Economics & Strategy Research

Macro Insights Weekly

Absence of Stagflation in China deserves Re-Rating

Economics/Strategy/Rates/FX/Credit

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- *Inflationary pressure has remained subdued in China/Hong Kong*
- *Optimism ahead stems from: (1) potential reduction of tariffs on Chinese imports to the US; (2) gradual relaxation of zero covid policy across China: (3) fiscal stimulus should begin filtering through the real economy in 2H22*
- *Annual GDP is projected to conclude at 4.2% assuming 2Q to advance by 0.9% YoY, followed by 5.3% and 5.5% respectively in 3Q and 4Q.*

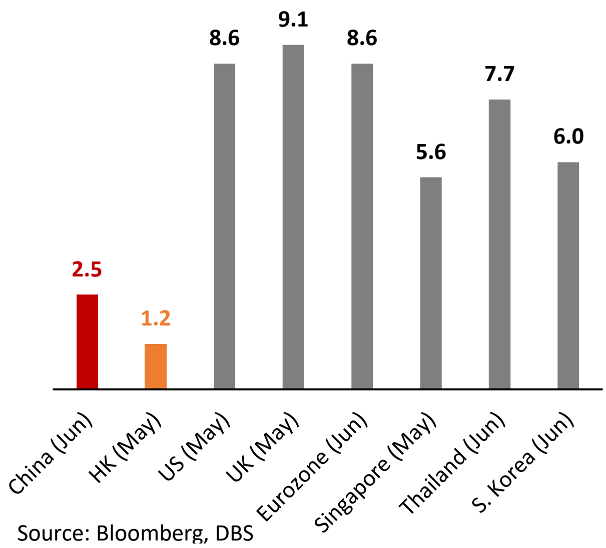
Key data release and events this week:

- *China's real GDP growth should have slowed from 4.8% YoY in 1Q to 0.9% YoY in 2Q.*
- *GDP of Singapore is expected to register 4.6% YoY in 2Q, up from 3.7% previously.*
- *We expect the PBOC to keep the 1Y-MLF rate at 2.85%, while the BOK will raise the 7D Repo rate by 50bps to 2.25% this week.*

Chart of the Week: Inflation is not a concern for China

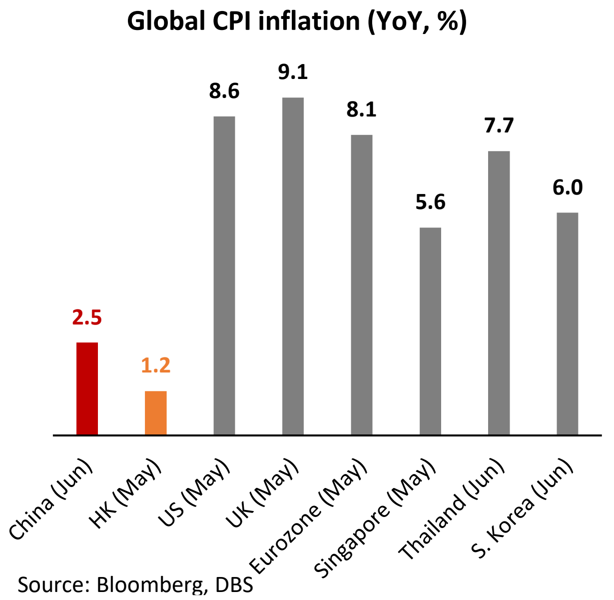
China's June CPI came in at 2.5% YoY over the weekend, which is much lower than most major trading partners. The PBoC is thus not under pressure to raise rates. This leaves room for PBoC to loosen monetary policy at ease when next recession in the US consequentially kicks in.

Global CPI inflation (YoY, %)



Source: Bloomberg, DBS

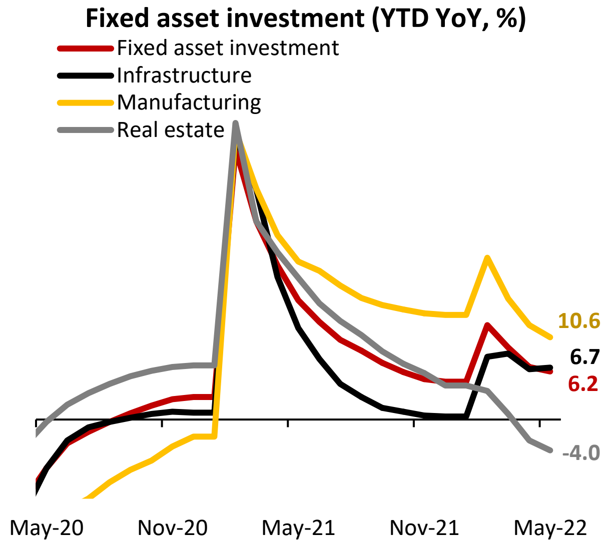
Commentary: Absence of Stagflation in China deserves Re-Rating of Asset Prices ahead



Source: Bloomberg, DBS

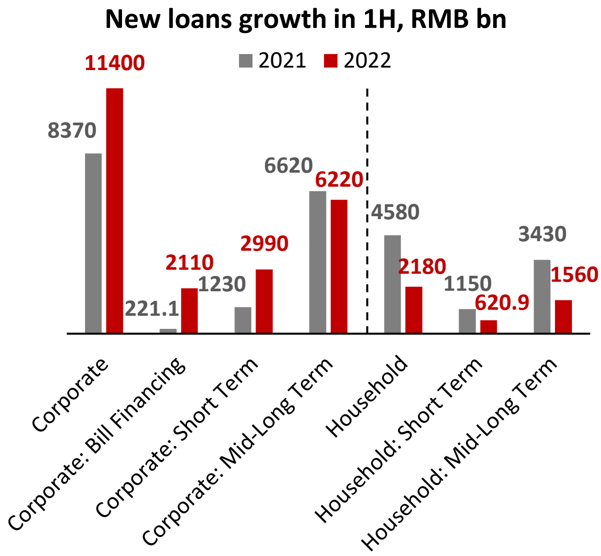
The world may have preoccupied too much with forthcoming recession in the US despite persistent tightness of labor market and elevated inflationary pressure. China's inflation pressure, on the contrary, are very subdued as evidenced by the mild increment of CPI by 2.5%, alongside the moderation of the PPI thanks to recovering domestic supply-chain and discounted oil imports from Russia. The breakdown of CPI saw mild upward pressure on food prices driven by pork prices, but it is highly unlikely it will spike up to the threshold resembling the inflation situation of US and UK.

