# Weekly Macro Views (WMV)

Global Markets Research & Strategy

9 December 2024

# Weekly Macro Update

## Key Global Data for this week:

| 9 December | 10 December | 11 December | 12 December | 13 December |
|---|---|---|---|---|
| • **CH** CPI YoY<br>• **CH** PPI YoY<br>• **JN** GDP SA QoQ<br>• **JN** BoP Current Account Balance<br>• **US** Wholesale Inventories MoM | • **AU** RBA Cash Rate Target<br>• **GE** CPI YoY<br>• **CH** Exports YoY<br>• **PH** Exports YoY | • **CA** Bank of Canada Rate Decision<br>• **US** CPI YoY<br>• **JN** PPI YoY<br>• **SK** Unemployment rate SA<br>• **GE** Wholesale Price Index MoM | • **EC** ECB Deposit Facility Rate<br>• **US** PPI Final Demand MoM<br>• **US** Initial Jobless Claims<br>• **IN** CPI YoY<br>• **IN** Industrial Production YoY<br>• **AU** Unemployment Rate | • **JN** Industrial Production MoM<br>• **JN** Tankan Large Mfg Index<br>• **JN** Tankan Large All Industry Capex<br>• **UK** Industrial Production MoM<br>• **FR** CPI YoY |

## Summary of Macro Views:

| | |
|---|---|
| **Global** | • **Central Bank**<br>• **US:** Stronger nonfarm payrolls, unemployment rate ticks up<br>• **US:** ISM manufacturing PMI ticks up, services declines<br>• **SK:** Political uncertainty to persist<br>• **SK:** Inflation remained low in November |
| **Asia** | • **SG:** 3Q24 Labour Report<br>• **SG:** Retail sales rise in October but mostly driven by autos<br>• **CN:** A shift to prioritize domestic players<br>• **CN:** “Whatever it takes”<br>• **ID:** VAT hike only for luxury goods<br>• **ID:** Regional election update |

| | |
|---|---|
| **Asia** | • **PH:** Higher inflation<br>• **TH:** Low inflation persists<br>• **VN:** Weak activity data in November<br>• **VN:** SBV to stay nimble |
| **Asset Class** | • **Commodities:** OPEC+ extends production cuts<br>• **FX & Rates:** Focus Shifts to US CPI<br>• **ESG**<br>• **Global Asset Flows** |

OCBC

# Central Banks

## Forecast – Key Rates

| Reserve Bank of Australia (RBA) | Bank of Canada (BOC) | European Central Bank (ECB) |
|---|---|---|
| **Tuesday, 10th December** | **Wednesday, 11th December** | **Thursday, 12th December** |

**House Views**

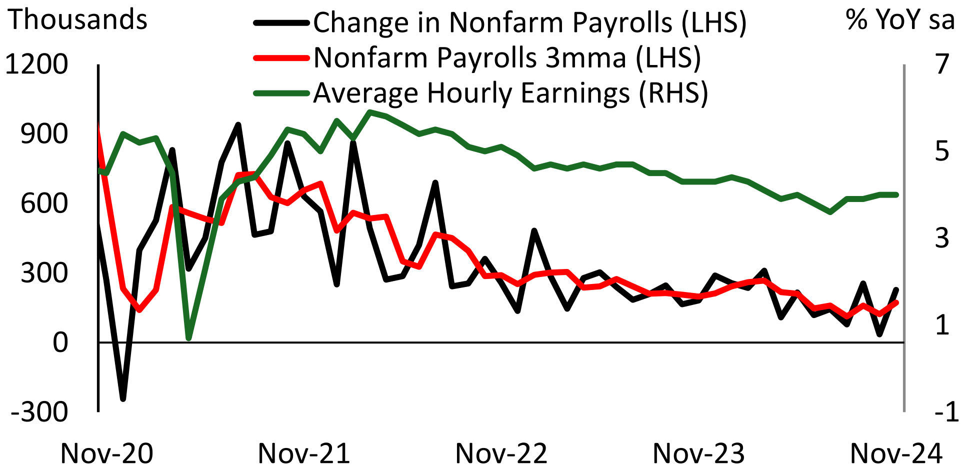
| Reserve Bank of Australia (RBA) | Bank of Canada (BOC) | European Central Bank (ECB) |
|---|---|---|
| *Cash Rate Target* | *Policy Interest Rate* | *Deposit Facility Rate* |
| **Likely hold at 4.35%** | **Likely *cut* by *50bps* from *3.75%* to *3.25%*** | **Likely *cut* by *25bps* from *3.25%* to *3.00%*** |

Source: Bloomberg, OCBC.

# US: Stronger nonfarm payrolls, unemployment rate ticks up

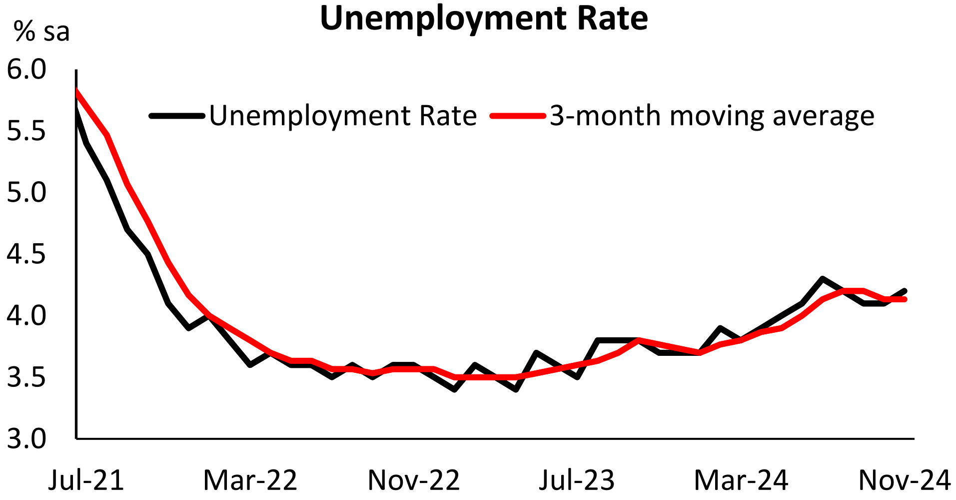
- The change in nonfarm payrolls in November came in slightly higher than expected at 227k (October: 36k; consensus: 220k). Meanwhile, the net two-month payroll revision was 56k, with October's figure revised up to +36k from +12k. Over the past 12 months to November, total payrolls have increased by an average of 186k.
- For November, strong increases were seen in the leisure and hospitality sectors, which saw a net 53k rise, as well as in the transportation equipment manufacturing sector, which increased by 32k as workers returned after the strike in November. The healthcare sector also saw a sizeable increase of 54k jobs.
- Meanwhile, the unemployment rate ticked up to 4.2% in November (Consensus: 4.1%) while average hourly earnings growth remained steady at 4.0% YoY. The November labour report reflects a still resilient US labour market that is showing some signs of gradual easing, especially with the unemployment rate continuing to move upwards.

