



Weekly Macro Views (WMV)

Global Markets Research & Strategy

8 July 2024

Weekly Macro Update

Key Global Data for this week:

8 July	9 July	10 July	11 July	12 July
<ul style="list-style-type: none"> • JP BOP Current Account Balance • US NY Fed 1-Yr Inflation Expectations • SG Foreign Reserves • GE Balance of Trade 	<ul style="list-style-type: none"> • CN M2 Money Supply YoY • TA Exports YoY • JP M2, M3 Money Supply YoY • AU NAB Business Confidence 	<ul style="list-style-type: none"> • NZ RBNZ Official Cash Rate • CN CPI YoY • US MBA Mortgage Applications • SK Unemployment Rate 	<ul style="list-style-type: none"> • US CPI YoY • US Initial Jobless Claims • MY BNM Overnight Policy Rate • SK BOK Base Rate • GE CPI YoY 	<ul style="list-style-type: none"> • US U. of Mich. Sentiment • CN Trade Balance • ID CPI YoY • ID Industrial Production YoY • SG GDP

Summary of Macro Views:

Global	<ul style="list-style-type: none"> • Global: Central Banks • Global: Labour Wins Big, Conservatives Falter • Global: French Left-Wing Spending Plans Raise Questions • Global: US Labour Market Remains Strong But Shows Signs of Cooling • Global: Fed & ECB Refrain From Committing to Rate Path at Sintra • Global: Euro Area Inflation Slows, Services Still Sticky 	Asia	<ul style="list-style-type: none"> • ASEAN – 5: Sufficient Reserves • ID: Improving Labour Market, Poverty Rate • TH: Lower Inflation in June • PH: Lower June CPI Supports BSP's Increasing Easing Bias
Asia	<ul style="list-style-type: none"> • SG: Electronics Sector Will Fuel Manufacturing Growth • CN: Contribution to Global Disinflation • CN: PBoC's Toolbox • HK: Retail Sales Stayed Weak • MO: Gross Gaming Revenue Slowed in June 	Asset Class	<ul style="list-style-type: none"> • Commodities: Gains Extended At The Start of July • FX & Rates: China Interest Rate Corridor; Cooling Labor Market in US • ESG: Malaysia Considers Implementing Carbon Tax as CBAM Kicks In • Global Asset Flows

Global: Central Banks

Forecast – Key Rates

Reserve Bank of New Zealand
(RBNZ)



Wednesday, 10th July

Cash Rate Target

Likely **hold** at **5.50%**

Bank of Korea (BoK)



Thursday, 11th July

Cash Rate

Likely **hold** at **3.50%**

Bank Negara Malaysia (BNM)



Thursday, 11th July

Overnight Policy Rate

Likely **hold** at **3.00%**

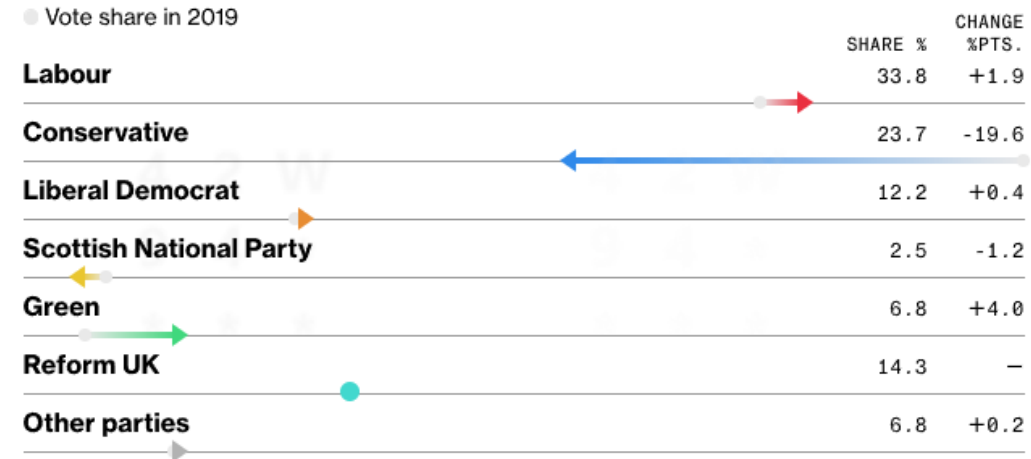
House Views

Global: Labour Wins Big, Conservatives Falter

- Labour swept to victory in the UK, winning 412 seats, securing a 174-seat majority. The Conservatives lost 251 seats compared to 2019, ending up with 121, while the Liberal Democrats won 71 seats. Labour Party's vote gains were far more modest (+1.9%pts) while the Conservatives lost a hefty -19.6%pts.
- Labour has pledged to increase the number of homes being built to deliver 1.5 million new homes. Further investment in road infrastructure as well as public ownership of railways are also key pledges in their manifesto.
- They have also committed to green policies, reinstate the plan to phase out the sale of new petrol & diesel vehicles by 2030 and increase spending on green projects.
- One key area Labour has emphasised is the reform of the NHS and increased investment after its fragility due to years of under-investment were exposed by the pandemic.
- Keir Starmer has promised to follow through on implementing spending rules, limiting the scope for further borrowing. Taxes are also projected to stay relatively constant, given Labour's pledge to not raise income tax, national insurance or VAT.

	Labour 412 +214 NET GAIN FROM 2019	
	Conservative 121 -251 NET LOSS	
	Liberal Democrat 71 +63	
	Scottish National Party 9 -37	
	Reform UK 4 +4	
	Green 4 +3	
	Other parties 27 +4	
		326-seat Parliament majority

Source: Bloomberg



Based on the change in vote share of the top two parties, the national swing is +10.8%pts. from **Conservative** to **Labour**.

Source: Bloomberg



Source: Bloomberg, BBC, OCBC.

Global: French Left-Wing Spending Plans Raise Questions

- No majority was achieved by any single bloc, as the 577 seats were evenly distributed among the 3 main blocs. The New Popular Front (NFP), a left-wing alliance came out on top, with 178 seats. Ensemble, the centrist coalition formed by President Macron, came in second with 156 seats. The far-right National Rally underperformed, coming in last with 143 seats.
- The left-wing has said it would embark on a public spending plan of €200 billion over the next five years if it wins the election. The NFP has announced that their plans to increase taxes will generate €30 billion in 2024, €100 billion in 2025 and €150 billion in 2026, funding their fiscal expansion. Think tank Institut Montaigne has estimated that the NFP would require nearly €179 billion in extra funds per year to implement their campaign pledges.
- This generous fiscal spending has raised questions as the European Commission recently warned France over fiscal rules. France's deficit was 5.5% in 2023 and is forecast to remain at 5% until 2025, above the EU threshold of 3%. Total debt-GDP ratio has remained above the EU limit of 60% at 110.6% in 2023 and is forecast to increase to 113.8% in 2025. S&P Global cut French ratings from AA to AA- in May as France had missed goals in plans to restrain the budget. Such vast spending programs will further weaken France's finances at a time when it is struggling to reduce their debt to more sustainable levels.

Left Wing Policies	Estimated Costs
Raising the monthly minimum wage to €1600	€3.5 billion
Impose price ceilings on essential foods, electricity, gas and petrol	€24 billion
Cutting the retirement age back to 60	€58 billion
Housing Assistance	€1.5 billion

Source: Institut Montaigne, Bloomberg

Left Wing Policies	Estimated Funding Generated
Tax on companies' super-profits	€15 billion in 2024
Wealth tax on the rich	€15 billion in 2024

Source: Institut Montaigne, Bloomberg

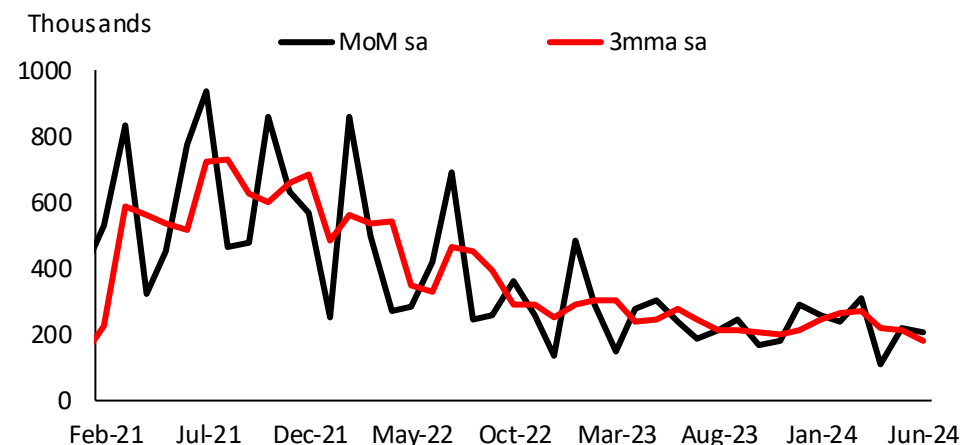


Source: Institut Montaigne, Bloomberg, OCBC.

