

Daily Treasury Outlook

1 October 2024

Highlights

Global: US stock markets ended the day with modest gains, rounding off a solid month for all three major stock indices. Federal Reserve Chairman Jerome Powell said that “this is not a committee that feels like it’s hurry to cut rates quickly”. He also added that sometimes people pay too much attention to the SEP, noting that it shows two more 25bp cuts this year. His comments sent rate-cut expectations lower, with less than 3 cuts now priced in for 2024. Correspondingly, US treasury yields jumped, most notably at the short end of the curve. Meanwhile, the dollar also ended the day higher. On the other hand, Atlanta Fed President Bostic opined that he was open to backing another 50bp rate cut should the labour market show unexpected weakness. China’s equity market clocked the best single day performance since 2008 with the largest turnover ever, before closing for a seven-day holiday. On the data front, German inflation eased to 1.8% YoY in September, while Spain and France also saw cooler than expected inflation during the month. Retail sales in Japan rose by 2.8% YoY in August (market consensus: 2.3%), marking the 29th straight month of increase. Meanwhile, Japan's industrial output in August fell 3.3% MoM (market consensus: -0.5% MoM), partly due to Typhoon Shanshan which disrupted car production.

Market Watch: Tuesday’s economic calendar is packed in the Asia session, with releases including Indonesia’s September inflation, and September PMI for various Asian countries. Japan’s August jobless rate and South Korea’s September trade data was released this morning. Later today, the market will watch Euro area preliminary September CPI, September Canada manufacturing PMI and US’ September ISM manufacturing index and August JOLTS job openings.

CN: The official manufacturing PMI rebounded to 49.8 in September, up from 49.1, reflecting improvements in both supply and demand. Production jumped to 51.2 from 48.9, boosted by activity ahead of the October holiday season, while new orders rose to 49.9 from 48.9. However, new export orders weakened to 47.5 from 48.7, indicating softer global demand. Business expectations remained steady at 52, though they may improve following the large-scale stimulus measures introduced in late September. Despite the recovery in manufacturing, the non-manufacturing PMI eased to 50, driven by a contraction in the services PMI, which slipped to 49.9 from 50.2, marking its first decline since December 2023. This is likely due to softening demand following the end of the summer school holidays.

Key Market Movements

Equity	Value	% chg
S&P 500	5762.5	0.4%
DJIA	42330	0.0%
Nikkei 225	37920	-4.8%
SH Comp	3336.5	8.1%
STI	3585.3	0.3%
Hang Seng	21134	2.4%
KLCI	1648.9	-0.7%
	Value	% chg
DXY	100.779	0.4%
USDJPY	143.63	1.0%
EURUSD	1.1135	-0.2%
GBPUSD	1.3375	0.0%
USDIDR	15140	0.1%
USDSGD	1.285	0.3%
SGDMYR	3.2196	0.1%
	Value	chg (bp)
2Y UST	3.64	8.19
10Y UST	3.78	3.03
2Y SGS	2.44	-0.60
10Y SGS	2.62	-1.31
3M SORA	3.49	-0.42
3M SOFR	5.31	-1.73
	Value	% chg
Brent	71.7	0.2%
WTI	68.17	0.0%
Gold	2635	-0.9%
Silver	31.16	-1.3%
Palladium	1003	-1.3%
Copper	9829	-1.5%
BCOM	100.34	0.1%

Source: Bloomberg

Major Markets

ID: The S&P Global PMI manufacturing improved slightly to 49.2 in September from 48.9 in August, marking the third consecutive month of PMI readings below 50. Specifically, the weak operating conditions reflect "further falls in both output and new orders," with firms cutting "their purchasing activity in response to weaker market demand," the note reports. That said, manufacturers recorded a slight increase in employment for the first time in three months, partly due to improving confidence in the operating environment over the coming year. Elsewhere, Rating and Investment Information, Inc. (R&I) affirmed the Sovereign Credit Rating of the Republic of Indonesia at BBB+ with positive outlook.

MY: Malaysia ranks 33rd among 133 economies in the Global Innovation Index (GII) 2024 and ranks 2nd among the 34 upper-middle-income group economies. The GII is an annual report by the World Intellectual Property Organization that ranks countries' innovation capabilities and outputs. Malaysia performed well in categories such as science and engineering graduates, high-tech exports, and creative goods exports. Science Minister Chang Lih Kang emphasized the need for continued R&D investment to reach Malaysia's goal of being among the top 30 by 2025.

TH: According to the Bank of Thailand (BoT), the economy stabilised in August, buoyed by exports and private consumption, while being dragged down by lagging tourism numbers and private investment. BoT's private consumption index rose 0.5% MoM in August, while private investment fell 3.3% MoM. The BoT also mentioned that it was closely monitoring the THB and would step in if volatility was too high.

