



# Weekly Macro Views (WMV)

Global Markets Research & Strategy

7 October 2024

# Weekly Macro Update

## Key Global Data for this week:

7 October	8 October	9 October	10 October	11 October
<ul style="list-style-type: none"> <li>• <b>US</b> Monthly Budget Statement</li> <li>• <b>TH</b> CPI YoY</li> <li>• <b>EC</b> Retail Sales YoY</li> <li>• <b>GE</b> Factory Orders MoM</li> <li>• <b>CH</b> Foreign Reserves</li> <li>• <b>HK</b> Foreign Reserves</li> </ul>	<ul style="list-style-type: none"> <li>• <b>US</b> Trade Balance</li> <li>• <b>TA</b> Exports YoY</li> <li>• <b>TA</b> CPI YoY</li> <li>• <b>GE</b> Industrial Production SA MoM</li> <li>• <b>AU</b> NAB Business Confidence</li> </ul>	<ul style="list-style-type: none"> <li>• <b>NZ</b> RBNZ Official Cash Rate</li> <li>• <b>IN</b> RBI Repurchase Rate</li> <li>• <b>US</b> MBA Mortgage Applications</li> <li>• <b>US</b> Wholesale Inventories MoM</li> <li>• <b>CH</b> Money Supply M2 YoY</li> </ul>	<ul style="list-style-type: none"> <li>• <b>US</b> CPI YoY</li> <li>• <b>US</b> Initial Jobless Claims</li> <li>• <b>JN</b> PPI YoY</li> <li>• <b>PH</b> Exports YoY</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SK</b> BOK Base Rate</li> <li>• <b>US</b> U. of Mich. Sentiment</li> <li>• <b>US</b> PPI Final Demand MoM</li> <li>• <b>GE</b> CPI YoY</li> <li>• <b>UK</b> Industrial Production MoM</li> <li>• <b>CA</b> Unemployment Rate</li> </ul>

## Summary of Macro Views:

<b>Global</b>	<ul style="list-style-type: none"> <li>• <b>Central Banks</b></li> <li>• <b>Mpox weekly update:</b> Case counter &amp; measures imposed</li> <li>• <b>AMRO</b> October update</li> <li>• <b>US:</b> Hurricane Helene disaster funds uproar</li> <li>• <b>US:</b> Strong upward surprise in non-farm payrolls</li> <li>• <b>US:</b> Manufacturing PMI steady, services PMI continues rise</li> </ul>	<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>ID:</b> Lower inflation in September</li> <li>• <b>MY:</b> Budget Preview – Current state of play</li> <li>• <b>MY:</b> Budget Preview – Shifting focus to Budget 2025</li> <li>• <b>MY:</b> Budget Preview – Monetary policy implication</li> <li>• <b>PH:</b> Lower inflation could lead to more rate cuts</li> <li>• <b>TH:</b> Modestly higher inflation in September</li> <li>• <b>VN:</b> Robust 3Q24 GDP growth</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>SG:</b> Retail sales surprise to the upside</li> <li>• <b>SG:</b> PMI improvement not surprising</li> <li>• <b>CN:</b> Estimating the size of stimulus</li> <li>• <b>HK:</b> Retail sales stayed weak</li> <li>• <b>MO:</b> Gaming revenue fell to the lowest tally since November 2023</li> </ul>	<b>Asset Class</b>	<ul style="list-style-type: none"> <li>• <b>Commodities:</b> Higher crude oil prices</li> <li>• <b>FX &amp; Rates:</b> USD gains consolidate; CPI eyed</li> <li>• <b>ESG</b></li> <li>• <b>Global Asset Flows</b></li> </ul>

# Central Banks

## Forecast – Key Rates

Reserve Bank of New Zealand  
(RBNZ)



Wednesday, 9<sup>th</sup> October

Reserve Bank of India (RBI)



Wednesday, 9<sup>th</sup> October

Bank of Korea (BoK)



Friday, 11<sup>th</sup> October

### House Views

*Cash Rate*

Likely **cut** by **50bps**  
from **5.25%** to **4.75%**

*Repurchase Rate*

Likely **hold** at **6.50%**

*7D Repo Rates*

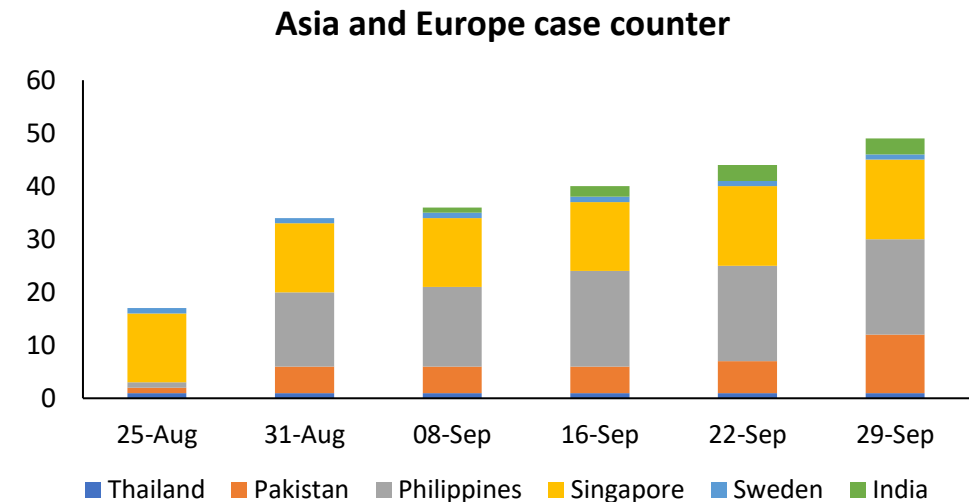
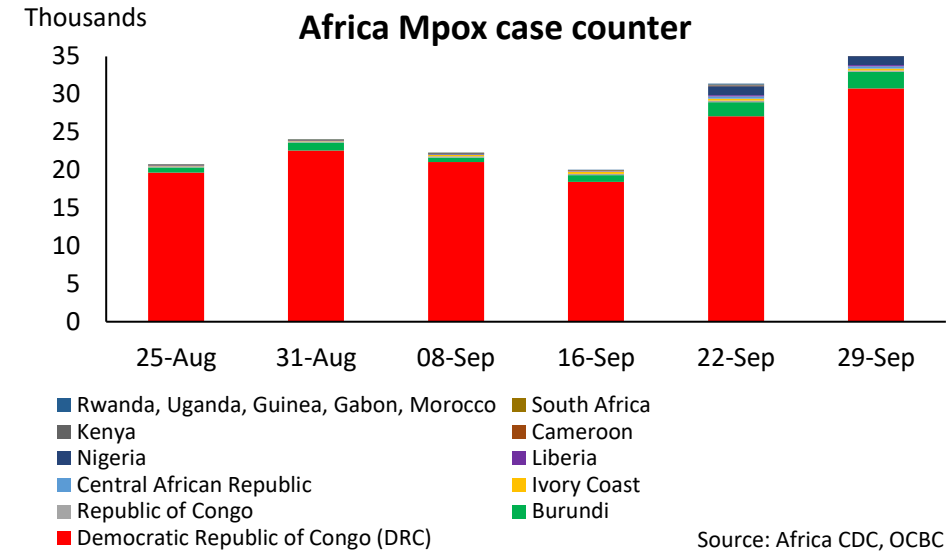
Likely **cut** by **25bps**  
from **3.50%** to **3.25%**

# Mpox weekly update: Case counter & measures imposed

**World Health Organization (WHO):** On 3 October, the WHO approved the first mpox diagnostic test for emergency use, increasing access to medical testing. The test enables detection of mpox from human skin lesion swabs. The WHO is also evaluating three more mpox diagnostic tests to be used in the field and is currently is talks with drugmakers to expand the availability of mpox diagnostic tools.

**Democratic Republic of Congo (DRC):** A vaccination campaign has been launched in the eastern city of Goma after a three-day delay amidst logistical difficulties in delivering vaccines to the city. The DRC has been the hardest hit country in the world by the Mpox epidemic, with around 30k suspected cases and accounting for more than 80% of all mpox cases. The DRC has received 265k vaccine doses so far from donors like the US and EU. It is also waiting for more vaccine doses pledged by other countries to be delivered, with three million doses suitable for use on children set to be delivered from Japan in the coming days. The vaccine doses being administered will be given to people at risk as well as front-line workers.

**Case Count Tracker (Cumulative up to week ending 29-Sep)**



Source: CNA, Straits Times, Africa CDC, WHO, OCBC.

# AMRO October update

- Growth in 2H24 will continue to be underpinned by a recovery in external trade and resilient domestic demand, as well as a boost in tourism as some ASEAN+3 countries relax visa rules. Inflation is expected to continue subsiding as tight monetary policy and lower food prices continue to reduce price growth.
- However, risks to AMRO’s forecasts include a marked slowdown in US and Euro area growth, sluggish growth in China despite the stimulus, and rising financial market volatility. Spikes in commodity and shipping prices as well as the threat of increased US protectionism after the presidential elections are further areas of concern for AMRO.