**Nonfarm Payrolls & Average Hourly Earnings**




Source: BLS, Bloomberg, OCBC

**Unemployment Rate**

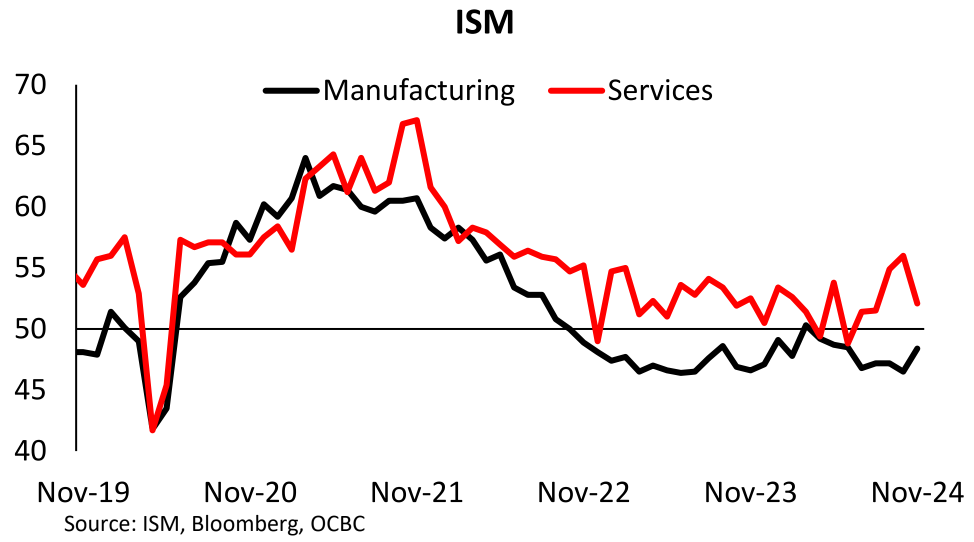



Source: BLS, Bloomberg, OCBC

Source: BLS, Bloomberg, OCBC.

# US: ISM manufacturing PMI ticks up, services declines

- ISM manufacturing ticked up to 48.4 in November, versus 46.5 in October and better than expected (Consensus: 47.5), representing the highest reading since June 2024. This was driven by stronger new orders, which came in at 50.4 in November, indicating the first month of expanding new orders since March 2024. Meanwhile, the prices paid index eased to 50.3 in November from 54.8 in October. The production index remained in contractionary territory in November at 46.8 versus 46.2 in October.
- ISM services unexpectedly eased more than expected to 52.1 in November (October: 56.0; consensus: 55.7), but still recording the fifth consecutive month of expansion in the services sector. Business activity in the services sector slipped for the second consecutive month to 53.7 (October: 57.2), while prices paid remained relatively steady at 58.2. New orders, however, slipped to 53.7 in November from 57.4 prior due to some end-of-year softness in demand.



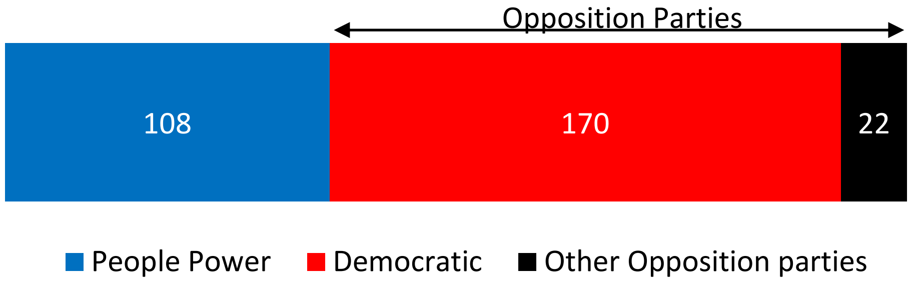

Source: ISM, Bloomberg, OCBC.

# South Korea: Political uncertainty to persist

- South Korean President Yoon Suk Yeol declared martial law late at night on Tuesday (3 December), vowing to protect the country from “anti-state” forces and North Korean sympathisers. Yoon claimed that the invocation of martial law would prevent opposition parties from paralysing his administration by curtailing political activities. This comes after President Yoon has been unable to pass his proposed Budget through the opposition-controlled parliament and amidst probes of the president and his wife for corruption and electoral inteferences. Lawmakers condemned his decision, voting 190-0 to terminate the martial law and forcing President Yoon to lift it.

- Yoon now faces resignation calls, with opposition lawmakers beginning impeachment proceedings against him, similar to the impeachment of President Park Geun Hye in 2016. Opposition Democratic Party lawmakers have also sought to pursue charges of treason against Yoon and his defence and safety minsters. To be impeached, two-thirds of the parliament needs to vote for it (200), which may prove difficult as Yoon’s People Power Party currently control 108 of the 300 total seats. People Power Party leader Han Dong Hoon had previously been against an impeachment of Yoon, instead seeking to expel him from the party instead. He has now reversed his course and suggested that Yoon should be removed from office after news broke that President Yoon had ordered the arrests of key politicians when declaring martial law.

**South Korea National Assembly**

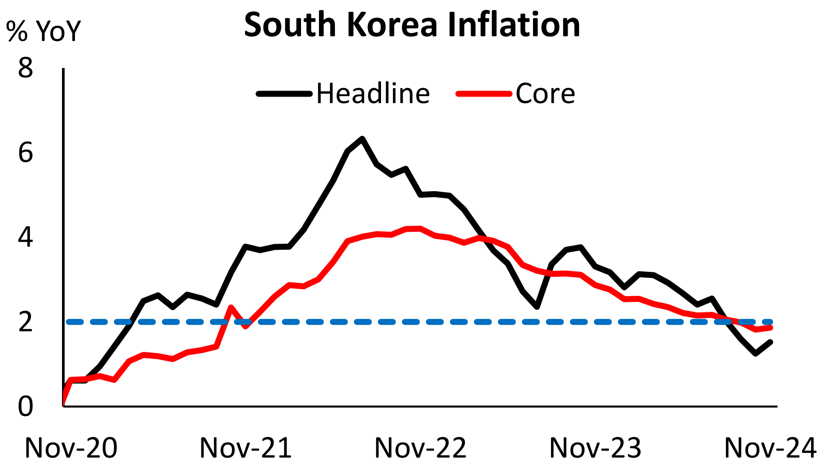



Source: Korea National Assembly, OCBC

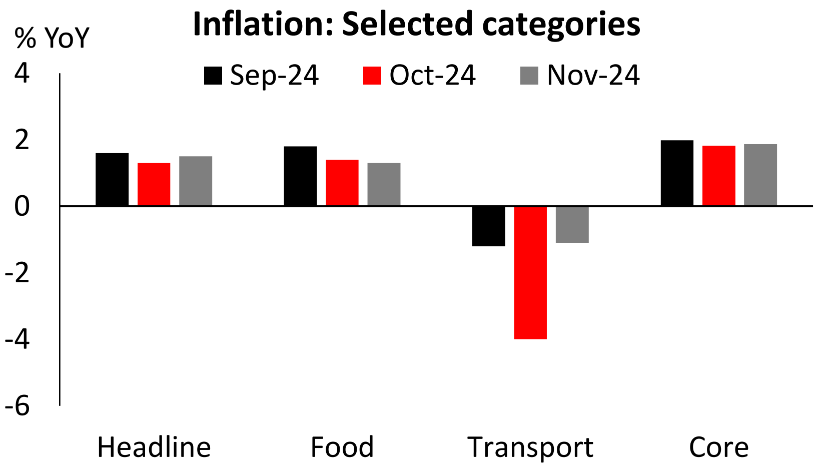
Source: Korea National Assembly, Bloomberg, OCBC.

# South Korea: Inflation remained low in November

- Headline inflation ticked up by less than expected to 1.5% YoY in November (October: 1.3%; consensus: 1.7%), remaining below the Bank of Korea's (BoK) 2% target, for the third consecutive month. Meanwhile, core inflation ticked up slightly to 1.9% YoY versus 1.8% in October.
- A key driver of the higher inflation reading in November was the uptick in transport inflation (-1.1% YoY in November versus -4% in October). Food inflation continued to moderate in November to 1.3% YoY versus 1.4% in October, recording the lowest reading since February 2020. The November inflation reading to some extent justified Bank of Korea's (BoK) decision to cut its policy rate at its 28 November meeting.
- BoK unexpectedly cut its policy rate by 25bp to 3.00%, citing growth concerns and uncertainty from the incoming Trump administration as key factors in its decision. The BoK highlighted that it would continue to keep an eye on KRW volatility, reiterating Governor Rhee Chang Yong's previous comments, and indicated that it would seek to reduce volatility through swap agreements and government policy.