Global: US Labour Market Remains Strong But Shows Signs of Cooling

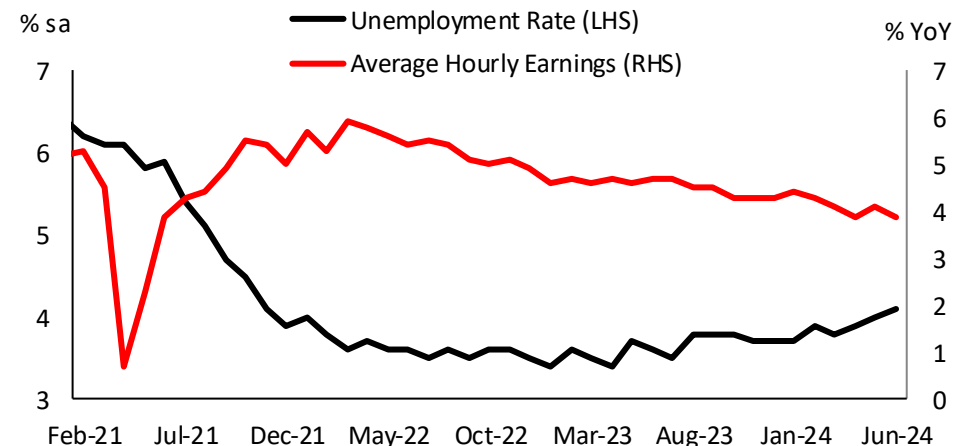
- Change in non-farm payrolls came in at 206k in June, higher than the 190k expected and indicating a still robust labour market. However, looking past the data for June, non-farm payrolls in April and May were revised downwards to 108k (initial: 165k) and 218k (initial: 272k), respectively. The total downward revision was 111k jobs.
- The unemployment rate also rose to 4.1% in June, the highest since November 2021 and against expectations of staying at 4%. Average hourly earnings came in at 3.9% YoY in June, within forecasts and lower than 4.1% in April, marking the lowest value since June 2021. Job growth was stronger than expected in June, but the downward revisions for prior months shows that such growth could be weaker. Average monthly payroll growth for 2024 (year-to-date) has been 222k, lower than 251k in 2023 and 377k in 2022.
- Recent labour market data releases indicate a cooling in the US labour market, albeit not nearly to a point of collapse. The modest weakening of the labour market should reduce demand-side inflationary pressures and allow the Fed to entertain the idea of monetary policy easing in the coming months. Our base case remains for two 25bps cuts by the Fed in 2024, with the first coming at the September FOMC meeting.

US Change in Non-farm Payrolls



Source: BLS, Bloomberg, OCBC

US Unemployment Rate & Average Hourly Earnings



Source: BLS, OCBC



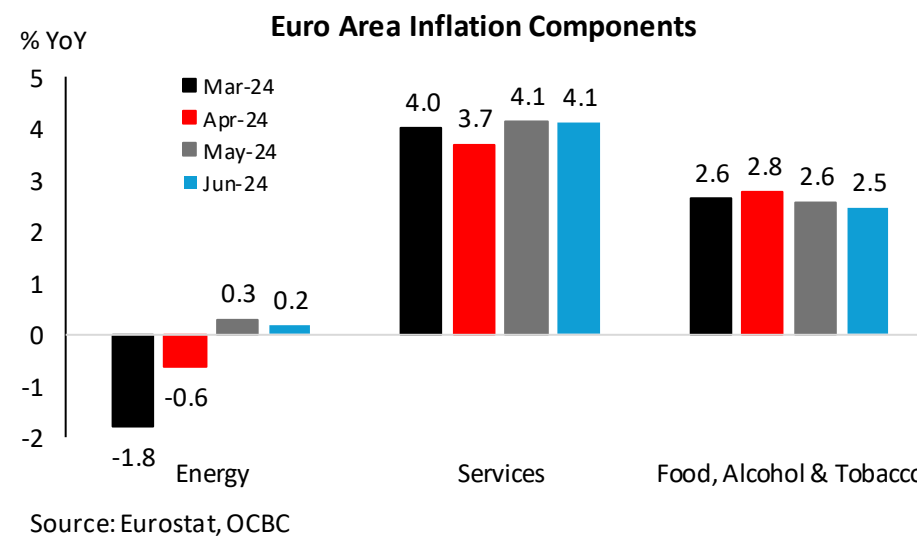
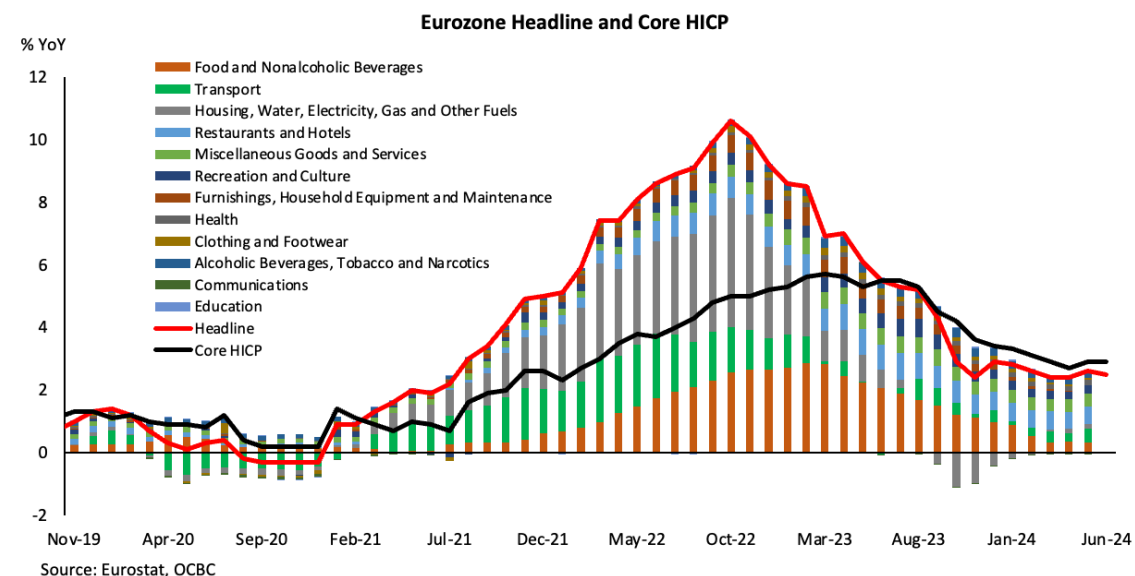
Source: BLS, Bloomberg, OCBC.

Global: Fed & ECB Refrain From Committing to Rate Path at Sintra

- At the ECB's Forum on Central Banking in Sintra, Fed Chair Powell said that latest economic data suggested inflation is getting back on a downward path. "We're getting a gradually cooling economy, a gradually cooling labour market, progress on inflation, 4% unemployment, 2% growth. We're getting kind of what we want to have." said Powell. However, he refused to commit to a rate path, highlighting that he wanted to see the disinflation progress continue.
- Notably, Powell acknowledged the balance between taming inflation and avoiding significant cooling of the labour market as a result of the Fed's dual mandate. San Francisco Fed President Daly said last week that the job market is nearing an inflection point, where further cooling could lead to increased unemployment. Powell emphasized that due to the strength of the economy and the labour market, the Fed had the ability to take its time and get monetary policy right.
- Across the Atlantic, ECB officials further reiterated the data dependence and refrained from committing to a rate path. ECB President Christine Lagarde highlighted the "several uncertainties regarding future inflation, especially in terms of how the nexus of profits, wage and productivity will evolve and whether the economy will be hit by new supply-side shocks."
- Lagarde also emphasized that the strong labour market meant that the ECB had time to gather new data, further underpinning their data-dependence and taking their policy decisions meeting by meeting.
- Regarding high services inflation in June, Chief Economist Philip Lane said that the reading would not be enough to fully evaluate closely watched services prices. Lagarde stressed that ECB members would not be thrown off course by data outliers, mentioning how "data dependence does not mean data-point dependence."

