

Daily Treasury Outlook

2 December 2024

Highlights

Global: The US dollar experienced a decline last week, ending an eight-week winning streak, along with falling US Treasury yields. While the fervour surrounding the Trump trade has diminished, concerns regarding tariffs remain pertinent. Much of the dollar's depreciation can be attributed to gains in the Japanese yen (JPY) and the euro (EUR), although it maintained strength against currencies such as the Canadian dollar, influenced by tariff anxieties. Bank of Japan (BoJ) Governor Kazuo Ueda indicated that the timing for the next interest rate hike is "approaching," as the economy aligns with the central bank's forecasts. Despite acknowledging the uncertainties stemming from the US economic outlook, Ueda's comments bolster market expectations for a potential increase in the Bank of Japan's short-term policy rate in December. He emphasized that key determinants for the BOJ's decision on the timing of a rate hike include wage growth, the transmission of wage increases to prices, and the robustness of consumer spending. Ueda also cautioned that if the Japanese yen continues to depreciate following a rise in inflation above the annual 2% target, it could pose a significant risk to the central bank's economic projections, necessitating a response. We anticipate the BoJ will raise its interest rate by 15 basis points at the December meeting. In the Eurozone, the Consumer Price Index (CPI) reaccelerated to 2.3% year-on-year in November, up from 2% in October. This rebound is largely attributed to base effects, as CPI fell by 0.3% month-on-month in November. Core CPI remained stable at 2.7% year-on-year. However, Friday's data does little to alter the broader narrative that inflation is gradually moving towards the European Central Bank's target.

Market Watch: This morning, 3Q24 capital spending in Japan came in higher than expected at 8.1% YoY (2Q24: 7.4%; consensus: 6.7%), indicating strong investment momentum and further support for investments moving forward. Today is a heavy manufacturing PMI data release day, with data from Indonesia, Japan, South Korea, Malaysia, Philippines, Thailand, Taiwan, Vietnam, China Caixin, India, France, Germany, Eurozone, UK, US S&P, US ISM and Singapore all being released today. Apart from that, watch for Indonesia's November inflation, Italy's October unemployment rate and 3Q24 GDP as well as the Eurozone's October unemployment rate. For the week ahead, Tuesday will bring South Korea's November CPI and US JOLTS job openings for November. On Wednesday, we will get services PMI readings from around the world. Australia's 3Q24 GDP and US November ADP employment change and November factory and durable goods orders. Data releases on Thursday to keep an eye out for include South Korea's 3Q24 GDP, Philippines and Taiwan's November inflation, Singapore's October retail sales and the weekly initial jobless claims from the US. Data releases on Friday include Vietnam and Thailand's November inflation, the Eurozone's 3Q24 GDP and the US' November labour market report and December preliminary University of Michigan consumer sentiment.

Key Market Movements

Equity	Value	% chg
S&P 500	6032.4	0.6%
DJIA	44911	0.4%
Nikkei 225	38208	-0.4%
SH Comp	3326.5	0.9%
STI	3739.3	0.1%
Hang Seng	19424	0.3%
KLCI	1594.3	-0.2%
	Value	% chg
DXY	105.737	-0.3%
USDJPY	149.77	-1.2%
EURUSD	1.0577	0.2%
GBPUSD	1.2735	0.4%
USDIDR	15845	-0.2%
USDSGD	1.3395	-0.3%
SGDMYR	3.3184	0.4%
	Value	chg (bp)
2Y UST	4.15	-7.63
10Y UST	4.17	-9.49
2Y SGS	2.77	-3.60
10Y SGS	2.74	-5.32
3M SORA	3.23	-0.67
3M SOFR	4.91	-1.70
	Value	% chg
Brent	71.84	-1.3%
WTI	68	-1.0%
Gold	2643	0.2%
Silver	30.63	1.3%
Palladium	983	0.2%
Copper	9011	0.1%
BCOM	98.14	0.4%

Source: Bloomberg

On the central bank front, the Reserve Bank of India will meet on Friday (6 December) where we expect them to cut the repurchase rate by 25bp to 6.25% following a shocking 3Q24 GDP print. Meanwhile, the Federal Reserve will release its December Beige Book on Thursday (5 December).

