

Daily Treasury Outlook

4 July 2024

Highlights

Global: US economic data overnight pointed to weakening growth momentum and slower labour market gains. The ISM Services reading for June dropped sharply, below the 50 threshold, to 48.8 versus 53.8 in May (Consensus: 52.7). The index has oscillated between expansion and contraction, i.e. below and above 50, for the past two months underscoring volatility in the series. The drop in June was driven by the new orders sub-index, which fell to 47.3 versus 54.1 in May. May factory orders contracted by 0.5% MoM sa from a downwardly revised 0.4% in April; the final reading of the May durable goods orders was unchanged at 0.1%. June ADP employment gains were less than expected at 150k versus 157k in May (consensus: 165k) while weekly initial jobless claims were broadly in line with expectations. The FOMC minutes continued to suggest data dependence, as more members assessed incoming data for further evidence of the disinflation trend. Specifically, the minutes noted that “consumer price inflation was running well below where it was a year earlier, but further progress toward the Committee’s 2 percent inflation objective had been modest in recent months”. S&P (+0.51%) and NASDAQ (+0.88%) rallied on Wednesday while the DXY index and UST yields moderated. Fed fund futures are broadly pricing in 50bp in rate cuts for this year, while the probability for a cut in September has risen. Meanwhile, Eurozone Services PMI held up well, with the final reading for June being revised higher to 52.8 versus 52.6 previously. ECB governing council member Yanis Stournaras stated that that he believes two additional rate cuts from the ECB are “reasonable”.

Market Watch: US markets are closed for the 4 July holiday, with June labour market data scheduled for release on Friday. The FOMC minutes noted that “labour demand and supply continued to move into better balance. Total nonfarm payroll employment increased at only a somewhat slower average monthly pace over April and May than the strong rate recorded in the first quarter.” Elsewhere, Australia May trade data and German May factory orders are slated for release. ECB will publish the account of the June policy meeting. The UK will head to the polls later tonight as opinion polls suggest a resounding victory for Keir Starmer’s Labour Party.

CN: Early signs of a recovery in property transaction volumes have emerged since late June in 30 major cities. The 7-day rolling average transaction volume year-on-year growth turned positive for the first time since the Chinese New Year, raising hopes that property easing measures may start to bear fruit.

Key Market Movements

Equity	Value	% chg
S&P 500	5537.0	0.5%
DJIA	39308	-0.1%
Nikkei 225	40581	1.3%
SH Comp	2982.4	-0.5%
STI	3415.5	1.4%
Hang Seng	17979	1.2%
KLCI	1615.3	1.1%
	Value	% chg
DXY	105.403	-0.3%
USDJPY	161.69	0.2%
EURUSD	1.0786	0.4%
GBPUSD	1.2742	0.4%
USDIDR	16370	-0.2%
USDSGD	1.3538	-0.2%
SGDMYR	3.4793	0.1%
	Value	chg (bp)
2Y UST	4.71	-3.53
10Y UST	4.36	-7.29
2Y SGS	3.38	0.30
10Y SGS	3.27	-1.32
3M SORA	3.63	-0.22
3M SOFR	5.35	0.03
	Value	% chg
Brent	87.34	1.3%
WTI	83.88	1.3%
Gold	2356	1.1%
Silver	30.50	3.3%
Palladium	1028	1.1%
Copper	9868	2.0%
BCOM	102.18	0.9%

Source: Bloomberg

Oil: WTI and Brent rose by 1.3% on Wednesday to USD83.9/bbl and USD87.3/bbl, respectively. The support for higher prices was driven by a larger-than-expected drawdown in US crude oil and fuel inventories. The Energy Information Administration (EIA) reported that US crude, gasoline and distillate inventories declined by 12.2mn bbls, 2.2mn bbls and 1.5mn bbls to 448.5mn bbls, 231.7mn bbls, and 119.7mn bbls, respectively, for the week ending 28 June. Trading volumes are expected to be impacted as the US markets are closed for Independence Day holiday.