Global: Euro Area Inflation Slows, Services Still Sticky

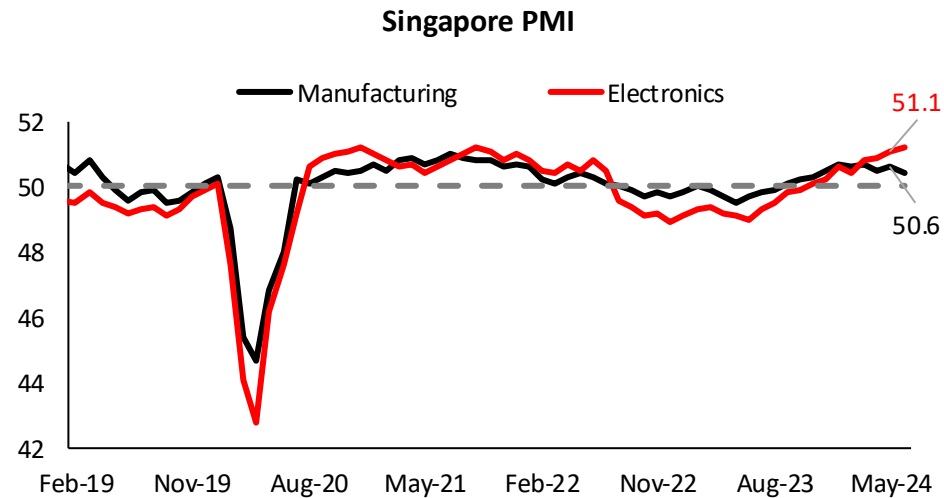
- Headline inflation slowed to 2.5% YoY in June, down from 2.6% in May and in line with estimates. Core inflation remained unchanged from May at 2.9% YoY, higher than the estimated 2.8%.
- Services inflation remained sticky at 4.1% YoY in June, unchanged from May, while 'food, alcohol & tobacco' inflation continued its disinflationary trend to 2.5% YoY.
- The labour market remained strong as the unemployment rate held at record lows of 6.4%. Combined with strong wage growth, this contributes to strong upward services prices.
- Many ECB council members still see further rate cuts this year but remain cautious due to high service prices. The ECB will require additional assurance that inflation is headed back to the 2% target before further monetary policy easing, according to President Christine Lagarde. However, she mentioned how services inflation need not reach the 2% target as it would be offset by further decreases in other sectors. This sentiment was also echoed by other council members, further fueling expectations of further rate cuts in 2024.
- Our base case remains for two more 25bps rate cuts this year, with the next cut coming in the ECB's September meeting.



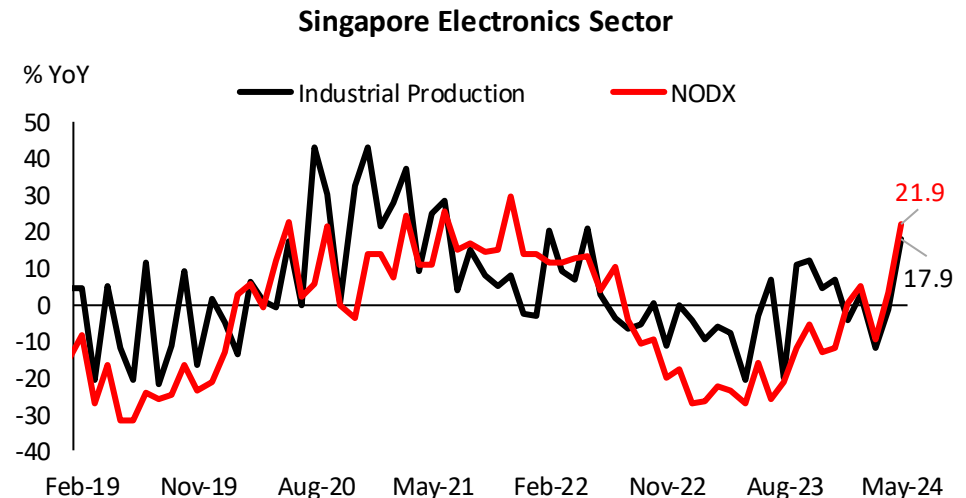
Source: Eurostat, Bloomberg, OCBC.

Singapore: Electronics Sector Will Fuel Manufacturing Growth

- June PMI dropped to 50.4 from 50.6 in May, marking the tenth straight month of expansion despite June's data being the lowest point in 2024. Electronics PMI climbed to 51.2 in June, up from 51.1 in May and continuing eight consecutive months of expansion.
- Contributing reasons for this divergence could be severe port congestion and increased supplier delivery times as vessels were rerouted away from the Red Sea to avoid ongoing conflicts. This has led to a decline in the supplier deliveries sub-index. The drop in manufacturing PMI can also be attributed to poor performance in non-electronics sectors, especially pharmaceuticals which have been struggling as seen in May's NODX data.
- The increase in electronics PMI further reinforces our optimism in an electronics improvement in 2H24 as the global electronics upturn continues to improve demand for semiconductors, which account for more than 80% of electronics exports. Combined with recent NODX and Industrial Production data surprising to the upside, we remain confident in the manufacturing sector showing positive growth for the full year.



Source: SIPMM, Bloomberg, OCBC



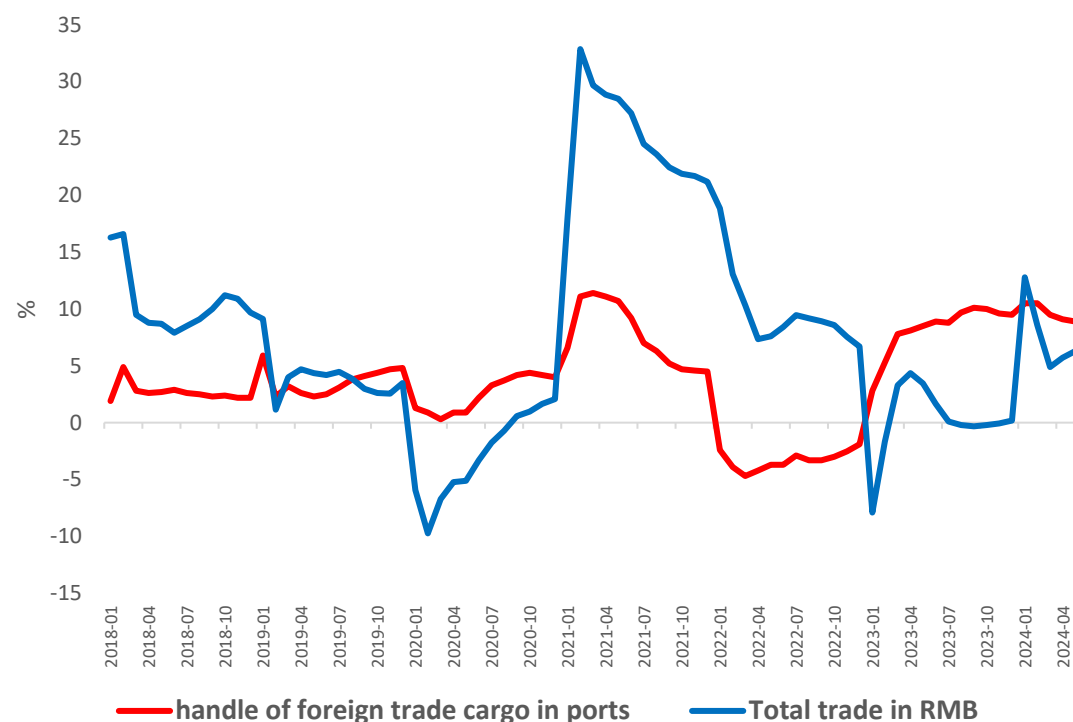
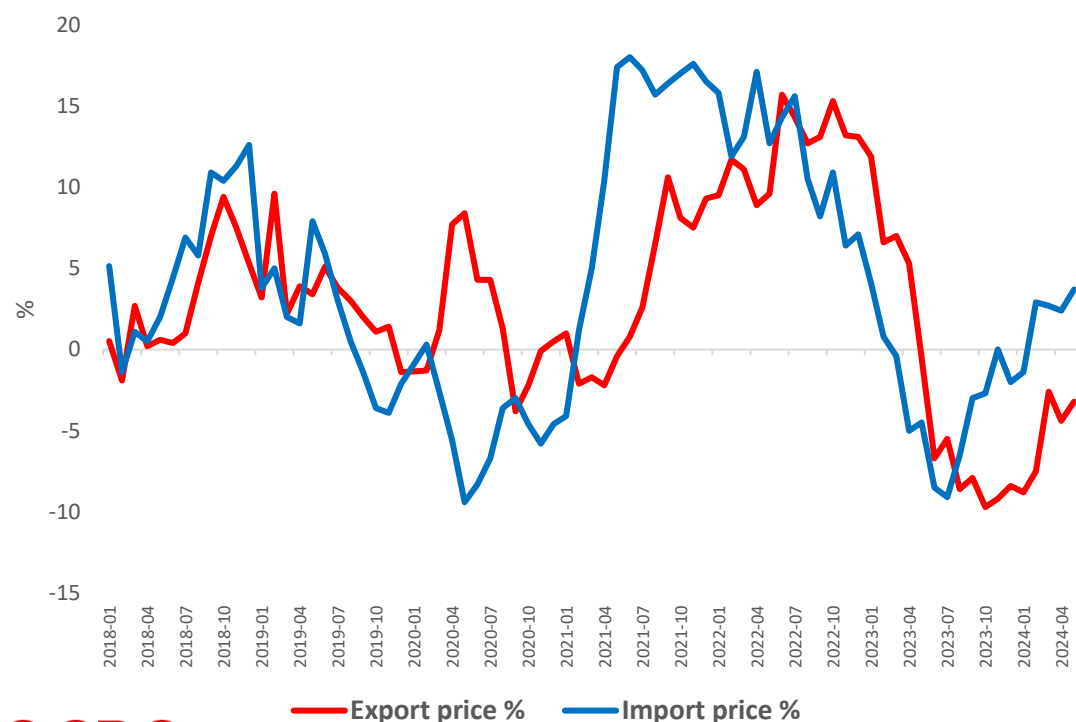
Source: EDB, Enterprise SG, OCBC