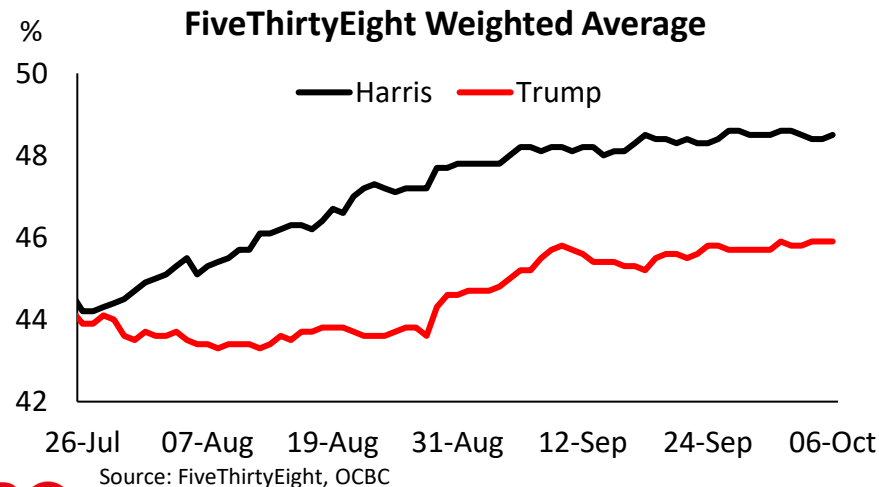
Country	Growth (%)				Inflation (%)			
	2024		2025		2024		2025	
	July	October (New)	July	October (New)	July	October (New)	July	October (New)
ASEAN	4.8	4.7	4.8	4.9	6.3	6.1	4.4	4.9
China	5.3	5.0	4.9	5.1	0.8	0.5	1.4	1.3
Hong Kong	3.5	3.3	3.0	3.0	1.9	1.9	2.3	2.3
Indonesia	5.2	5.1	5.2	5.2	2.7	2.7	2.5	2.5
Malaysia	4.7	4.7	4.9	4.9	2.3	2.3	3.6	3.6
Philippines	6.1	6.1	6.3	6.3	3.3	3.3	3.1	3.1
Singapore	2.4	2.4	2.0	2.0	2.8	2.8	2.5	2.5
Thailand	2.7	2.8	3.0	3.3	0.7	0.7	1.4	1.5
Vietnam	6.3	6.2	6.5	6.6	3.8	3.9	3.3	3.3



Source: AMRO, OCBC.

# US: Hurricane Helene disaster funds uproar

- US homeland security secretary Alejandro Mayorkas said that the Federal Emergency Management Agency (FEMA) was short on disaster relief funds for the hurricane season. The Trump team has accused the Biden administration of misappropriating funds, insinuating that they had used USD640mn allocated to FEMA to house migrants. However, government officials have come out saying that these funds were from a separate programme that was unrelated to disaster relief run by FEMA.
- Elsewhere, US special counsel Jack Smith’s trial filing was unsealed in the latest development of Trump’s court cases. The filing attempts to lay out why the Supreme Court’s presidential immunity ruling in *Trump v. United States* does not stop Trump from standing trial in his federal election interference case.
- Polls in swing states continue to show a tight race. Previously safe Republican states such as Texas and Florida have showed a surge in polling numbers for Harris, continuing to highlight the unpredictability of this election.



538 Weighted Average Polls	Trump	Harris
Arizona	48.1%	46.8%
Georgia	48.4%	47.1%
Michigan	46.4%	47.9%
Nevada	46.8%	47.8%
North Carolina	48.1%	47.3%
Pennsylvania	47.3%	47.9%
Wisconsin	46.8%	48.4%

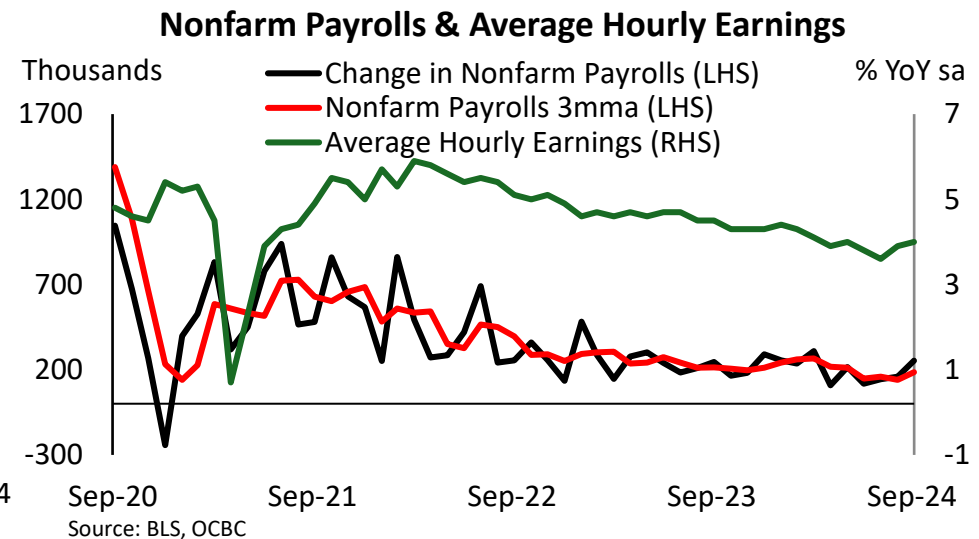
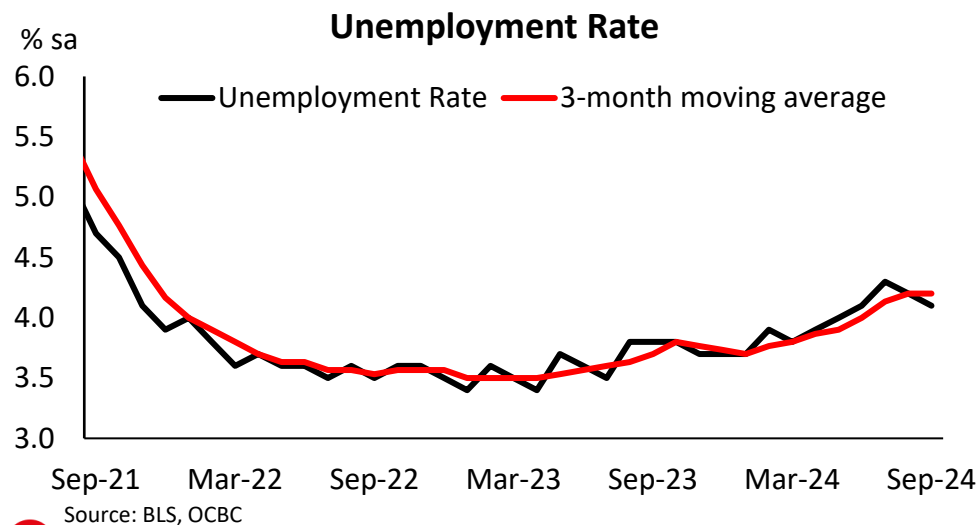
Source: FiveThirtyEight, OCBC, as of 7 October



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

# US: Strong upward surprise in non-farm payrolls.

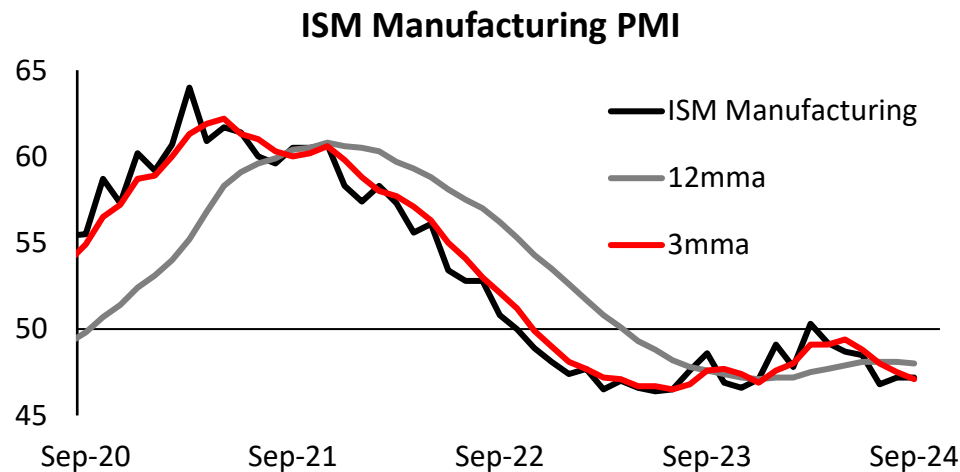
- Non-farm payrolls rose by 254k in September (August: 159k; consensus: 150k), the largest rise since March (310k). This comes after a 72k upward revision over July and August. Most of the increase in September payrolls were from the private sector, which increased by 223k in September. Some of the services sectors, namely education & health and leisure & hospitality registered large job gains. The construction sector continued to add jobs, albeit reduced from August and job losses in the manufacturing sector narrowed.
- Elsewhere, the unemployment rate ticked down to 4.1% (August: 4.2%; consensus: 4.2%). Among major worker groups, the unemployment rate for adult men decreased in September to 3.7%. Average hourly earnings in September increased by 4.0% YoY (0.4% MoM; August: 3.9% YoY), while the average workweek for employees on private nonfarm payrolls ticked down slightly to 34.2 hours in September (August: 34.3). Our base-case remains for one 25bp cut each at the November and December FOMC meetings and a total of 125bps of cuts in 2025.



