

Daily Treasury Outlook

3 May 2024

Highlights

Global: US equities ended broadly higher on Thursday (S&P and Dow +0.9% each, and Nasdaq outperformed with +1.5%) as investors digesting the message from Fed's FOMC outcome and awaiting tonight's nonfarm payrolls data. Meanwhile, UST yields moved broadly lower, with the 2-year and 10-year yields last traded around the levels of 4.87% and 4.58%, respectively. On data, initial jobless claims remained steady at 208k for the week ending April 27, below the consensus estimate of 211k. Similarly, continuing claims held steady at 1.77mn for the week ending April 20, also below the consensus estimate of 1.79mn, indicating a continuing labour market resilience. As for the upcoming release of nonfarm payrolls data, consensus expectations are for a payroll growth of 240k, a decrease from the unexpectedly high 303k in March. Additionally, wage growth will be closely monitored following the higher-than-expected inflation readings in recent months, which have caused investors to lower their expectations for Fed rate cuts. Specifically, average hourly earnings are anticipated to increase by around 4.0% YoY in April, a level that may still be too high for comfort.

Market Watch: Asian markets are likely to open firm today following positive sentiment in Wall Street overnight. For the day ahead, markets will await Australia home loans data for March, Thailand's CPI for April and March retail sales figures for Singapore and Hong Kong. Elsewhere, US April Nonfarm Payrolls and unemployment rate are due but we will pay close attention to average hourly earnings data for signs of labour market cooling as recent strong NFP growth has been partly bolstered by immigration figures. Similarly, April ISM services are due but focus on ISM services prices paid component for leading signs of services disinflation which has been proving sticky.

SG: Overall PMI for April fell to 50.5 from 50.7 in March owing to lower expansions in new orders (Apr: 51.0; Mar: 51.3) and new exports (Apr: 51.1; Mar: 51.4). Notably, the employment index improved slightly (Apr: 50.3; Mar: 50.3) while the supplier deliveries component returned to expansion at 50.4 after 10 consecutive months in contractionary territory. Electronics PMI saw a marginal improvement to 50.9 in April from 50.8 prior.

Oil: Crude oil futures steadied after declining by more than 5.7% in a three day sell-off. The recent weakness in oil prices was driven by a buildup in US crude inventories, softening demand, as well as progress in Israel-Hamas ceasefire talks. On balance, WTI inched marginally lower by 0.1% to close at USD79.0/bbl while Brent rose 0.3% to close at USD83.7/bbl.

Key Market Movements

Equity	Value	% chg
S&P 500	5064.2	0.9%
DJIA	38226	0.9%
Nikkei 225	38236	-0.1%
SH Comp	3104.8	0.0%
STI	3296.9	0.1%
Hang Seng	18207	2.5%
KLCI	1580.3	0.3%
	Value	% chg
DXY	105.299	-0.4%
USDJPY	153.64	-0.6%
EURUSD	1.0725	0.1%
GBPUSD	1.2534	0.1%
USDIDR	16185	-0.5%
USDSGD	1.3549	-0.4%
SGDMYR	3.4980	0.1%
	Value	chg (bp)
2Y UST	4.87	-8.75
10Y UST	4.58	-4.72
2Y SGS	3.49	-1.20
10Y SGS	3.44	-1.08
3M SORA	3.65	0.26
3M SOFR	5.35	0.00
	Value	% chg
Brent	83.67	0.3%
WTI	78.95	-0.1%
Gold	2304	-0.7%
Silver	26.68	0.1%
Palladium	937	-1.6%
Copper	9766	-1.3%
BCOM	100.84	0.3%

Source: Bloomberg

Major Markets

HK: According to advance estimate, Hong Kong's real GDP growth slowed to 2.7% YoY in the first quarter this year, down from that of 4.3% YoY in the previous quarter, due to a higher base last year. On a seasonally adjusted basis, Hong Kong's real GDP rose by 2.3% QoQ, compared to that of 0.2% QoQ in the fourth quarter last year. Breaking down, exports of services and private consumption continued to be the growth driver, though the latter continued to lose momentum. Exports of services continued to grow at a brisk pace of 8.1% YoY in 1Q (2023 4Q: +21.2% YoY), while that of private consumption expenditure expanded by a much slower pace of 1.0% YoY (4Q: +3.5% YoY). During the quarter, total exports of goods registered visible growth of 6.7% YoY as external demand remained resilient, though a very low base of comparison also played a part. Meanwhile, the gross domestic fixed capital formation also edged up by 0.3% YoY (4Q: +17.5% YoY). Our full year growth forecast for 2024 is pitched at 2.3%, and the pace of economic expansion in the first quarter was largely in line with our forecast at 2.8% YoY.

MY: Microsoft has revealed plans to invest US\$2.2 billion in Malaysia over the next four years, marking its largest investment in the country to date. The investment will focus on various areas, including building cloud and AI infrastructure, providing AI skilling opportunities for 200,000 individuals, establishing a national AI centre of excellence and enhancing cybersecurity capabilities, and to support Malaysia's digital transformation and foster the growth of its developer community.

ID: Headline inflation remained unchanged at 3.0% YoY in April, similar to March and was below our forecast. Similarly, the core inflation also steadied at 1.8% in April. The main drivers of April CPI were lower 'food, beverages, and tobacco,' which offset the higher inflation in the 'transportation' and 'personal care' components. Specifically, 'food, beverages, and tobacco' inflation eased to 7.0% YoY in April compared to 7.4% in March and was the miss relative to our forecasts. Meanwhile, the transportation CPI picked up to 1.3% YoY in April from 1.0% in March, largely due to higher airfares and intercity transportation fares amid Eid al-Fitr celebrations. Similarly, 'personal care' inflation also increased to 4.3% YoY in April from 3.6% in March. Looking ahead, we maintain our 2024 CPI forecast of 3.1%, suggesting a modest pickup in inflation for the rest of the year, while remaining within BI's 1.5-3.5% target range.