Source: EDB Enterprise SG, Bloomberg, SIPMM, OCBC.

China: Contribution to Global Disinflation

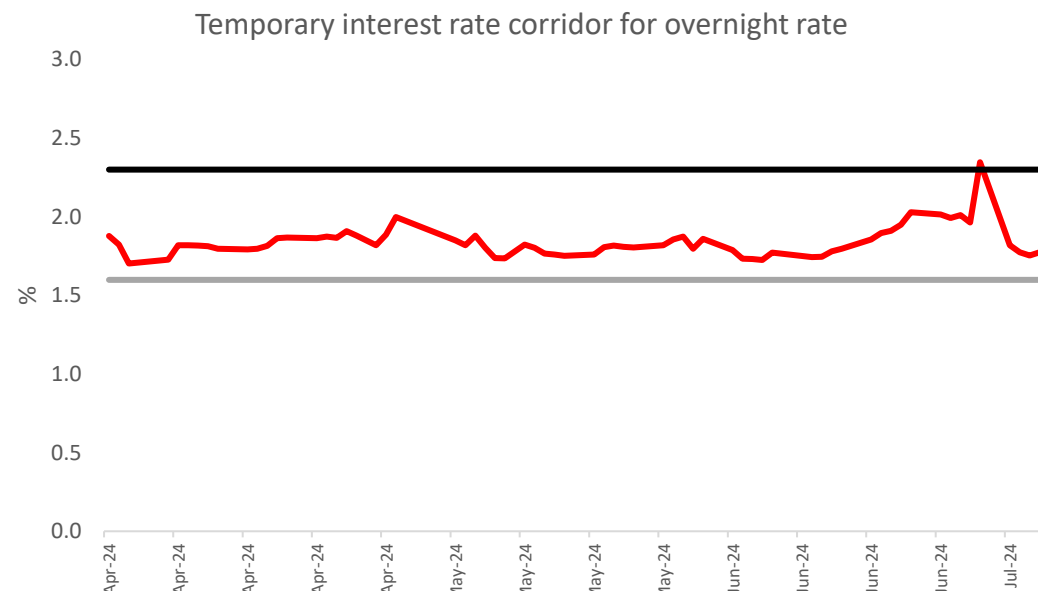
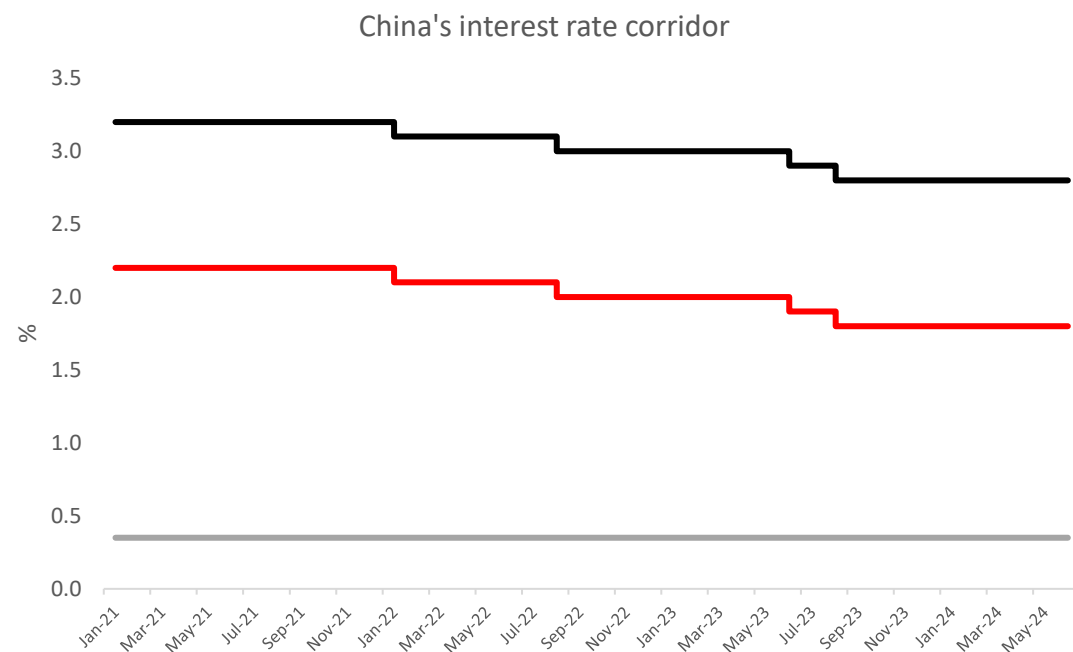
- The latest data showed that in the first five months of this year, China's ports handled 2.22 billion tons of foreign trade cargo, an increase of 8.9% year-on-year. The container throughput at ports exceeded 130 million TEUs (twenty-foot equivalent units), marking an 8.8% year-on-year growth. This validates the strong external demand. Meanwhile, the faster increase in the handling of goods at ports compared to the value of China's exports indicates China's contribution to global disinflation, which may help alleviate pressure on global inflation.



Source: Wind, OCBC

China: PBoC's Toolbox

- PBoC will borrow bonds from the primary dealers to sell to curb the recent bond rally.
- In addition, effective from 8 July, the People's Bank of China (PBoC) will conduct temporary repo and reverse repo operations in the afternoon session, in addition to the regular morning open market operations (OMO). These temporary operations will be conducted between 16:00 and 16:20, with an overnight maturity. The rates for these overnight temporary operations will be set at the 7-day reverse repo rate minus 20 basis points for repos and plus 50 basis points for reverse repos.



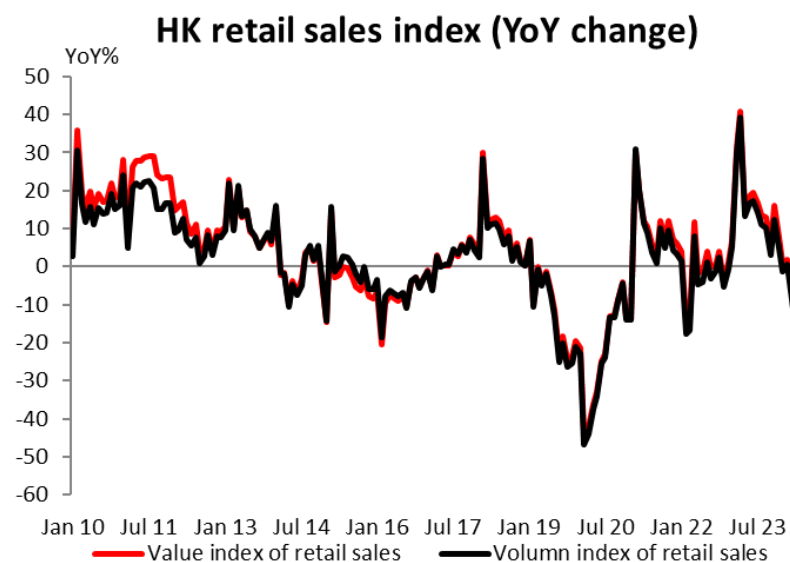
7D RR — Upper band (SLF) — Lower band (excessive reserve rate)