The pressing issue of China is growth deceleration. In fact, 2Q GDP probably only advanced by a meagre 0.9% thereby concluding GDP growth at 2.7% in 1H22, far below the official target of 5.5%. The market however should not focus on China missing official target. Forthcoming positive development include: (1) the potential reduction of tariffs on Chinese imports to the US by the Biden Administration; (2) gradual relaxation of zero



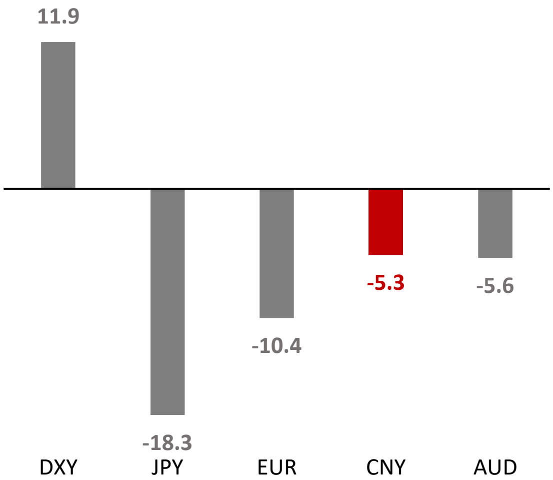
Source: Bloomberg, DBS

covid policy across China (quarantine time has recently been halved for inbound travellers to one week) alongside the rebound of industrial production (up 0.7% YoY in May) and exports (up 16.9% YoY) , which is consistent with rebound of Services PMI and Manufacturing PMI; (3) positive impact of fiscal stimulus on the real economy shall surface apparently in 2H22 as evidenced by uptick seen from corporate borrowing and infrastructure spending. In particular, new corporate medium and long-term loans soared to RMB1.5tn last month, the highest since January. Infrastructure investment accelerated to 6.7% in the first five



Source: CEIC, DBS

DXY and major currencies against USD (YTD, %)



Source: Bloomberg, DBS

months from 6.5% in January-April. Annual GDP is projected to conclude at 4.2% assuming the economy to advance 0.9%, 5.3% and 5.5% respectively in 2Q, 3Q and 4Q.

The PBOC could have proactively cut interest rates and reserve requirement ratio in the past 6 months. The authority had chosen instead to protect the resilience of RMB, which substantially outperformed the JPY and EUR despite narrowing rate spread with the USD, dwindling economic growth alongside foreign reserves declining USD179 billion in 1H22 to USD3.07 trillion. This is an intelligent policy choice because currency stability is a prerequisite for asset prices re-rating ahead.

The absence of stagflation in China warrants higher policy flexibility relative to western counterparts. This factor alone should deserve a re-rating considering valuation (PE ratio) of Shanghai Stock Exchange Composite Index and Hang Seng Index are trading at a three-year low of 13.5 and 7.8 respectively. Both indices had already rebounded by 14.8% and 14.7% from the respective year-low. Should China economic growth surprise on the upside ahead, the re-rating of Chinese assets could be explosive. In another scenario, if US recession were to arrive sooner justifying rate cuts by the Fed, the PBoC will likely loose domestic monetary policy in tandem this round at ease. Both scenarios are positive for China/HK equities.

Chris Leung

Key forecasts for the week

Event	DBS	Previous
Jul 12 (Tue)		
Philippines: exports (May)	6.8% y/y	6.0% y/y
- imports	22.5% y/y	22.8% y/y
- trade balance	-USD4.8bn	-USD4.8bn
India: CPI (Jun)	7.1% y/y	7.0% y/y
India: industrial production (May)	21% y/y	7.1% y/y
Jul 13 (Wed)		
China: exports (Jun)	13.0% y/y	16.9% y/y
- imports	4.0% y/y	4.1% y/y
- trade balance	$77.3bn	$78.8bn
China: 1Y MLF Rate (Jul)	2.85%	2.85%
South Korea: BOK 7-day repo rate	2.25%	1.75%
Jul 14 (Thu)		
Singapore: GDP (2Q)	4.6% y/y	3.7% y/y
India: exports (Jun)	16.8% y/y	20.6% y/y
- imports	51% y/y	62.8% y/y
- trade balance	-USD25.6bn	-USD24.3bn
Jul 15 (Fri)		
China: GDP (2Q)	0.9% y/y	4.8% y/y
- industrial production (Jun)	3.5% y/y	0.7% y/y
- retail sales (Jun)	0.5% y/y	-6.7% y/y
- fixed asset investment (Jun)	6.0% y/y YTD	6.2% y/y YTD
Indonesia: exports (Jun)	30% y/y	27.0% y/y
- imports	16% y/y	30.7% y/y
- trade balance	USD4bn	USD2.9bn

Central bank watch

People's Bank of China (13-16 July): The 1Y MLF is expected to remain unchanged at 2.85% amid a stabilizing loan growth and overall economy economic condition. New Yuan Loan jumped from RMB1.9tn in May to RMB2.8tn in June. Amongst all, new corporate medium and long-term loans soared to RMB1.5tn, the highest since January. Meanwhile, June's macro data should have rebounded somewhat along with the easing of Covid restrictions. The economy is expected to advance by 0.9%YoY, 5.3% and 5.5% respectively in 2Q, 3Q and 4Q.

