

Daily Treasury Outlook

3 June 2024

Highlights

Global: The start of summer - OPEC+ agreed to extend its voluntary supply cuts of key members from end-June till end of the year, as well as extend an earlier group-wide cap from end 2024 to end-2025. Meanwhile, China's manufacturing and non-manufacturing PMIs retreated to 49.5 and 51.1 respectively in May, down from 50.4 and 51.2 previously. Separately, the Eurozone's May headline and core CPI quickened to 2.6% YoY and 2.9% YoY, up from 2.4% and 2.7% in April. Over in the US, April personal income and spending moderated to 0.3% MoM and 0.2% MoM, while the core PCE deflator also eased to 0.2% MoM (2.8% YoY). The S&P500 gained 0.80% on Friday, while the 10-year UST bond yield fell 5bps to 4.5%.

Market Watch: Asian markets are likely to trade with a supported tone this morning. Today's economic data calendar comprises of China's Caixin PMIs and US' manufacturing ISM, Indonesia's May CPI, Eurozone and Asian PMIs including Singapore's manufacturing and electronics PMIs. For the week ahead, watch for China's trade data and Caixin services PMI, South Korea's 1Q24 GDP growth estimates, inflation readings from Taiwan and Thailand, and US' May nonfarm payrolls, unemployment rate and average hourly earnings (expected at 190k, 3.9% and 3.9% YoY/0.3% mom). On the central bank front, the BOC is likely to cut rates by 25bps to 4.75% on Wednesday, while the ECB is also primed for its first rate cut by 25bps on Thursday with ECB chief Lagarde's press conference of interest to give any hints of future intentions, followed by RBI's policy decision on Friday (likely static). Election results are also due for India (where PM Modi is widely tipped to remain in power), South Africa and Mexico.

SG: The May manufacturing and electronics PMIs are expected to remain in expansionary territory around the April readings of 50.5 and 50.9 respectively. The STI gained 0.4% to close at 3336.59 on Friday and may gain today.

Oil: WTI and Brent declined by 1.2% and 0.3% on Friday to close at USD77.0/bbl and USD81.6/bbl, respectively. Over the weekend, OPEC+ concluded its meeting with the extension of cuts to the group's overall crude oil production from end-2024 to end-2025. Meanwhile, the voluntary output cuts of 2.2mbpd by several member countries will be extended into 3Q24. The extension of OPEC+ policy will continue to rein in global oil supplies, which should provide support for oil prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5277.5	0.8%
DJIA	38686	1.5%
Nikkei 225	38488	1.1%
SH Comp	3086.8	-0.2%
STI	3336.6	0.4%
Hang Seng	18080	-0.8%
KLCI	1596.7	-0.5%
	Value	% chg
DXY	104.671	0.0%
USDJPY	157.31	0.3%
EURUSD	1.0848	0.1%
GBPUSD	1.2742	0.1%
USDIDR	16250	-0.1%
USDSGD	1.3512	0.1%
SGDMYR	3.4816	0.0%
	Value	chg (bp)
2Y UST	4.87	-5.21
10Y UST	4.50	-4.75
2Y SGS	3.42	-1.60
10Y SGS	3.36	-0.83
3M SORA	3.67	-0.11
3M SOFR	5.35	0.02
	Value	% chg
Brent	81.11	-0.9%
WTI	76.99	-1.2%
Gold	2327	-0.7%
Silver	30.41	-2.5%
Palladium	917	-3.6%
Copper	10040	-0.9%
BCOM	102.99	-1.0%

Source: Bloomberg

Major Markets

HK: Total retail sales in April surprised the market to the downside, falling by 14.7% YoY and 16.5% YoY in value and volume terms respectively. Taking the March and April data together (in order to eliminate the impact of Easter holiday), retail sales fell by 10.9% YoY, despite the sharp rebound in tourist arrivals. Local consumption sentiment stayed rather weak, as a result of the high interest rate environment and negative wealth effect (broad correction in the housing and equity market in the past few years). Meanwhile, residents' increased spending abroad also had some crowding out effect on their spending in the domestic market.