Major Markets

ID: The poverty rate fell to the lowest in a decade at 9.0% (25.2mn people) per March 2024 from 9.4% (25.9 million people) in March 2023, according to data from Statistics Indonesia (BPS). Meanwhile, the poverty line rose to IDR 582.9k per capita per month in March 2024, up from IDR 550.5k in March 2023. The Gini ratio eased slightly to 0.39% in March 2024, compared to 0.41% in the same period last year.

MY: Speaking at the ASEAN-China Ministerial Roundtable on Construction and Housing 2024 on Wednesday (3/7), Prime Minister Anwar Ibrahim emphasized that ASEAN operates as a neutral bloc based on consensus, which is vital for maintaining strong ties with China. As Malaysia prepares to chair ASEAN in 2025, PM Anwar reiterated the importance of neutrality in promoting regional integration and advancing individual nations, as reported by The Star.

PH: President Ferdinand Marcos Jr. has accepted the resignations (effective 30 June) of Monetary Board members Bruce Tolentino and Anita Linda Aquino, according to Bangko Sentral ng Pilipinas (BSP). Despite their resignations, the Monetary Board would be able to function properly as the BSP charter requires at least four members to perform the functions of the Monetary Board. The Monetary Board will meet on 15 August to determine monetary policy settings.

TH: The first senate election since the 2014 military coup was concluded on 27 June. The Election Commission (EC) was scheduled to announce the official results on 2 July. However, the announcement was delayed. EC Chairman Ittiporn Boonpraong revealed that complaints about the election process have delayed the validation of the election results. The incoming senate will comprise of 200 members across 20 different professions. The new senate will succeed the 250 military-appointed senators.

ESG Updates

SG: To reduce pollution on the roads of Singapore, older foreign motorcycles will soon be barred from entering Singapore as they generally cause more pollution than motorcycles complying with the newer Euro emissions standards. From 1 Jul 2028, foreign-registered motorcycles registered in their home country before 1 Jul 2003 will be barred from entering Singapore. This is part of plans to tighten regulations to safeguard air quality and reduce pollutants that may be detrimental to respiratory health.

MY: Following Malaysia's New Industrial Master Plan 2030 published last year, Malaysia aims to begin carbon pricing to facilitate carbon trading and explore implementing a carbon tax. Revenue from these measures will be channelled into green investments to support companies in their decarbonisation journey. This is also driven by international regulations such as the EU carbon border adjustment mechanism (CBAM) that will affect EU importers in the covered sectors such as iron and steel.

Credit Market Updates

Market Commentary: The SGD SORA curve traded flattish yesterday, with short tenors trading between -1 and +1 bps while belly tenors and 10Y were trading flat. A HKSAR court adjourned the first winding-up hearing of Times China Holdings Ltd. to 31 July in order to give the petitioner more time to consider the defaulted builder's debt proposal per Bloomberg news. The liquidation petition was filed by Hang Seng Bank Ltd. in connection with financial obligations of about USD173.2mn and HKD731.4mn (USD93.6mn), respectively. Bloomberg Asia USD Investment Grade remained unchanged at 81bps while Bloomberg Asia USD High Yield widened by 4bps to 500bps. (Bloomberg, OCBC)

New Issues:

There were three bond issuances in the Asiadollar market yesterday.

- SMRC Automotive Holdings Netherlands B.V. (guarantor: Samvardhana Motherson International Ltd) priced a USD350mn 5Y note at 5.724%
- Taizhou Urban Construction and Investment Development Group Co., Ltd. priced a USD500mn 3Y sustainability bond at 5.45%.
- Deqing Construction Development Group Co Ltd priced a USD97mn 3Y note at 5.65%.