DR001 — Lower band — Upper band

Source: Wind, OCBC

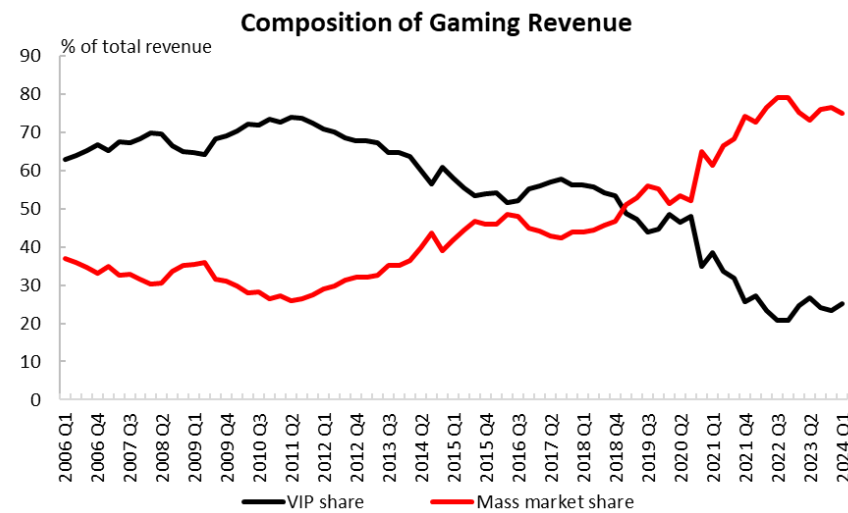
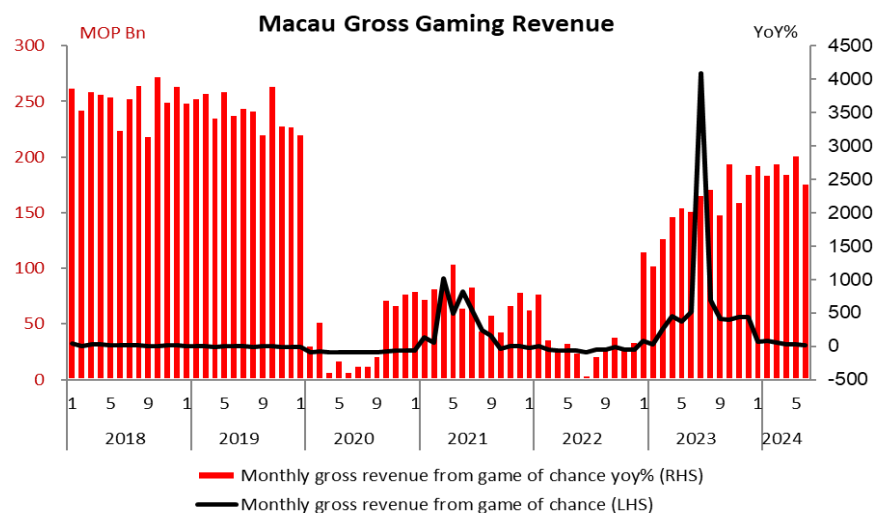
Hong Kong: Retail Sales Stayed Fairly Weak

- Total retail sales in May surprised to the downside, falling by 11.5% YoY and 12.9% YoY in value and volume terms, respectively. On a sequential basis, total value of retail sales rebounded by 3.2% in May over the previous month, partly due to the seasonality effect.
- Local consumption sentiment showed no visible signs of improvement, as high interest rate environment persisted. Delaying consumption is extremely common in a high interest rate environment, particularly for non-essential purchases. Sales of non-essential items, including “consumer durable” (-12.4% YoY in the first five months this year), “department stores” (-13.3% YoY) and “jewellery, watches and clocks” (-10.5% YoY) all saw notable declines so far this year.
- Separately, mainland authorities announced to raise the duty-free allowance for mainland tourists to Hong Kong (from RMB5000 to RMB12,000), on top of an earlier decision to include more mainland cities in the individual Travel Schemes, rendering some support to the retail market in periods ahead.



Macau: Gross Gaming Revenue Slowed in June

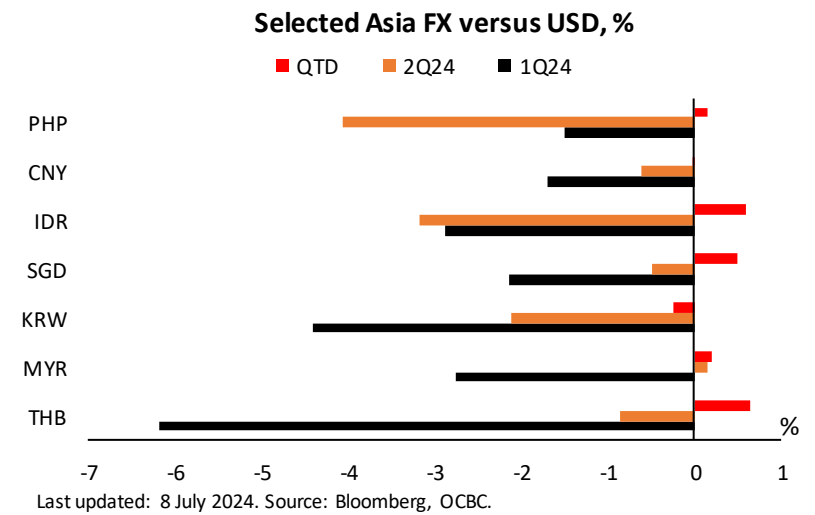
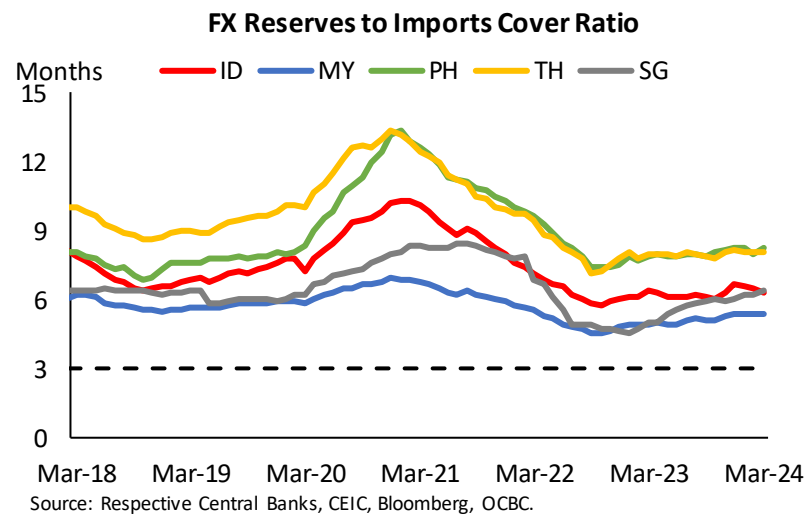
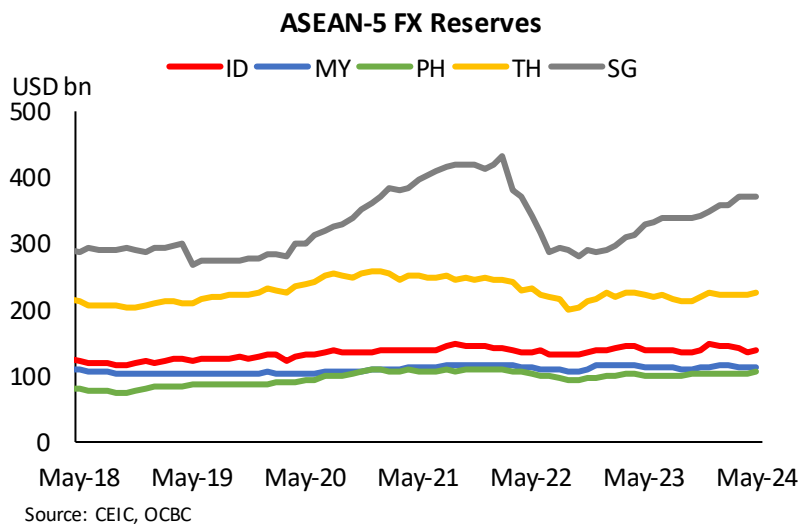
- Gross gaming revenue fell 12.4% month-on-month to MOP17.7 billion in June, from the post-Covid high in May. The decline however was understandable as June is typically a slow month. In the first six months of 2024, total gross gaming revenue reached MOP113.75 billion, up by 41.9% from the same period last year, but was still down by 23.9% comparing with the same period in 2019.
- The recovery in gaming sector had been largely mass and premium mass segment led since the removal of all covid measures. However, it was noticed that the pace of growth for the VIP segment had picked up lately.
- The share of VIP segment had steadied and even bounced back somewhat to 25.1% in the first quarter this year. It showed that the VIP segment may be finding some success tapping into overseas high-roller market and adopting to the new regulatory environment. That said, further crackdown on cross-boundary illegal money exchanges and loan sharks will likely post drag on the gaming sector.



