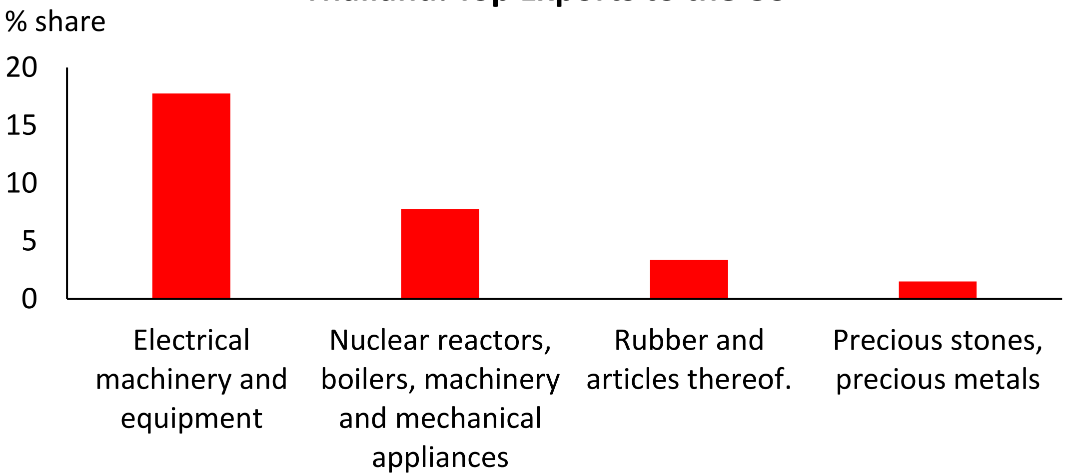
- The reciprocal tariff rates imposed on Thailand is 37%. Vuttikrai Leewiraphan, permanent secretary at the Ministry of Commerce, estimated that exports could be hit by USD7-8bn if tariffs on Thailand exports to the US were raised by 11%.
- However, with certain key items still exempt from tariffs (for the moment), we expect the hit to growth to remain significant at 0.8pp. We, therefore, reduce our 2025 GDP growth forecast to 2.0% from 2.8%.
- We now expect the Bank of Thailand (BoT) to reduce its policy rate by 50bps in 2025 to further bolster downside risks to growth, with the government continuing to pursue supportive fiscal policies.

Reciprocal tariff differentials compared to Thailand



Note: We compared to total tariffs for China at 54%. Note: White House; OCBC.

Thailand: Top Exports to the US

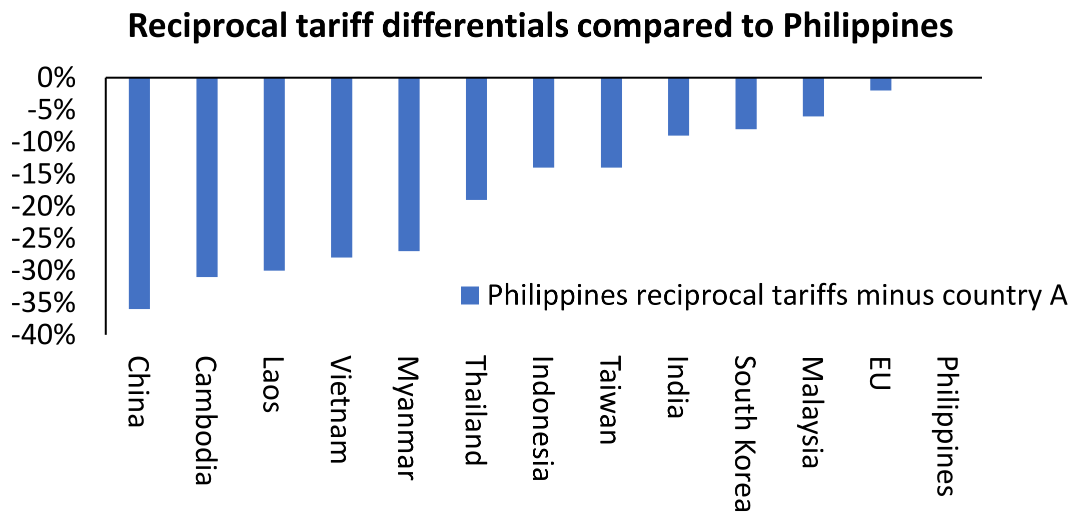


Source: ASEANstats, OCBC.