Consumption sentiment showed signs of recovery. Retail sales is projected to bounce from contraction of 6.7% YoY in May to mild advancement of 0.5% in June. High frequency data such as subway and road traffic continued to improve. Industrial production growth is forecasted to increase further from 0.7% to 3.5%, thanks to the normalising domestic supply chain. Accordingly, expansion of exports should stay elevated at 13.0% YoY in June, compared to 16.9% YoY in May. Likewise, imports growth is expected to stay largely on par with the previous month at 4.0% YoY. We see stronger imports growth ahead to support the ongoing infrastructure investment. Fixed asset investment should have only edged down from 6.2% YoY YTD in May to 6.0% in June.

Bank of Korea (13 July): We now expect an outsized 50bps rate hike at the July meeting, taking into account the surge in June CPI to 6%, strong rise in public inflation expectations, and growing demand for wage increases. A big step rate hike may help to curb inflation expectations and reduce the risks of a wage-price spiral. Nonetheless, global commodities prices have retreated somewhat due to the US recession worries. Domestic business and consumer sentiments have also started to weaken, in light of the higher production/living costs and higher debt servicing burdens. There is a 40% chance that the BOK will hike at the usual pace of 25bps at this meeting and another 25bps at the next meeting in August.

Bank of Canada (13 July): We expect the BOC to match the Fed with a 75 bps hike in its overnight lending rate to 2.25%. According to the BOC's consumer and business surveys, consumers expect inflation to stay high at 6.82% over the next year before easing to 5.02% in two years. Firms see inflation staying high for longer and leading to large increases in wages. The share of firms with labour bottlenecks increased to 63% in 2Q22 from 59% in 1Q22. Many companies plan to invest and hire more to meet ongoing strong demand.

Reserve Bank of New Zealand (13 July): We expect the RBNZ to look past the 0.2% QoQ sa contraction in 1Q22 and hike the official cash rate by 50 bps for a third time to 2.50%. The top priority of the RBNZ is inflation. According to the NZIER quarterly survey of business opinion, 76% of the respondents would raise prices in 3Q22, more than the 65% who expect business conditions to worsen. In February, RBNZ announced that it would start in July to gradually reduce its bond holdings under the Large Scale Asset Purchase Programme at a rate of NZD5 bn per fiscal year.

Forthcoming data releases

Singapore: Advance GDP estimates for 2Q22 will be on tap this week. While all eyes will be on the headline number, which will likely see improvement compared to the first quarter, attention should instead be on the sequential number. We expect the headline number to register 4.6% YoY, up from 3.7% previously. However, the QoQ number could likely see some moderation to 0.1%, narrowly averting a decline, and down from 0.7% in the previous quarter.

Although the reopening efforts would have prompted better performance in the hospitality and retail sector, there has been slowdown in financial market activities owning to global risks and uncertainties. Moreover, some easing in growth momentum in the manufacturing sector is to be expected amid China's zero Covid policy and the resulting lockdowns in key cities, which has weakened demand and affected regional supply chains.

We expect such lacklustre growth momentum to continue although recession risk remains low at this juncture. Restrictive measures in China are gradually being lifted, which will prompt better export sales, but global demand is now weighed down by multi-year high inflation, and increasingly tighter monetary policies. This will take a toll on global outlook and Singapore's growth performance in the coming months. We continue to maintain our GDP forecast of 3.5% for 2022.

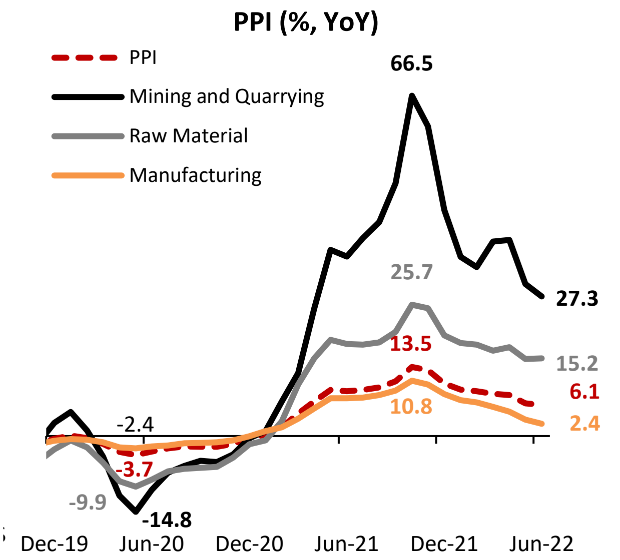
India: CPI inflation data this week is likely to see the headline remain largely steady at 7.1%yoy in June vs 7.0% month before. Aggregate staple food segments likely softened with cereals up marginally, whilst vegetables and edible oils eased on MoM basis. Global crude prices were steady to slightly lower in the month, but mattered little to domestic prices as retail prices remained unchanged. Core reading is likely steady around 6.0-6.1%. Industrial production will get propped by base effects, with 21% yoy rise on the cards in May.

Indonesia: We expect another month of strong trade surplus in June. Exports are set to benefit from restart of bunched up palm oil shipments, whilst imports maintain its beat, resulting in a trade surplus of $4bn. If the actual outcome is along our expectations, the 1H goods trade balance would double from the comparable period year ago, backstopping our forecast for a modest current account surplus this year.

