

Daily Treasury Outlook

2 October 2024

Highlights

Global: Escalating tensions in the Middle East, following Iran's missile strikes on Israel, dampened investor sentiment, pushing both US stocks and treasury yields lower while the broader dollar index rebounded. The impact of these escalations on markets has been short-lived over the past three years, but further market reaction hinges on Israel's response.

In terms of economic data, the latest U.S. Labor Department's Job Openings and Labor Turnover Survey (JOLTS) revealed that the job market remained resilient in August, with job openings unexpectedly rising by 329,000 to 8.04mn, and July data being revised upward to 7.71mn. The surge in vacancies was led by the construction sector and state and local governments (excluding education), primarily driven by small businesses with 10 to 49 employees. However, medium-sized and large companies experienced a decline in job openings. Despite a slight drop in hires (down 99,000 in August), layoffs also fell by 105,000, indicating no signs of significant deterioration in the U.S. job market. Markets will be closely watching Friday's non-farm payroll data for further insights.

Elsewhere, a strike by dock workers on the U.S. East and Gulf Coasts, which began on Tuesday, raised concerns, reminding investors of the supply chain disruptions experienced during the COVID era, which subsequently fuelled high inflation. While it is challenging for markets to price in this risk at the moment, potential disruptions to October job market readings ahead of the November FOMC meeting will be closely monitored.

In the Eurozone, inflation dipped below 2% for the first time since mid-2021, coming in at 1.8% YoY in September, with core inflation also easing to 2.7% from 2.8%, driven by slower services price growth. ECB policymaker Kazaks noted yesterday that the central bank has a clear case for cutting interest rates at its next meeting. Weak inflation and growth data have strengthened the case for an imminent rate cut, with markets fully pricing in this possibility.

Market Watch: This morning, headline CPI in South Korea eased more than expected to 1.6% YoY in September (August: 2.0%; consensus: 1.9%). Core inflation ticked down slightly to 2.0% YoY in September (August: 2.1%). For today, attention will be on the Eurozone's August unemployment rate and the US' September ADP employment change. Later tonight, we will get September manufacturing and electronics PMI data for Singapore as well.

Key Market Movements

Equity	Value	% chg
S&P 500	5708.8	-0.9%
DJIA	42157	-0.4%
Nikkei 225	38652	1.9%
SH Comp	3336.5	0.0%
STI	3581.0	-0.1%
Hang Seng	21134	0.0%
KLCI	1656.4	0.5%
	Value	% chg
DXY	101.194	0.4%
USDJPY	143.57	0.0%
EURUSD	1.1068	-0.6%
GBPUSD	1.3286	-0.7%
USDIDR	15200	0.4%
USDSGD	1.2881	0.2%
SGDMYR	3.2302	0.3%
	Value	chg (bp)
2Y UST	3.60	-3.68
10Y UST	3.73	-4.94
2Y SGS	2.47	2.70
10Y SGS	2.63	1.24
3M SORA	3.49	0.50
3M SOFR	5.31	-0.44
	Value	% chg
Brent	73.56	2.6%
WTI	69.83	2.4%
Gold	2663	1.1%
Silver	31.46	1.0%
Palladium	1009	0.6%
Copper	9979	1.5%
BCOM	101.29	0.9%

Source: Bloomberg

Major Markets

ID: Headline CPI eased more than expected to 1.8% YoY in September from 2.1% in August, compared to market expectations of 2.0%. Meanwhile, core CPI rose modestly to 2.1% from 2.0%. The drivers were mixed, with modestly higher CPI in recreation, sports & culture (1.6% in September from 1.5% in August), education (1.9% from 1.8%), and personal care (6.3% from 6.0%), offset by lower CPI in other key components, including food (2.6% from 3.4%) and transportation (0.9% from 1.4%). The September print brings the 3Q24 CPI to an average of 2.0% versus 2.5% in 2Q24, and the overall year-to-date CPI has also eased to 2.5% from 3.7% in 2023. Looking ahead, we maintain our forecast for the headline CPI to average 2.5% in 2024, within Bank Indonesia's 1.5% - 3.5% target range, implying relatively well-contained price pressures in 4Q24.

