

## Daily Treasury Outlook

3 July 2024

### Highlights

**Global:** U.S. yields retreated from their highs on Tuesday after Fed Chairman Powell stated that the U.S. is back on a "disinflationary path." Powell also highlighted two-sided risks, hinting that further progress on disinflation may lead to rising unemployment. Overall, Powell maintained a data-dependent stance, waiting for more data before cutting interest rates. Separately, Chicago Fed President Goolsbee cautioned that the Fed needs to be careful not to keep monetary policy tight for longer than necessary, given warning signs that the real economy is weakening. The implied rate cut from the futures market remained largely unchanged at 46bps by the end of the year. Elsewhere, Justice Juan Merchan postponed the sentencing date for Trump's hush money criminal charges to 18 September, from the previously set 11 July, to consider Trump's argument that he should have been immune from prosecution after the Supreme Court ruled that a president cannot be criminally prosecuted for official acts. This development is likely to continue supporting Trump-related trades in the near term. In the Eurozone, consumer inflation decelerated further to 2.5% year-over-year (YoY) in June from 2.6% YoY in May. Core inflation, however, held steady at 2.9%, above market expectations, as service prices remained high at 4.1%. The unemployment rate also remained steady at a record low of 6.4%, potentially underpinning service inflation due to sticky wage growth expectations. Nevertheless, ECB President Lagarde stated that the ECB is very advanced on the disinflationary path and predicted that inflation would be "in the low twos" within a year, reaching the central bank's 2% target in the second half of 2025. She also suggested that the decline in goods inflation could help offset the elevated service inflation. In Japan, the finance minister said in a regular post-cabinet meeting news conference that the government will continue to closely monitor the market, but he also noted that foreign exchange levels are set by the market, reflecting a complex mix of various factors, falling short of a clear intervention warning.

**Market Watch:** Today's focus will be on Eurozone service PMI, U.S. June ADP employment change, initial jobless claims, May factory orders, durable goods, and the ISM service index. Additionally, the Fed will publish its June FOMC meeting minutes.

**SG:** Manufacturing PMI slipped from 50.6 to 50.4 in June, but electronics PMI improved from 51.1 to 51.2, suggesting that it was a story of two halves. Contributing reasons for this divergence could be port congestion, vessel rerouting challenges, but also that some segments like pharmaceuticals have not been performing well of late. A gradual electronics improvement is still anticipated for 2H24 with manufacturing sector also likely to see modest positive growth for the full year. The S&P global Singapore PMI also rose from 54.2 to 55.2, suggesting that the services momentum is healthy.

### Key Market Movements

Equity	Value	% chg
S&P 500	5509.0	0.6%
DJIA	39332	0.4%
Nikkei 225	40075	1.1%
SH Comp	2997.0	0.1%
STI	3367.9	0.9%
Hang Seng	17769	0.3%
KLCI	1598.0	0.0%
	Value	% chg
DXY	105.722	-0.2%
USDJPY	161.44	0.0%
EURUSD	1.0745	0.0%
GBPUSD	1.2685	0.3%
USDIDR	16395	0.4%
USDSGD	1.356	-0.1%
SGDMYR	3.4747	-0.1%
	Value	chg (bp)
2Y UST	4.74	-1.44
10Y UST	4.43	-2.97
2Y SGS	3.38	2.10
10Y SGS	3.28	2.15
3M SORA	3.63	-0.31
3M SOFR	5.35	0.07
	Value	% chg
Brent	86.24	-0.4%
WTI	82.81	-0.7%
Gold	2329	-0.1%
Silver	29.53	0.3%
Palladium	1016	3.3%
Copper	9673	0.4%
BCOM	101.24	-0.1%

Source: Bloomberg

**Oil:** WTI and Brent declined by 0.7% and 0.4% on Tuesday to USD82.8/bbl and USD86.2/bbl, respectively. Initially, both WTI and Brent saw an increase in the morning due to concerns that Hurricane Beryl could disrupt oil operations along the US Gulf Coast. However, these gains were pared back as markets headed into NY open. The latest forecasts indicated that Hurricane Beryl would likely avoid most oil fields, resulting in minimal disruption on operations. In a separate report, the American Petroleum Institute (API) revealed a significant drawdown of 9.2mn bbls in US crude inventories for the week ending on 28 June. The Energy Information Administration (EIA) is set to release its oil inventories tonight (3 July), with consensus expecting a modest drawdown of 0.1mn bbls in US crude inventories. Given the latest API report, we anticipate support for oil prices during early Asian trading hours.