ESG Updates

CN: China's new climate chief Liu Zhenmin plans to visit the US in May to resume bilateral talks with his US counterpart John Podesta on climate cooperation amid tensions over trade and security. The climate envoys have not yet held formal talks since they assumed their new roles.

ID: Indonesia and Singapore have discussed potential opportunities in the green economy including for future capital Nusantara. There has been interest from Singapore companies such as Sembcorp, which recently announced plans to build and develop a utility-scale integrated solar and energy storage project in Indonesia. The integrated project will comprise a battery energy storage system with 50 MW of solar and 14 MWh of battery energy storage in Nusantara.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with short tenors trading 1-3bps lower, belly tenors trading 2-3bps lower and 10Y trading 2bps lower. The trustee of China South City Holdings Ltd. ("CSC"), a developer, has sent five letters to Shenzhen Special Economic Zone Construction & Development Group Co. Ltd. ("Shenzhen SEZ Construction"), a state-owned company, requesting payment for dollar notes that were backed by keepwell deeds. Citicorp International has claimed that Shenzhen SEZ Construction breached the agreements by failing to ensure the solvency of CSC and its ability to secure enough funds to fulfill debt obligations. Barclays PLC announced that it will call a USD2bn Additional Tier 1 instrument at first call on 15 June 2024. LeasePlan Corporation NV also announced it will redeem a EUR500mn Additional Tier 1 instrument at first call on 29 May 2024. These calls were widely expected and follow the ongoing trend of European banks calling their bank capital instruments at first call.

New Issues:

There was one notable bond issuer in the Asiadollar market yesterday.

- Cathay Life Insurance Co., Ltd. priced a USD187mn 10Y at 5.8%.

There were no notable bond issuers in the Singdollar market yesterday.

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.299	-0.43%	USD-SGD	1.3549	-0.43%
USD-JPY	153.640	-0.60%	EUR-SGD	1.4532	-0.31%
EUR-USD	1.073	0.12%	JPY-SGD	0.8820	0.18%
AUD-USD	0.657	0.64%	GBP-SGD	1.6983	-0.37%
GBP-USD	1.253	0.06%	AUD-SGD	0.8895	0.20%
USD-MYR	4.755	-0.38%	NZD-SGD	0.8078	0.11%
USD-CNY	7.241	0.17%	CHF-SGD	1.4878	0.10%
USD-IDR	16185	-0.46%	SGD-MYR	3.4980	0.07%
USD-VND	25382	0.19%	SGD-CNY	5.3468	0.45%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8730	0.39%	1M	5.3210	-0.02%
3M	3.8250	-0.26%	2M	5.3236	-0.01%
6M	3.7950	-0.52%	3M	5.3260	-0.03%
12M	3.6960	-0.81%	6M	5.3020	-0.01%
			1Y	5.1910	0.01%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.327
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.150	-0.038	5.298
07/31/2024	-0.390	-0.098	5.238
09/18/2024	-0.790	-0.197	5.137
11/07/2024	-1.103	-0.276	5.059
12/18/2024	-1.592	-0.398	4.937
01/29/2025	-1.950	-0.488	4.847

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.95	-0.06%	Corn (per bushel)	4.520	2.0%
Brent (per barrel)	83.67	0.28%	Soybean (per bushel)	11.900	3.0%
Heating Oil (per gallon)	244.31	-0.36%	Wheat (per bushel)	5.865	0.9%
Gasoline (per gallon)	259.65	0.74%	Crude Palm Oil (MYR/MT)	38.950	-1.4%
Natural Gas (per MMBtu)	2.04	5.33%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9765.50	-1.31%	Gold (per oz)	2303.8	-0.7%
Nickel (per mt)	18648.00	-1.22%	Silver (per oz)	26.7	0.1%

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

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/03/2024 11:30	TH CPI YoY	Apr -0.20%	--	-0.47%	--
05/03/2024 11:30	TH CPI Core YoY	Apr 0.34%	--	0.37%	--
05/03/2024 11:30	TH CPI NSA MoM	Apr 0.48%	--	0.03%	--
05/03/2024 13:00	SI Retail Sales YoY	Mar 2.80%	--	8.40%	--
05/03/2024 15:30	TH Gross International Reserves	Apr-26 --	--	\$221.3b	--
05/03/2024 16:30	HK Retail Sales Value YoY	Mar 0.90%	--	1.90%	--
05/03/2024 16:30	UK S&P Global UK Services PMI	Apr F 54.9	--	54.9	--
05/03/2024 16:30	UK S&P Global UK Composite PMI	Apr F 54	--	54	--
05/03/2024 17:00	EC Unemployment Rate	Mar 6.50%	--	6.50%	--
05/03/2024 20:30	US Change in Nonfarm Payrolls	Apr 240k	--	303k	--
05/03/2024 20:30	US Unemployment Rate	Apr 3.80%	--	3.80%	--
05/03/2024 20:30	US Change in Manufact. Payrolls	Apr 5k	--	0k	--
05/03/2024 21:45	US S&P Global US Composite PMI	Apr F 51	--	50.9	--
05/03/2024 21:45	US S&P Global US Services PMI	Apr F 51	--	50.9	--
05/03/2024 22:00	US ISM Services Index	Apr 52	--	51.4	--
05/03/2024 22:00	US ISM Services Prices Paid	Apr 55	--	53.4	--

Source: Bloomberg

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