



IACPM and RMI  
Credit Portfolio Management  
Educational Workshop  
August 14, 2024

[www.iacpm.org](http://www.iacpm.org)

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## Key takeaways

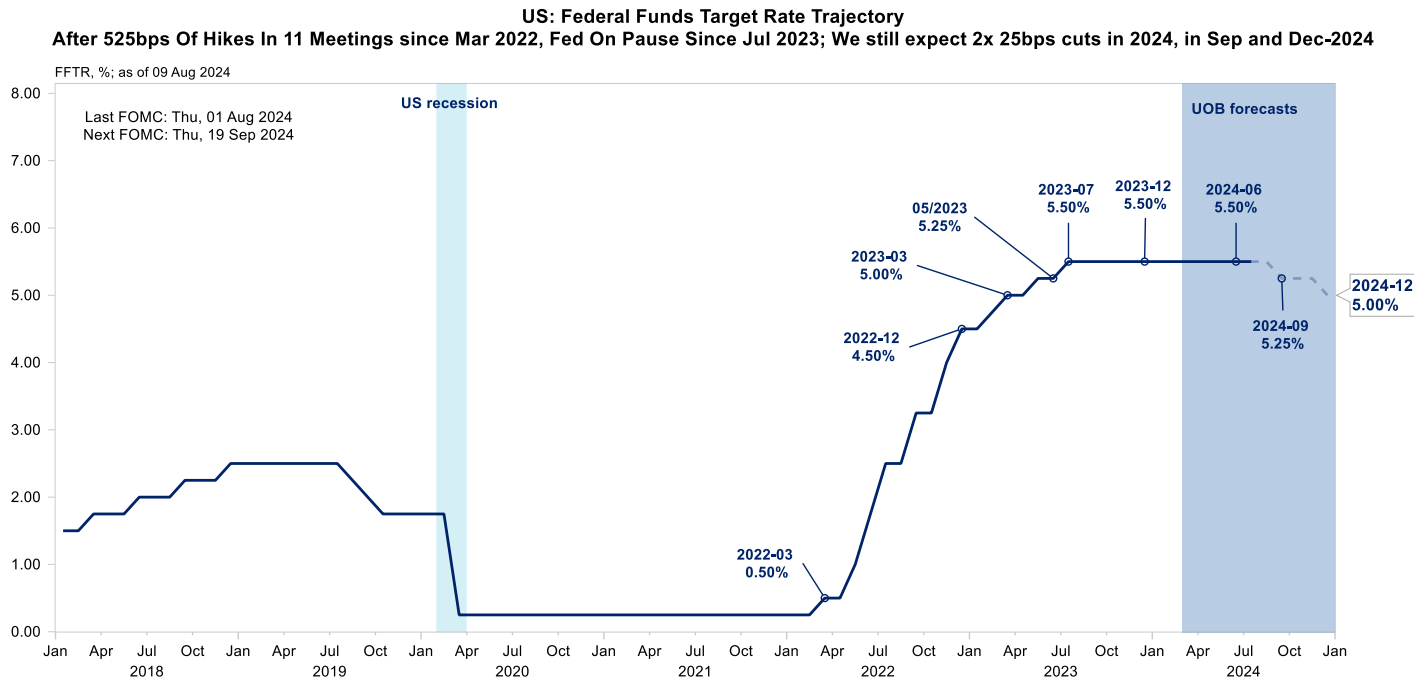
- **US Fed rate cuts on track** as inflation pressures ease – 2x in 2024 and 4x in 2025 starting Sep 2024; market volatility will remain: unwinding of yen “carry trade” still weighs on sentiment
- **Market Meltdown:** Confluence of factors triggered panic selling and overreaction; yet another reminder of risk management, diversification and discipline
- **China:** Property market a drag on the economy, unlikely to rupture
- **US election; “de-dollarization”:**  
The world in “**profound uncertainty**” with unpredictable impact on financial markets, but role of US dollar will stay for some time.  
“Discipline & Diversification” to manage the uncertainty and risks.

