

Daily Treasury Outlook

3 October 2024

Highlights

Global: US equities closed broadly flat on Wednesday (S&P: +0.01%; NASDAQ: +0.08%; Dow: +0.09%) while the DXY index rose modestly. UST yields rose in the early part of the US trading session but closed lower from the session's high. September ADP employment change came in higher-than-expected at 143k versus 103k in August, above consensus expectations of 125k, adding to the mixed picture of the US labour market. Earlier this week, US JOLTS jobs openings rose in August to a three-month high and the September NFP print on Friday will be watched closely. Federal Reserve Bank of Richmond President Tom Barkin noted that "there is still work to do on inflation". In addition, he noted that wages could be impacted by the "recent union actions or a pullback in labor supply". US Fed fund futures pricing remained broadly unchanged, pricing in a cumulative 70bp in rate cuts for the rest of this year. The Vice-Presidential debate between Vance and Walz was a relative non-event, with some polls suggesting Vance did slightly better. Elsewhere, tensions in the Middle East continue to run high as markets await Israel's response to Iran's latest missile attack. The G7 held an emergency meeting to consider imposing further sanctions on Iran. Brent and WTI prices rose on 1 October but have since traded choppily around USD74.66/bbl and USD70.87/bbl, respectively.

Market Watch: The economic data for the day includes Japan's August trade data, the final readings of French, German, Italian Services and Composite PMI, HK August retail sales. US releases are August factory orders, September ISM services, and the weekly jobs data. Central bank speakers today include BoJ board member Noguchi and Fed Schmid and Kashkari.

Oil: Crude oil benchmarks extended gains for the second consecutive session, with WTI and Brent increasing by 0.4% and 0.5% on Wednesday, closing at USD70.1/bbl and USD 73.9/bbl, respectively. Concerns about potential supply disruptions in the Middle East was the key drivers behind higher oil prices. However, the buildup in US crude oil and gasoline inventories may have limited gains. According to the Energy Information Administration (EIA), US crude and gasoline inventories increased by 3.9mn bbls and 1.1mn bbls to 416.9mn bbls and 221.2mn bbls, respectively, for the week ending 27 September. OPEC+ held its 56th Joint Ministerial Monitoring Committee (JMMC) meeting yesterday, and there were no new changes to its output policy. The next JMMC meeting is scheduled for 1 December 2024.

Key Market Movements

Equity	Value	% chg
S&P 500	5709.5	0.0%
DJIA	42197	0.1%
Nikkei 225	37809	-2.2%
SH Comp	3336.5	0.0%
STI	3584.7	0.1%
Hang Seng	22444	6.2%
KLCI	1639.3	-1.0%
	Value	% chg
DXY	101.677	0.5%
USDJPY	146.47	2.0%
EURUSD	1.1045	-0.2%
GBPUSD	1.3268	-0.1%
USDIDR	15265	0.4%
USDSGD	1.2919	0.3%
SGDMYR	3.2406	0.3%
	Value	chg (bp)
2Y UST	3.64	3.71
10Y UST	3.78	4.94
2Y SGS	2.50	3.20
10Y SGS	2.65	1.82
3M SORA	3.50	0.34
3M SOFR	5.30	-0.32
	Value	% chg
Brent	73.9	0.5%
WTI	70.1	0.4%
Gold	2659	-0.2%
Silver	31.83	1.2%
Palladium	1021	1.2%
Copper	10085	1.1%
BCOM	101.54	0.2%

Source: Bloomberg

Major Markets

ID: Energy and Mineral Resources Minister Bahlil Lahadalia stated that restrictions on subsidized fuel sales will not take effect in October, as the plan remains under review. Minister Lahadalia highlighted the importance of refining eligibility criteria to prevent misuse and ensure that only those in need benefit from the fuel subsidies. Although sales restrictions for Pertalite and Solar were originally set to start this month, the government is still working on the necessary regulations and reviewing the legal framework to properly manage subsidy distribution.

MY: Oracle Corp. is set to invest USD6.5bn to establish a public cloud region services centre in Malaysia. The investment will enable Oracle customers and partners in Malaysia to leverage AI infrastructure and services and migrate mission-critical workloads to Oracle Cloud infrastructure.