MY: Prime Minister Anwar Ibrahim has announced that the government intends to establish a national cloud policy and implement regulations to encourage the ethical use of artificial intelligence, amid increasing investment by global tech companies in the country. The national cloud policy will prioritize public service innovation and efficiency, economic competitiveness and growth, user trust and data security, as well as digital inclusivity. PM Anwar made these remarks during the groundbreaking ceremony for Google's new USD2bn data centre in Elmina Business Park, which is expected to generate up to USD3bn to the economy and creating 26,500 jobs by 2030.

TH: Household debt as a percentage of GDP fell to 89.6% in 2Q24, down from 90.7% in 1Q24. Total liabilities totalled THB16.32trn in 2Q24, down from THB16.36trn in 1Q24. According to Bank of Thailand (BoT) Assistant Governor Chayawadee Chai-Anant, the decline in the debt-GDP ratio was the result of loan repayment and slowing credit growth at commercial banks. Notably, new loan growth slowed to 0.3% YoY in 2Q24 (1Q24: 1.3%), showing commercial banks increasing selectiveness as default rates continue to rise. This comes amidst the highest interest rate environment in a decade, with BoT maintaining its benchmark interest rate at 2.50%.

PH: Headline inflation is expected to "settle within the range of 2.0-2.8%" for September 2024, according to Bangko Sentral ng Pilipinas (BSP). BSP shared that the primary sources of downward price pressures were due to "negative base effects along with lower prices of food commodities including rice, meat, and vegetables as well as lower domestic oil prices, and the appreciation of the peso." These sources are anticipated to offset higher electricity, fish and fruits prices. 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".

VN: Vietnam and Mongolia have issued a joint statement on the establishment of a comprehensive partnership. The statement outlines plans to strengthen political cooperation through increased visits, exchanges, and meetings between parties, governments, and parliaments. Additionally, the two countries will expand cooperation in defence and security as a key pillar, as well as in economic, trade, and investment partnerships. The two countries also aim to collaborate in various areas such as agriculture, science, transportation, culture, tourism, education, and social protection.

ESG Updates

SG: Singapore and China have signed four new agreements on low-carbon development, to promote more research and business opportunities in the Sino-Singapore Tianjin Eco-City. This can attract more companies working on low-carbon products and technologies. MooVita is already deploying its autonomous vehicle fleet in the Eco-City, and more companies could be incentivised to trial new low-carbon solutions.

CN: The US and China were heard to be closing the divide on the contentious issue of international climate finance, following recent high-level talks between both countries. A softening of stances on both sides was observed, sending a positive signal for COP29 progress and discussions related to climate finance.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded mostly higher yesterday, with shorter tenors trading 1-3bps higher, belly tenors trading 0-1bps higher and 10Y trading ~1bps lower. Per Bloomberg, China Investment Corp, a sovereign wealth fund, has initiated a thorough examination of the country's three biggest bad debt managers with the intention of potentially acquiring them. Caixin Global reports that teams from CIC have been sent to China Cinda Asset Management Co. and China Orient Asset Management Co. in early September to evaluate their operations and financial status. The purpose of these assessments is to prepare for obtaining a majority stake in both companies from the Ministry of Finance. The studies are currently ongoing, as per Caixin's report. Bloomberg Asia USD Investment Grade spreads widened by 3bps to 88bps while Bloomberg Asia USD High Yield spreads widened by 3bps to 507bps. (Bloomberg, OCBC)

New Issues:

There was no notable issuance in the Asiadollar yesterday.

There were three notable issuances in the Singdollar market yesterday.

