

Daily Treasury Outlook

2 September 2024

Highlights

Global: US economic data on Friday provided further evidence that a soft landing remains on track. Real personal spending came in higher than expected at 0.4% MoM sa in July versus 0.3% in June. On the inflation side, the PCE price index matched expectations rising by 2.5% YoY in July while core PCE was slightly lower than expected at 2.6% YoY (Consensus: 2.7%). The University of Michigan sentiment index was broadly unchanged in its final August reading, however, the inflation expectations gauge for 1 year ahead eased to 2.8% from 2.9%. US equities closed higher on Friday while UST yields rose across the curve on Friday. The Fed funds futures pared back cut expectations slightly to 98bp for 2024 on Friday from slightly above 100bp at the start of the week. The US jobs data for August (out this Friday) will determine whether a larger rate cut of 50bp is on the table. Some of the US' election polls, released over the weekend taken after the DNC and Joe Biden's exit from the Presidential race, still show a tight race between Kamala Harris and Donald Trump. Kamala Harris' leads in most polls are within the margin of error. The Presidential debate is set for 10 September. Elsewhere, India's 2Q24 GDP print was a mixed bag as GDP growth slowed more-than-expected to 6.7% YoY versus 7.8% in 1Q24 while GVA increased by 6.8% versus 6.3% in 1Q24. RBI could consider easing policy at its 9 October meeting.

Market Watch: It is set to be a busy week, with most important data releases scheduled for the back end of the week including the all-important US August payroll data and the final estimate of EU 2Q24 GDP growth on Friday. Ahead of this, Bank Negara Malaysia meets on Thursday with Bank of Canada on Wednesday. The releases today include China's Caixin manufacturing PMI, Indonesia's August CPI and August PMI data across key geographies including ASEAN and Europe. US markets are closed Monday on account of Labour Day.

CN: On 30 August, the PBoC announced a strategic move to buy short-term government bonds and sell long-term government bonds from selected primary dealers in open market operations, culminating in a net purchase of bonds with a face value of CNY100bn for the month. The purchase of short-term bonds and the injection of short-term liquidity aims to create a favourable environment for high-quality economic development. Conversely, the sale of long-term bonds and the net withdrawal of medium-term liquidity are intended to prevent long-term bond yields from dropping too quickly, which could distort market expectations and pose systemic risks. As the PBoC's operations in buying and selling government bonds reach practical implementation, last week's "buy short, sell long" strategy suggests a differentiated approach to managing the short and long ends of the yield curve. While short-term rates may continue to benefit from an easing bias, the direct sale of long-term bonds, coupled with the upcoming increased supply of treasury bonds, may establish a floor for long-term rates in the near term.

Key Market Movements

Equity	Value	% chg
S&P 500	5648.4	1.0%
DJIA	41563	0.6%
Nikkei 225	38648	0.7%
SH Comp	2842.2	0.7%
STI	3442.9	1.1%
Hang Seng	17989	1.1%
KLCI	1678.8	1.5%
	Value	% chg
DXY	101.698	0.4%
USDJPY	146.17	0.8%
EURUSD	1.1048	-0.3%
GBPUSD	1.3127	-0.3%
USDIDR	15455	0.3%
USDSGD	1.3067	0.3%
SGDMYR	3.3173	0.1%
	Value	chg (bp)
2Y UST	3.92	2.26
10Y UST	3.90	4.19
2Y SGS	2.55	-2.80
10Y SGS	2.71	0.67
3M SORA	3.57	-0.12
3M SOFR	5.37	-0.01
	Value	% chg
Brent	76.93	-2.4%
WTI	73.55	-3.1%
Gold	2503	-0.7%
Silver	28.86	-1.9%
Palladium	970	-0.9%
Copper	9235	-0.1%
BCOM	96.09	-0.9%

Source: Bloomberg

Oil: Crude oil prices came under renewed pressure on Friday, with WTI and Brent declining by 3.1% and 1.4% respectively, closing at USD73.6/bbl and USD78.8/bbl. The strength in the market on Thursday carried through during Asian trading hours. Notably, Brent rose by 0.8% reaching a high of USD80.6/bbl before paring back gains during European trading hours. Crude oil prices fell further following reports that OPEC+ will likely proceed with their previously announced plan to gradually phase out their additional voluntary cuts (announced in November 2023) of 2.2 mbpd. Over the weekend, China's official manufacturing PMI came in weaker than expected at 49.1 points. We anticipate oil prices to remain under pressure during Asian trading hours due to expectations of ample supply and concerns of softening Chinese demand.