ID: President Joko Widodo met with Norwegian Climate and Environment Minister Andreas Eriksen to discuss bilateral cooperation and the European Union Deforestation Regulation (EUDR). Environment and Forestry Minister Siti Nurbaya Bakar stated that achieving the forest and other land uses net sink by 2030 remains Indonesia's top priority, with Norway having already provided USD 156 million for Indonesia's carbon reduction support. Minister Bakar also noted the need for adjustments in Indonesia's land inventory measurement method to align with the EUDR, emphasizing the importance of Norway's support in clarifying the regulation, especially regarding Indonesian oil palm products.

MY: Businesses are expecting a "favorable" environment in 2Q24, despite a decrease in the business confidence indicator to 0.7% from 4.2% in the previous quarter, according to data from the Department of Statistics (DOSM). Supporting this positive outlook is an improvement in the industry sector's confidence indicator, which rose to 5.3% in 2Q24 from 0.6% in 1Q24. Specifically, the mining, manufacturing, and electricity & water sectors are expected to perform well, with businesses anticipating encouraging business conditions in the reference quarter. On the other hand, the construction, wholesale & retail trade, and services sectors foresee challenging business conditions, as all three sectors' confidence indicators dropped to negative readings in 2Q24 from positive readings in 1Q24.

TH: April's economic activity showed a mixed performance compared to March. On the domestic demand front, growth in the private consumption index improved to 2.6% YoY in April versus 0.5% in March. Similarly, the private investment index accelerated to 6.3% YoY in April (March: -2.4%). By contrast, government spending remained weak, declining by 11.4% YoY in April versus -24.5% in March. On the external front, both export and import growth picked up to 5.8% YoY and 6.4% YoY in April versus -10.2% and 5.2% in March. Consequently, the trade balance narrowed to USD0.3bn in April versus USD1.0bn in March while the current account balance flipped into a small deficit of USD0.04bn from a surplus of USD1.1bn in March.

PH: Headline inflation for May 2024 is expected to "settle within the 3.7%-4.5% range", according to Bangko Sentral ng Pilipinas (BSP). BSP revealed that the primary sources of upward price pressures in May will come from higher prices of utilities, and vegetables. The recent depreciation of the Peso should

also contribute to upward price pressure. Meanwhile, lower prices of rice, fish, fruits and petroleum are expected to offset upward price pressures. Moving forward, the BSP reiterates that it "will continue to monitor developments affecting the outlook for inflation and growth in line with its data-dependent approach to monetary policy decision-making".

ESG Updates

CN: China aims to reduce the carbon dioxide emissions of key industries by an amount equivalent to about 1% of the 2023 national total through efficiency gains in all sectors from steel production to transportation, according to a government action plan that was recently released. China aims to control coal consumption and petroleum consumption, as well as promote the use of biofuel and sustainable aviation fuel to achieve this.

Rest of the world: South Korea plans to generate 70% of its electric power from carbon-free energy sources such as renewables and nuclear power by 2038, up from less than 40% in 2023. Coal and natural gas are expected to decline sharply based on the plans. It plans to increase solar and wind power output to 72 GW by 2030 from 23 GW in 2022 and add four nuclear plants to bring the total to 30 by 2038.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 0-1bps lower, belly tenors trading 0-1bps lower and 10Y trading 1bps lower. According to Korea Economic Daily, South Korea's financial watchdog plans to conduct on-site inspections on 10 savings banks that have a non-performing loan ("NPL") ratio exceeding 20%. In the first quarter, out of the 79 savings banks, 10 of them had an NPL ratio exceeding 20%, while 46 savings banks had an NPL ratio exceeding 10%. Additionally, Maeil Business Newspaper reported separately that financial regulators are considering relaxing merger and acquisition rules for savings banks in metropolitan areas. Bloomberg Asia USD Investment Grade traded flat at 76bps while Asia USD High Yield widened by 3bps to 505bps. (Bloomberg, OCBC)

New Issues:

There were no notable bond issuers in the Asiadollar and Singdollar market last Friday.