# US Fed policy outlook

# US Fed: Rate cuts to start from Sep - 2x in 2024 and 4x in 2025



The Fed shifted its policy stance at the July 2024 FOMC meeting



For further details: US Jul 2024 FOMC: Expectedly unchanged for Jul, while Powell said rate cuts could come "as soon as" Sep  
[https://www.uobgroup.com/assets/web-resources/research/pdf/MN\\_240801.pdf](https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240801.pdf)



# US Fed: Rate cuts to start from Sep, 2x in 2024 and 4x in 2025

Bets by futures traders are inherently more volatile and reactive to latest developments

**US Fed Funds Rate: Futures Implied Probabilities (CME Group)**

Current Fed funds rate: 5.25-5.50%

Meeting	Implied FFR	3.00-3.25	3.25-3.50	3.50-3.75	3.75-4.00	4.00-4.25	4.25-4.50	4.50-4.75	4.75-5.00	5.00-5.25	5.25-5.50
<b>2024-09-18</b>	5.16 %								51.0 %	49.0 %	
<b>2024-11-07</b>	4.94 %						12.9 %	50.5 %	36.6 %		
<b>2024-12-18</b>	4.49 %				3.9 %	24.1 %	46.3 %	25.7 %			
<b>2025-01-19</b>	4.07 %			3.5 %	22.3 %	44.3 %	27.6 %	2.4 %			
<b>2025-03-19</b>	3.97 %		3.3 %	21.2 %	43.0 %	28.5 %	3.8 %	0.1 %			
<b>2025-04-30</b>	3.81 %	1.7 %	12.6 %	32.5 %	35.5 %	15.7 %	1.9 %	0.1 %			
<b>2025-06-18</b>	3.58 %	9.7 %	27.2 %	34.7 %	21.0 %	5.6 %	0.6 %				
<b>2025-07-30</b>	3.49 %	17.1 %	30.4 %	28.9 %	14.4 %	3.4 %	0.3 %				

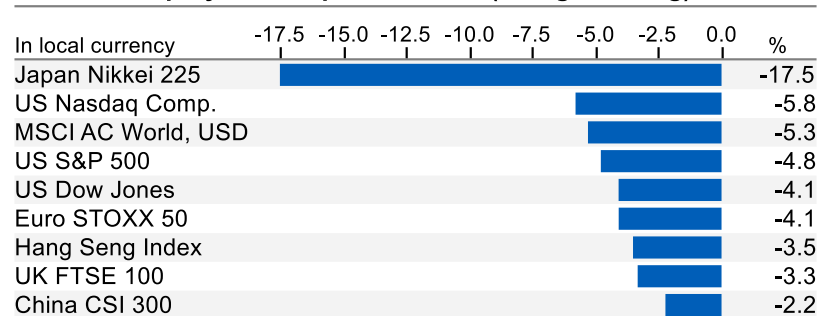
Data source: CME Group, Macrobond; last update: Mon, 12 Aug 2024, 00:08

Source: CME FedWatch <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

# Market Meltdown: Volatility to Remain

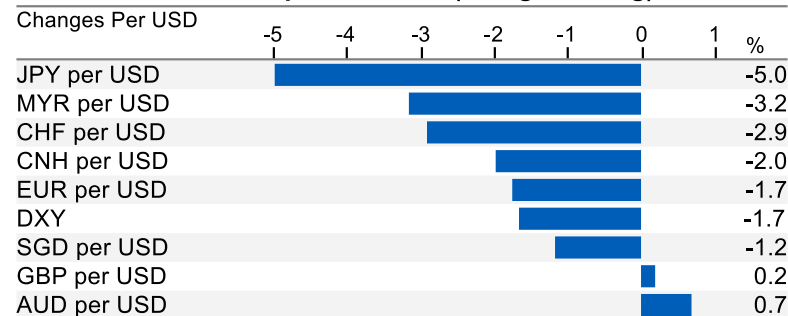
# Global: Financial markets turmoil in early Aug a confluence of factors