OCBC

Philippines: Better by comparison

- The reciprocal tariffs at 18% is the lowest in the region and the impact on GDP growth will also be concomitantly lower. Similar to Malaysia, Philippines exports to the US is biased towards semiconductors, which are still exempt from tariffs at the moment.
- We expect GDP growth to be slightly lower at 5.9% YoY in 2025 versus 6.0%, previously. We expect Bangko Sentral ng Pilipinas (BSP) to follow on with a 25bp cut at its 10 April meeting.
- We now expect a cumulative 50bp rate cut for the rest of 2025, particularly as headline inflation remains well within BSP's 2-4% target range.



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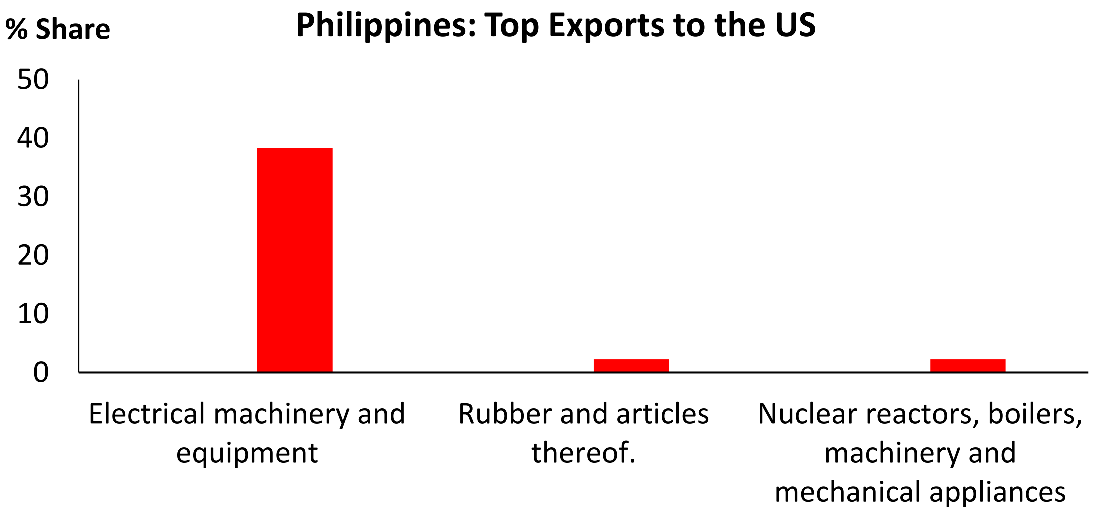

Source: ASEANstats, OCBC.

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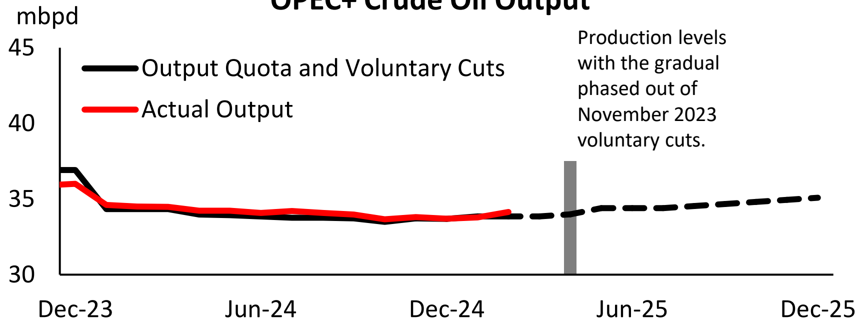
Commodities

Commodities: Crude oil selloff

- Crude oil benchmarks closed lower, with WTI and Brent declining by 10.6% and 10.9% week-on-week, respectively, to close the session at USD62/bbl and USD65.6/bbl. This marks the worst week for oil prices, representing the biggest weekly loss since 2023.
- The steep decline was by driven escalating trade tensions. Following the Trump administration's announcement of reciprocal tariff to its trading partners, China swiftly retaliated with its own set of 34% tariffs targeting US goods like agricultural products and autos, intensifying fears of a renewed trade war. Further exacerbating the bearish sentiment in the oil market, OPEC+ has agreed to boost its production for May by 0.41mbpd, up from the previously announced 0.14mbpd. According to OPEC, "this comprises the increment originally planned for May in addition to two monthly increments. The gradual increases may be paused or reversed subject to evolving market conditions."
- Looking ahead, we expect the volatility of oil prices to remain elevated due to heightened recession risks. Brent crude to trade within the range of USD60-66/bbl. For the week, we look out for EIA monthly Short-Term Energy Outlook.

