

## Daily Treasury Outlook

4 June 2024

### Highlights

**Global:** The US stock markets traded choppy on Monday, although only the Dow closed lower, led by a slump in energy stocks on falling oil prices and weaker manufacturing data. UST yields across the curve continued their decline from late last week and dollar drifted lower for the third straight trading session. Soft US ISM manufacturing stoked concerns of slowing growth. ISM manufacturing posted a larger-than-expected drop to 48.7 in May from 49.2 in April, dragged by the declines in new orders and production indices. The new orders index fell to 45.4 (vs. 49.1 in April), the lowest level since May 2023, while production index came in at 50.2 (vs. 51.3 in April). The prices paid index moved lower to 57.0 but remained above the 6-month average of 54.1. The Atlanta Fed slashed its GDPNow model forecast for 2Q24 growth to 1.8% from 2.7% last week. Recent narrative surrounding the latest OPEC+ decision also confirms growing doubts over the strength of economy and crude demand. Asian markets are off to a good start in June, seeing a broad-based rally. India's benchmark stock indices were the top performer based on exit polls showing that the BJP-led NDA alliance, under Prime Minister Modi, is set to win the 2024 general elections. Official election tabulation will begin today, with results expected by end of day.

**Market Watch:** Asian markets are likely to open with a cautious tone. Market will watch India's official election results. Today's economic data calendar comprises of South Korea's May CPI, Malaysia and Thailand's May manufacturing PMI, Australia's 1Q current account balance, Germany's May labour market data, US' April factory orders and JOLTS job openings.

**SG:** May manufacturing and electronics PMIs both improved in May to 50.6 and 51.1 respectively, up from April's 50.5 and 50.9. This marked the 9th and 7th consecutive months of expansion for the manufacturing and electronics sectors and herald a still positive outlook ahead which should bode well going into the second half of the year.

**Oil:** WTI and Brent declined by more than 3.5% on Monday to close lower at USD74.2/bbl and USD78.4/bbl respectively. The decline in prices was driven by concerns that global oil inventories is set to buildup in 4Q24. This follows the decision from the OPEC+ alliance to gradually unwind its November 2023 output cuts (2.2mbpd) from October-2024 until end of September 2025. Separately, the US Department of Energy announced a solicitation to purchase oil (3.0 million barrels) for its Strategic Petroleum Reserve (SPR) for delivery in November 2024.

### Key Market Movements

Equity	Value	% chg
S&P 500	5283.4	0.1%
DJIA	38571	-0.3%
Nikkei 225	38923	1.1%
SH Comp	3078.5	-0.3%
STI	3348.9	0.4%
Hang Seng	18403	1.8%
KLCI	1596.7	0.0%
	<b>Value</b>	<b>% chg</b>
DXY	104.140	-0.5%
USDJPY	156.08	-0.8%
EURUSD	1.0904	0.5%
GBPUSD	1.2808	0.5%
USDIDR	16230	-0.1%
USDSGD	1.3459	-0.4%
SGDMYR	3.4816	0.0%
	<b>Value</b>	<b>chg (bp)</b>
2Y UST	4.81	-6.47
10Y UST	4.39	-11.01
2Y SGS	3.39	-2.80
10Y SGS	3.32	-3.82
3M SORA	3.66	-0.81
3M SOFR	5.35	0.10
	<b>Value</b>	<b>% chg</b>
Brent	78.36	-3.4%
WTI	74.22	-3.6%
Gold	2351	1.0%
Silver	30.73	1.1%
Palladium	927	1.1%
Copper	10143	1.0%
BCOM	102.74	-0.2%

Source: Bloomberg

## Major Markets

**ID:** Headline CPI eased by more-than-expected to 2.8% YoY in May versus 3.0% in April (Consensus & OCBC: 3.0%), but still within Bank Indonesia's 1.5-3.5% target range. Meanwhile, the core print picked up marginally to 1.9% YoY from 1.8% in the previous month. Looking at the drivers, 'food, beverage, and tobacco' inflation eased significantly to 6.1% YoY in May from 7.0% in April, as authorities' efforts to increase supply of key food items such as rice are beginning to bear fruit. Meanwhile, transportation CPI rose slightly to 2.1% YoY in May from 1.3% in April. Year-to-May headline inflation averaged 2.8% YoY. Looking ahead, we continue to expect the headline CPI to print closer to the upper bound of BI's inflation target range and average 3.1% in 2024 (2023: 3.7%).