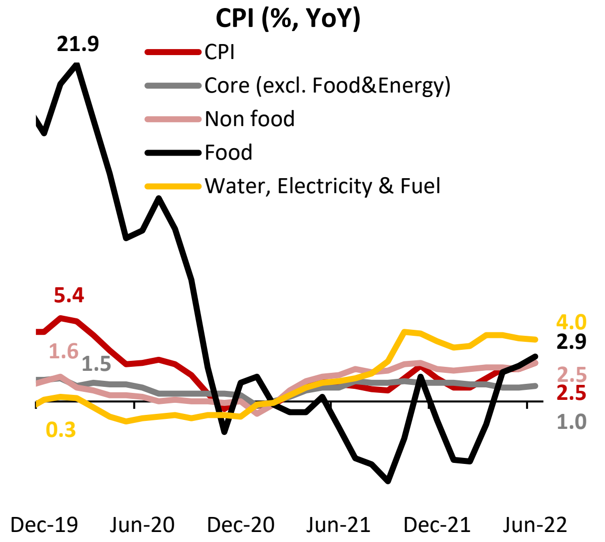
Philippines: Philippines' goods trade deficit has widened to record monthly levels over the course of 2022, averaging USD4.7bn in the first five months of the year. This trend likely remained intact for May. May's goods trade deficit likely registered at USD4.8bn, as imports continued to expand at a faster pace than exports. Imports were supported by the ongoing economic recovery and also a higher oil import bill, while exports were mixed as manufacturing weakened despite robust agricultural performance. The trade deficit is a negative development for the Philippine peso, which is one of the worst performing currencies in the region year-to-date, depreciating by ~9% vs the USD. The central bank is watching the peso's weakness and feedthrough to already elevated inflation. The balance in terms of policy rate hikes is starting to tilt towards 50bps in a single meeting, compared with the gradual approach communicated previously. Philippine central bank Governor Felipe Medalla said on July 7 that the monetary authority is "prepared" to raise its key rate by half a point by August, according to Bloomberg.

Economics Team

China: Subdued CPI does not warrant rate hike



Source: CEIC, DBS



Source: CEIC, DBS

China's producer price inflation rate fell from 6.4% YoY in May to 6.1% in June, while headline CPI jumped from 2.1% to 2.5%. Excluding food and energy, it only inched up to 1.0% in June from 0.9% in May. Subdued inflation does not warrant rate hike.

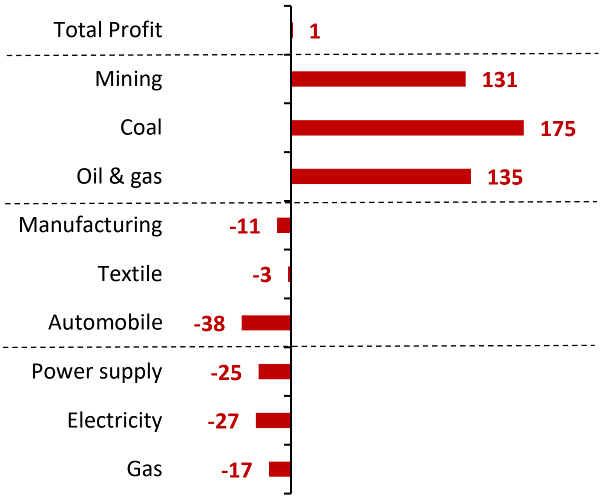
Moderation of factory-gate price was attributed to recovering domestic supply-chain. Factory production, interprovincial traffic, and cargo throughput have begun normalising steadily. Domestic energy prices were easing fast as evidenced by the sharp fall of mining and quarrying from the peak of 66.5% YoY in Oct21 to 27.3% in June22. On the external front, crude oil imports from Russia soared to 2 million barrels per day in May/June. According to the Chinese Custom, price per ton from Russia in Jun was USD914.1, which is 17.8% lower than USD1,077.0 from Saudi Arabia. This spread was the highest on record.

The acceleration of CPI was largely driven by rising pork price, which accounts for 2.5% of the overall index. It surged for three straight months in MoM basis due to decreasing supply as a result of sows culling since last year. The National Development and Reform Commission (NDRC) will release hog reserve to increase supply accordingly to relieve price pressure.

Excluding food and energy, the consumer price only inched up from 0.9% YoY in May to 1.0% in June. Although the authority has shortened the quarantine times of travellers, major zero-COVID policies remained in place. Spread of subvariant prompted mass testing in Shanghai, with Xi'an government suspended dine-in service for a week. As economic outlook remains cloudy, propensity to save more heightened. 58.3% of respondents would like to save more based on survey done by PBoC.

Industrial profit was unevenly distributed amongst upstream and downstream sectors despite narrowing spread between PPI and CPI. Mining, coal, oil and gas companies have benefited from big rallies in global commodity prices. But downstream industries cannot translate rising costs to consumers.

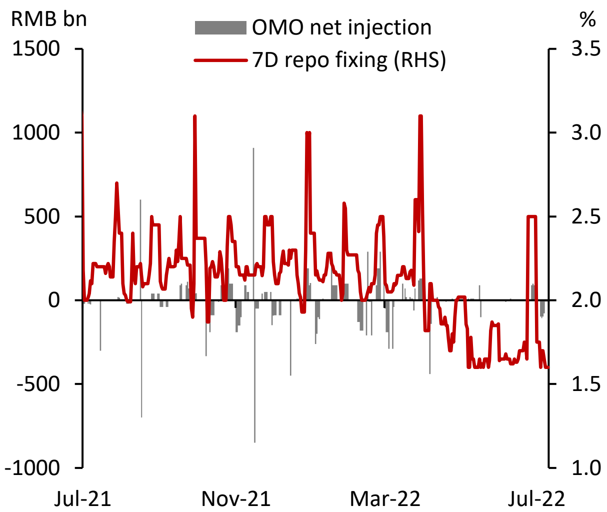
Industrial profit grwoth (YoY YTD, %)



Source: CEIC, DBS

The PBoC will likely keep the 1Y MLF rate at 2.85% this week. Over the past 6 months, net-injection through Open Market Operation was largely neutral with an aim to keep the RMB stable due to quickening pace of US rate hikes. CNY only depreciated modestly by 5.3% YTD, much lower than the respective fall of 18.3% and 10.4% of Yen and EUR. Resilience of the RMB relative to other currencies shall remain.