Mandates:

There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.671	-0.04%	USD-SGD	1.3512	0.08%
USD-JPY	157.310	0.31%	EUR-SGD	1.4659	0.24%
EUR-USD	1.085	0.15%	JPY-SGD	0.8589	-0.23%
AUD-USD	0.665	0.30%	GBP-SGD	1.7218	0.16%
GBP-USD	1.274	0.08%	AUD-SGD	0.8989	0.37%
USD-MYR	4.707	0.04%	NZD-SGD	0.8302	0.57%
USD-CNY	7.242	0.13%	CHF-SGD	1.4977	0.21%
USD-IDR	16250	-0.06%	SGD-MYR	3.4816	0.00%
USD-VND	25450	-0.02%	SGD-CNY	5.3565	-0.04%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.7170	-0.88%	1M	5.3279	0.00%
3M	3.7850	-0.08%	2M	5.3385	0.01%
6M	3.7450	-0.37%	3M	5.3400	0.00%
12M	3.7110	-0.48%	6M	5.3080	0.00%
			1Y	5.1765	-0.05%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
06/12/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
07/31/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
09/18/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
11/07/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
12/18/2024	#N/A Terminatec	#N/A Terminated	#N/A Terminated
01/29/2025	#N/A Terminatec	#N/A Terminated	#N/A Terminated

Equity and Commodity

Index	Value	Net change
DJIA	38,686.32	574.84
S&P	5,277.51	42.03
Nasdaq	16,735.02	-2.06
Nikkei 225	38,487.90	433.77
STI	3,336.59	13.21
KLCI	1,596.68	-7.58
JCI	6,970.74	-63.41
Baltic Dry	1,815.00	14.00
VIX	12.92	-1.55

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (-0.02)	4.87(--)
5Y	3.34 (-0.02)	4.51 (-0.06)
10Y	3.36 (-0.01)	4.5 (-0.05)
15Y	3.34 (-)	--
20Y	3.29 (-0.01)	--
30Y	3.23 (-)	4.65 (-0.03)

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)	76.99	-1.18%	Corn (per bushel)	4.463	-0.6%
Brent (per barrel)	81.62	-0.29%	Soybean (per bushel)	12.050	-0.4%
Heating Oil (per gallon)	236.36	-0.24%	Wheat (per bushel)	6.785	-0.4%
Gasoline (per gallon)	242.60	0.89%	Crude Palm Oil (MYR/MT)	40.690	2.1%
Natural Gas (per MMBtu)	2.59	0.58%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10040.00	-0.94%	Gold (per oz)	2327.3	-0.7%
Nickel (per mt)	19710.00	-1.76%	Silver (per oz)	30.4	-2.5%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/03/2024 07:50	JN	Capital Spending YoY	1Q	11.00%	6.80%	16.40%	--
06/03/2024 08:30	ID	S&P Global Indonesia PMI Mfg	May	--	--	52.9	--
06/03/2024 08:30	JN	Jibun Bank Japan PMI Mfg	May F	--	--	50.5	--
06/03/2024 08:30	SK	S&P Global South Korea PMI Mfg	May	--	--	49.4	--
06/03/2024 08:30	TA	S&P Global Taiwan PMI Mfg	May	--	--	50.2	--
06/03/2024 08:30	VN	S&P Global Vietnam PMI Mfg	May	--	--	50.3	--
06/03/2024 09:00	AU	Melbourne Institute Inflation MoM	May	--	--	0.10%	--
06/03/2024 09:45	CH	Caixin China PMI Mfg	May	51.6	--	51.4	--
06/03/2024 12:00	ID	CPI YoY	May	2.97%	--	3.00%	--
06/03/2024 13:00	IN	HSBC India PMI Mfg	May F	--	--	58.4	--
06/03/2024 15:55	GE	HCOB Germany Manufacturing PMI	May F	45.4	--	45.4	--
06/03/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	May F	47.4	--	47.4	--
06/03/2024 16:30	UK	S&P Global UK Manufacturing PMI	May F	51.3	--	51.3	--
06/03/2024 21:30	CA	S&P Global Canada Manufacturing PMI	May	--	--	49.4	--
06/03/2024 21:45	US	S&P Global US Manufacturing PMI	May F	50.9	--	50.9	--
06/03/2024 22:00	US	ISM Manufacturing	May	49.6	--	49.2	--

Source: Bloomberg

Macro Research

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

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

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

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

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

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
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
MengTeeChin@ocbc.com

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