

Daily Treasury Outlook

1 November 2024

Highlights

Global: US equity indices closed broadly lower on Thursday (S&P 500: -1.9%, Nasdaq: -2.8%, and Dow: -0.9%), primarily weighed down by tech stocks, while 10-year UST yields traded around the 4.28% level, notably higher compared to around 3.78% levels seen at the beginning of October. There have been several data releases since Wednesday. Regarding GDP, the preliminary 3Q24 GDP print showed that the US economy grew 2.8% QoQ saar, slightly lower than the 3.0% growth in 2Q24, but still marking a healthy pace of growth. Personal consumption expenditures growth rose by 3.7% QoQ saar from 2.8% in 2Q24, as goods expenditures increased by 6.0% from 3.0%, while services expenditure eased slightly to 2.6% from 2.7% in 2Q24. On inflation data, headline PCE rose by 0.2% MoM (2.1% YoY) in September from 0.1% in August, while core PCE rose at a faster 0.3% MoM (2.7% YoY) from 0.2% in the previous month. Meanwhile, the US labour market showed mixed developments, with the JOLTS report falling to 7.4mn in September from 7.8mn in August, while the ADP employment report for October rose to 233k versus 159k in September. Markets will pay close attention to tonight's NFP print ahead of the Fed meeting next week (7 November), with consensus expectations for 100k, down from 254k in September—albeit the print might be distorted due to labour strikes and hurricanes that took place in October.

China's official manufacturing PMI unexpectedly rebounded to 50.1 in October from 49.8 in September, marking its return to expansionary territory for the first time in six months and defying the usual seasonal decline in October. This uptick in manufacturing PMI can be attributed to two key factors: the extensive rollout of stimulus measures since late September, which bolstered market sentiment, and the fading impact of the September typhoon disruptions.

Market Watch: This morning, South Korea's exports in October grew by 4.6% YoY (September: 7.5%; consensus: 7.0%), while imports grew by 1.7% (September & consensus: 2.2%). A whole slate of PMI is set to be released today, with manufacturing PMI from Indonesia, Japan, South Korea, Malaysia, Thailand, Taiwan, Vietnam, China, the UK and Canada for October to be released. Indonesia is also set to release October inflation data, while Hong Kong will release its September retail sales. Later tonight, market attention will shift towards the US, as the October labour report comprising nonfarm payrolls, unemployment rate and average hourly earnings among others will be released. Accompanying that will be US S&P and ISM manufacturing PMI for the month of October.

Key Market Movements

Equity	Value	% chg
S&P 500	5705.5	-1.9%
DJIA	41763	-0.9%
Nikkei 225	39081	-0.5%
SH Comp	3279.8	0.4%
STI	3558.9	0.0%
Hang Seng	20317	-0.3%
KLCI	1601.9	0.0%
	Value	% chg
DXY	103.976	0.0%
USDJPY	152.03	-0.9%
EURUSD	1.0884	0.3%
GBPUSD	1.2899	-0.5%
USDIDR	15697	0.0%
USDSGD	1.3198	-0.2%
SGDMYR	3.3092	0.0%
	Value	chg (bp)
2Y UST	4.17	-1.24
10Y UST	4.28	-1.60
2Y SGS	2.69	0.00
10Y SGS	2.82	0.00
3M SORA	3.38	0.00
3M SOFR	5.14	-0.61
	Value	% chg
Brent	72.81	0.9%
WTI	69.26	0.9%
Gold	2744	-1.6%
Silver	32.66	-3.3%
Palladium	1120	-2.6%
Copper	9506	-0.3%
BCOM	98.10	-0.8%

Source: Bloomberg

Oil: Crude oil benchmarks extended their gains for the second consecutive session, with WTI and Brent increasing by 0.9% and 0.8%, respectively, closing at USD69.3/bbl and USD73.2/bbl. Oil prices rose yesterday on prospects of renewed geopolitical tensions. This follows reports that Iran is preparing to strike Israel from Iraqi territory in the coming days.

Major Markets

CN: Both supply and demand subindices of manufacturing PMI showed signs of improvement. The production index rose to 52 from 51.2, while new orders rebounded to 50 from 49.9, moving above 50 for the first time in six months, despite weaker external demand, as seen in the decline of new export orders from 47.5 to 47.3. This highlights the positive impact of recent stimulus on domestic demand, contrasting with softer external demand. Divergences across company sizes were also evident: PMI for large and medium-sized companies improved to 51.5 and 49.4, respectively, from 50.6 and 49.2, while PMI for small companies softened to 47.5 from 48.5, likely due to weaker external demand.

In October, the finished goods inventory index fell to 46.9 from 48.4, while the raw materials inventory index rose to 48.2 from 47.7. Both price indices increased significantly, with raw material and output prices reaching their highest levels in the past five months, suggesting that October's PPI may show a slight positive MoM growth.