## Major Markets

**ID:** The Indonesia Investment Authority (INA) and the Australian Embassy in Indonesia have signed a memorandum of understanding (MoU) to enhance bilateral investment cooperation, aiming to boost Australian investments in key sectors that support Indonesia's growth and development. This partnership is a follow-up to Australia's Southeast Asia Economic Strategy to 2040, with the newly formed Australian Embassy Jakarta Investment Deal Team will be working closely with INA to identify investment projects and promote business opportunities between the two countries.

**MY:** Finance Minister II Amir Hamzah Azizan announced that 115k individual applications for cash subsidies on diesel have been approved as of July 1, 2024. He acknowledged that while the government will continue to raise awareness and streamline the application process, some eligible individuals may choose not to apply due to personal reasons, noting that data from the Inland Revenue Board revealed that out of the 300k eligible individuals, around 100k have not submitted an income tax declaration form for at least five years, as reported by The Edge. The Budi Madani initiative, which provides diesel subsidy cash aid, has been effective in reducing smuggling and has led to a significant drop in diesel retail sales in Peninsular Malaysia.

**PH:** President Ferdinand Marcos Jr has approved a proposed FY2025 national budget of PHP6.35tn, according to a statement released by the Presidential Communications Office. Under the approved National Expenditure Program (NEP), the agencies getting the lion's share of government appropriations include education, public works, health, interior and local government, and defence. The FY2025 budget of PHP6.25tn implies a 10.1% increase from FY2024 budget of PHP5.77tn.

**HK:** Hong Kong's total retail sales in May again surprised the market to the downside, falling by 11.5% YoY and 12.9% YoY in value and volume terms respectively. On a sequential basis, total value of retail sales rebounded by 3.2% in May over the previous month, partly due to the seasonality effect. Local consumption sentiment showed no visible signs of improvement, as high interest rate environments persist. Separately, mainland authorities announced a raise of the duty-free allowance for mainland tourists to Hong Kong (from RMB5000 to RMB12,000), rendering some support to the retail market in periods ahead.

## ESG Updates

**SG:** Enterprise Singapore and Temasek are partnering with Breakthrough Energy, a climate organisation founded by Bill Gates, to identify and grow budding climate technology in Southeast Asia. Through the programme, Singapore will co-fund and nurture deep-tech climate start-ups that work on renewable energy and carbon footprint to help the region meet its net-zero target by 2050. This can bring down the abatement costs for clean technologies and build the required capabilities for companies.

**Rest of the world:** Egypt is looking to raise its target for the renewable share of energy generation to 58% by 2040, up from its previous target to generate 42% of its power through renewables by 2030. This is part of the country's new strategy that the government aims to publish in the next few months, detailing efforts to expand green power in the country. Currently, less than 12% of Egypt's installed capacity of nearly 60GW is from renewables. Similar to other countries, there are challenges in ensuring that the renewable energy projects are connected to the grid.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve broadly traded higher yesterday. The 1Y tenor traded 1bps lower, short tenors traded flat to 1bps higher while the belly and the 10Y tenors traded 2bps higher. China Vanke Co. experienced a slowdown in home sales growth in June, despite signs of improvement in other parts of China's struggling housing market per Bloomberg. The developer reported a 7.9% m/m increase in contracted sales, reaching RMB25.13bn (USD3.46bn). This growth rate is lower than the 12% m/m increase observed in May. In comparison to the previous year, home sales in June were 31% lower. Bloomberg Asia USD Investment Grade widened by 1bps to 81bps while Bloomberg Asia USD High Yield widened by 5bps to 496bps. (Bloomberg, OCBC)

### New Issues:

There were many bond issuances in the Asiadollar market yesterday totalling at least ~USD6.2bn (including from Japan and Australian issuers). Among the issuers:

- Sumitomo Mitsui Financial Group Inc priced a total of USD4.5bn worth of debt. These include: USD750mn 5Y Fixed at T+93bps, a USD500mn 5Y FRN at SOFR+117bps, a USD900mn 7Y Fixed at T+103bps, a USD1.35bn 10Y Fixed at T+113bps, a USD1bn 20Y Sub Fixed (Tier 2) at T+113bps.
- ANZ Bank New Zealand Ltd priced a USD500mn WNG 10NC5 Sub Fixed (Tier 2) at T+150bps.
- National Australia Bank Ltd priced a USD500mn 5Y FRN at SOFR+83bps.