Oil: Crude oil benchmarks closed lower, with WTI and Brent declining by 1.0% and 0.5%, respectively, closing at USD68.0/bbl and USD72.9/bbl. Trading activity remained thin post-holiday. The decline in oil prices was likely associated with the delay of OPEC+'s upcoming meeting amidst concerns about the durability of the Israel-Hezbollah ceasefire agreement. The upcoming OPEC+ meeting is scheduled for 5 December (Thursday).

Major Markets

CN: Manufacturing sentiment continued to recover in November, with manufacturing PMI rising to 50.3 from 50.1, driven by improvements in both external and domestic demand. There were two bright spots. Firstly, smaller companies saw the most significant gains in November. PMI for medium-sized companies rose to 50.0 from 49.4, while small-sized companies improved to 49.1 from 47.5. In contrast, large-sized companies saw a slight decline, with their PMI falling to 50.9 from 51.5. Secondly, the business expectation index jumped significantly, reaching 54.7 from 54.0, indicating improved confidence among manufacturers about future conditions. Despite the improvement in sentiment, pricing pressures persisted. Both major raw material purchase prices and factory gate prices fell into contraction territory, with their respective indices dropping 3.6 and 2.2 percentage points MoM to 49.8 and 47.7. This shows the ongoing pressure on the profitability for upstream sectors.

The non-manufacturing PMI softened slightly to 50.0 from 50.2, reflecting mixed performance across key sectors. Service PMI remained stable at 50.1, indicating flat growth in the services sector. Construction PMI fell to 49.7, slipping below 50 for the first time since early 2020 during the onset of COVID-19. The slowdown in construction was partially driven by cold weather, though it also underscores weak infrastructure investment despite the rise in government bond issuance. Furthermore, the stabilization in property transactions has yet to translate into increased property construction activity.

ID: Coordinating Minister Airlangga Hartarto noted that the government remains committed to implementing the mandatory B40 (40% biofuel mix with palm oil) starting on 1 January 2025, up from the current B35 mandate. The Indonesia Biofuel Producer Association (APROBI) noted that the B40 mandate will see Indonesia's palm oil consumption for biofuel rise to 13.9mn tonnes, up from an estimated 11mn tonnes in 2024. Separately, Minister Hartarto noted that the Joint Task Force on the European Union Deforestation Regulation (EUDR), involving Indonesia, Malaysia, and the EU, will continue its work, with the two largest producing countries pushing for recognition of their respective sustainability standards (ISPO in Indonesia and MSPO in Malaysia).

MY: Brazil and Malaysia are set to collaborate in the semiconductor industry, focusing on joint initiatives in integrated circuit (IC) design. Potential areas of cooperation include joint ventures between companies, collaborative R&D projects involving institutions such as Mimos Bhd and Brazil's Eldorado Institute, and talent development programs, as reported by Bernama. The partnership, formalized through MOUs signed during Prime Minister Anwar Ibrahim's recent visit to Brazil, aims to leverage Malaysia's robust semiconductor export ecosystem and Brazil's expertise in IC design to create mutual investment opportunities and drive innovation.

TH: The uneven recovery in economic growth momentum continued in October. Export and import growth improved in October versus September, along with tourist arrivals resulting a broadly stable current account surplus. On the domestic front, private sector investment spending jumped but growth in private consumption spending was flat. Meanwhile, government spending stayed strong. We expect the economy to grow 2.6% YoY in 2024, implying a pickup in 4Q24 GDP growth to 3.5%. Much of this growth is expected to come from the digital wallet program; notwithstanding, the improvements in the October data suggests that 4Q24 started on a strong note. For 2025, we forecast GDP growth to pick up to 3.3% YoY. Our base case remains for Bank of Thailand (BoT) to cut its policy rate by 25bp in 1Q25 after staying on hold at its 18 December meeting.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for November 2024 is expected to "settle within the 2.2-3.0% range". BSP stated that the primary sources of upward price pressures in November are due to higher food prices (i.e., vegetables, fish and meat). Meanwhile, higher utility and energy prices, as well as the depreciation of the Philippine Peso are also expected to contribute to upward price pressures. Meanwhile, lower prices of rice will provide some offset to 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."

