

Daily Treasury Outlook

13 May 2024

Highlights

Global: Global risk appetite continues to be swayed by Fed's rhetoric sounding more cautious about rate cuts given persistent inflation. The S&P500 edged up 0.16% on Friday while the 10-year UST bond yield also rose 4bps to 4.496%. Fed's Bowman opined that she has not written in any rate cuts at this point due to persistent inflation urged the central bank to proceed carefully and deliberately, and Logan also suggested it is too early to consider lowering rates, whereas Goolsbee noted that there was not much evidence that inflation is stuck above the Fed's target. The May preliminary University of Michigan sentiment index slipped from 77.2 to 67.4 as both the current conditions and expectations gauges softened, but the 1-year and 5-10-year inflation gauges accelerated to 3.5% and 3.1% respectively, up from 3.2% and 3.0% previously.

Market Watch: Asian markets are likely to open with a cautious tone this morning given the disappointing Chinese data US' April core CPI inflation print on Wednesday that could see the first moderation in six months to 0.3% MoM (3.6% YoY). Today's economic data calendar is light with only India's April CPI of note. Fed's Jefferson and Mester are also speaking today. For the week ahead, watch for Fed chair Powell's speech and the Australian budget due tomorrow, China's monetary aggregates data, 1-year MLF rate and volume on Wednesday and the April data dump (comprising industrial production, new home prices, retail sales, FAI, jobless rate and property investments) on Friday, as well as 1Q24 GDP growth data from Japan (forecast: -1.4% QoQ annualised on Thursday) and Malaysia (Friday), the Eurozone's latest economic forecasts on Wednesday, trade data from Indonesia (Wednesday) and Singapore (Friday). On the central bank front, BSP is tipped to hold its benchmark overnight borrowing rate steady at 6.50% on Thursday, while the ECB releases its Financial Stability Review on the same day.

SG: STI gained 0.76% to close at 3290.70 on Friday and may continue to trade with a supportive tone ahead of the leadership handover on Wednesday.

Key Market Movements

Equity	Value	% chg
S&P 500	5222.7	0.2%
DJIA	39513	0.3%
Nikkei 225	38229	0.4%
SH Comp	3154.5	0.0%
STI	3290.7	0.8%
Hang Seng	18964	2.3%
KLCI	1600.7	0.0%
	Value	% chg
DXY	105.301	0.1%
USDJPY	155.78	0.2%
EURUSD	1.0771	-0.1%
GBPUSD	1.2525	0.0%
USDIDR	16045	0.0%
USDSGD	1.3546	0.2%
SGDMYR	3.5030	0.2%
	Value	chg (bp)
2Y UST	4.87	5.01
10Y UST	4.50	4.32
2Y SGS	3.42	-2.40
10Y SGS	3.27	-5.31
3M SORA	3.67	0.51
3M SOFR	5.35	0.00
	Value	% chg
Brent	82.79	-1.3%
WTI	78.26	-1.3%
Gold	2361	0.6%
Silver	28.18	-0.5%
Palladium	980	1.0%
Copper	10004	1.0%
BCOM	102.79	0.3%

Source: Bloomberg

Major Markets

CN: April inflation data are largely in line with expectations while credit and monetary data surprised to the downside. The weak credit expansion calls for more monetary support. However, the PBoC argued over the weekend in its 1Q monetary policy report that with the ongoing transformation, upgrading, and pursuit of high-quality development within the economy, traditional correlation between credit growth and economic expansion is diminishing. The PBoC also said the revitalization of inefficiently utilized financial resources and the reduction of idle fund circulation may contribute to a slowdown in the growth rate of total credit. As such, China's higher tolerance for slower credit growth may reduce any hope for imminent rate cuts.

HK: Eight more mainland Chinese cities (including Taiyuan, Hohhot, Harbin, Lhasa, Lanzhou, Xining, Yinchuan, and Urumqi) would be added to the Individual Travel Scheme to Hong Kong and Macau, effective from 27 May 2024.

ID: The Secretary General of the Ministry of Manpower, Anwar Sanusi, noted that Indonesia and Malaysia have agreed to form a joint task force to accelerate the integration of the migrant worker systems between the two countries, namely the Integrated Indonesian Migrant Workers Service System (SiPermit) and the Malaysian Online Immigration System (MyIMMS). The system integration aims to increase protection of migrant workers, and is targeted to be completed within the next six months.

MY: The Industrial production Index (IPI) growth eased to 2.4% YoY in March from 3.1% in February, as weakness in the mining and electricity more than offset the improvement in the manufacturing sector. Specifically, the IPI growth in the mining and electricity sectors eased to 4.9% YoY and 7.8% YoY in March from 8.1% and 10.9% in February, respectively. Meanwhile, the manufacturing sector growth rebounded marginally to 1.3% YoY in March from 1.2% YoY February. Nevertheless, the 1Q24 average IPI growth rose to 3.3% YoY, compared to 0.8% growth in 4Q23.