Source: Statistics Korea, CEIC, OCBC

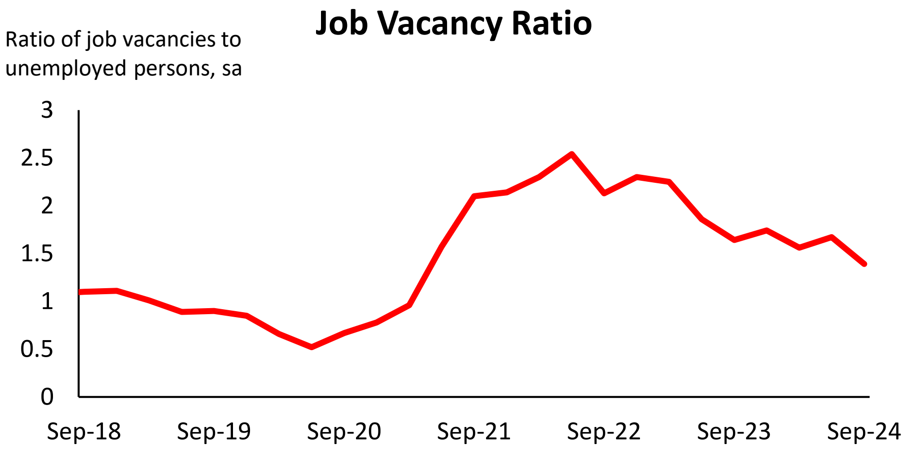


Source: Statistics Korea, CEIC, OCBC

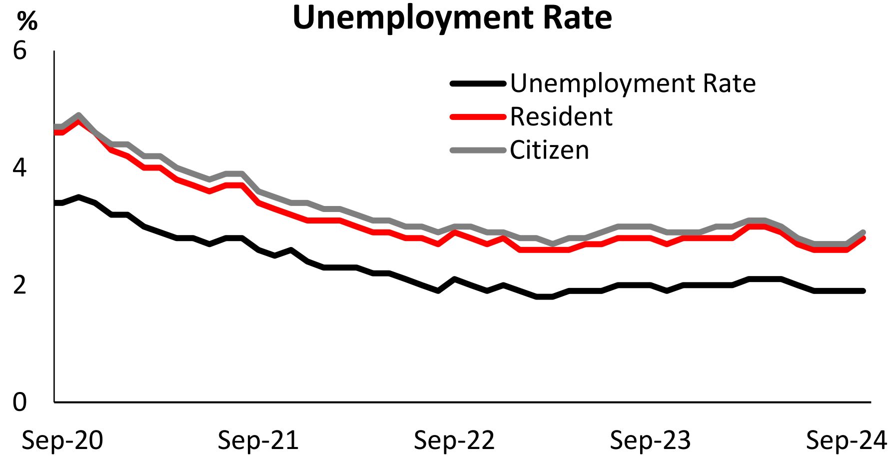
Source: Statistics Korea, CEIC, OCBC.

# SG: 3Q24 Labour Report

- Total employment experienced a significant increase of 22.3k in 3Q24 (2Q24: 11.3k), with non-resident employment contributing strongly at 18.2k, primarily due to the recruitment of work-permit holders in the construction and manufacturing sectors. Resident employment saw a modest rise of 4k. Unemployment rates remained low in September, with overall unemployment at 1.9%, and resident and citizen rates at 2.6% and 2.7%, respectively, reflecting a slight decline from previous months. Retrenchments also decreased to 3.05k in 3Q24, down from 3.27k in 2Q24, while the re-entry rate for retrenched residents improved to 60.4%. Although job vacancies fell to 63.4k in September from 81.2k in June, the labor market remains tight, with 1.39 job vacancies for every unemployed person.
- Ministry of Manpower (MOM) anticipates that the labor market in 2024 will exceed the performance of 2023, driven by ongoing growth in employment and real wages as the economy expands and inflation stabilizes. Looking ahead into 2025, MOM reiterated that the labour market tightness should ease gradually as more job vacancies are filled over time.




Source: MOM, CEIC, OCBC.

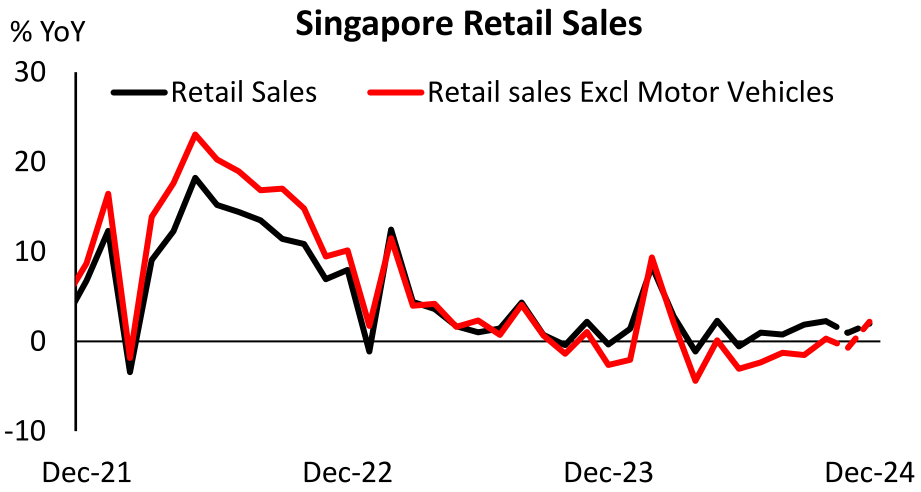



Source: MOM, CEIC, OCBC.

Source: Ministry of Manpower, OCBC.

# SG: Retail sales rise in October but mostly driven by autos

- Retail sales rose for the fourth consecutive month by 2.2% YoY (0.1% MoM sa) in October. Excluding motor vehicle sales (18.4% YoY and -65% MoM sa), retail sales was tepid at 0.3% YoY, albeit this was still an improvement from the revised 1.5% YoY contraction seen in September. Notably, retail sales excluding autos had been falling YoY for four consecutive months prior to the October turnaround, so the question is whether this positive trend would sustain.
- For the year-to-date 2024, retail sales rose by 1.9% YoY, which is undershooting the 2.8% YoY registered in the same period a year ago. This points to some retraction in terms of consumer demand, which could be in line with the gradually cooling domestic labour market given the external headwinds and also the tapering visitor arrivals.
- Our full-year 2024 retail sales forecast could come in slightly below the 2% YoY handle since November-December data is likely to hover around the current 1.9%-2% YoY range. For 2025, retail sales growth could still average around 2% YoY.



Source: CEIC, OCBC

Source: DOS, CEIC, OCBC.

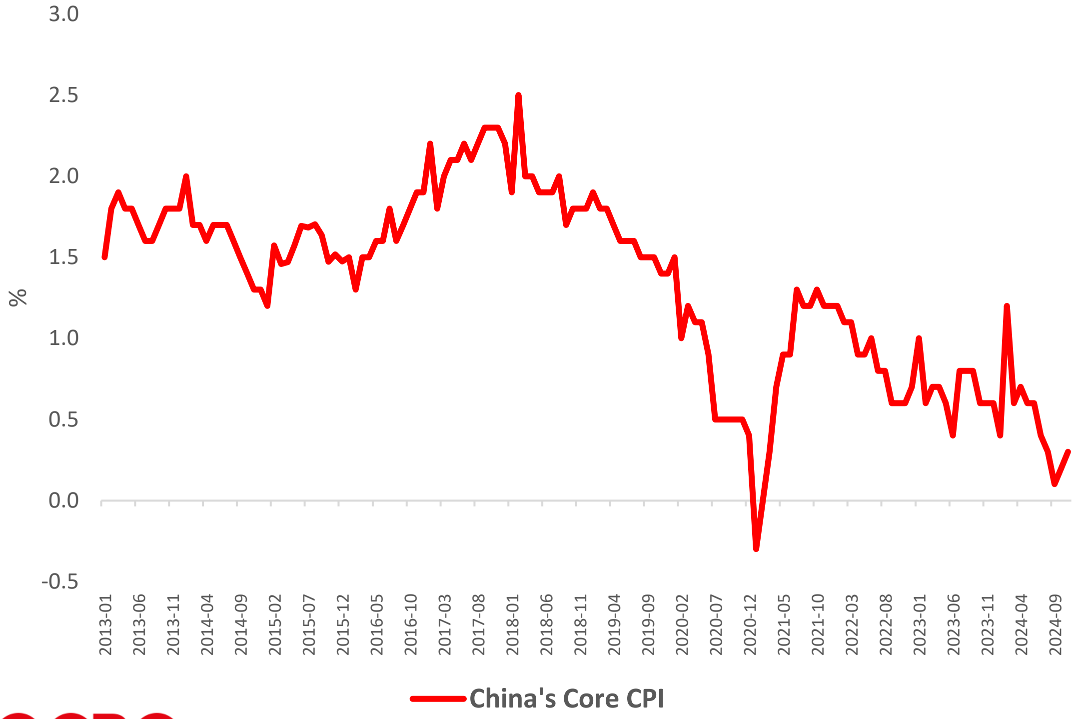
# China: A shift to prioritize domestic players