Source: DICJ, OCBC

ASEAN-5: Sufficient Reserves

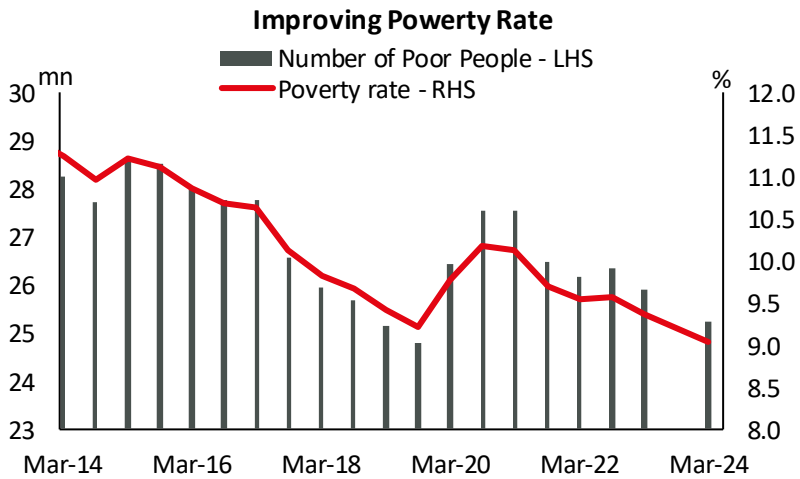
- The foreign reserves position of ASEAN-5 countries remained largely stable at the end of June. Indonesia and Malaysia saw an increase in gross FX reserves by USD1.2bn and USD0.2bn, reaching USD140.2bn and USD113.8bn, respectively, from the end of May. Meanwhile, Thailand's gross reserves remained stable at USD224.3bn as of the end of June, while the Philippines experienced a slight decrease of USD0.3bn to USD104.7bn. Singapore's preliminary reading for foreign reserves in May was at USD370.5bn, up from USD366.9bn in April.
- These reserve positions are more than sufficient to cover at least three months of imports, the international adequacy standards. Specifically, Indonesia's current reserve position is equivalent to 6.3 months of imports or 6.1 months of imports and servicing the government's external debt. Meanwhile, Malaysia's reserves are sufficient to finance 5.4 months of imports of goods and services and are 1.0 times the total short-term external debt.



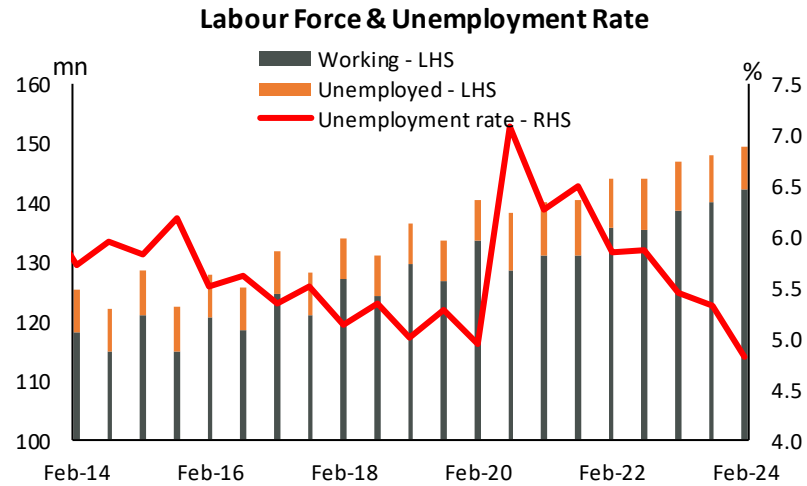
Note: Imports values are based on goods and services imports under the current account in the balance of payments and processed with the average exchange rates in the corresponding months where appropriate. Source: CEIC, OCBC.

Indonesia: Improving Labour Market, Poverty Rate

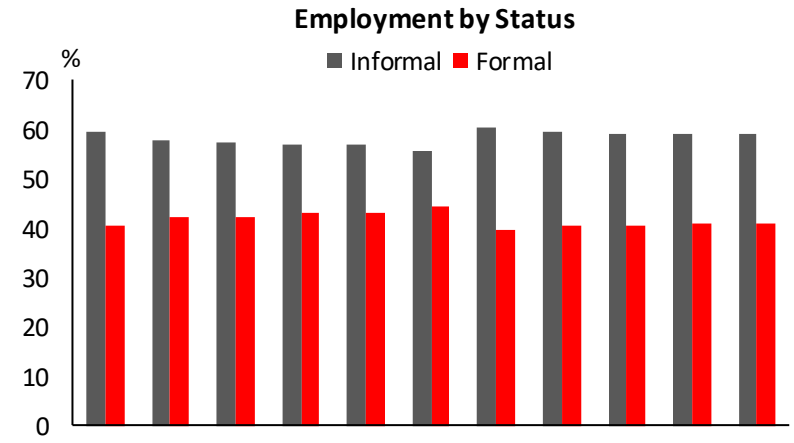
- The unemployment rate fell to 4.8% in February 2024 from 5.4% in February 2023, representing a decrease from 8mn people to 7.2mn people. Additionally, the number of employed individuals rose by 2.2% YoY (2.8mn) to 142.9mn people in February 2024. Similarly, the labour force participation rate slightly increased to 69.8% in February 2024 from 69.3% during the same period last year. Furthermore, informal employment experienced a marginal decline to 59.2% in February 2024 compared to 60.1% in February 2023.
- The poverty rate fell to the lowest in a decade at 9.0% (25.2mn people) per March 2024 from 9.4% (25.9 million people) in March 2023, according to data from Statistics Indonesia (BPS). Meanwhile, the poverty line rose to IDR 582.9k per capita per month in March 2024, up from IDR 550.5k in March 2023. The Gini ratio eased slightly to 0.39 in March 2024, compared to 0.41 in the same period last year, indicating an improving inequality condition. In the preliminary discussion for the 2025 budget draft (RABPN) and the government work plan 2025, the government aims to lower the poverty and extreme poverty rates to 7-8% and 0%, respectively, in 2025, with a Gini ratio of 0.379-0.382.



Source: Statistics Indonesia, CEIC, OCBC.



Source: Statistics Indonesia, CEIC, OCBC.



Note: 2024 value based on latest BPS publication on February 2024.
Source: Statistics Indonesia, CEIC, OCBC.



Source: Statistics Indonesia, CEIC, OCBC.

Thailand: Lower Inflation in June

- Headline CPI eased more-than-expected to 0.6% YoY in June versus 1.5% in May (Consensus: 1.1%; OCBC: 1.2%). The drivers were lower 'housing and furnishing' and food inflation. Core inflation, for a fourth consecutive month, held steady at 0.4% YoY in June.
- With 2024 year-to-date headline CPI averaging 0% YoY, we see downside risks to our full year forecast of 1.2% YoY (2023: 1.2%). Looking ahead, our forecast is still for inflation to return to Bank of Thailand's (BOT) 1-3% target range around 4Q24 driven by an anticipated lifting of power subsidies and higher retail fuel prices.
- In terms of monetary policy, we see no urgency for the Bank of Thailand (BOT) to adjust monetary policy despite political pressures. Favourable growth-inflation dynamics would provide BOT the impetus to hold for the rest of 2024.

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

Source: Ministry of Commerce, CEIC, OCBC



Source: Ministry of Commerce, CEIC, OCBC.

Philippines: Lower June CPI Supports BSP's Increasing Easing Bias

- Headline CPI eased to 3.7% YoY in June versus 3.9% in May (Consensus and OCBC: 3.9%). The drivers were quite mixed. Food inflation rose by 6.1% YoY versus 5.8% in May but was more than offset by an easing in transportation (3.1% versus 3.5%) and utilities (0.1% versus 0.9%) components. Core inflation held steady at 3.1% YoY in June.
- With 2024 year-to-date headline CPI averaging 3.5% YoY, we see downside risks to our full year forecast of 3.9% YoY (2023: 6.0%). Indeed, following June's CPI print, BSP noted that the "balance of (the) CPI outlook (has) shifted to (the) downside". BSP lowered its 2024 risk-adjusted CPI forecasts sharply to 3.1% YoY (previous: 3.8%), with BSP Governor Eli Remolona signalling that a rate cut in August 2024 is "somewhat more likely".
- The data is turning more favourable for Bangko Sentral ng Pilipinas (BSP) to ease in 3Q24. This suggests our baseline forecast, for BSP to cut its policy rate by a cumulative 50bp starting in 4Q24, could be brought forward.