- Housing & Development Board priced a SGD500mn 10Y Fixed at 2.699%.
- OUE Treasury Pte Ltd priced a SGD150mn 5Y Green, Fixed at 4%.
- Mashreqbank PSC priced a SGD20mn 5Y Fixed at 3.2%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.194	0.41%	USD-SGD	1.2881	0.24%
USD-JPY	143.570	-0.04%	EUR-SGD	1.4257	-0.36%
EUR-USD	1.107	-0.60%	JPY-SGD	0.8972	0.29%
AUD-USD	0.688	-0.43%	GBP-SGD	1.7112	-0.44%
GBP-USD	1.329	-0.67%	AUD-SGD	0.8867	-0.19%
USD-MYR	4.157	0.81%	NZD-SGD	0.8091	-0.83%
USD-CNY	7.019	0.11%	CHF-SGD	1.5217	0.14%
USD-IDR	15200	0.40%	SGD-MYR	3.2302	0.33%
USD-VND	24610	0.17%	SGD-CNY	5.4539	-0.17%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.3530	-0.36%	1M	4.8555	-0.04%
3M	3.2790	-1.41%	2M	4.7194	-0.17%
6M	3.1050	-1.49%	3M	4.5990	-0.36%
12M	2.7470	-0.87%	6M	4.2828	-0.23%
			1Y	3.8195	-0.28%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-1.402	-0.351	4.471
12/18/2024	-2.835	-0.709	4.112
01/29/2025	-4.095	-1.024	3.797
03/19/2025	-5.233	-1.308	3.513
05/07/2025	-6.023	-1.506	3.316
06/18/2025	-6.658	-1.664	3.157

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.83	2.44%	Corn (per bushel)	4.290	1.0%
Brent (per barrel)	73.56	2.49%	Soybean (per bushel)	10.573	0.0%
Heating Oil (per gallon)	217.42	1.99%	Wheat (per bushel)	5.990	2.6%
Gasoline (per gallon)	196.66	0.23%	Crude Palm Oil (MYR/MT)	41.660	1.0%
Natural Gas (per MMBtu)	2.90	-0.92%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9979.00	1.53%	Gold (per oz)	2663.2	1.1%
Nickel (per mt)	17711.00	1.12%	Silver (per oz)	31.5	1.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	42,156.97	-173.18
S&P	5,708.75	-53.73
Nasdaq	17,910.36	-278.81
Nikkei 225	38,651.97	732.42
STI	3,580.96	-4.33
KLCI	1,656.39	7.48
JCI	7,642.13	114.20
Baltic Dry	2,084.00	-26.00
VIX	19.26	2.53

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.47 (+0.03)	3.6(--)
5Y	2.48 (+0.02)	3.51 (-0.05)
10Y	2.63 (+0.01)	3.73 (-0.05)
15Y	2.69 (+0.01)	--
20Y	2.69 (+0.01)	--
30Y	2.68 (+0.01)	4.07 (-0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.96
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/02/2024 07:00	SK	CPI YoY	Sep	1.90%	1.60%	2.00%	--
10/02/2024 07:00	SK	CPI MoM	Sep	0.40%	0.10%	0.40%	--
10/02/2024 07:00	SK	CPI Ex Food and Energy YoY	Sep	2.00%	2.00%	2.10%	--
10/02/2024 07:50	JN	Monetary Base YoY	Sep	--	-0.10%	0.60%	--
10/02/2024 07:50	JN	Monetary Base End of period	Sep	--	¥673.5t	¥674.9t	--
10/02/2024 08:30	SK	S&P Global South Korea PMI Mfg	Sep	--	--	51.9	--
10/02/2024 13:00	JN	Consumer Confidence Index	Sep	37	--	36.7	--
10/02/2024 17:00	EC	Unemployment Rate	Aug	6.40%	--	6.40%	--
10/02/2024 19:00	US	MBA Mortgage Applications	Sep-27	--	--	11.00%	--
10/02/2024 19:01	NZ	CoreLogic Home Value MoM	Sep	--	--	-0.50%	--
10/02/2024 20:15	US	ADP Employment Change	Sep	125k	--	99k	--
10/02/2024 21:00	SI	Purchasing Managers Index	Sep	--	--	50.9	--
10/02/2024 21:00	SI	Electronics Sector Index	Sep	--	--	51.3	--

Source: Bloomberg

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