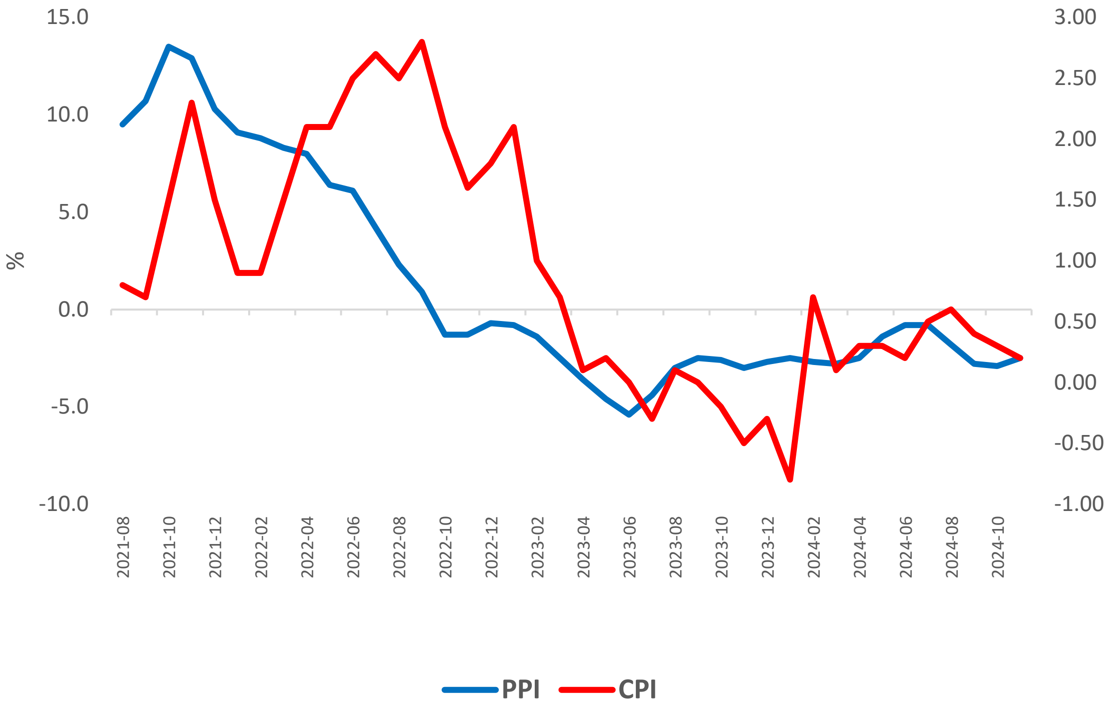
- Recent developments suggest China is shifting its focus to prioritize domestic players against the backdrop of uncertain external environment.
- Firstly, the Ministry of Finance (MOF) released a draft last Thursday outlining new standards and policies favoring domestic products in government procurement. Under the proposed rules, "Made-in-China" goods will be priced 20% lower than their actual cost for procurement purposes. The MOF emphasized that both domestic and foreign-funded enterprises will be treated equally, provided their products meet the required standards, ensuring fair access to government procurement support.
- Secondly, four Chinese industrial associations—representing the telecommunications, digital economy, automotive, and semiconductor sectors—advised their members to be wary of purchasing U.S. chips, citing concerns about their safety. The associations encouraged members to source locally produced alternatives instead.
- Thirdly, the Ministry of Commerce announced stricter export controls on dual-use items to the United States. Exports for U.S. military users or military purposes are now prohibited. Additionally, export licenses for items involving gallium, germanium, antimony, and superhard materials will generally not be issued, with stricter end-user and end-use reviews applied to dual-use graphite items.
- These measures reflect a strategic push to strengthen domestic industries and reduce reliance on foreign technologies, particularly in light of ongoing geopolitical and economic tensions.

Source: Bloomberg, OCBC

# China: “Whatever it takes”

- China’s CPI moderated to 0.2% YoY in November though core CPI rebounded to 0.3% YoY.
- The Politburo meeting on 9 Dec highlighted that China would implement a more proactive fiscal policy and moderately accommodative monetary policy. The tone on monetary policy changed for the first time since 2011, reinforcing China’s shift towards “whatever it takes” mentality. In addition, the meeting also said efforts will focus on significantly boosting consumption. As 2025 marks the final year of China’s 14th Five-Year Plan, policymakers are expected to intensify efforts to ensure economic stability.

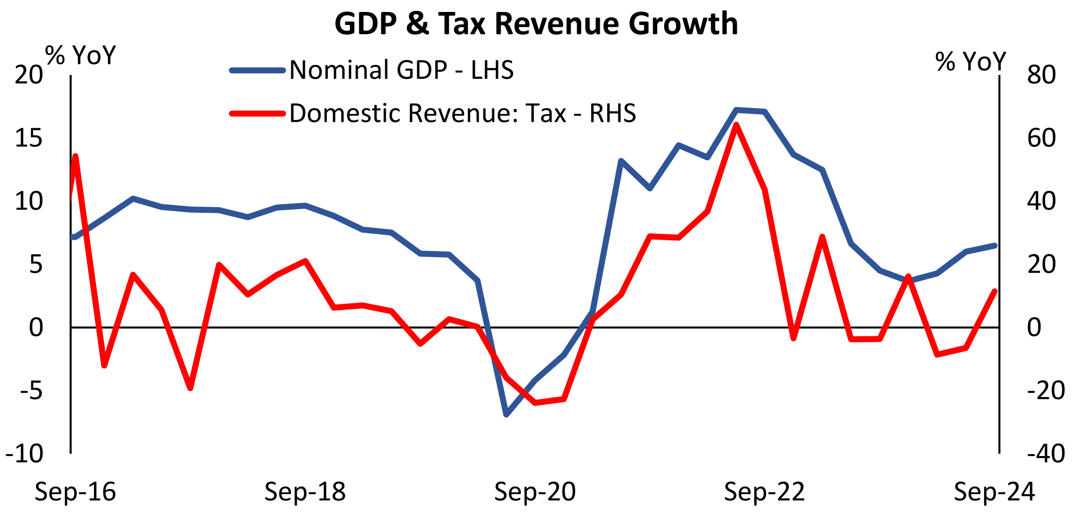



Source: Bloomberg, OCBC

# Indonesia: VAT hike only for luxury goods

- President Prabowo Subianto has confirmed that the planned 1.0 percentage point (PP) increase in the VAT to 12%, effective January 2025, will only be applicable to luxury products. To that end, the implementation will depend on the classification of luxury goods by the Ministry of Finance.
- The statement somewhat clears up the uncertainty surrounding whether the government will proceed with the planned VAT hike amid calls for its delay. Previously, on 28 November, the head of the National Economic Council and former Coordinating Minister, Luhut Binsar Pandjaitan, signalled that the government would put the implementation of the planned VAT increase on hold, in contrast to Finance Minister Sri Mulyani's statement on 13 November that the VAT hike would proceed as planned.