### Equity market performance (1 Aug to 5 Aug)



Source: Macrobond, UOB Global Economics & Markets Research

### FX market performance (1 Aug to 5 Aug)



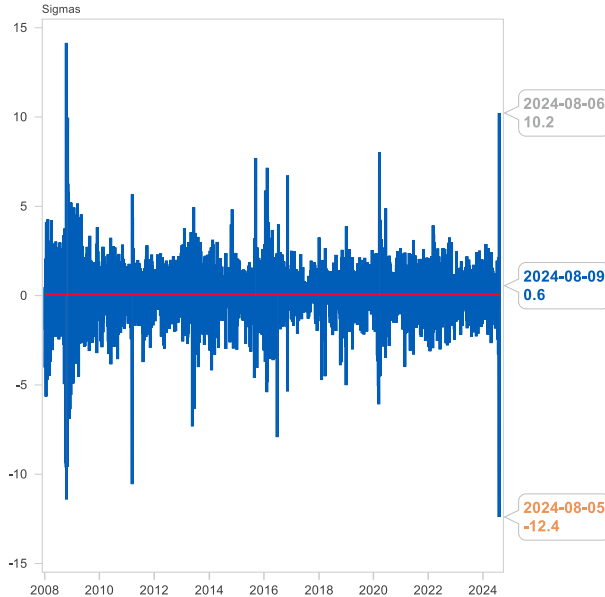
Source: Macrobond, UOB Global Economics & Markets Research

For further details: Market Turmoil: Keep calm and carry on for now, not get carried away, 7 Aug 2024

<https://tinyurl.com/3t8657y6>

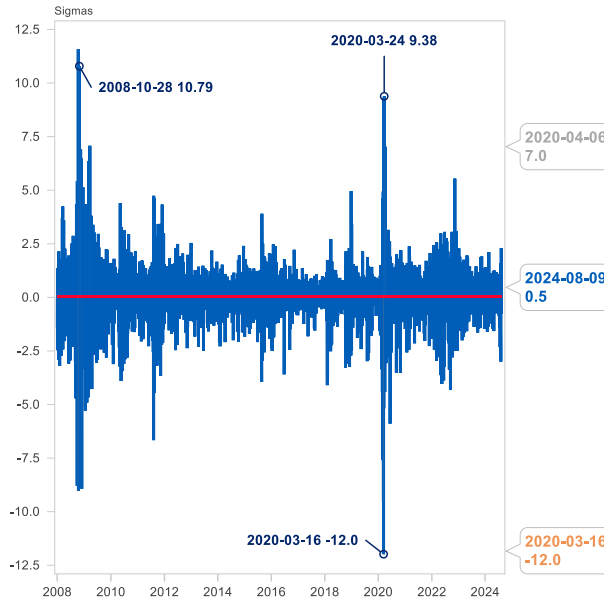
# Global: Financial markets turmoil in early Aug a confluence of factors

**Nikkei 225: N-SIGMA EVENTS**



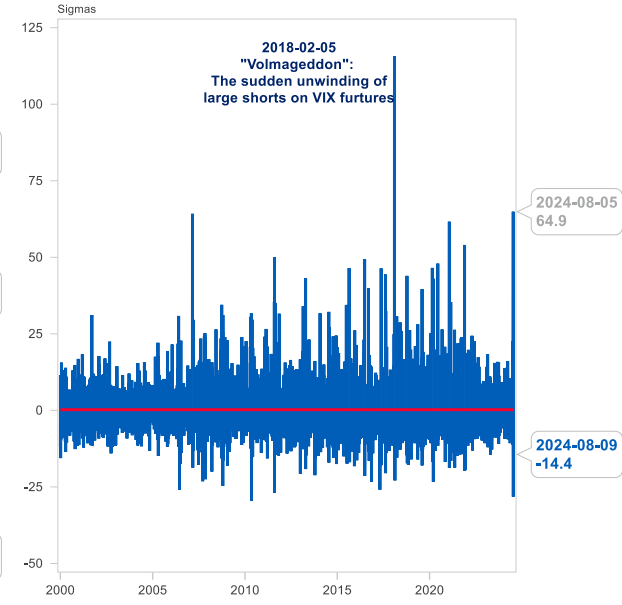
Source: Macrobond, UOB Global Economics & Markets Research