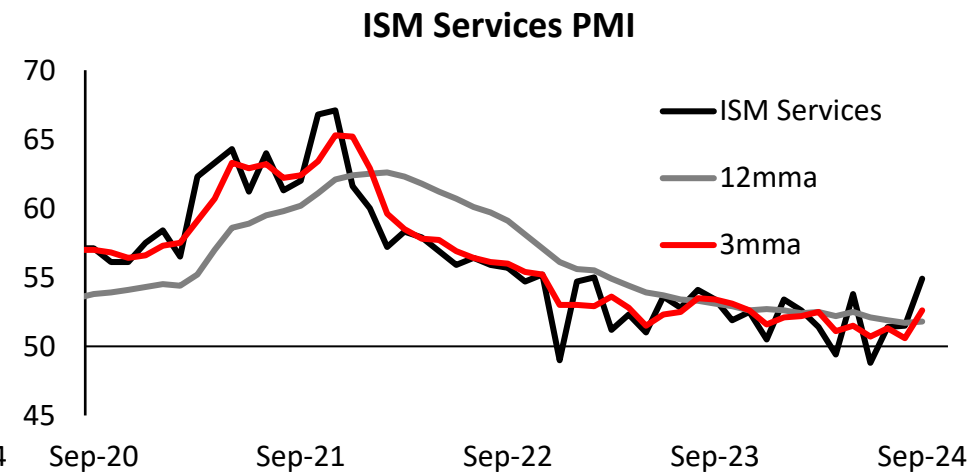
Source: BLS, Bloomberg, CEIC, OCBC.

# US: Manufacturing PMI steady, services PMI continues rise

- ISM manufacturing PMI held steady at 47.2 in September (August: 47.2; consensus: 47.5), the sixth consecutive month of contraction. New orders continued to contract in September, coming in at 46.1 (August: 44.6), while production remained in contractionary territory at 49.8, albeit increasing from 44.8 in August. According to the ISM, demand for manufacturing goods continues to remain subdued due to tight monetary policy and uncertainty regarding the US elections.
- Meanwhile, ISM services PMI was 54.9 in September (August: 51.5; consensus: 51.7), the third consecutive month of expansion and the highest reading since February 2023. Both new orders (September: 59.4; August: 53.0) and production (September: 59.9; August: 53.3) continued to rise in September. However, similar to manufacturers, service providers were also concerned about high interest rates and election uncertainty. Notably, uncertainty about the US elections was more prevalent in September and while the Fed's interest rate cut was welcomed, labour costs and availability remained of concern.



Source: ISM, Bloomberg, OCBC



Source: ISM, Bloomberg, OCBC

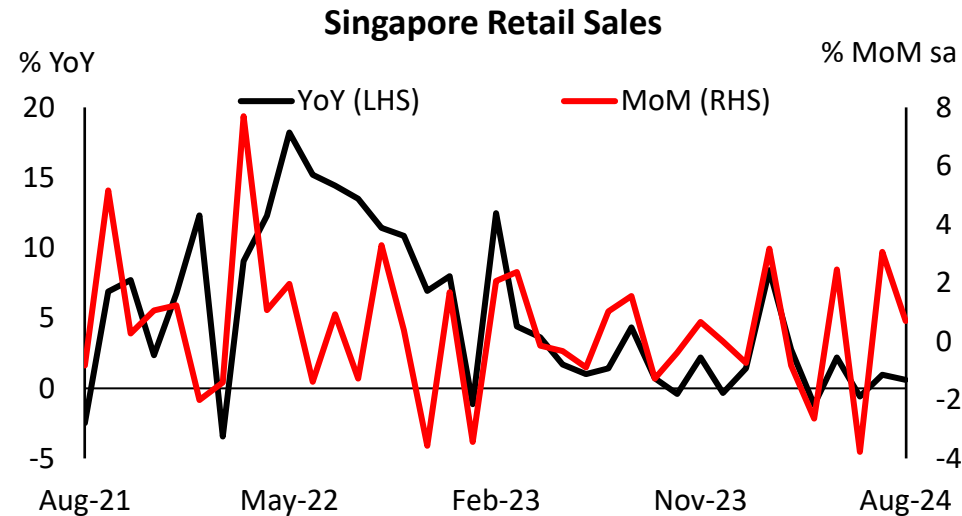


Source: ISM, Bloomberg, OCBC.



# Singapore: Retail sales surprise to the upside

- August retail sales surprised on the upside at 0.6% YoY (0.7% MoM sa). However, retail sales excluding autos fell for the third straight month by 1.5% YoY (+2.0% MoM sa), suggesting that retail sentiments, while an improvement from July, are actually not much to shout about at this juncture. Many retail industries saw a YoY decline in sales in August, dragged down by wearing apparel & footwear (-6.7% YoY), department stores (-6.2%) and petroleum service stations (-5.1%). Visitor arrivals had eased from 1.602m in July 2024 to 1.539m in August, mainly due to a moderation of key inbound markets like China, Indonesia, and Malaysia compared to July.
- With retail sales clocking up 1.8% YoY for the first eight months of this year, we should be on track to see full year 2024 growth at 2-3% YoY growth. That said, key factors to watch would include the health of the domestic labour market, the COE premium trends, as well as the escalation in the geopolitics tensions in the Middle East which had contributed to the uptick in crude oil prices of late.



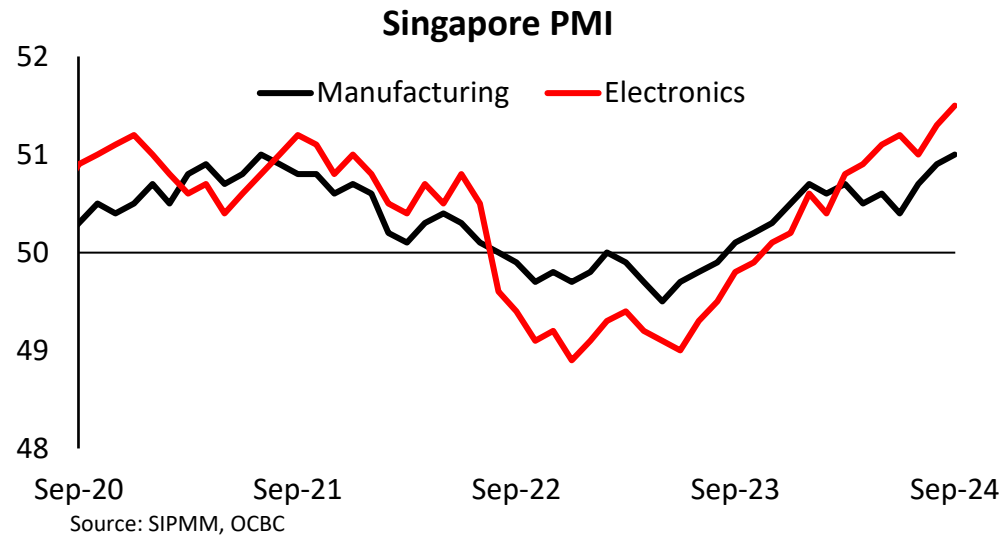
Source: DOS, CEIC, OCBC



Source: DOS, CEIC, OCBC.

# Singapore: PMI improvement not surprising

- Manufacturing PMI continued to improve in September, coming in at 51.0 (August: 50.9), which did not come as a surprise since August industrial production had already surprised to the upside. The September reading was the highest since July 2021, which also showed a reading of 51.0. The electronics sector was a key driver in the strong August industrial production data, as illustrated by the electronics PMI which hit 51.5 (the highest since August 2018).
- Since markets are counting down to November with U.S. elections, whose outcome may impact trade tariffs for China and other economies, the geopolitical outlook may also exert some influence on near-term uncertainties. Thus, the question is if we will see Singapore manufacturing PMI also start to ease from October onwards. The other factor to watch include China's recent slew of policy stimulus in the run up to its golden week holidays which appears to have aided market sentiments and should have some positive impact on near-term growth momentum.