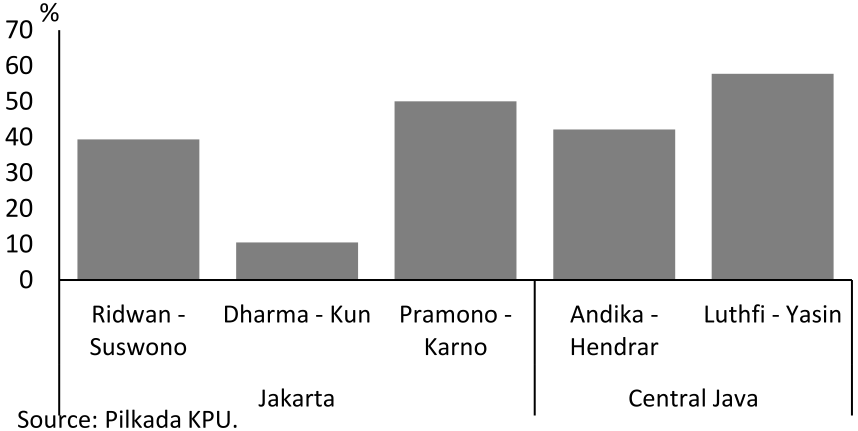
Source: BPS, MoF, CEIC, OCBC.

Source: Bloomberg, Jakarta Globe, BPS, MoF, CEIC, OCBC.

# Indonesia: Regional election update

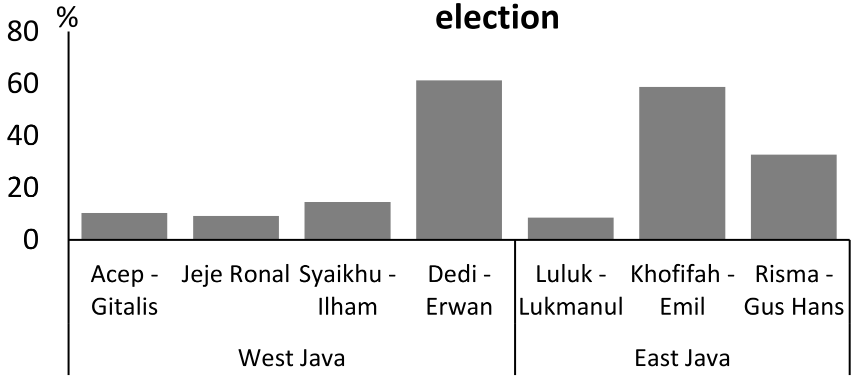
- The Jakarta General Election Commission (KPU Jakarta) has announced on 8 December that the PDI-P-backed candidate, former Cabinet Secretary Pramono Anung, along with his running mate Rano Karno, has secured 2.18mn votes, or 50.07%, essentially confirming the pair as the winners of the Jakarta gubernatorial election.
- Meanwhile, the pro-government Onward Indonesia Coalition (KIM)-backed pair, former Governor of West Java Ridwan Kamil and Suswono, only managed to secure 1.72mn votes (or 39.4%), while independent candidate Dharma Pongrekun and Kun Wardana only secured 459k votes (10.5%). The losing pairs have indicated plans to dispute the results in the Constitutional Court. KPU Jakarta can only officially declare a winner once the Constitutional Court settles all election disputes.
- The Jakarta gubernatorial election results stand in contrast to other key battlegrounds where the pro-government coalition is expected to win.

**Gubernatorial election results**




Source: Pilkada KPU.

**Kompas Quick Count: Gubernatorial election**




Note: Value last updated on 27 November 2024. Source: Kompas

Source: KPU, Kompas, OCBC.

# Philippines: Higher inflation

- Headline CPI rose to 2.5% YoY in November versus 2.3% in October, matching consensus expectations (Consensus and OCBC: 2.5%). Similarly, core CPI increased marginally to 2.5% YoY (October: 2.4%).
- The main drivers of the higher headline CPI were higher prices of 'food & non-alcoholic beverages' (3.4% YoY versus 2.9%), 'alcoholic beverages & tobacco' (3.1% versus 3.0%), 'furnishings, HH equip & routine HH maintenance' (2.7% versus 2.4%), and 'personal care & misc goods & services' (2.9% versus 2.8%) categories. These increases more than offset lower inflation in clothing (2.6% YoY versus 2.7%), utilities (1.9% versus 2.4%), and recreation (2.4% versus 2.6%).
- The November figure brings the year-to-date headline CPI to average at 3.2% YoY, compared to 6.2% for the same period in 2023. We expect the BSP to cuts its policy rate by 25bps at its 19 December meeting. By end-2025, we expect the policy rate to end 2025 at 5.50%.

| Drivers of inflation, %YoY | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Headline CPI inflation** | **2.8** | **3.4** | **3.7** | **3.8** | **3.9** | **3.7** | **4.4** | **3.3** | **1.9** | **2.3** | **2.5** |
| Food & Non-Alcoholic Beverages | 3.5 | 4.6 | 5.6 | 6.0 | 5.8 | 6.1 | 6.4 | 3.9 | 1.4 | 2.9 | 3.4 |
| Alcoholic Beverages & Tobacco | 8.4 | 8.6 | 6.7 | 4.9 | 4.2 | 3.8 | 3.4 | 3.3 | 3.1 | 3.0 | 3.1 |
| Clothing & Footwear | 3.8 | 3.6 | 3.6 | 3.6 | 3.4 | 3.2 | 3.1 | 3.0 | 2.9 | 2.7 | 2.6 |
| Housing, Water, Electricity, Gas & Other Fuels | 0.7 | 0.9 | 0.5 | 0.4 | 0.9 | 0.1 | 2.3 | 3.8 | 3.3 | 2.4 | 1.9 |
| Furnishings, HH Equip & Routine HH Maintenance | 3.9 | 3.3 | 3.2 | 3.1 | 3.1 | 2.8 | 2.8 | 2.7 | 2.6 | 2.4 | 2.7 |
| Health | 3.3 | 3.0 | 3.2 | 3.0 | 2.9 | 2.9 | 2.8 | 2.6 | 2.6 | 2.6 | 2.6 |
| Transport | -0.3 | 1.2 | 2.1 | 2.6 | 3.5 | 3.1 | 3.6 | -0.2 | -2.4 | -2.1 | -1.2 |
| Information & Communication | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.2 | 0.2 |
| Recreation, Sport & Culture | 4.0 | 3.8 | 3.9 | 3.8 | 3.5 | 3.5 | 3.4 | 3.3 | 2.8 | 2.6 | 2.4 |
| Education Services | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 6.1 | 5.5 | 4.3 | 4.3 | 4.3 |
| Restaurants & Accommodation Services | 5.5 | 5.3 | 5.6 | 5.4 | 5.3 | 5.1 | 4.9 | 4.6 | 4.1 | 3.9 | 3.9 |
| Financial Services | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 |
| Personal Care & Misc Goods & Services | 4.0 | 3.8 | 3.6 | 3.5 | 3.4 | 3.2 | 3.2 | 3.0 | 2.9 | 2.8 | 2.9 |
| **Core CPI** | **3.8** | **3.6** | **3.4** | **3.2** | **3.1** | **3.1** | **2.9** | **2.6** | **2.4** | **2.4** | **2.5** |

Source: Philippine Statistics Authority, CEIC, OCBC

Source: Philippine Statistics Authority, CEIC, OCBC.

# Thailand: Low inflation persists

- Headline CPI rose by less-than-expected to 0.9% YoY in November (Consensus: 1.1%, OCBC: 1.0%), versus 0.8% in October. Meanwhile, core inflation remained steady at 0.8% YoY for the third consecutive month.
- The main drivers were higher inflation in the 'Transport & Communication' (+1.4% YoY versus -0.3%) category, which more than offset lower inflation in 'Food & Non-Alcoholic Beverages' (1.3% YoY versus 1.9%). Most of the other drivers were little changed from October.
- Year-to-date, headline CPI averaged 0.3% YoY versus 1.4% for the same period in 2023. We expect headline CPI to return to within BoT's 1-3% target range in December. On monetary policy, we maintain the view that the BoT's rate cuts will be shallow. BoT will likely leave its policy rate unchanged at 2.25% at its 18 December meeting, before implementing another 25bp rate cut expected in 1Q25, bringing the policy rate down to 2.00%.