OMO vs 7D repo fixing rate



Source: Bloomberg, DBS

Samuel Tse and Rita Kong

Last week's reports

[*Vietnam chartbook: Strong growth, rising inflation*]

[*ASEAN-6: Rising food prices and inflation worry*]

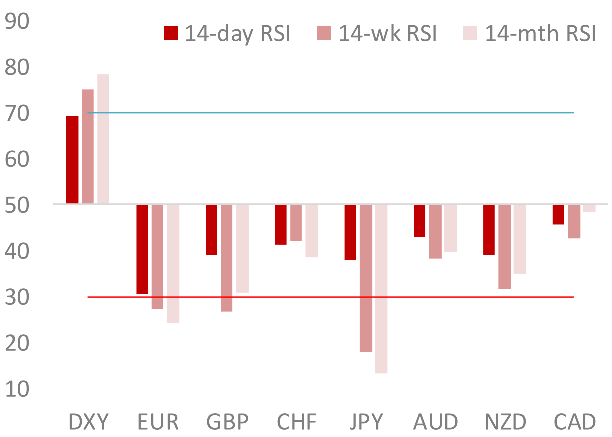
[*Kopi Time E80: Serey Chea on central banking and fintech for good*]

FX: One-sided bet in USD is not without risks

DXY appreciated to a fresh 20-year high of 108.20 on Monday. Markets reinstated bets for a back-to-back 75 bps hike to 2.50% at the FOMC meeting on 27 July. The Fed officials speaking this week – Governor Christopher Waller, Atlanta President Raphael Bostic and St Louis President James Bullard – were the ones who pushed back against US recession fears and favoured another expeditious outsized hike. Richmond President Thomas Barkin will probably be optimistic about a soft landing when he discusses recession risks on 13 July.

Not surprisingly, Bloomberg consensus is looking for tomorrow's US CPI inflation to hit a new four-decade high of 8.8% YoY in June from 8.6% in May. Ironically, the US 10Y bond yield fell back to 3% instead of extending its rise above 3%. Kansas City Fed President Esther George, who did not support the 75 bps hike last month, is concerned that rates were rising too quickly for consumers, businesses, the economy and financial markets to adapt to.

USD is extremely overbought



Sources: DBS Research, Bloomberg data

The market is fixated on selling EUR towards parity vs USD, but the 20-year low currency is extremely oversold as per its daily, weekly and monthly RSIs. The Fed is halfway through its hike cycle with markets pricing rate cuts next year. However, the European Central Bank is just starting with a 25 bps hike in the deposit facility rate to -0.25% at its meeting on 21 July, with scope for a 50 bps hike in September. The ECB will also unveil more details of its anti-fragmentation tool at this month's meeting. It is unlikely to lock itself into any numerical targets that may render the EUR vulnerable in the same manner as the JPY.

We consider the JPY enormously oversold on a weekly and monthly basis. USD/JPY is near the ceiling of a price channel estimated between 135 and 137.50. On Monday, the Bank of Japan upgraded its assessment for seven out of the nine regional economies. The BOJ will follow through with an upward revision in its inflation forecast at its meeting on 21 July. Given the strong mandate at the upper house elections, the market looks past former prime minister Shinzo Abe's murder toward how Prime Minister Fumio Kishida will forge ahead with his "new capitalism" vision. Kishida will need to decide who replaces Haruhiko Kuroda when his term ends in April 2023.

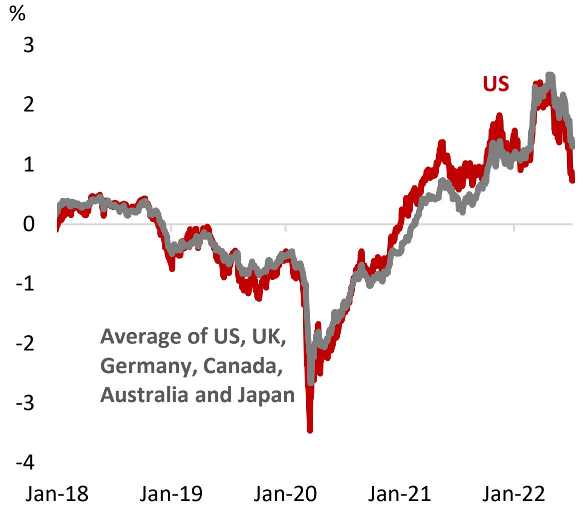
GBP depreciated below 1.20 and has priced in much of the bad news for UK politics and the economy. The Conservative Party is targeting narrow the party leadership race to two candidates before the House of Commons breaks for its summer recess on 21 July, and to have a prime minister in office by the time it returns into session on 5 September. Most candidates pitch tax cuts to help consumers and businesses cope with high inflation while supporting the economy. Despite all the UK recession talk, consensus has yet to pencil in a technical recession.

Philip Wee

USD Rates: Waiting for a better alignment of factors in 2H

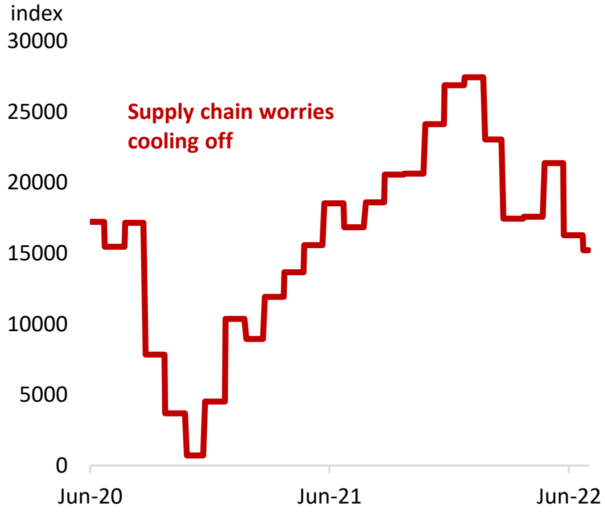
1H22 was brutal across most asset classes. Total return for the S&P 500 was close to negative 20% over the period. US Treasuries did not work as a hedge during this cycle with the Bloomberg Global Aggregate (total returns) registering a drawdown of close to 15%. With geopolitical, inflation and Fed tightening risks to worry about, the backdrop for investment was decidedly challenging. It probably does not help that recession worries have also recently come to the fore. Some of this pessimism can probably be attributed to the Eurozone's energy woes. We would also note that nonfarm payrolls were strong and this should ease US recession worries for now. **If inflation cools somewhat, the mix of factors could resemble a more benign "Goldilocks" environment.** Some challenges are likely to remain but **we argue that there is a path to a soft-landing in the US and perhaps induce improved appetite for risk taking in 2H and also influence our strategy for rates.**