# China: Estimating the size of stimulus

## China's Stimulus measures in 2024

### Pre-September measures

Long term special bond	• CNY1trn
50bps RRR cut	• CNY1trn

### September measures

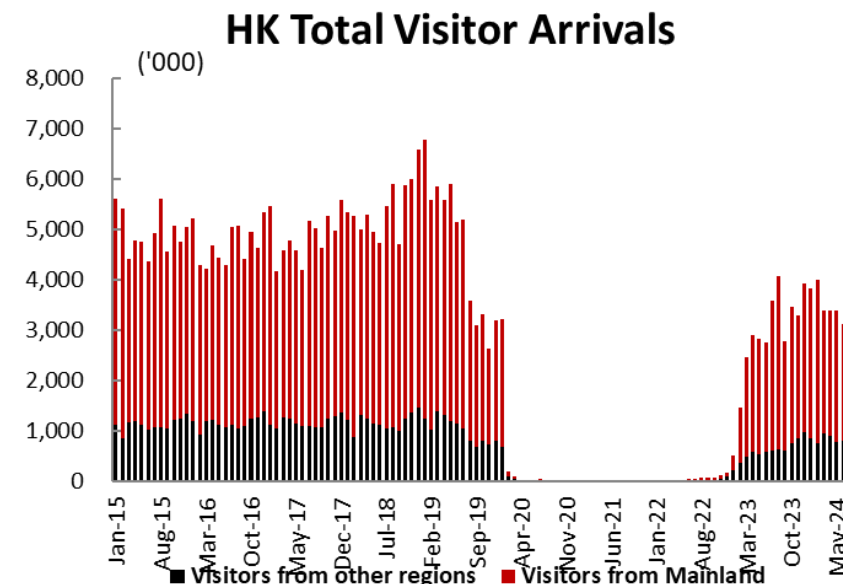
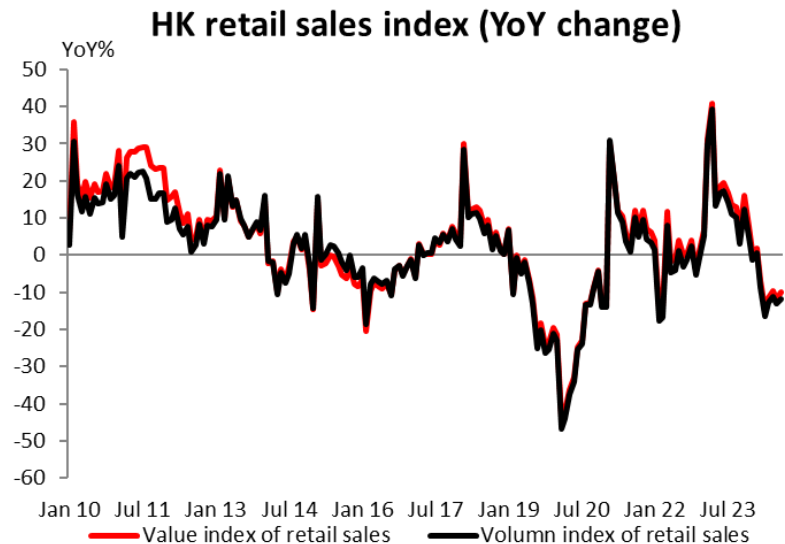
RRR cut (50bps and up to 100bps)	• CNY1-2trn
Two new tools to support the equity market	• CNY800bn
Reduction of existing mortgage rates	• CNY150bn

### Upcoming measures

Reuters reported CNY2trn special bond	• CNY2trn
Bloomberg reported CNY1trn capital injection to major banks	• CNY1trn
<b>Total Estimates</b>	<b>• Up to CNY8trn (close to 7% of China's GDP)</b>

# Hong Kong: Retail sales stayed weak

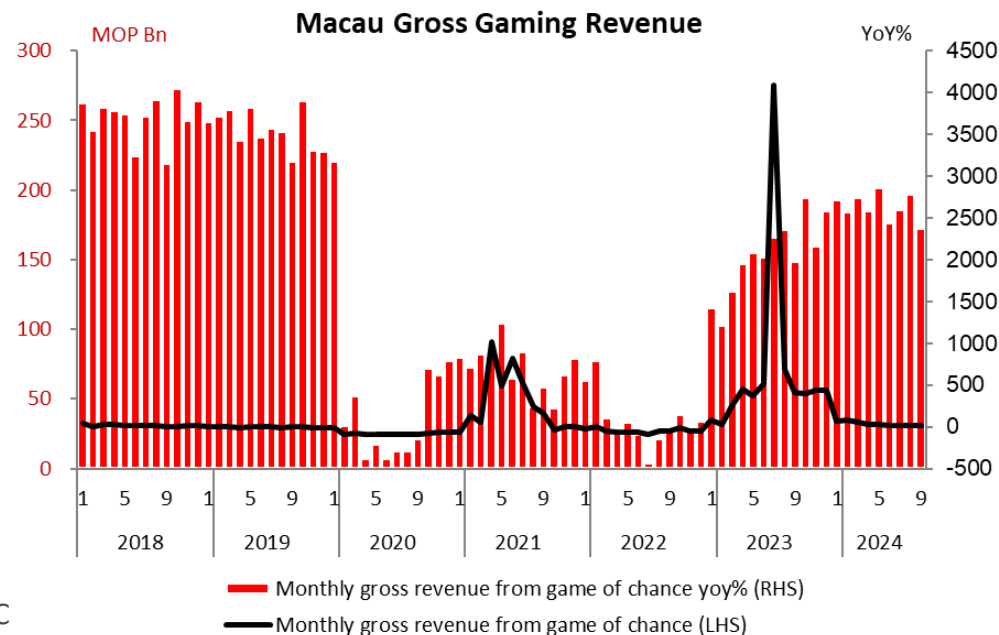
- Retail sales stayed weak in August despite recording the highest monthly tally of inbound visitors since July 2019. Total retail sales declined by 10.1% YoY and 11.8% YoY in value and volume terms respectively. In the first eight months of this year, total retail sales fell cumulatively by 7.7% YoY in value terms. We expect retail sales to stay relatively weak throughout the remainder of the year, though the positive wealth effect created from the recent stock market rally should render some support to retail sector.
- Total visitor arrivals reached 4.45 million in August, the highest monthly tally since July 2019. On the first day of the Golden Week holiday, Hong Kong saw over 222k inbound mainland visitors, up by 24.6% YoY from 178k in 2023. Foot traffic in shopping malls and tourist attractions also picked up notably. Yet, the notable increase in inbound tourists has yet to translate to a surge in tourist spending.



Source: HK Census and Statistics Department, OCBC

# Macau: Gaming revenue fell to the lowest tally since November 2023

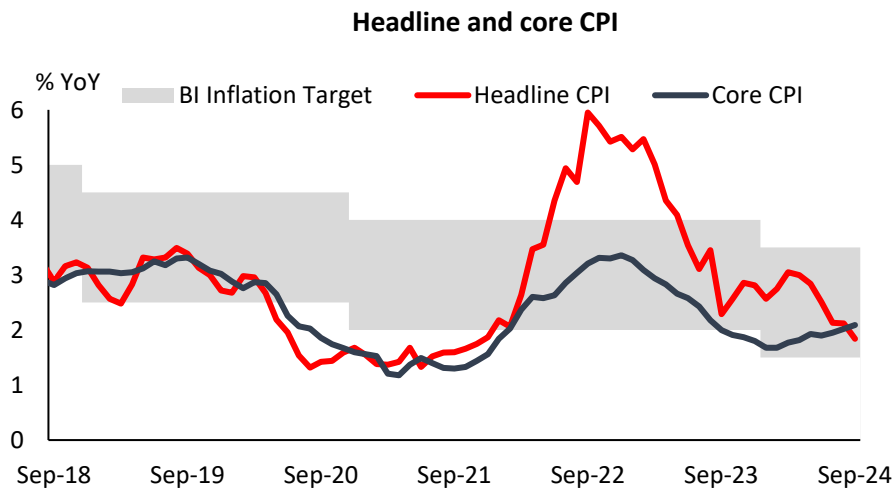
- Gross gaming revenue grew 15.5% YoY to MOP17.25bn in September (-12.7% MoM), the lowest monthly tally since November 2023, partly due to lower foot traffic when Typhoon Krathon hit in early September.
- Cumulatively across the first nine months, gross gaming revenue rose by 31.1% YoY (versus our full year forecast of 27%). Growth in gross gaming revenue is likely to slow further in the next couple of months, given the more heavy-handed crackdown on gaming related activities and the high base effect.
- Macau recorded 174k inbound visitors last Thursday (third day of Golden Week holiday), setting a new daily record. Golden Week has traditionally been a period of high foot traffic for Macau's casinos. Last year, Macau drew over nearly one million visitors during the Golden Week cum Mid-Autumn Festival. We expect to see a sharp month-on-month increase in gross gaming revenue in October.