OPEC+ Crude Oil Output



Note: Angola left OPEC effective 1Jan 2024; OPEC shared that the gradual phasing out of its November 2023 voluntary cuts is data dependent (i.e., the increase can be paused or reversed subhect to market conditions).
Source: Platts OPEC+ survey by S&P Global Commodity Insights, OPEC, OCBC.

Source: OPEC, Bloomberg, Reuters, S&P Global Commodity Insights, OCBC.

FX & Rates

FX & Rates: Tariff War Hurts

- **USD Rates.** UST yields slid as risk sentiment soured with China's announcement of retaliation on Friday. Fed funds futures last priced 43bps of rate cuts by June FOMC meeting, with the chance of a 25bp cut at the May meeting seen at 54%; for the full year, a total of 114bps of cuts are in the price, i.e. a 55% chance of a fifth cut is seen. Our long-held base case for three 25bp cuts look fairly secured given the current information set of the economy and the market. 10Y yield was trading near the key resistance (for the bond) level of 3.88%. When 10Y UST yield fell to the low of 3.62% (day close) in September, breakeven was 2.09% and real yield was 1.53%. A combination of breakeven at 2.10-2.15% and real yield at 1.60-1.65% may be achievable at this juncture and the next level on the downside to watch is 3.80% while topside is at 4.06%.

- **AxJ FX.** We continue to expect a USD divergence thematic, with USD weaker against major FX, including EUR, CHF and JPY while USD is likely to maintain a bid vs. AxJ and antipodean FX, taking into consideration the potential implications of retaliatory trade responses on global growth as well as idiosyncratic drivers. We are tactically less optimistic on SGD, MYR, TWD, AUD, NZD and IDR. Potential sectoral-tariffs on pharmaceuticals and semiconductors may undermine tech and trade-dependent AxJ FX, including TWD, KRW, SGD, MYR and THB. For SGD, there is an additional risk that MAS may ease policy in due course. On G3 FX, risk-off trades typically can benefit USD but recent developments – US protectionist measures, fading US exceptionalism and ballooning US debt – are some catalysts that may question USD's status as a reserve currency, hence dimming USD's safe haven appeal to some extent.

- **USDJPY.** USDJPY continued to trade with a heavy bias amid safe-haven demand as trade conflict escalates. We continue to look for USDJPY to trend lower, premised on safe-haven flows, Fed-BoJ policy divergence (Fed rate cut cycle may play catch up while the BoJ has room to further pursue policy normalisation, supported by economic data, including upbeat GDP, signs of potential increase in wages, firmer CPI, etc.).

- **CNY rates.** Repo-IRS were offered down 5-8bps at open, while CGB yields were down as well, with market expectation for monetary easing to come soon. OCBC Economist expects easing to complement efforts to boost domestic demand, "starting with an RRR cut as early as April, followed by a policy rate cut in Q2". Even if outright easing is not materialising imminently, CGBs benefit from safe haven flows. The situation on the trade front and hence growth implications is very fluid. For 10Y CGB yield, we will watch if 1.6% is broken before eying the next range. NCD rates edged lower again, with 12M AAA NCD rate last at 1.8% level while 12M implied CNY rate was a tad below 1%. In offshore, front-end implied CNH rates rose further higher, with 1W last at 2.45% and 1M at 2.36%, as forward points were higher. We caution there may be further upticks at front-end points with spot under upward pressure.