**S&P 500: N-SIGMA EVENTS**



Source: Macrobond, UOB Global Economics & Markets Research

**S&P 500 Volatility Index (VIX): N-SIGMA EVENTS**



Source: Macrobond, UOB Global Economics & Markets Research

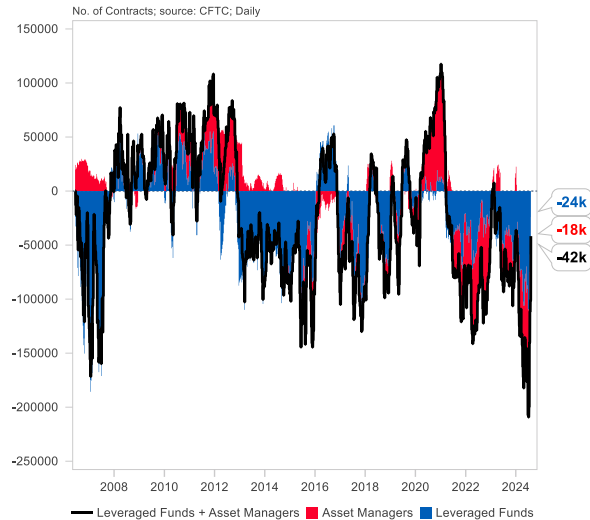


# Global: Sentiment has calmed but volatility not over yet ...

Short bets on JPY pulled back sharply post-meltdown, though Japan's banks outstanding cross-border loans at historic high

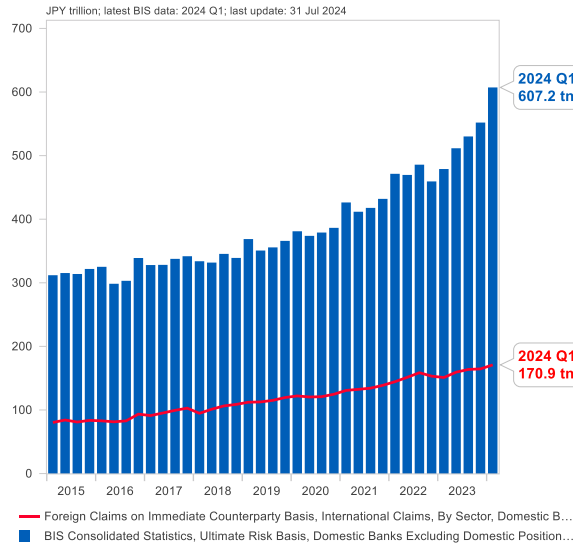
## Bearish Yen bets increase to highest since 2007 (Latest: 2024-08-06)

Hedge funds and asset managers have increased their bets against the Yen to the highest level in 17 years



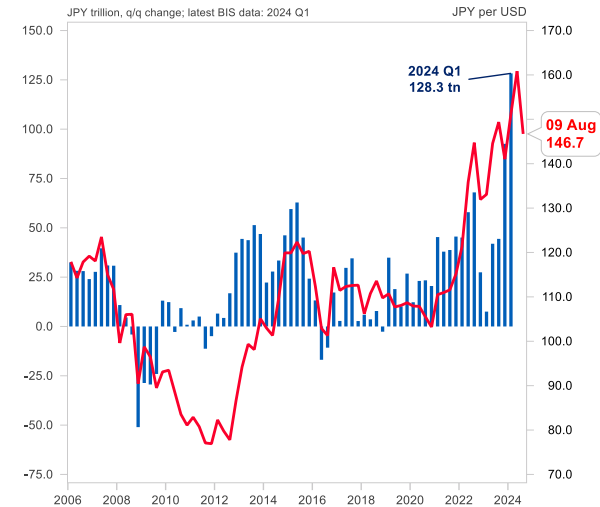
Source: Macrobond, UOB Global Economics & Markets Research