TH: According to the Comptroller General's Department, the government has only disbursed 65% of its FY24 investment budget, which falls short of its disbursement target of 75%. They attributed this to the delay in budget approval. The remaining portion of the FY24 investment budget is anticipated to be disbursed during the first two quarters of 2025.

PH: The International Monetary Fund (IMF) has revised its 2024 growth forecast for the Philippines downward to 5.8%, compared to its previous forecast of 6.0% in June. This downward revision is attributed to their belief that “private consumption is going to grow slightly with less momentum.” However, GDP growth is anticipated to accelerate to 6.1% in 2025. On inflation, the IMF expects a return to the target range. Nevertheless, it cautions that risks remain tilted to the upside due to potential commodity price shocks. Regarding monetary policy, the IMF suggests that a “gradual” easing of the policy is appropriate as inflation eases.

HK: The stimulus driven stock market rally raged on. The Hang Seng Index rose by 32% in the past 13 trading sessions, rendering it the best performing benchmark index worldwide so far this year. Separately, on the first day of Golden Week holiday, Hong Kong saw over 222k inbound mainland visitors, up by 24.6% YoY from that of 178k in 2023. Foot traffic in shopping malls and tourist attractions also picked up notably.

MO: Gross gaming revenue grew by 15.5% YoY to MOP17.25bn in September (-12.7% MoM), the lowest tally since November last year, partly due to lower foot traffic when typhoon hit in early September. In the first nine months as a whole, gross gaming revenue rose by 31.1% YoY (vs. our full year forecast of 27%).

ESG Updates

MY: Malaysia's Ministry of National Resources and Environmental Sustainability launched the National Climate Change Policy (NCCP) 2.0 which is an updated policy that introduces a new framework for Malaysia's low-carbon transition. The intent is for NCCP 2.0 to be the umbrella policy that ties together all climate initiatives for Malaysia, including governance, climate finance and potentially the carbon pricing mechanism for emissions-intensive sectors in the near future.

Rest of the world: The US may impose tariffs on solar panels from Malaysia, Vietnam, Thailand and Cambodia as cheaper imports by Chinese companies operating in these countries make US products uncompetitive. However, some domestic producers also rely on low-cost solar cells from Southeast Asia to assemble into panels in the US. The tariffs may therefore also drive up the cost of panels for solar project developers in the US and stifle efforts to enhance renewable energy capacity.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter and belly tenors trading 1-2bps higher, and 10Y trading 2bps higher. A Hong Kong court hearing on Wednesday maintained an injunction on Xia Haijun, the former CEO of China Evergrande Group, as liquidators continue their efforts to recover USD6bn in dividends and compensation. Xia's legal representatives sought to challenge the injunction order issued by the Hong Kong High Court in June. The judge did not reach a decision on Wednesday, and the injunction order remains in effect while deliberations continue. The liquidators have also filed lawsuits against the company's founder, Hui Ka Yan, and other former executives. Injunctions have been obtained to prevent Hui, Xia, and Ding Yumei, Hui's ex-wife, from disposing of or decreasing the value of assets. Bloomberg Asia USD Investment Grade spreads tightened by 3bps to 85bps while Bloomberg Asia USD High Yield spreads widened by 1bps to 508bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar yesterday.