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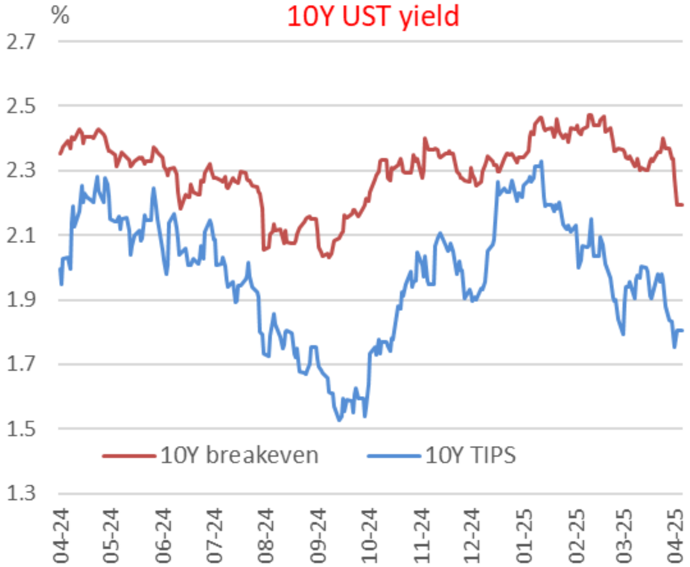
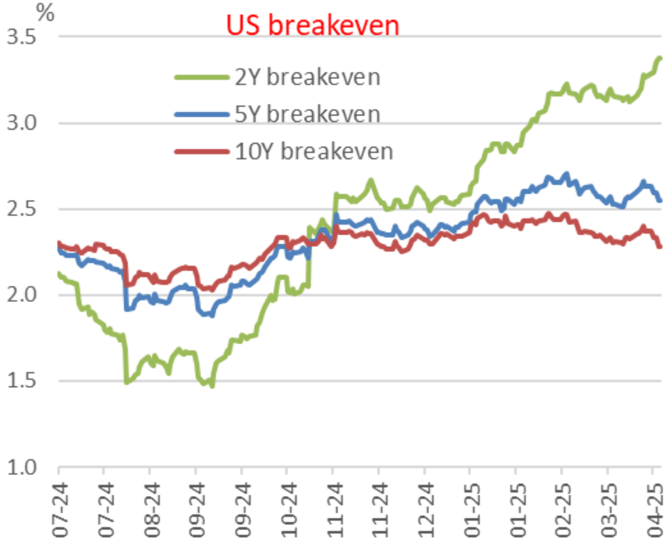
USTs benefited from safe-haven demand

- Market will stay volatile as inflation worries and growth concerns may take turn to be the dominating theme at different points of time. On balance, we expect yields to fluctuate in the already lowered ranges.
- The falls in 10Y UST yield over the past week was driven by both lower real yield and lower breakeven. A combination of 10Y breakeven at 2.10-2.15% and real yield at 1.60-1.65% is not out of reach at this juncture. Next level for 10Y UST yield on the downside to watch is 3.80% while topside is at 4.06%.
- Given recent bond rallies, interim upticks in yields cannot be ruled out, but we do not see a reversal to an extended uptrend in yields before the next major catalyst.
- We have argued our base-case for three 25bp Fed funds rate cuts this year reflects a no-recession scenario. There are two risks surrounding this base-case, on the quantum (to the upside) and on the timing (potential delays in rate cuts compared to our and market expectations).