Major Markets

ID: Bank Indonesia, Bank of Korea, and Korea's Ministry of Economy and Finance have agreed to promote the use of local currencies for cross-border trade transactions between the two countries. The initiative follows the Memorandum of Understanding (MoU) signed in 2023 and the agreement on the Operational Guidelines for the framework in June 2024. The agreement thus enables the appointed cross-currency dealer banks to facilitate current account transactions between Korea and Indonesia in their respective local currencies, as well as the relaxation of relevant rules and regulations to enhance the usage of local currencies.

MY: Chinese battery manufacturer Zhuhai CosMX Battery Co Ltd plans to invest MYR1bn in building a manufacturing plant in Kedah, Malaysia. The facility will be constructed in phases at the Kulim East Industrial Park, with groundbreaking expected to begin in the fourth quarter of this year. As reported by The Edge, it is expected to create over 1,000 jobs. The Investment, Trade, and Industry Minister, Zafrul Aziz, noted that this investment underscores Malaysia's position as a preferred investment destination.

TH: Economic activity in July remained mixed relative to June. On the domestic demand front, growth in private investment index accelerated to 3.4% YoY versus -2.3% in June, while growth in private consumption index held steady at 0.2% YoY in July. In contrast, growth in government spending remained in contraction, albeit slightly improved, to -8.2% YoY in July versus -13.9% in June. On the external front, export growth accelerated to 15.3% YoY versus 0.3% in June while import growth picked up to 15.8% YoY versus -0.1% in June. Consequently, the trade surplus narrowed to USD0.9bn versus USD2.4bn in June, while the current account surplus narrowed to USD0.3bn versus USD2.0bn in June. This persistent weakness in domestic demand suggests that looser monetary policy conditions have room to support growth. We expect the Bank of Thailand to cut its policy rate by 25bp in 4Q24 followed by another 25bp rate cut in 1Q25. This will bring the policy rate to 2.00% by end-2025.

PH: Headline inflation for August 2024 is expected to “settle within the range of 3.2-4.0%”, according to Bangko Sentral ng Pilipinas (BSP). BSP revealed that the primary sources of upward price pressures in August will come from higher prices for agricultural commodities. Additionally, higher electricity rates should also contribute to upward price pressure. Meanwhile, lower domestic oil prices as well as lower prices of rice, fish and meat, and the appreciation of the Philippine Peso are expected to offset upward price pressures. Moving forward, 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: Retail market continued to be grappled by weak consumption sentiment and more outbound travels by residents during the summer holidays. Total retail sales fell for the fifth consecutive month, by 11.8% YoY in July, (-13.3% YoY in volume terms), to the lowest tally since September 2022 at HKD29.1bn. Consumers are generally considered more price sensitive, with retailers reporting that any increase in sales figure was due to vigorous promotions and discounts. In the first seven months this year, total retail sales fell cumulatively by 7.3% YoY. We expect retail sales to stay weak in the next couple of months and record a high single-digit decline for the full year.

MO: Gross gaming revenue grew 14.8% YoY and 6.2% MoM to MOP19.75bn in August. Waning impact from Euro 2024 and other mega sports events, together with the solid summer holiday demand provided growth impetus for the gaming sector, despite recent crackdown on gaming related activities. For the first eight months as a whole, gross gaming revenue rose by 33.4% YoY, close to our full-year estimate of 33%. Nonetheless, growth is likely to slow further in the second half this year, given the more heavy-handed crackdown on gaming related activities and the high base effect. We revise our full-year growth forecast down to 27% YoY.

ESG Updates

SG: Singapore and Japan aim to deepen collaboration opportunities on carbon capture and storage (CCS), through knowledge exchange on best practices for cross-border CCS and insights on CCS technologies. It also aims to bring together expertise and resources from Singapore and Japan to accelerate CCS adoption in the region, as both countries have plans to export CO₂ to other ASEAN economies for storage. In particular, agreements around measurement, monitoring and verification protocols for exported CO₂ would need to be established, alongside cost-sharing and liabilities, to scale cross-border CO₂ transport and storage.

CN: China's wind and solar target has exceeded a target set by President Xi Jinping nearly six years ahead of schedule, which was to have at least 1,200GW of clean energy sources by 2030. The nation added 25GW of turbines and panels in July, expanding total capacity to exceed the target at 1,206GW, according to the National Energy Administration. However, solar and wind have generated about 14% of electricity in China so far in 2024, and further growth in renewables can support declining coal power generation. Grid operators are investing in power lines and energy storage facilities to facilitate the integration of intermittent generation sources into the power grid.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded relatively flat last Friday apart from the belly tenors which traded within a 0-1bps range. China Vanke Co. ("VANKE") reported half year loss of RMB9.85bn (USD1.4bn), its first semi-annual loss since 2003. Shanshan Group Co Ltd has gotten approval from bondholders to delay interest payment on an exchangeable bond. Bloomberg Asia USD Investment Grade spreads tightened by 1bps at 86bps while Bloomberg Asia USD High Yield spreads tightened by 3bps to 516bps. (Bloomberg, OCBC)

New Issues:

There was no notable issue in the Asiadollar and Singdollar market last Friday.