Source: DICJ, OCBC

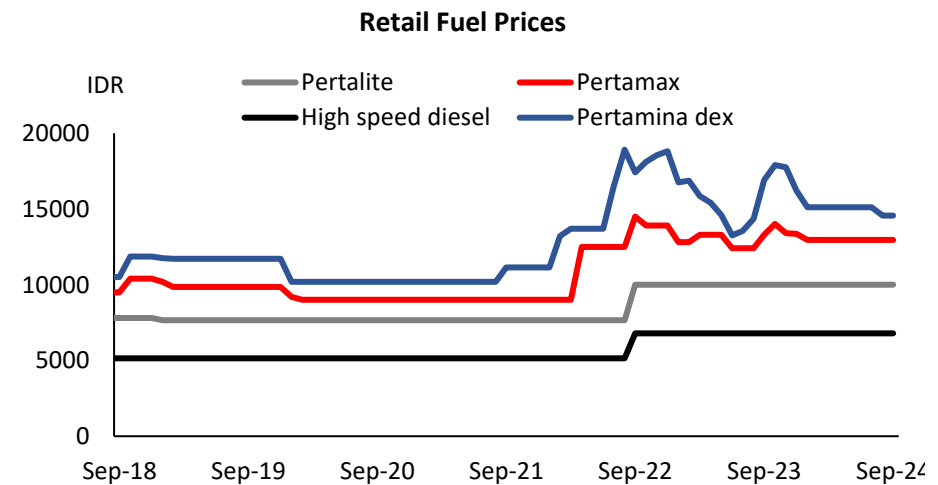
# Indonesia: Lower inflation in September

- Headline CPI eased more than expected to 1.8% YoY in September from 2.1% in August, compared to market expectations of 2.0%. Meanwhile, core CPI rose modestly to 2.1% from 2.0%. The drivers were mixed, with modestly higher CPI in recreation, sports & culture (1.6% in September from 1.5% in August), education (1.9% from 1.8%), and personal care (6.3% from 6.0%), offset by lower CPI in other key components, including food (2.6% from 3.4%) and transportation (0.9% from 1.4%).
- The September print brings the 3Q24 CPI to an average of 2.0% versus 2.5% in 2Q24, and the overall year-to-date CPI has also eased to 2.5% from 3.7% in 2023. Looking ahead, we maintain our forecast for the headline CPI to average 2.5% in 2024, within Bank Indonesia's 1.5% - 3.5% target range, implying relatively well-contained price pressures in 4Q24.



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

Source: BPS, CEIC, OCBC.

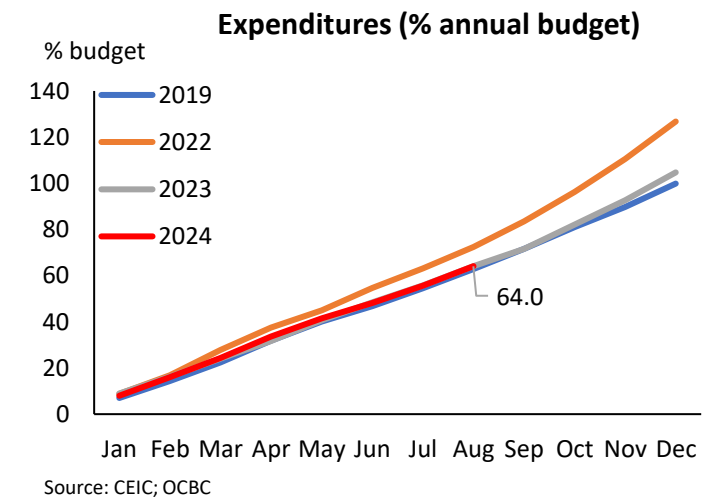
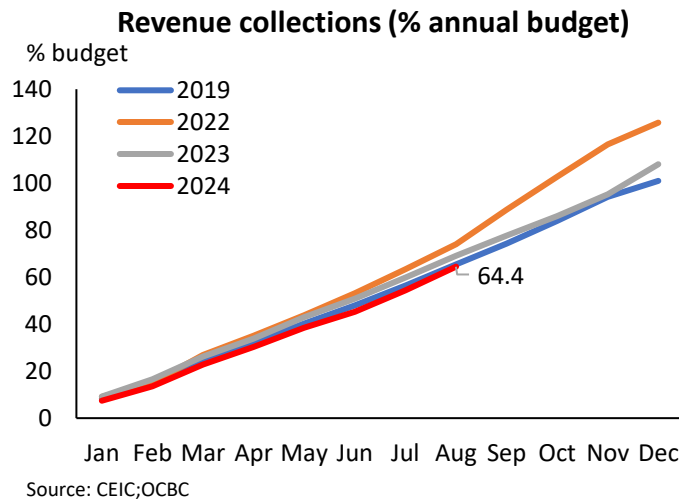
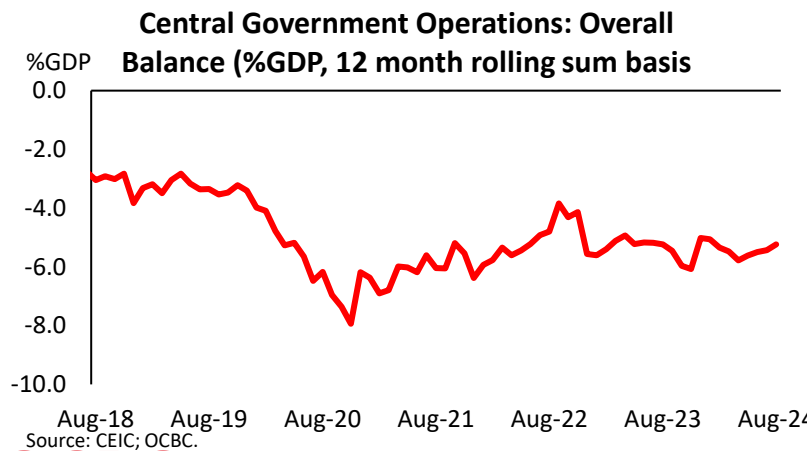


Source: Pertamina, CEIC, OCBC.



# Malaysia: Budget Preview – Current state of play

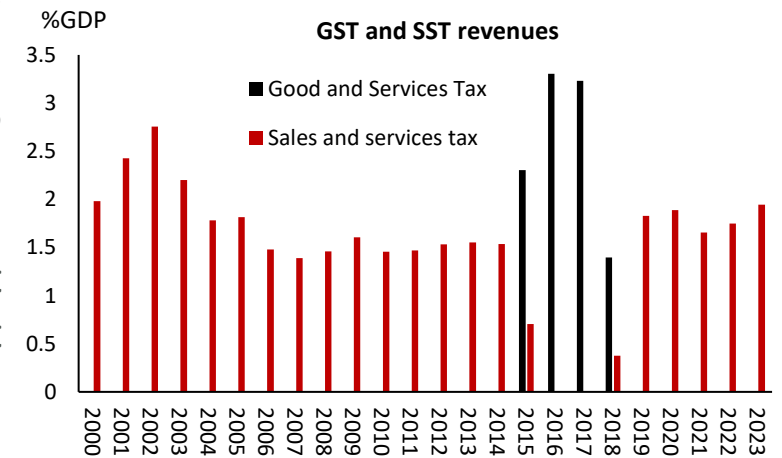
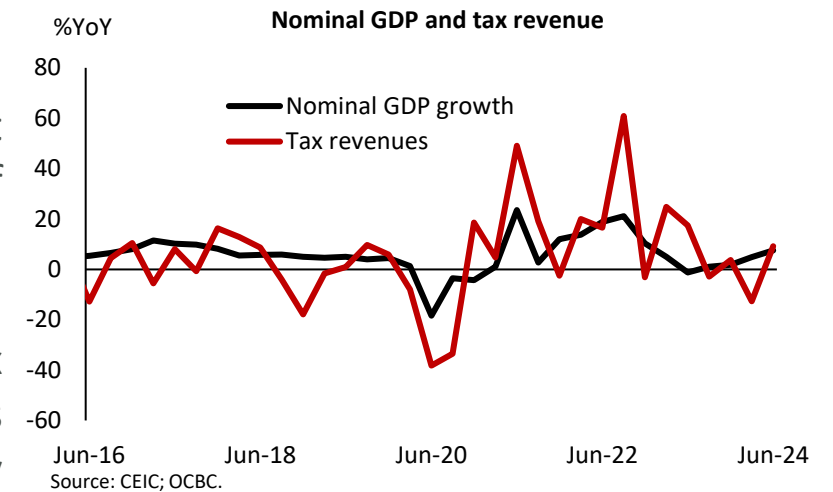
- The fiscal deficit stood at MYR55.2bn, as of end-August 2024, versus an annual 2024 budget deficit target of MYR85.4bn. On a 12-month rolling sum basis, we estimate that the fiscal deficit stood at 5.2% of GDP as of August 2024, compared to the full year budget deficit target of 4.3% of GDP
- The fiscal deficit run rate at the half year mark (i.e., 1H24) suggested that an overshoot of the annual 2024 fiscal deficit target could not be ruled out. Revenue growth fell to -6.3% YoY in 1H24 after rising by 7.0% in 2023 mainly from lower direct tax revenues. On the expenditure front, central government expenditure growth slowed to 1.3% YoY in 1H24 versus 3.2% in 2023.
- The fiscal trajectory, however, changed in July and August. Revenue collections were up by an average of 11.5% YoY in the two months while expenditure growth slowed to 3.9%, supported in part by diesel subsidy rationalisation. Revenues and expenditures hit 64.4% and 64% of their respective annual budgets. As a result, the fiscal run rate slowed, and the 2024 fiscal deficit target now looks achievable.