**MY:** Japanese companies operating in Malaysia's services sector are set to increase their investments in the country, according to Koichi Takano, the Managing Director of Japan External Trade Organization (JETRO) Kuala Lumpur. He cited the latest insights from a JETRO and Japanese Chamber of Trade & Industry Malaysia survey. Takano added that while new investments are primarily in the services sector, some manufacturing companies are expanding their existing operations. He also mentioned several factors that make Malaysia an attractive investment destination, including political stability and good English proficiency among the population. Additionally, the survey indicates improved business sentiment for 2024, with companies also seeking preferential policies, tax breaks, and green energy incentives to support their investments.

## ESG Updates

**SG:** A survey by EY showed that 58% of CEOs in Singapore have deprioritised their focus on sustainability, compared with a year ago, partly owing to challenging economic or financial circumstances. Corporate leaders are also found to be green hushing for fear of being accused of greenwashing. This trend is also observed across other countries where sustainability is less of a priority in some organisations than it was a year ago, but this could be because sustainability has already been incorporated into existing frameworks and processes so organisations can focus on other priorities.

**MY:** Abnormal weather has been disruptive to Malaysia's durian harvests this year. The fruits have yet to ripen and fall, delaying the peak durian season that typically lasts from May till August. This can affect the quality and quantity of Malaysia's supply for the export market amid rising demand from countries like China.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 2-4bps lower, belly tenors trading 4bps lower and 10Y trading 4bps lower. Last weekend, two major cities in China witnessed an improvement in the sentiment of homebuyers, pointing to the gradually improving real estate sector. This came after the relaxation of property restrictions, which had been in place for months. In Shanghai, over 90% of the 300 units available at a new project were sold, surpassing the sales rate of the same development in March. Similarly, in Shenzhen, buyer interest increased significantly, leading some developers to withdraw their discount offers. Additionally, both cities experienced a recovery in existing-home sales. Bloomberg Asia USD Investment Grade widened by 2bps to 78bps while Asia USD High Yield tightened by 11bps to 494bps. (Bloomberg, OCBC)

### New Issues:

There were two notable bond issuers in the Asiadollar market yesterday.

- Nine Dragons Paper Holdings Ltd priced a USD400mn PerpNC3 at 14%.
- National Australia Bank Ltd priced a three-part offering. A USD900mn 3Y at T+47bps, a USD850mn 3Y FRN at SOFR+62bps and a USD750mn 10Y at T+78bps.

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

- IFAST Corporation Ltd priced its debut SGD100mn 5Y at 4.328%.

### Mandates:

- Suntory Holdings Ltd is planning to issue USD 5Y 144A/Reg S Notes.
- China Great Wall AMC International is planning to raise around USD600mn via offshore bond offering.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.140	-0.51%	USD-SGD	1.3459	-0.39%
USD-JPY	156.080	-0.78%	EUR-SGD	1.4676	0.12%
EUR-USD	1.090	0.52%	JPY-SGD	0.8623	0.40%
AUD-USD	0.669	0.54%	GBP-SGD	1.7238	0.12%
GBP-USD	1.281	0.52%	AUD-SGD	0.9004	0.17%
USD-MYR	4.707	0.04%	NZD-SGD	0.8335	0.40%
USD-CNY	7.242	0.00%	CHF-SGD	1.5026	0.33%
USD-IDR	16230	-0.12%	SGD-MYR	3.4816	0.00%
USD-VND	25439	-0.04%	SGD-CNY	5.3782	0.41%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.7170	-0.88%	1M	5.3288	0.03%
3M	3.7850	-0.08%	2M	5.3372	0.00%
6M	3.7450	-0.37%	3M	5.3377	-0.01%
12M	3.7110	-0.48%	6M	5.2944	0.05%
			1Y	5.1420	0.06%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.012	-0.003	5.328
07/31/2024	-0.173	-0.043	5.288
09/18/2024	-0.683	-0.171	5.160
11/07/2024	-1.006	-0.251	5.079
12/18/2024	-1.630	-0.407	4.923
01/29/2025	-2.012	-0.503	4.828