Selected Developed Market 10Y Breakevens



Source: Bloomberg, DBS

NY Fed Global Supply Chain Pressure

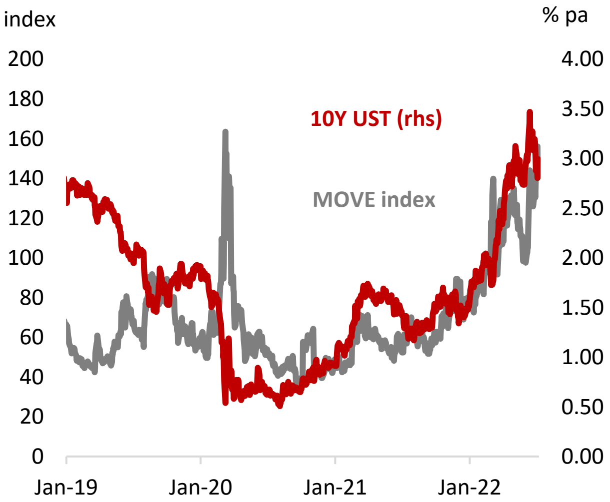


Source: Bloomberg, DBS

First, there are some tentative signs that inflation may be cooling for this cycle. To be sure headline CPI in the US (due later this week) has not cooled off. However, the forward-looking indicators including, supply chain disruptions, commodity and food prices, inflation breakevens have all corrected sharply. These might take some time to filter through. But it does look likely that the outsized inflation prints might cool in the coming months (Europe might be an exception if its energy woes are not resolved). If sequential annualized inflation in the US drops closer to 3%, we think that the Fed would be comfortable downshifting to regular 25bps hikes. This leads us to the next point.

Second, the Fed will likely downshift in the immediate few meetings. Jumbo hikes should not be seen as the norm. And in any case, Jumbo hikes rapidly increases the odds of recession. If inflation cools as we expect, a downshift into 50bps and subsequently 25bps increases would be in order. Peak Fed action would then be behind us. We are in the soft-landing camp where the Fed will not want to risk a high probability hardlanding just to force inflation lower. Hence, we are also monitoring stresses in market. We are not convinced that the Fed will want to generate more stress (turn even more hawkish) in already stretched financial conditions. If the Fed overtightens (focusing too much on headline inflation), the economy would probably go into a tailspin,

Implied volatility in rates still elevated



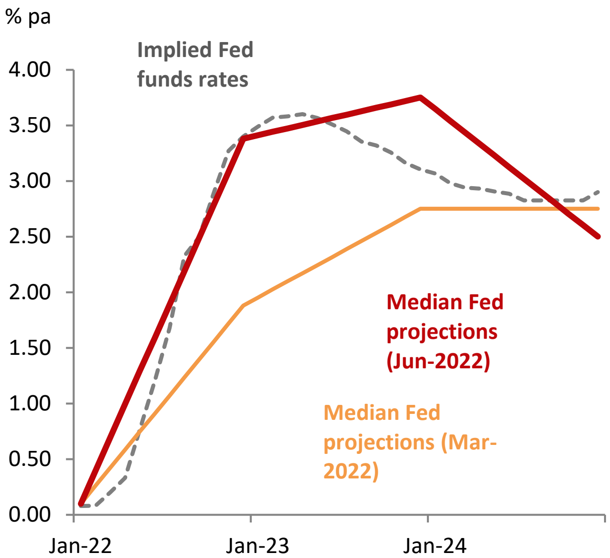
Source: Bloomberg, DBS

probably even before inflation can cool anywhere close to the 2% target.

Regardless of the outcome, it does feel that peak duration fear may be behind us. This also means that buying of UST and receive on spikes could well be a better strategy in 2H. There are a few indicators that suggest that duration fear is still elevated and could ease further. These include the implied volatility in UST/USD rates as market grapple with intraday swings of 20bps. Another point to watch would be the 30Y mortgage spreads which are still close to record wides. Once there are clearer signs of the Fed path, there might be greater confidence to pick up duration. We would also note that at current levels, US Treasuries also do protect against downside risks in the event of a downturn.

Having bounced from a recent low of 2.75% (peak recession fear), we think 10Y UST above 3% may be interesting from a long perspective. Timing wise, we will be monitoring the mix of financial market stresses (especially on the USD which has been incredibly strong) and data**.** In the front of the curve, we are not convinced that the Fed would want to hike aggressively only to reverse course in mid-2023. **We think that may be too pessimistic and see end-2023 Fed funds pricing as too low versus end-2022.**

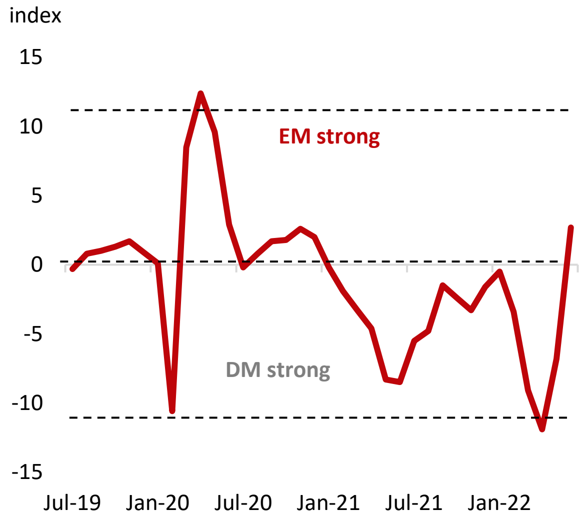
Fed and market views



Source: Bloomberg, Federal Reserve

For Asia, we think conditions are aligning for increased interest in Asia assets. Asia's post-pandemic re-opening has been generally slower compared to the US or Europe. There are greater tailwinds from this in 2H. Moreover, there are signs that the Chinese economy might be bottoming out. In order to gauge the attractiveness of Asia/EM assets relative to DM assets, interest rates differentials are important. However, growth differentials are also critical watch. For the most part of the pandemic, EM growth (as represented by PMIs)

Composite PMIs: EM - DM



Source: Bloomberg, DBS

have struggled to keep up with DM. This is generally captured by the lack of flows into EM through the pandemic. However, that has changed. EM growth is starting to look brighter relative to DM growth. This is due in part to softer data in the US (due to tightening) and Eurozone (due to energy woes) and China's economy bottoming out. For Asia, this would mean better growth and higher policy rates, which should attract capital. Accordingly, a more benign environment for Asia assets (including govvies) might be in store if soft taking scenario takes place.

