

Daily Treasury Outlook

2 July 2024

Highlights

Global: The S&P 500 closed higher on Monday, underpinned by growth stocks, unfettered by the worsening macro data. USISM manufacturing index declined in June, to 48.5 from 48.7 in May. The PMI report was mixed: the new orders sub-index improved while the production and employment sub-indices declined. The drop in prices paid sub-index, to a six-month low, suggests that inflation could continue to subside. Amid a series of disappointing data, the Atlanta Fed's GDPNOW forecast for Q2 GDP dropped to 1.7%. The US Supreme Court verdict indicated that Trump is entitled to some degree of immunity from prosecution. Meanwhile, Democrat heavyweights ruled out replacing President Biden amid calls for him to quit the upcoming race. Markets are now seeing a higher chance of Trump returning to the White House, deeming it as an inflationary trade given the potential to extend the expiring tax cuts in 2025, and implement a wide range of tariffs. The UST yield curve bear steepened amid a sell-off, extending the weakness that followed the US Presidential debate. Dollar rallied on the day, while gold was pretty much flat. Moving to Asia, China Caixin manufacturing PMI reading came in at 51.8 in June, contrasting with the official PMI which showed a contraction in factory activity.

Market Watch: Asian markets are likely to remain in consolidation mode today. Looking ahead, the market will watch South Korea's June CPI data, as well as RBA minutes, Hong Kong's May retail sales and Singapore's June PMI to be released later today. Fed speak is also on the agenda with Chairman Powell set to appear at the European Central Bank's annual forum in Portugal.

CN: The PBOC took its first step to curb the recent rally in the bond market after verbal intervention failed to cool down the market. In June, long-end bond yields fell by 9-15 basis points across the 10 to 30-year curve due to safe-haven demand. To maintain stable operations of the bond market, the People's Bank of China (PBOC) announced on Monday that it will conduct government bond borrowing operations with selected primary dealers of open market operations in the near future. This indicates that the PBOC is prepared to sell bonds to curb the rally after borrowing from the primary dealers. Long-end bond yields rebounded following the central bank's announcement.

Oil: WTI rose by 2.3% while Brent rose marginally higher by 0.2% on Monday to close at USD83.4/bbl and USD86.6/bbl, respectively. Oil prices increased due to optimism that oil demand should pick up as transportation activity increases. Furthermore, the rise in risk premiums resulting from recent geopolitical flashpoints has also provided support to oil prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5475.1	0.3%
DJIA	39170	0.1%
Nikkei 225	39631	0.1%
SH Comp	2994.7	0.9%
STI	3338.6	0.2%
Hang Seng	17719	0.0%
KLCI	1598.2	0.5%
	Value	% chg
DXY	105.901	0.0%
USDJPY	161.46	0.4%
EURUSD	1.0740	0.3%
GBPUSD	1.2650	0.0%
USDIDR	16322	-0.3%
USDSGD	1.3576	0.1%
SGDMYR	3.4787	-0.1%
	Value	chg (bp)
2Y UST	4.76	0.21
10Y UST	4.46	6.52
2Y SGS	3.36	1.60
10Y SGS	3.26	5.56
3M SORA	3.63	-0.92
3M SOFR	5.35	-0.05
	Value	% chg
Brent	86.6	1.9%
WTI	83.38	2.3%
Gold	2332	0.2%
Silver	29.45	1.1%
Palladium	983	0.6%
Copper	9630	0.3%
BCOM	101.33	0.3%

Source: Bloomberg

Major Markets

ID: Headline CPI eased by more-than-expected to 2.5% YoY in June, compared to 2.8% in May, but still within Bank Indonesia's 1.5-3.5% target range. Meanwhile, the core print steadied at 1.9%. Looking at the drivers, 'food, beverage, and tobacco' inflation eased significantly in June (5.1% YoY from 6.1% in May), with Statistics Indonesia (BPS) noted that onions, tomatoes, and poultry were among the staples that contributed to the lower food inflation in June. Meanwhile, transportation CPI rose slightly to 2.3% YoY in June from 2.1% in May, marking the third consecutive month of increase. Utilities inflation steadied at 0.3% YoY. The June CPI print brings the 1H24 CPI to average 2.8% YoY. Looking ahead, we continue to expect the headline CPI to average 3.1% in 2024, easing from 3.7% in 2023.