Drivers of inflation, %YoY	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Headline CPI inflation	5.4	4.7	5.3	6.1	4.9	4.1	3.9	2.8	3.4	3.7	3.8	3.9	3.7
Food & Non-Alcoholic Beverages	6.7	6.3	8.1	9.7	7.0	5.7	5.4	3.5	4.6	5.6	6.0	5.8	6.1
Alcoholic Beverages & Tobacco	11.6	10.9	10.1	9.8	9.3	9.0	9.0	8.4	8.6	6.7	4.9	4.2	3.8
Clothing & Footwear	5.1	4.8	4.8	4.7	4.8	4.3	4.2	3.8	3.6	3.6	3.6	3.4	3.2
Housing, Water, Electricity, Gas & Other Fuels	5.6	4.5	2.5	2.4	2.6	2.5	1.5	0.7	0.9	0.5	0.4	0.9	0.1
Furnishings, HH Equip & Routine HH Maintenance	6.0	5.8	5.6	5.4	5.3	4.7	4.5	3.9	3.3	3.2	3.1	3.1	2.8
Health	3.9	3.9	3.9	4.1	4.0	3.8	3.7	3.3	3.0	3.2	3.0	2.9	2.9
Transport	-3.1	-4.7	0.2	1.2	1.0	-0.8	0.4	-0.3	1.2	2.1	2.6	3.5	3.1
Information & Communication	0.7	0.7	0.7	0.6	0.8	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.5
Recreation, Sport & Culture	4.8	4.7	4.9	5.1	5.0	4.9	4.2	4.0	3.8	3.9	3.8	3.5	3.5
Education Services	3.6	3.7	2.9	3.8	3.8	3.5	3.5	3.8	3.8	3.8	3.8	3.8	3.8
Restaurants & Accommodation Services	8.2	7.9	7.1	7.1	6.3	5.6	5.6	5.5	5.3	5.6	5.4	5.3	5.1
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Personal Care & Misc Goods & Services	5.8	5.6	5.5	5.4	5.3	4.8	4.6	4.0	3.8	3.6	3.5	3.4	3.2
Core CPI	7.4	6.7	6.1	5.9	5.3	4.7	4.4	3.8	3.6	3.4	3.2	3.1	3.1

Source: Philippine Statistics Authority, CEIC, OCBC



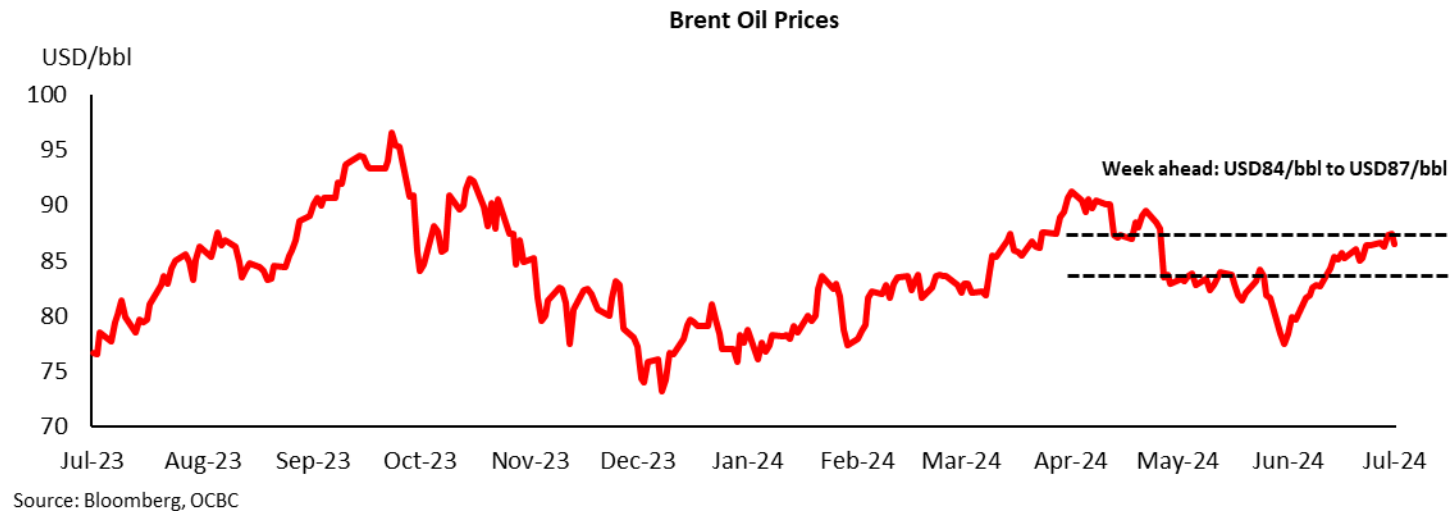
Source: Philippine Statistics Authority, CEIC, OCBC.

Commodities



Crude Oil: Gains Extended At The Start of July

- Crude oil benchmarks managed to extend gains for the fourth consecutive week. WTI rose by 2.0% while Brent increased slightly by 0.2% compared to the previous week, to close higher at USD83.2/bbl and USD86.5/bbl, respectively.
- Higher oil prices were largely driven by bullish US oil inventories. The Energy Information Administration (EIA) Weekly Petroleum Status reported a decline in US crude, gasoline and distillate inventories by 12.2mn bbls, 2.2mn bbls and 1.5mn bbls to 448.5mn bbls, 231.7mn bbls, and 119.7mn bbls, respectively, for the week ending 28 June. Nevertheless, gains were limited following the unwinding of some geopolitical risk premium relating to the Israel-Hamas conflict. The latest reports indicated that efforts for a ceasefire deal in Gaza have gained momentum as both sides would continue negotiations this week.
- For the week ahead, we expect oil prices to trade range bound between USD84/bbl and USD87/bbl. The oil market will monitor Hurricane Beryl and how it has impacted oil and gas operations in Texas. We also have monthly releases from EIA, IEA, OPEC. These reports are important as they provide an updated outlook of the oil market.



Source: Bloomberg, Reuters, OCBC

FX & Rates



FX & Rates: China Interest Rate Corridor; Cooling Labor Market in US

- **USD Rates.** If FOMC members perceive the equilibrium level of employment is higher now due to immigration, then the labour market may already be in equilibrium and the current rate levels are probably overly restrictive. As time goes by, even without a further dovish adjustment in the market pricing of Fed funds rate trajectory, the 2Y yield shall trend lower as the rate cuts priced will be increasingly factored into the valuation of short-end bond yields.
- **DXY.** This week, we are keeping a close watch on US CPI report (Thu) and Fed Chair Powell's semi-annual testimony to Banking senate panel (Tue) and House Financial Services Committee (Wed). If there is no change in tune to Powell's recent remarks and CPI continues to print softer, then the USD slippage may have room to run.
- **EUR Rates.** With risk of fiscal slippage in France being perceived as higher now, market is eyeing early 2017 levels for OAT-Bund yield spreads when the spreads were as wide as 79bps at the 10Y and 66bps at the 5Y. The 2Y EUR OIS-Bund yield spread at 10bps, for example, is not wide compared to historical levels and regardless of the election outcome, we do not expect further narrowing.
- **EURUSD.** Markets are expected to digest the results further as government formation may take some time in the interim. Though neither the left nor right scored an absolute majority, a leftist leaning government may be a mild negative for EUR in the interim.