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

- CapitaLand Integrated Commercial Trust priced a SGD300mn 10Y green bond at 3.75%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.403	-0.30%	USD-SGD	1.3538	-0.16%
USD-JPY	161.690	0.15%	EUR-SGD	1.4605	0.23%
EUR-USD	1.079	0.38%	JPY-SGD	0.8372	-0.32%
AUD-USD	0.671	0.57%	GBP-SGD	1.7250	0.28%
GBP-USD	1.274	0.45%	AUD-SGD	0.9078	0.41%
USD-MYR	4.720	-0.04%	NZD-SGD	0.8261	0.23%
USD-CNY	7.270	-0.01%	CHF-SGD	1.5017	0.10%
USD-IDR	16370	-0.15%	SGD-MYR	3.4793	0.13%
USD-VND	25455	0.00%	SGD-CNY	5.3690	0.15%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6540	-0.03%	1M	5.3260	-0.14%
3M	3.7140	0.13%	2M	5.3310	-0.10%
6M	3.6760	-0.05%	3M	5.3085	0.02%
12M	3.5890	0.62%	6M	5.2238	-0.35%
			1Y	5.0065	-0.54%

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	-0.803	-0.201	5.128
11/07/2024	-1.173	-0.293	5.035
12/18/2024	-1.914	-0.478	4.850
01/29/2025	-2.445	-0.611	4.718

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.88	1.29%	Corn (per bushel)	4.035	0.4%
Brent (per barrel)	87.34	1.28%	Soybean (per bushel)	11.765	1.0%
Heating Oil (per gallon)	263.43	0.17%	Wheat (per bushel)	5.545	-1.2%
Gasoline (per gallon)	260.13	1.08%	Crude Palm Oil (MYR/MT)	41.330	-0.2%
Natural Gas (per MMBtu)	2.42	-0.70%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9868.00	2.02%	Gold (per oz)	2356.2	1.1%
Nickel (per mt)	17323.00	1.88%	Silver (per oz)	30.5	3.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	39,308.00	-23.85
S&P	5,537.02	28.01
Nasdaq	18,188.30	159.54
Nikkei 225	40,580.76	506.07
STI	3,415.51	47.61
KLCI	1,615.32	17.36
JCI	7,196.76	71.61
Baltic Dry	2,179.00	21.00
VIX	12.09	0.06

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.38 (--)	4.71(--)
5Y	3.25 (--)	4.32 (-0.07)
10Y	3.27 (-0.01)	4.36 (-0.07)
15Y	3.27 (-0.02)	--
20Y	3.13 (-0.02)	--
30Y	3.08 (-0.02)	4.53 (-0.08)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.35
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/04/2024 02:00	US	FOMC Meeting Minutes	Jun-12	--	--	--	--
07/04/2024 07:08	SI	Foreign Reserves	Jun	--	--	\$370.54b	--
07/04/2024 07:50	JN	Japan Buying Foreign Bonds	Jun-28	--	-¥254.4b	-¥1062.0b	--
07/04/2024 07:50	JN	Foreign Buying Japan Stocks	Jun-28	--	¥185.3b	-¥85.5b	-¥85.4b
07/04/2024 07:50	JN	Foreign Buying Japan Bonds	Jun-28	--	-¥130.9b	-¥1605.2b	-¥1606.1b
07/04/2024 07:50	JN	Japan Buying Foreign Stocks	Jun-28	--	-¥488.8b	¥119.3b	--
07/04/2024 08:30	HK	S&P Global Hong Kong PMI	Jun	--	--	49.2	--
07/04/2024 09:30	AU	Trade Balance	May	A\$6328m	--	A\$6548m	--
07/04/2024 09:30	AU	Exports MoM	May	--	--	-2.50%	--
07/04/2024 14:00	GE	Factory Orders MoM	May	0.50%	--	-0.20%	--
07/04/2024 14:00	GE	Factory Orders WDA YoY	May	-6.10%	--	-1.60%	--
07/04/2024 15:30	GE	HCOB Germany Construction PMI	Jun	--	--	38.5	--
07/04/2024 16:00	UK	New Car Registrations YoY	Jun	--	--	1.70%	--
07/04/2024 16:30	UK	S&P Global UK Construction PMI	Jun	54	--	54.7	--
07/04/2024 16:30	UK	DMP 1 Year CPI Expectations	Jun	2.80%	--	2.90%	--
07/04/2024 21:30	CA	S&P Global Canada Composite PMI	Jun	--	--	50.6	--

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
lavyanavenkateswaran@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
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee
Credit Research Analyst
mengteechin@ocbc.com

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