## Equity and Commodity

Index	Value	Net change
DJIA	38,571.03	-115.29
S&P	5,283.40	5.89
Nasdaq	16,828.67	93.65
Nikkei 225	38,923.03	435.13
STI	3,348.87	12.28
KLCI	1,596.68	-7.58
JCI	7,036.19	65.45
Baltic Dry	1,815.00	14.00
VIX	13.11	0.19

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (-0.03)	4.82(--)
5Y	3.29 (-0.05)	4.4 (-0.1)
10Y	3.32 (-0.04)	4.4 (-0.11)
15Y	3.3 (-0.03)	--
20Y	3.25 (-0.04)	--
30Y	3.19 (-0.04)	4.55 (-0.11)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.34
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.22	-3.60%	Corn (per bushel)	4.435	-0.6%
Brent (per barrel)	78.36	-3.99%	Soybean (per bushel)	11.845	-1.7%
Heating Oil (per gallon)	229.62	-2.85%	Wheat (per bushel)	6.728	-0.8%
Gasoline (per gallon)	233.56	-3.73%	Crude Palm Oil (MYR/MT)	40.690	#DIV/0!
Natural Gas (per MMBtu)	2.76	6.53%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10143.00	1.03%	Gold (per oz)	2350.8	1.0%
Nickel (per mt)	19422.00	-1.46%	Silver (per oz)	30.7	1.1%

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

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/04/2024 07:00	SK	CPI YoY	May	2.80%	2.70%	2.90%	--
06/04/2024 07:00	SK	CPI MoM	May	0.20%	0.10%	0.00%	--
06/04/2024 07:01	UK	BRC Sales Like-For-Like YoY	May	1.20%	0.40%	-4.40%	--
06/04/2024 07:50	JN	Monetary Base YoY	May	--	0.90%	2.10%	--
06/04/2024 08:30	TH	S&P Global Thailand PMI Mfg	May	--	--	48.6	--
06/04/2024 08:30	MA	S&P Global Malaysia PMI Mfg	May	--	--	49	--
06/04/2024 09:30	AU	BoP Current Account Balance	1Q	A\$5.2b	--	A\$11.8b	--
06/04/2024 15:30	TH	Business Sentiment Index	May	--	--	47.3	--
06/04/2024 15:55	GE	Unemployment Change (000's)	May	7.0k	--	10.0k	--
06/04/2024 15:55	GE	Unemployment Claims Rate SA	May	5.90%	--	5.90%	--
06/04/2024 22:00	US	Durable Goods Orders	Apr F	0.70%	--	0.70%	--
06/04/2024 22:00	US	Factory Orders	Apr	0.60%	--	1.60%	0.80%
06/04/2024 22:00	US	Durables Ex Transportation	Apr F	0.40%	--	0.40%	--
06/04/2024 22:00	US	Cap Goods Orders Nondef Ex Air	Apr F	0.30%	--	0.30%	--
06/04/2024 22:00	US	JOLTS Job Openings	Apr	8350k	--	8488k	--
06/04/2024 22:00	US	Cap Goods Ship Nondef Ex Air	Apr F	--	--	0.40%	--

Source: Bloomberg

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