VN: The National Assembly approved the investment policy for the North-South high-speed railway project, with a total investment capital of around VND1,713.5trn (USD67.6bn). The project is expected to be completed by 2035, reducing travel time between Hanoi and Ho Chi Minh City to about 5.5 hours. Separately, the Nghe An provincial government approved foreign direct investment worth USD590mn for a fabric factory to be built by Mega Textile Singapore Private Limited Company. The factory is expected to begin trial operations in 2Q2028 and is forecasted to create up to 15k jobs for locals.

HK: Total retail sales declined further, albeit contracting at a slower pace of 2.9% YoY in value terms in October (Sep: -6.9% YoY). In the first ten months this year, total retail sales cumulatively fell by 7.1% YoY in value terms. The "multiple-entry" Individual Visit Scheme was resumed starting from December 2024. Under this scheme, Shenzhen residents can have unlimited entries into Hong Kong within a year instead of the previous one-trip-per-week limit. Under. Tourism-related sectors, which were hit by weak consumption sentiment, are expected to benefit from the new visa arrangement.

MO: As the Golden week holiday passed, Macau's gross gaming revenue dropped by 11.3% MoM (14.9% YoY), from the highest tally in more than four years in October, to MOP18.44bn in November. In the first eleven months as a whole, the gross gaming revenue rose by 26.8% YoY (in-house forecast: +24% YoY). Separately, starting from January 2025, Zhuhai residents can apply for a new "one-trip-per-week" visa to visit Macau. At the same time, residents possessing household registration and a residence permit for Hengqin can apply for a multiple-entry visa for unlimited travel (seven days of maximum stay period for each trip) to Macau.

ESG Updates

SG: Singapore and Thailand plan to strengthen collaboration in the areas of carbon credits, energy security and food security. The two countries discussed collaboration on green technologies and investments in renewable energy, to contribute to both countries' climate goals. They also plan to work towards an implementation agreement on carbon credits collaboration, especially in light of the finalisation of Article 6 of the Paris Agreement at COP29. This can support businesses in both countries on their net-zero journey. Thailand is also keen to strengthen Singapore's food security through increased exports of premium rice and eggs.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower last Friday, with shorter tenors trading 3-4bps lower, belly tenors trading 5bps lower and 10Y were trading 6bps lower. According to a filing with the exchange, China Evergrande Group has announced that a winding-up hearing is scheduled for 10 a.m. on February 27, 2025, at the Hong Kong High Court. Guangzhou R&F Properties has announced that it received a warning letter from the Guangdong Regulatory Bureau of the China Securities Regulatory Commission for failing to disclose certain material issues in a timely manner. New World Development has announced in an HKEX filing that Echo Huang has been appointed as the chief executive officer (CEO). Eric Ma has resigned from his position as executive director and CEO to focus on other personal commitments. Bloomberg Asia USD Investment Grade spreads remain flat at 74bps while Bloomberg Asia USD High Yield spreads tightened by 1bps to 458bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market last Friday.

- Huaiyuan County New Urbanization Construction Co Ltd (SBLC Provider: HUIZHANG BANK) priced a USD100mn 3Y Fixed at Par to Yield 5.4%.

There were no notable issuances in the Singdollar market last Friday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.737	-0.29%	USD-SGD	1.3395	-0.27%
USD-JPY	149.770	-1.17%	EUR-SGD	1.4166	-0.07%
EUR-USD	1.058	0.24%	JPY-SGD	0.8946	0.94%
AUD-USD	0.651	0.20%	GBP-SGD	1.7057	0.09%
GBP-USD	1.274	0.38%	AUD-SGD	0.8722	-0.07%
USD-MYR	4.448	0.05%	NZD-SGD	0.7928	0.25%
USD-CNY	7.247	0.03%	CHF-SGD	1.5199	-0.04%
USD-IDR	15845	-0.16%	SGD-MYR	3.3184	0.36%
USD-VND	25346	-0.12%	SGD-CNY	5.4083	0.21%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.0040	-0.60%	1M	4.5290	-0.21%
3M	2.9340	-0.17%	2M	4.4900	-0.17%
6M	2.6950	-0.48%	3M	4.4633	-0.08%
12M	2.4610	-0.08%	6M	4.3775	-0.02%
			1Y	4.2370	0.04%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/18/2024	-0.652	-0.163	4.417
01/29/2025	-0.908	-0.227	4.352
03/19/2025	-1.437	-0.359	4.220
7/5/2025	-1.758	-0.440	4.140
06/18/2025	-2.169	-0.542	4.037
07/30/2025	-2.428	-0.607	3.972