Source: BPS, CEIC, OCBC.

# Malaysia: Budget Preview – Shifting focus to Budget 2025

- Looking beyond, the Medium-Term Fiscal Framework (MTFF) pegs the fiscal deficit at an average of 3.5% of GDP for 2024-26. This suggests that the fiscal deficit will need to be below 3% of GDP by 2026 and for 2025, we estimate that the fiscal deficit target will need to narrow to within the range of 3.5-3.8% of GDP.
- On the revenues front, our analysis suggests that tax revenue collections, driven by changes in nominal GDP growth, Brent oil prices and non-revenue tax collections (with a two-quarter lag), will grow by 6.0-6.5% YoY in 2025. This is based on our forecasts for growth in these factors to remain stable to modestly lower in 2025. The elephant in the room remains whether the Goods and Services Tax (GST) rate will be raised from the current 0%, replacing the separate sales and services tax (SST). Reports regarding this have been mixed.
- On the expenditures front, emolument expenditures are set to rise in 2025 given the civil servants salary increases. This increase will be implemented in two phases; the first phase will come into effect on 1 December 2024 and second phase on 1 January 2026. To offset these higher emolument expenditures, expenditures on other items will need to be rationalised. To that end, RON95 price rationalisation is a clear choice, albeit hurtful to household balance-sheets during the initial adjustment period

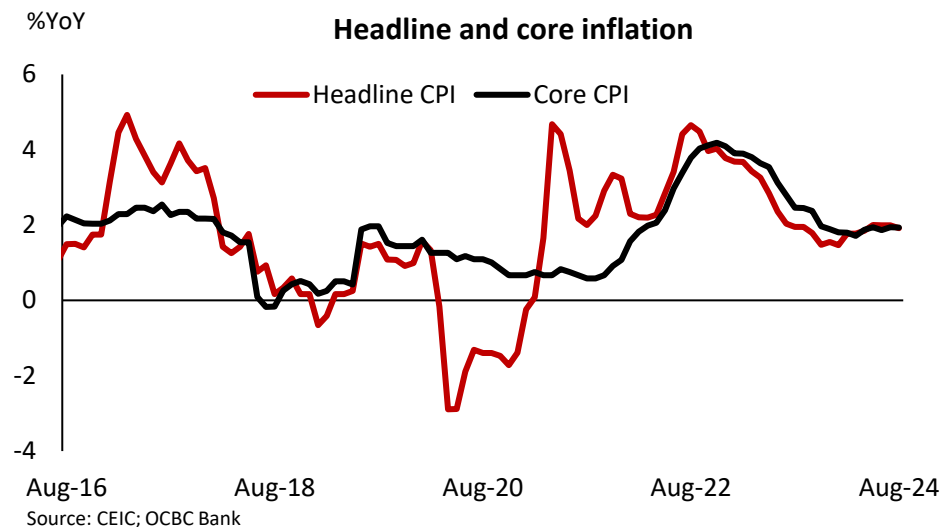


Source: CEIC, OCBC.



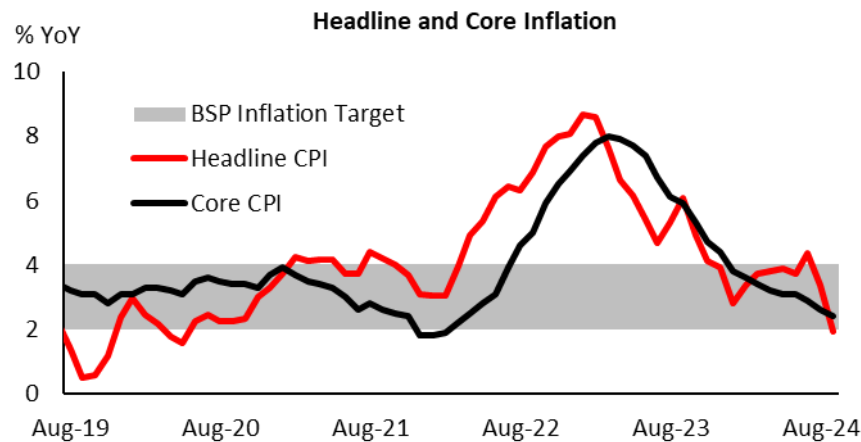
# Malaysia: Budget Preview - Monetary policy implication

- The announcements in Budget 2025 will have monetary policy implications, particularly if the GST rate is raised and/or RON95 prices are rationalised. With either measure, inflationary pressures are likely to be higher compared to the benign inflation backdrop in 2024 (year-to-August headline and core inflation averaged 1.8% YoY and 1.9% YoY, respectively).
- Our base case is for Bank Negara Malaysia (BNM) to keep its policy rate on hold at its 6 November meeting and in 2025. We will, however, closely monitor the inflation outcomes from fiscal changes. We cannot rule out the possibility of BNM raising its policy rate in 2025, particularly if demand-side inflationary pressures become more persistent.
- That said, with most global central banks (including the US Federal Reserve) lowering policy rates, BNM maintaining the policy rate at 3.00% would already suggest relatively tighter financial conditions. Further to this, the currency (MYR) gained 14.4% versus USD in 3Q24, outperforming regional peers. Disappointments on the fiscal consolidation trajectory could, however, see some of these gains being reversed.

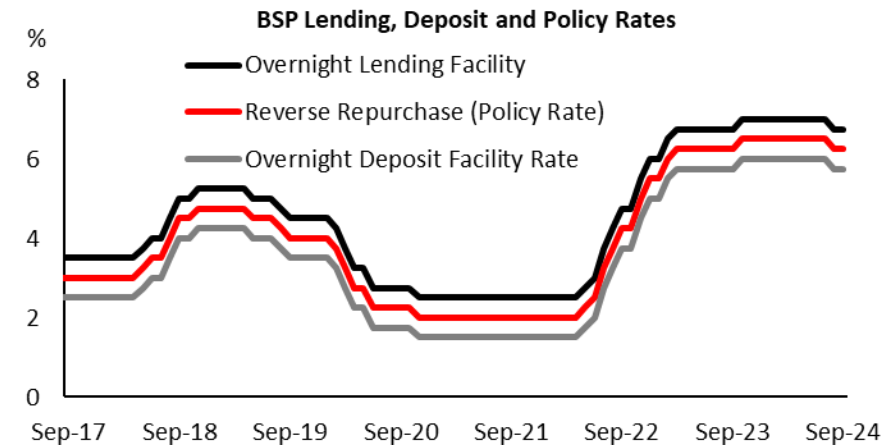


# Philippines: Lower inflation could lead to more rate cuts

- Headline CPI eased by more than expected to 1.9% YoY in September versus 3.3% in August (Consensus: 2.5%; OCBC: 2.4%). The decline was broad-based across all key categories, including food, transport, and utilities. Meanwhile, core inflation eased to a lesser extent to 2.4% YoY versus 2.6% in August.
- We revise lower our 2024 average headline CPI forecast to 3.2% YoY, given the lower-than-expected year-to-date average of 3.4% YoY and well contained inflationary pressures for 4Q24. This forecast falls within BSP's headline inflation target range of 2-4%.
- Bangko Sentral ng Pilipinas (BSP) has been more dovish than we had expected. We bring forward a cumulative 50bps in rate cuts to 4Q24. While our baseline remains for the policy rate to end 2025 to 5.00%, the risk is that it could be lower.



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



Source: Bangko Sentral ng Pilipinas, CEIC, OCBC



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

# Thailand: Modestly higher inflation in September

- Headline CPI rose to 0.6% YoY in September versus 0.4% in August, but undershot expectations (Consensus: 0.8%; OCBC: 0.6%). Similarly, core inflation edged higher to 0.8% YoY in September versus 0.6% in August.
- The main drivers were food (2.3% YoY versus 1.8%) and utilities (0.4% YoY versus -0.9%). These more than offset lower clothing (-0.7% YoY versus -0.6%), medical (-0.1% YoY versus 0.0%), transport (-1.8% YoY versus -1.0%), tobacco and alcohol (1.3% YoY versus 1.6%) inflation.
- Looking ahead, we maintain our 2024 average headline CPI forecast at 0.6% YoY, implying higher CPI in 4Q24 given the year-to-date average of 0.2% YoY. Our base case remains for Bank of Thailand (BoT) to cut its policy rate by 25bp in 4Q24 and 25bp in 1Q25. The risk is that rate cuts could be delayed into 2025.