Eugene Leow & Duncan Tan

Credit: Incongruous bearish sentiment

Recession fears have risen, as markets fret over a hawkish Fed, underwhelming US ISM data, and possible disruptions to gas supply in Europe. Credit spreads have been widening across US and Europe, with average HY spreads soaring towards 600bps. Such bearish sentiment looks **incongruent with our own expectations of a calibrated slowdown,** as we see several supportive factors.

First, **labour markets are tight** in most advanced economies. The latest US non-farm payrolls were robust and given low unemployment, households should be well buffered against rising prices. Consumer spending is also supported by excess savings during the pandemic, confirmed by the strong wave of summer travel in Europe that has paralyzed airports. Second, **asset values are generally rising as the global economy reopens**, which facilitates asset sales and deleveraging. Even for Italy, a Eurozone country facing worrying sovereign spreads, property prices are still steadily climbing instead of slowing. Third, **US and European banks are also much better capitalized today** compared to 2008. While financial subordinated payments and dividends might be at risk on regulatory prudence in Europe, solvency risks should remain marginal.

Still, not all sectors will be fine. We had previously warned of an uneven impact from supply shocks on energy and basic materials, with downstream firms in the chemicals industry being at risk from rising natural gas prices. More policy measures to assuage worries over energy security will be welcome.

Chang Wei Liang

Growth, Inflation, Policy Rates & FX forecasts

	GDP growth, % YoY					CPI inflation, % YoY, ave				
	2019	2020	2021	2022f	2023f	2019	2020	2021	2022f	2023f
China	6.1	2.3	8.1	4.8	5.0	2.9	2.5	1.0	2.5	2.2
Hong Kong SAR	-1.2	-6.1	6.4	1.7	2.7	2.9	0.3	1.6	2.2	2.0
India	4.7	-6.7	9.0	6.2	5.8	3.7	6.6	5.1	6.8	5.5
*India (FY basis)**	*3.7*	*-6.6*	*8.7*	*7.0*	*6.0*	*4.8*	*6.2*	*5.5*	*6.8*	*5.2*
Indonesia	5.0	-2.1	3.7	4.8	4.3	2.8	2.0	1.6	4.0	2.7
Malaysia	4.4	-5.6	3.1	5.5	4.7	0.7	-1.1	2.5	3.0	2.5
Philippines	6.1	-9.6	5.7	7.5	6.3	2.4	2.4	3.9	5.0	4.0
Singapore	0.7	-5.4	7.6	3.5	3.0	0.6	-0.2	2.3	5.1	4.0
South Korea	2.2	-0.9	4.0	2.8	2.8	0.4	0.5	2.5	4.5	1.9
Taiwan	3.1	3.4	6.4	3.8	3.0	0.6	-0.2	2.0	3.0	1.8
Thailand	2.2	-6.2	1.5	3.5	4.2	0.7	-0.8	1.2	6.5	2.5
Vietnam	7.2	2.9	2.6	7.0	6.8	2.8	3.2	1.8	3.6	3.4
Eurozone	0.9	-6.5	5.5	1.4	1.8	1.5	0.3	2.6	7.2	3.0
Japan	-0.2	-4.5	1.7	1.6	1.8	0.5	0.0	-0.2	1.6	0.9
United States	2.2	-3.5	5.7	2.5	1.5	1.8	1.3	4.7	7.5	3.3

*2020 represents Fiscal 21; ending Mar 21

Policy interest rates, eop

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
China*	3.70	3.70	3.50	3.50	3.50	3.50	3.65	3.65
India	4.00	4.90	5.40	5.65	5.90	6.15	6.15	6.15
Indonesia	3.50	3.50	4.00	4.25	4.50	4.50	4.50	4.50
Malaysia	1.75	2.00	2.50	2.50	2.75	3.00	3.00	3.00
Philippines	2.00	2.50	3.00	3.50	3.75	4.00	4.00	4.00
Singapore**	0.65	1.50	1.80	2.10	2.40	2.55	2.55	2.55
South Korea	1.25	1.75	2.25	2.50	2.50	2.50	2.50	2.50
Taiwan	1.38	1.50	1.63	1.75	1.88	2.00	2.12	2.25
Thailand	0.50	0.50	1.00	1.00	1.25	1.50	1.75	1.75
Vietnam***	4.00	4.00	4.50	5.00	5.00	5.50	5.50	6.00
Eurozone	0.00	0.00	0.25	0.75	1.00	1.25	1.50	1.50
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United States	0.50	1.75	2.75	3.50	3.50	3.50	3.50	3.50