MY: The seasonally adjusted S&P Global Manufacturing PMI eased to 49.9 in June from 50.2 in May, slightly below the neutral 50.0 mark, indicating a marginal decline in operating conditions. According to the report, new orders increased for the second consecutive month, partly due to a rise in exports, despite subdued overall demand. Meanwhile, business confidence slipped to a ten-month low, and firms were more inclined to raise their selling prices. That said, the June print brings the 2Q24 manufacturing PMI to average 49.7, up from 49 in 1Q24 and was the highest reading since 3Q22.

PH: The Department of Labour, in a statement, announced that the Regional Tripartite Wages and Productivity Board (RTWPB) in the National Capital Region has approved a PHP35 increase in the daily minimum wage in the Philippine capital region. The minimum wage for non-agriculture sectors will rise by ~5.7% to PHP645/day. Additionally, the minimum wage for workers in the agriculture sector, service and retail establishments employing 15 or fewer workers, and manufacturing establishments regularly employing less than 10 workers will increase by ~6.1% to PHP608/day.

ESG Updates

CN: China's Three Gorges Renewables Group Co Ltd will be investing in a 79.8 bn yuan (US\$10.99 billion) integrated new energy project in north China's Inner Mongolia region, to begin construction in September this year and electricity will be on the grid by June 2027. The large-scale project will include 8GW of solar power installations, 4GW of wind power, 4GW of coal-fired power as well as 5GWh energy storage. The investment is part of the government's plan to build 455GW of desert renewables projects by 2030. There are challenges to connecting all its clean energy to the electricity network, and China has increasingly turned to coal to backstop wind and solar when renewable energy is unavailable.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 4-5bps higher and 10Y trading 6bps higher. Major mutual funds in China are requesting bond brokers to reduce their trading fees. Previously, these fees were passed on to investors; however, a new rule implemented by the China Securities Regulatory Commission in July has prohibited this practice. Asiadollar issuance volumes have paused at the start of 2H2024 following the heaviest issuance week for 17 months in the last week of June. Combined with record 1H2024 local currency issuance according to Bloomberg, total Asia ex-Japan corporate issuance is estimated at ~USD1.3bn. Bond supply has come from the USD loan market in Asia (excluding bilateral loans) which has fallen to their lowest level since 2010 according to Bloomberg (in contrast, USD loan sales globally are up 37% y/y in 1H2024). This has been driven by the higher funding costs in USD relative to local currency bonds and bank financing. Bloomberg Asia USD Investment Grade tightened by 2bps to 80bps while Bloomberg Asia USD High Yield widened by 1bps to 491bps. (Bloomberg, OCBC)

New Issues:

There were no notable issues in the Asiadollar and Singdollar market yesterday.

Mandates:

- Astrea 8 Pte. Ltd. is planning to launch a Reg S transaction comprising of (i) one class of SGD-denominated "Class A-1 Bonds" and (ii) one class of USD-denominated "Class A-2 Bonds".