Drivers of inflation, % YoY	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
<b>Headline CPI</b>	<b>-1.1</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.2</b>	<b>1.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.4</b>	<b>0.6</b>
Food & Non Alcoholic Beverages	-1.1	-1.0	-0.6	0.3	1.1	0.5	1.3	1.8	2.3
Apparel & Footwears	-0.1	-0.2	-0.1	-0.2	-0.4	-0.5	-0.5	-0.6	-0.7
Housing & Furnishing	-0.7	-0.8	-0.9	-0.8	2.1	-0.8	-0.8	-0.9	0.4
Medical & Personal Care	0.9	0.9	0.3	0.4	0.5	0.1	-0.4	0.0	-0.1
Transport & Communication	-2.5	-1.2	-0.4	0.9	2.4	2.4	2.0	-1.0	-1.8
Recreation, Reading, Education and Religion	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.6
Tobacco & Alcoholic Beverages	0.9	1.2	1.4	1.4	1.4	1.5	1.5	1.6	1.3
<b>Core Consumer Price Index</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>

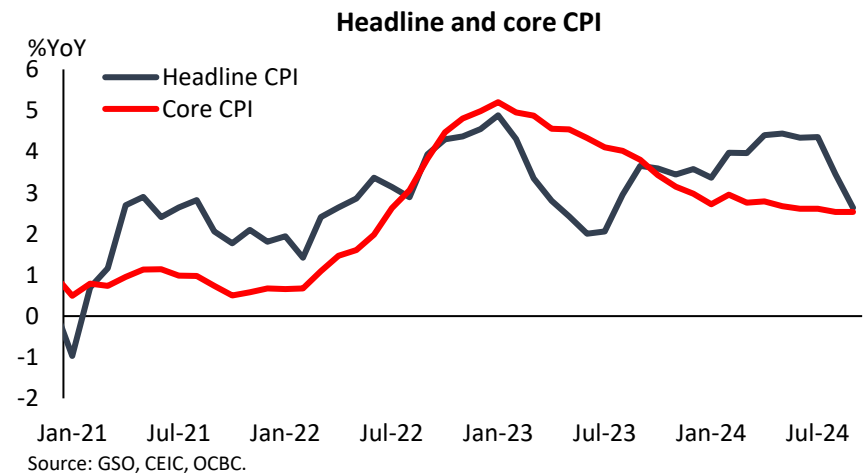
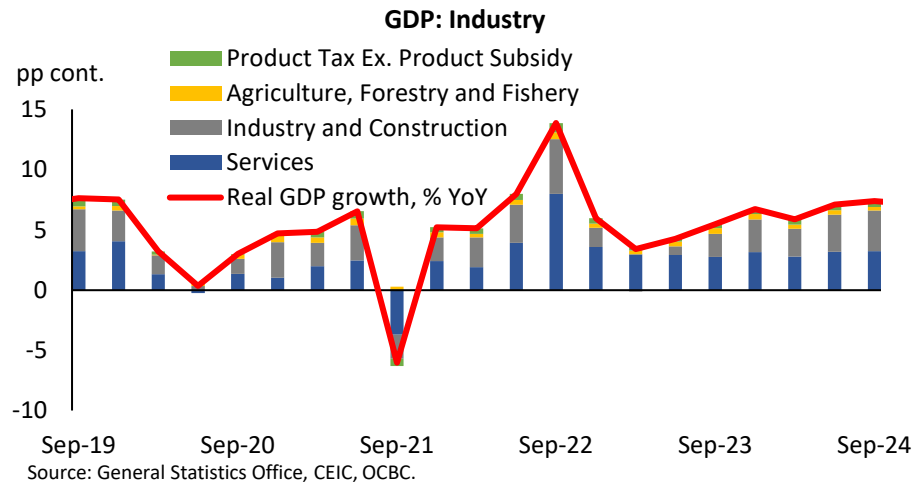
Source: Ministry of Commerce, CEIC, OCBC



Source: Ministry of Commerce, CEIC, OCBC.

# Vietnam: Robust 3Q24 GDP growth

- GDP growth improved to 7.4% YoY in 3Q24, surpassing expectations (consensus & OCBC: 6.0%) compared to an upwardly revised 7.1% in 2Q24. On the supply-side, growth improvements were led by the manufacturing (11.4% YoY in 3Q24 from 10.4% in 2Q24) and services (7.5% from 7.1%) sectors. The contraction in the mining & quarrying sector narrowed to -7.1% YoY in 3Q24 versus -8.6% in 2Q24. These have more than offset easing growth in other key sectors, namely construction (7.1% from 7.8%) and agriculture, forestry, & fisheries (2.6% from 3.6%).
- We revise higher our 2024 GDP growth forecast to 6.5% YoY from 6.0% previously, reflecting the robust growth of 6.8% YoY in 1Q-3Q24. This implies slower growth in 4Q24 on account of the impact of Typhoon Yagi.
- Meanwhile, headline CPI eased notably to 2.6% YoY in September from 3.5% in August while core CPI remained steady at 2.5% YoY. From a monetary policy perspective, the urgent need for the SBV to cut its policy rate has eased. We, therefore, remove our forecast for a cumulative 50bp in rate cuts for 2024.



Source: GSO, CEIC, OCBC.

# Commodities



# Crude Oil: Higher crude oil prices

- WTI and Brent crude rose by 9.1% and 8.4% week-on-week, closing higher at USD74.4/bbl and USD78.1/bbl. This represents the largest weekly gain recorded by both crude oil benchmarks in 2024.
- The recent escalation in the Middle East between Israel and Iran has been the primary driver for higher oil prices. Iran launched a missile attack on Israel, citing retaliation for Israel's aggression on Hezbollah and in Gaza. Israeli PM Netanyahu has vowed retaliation, with reports suggesting that Iranian oil facilities may be targeted, potentially sparking further retaliation from Iran.
- Looking ahead, concerns about escalating tensions in the Middle East and the potential disruption in global oil supply will likely continue supporting the upward momentum. We expect Brent oil prices to trade higher, within a range of USD77-81/bbl.

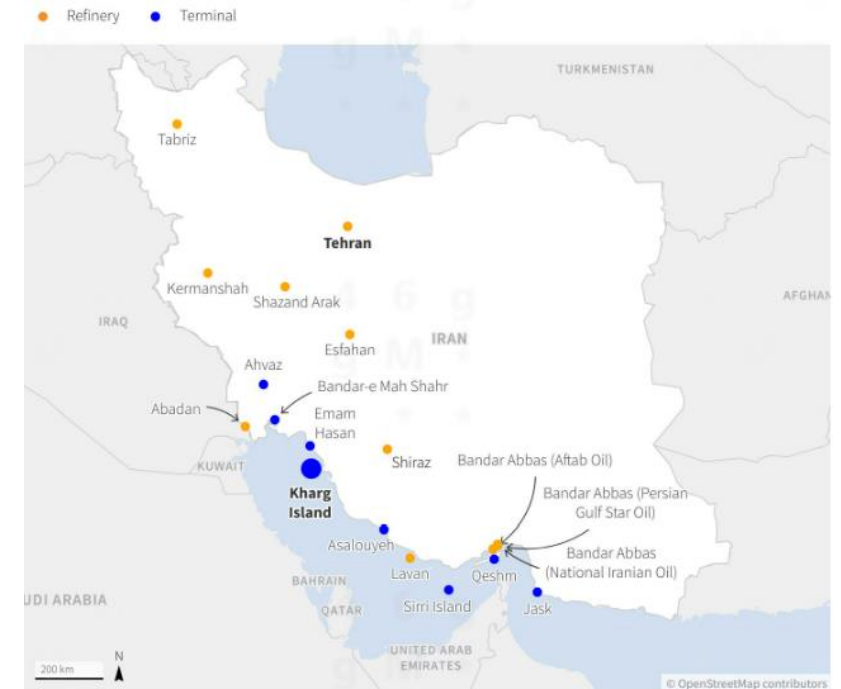
Brent Oil Prices



Source: Bloomberg, OCBC



Source: Bloomberg, LSEG, Reuters, OCBC.