## Japan: Domestic Banks' Cross Border Claims Outstanding (Source: BIS), in JPY



Source: Macrobond, UOB Global Economics & Markets Research

## Japan: Domestic Banks' Cross Border Claims, Quarterly Change (Source: BIS), in JPY



Source: Macrobond, UOB Global Economics & Markets Research

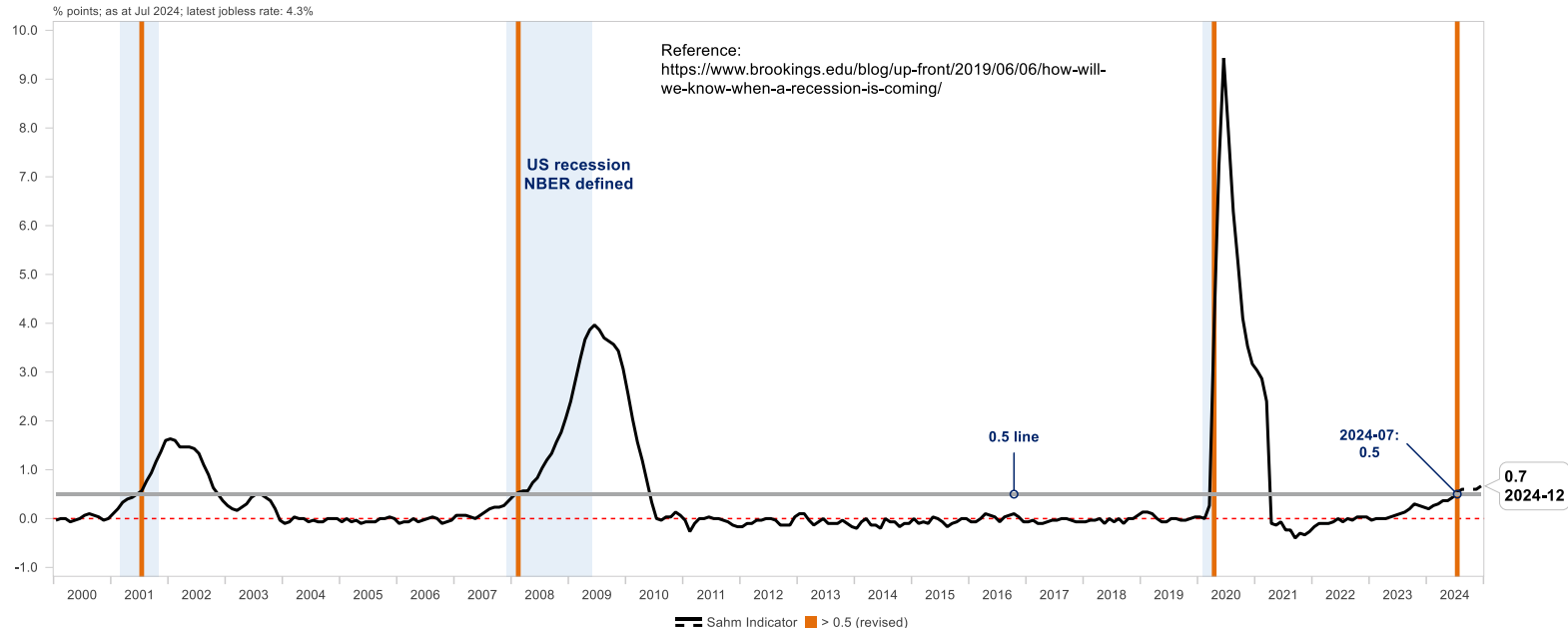
For further details: Market Turmoil: Keep calm and carry on for now, not get carried away, 7 Aug 2024 <https://tinyurl.com/3t8657y6>

# Global: Sentiment has calmed but volatility not over yet ...

“Sahm Rule” triggered after US jobless rate rose, but can’t tell if it is “hard landing” or “soft landing”

## Sahm Recession Coincident Indicator

Based on our US jobless rate forecast of 4.5% for end-2024, recession is possible by 2H 2024

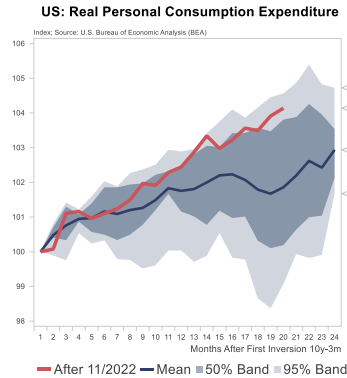


Source: Macrobond, UOB Global Economics & Markets Research

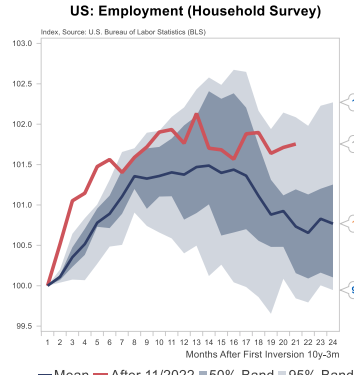
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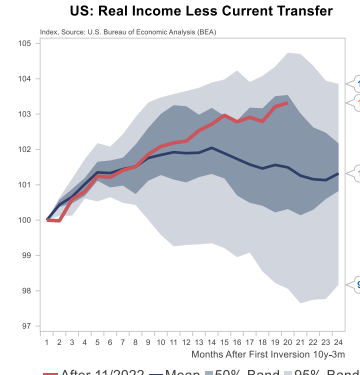
# US: Recession watch – NBER ([link](#)) indicators show resilient economy