Non-manufacturing PMI also rose by 0.2 to 50.2, supported by the service sector, as services PMI returned to expansionary territory at 50.1, driven by both the Golden Week holiday and a wealth effect from the recent equity market rally. However, construction PMI dipped further to 50.4 from 50.7. The recent policy initiatives to revamp 1 million urban villages and issue debt for idle land acquisition are expected to support the construction sector, though it may take time for these policies to fully translate into increased physical workload.

ID: President Prabowo Subianto has directed his administration to develop a more targeted energy subsidy scheme that directly benefits eligible individuals as part of efforts to prevent misuse by ineligible parties. To that end, Statistics Indonesia (BPS) has been tasked with preparing accurate data on beneficiaries, with the President setting a two-week deadline to finalize the new scheme. The closed-door meeting was attended by Coordinating Economic Minister Airlangga Hartarto, Finance Minister Sri Mulyani Indrawati, Industry Minister Agus Gumiwang Kartasasmita, Pertamina CEO Nicke Widyawati, and PLN CEO Darmawan Prasodjo.

MY: The Malaysian Palm Oil Board (MPOB) aims to have over 90% of independent smallholders certified with the Malaysian Sustainable Palm Oil (MSPO) standard by the end of next year, building on the current 76.9% compliance rate, as reported by the Edge. MPOB is facilitating the adoption of sustainable practices among smallholders by offering financial support, training, and utilizing the Sawit Intelligent Management System (SIMS) to enhance transparency.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for October 2024 is expected to “settle within the 2.0-2.8% range”. BSP revealed that the primary sources of upward price pressures in October will come from higher food prices, including vegetables, fruits, and fish. Additionally, the rising prices of domestic petroleum products and the depreciation of the Peso are also expected to contribute to upward price pressures. Meanwhile, lower prices for rice, meat and utilities are anticipated to offset upward price pressures. Moving forward, the BSP states that it will “continue to take a measured approach in ensuring price stability conducive to balanced and sustainable growth of the economy and employment.”

HK: According to advance estimates, Hong Kong’s real GDP grew at the slowest pace in five quarters, by 1.8% YoY in 3Q24 (2Q24: 3.2%; 1-3Q: 2.6%). On a seasonally adjusted basis, Hong Kong’s GDP declined by 1.1% QoQ (2Q24: 0.3%). Growth momentum weakened across the board. Exports of goods and gross fixed capital formation slowed to 3.9% YoY and 3.7% respectively (2Q24: 7.5% and 4.1%), reflecting the weaker external demand and higher base of comparison a year ago. Meanwhile, private consumption expenditure contracted further, by 1.4% YoY (2Q24: -1.6%), amidst weak consumption sentiment and a still elevated interest rate environment. However, government expenditure and exports of services continued to grow, by 2.1% YoY and 2.4% respectively (2Q24: 2.2% and 1.1%). The near-term economic outlook remains somewhat challenging, with more signs of softening in external demand. That said, recent stimulus measures unveiled by China and Fed rate cuts on the horizon should render some support. We keep our full year growth forecast for 2024 unchanged at 2.4%.

ESG Updates

SG: Enterprise Singapore (EnterpriseSG) and the Economic Development Board (EDB) has launched the sustainability reporting grant on 1 Nov to help eligible companies produce their first International Sustainability Standards Board’s (ISSB)-aligned sustainability report in Singapore before mandatory reporting begins. Singapore-listed companies will need to start reporting their Scope 1 and Scope 2 greenhouse gas emissions from the 2025 financial year. The grant helps to defray some costs associated with the preparation of the ISSB-aligned sustainability report, including consultancy costs and manpower training.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower on Wednesday, with shorter tenors trading 1-6bps lower, belly tenors and 10Y trading 6bps lower. China Vanke Co. (“VANKE”) reported another loss in the third quarter, highlighting the challenges faced by the property developer as it works to manage its debt during the ongoing housing downturn in the country. A Hong Kong judge has scheduled a hearing for January 24 for Sino-Ocean Group Holding Ltd. (“Sino-Ocean”) to request court approval for its loan restructuring. Shimao Group (“Shimao”) announced that creditors holding 73.4% of the eligible debt have agreed to a consensual support agreement for its offshore debt restructuring, as stated in a filing with the Hong Kong stock exchange. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 74bps while Bloomberg Asia USD High Yield spreads tightened by 5bps to 453bps. (Bloomberg, OCBC)

New Issues:

There were seven notable issuances in the Asiadollar market on Wednesday and Thursday.

- Chengdu Communications Investment Group Co Ltd priced 2 tranches, a USD300mn 3.5Y at 4.9% and a USD300mn 5Y at 5.05%.
- New Development Bank/The priced a USD1.25bn 3Y green bond at SOFR MS+80bps.
- Chengdu Economic & Technological Investment Group Co Ltd priced a USD151.66mn 3Y Sustainability bond at 6.5%.
- Chongqing Jiangjin District Jiangding Industrial Development Co. Ltd. priced a USD100mn 3Y bond at 6.5%.
- Jinan Urban Construction International Investment Co Ltd (guarantor: Jinan City Construction Group Ltd Co) priced a USD506mn 3Y Sustainability bond at 5%.
- Wuhan Financial Holdings Group Co Ltd priced a USD450mn 3Y Sustainability bond at 5.4%.
- City of Ulaanbaatar Mongolia priced a USD250mn 3Y Fixed at 7.75%.