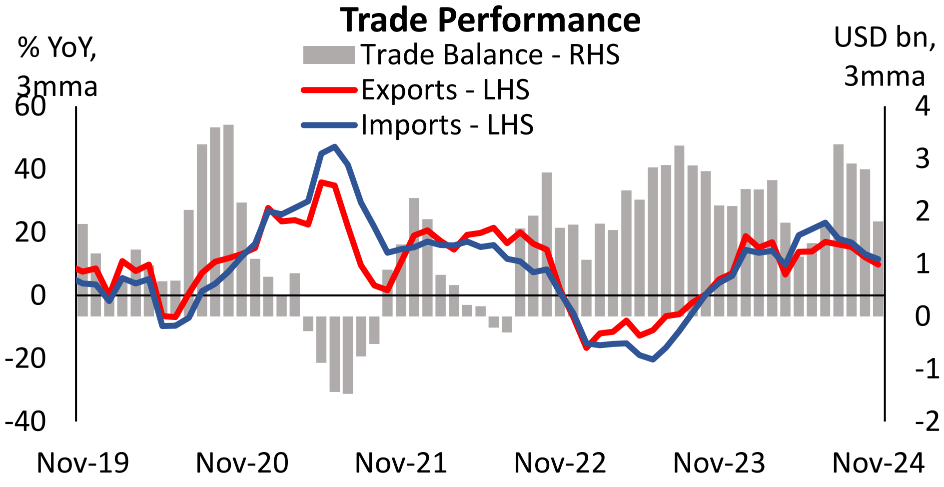
| Drivers of inflation, % YoY | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Headline CPI** | **-1.1** | **-0.8** | **-0.5** | **0.2** | **1.5** | **0.6** | **0.8** | **0.4** | **0.6** | **0.8** | **0.9** |
| Food & Non Alcoholic Beverages | -1.1 | -1.0 | -0.6 | 0.3 | 1.1 | 0.5 | 1.3 | 1.8 | 2.3 | 1.9 | 1.3 |
| Apparel & Footwears | -0.1 | -0.2 | -0.1 | -0.2 | -0.4 | -0.5 | -0.5 | -0.6 | -0.7 | -0.5 | -0.5 |
| Housing & Furnishing | -0.7 | -0.8 | -0.9 | -0.8 | 2.1 | -0.8 | -0.8 | -0.9 | 0.4 | 0.4 | 0.4 |
| Medical & Personal Care | 0.9 | 0.9 | 0.3 | 0.4 | 0.5 | 0.1 | -0.4 | 0.0 | -0.1 | -0.6 | -0.3 |
| Transport & Communication | -2.5 | -1.2 | -0.4 | 0.9 | 2.4 | 2.4 | 2.0 | -1.0 | -1.8 | -0.3 | 1.4 |
| Recreation, Reading, Education and Religion | 0.6 | 0.5 | 0.5 | 0.4 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 |
| Tobacco & Alcoholic Beverages | 0.9 | 1.2 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 | 1.3 | 0.9 | 0.8 |
| **Core Consumer Price Index** | **0.5** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.5** | **0.6** | **0.8** | **0.8** | **0.8** |

Source: Ministry of Commerce, CEIC, OCBC

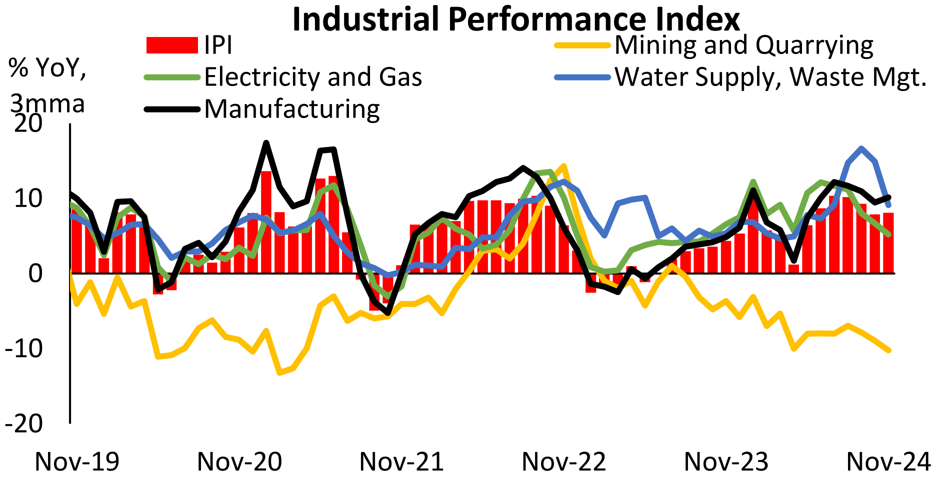
Source: Ministry of Commerce, CEIC, OCBC.

# Vietnam: Weak activity data in November

- Trade performance was notably weaker in November. Specifically, exports slowed to a 9-month low of 8.2% YoY in November 2024, down from 10.2% in October. Similarly, import growth slowed to 9.8% YoY in November, down from 13.8% in October. Consequently, the trade surplus narrowed to USD 1.1 billion from USD 2.0 billion in October. Looking at the components, electronics exports, which include 'computers, electrical products,' and 'telephones & mobile phones' in our calculation, improved to 1.2% YoY in November, although this follows a 1.5% contraction in October. Meanwhile, combined textile, garment, and footwear exports eased to 11.6% YoY from 21.6%.
- On the other hand, industrial production rose to 8.9% YoY in November from 7.0% in October, with the improvement led by manufacturing (11.2% from 8.8%). This has more than offset the easing in 'electricity & gas' (5.5% from 6.0%) and 'water supply & waste management' (6.7% from 6.9%) IPI. The ‘mining & quarrying’ IPI remained in annual contraction (-9.9% from 10.4%) for the 10th consecutive month.




Source: GSO, CEIC, OCBC



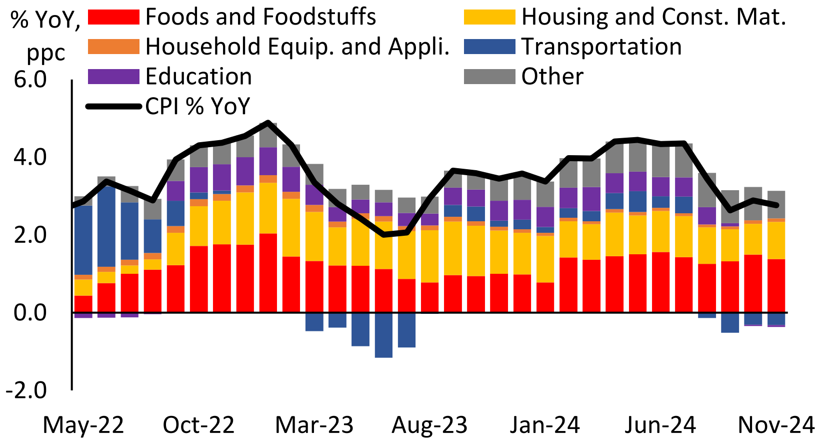

Source: GSO, CEIC, OCBC.

Source: GSO, CEIC, OCBC.