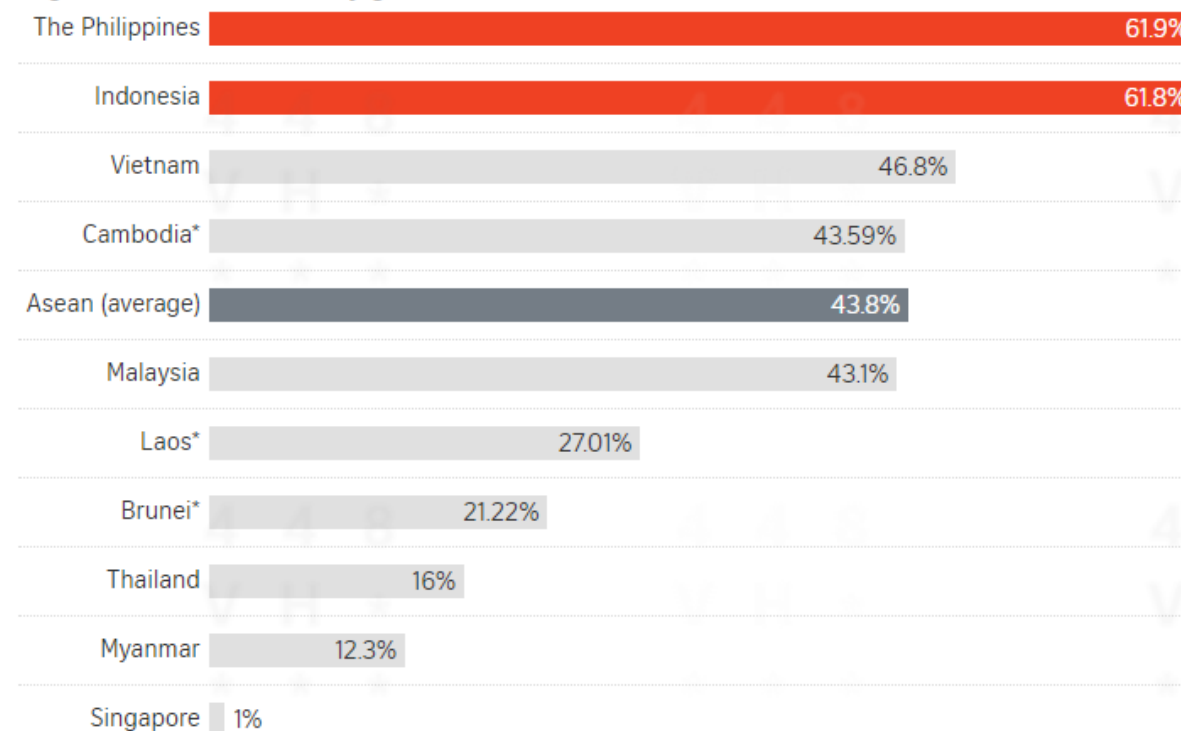
ESG



ESG: Malaysia Considers Implementing Carbon Tax as CBAM Kicks In

- Malaysia may soon begin exploring the implementation of a carbon tax and facilitate carbon trading, as part of goals to reach net-zero carbon emissions by 2050 and decarbonise emissions-intensive sectors. This comes after plans to develop a carbon pricing mechanism was mentioned in Malaysia's National Energy Transition Roadmap (NETR) and New Industrial Master Plan (NIMP) 2030 published in 2023.
- Reducing emissions from hard-to-abate sectors will also reduce the impact of global regulations on Malaysia's long-term trade and hydrogen. competitiveness, such as the EU's Carbon Border Adjustment Mechanism (CBAM) which is expected to impact Malaysia's key export sectors like iron and steel. The first phase of the CBAM will be operational from 2026 and cover sectors including iron and steel, cement, aluminium.
- The challenge for Malaysia is that the country remains heavily reliant on coal, with blanket fuel subsidies in place. The government aims to address fuel subsidies before moving on to implementing a carbon policy.

Regional share of electricity generation from coal in 2023



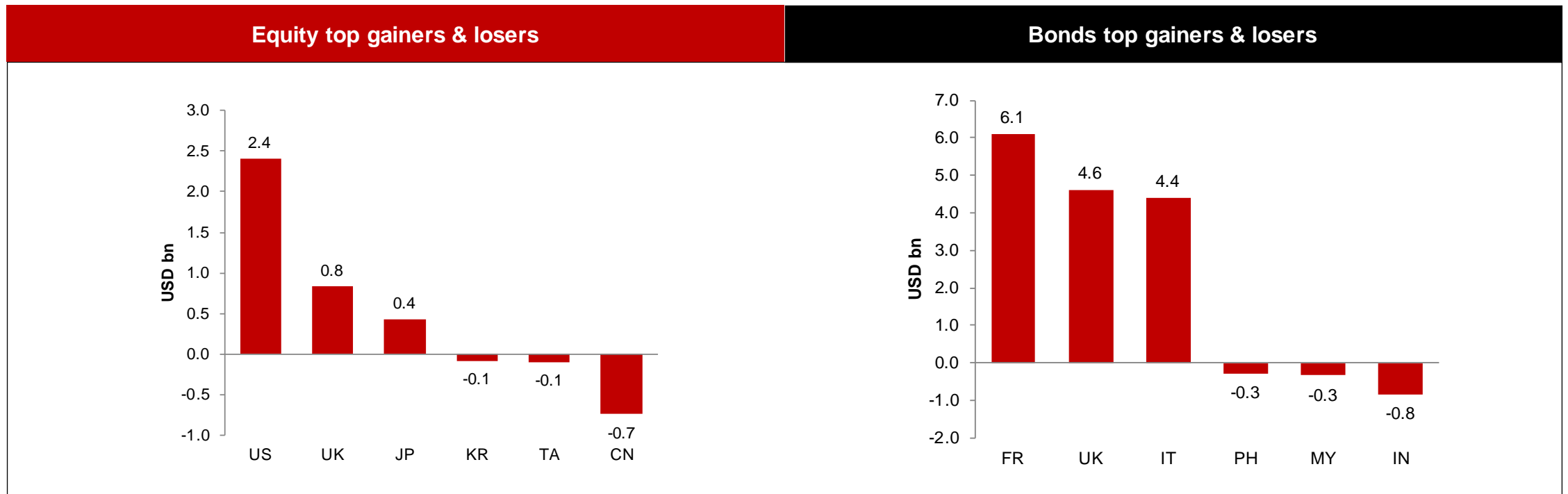
*The most recent data available is from 2022.

Chart: STRAITS TIMES GRAPHICS • Source: Ember

Asset Flows

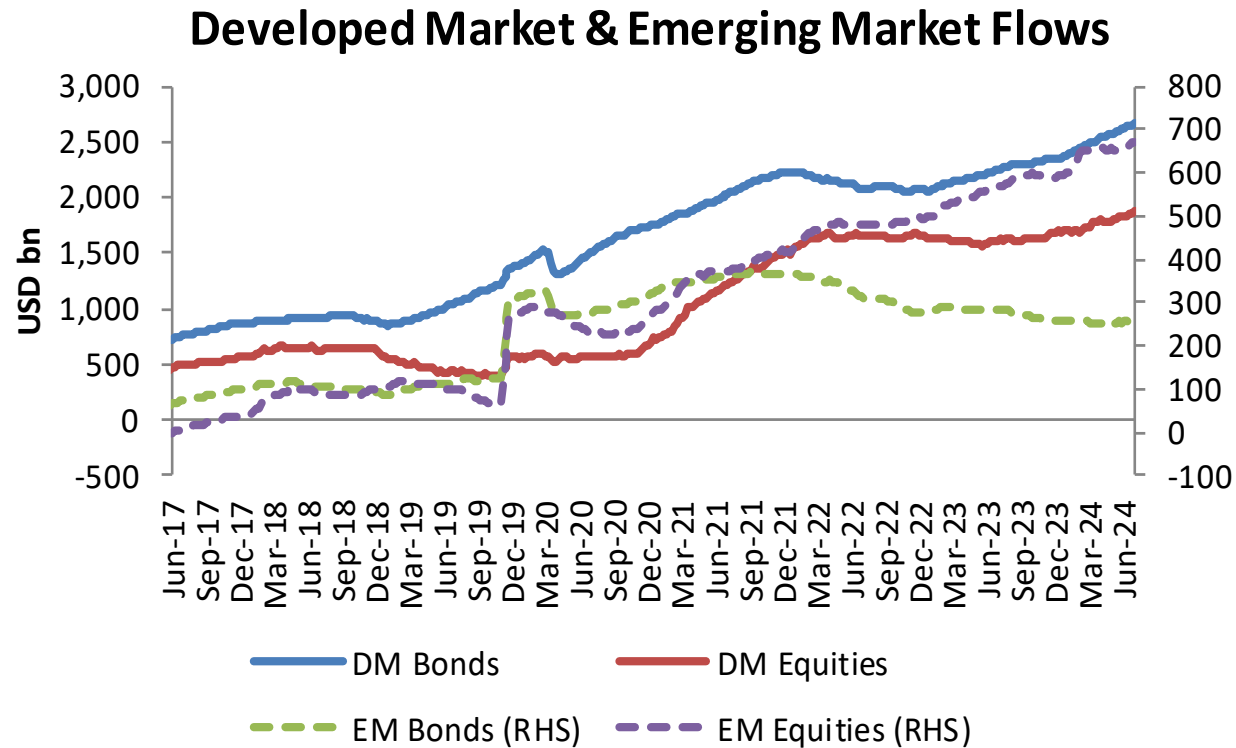
Global Equity & Bond Flows

- Global equity markets saw net inflows of \$10.8bn for the week ending 3 July, an increase from the inflows of \$8.6bn last week.
- Global bond markets reported net inflows of \$19.0bn, an increase from last week's inflows of \$8.1bn.



DM & EM Flows

- Developed Market Equities (\$9.7bn) and Emerging Market Equities (\$1.1bn) saw inflows.
- Developed Market Bond (\$19.2bn) and Emerging Market Bond (\$239.57mn) saw outflows.



Source: OCBC, EPFR

Thank you



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