There was no notable issuance in the Singdollar market on Wednesday and Thursday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.976	-0.02%	USD-SGD	1.3198	-0.19%
USD-JPY	152.030	-0.91%	EUR-SGD	1.4364	0.05%
EUR-USD	1.088	0.26%	JPY-SGD	0.8680	0.66%
AUD-USD	0.658	0.15%	GBP-SGD	1.7024	-0.68%
GBP-USD	1.290	-0.49%	AUD-SGD	0.8687	-0.07%
USD-MYR	4.378	-0.01%	NZD-SGD	0.7888	-0.14%
USD-CNY	7.118	0.03%	CHF-SGD	1.5281	0.12%
USD-IDR	15697	-0.02%	SGD-MYR	3.3092	-0.02%
USD-VND	25280	-0.06%	SGD-CNY	5.3872	0.04%

Equity and Commodity

Index	Value	Net change
DJIA	41,763.46	-378.08
S&P	5,705.45	-108.22
Nasdaq	18,095.15	-512.78
Nikkei 225	39,081.25	-196.14
STI	3,558.88	0.00
KLCI	1,601.88	-13.20
JCI	7,574.02	4.17
Baltic Dry	1,395.00	-7.00
VIX	23.16	2.81

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.1300	-0.51%	1M	4.6487	-0.06%
3M	3.0560	0.00%	2M	4.5997	-0.06%
6M	2.8670	-0.66%	3M	4.5526	-0.06%
12M	2.5480	-1.13%	6M	4.4104	0.01%
			1Y	4.1922	0.06%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.69 (-0.04)	4.17(--)
5Y	2.67 (-0.03)	4.16(--)
10Y	2.82 (-0.03)	4.29 (-0.02)
15Y	2.87 (-0.03)	--
20Y	2.81 (-0.03)	--
30Y	2.72 (-0.03)	4.48 (-0.03)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.946	-0.236	4.594
12/18/2024	-1.715	-0.429	4.401
01/29/2025	-2.330	-0.582	4.248
03/19/2025	-2.996	-0.749	4.081
05/07/2025	-3.481	-0.870	3.960
06/18/2025	-3.990	-0.998	3.832

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.81
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.26	0.95%	Corn (per bushel)	4.108	-0.2%
Brent (per barrel)	73.16	0.84%	Soybean (per bushel)	9.825	0.6%
Heating Oil (per gallon)	221.95	1.46%	Wheat (per bushel)	5.705	-0.5%
Gasoline (per gallon)	200.35	0.39%	Crude Palm Oil (MYR/MT)	48.000	1.3%
Natural Gas (per MMBtu)	2.71	-4.85%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9506.00	-0.34%	Gold (per oz)	2744.0	-1.6%
Nickel (per mt)	15718.00	-0.62%	Silver (per oz)	32.7	-3.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/01/2024 08:00	SK	Exports YoY	Oct	7.00%	4.60%	7.50%	--
11/01/2024 08:30	ID	S&P Global Indonesia PMI Mfg	Oct	--	--	49.2	--
11/01/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Oct F	--	--	49	--
11/01/2024 08:30	SK	S&P Global South Korea PMI Mfg	Oct	--	--	48.3	--
11/01/2024 08:30	TA	S&P Global Taiwan PMI Mfg	Oct	--	--	50.8	--
11/01/2024 08:30	VN	S&P Global Vietnam PMI Mfg	Oct	--	--	47.3	--
11/01/2024 09:45	CH	Caixin China PMI Mfg	Oct	49.7	--	49.3	--
11/01/2024 10:00	ID	CPI YoY	Oct	1.66%	--	1.84%	--
11/01/2024 15:00	UK	Nationwide House PX MoM	Oct	0.30%	--	0.70%	--
11/01/2024 16:30	HK	Retail Sales Value YoY	Sep	-9.00%	--	-10.10%	--
11/01/2024 17:30	UK	S&P Global UK Manufacturing PMI	Oct F	50.3	--	50.3	--
11/01/2024 20:30	US	Change in Nonfarm Payrolls	Oct	100k	--	254k	--
11/01/2024 20:30	US	Unemployment Rate	Oct	4.10%	--	4.10%	--
11/01/2024 21:30	CA	S&P Global Canada Manufacturing PMI	Oct	--	--	50.4	--
11/01/2024 21:45	US	S&P Global US Manufacturing PMI	Oct F	47.8	--	47.8	--
11/01/2024 22:00	US	ISM Manufacturing	Oct	47.6	--	47.2	--

Source: Bloomberg

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavyanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyionq1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
menqteechin@ocbc.com

This publication is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W