# Vietnam: SBV to stay nimble

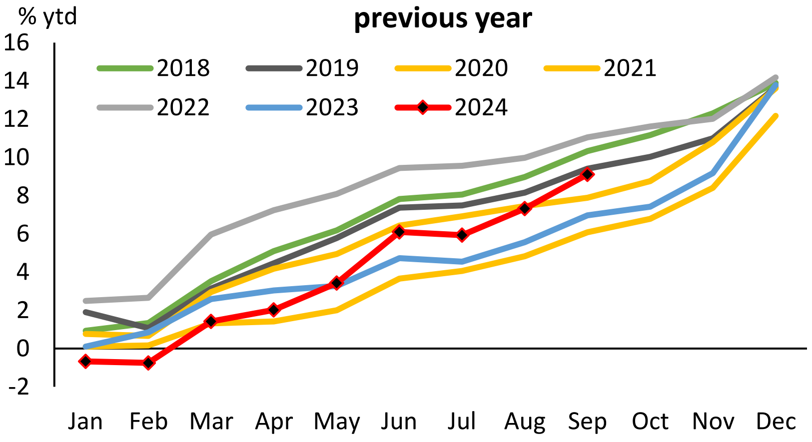
- Headline inflation eased by more than expected to 2.8% YoY in November, versus2.9% in October (Consensus: 3.0%). Food and foodstuff inflation eased (4.1% YoY in November from 4.4% in October), but remained elevated, while transportation CPI stayed negative (-3.3% versus -3.2%). Conversely, core inflation rose to 2.8% YoY versus 2.7% in October. The November figure brings the average CPI for October and November to 2.8%, down from 3.5% in 2Q24.
- On the credit front, loan growth had risen by 11.1% as of 22 November compared to the end of 2023. A more detailed data breakdown showed that year-to-September credit growth rose to 9.1% from 7.3% in yt-August, with improvements seen across all sectors. Notably, credit to the industry remains strong, reaching 9.3% yt-Sep (+16.7% YoY). Similarly, credit for trade and other activities were robust, reaching 9.6% and 10.2%, respectively, as of September 2024. Reduced inflationary pressures, robust growth momentum, and renewed currency pressures may have likely anchored policy rates at their current level in the near term.

**Headline CPI**



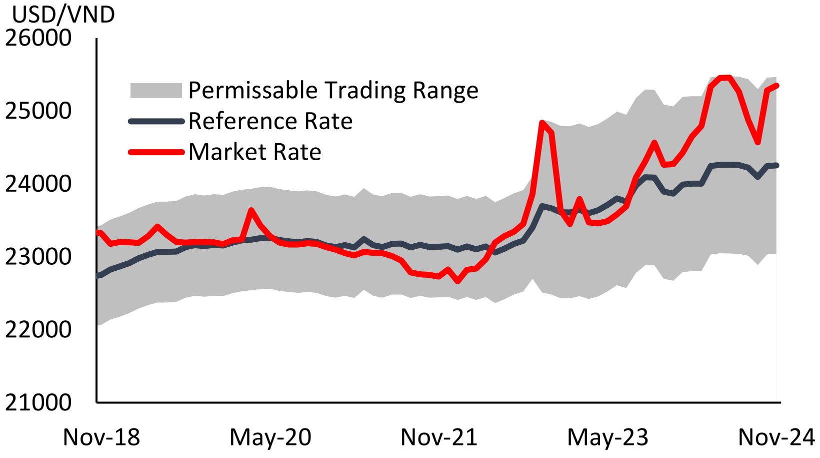

Source: General Statistics Office, CEIC, OOBC.

**Credit: % Change Compared to December previous year**




Source: State Bank of Vietnam, CEIC, OCBC.

**USD/VND**



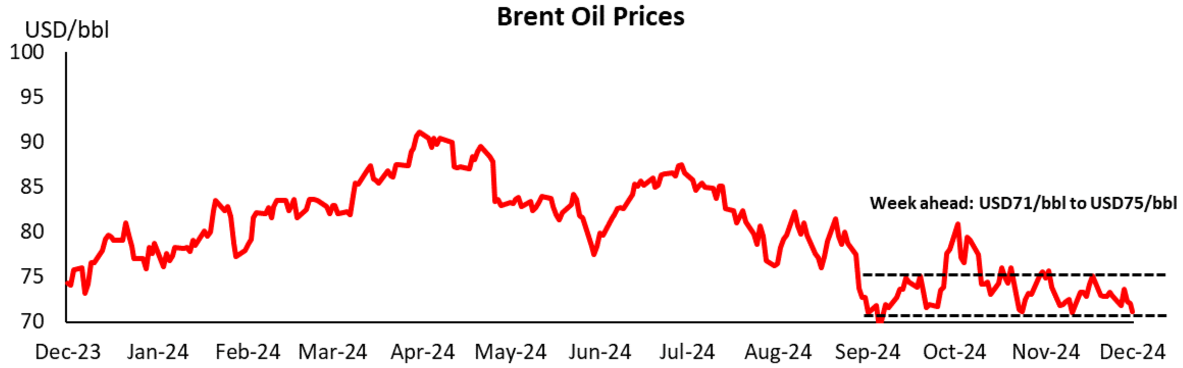

Source: State Bank of Vietnam, Bloomberg, CEIC, OCBC.

Source: GSO, SBV, Bloomberg, CEIC, OCBC.

# Commodities

# Oil: OPEC+ extends production cuts

- Crude oil benchmarks extended their losses for the second consecutive week, with WTI and Brent declining by 1.2% and 2.5% week-on-week, respectively, and closing at USD67.2/bbl and USD71.1/bbl.
- At its 5 December meeting, the OPEC+ group announced an extension of its planned oil production increases of 2.2mbpd for another three months, extending the timeline until end-March 2025. Additionally, the group announced an extension of their existing cuts of 2.0mbpd (group-wide) and the 1.7mbpd (stage 1 of the additional voluntary cuts) to end-2026 (previous: end-2025). Meanwhile, there was also an agreement for the UAE to gradually raise its output by 0.3mbpd starting from April 2025, instead of an earlier planned timeline of January 2025.
- Over the weekend, Syrian president Bashar al-Assad resigned and left the country as opposition insurgents seized control of the capital, Damascus. Meanwhile, Israel's military has been deployed into the demilitarized zone of the Golan Heights, raising concerns about political instability and uncertainties in the Middle East.
- Looking ahead, we expect oil prices to trade higher, between USD71-75/bbl. For the week, the key focuses are China's November trade data, US November CPI and PPI prints, and ECB's rate decision. We also have monthly releases from EIA, IEA, OPEC.




Source: Bloomberg, OCBC.

Source: Bloomberg, Reuters, OCBC.

# FX & Rates

# FX & Rates: Focus Shifts to US CPI

- **USD Rates.** Headline CPI may have ticked up partly because of base effect; we look for a steady core CPI or ideally some mild disinflation in core services to give the greenlight for a rate cut next week. Further ahead, recent Fed commentaries point to an intention to slow the pace of rate cuts come 2025, while we have been expecting a slower pace starting 2Q2025. As such, the risk is a pause may come earlier than our base-case – as early as January; we will review the Fed funds rate outlook upon the December FOMC outcome together with updated dot-plot.
- **DXY.** Fedspeaks go into blackout so that puts the focus on data before FOMC next Thu (19 Dec). This week, we have CPI on Wed and PPI on Thu. A 25bp cut is more or less a done deal for Dec meeting unless US CPI unexpectedly surprises a lot to the upside. We would be keen to see the dot plot guidance for 2025. Fed fund futures are implying about 3 cuts for 2025, slightly less than the previous dot plot of 4 cuts that was penciled in for 2025.
- **AUDUSD.** RBA in Focus Tomorrow (1130am SGT). This is the last meeting for the year and the next meeting is not due until 18 Feb. We expect cash rate to remain on hold at 4.35% as services inflation remains sticky and labour market is fairly tight. The risk is an earlier than expected dovish pivot as softer than expected 3Q GDP print last week saw markets shifted expectations to fully price in a cut at Apr's meeting. There were also light chatters if RBA may even need to cut earlier at the Feb meeting. Tariff worries, slowing growth momentum and anticipation for earlier RBA cuts are some factors that may continue to undermine AUD in the short term, unless AU labour market report on Thu comes in hotter or USD reverses lower.
- **USDCNH.** Policymakers continue to manage the daily fix, setting it lower at 7.1848 vs. 7.1879 (yesterday). Fixing pattern continues to suggest that PBoC is doing whatever it takes to not only restraint the RMB from over-weakening but also to guide its bias and direction. Tariff may hurt RMB when it happens but that may be a story for 2025 after Trump inauguration. Meantime, we would keep a look out for the CEWC meeting on 11-12 Dec.