PH: "The Bangko Sentral ng Pilipinas (BSP) and the Bankers Association of the Philippines (BAP) are taking their capital market development work a step further with two complementary initiatives." These will be done through two initiatives a) creating an enhanced Peso Interest Rate Swaps market; b) enabling a repo market for government securities. Some details were announced in a joint statement by the BSP and the BAP on 30 September. The BSP has been proactive in developing monetary policy transmission and tools over the past decade. This is the next logical step in further attracting inflows and complementing the governments' effort to attract FDI's

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded mostly lower yesterday, with shorter tenors trading 1-3bps lower, belly tenors trading 2bps lower and 10Y trading ~1bps higher. September ended as the second busiest issuance month for 2024 in Asiadollar while globally there was over USD600bn in bonds and loans issued, the highest September debt issuance on record according to Bloomberg. According to a company filing on Monday, Logan Group Co Ltd (“Logan”) has enlisted White & Case as its legal advisor for the restructuring of its offshore debt. Logan also stated that holders representing 92% of the total outstanding principal of existing notes had joined a creditor support agreement between the company and an ad hoc group of creditors with the longstop date of the credit support agreement extended to 11 November. Finally, per data from China Real Estate Information Corp, China’s top 100 developers reported combined contract sales down 37.7% y/y in September although was up 0.2% m/m. Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 85bps while Bloomberg Asia USD High Yield spreads tightened by 23bps to 504bps. (Bloomberg, OCBC)

New Issues:

There was no notable issuance in the Asiadollar and Singdollar market yesterday.

Mandates:

- Goodman US Finance Six LLC (Guarantors: Goodman Ltd, Goodman Funds Management Ltd and Goodman Logistics HK Ltd) is planning to issue a USD 10Y Fixed senior unsecured issue.
- The Export-Import Bank of Korea is planning to issue senior unsecured notes with expected tenor of 3Y.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.779	0.40%	USD-SGD	1.2850	0.31%
USD-JPY	143.630	1.00%	EUR-SGD	1.4309	0.05%
EUR-USD	1.114	-0.24%	JPY-SGD	0.8946	-0.69%
AUD-USD	0.691	0.14%	GBP-SGD	1.7188	0.33%
GBP-USD	1.338	0.01%	AUD-SGD	0.8884	0.49%
USD-MYR	4.124	-0.05%	NZD-SGD	0.8159	0.44%
USD-CNY	7.019	0.11%	CHF-SGD	1.5196	-0.30%
USD-IDR	15140	0.10%	SGD-MYR	3.2196	0.09%
USD-VND	24568	-0.15%	SGD-CNY	5.4632	-0.24%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.3650	-0.38%	1M	4.8561	0.00%
3M	3.3260	-0.57%	2M	4.7285	-0.15%
6M	3.1520	-0.32%	3M	4.6189	-0.21%
12M	2.7710	0.58%	6M	4.3021	-0.25%
			1Y	3.8470	-0.29%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-1.376	-0.344	4.477
12/18/2024	-2.811	-0.703	4.119
01/29/2025	-4.025	-1.006	3.815
03/19/2025	-5.135	-1.284	3.537
05/07/2025	-5.936	-1.484	3.337
06/18/2025	-6.583	-1.646	3.175

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.17	-0.01%	Corn (per bushel)	4.248	1.6%
Brent (per barrel)	71.77	-0.29%	Soybean (per bushel)	10.570	-0.8%
Heating Oil (per gallon)	213.18	-0.04%	Wheat (per bushel)	5.840	0.7%
Gasoline (per gallon)	196.21	0.47%	Crude Palm Oil (MYR/MT)	41.240	-0.8%
Natural Gas (per MMBtu)	2.92	0.72%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9829.00	-1.54%	Gold (per oz)	2634.6	-0.9%
Nickel (per mt)	17514.00	3.05%	Silver (per oz)	31.2	-1.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/01/2024 07:30	JN	Jobless Rate	Aug	2.60%	2.50%	2.70%	--
10/01/2024 07:50	JN	Tankan Large Mfg Index	3Q	12	13	13	--
10/01/2024 08:00	SK	Exports YoY	Sep	6.40%	7.50%	11.40%	11.20%
10/01/2024 08:30	ID	S&P Global Indonesia PMI Mfg	Sep	--	--	48.9	--
10/01/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Sep F	--	--	49.6	--
10/01/2024 08:30	TA	S&P Global Taiwan PMI Mfg	Sep	--	--	51.5	--
10/01/2024 08:30	VN	S&P Global Vietnam PMI Mfg	Sep	--	--	52.4	--
10/01/2024 09:30	AU	Retail Sales MoM	Aug	0.40%	--	0.00%	--
10/01/2024 12:00	ID	CPI YoY	Sep	2.00%	--	2.12%	--
10/01/2024 13:00	IN	HSBC India PMI Mfg	Sep F	--	--	56.7	--
10/01/2024 15:55	GE	HCOB Germany Manufacturing PMI	Sep F	40.3	--	40.3	--
10/01/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	Sep F	44.8	--	44.8	--
10/01/2024 16:30	UK	S&P Global UK Manufacturing PMI	Sep F	51.5	--	51.5	--
10/01/2024 21:30	CA	S&P Global Canada Manufacturing PMI	Sep	--	--	49.5	--
10/01/2024 21:45	US	S&P Global US Manufacturing PMI	Sep F	47	--	47	--
10/01/2024 22:00	US	ISM Manufacturing	Sep	47.5	--	47.2	--

Source: Bloomberg

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