- Goodman US Finance Six LLC (Guarantors: Goodman Ltd, Goodman Funds Management Ltd and Goodman Logistics HK Ltd) priced a USD600mn 10Y Fixed at T+140bps.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- Biocon Biologics Global Plc UK (Guarantors: Biocon Biologics Ltd/India, Biosimilars Newco Ltd, Biocon Biologics UK Ltd, Biocon Sdn Bhd and Biosimilar Collaborations Ireland Ltd) may price a USD 5NC2 Senior Secured Fixed at 7.25% area.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.677	0.48%	USD-SGD	1.2919	0.30%
USD-JPY	146.470	2.02%	EUR-SGD	1.4269	0.08%
EUR-USD	1.105	-0.21%	JPY-SGD	0.8821	-1.68%
AUD-USD	0.689	0.03%	GBP-SGD	1.7140	0.16%
GBP-USD	1.327	-0.14%	AUD-SGD	0.8895	0.32%
USD-MYR	4.176	0.46%	NZD-SGD	0.8091	0.00%
USD-CNY	7.019	0.11%	CHF-SGD	1.5206	-0.07%
USD-IDR	15265	0.43%	SGD-MYR	3.2406	0.32%
USD-VND	24650	0.16%	SGD-CNY	5.4310	-0.42%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.3300	-0.69%	1M	4.8465	-0.13%
3M	3.2520	-0.82%	2M	4.6985	-0.53%
6M	3.0920	-0.42%	3M	4.5875	-0.38%
12M	2.7490	0.07%	6M	4.2750	-0.54%
			1Y	3.8412	-0.23%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-1.350	-0.338	4.484
12/18/2024	-2.785	-0.696	4.125
01/29/2025	-3.985	-0.996	3.825
03/19/2025	-5.050	-1.262	3.559
05/07/2025	-5.791	-1.448	3.373
06/18/2025	-6.417	-1.604	3.217

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.10	0.39%	Corn (per bushel)	4.325	0.8%
Brent (per barrel)	73.90	0.46%	Soybean (per bushel)	10.560	-0.1%
Heating Oil (per gallon)	218.21	0.36%	Wheat (per bushel)	6.153	2.7%
Gasoline (per gallon)	198.59	0.98%	Crude Palm Oil (MYR/MT)	43.050	3.3%
Natural Gas (per MMBtu)	2.89	-0.35%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10084.50	1.06%	Gold (per oz)	2658.7	-0.2%
Nickel (per mt)	18153.00	2.50%	Silver (per oz)	31.8	1.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	42,196.52	39.55
S&P	5,709.54	0.79
Nasdaq	17,925.12	14.76
Nikkei 225	37,808.76	-843.21
STI	3,584.67	3.71
KLCI	1,639.31	-17.08
JCI	7,563.26	-78.87
Baltic Dry	2,030.00	-54.00
VIX	18.90	-0.36

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.5 (+0.03)	3.65(--)
5Y	2.5 (+0.02)	3.55 (+0.04)
10Y	2.65 (+0.02)	3.79 (+0.05)
15Y	2.71 (+0.02)	--
20Y	2.7 (+0.02)	--
30Y	2.69 (+0.01)	4.14 (+0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.05
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/03/2024 08:30	JN	Jibun Bank Japan PMI Composite	Sep F	--	--	52.5	--
10/03/2024 08:30	JN	Jibun Bank Japan PMI Services	Sep F	--	--	53.9	--
10/03/2024 09:30	AU	Trade Balance	Aug	A\$5500m	--	A\$6009m	--
10/03/2024 15:55	GE	HCOB Germany Services PMI	Sep F	50.6	--	50.6	--
10/03/2024 15:55	GE	HCOB Germany Composite PMI	Sep F	47.2	--	47.2	--
10/03/2024 16:00	EC	HCOB Eurozone Composite PMI	Sep F	48.9	--	48.9	--
10/03/2024 16:30	HK	Retail Sales Value YoY	Aug	-9.00%	--	-11.80%	--
10/03/2024 16:30	UK	S&P Global UK Services PMI	Sep F	52.8	--	52.8	--
10/03/2024 20:30	US	Initial Jobless Claims	Sep-28	221k	--	218k	--
10/03/2024 22:00	US	Durable Goods Orders	Aug F	0.00%	--	0.00%	--
10/03/2024 22:00	US	ISM Services Prices Paid	Sep	56	--	57.3	--
10/03/2024 22:00	US	Factory Orders	Aug	0.10%	--	5.00%	--
10/03/2024 22:00	US	ISM Services Index	Sep	51.7	--	51.5	--
10/03/2024 22:00	US	ISM Services Employment	Sep	50	--	50.2	--
10/03/2024 22:00	US	ISM Services New Orders	Sep	52.5	--	53	--
10/03/2024 22:00	US	Durables Ex Transportation	Aug F	0.50%	--	0.50%	--

Source: Bloomberg

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