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.901	0.03%	USD-SGD	1.3576	0.12%
USD-JPY	161.460	0.36%	EUR-SGD	1.4580	0.36%
EUR-USD	1.074	0.25%	JPY-SGD	0.8408	-0.24%
AUD-USD	0.666	-0.15%	GBP-SGD	1.7173	0.15%
GBP-USD	1.265	0.04%	AUD-SGD	0.9041	-0.04%
USD-MYR	4.714	-0.08%	NZD-SGD	0.8248	-0.15%
USD-CNY	7.268	0.02%	CHF-SGD	1.5039	-0.33%
USD-IDR	16322	-0.32%	SGD-MYR	3.4787	-0.05%
USD-VND	25456	0.00%	SGD-CNY	5.3510	-0.17%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6320	-0.87%	1M	5.3330	-0.03%
3M	3.7110	0.43%	2M	5.3350	-0.03%
6M	3.6820	0.11%	3M	5.3167	-0.11%
12M	3.5780	0.08%	6M	5.2448	-0.12%
			1Y	5.0385	-0.17%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/12/2024	-0.013	-0.003	5.327
07/31/2024	-0.085	-0.021	5.307
09/18/2024	-0.707	-0.177	5.152
11/07/2024	-1.070	-0.268	5.061
12/18/2024	-1.828	-0.457	4.872
01/29/2025	-2.335	-0.584	4.745

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.38	2.26%	Corn (per bushel)	3.983	0.3%
Brent (per barrel)	86.60	0.22%	Soybean (per bushel)	11.595	0.8%
Heating Oil (per gallon)	261.47	3.89%	Wheat (per bushel)	5.693	2.8%
Gasoline (per gallon)	257.83	1.95%	Crude Palm Oil (MYR/MT)	40.240	1.2%
Natural Gas (per MMBtu)	2.48	-4.73%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9630.00	0.32%	Gold (per oz)	2331.9	0.2%
Nickel (per mt)	17357.00	0.38%	Silver (per oz)	29.5	1.1%

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

Equity and Commodity

Index	Value	Net change
DJIA	39,169.52	50.66
S&P	5,475.09	14.61
Nasdaq	17,879.30	146.70
Nikkei 225	39,631.06	47.98
STI	3,338.57	5.77
KLCI	1,598.20	8.11
JCI	7,139.63	76.05
Baltic Dry	2,050.00	19.00
VIX	12.22	-0.22

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (+0.02)	4.75(--)
5Y	3.23 (+0.04)	4.43 (+0.05)
10Y	3.26 (+0.06)	4.46 (+0.07)
15Y	3.26 (+0.05)	--
20Y	3.14 (+0.02)	--
30Y	3.08 (+0.01)	4.62 (+0.07)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.33
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/02/2024 06:45	NZ	Building Permits MoM	May	--	-1.70%	-1.90%	-2.10%
07/02/2024 07:03	US	Wards Total Vehicle Sales	Jun	15.80m	--	15.90m	--
07/02/2024 07:00	SK	CPI YoY	Jun	2.60%	2.40%	2.70%	--
07/02/2024 07:00	SK	CPI MoM	Jun	0.10%	-0.20%	0.10%	--
07/02/2024 07:01	UK	BRC Shop Price Index YoY	Jun	0.50%	0.20%	0.60%	--
07/02/2024 07:50	JN	Monetary Base YoY	Jun	--	0.60%	0.90%	--
07/02/2024 16:30	HK	Retail Sales Value YoY	May	-10.80%	--	-14.70%	--
07/02/2024 16:30	HK	Retail Sales Volume YoY	May	-11.80%	--	-16.50%	--
07/02/2024 17:00	EC	CPI MoM	Jun P	0.20%	--	0.20%	--
07/02/2024 17:00	EC	CPI Estimate YoY	Jun	2.50%	--	2.60%	--
07/02/2024 17:00	EC	CPI Core YoY	Jun P	2.80%	--	2.90%	--
07/02/2024 17:00	EC	Unemployment Rate	May	6.40%	--	6.40%	--
07/02/2024 21:00	SI	Purchasing Managers Index	Jun	--	--	50.6	--
07/02/2024 21:00	SI	Electronics Sector Index	Jun	--	--	51.1	--
07/02/2024 21:30	CA	S&P Global Canada Manufacturing PMI	Jun	--	--	49.3	--
07/02/2024 22:00	US	JOLTS Job Openings	May	7950k	--	8059k	--

Source: Bloomberg

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