ESG Updates

SG: Singapore plans to designate its southern islands, Kusu Island and Lazarus Island, as the proposed site for its second marine park. The actual boundaries of the proposed marine park are still being determined and are targeted to be finalised in 2025. The area was found to be especially rich in coral biodiversity, including certain rare species, which led to the chosen site. As the habitats at Kusu Island and Lazarus Island have been identified to be complementary to those at Sisters' Islands Marine Park, demarcating these areas as a marine park can help safeguard Singapore's biodiversity areas and strengthen ecological resilience.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 2-4bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower. After failing to meet the initial deadline earlier this week, Chinese developer Country Garden Holdings Co. ("COGARD") managed to make interest payments of RMB66mn (USD9.1mn) for two bonds within a grace period. The financially constrained developer paid approximately 36 million yuan for the coupon on its RMB900mn 3.95% bond due in 2025, and RMB30.4mn for an RMB800mn 3.8% bond due in 2025. These payments were confirmed by the National Interbank Funding Center. The two securities were issued by Country Garden's main domestic unit and were guaranteed by China Bond Insurance. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 79bps while Asia USD High Yield spreads tightened by 10bps to 552bps. (Bloomberg, OCBC)

New Issues:

There were no notable bond issuers in the Asiadollar and Singdollar market last Friday.

Mandates:

There is no Asiadollar mandate today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.301	0.07%	USD-SGD	1.3546	0.16%
USD-JPY	155.780	0.19%	EUR-SGD	1.4589	0.05%
EUR-USD	1.077	-0.10%	JPY-SGD	0.8695	-0.05%
AUD-USD	0.660	-0.24%	GBP-SGD	1.6967	0.17%
GBP-USD	1.253	0.01%	AUD-SGD	0.8946	-0.08%
USD-MYR	4.740	-0.03%	NZD-SGD	0.8155	-0.09%
USD-CNY	7.227	0.10%	CHF-SGD	1.4945	0.11%
USD-IDR	16045	-0.02%	SGD-MYR	3.5030	0.22%
USD-VND	25452	0.04%	SGD-CNY	5.3366	-0.05%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8560	-0.16%	1M	5.3194	-0.01%
3M	3.8180	0.32%	2M	5.3240	-0.02%
6M	3.7890	-0.34%	3M	5.3250	-0.02%
12M	3.6290	0.03%	6M	5.2950	-0.04%
			1Y	5.1633	-0.10%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.050	-0.012	5.307
07/31/2024	-0.270	-0.067	5.253
09/18/2024	-0.760	-0.190	5.130
11/07/2024	-1.089	-0.272	5.048
12/18/2024	-1.644	-0.411	4.909
01/29/2025	-2.010	-0.502	4.818

Equity and Commodity

Index	Value	Net change
DJIA	39,512.84	125.08
S&P	5,222.68	8.60
Nasdaq	16,340.87	-5.39
Nikkei 225	38,229.11	155.13
STI	3,290.70	24.75
KLCI	1,600.67	-0.55
JCI	7,088.80	-34.82
Baltic Dry	2,129.00	-37.00
VIX	12.55	-0.14

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (-0.02)	4.86(--)
5Y	3.24 (-0.04)	4.51 (+0.04)
10Y	3.27 (-0.05)	4.49 (+0.04)
15Y	3.27 (-0.06)	--
20Y	3.27 (-0.06)	--
30Y	3.26 (-0.06)	4.63 (+0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	#N/A	N/A
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.26	-1.26%	Corn (per bushel)	4.558	2.9%
Brent (per barrel)	82.79	-1.30%	Soybean (per bushel)	12.050	1.0%
Heating Oil (per gallon)	243.44	-1.74%	Wheat (per bushel)	6.458	4.2%
Gasoline (per gallon)	249.97	-1.66%	Crude Palm Oil (MYR/MT)	38.530	-1.8%
Natural Gas (per MMBtu)	2.25	-2.13%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10004.00	1.00%	Gold (per oz)	2360.5	0.6%
Nickel (per mt)	18952.00	-0.43%	Silver (per oz)	28.2	-0.5%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/13/2024	GE Current Account Balance	Mar	--	29.8b	--
05/13/2024 05/15	IN Exports YoY	Apr	--	-0.70%	--
05/13/2024 05/15	IN Imports YoY	Apr	--	-6.00%	--
05/13/2024 05/15	IN Trade Balance	Apr	-\$17750m	-\$15598m	--
05/13/2024 06:30	NZ Performance Services Index	Apr	--	47.1	47.2
05/13/2024 06:45	NZ Food Prices MoM	Apr	--	0.60%	-0.50%
05/13/2024 07:50	JN Money Stock M2 YoY	Apr	--	2.20%	2.50%
05/13/2024 07:50	JN Money Stock M3 YoY	Apr	--	1.60%	1.80%
05/13/2024 09:30	AU NAB Business Confidence	Apr	--	1	--
05/13/2024 09:30	AU NAB Business Conditions	Apr	--	9	--
05/13/2024 11:00	NZ 2Yr Inflation Expectation	2Q	--	2.50%	--
05/13/2024 12:30	AU CBA Household Spending YoY	Apr	--	3.40%	--
05/13/2024 12:30	AU CBA Household Spending MoM	Apr	--	0.20%	--
05/13/2024 20:00	IN CPI YoY	Apr	4.80%	--	4.85%
05/13/2024 20:00	CA Bloomberg Nanos Confidence	May-10	--	51.3	--
05/13/2024 20:30	CA Building Permits MoM	Mar	-4.30%	--	9.30%

Source: Bloomberg

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