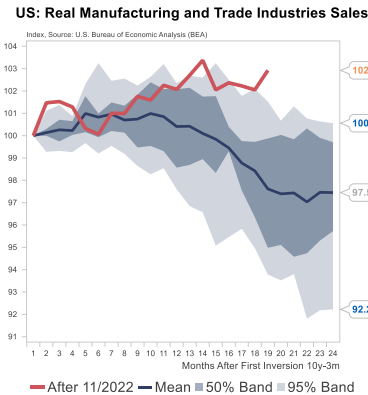
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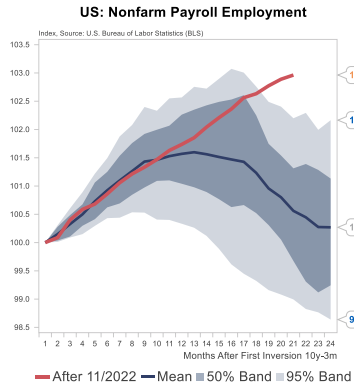
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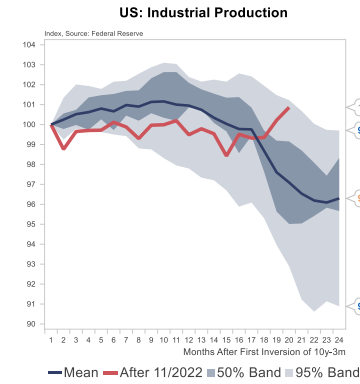
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# Growth forecasts



Steady growth in 2024 across Asia, with potential risks of (mild) recessions in US and Europe ...

	y/y% change									2019	2020	2021	2022	2023	2024F	2025F	
	0	1	2	3	4	5	6	7	8								9
<b>World GDP</b>				★							2.8	-2.7	6.5	3.5	3.2	<b>3.2</b>	<b>3.2</b>
US (q/q saar)		★			▲						2.5	-2.2	5.9	2.0	2.5	<b>1.2</b>	<b>2.5</b>
UK		★	▲								1.6	-10.4	9.6	3.4	0.1	<b>0.7</b>	<b>1.3</b>
Euro Area		★	▲								1.7	-6.2	6.2	2.7	0.4	<b>0.8</b>	<b>1.4</b>
Japan		★			▲						-0.4	-4.2	2.8	1.2	1.9	<b>1.0</b>	<b>1.9</b>
Australia		★			▲						1.8	-2.1	5.6	3.8	2.1	<b>1.2</b>	<b>2.2</b>
New Zealand		★			▲						3.2	-1.0	6.3	1.8	0.8	<b>0.9</b>	<b>2.3</b>
China								★			6.2	2.0	8.8	3.0	5.2	<b>4.9</b>	<b>4.7</b>
HK				▲		★					-1.6	-6.6	6.5	-3.7	3.3	<b>2.9</b>	<b>2.5</b>
Taiwan				▲		★					3.0	3.3	6.7	2.7	1.3	<b>4.0</b>	<b>2.5</b>
South Korea				▲	★						2.3	-0.7	4.6	2.8	1.4	<b>2.8</b>	<b>2.4</b>
India (FY)									▲	★	6.5	3.9	-5.8	9.7	7.0	<b>8.2</b>	<b>6.7</b>
<b>ASEAN-6</b>						★	▲				4.4	-4.0	4.6	6.1	3.7	<b>4.6</b>	<b>4.9</b>
Indonesia						★	▲				5.0	-2.0	3.7	5.3	5.1	<b>5.2</b>	<b>5.3</b>
Malaysia						★	▲				4.4	-5.6	3.9	8.9	3.6	<b>4.6</b>	<b>4.7</b>
Philippines							★	▲			6.1	-9.3	5.5	7.6	5.5	<b>6.0</b>	<b>6.5</b>
Singapore				★	▲						1.3	-3.9	9.9	3.9	1.1	<b>2.9</b>	<b>3.2</b>
Thailand				★	▲						2.1	-6.1	1.8	2.5	1.9	<b>2.8</b>	<b>3.1</b>
Vietnam							★	▲			7.3	2.8	2.6	8.2	5.0	<b>6.0</b>	<b>6.4</b>

Printed on: Tue 13 Aug 2024, 12:47 PM

■ 2023 ★ 2024F ▲ 2025F

Source: Macrobond, Global Economics & Markets Research