Mandates:

- Canara Bank has mandated banks to arrange a series of fixed income investor meetings in Asia and Europe starting 2 September 2024, and a USD 5Y benchmark sized note offering may follow under its medium term note programme.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.698	0.35%	USD-SGD	1.3067	0.28%
USD-JPY	146.170	0.81%	EUR-SGD	1.4433	-0.01%
EUR-USD	1.105	-0.26%	JPY-SGD	0.8937	-0.57%
AUD-USD	0.677	-0.49%	GBP-SGD	1.7153	-0.04%
GBP-USD	1.313	-0.31%	AUD-SGD	0.8845	-0.15%
USD-MYR	4.321	0.22%	NZD-SGD	0.8165	0.13%
USD-CNY	7.091	-0.08%	CHF-SGD	1.5372	-0.04%
USD-IDR	15455	0.26%	SGD-MYR	3.3173	0.08%
USD-VND	24875	-0.02%	SGD-CNY	5.4330	-0.29%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5890	-0.36%	1M	5.1912	-0.31%
3M	3.4900	-0.43%	2M	5.1217	-0.19%
6M	3.3600	-0.47%	3M	5.0141	-0.26%
12M	3.0880	-0.64%	6M	4.7100	-0.17%
			1Y	4.2275	0.07%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/31/2024	-0.020	-0.005	5.324
09/18/2024	-1.308	-0.327	5.003
11/07/2024	-2.626	-0.656	4.673
12/18/2024	-3.965	-0.991	4.338
01/29/2025	-5.108	-1.277	4.052

Equity and Commodity

Index	Value	Net change
DJIA	41,563.08	228.03
S&P	5,648.40	56.44
Nasdaq	17,713.63	197.20
Nikkei 225	38,647.75	285.22
STI	3,442.93	38.46
KLCI	1,678.80	25.25
JCI	7,670.73	43.13
Baltic Dry	1,814.00	-13.00
VIX	15.00	-0.65

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.55 (-0.03)	3.92(--)
5Y	2.53 (-0.02)	3.7 (+0.04)
10Y	2.71 (+0.01)	3.9 (+0.04)
15Y	2.79 (+0.02)	--
20Y	2.83 (--)	--
30Y	2.85 (--)	4.2 (+0.05)

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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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.55	-3.11%	Corn (per bushel)	3.780	1.7%
Brent (per barrel)	78.80	-1.43%	Soybean (per bushel)	9.820	0.8%
Heating Oil (per gallon)	225.15	-1.42%	Wheat (per bushel)	5.328	1.5%
Gasoline (per gallon)	221.17	-1.60%	Crude Palm Oil (MYR/MT)	40.750	0.7%
Natural Gas (per MMBtu)	2.13	-0.47%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9235.00	-0.10%	Gold (per oz)	2503.4	-0.7%
Nickel (per mt)	16766.00	-1.39%	Silver (per oz)	28.9	-1.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/02/2024 07:50	JN	Capital Spending YoY	2Q	10.00%	7.40%	6.80%	--
09/02/2024 08:30	ID	S&P Global Indonesia PMI Mfg	Aug	--	--	49.3	--
09/02/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Aug F	--	--	49.5	--
09/02/2024 08:30	SK	S&P Global South Korea PMI Mfg	Aug	--	--	51.4	--
09/02/2024 08:30	TA	S&P Global Taiwan PMI Mfg	Aug	--	--	52.9	--
09/02/2024 08:30	MA	S&P Global Malaysia PMI Mfg	Aug	--	--	49.7	--
09/02/2024 08:30	TH	S&P Global Thailand PMI Mfg	Aug	--	--	52.8	--
09/02/2024 09:00	AU	Melbourne Institute Inflation MoM	Aug	--	--	0.40%	--
09/02/2024 09:30	AU	Building Approvals MoM	Jul	2.80%	--	-6.50%	--
09/02/2024 09:45	CH	Caixin China PMI Mfg	Aug	50	--	49.8	--
09/02/2024 12:00	ID	CPI YoY	Aug	2.11%	--	2.13%	--
09/02/2024 13:00	IN	HSBC India PMI Mfg	Aug F	--	--	57.9	--
09/02/2024 15:55	GE	HCOB Germany Manufacturing PMI	Aug F	42.1	--	42.1	--
09/02/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	Aug F	45.6	--	45.6	--
09/02/2024 16:30	UK	S&P Global UK Manufacturing PMI	Aug F	52.5	--	52.5	--
09/02/2024 21:00	SI	Purchasing Managers Index	Aug	--	--	50.7	--

Source: Bloomberg

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