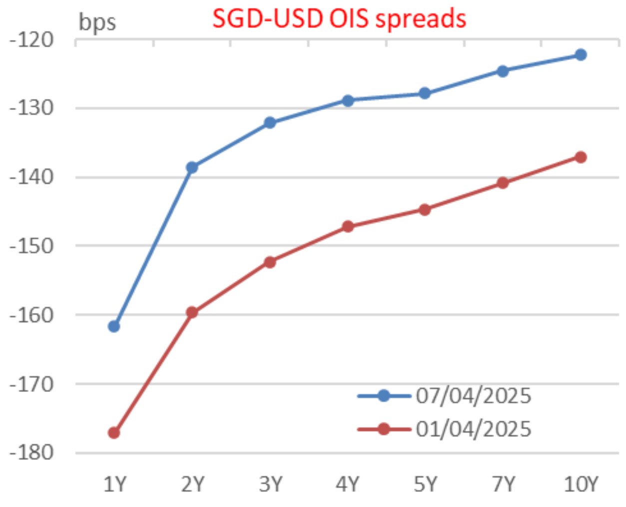


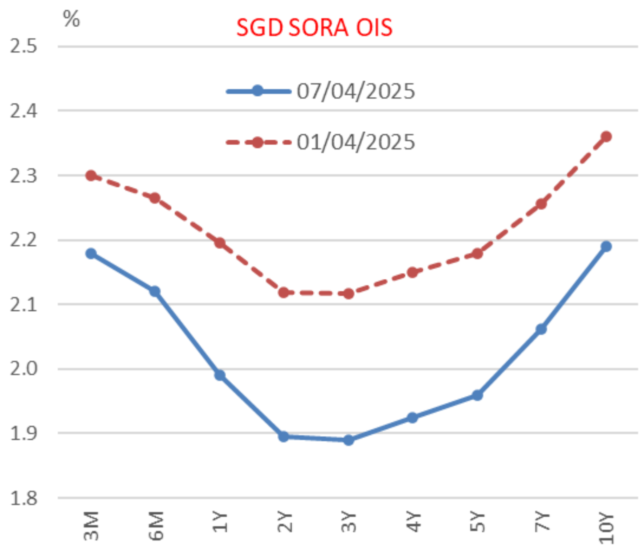


Source: Blomberg, OCBC Research

SGD rates performances

- SGD OIS underperformed USD OIS thus far this month, as the falls in USD rates intensified over the past few days. This resulted in less negative SGD-USD OIS spreads, as we opined earlier that those very negative spreads deviated from historical pattern.
- On the SORA OIS curve itself, the 2Y and 3Y rates have stayed as the lowest points, reflecting not only an extended period of flush liquidity condition, but also a lower-rate-view. Chasing these rates lower is not preferred.
- Should MAS further ease its policy via another slope reduction, there might be a mild upward pressure on short-end SGD rates, although the impact on rates appeared to have been minimal when MAS last reduced the slope in January.
- Current bond/swap spreads appear supportive of SGS; there may be room for SGS to play some catch-up with swaps.





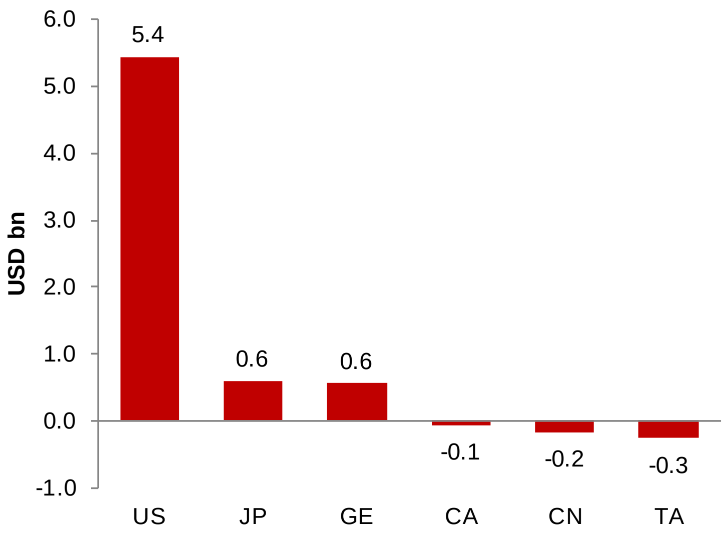
Source: Bloomberg, OCBC Research

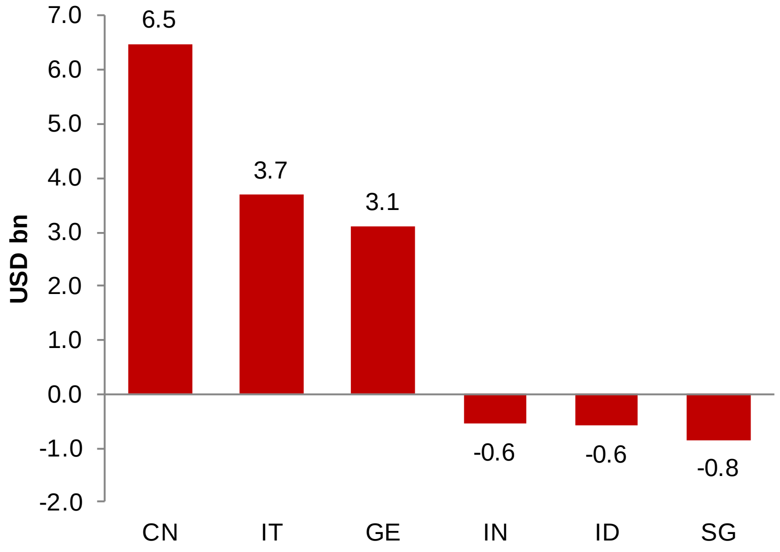
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflow of $2.1bn for the week ending 2 April 2025, an increase from the outflow of $9.05bn last week. Global bond markets reported net inflow of $4.02bn, a decrease from last week's inflow of $4.8bn.
- Global bond markets reported net inflow of $9.3bn, an increase from last week's inflow of $4.02bn.