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.00	#DIV/0!	Corn (per bushel)	4.230	#DIV/0!
Brent (per barrel)	72.94	-0.46%	Soybean (per bushel)	9.895	#DIV/0!
Heating Oil (per gallon)	219.30	#DIV/0!	Wheat (per bushel)	5.323	#DIV/0!
Gasoline (per gallon)	194.37	#DIV/0!	Crude Palm Oil (MYR/MT)	52.380	3.5%
Natural Gas (per MMBtu)	3.36	#DIV/0!	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9010.50	0.09%	Gold (per oz)	2643.2	0.2%
Nickel (per mt)	15903.00	-1.00%	Silver (per oz)	30.6	1.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	44,910.65	188.59
S&P	6,032.38	33.64
Nasdaq	19,218.17	157.69
Nikkei 225	38,208.03	-141.03
STI	3,739.29	2.04
KLCI	1,594.29	-3.20
JCI	7,114.27	-85.89
Baltic Dry	1,354.00	-65.00
VIX	13.51	-0.39

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.77 (-0.04)	4.18(--)
5Y	2.72 (-0.05)	4.05 (-0.09)
10Y	2.74 (-0.05)	4.2 (-0.09)
15Y	2.8 (-0.06)	--
20Y	2.78 (-0.06)	--
30Y	2.71 (-0.03)	4.39 (-0.08)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.57
------	------

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
12/2/2024 8:30	ID	S&P Global Indonesia PMI Mfg	Nov	--	--	49.2	--
12/2/2024 8:30	JN	Jibun Bank Japan PMI Mfg	Nov F	--	--	49	--
12/2/2024 8:30	SK	S&P Global South Korea PMI Mfg	Nov	--	--	48.3	--
12/2/2024 8:30	TA	S&P Global Taiwan PMI Mfg	Nov	--	--	50.2	--
12/2/2024 8:30	VN	S&P Global Vietnam PMI Mfg	Nov	--	--	51.2	--
12/2/2024 8:30	AU	Retail Sales MoM	Oct	0.40%	--	0.10%	--
12/2/2024 9:45	CH	Caixin China PMI Mfg	Nov	50.6	--	50.3	--
12/2/2024 12:00	ID	CPI YoY	Nov	1.50%	--	1.71%	--
12/2/2024 13:00	IN	HSBC India PMI Mfg	Nov F	--	--	57.3	--
12/2/2024 15:00	UK	Nationwide House PX MoM	Nov	0.20%	--	0.10%	--
12/2/2024 16:55	GE	HCOB Germany Manufacturing PMI	Nov F	43.2	--	43.2	--
12/2/2024 17:00	EC	HCOB Eurozone Manufacturing PMI	Nov F	45.2	--	45.2	--
12/2/2024 17:30	UK	S&P Global UK Manufacturing PMI	Nov F	48.6	--	48.6	--
12/2/2024 22:30	CA	S&P Global Canada Manufacturing PMI	Nov	--	--	51.1	--
12/2/2024 22:45	US	S&P Global US Manufacturing PMI	Nov F	49	--	48.8	--
12/2/2024 23:00	US	ISM Manufacturing	Nov	47.6	--	46.5	--

Source: Bloomberg

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
herberhtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@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
wonqvkam@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
mengteechin@ocbc.com

This report 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 report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. 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 report 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 report 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 report 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, it 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. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective 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 or securities related services to such issuers as well as other parties generally. 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, BOS, OIR, OSPL 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).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.



GLOBAL MARKETS RESEARCH

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W