There was one notable bond issuer in the Singdollar market yesterday.

- Toronto-Dominion Bank priced a SGD250mn PerpNC5 (AT1) at 5.7%.

### Mandates:

- There were no new Asiadollar mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.722	-0.17%	USD-SGD	1.3560	-0.12%
USD-JPY	161.440	-0.01%	EUR-SGD	1.4571	-0.06%
EUR-USD	1.075	0.05%	JPY-SGD	0.8399	-0.11%
AUD-USD	0.667	0.11%	GBP-SGD	1.7201	0.16%
GBP-USD	1.269	0.28%	AUD-SGD	0.9041	0.00%
USD-MYR	4.721	0.16%	NZD-SGD	0.8242	-0.07%
USD-CNY	7.271	0.04%	CHF-SGD	1.5002	-0.25%
USD-IDR	16395	0.45%	SGD-MYR	3.4747	-0.11%
USD-VND	25455	0.00%	SGD-CNY	5.3608	0.18%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6550	0.63%	1M	5.3300	-0.06%
3M	3.7090	-0.05%	2M	5.3349	-0.03%
6M	3.6780	-0.11%	3M	5.3131	-0.06%
12M	3.5670	-0.31%	6M	5.2374	-0.10%
			1Y	5.0280	-0.11%

## 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	-0.730	-0.183	5.146
11/07/2024	-1.090	-0.273	5.056
12/18/2024	-1.826	-0.456	4.872
01/29/2025	-2.345	-0.586	4.743

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.81	-0.68%	Corn (per bushel)	4.020	0.9%
Brent (per barrel)	86.24	-0.42%	Soybean (per bushel)	11.650	0.5%
Heating Oil (per gallon)	262.97	0.57%	Wheat (per bushel)	5.615	-1.4%
Gasoline (per gallon)	257.34	-0.19%	Crude Palm Oil (MYR/MT)	41.400	2.9%
Natural Gas (per MMBtu)	2.44	-1.74%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9672.50	0.44%	Gold (per oz)	2329.5	-0.1%
Nickel (per mt)	17004.00	-2.03%	Silver (per oz)	29.5	0.3%

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

## Equity and Commodity

Index	Value	Net change
DJIA	39,331.85	162.33
S&P	5,509.01	33.92
Nasdaq	18,028.76	149.46
Nikkei 225	40,074.69	443.63
STI	3,367.90	29.33
KLCI	1,597.96	-0.24
JCI	7,125.14	-14.48
Baltic Dry	2,158.00	108.00
VIX	12.03	-0.19

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.38 (+0.02)	4.74(--)
5Y	3.25 (+0.02)	4.39 (-0.03)
10Y	3.28 (+0.02)	4.43 (-0.03)
15Y	3.29 (+0.04)	--
20Y	3.15 (+0.02)	--
30Y	3.1 (+0.02)	4.6 (-0.02)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.40
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## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/03/2024 09:30	AU	Retail Sales MoM	May	0.30%	--	0.10%	--
07/03/2024 09:30	AU	Building Approvals MoM	May	1.60%	--	-0.30%	--
07/03/2024 09:45	CH	Caixin China PMI Services	Jun	53.4	--	54	--
07/03/2024 15:55	GE	HCOB Germany Services PMI	Jun F	53.5	--	53.5	--
07/03/2024 16:30	UK	S&P Global UK Services PMI	Jun F	51.2	--	51.2	--
07/03/2024 19:00	US	MBA Mortgage Applications	Jun-28	--	--	0.80%	--
07/03/2024 20:15	US	ADP Employment Change	Jun	165k	--	152k	--
07/03/2024 20:30	US	Initial Jobless Claims	Jun-29	235k	--	233k	--
07/03/2024 20:30	US	Trade Balance	May	-\$76.5b	--	-\$74.6b	--
07/03/2024 22:00	US	Durable Goods Orders	May F	0.10%	--	0.10%	--
07/03/2024 22:00	US	ISM Services Prices Paid	Jun	56.7	--	58.1	--
07/03/2024 22:00	US	Factory Orders	May	0.20%	--	0.70%	--
07/03/2024 22:00	US	ISM Services Index	Jun	52.6	--	53.8	--
07/03/2024 22:00	US	ISM Services New Orders	Jun	53.6	--	54.1	--
07/03/2024 22:00	US	ISM Services Employment	Jun	49	--	47.1	--
07/03/2024 22:00	US	Durables Ex Transportation	May F	-0.10%	--	-0.10%	--

Source: Bloomberg

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