* 1-yr Loan Prime Rate; ** 3M SORA OIS ; *** refinancing rate

Exchange rates, eop

Ccy pair	11-Jul	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
USD/CNY	6.7190	6.3400	6.6993	6.85	6.80	6.75	6.70	6.65	6.60
USD/HKD	7.8498	7.8326	7.8463	7.85	7.85	7.84	7.83	7.82	7.81
USD/INR	79.438	75.789	78.975	77.5	77.0	77.8	78.3	78.8	79.4
USD/IDR	14973	14363	14903	14720	14630	14530	14440	14350	14260
USD/MYR	4.4262	4.2040	4.4082	4.36	4.33	4.30	4.27	4.23	4.20
USD/PHP	55.993	51.755	54.978	53.4	53.1	52.9	52.6	52.3	52.0
USD/SGD	1.4060	1.3545	1.3905	1.38	1.37	1.36	1.36	1.35	1.34
USD/KRW	1303.9	1211.9	1298.9	1270	1260	1240	1230	1210	1200
USD/THB	36.175	33.279	35.302	35.5	35.0	34.5	34.0	33.5	33.0
USD/VND	23351	22837	23282	23120	23020	22920	22820	22720	22620
AUD/USD	0.6733	0.7482	0.6903	0.70	0.71	0.72	0.73	0.74	0.75
EUR/USD	1.0040	1.1067	1.0484	1.07	1.08	1.10	1.12	1.13	1.15
USD/JPY	137.44	121.70	135.72	132	129	126	124	121	118
GBP/USD	1.1892	1.3138	1.2178	1.24	1.26	1.28	1.30	1.31	1.33

Interest rate forecasts

		2022				2023			
		Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
US	3M SOFR OIS	0.67	2.10	3.00	**3.38**	3.38	3.38	3.38	**3.38**
	2Y	2.33	2.95	3.30	**3.40**	3.30	3.20	3.15	**3.10**
	10Y	2.34	3.01	3.50	**3.40**	3.25	3.05	3.00	**2.90**
	10Y-2Y	0	6	20	**0**	-5	-15	-15	**-20**
Japan	3M TIBOR	0.07	0.07	0.07	**0.07**	0.07	0.07	0.07	**0.07**
	2Y	-0.03	-0.06	-0.05	**-0.05**	-0.05	-0.05	-0.05	**-0.05**
	10Y	0.22	0.23	0.25	**0.25**	0.25	0.25	0.25	**0.25**
	10Y-2Y	25	29	30	**30**	30	30	30	**30**
Eurozone	3M EURIBOR	-0.46	-0.20	0.40	**0.90**	1.15	1.40	1.40	**1.40**
	2Y	-0.07	0.65	1.30	**1.50**	1.50	1.50	1.50	**1.50**
	10Y	0.55	1.34	2.00	**2.00**	1.85	1.75	1.65	**1.60**
	10Y-2Y	62	69	70	**50**	35	25	15	**10**
Indonesia	3M JIBOR	3.65	3.75	4.25	**4.55**	4.80	4.80	4.80	**4.80**
	2Y	4.42	4.42	5.95	**6.00**	5.90	5.80	5.70	**5.70**
	10Y	6.74	6.74	7.55	**7.55**	7.50	7.30	7.20	**7.05**
	10Y-2Y	232	232	160	**155**	160	150	150	**135**
Malaysia	3M KLIBOR	1.97	1.97	2.53	**2.55**	2.82	3.10	3.12	**3.14**
	3Y	3.18	3.18	3.60	**3.50**	3.40	3.35	3.30	**3.30**
	10Y	3.87	3.85	4.50	**4.40**	4.25	4.05	4.00	**3.90**
	10Y-3Y	69	67	90	**90**	85	70	70	**60**
Philippines	3M PHP ref rate	3.09	3.09	3.50	**3.70**	3.90	4.10	4.05	**4.00**
	2Y	3.35	3.17	4.20	**4.40**	4.60	4.70	4.65	**4.60**
	10Y	5.83	5.40	6.90	**6.90**	6.80	6.65	6.60	**6.50**
	10Y-2Y	248	224	270	**250**	220	195	195	**190**
Singapore	3M SORA OIS	0.65	1.75	2.48	**2.48**	2.48	2.48	2.48	**2.48**
	2Y	1.86	2.68	2.60	**2.65**	2.60	2.50	2.50	**2.45**
	10Y	2.34	2.98	3.10	**3.00**	2.85	2.70	2.70	**2.65**
	10Y-2Y	48	29	50	**35**	25	20	20	**20**
Thailand	3M BIBOR	0.63	0.63	0.62	**0.62**	0.62	0.87	0.87	**1.12**
	2Y	1.07	1.07	1.90	**1.80**	1.70	1.60	1.55	**1.50**
	10Y	2.26	2.26	3.15	**3.05**	3.00	2.90	2.90	**2.85**
	10Y-2Y	118	118	125	**125**	130	130	135	**135**
China	1Y LPR	3.70	3.70	3.50	**3.50**	3.50	3.50	3.65	**3.65**
	2Y	2.41	2.41	2.30	**2.40**	2.50	2.60	2.60	**2.60**
	10Y	2.79	2.79	2.75	**2.80**	2.85	2.90	2.95	**3.00**
	10Y-2Y	38	38	45	**40**	35	30	35	**40**
Hong Kong, SAR	3M HIBOR	0.55	1.75	2.30	**2.68**	2.93	3.13	3.13	**3.13**
	2Y*	2.19	3.11	3.60	**3.70**	3.60	3.50	3.45	**3.40**
	10Y*	2.40	3.26	3.80	**3.70**	3.55	3.35	3.30	**3.20**
	10Y-2Y*	21	15	20	**0**	-5	-15	-15	**-20**
Korea	3M CD	1.51	1.51	2.50	**2.75**	2.75	2.75	2.75	**2.75**
	3Y	2.66	2.66	3.75	**3.85**	3.75	3.65	3.60	**3.55**
	10Y	2.97	2.97	3.95	**3.85**	3.75	3.55	3.50	**3.40**
	10Y-3Y	30	30	20	**0**	0	-10	-10	**-15**
India	3M MIBOR	4.24	4.24	5.60	**5.85**	6.10	6.25	6.25	**6.25**
	2Y	5.00	4.97	6.40	**6.45**	6.50	6.50	6.50	**6.50**
	10Y	6.84	6.84	7.70	**7.80**	7.80	7.80	7.80	**7.80**
	10Y-2Y	184	186	130	**135**	130	130	130	**130**

%, eop, govt bond yield for 2Y and 10Y, spread bps

* HKD swap rates

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