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# ESG

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# ESG: China ETS prices remain high and is pending sector expansion details

- November saw the highest monthly trading volume this year, with 60mn CEAs changing hands, as the 31 Dec compliance deadline draws closer. The CEA price has been consistently above 100CNY/t for several consecutive weeks.
- Market participants are awaiting more details on how the environment ministry will allocate carbon permits for the three new industries i.e. cement, steel and aluminium → this can determine potential demand moving forward.
- China's environmental ministry is seeking comments on steel sector emissions accounting rules for domestic steelmakers. The ministry is also seeking comments on a separate set of guidelines for external agencies to conduct verification work. The consultation period for the policy documents will last until 16 Dec.
- Acknowledging challenges that companies may face, the China ETS will familiarise market participants with its processes between 2024 – 2026 and improve management and the quality of emissions data, while reducing quota allocations to businesses, from 2027.

Source: Refinitiv Eikon (as of 9 Dec)

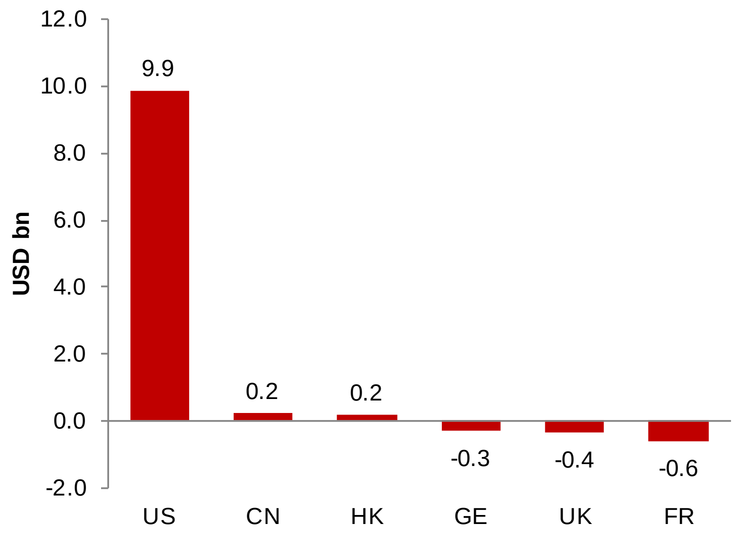
Source: Carbon Pulse, Reuters

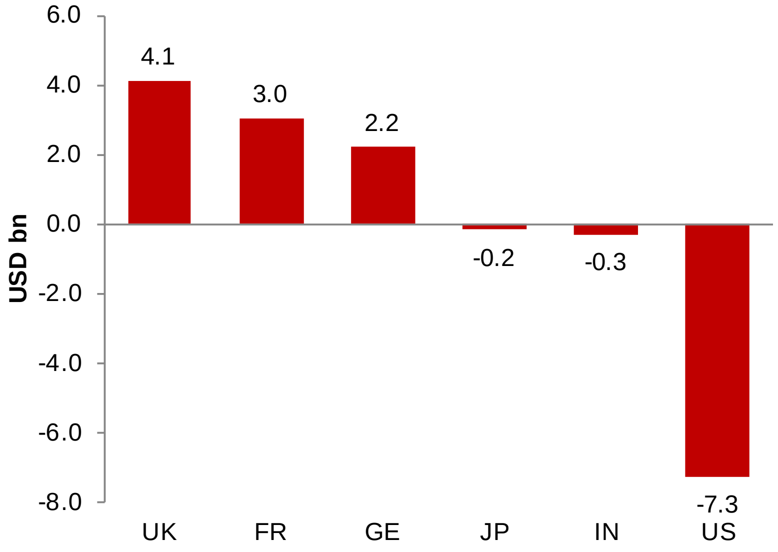
# Asset Flows

# Global Equity & Bond Flows

- Global equity markets saw net inflows of $8.2bn for the week ending 4 December, a decrease from the inflows of $29.4bn last week.
- Global bond markets reported net inflows of $4.9bn, a decrease from last week's inflows of $10.3bn.

| Equity top gainers & losers | Bonds top gainers & losers |
| --- | --- |

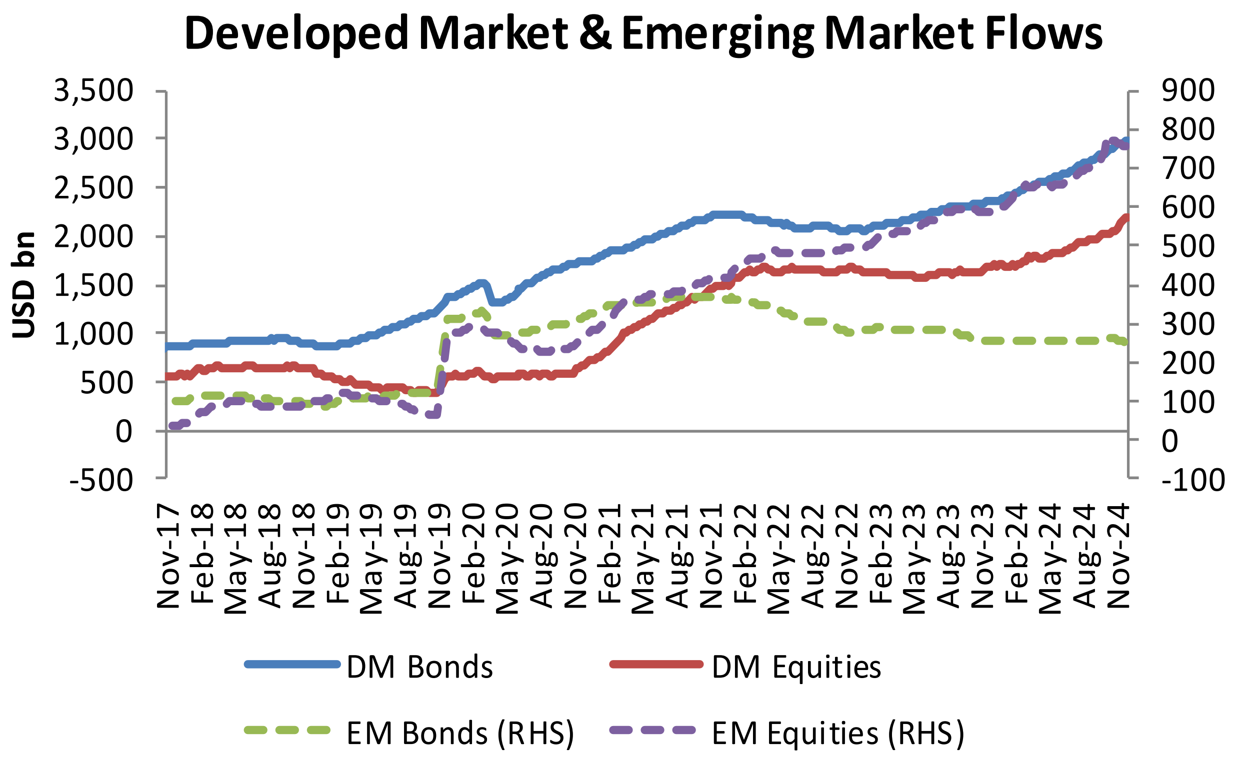



Source: OCBC, EPFR

# DM & EM Flows

- Developed Market Equities ($7.1bn) saw inflows and Emerging Market Equities ($1.0bn) saw inflows.
- Developed Market Bond ($4.8bn) and Emerging Market Bond ($17.43mn) saw inflows.




Source: OCBC, EPFR

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