Source: Reuters, LSEG

# FX & Rates



# FX & Rates: USD gains consolidate; CPI eyed

- **USD Rates.** While inflation is not out of the picture, a 50bp-size is not the norm. Additional Fed funds rate cuts from here do not require a recession scenario, in our view. Our base-case remains for one 25bp Fed funds rate cut each at the November and December FOMC meetings and a total of 125bps of cuts in 2025. We have a downward bias to 2Y UST yield. First, the 2Y yield at 3.95% is in line with current Fed funds futures pricing which is a tad less dovish than our base-case for 2025. Second, as and when additional Fed rate cuts materialize, there will be downside to short-end yields, as the prevailing rate and expected rate trajectory will be increasingly factored into the valuation at the short-end. The next level to watch for the 2Y yield is 3.83% and then 3.70%. At the 10Y, we had over the last couple of weeks opined how it would be difficult for the 10Y real yield to break below the range of 1.5-1.7% without a slew of weak data; now with 10Y real yield having broken above this range to 1.74%, a slew of weak data is probably required to push it back into range. Meanwhile, 10Y breakeven at 2.2% looks fair. A near-term range of 3.90-4.10% and a wider range of 3.85-4.05% is seen for the 10Y yield. Focus this week on FOMC, CPI data (Thu); PPI (Fri).
- **USDSGD.** MAS policy decision will be announced on 14 October, alongside 3Q GDP. We expect MAS to maintain policy status quo again at the upcoming Oct MPC meeting as prevailing appreciating path of the S\$NEER policy band remains appropriate. But we do not rule out an outside chance that the MAS may surprise with an earlier easing, given that MAS adopts a forward-looking approach to monetary policy making and that the core CPI's disinflation journey remains intact, apart from the slight bump-up in August.
- **IndoGBS.** Investors may stay on the sidelines for now, waiting for levels and yield differentials to adjust and stabilize. With six conventional auctions and six sukuk auctions in the quarter, individual auction sizes of IDR22trn and IDR8trn for conventional and sukuk sales respectively would be consistent with the quarterly target. That said, last Tuesday's conventional bond awarded IDR24trn of bonds versus target of IDR22trn; further upsizes cannot be ruled out, given the 2.7% fiscal deficit outlook.



**ESG**



# ESG: 1-Year delay to implementation of EU Deforestation Regulation

- The European Commission proposed a one-year delay to the EU regulation on deforestation-free products (EUDR). Under the EUDR, companies that export or place these commodities on the EU market must prove that covered commodities (e.g. palm oil, soy, coffee) originated from land that has not been subject to deforestation or forest degradation after 31 December 2020. All relevant companies will need to conduct strict due diligence to ensure that the covered products comply with regulations including those surrounding human rights, or face penalties for non-compliance.
- Many countries including Indonesia have expressed support for the proposed delay. Rather than the timeframe of the EUDR, Indonesia has cited concerns about the implementation rules such as the country benchmarking on deforestation i.e. the EU will classify nations as high, standard or low-risk for compliance. Indonesia is also urging the EU to accept locally-recognised palm oil sustainability standards and support smallholders in exporting to the EU.
- However, the proposal does not appear to amend any substantive rules of the regulation. Countries would have an additional year to prepare to comply with the existing rules, and may consider seeking alternative export markets to avoid additional regulatory costs.

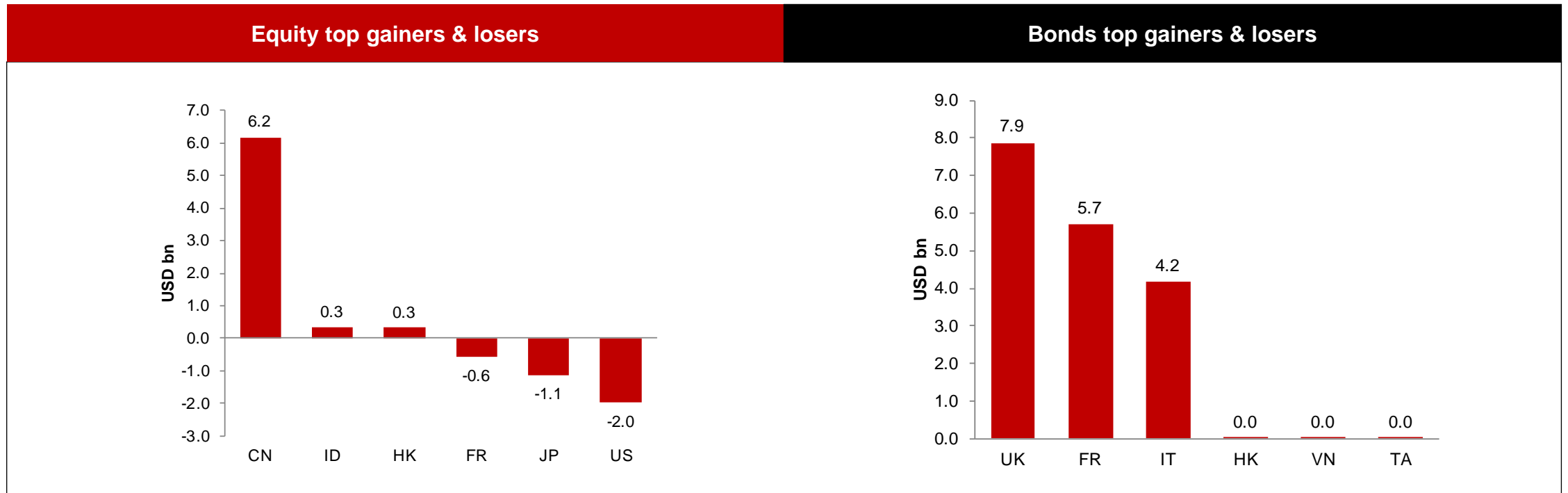
Original timeline prior to delay:



# Asset Flows

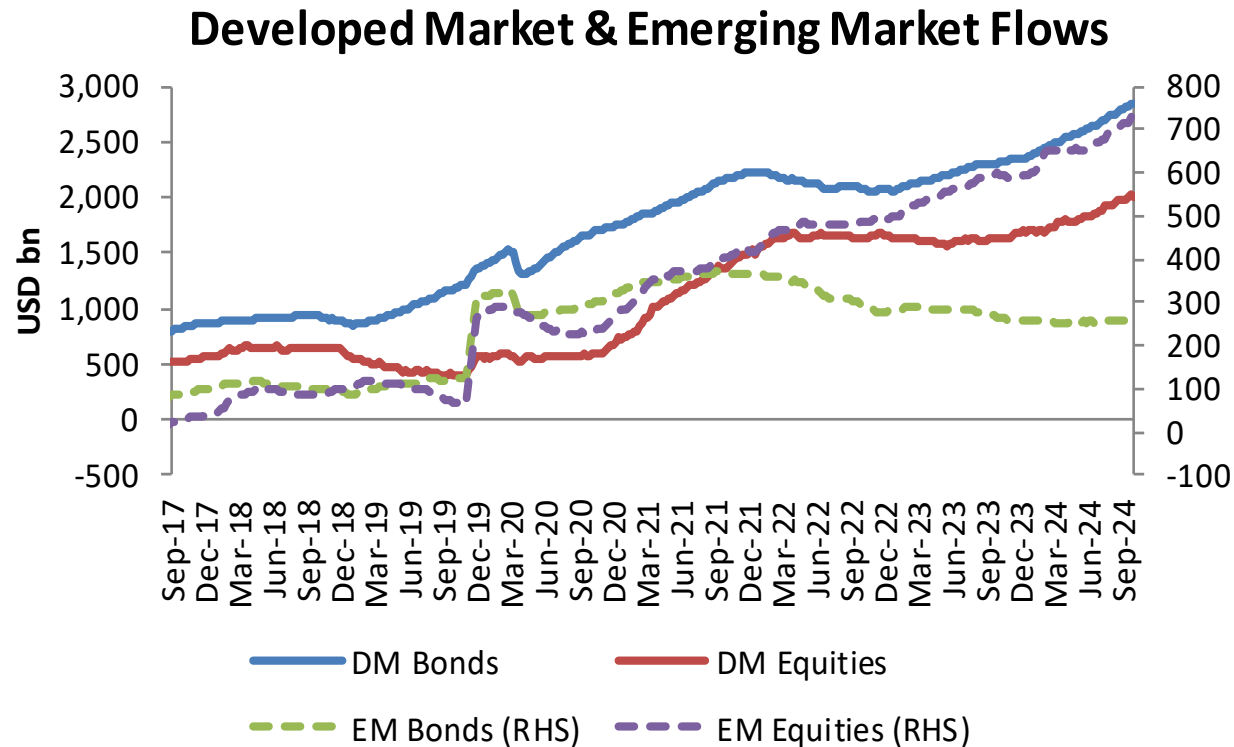
# Global Equity & Bond Flows

- Global equity markets saw net inflows of \$4.9bn for the week ending 2 October, a decrease from the inflows of \$25.4bn last week.
- Global bond markets reported net inflows of \$15.6bn, an increase from last week's inflows of \$12.5bn.



# DM & EM Flows

- Developed Market Equities (\$10.6bn) saw outflows and Emerging Market Equities (\$15.5bn) saw inflows.
- Developed Market Bond (\$15.3bn) and Emerging Market Bond (\$300.73mn) saw inflows.



**Thank you**



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