Equity top gainers & losers	Bonds top gainers & losers

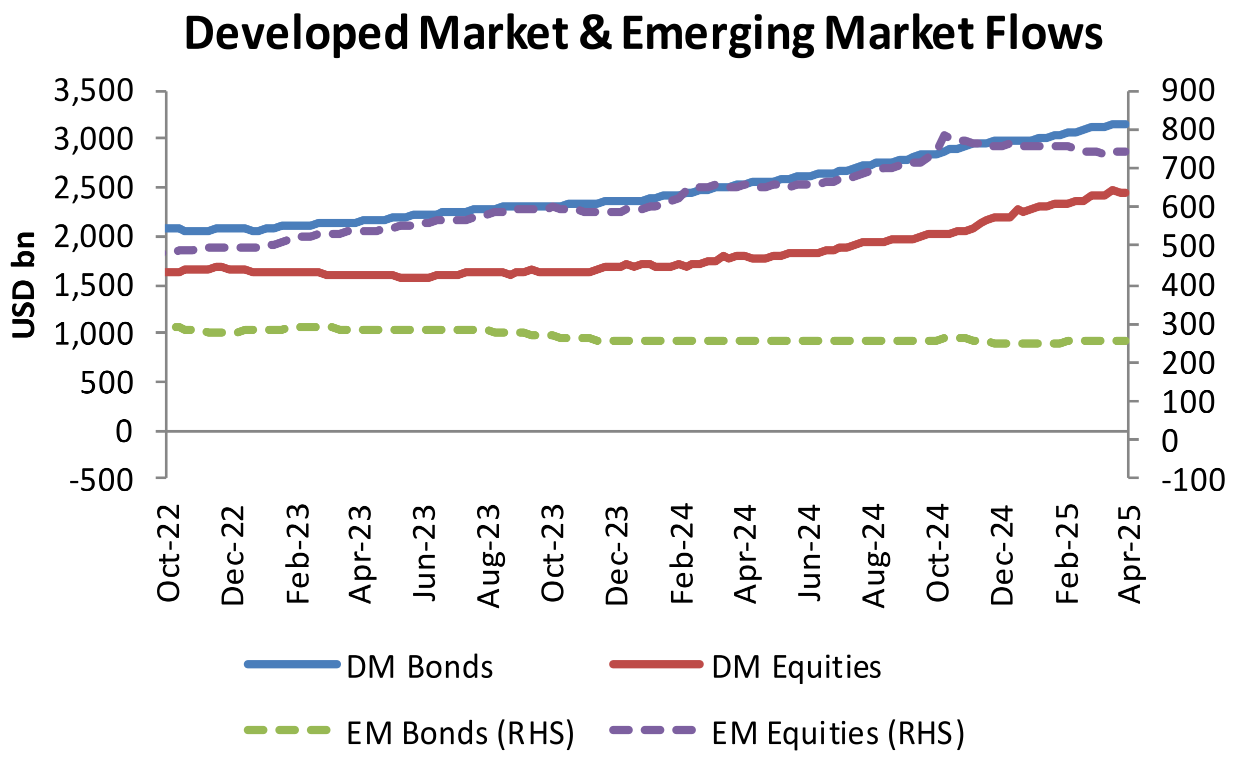




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($779mnn) saw outflows and Emerging Market Equities ($2.8bn) saw inflows.
- Developed Market Bond ($8.05bn) saw inflows and Emerging Market Bond ($1.2bn) saw inflows.



Source: OCBC, EPFR

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