

## Daily Treasury Outlook

4 September 2024

### Highlights

**Global:** De-risking was the dominant theme at the start of September given heightened global growth concerns and profit-taking ahead of NFP data this Friday. US stock markets saw the biggest drop since 5 August, with major indexes down by 1.5-3.3%. Nvidia made the headlines with its share price falling 9.5% and seeing the biggest loss of market cap, after being subpoenaed by the DoJ. The VIX index bounced back and US Treasuries saw good buying interest, with yields lower by 5-7bp across the curve. Dollar strengthened, while gold fell. The market also saw some big moves in USDJPY following BoJ Governor Ueda's comment that the central bank will hike rates again if the economy and prices perform as expected. Reports that Libya is bringing back 500k barrels to the market sent oil prices down by 5%. On the data front, US ISM Manufacturing in August came in weaker-than-expected, adding to growth concerns. The headline print came in at 47.2, with the new orders sub-index sliding to 44.6 and painting a poor picture of future demand. Prices paid sub-index, however, rose more than expected to 64. Meanwhile, S&P Global US manufacturing PMI was also revised down to 47.9 (from the preliminary reading of 48.0).

**Market Watch:** Asian markets are likely to open with a weak tone. In Asia session today, the market will watch August PMI data coming out of Hong Kong, Singapore and Vietnam, and China's August Caixin services PMI, as well as Australia's 2Q24 GDP. Later today, economic calendar comprises of Eurozone's July PPI, US' JOLT job openings and July factory orders. On central banks' decision, Bank of Canada is expected to deliver another 25bp rate cut tonight, bringing the policy rate down to 4.25%.

### Major Markets

**ID:** Deputy Minister of Foreign Affairs, Pahala Mansury, stated that the value of agreements made during the Indonesia-Africa Forum (IAF) and High-Level Forum on Multi-Stakeholder Partnerships (HLF MSP) could increase to USD3.5bn from the current USD2.95bn. These agreements primarily focus on optimizing gas for fertilizer and ammonia production, as well as upstream management in the oil and gas sector. Separately, Investment Minister Rosan Roeslani mentioned that Singapore has expressed interest in investing in Indonesia's new capital city, Nusantara. He added that Singapore's Sembcorp is exploring opportunities to invest around USD60mn in solar panels with a capacity of 5 to 6 megawatts.

**MY:** Prime Minister Anwar Ibrahim revealed that approved investment inflows into the country have risen by 18% YoY, reaching MYR160bn in the first semester of 2024. These investments involve nearly 3,000 new projects, which are expected to generate over 79,000 job opportunities.

### Key Market Movements

Equity	Value	% chg
S&P 500	5528.9	-2.1%
DJIA	40937	-1.5%
Nikkei 225	38686	0.0%
SH Comp	2803.0	-0.3%
STI	3480.3	0.5%
Hang Seng	17651	-0.2%
KLCI	1676.7	-0.1%
	Value	% chg
DXY	101.825	0.2%
USDJPY	145.48	-1.0%
EURUSD	1.1043	-0.3%
GBPUSD	1.3114	-0.2%
USDIDR	15525	0.0%
USDSGD	1.3071	0.0%
SGDMYR	3.3376	0.1%
	Value	chg (bp)
2Y UST	3.86	-5.34
10Y UST	3.83	-7.24
2Y SGS	2.59	1.20
10Y SGS	2.74	-0.13
3M SORA	3.57	-0.08
3M SOFR	5.37	-0.09
	Value	% chg
Brent	73.75	-4.9%
WTI	70.34	-4.4%
Gold	2493	-0.3%
Silver	28.05	-1.7%
Palladium	948	-3.4%
Copper	8955	-2.5%
BCOM	95.21	-0.9%

Source: Bloomberg

**TH:** Prime Minister Paetongtarn Shinawatra has announced that a portion of the government's THB450bn "digital wallet" handout will be distributed in cash, deviating from the original plan of transferring credit through a smartphone application. While the details are still being fine-tuned, previous information suggests that the handout involved transferring THB10,000 to 50mn individuals via the smartphone application. Additionally, PM Paetongtarn mentioned that a new cabinet has been selected and will be submitted for royal endorsement within this week.

## ESG Updates

**SG:** Singapore's climate targets have been categorised as 'highly insufficient' according to the Climate Action Tracker, which is an improvement from the previous ratings of 'critically insufficient' in 2021 and 2022. Singapore's recent policy developments in clean energy were acknowledged to be promising, and the current 2030 emissions target is an improvement from the previous target. There are no countries assessed to be '1.5 °C Paris Agreement compatible', but some countries including Norway and Nepal were assessed to be 'almost sufficient'. Countries are required to submit their next round of Nationally Determined Contributions by 2025, where each NDC is expected to be more ambitious than the preceding target.

**Rest of the world:** South Korea aims to mandate all departing international flights to use a mix of 1% of sustainable aviation fuel (SAF) from 2027. Six South Korean airlines, including Korean Air, have begun or plan to mix 1% of SAF in the fuel for a single international route weekly starting this year. To support this, South Korea will provide tax breaks and other incentives to local refiners to invest in sustainable aviation fuel to lower production costs. The government will also ease regulations for local refiners to make it easier to use waste plastic pyrolysis oil and biomass in the refining process, as well as waste cooking oil and food waste as feedstock for biofuel production. Among other Asian countries, Singapore has mandated the use of 1% SAF from 2026 while Japan has committed to using 10% SAF by 2030.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded relatively flat yesterday, with shorter tenors trading within -1 to +1bps range, belly tenors trading within -1 to 0bps range and 10Y trading 2bps lower. An informal survey of bankers by Bloomberg News predicts Asiadollar primary issuance of USD30-40bn in September. The midpoint of this range would be the highest monthly issuance since January 2023 according to Bloomberg News data. Driving this would be seasonal demand following the end of summer holidays, still high yields with the prospect of rate cuts, relatively stable and tight credit spreads, and Asia's comparatively better economic outlook. Bloomberg Asia USD Investment Grade spreads widened by 3bps at 90bps while Bloomberg Asia USD High Yield spreads widened by 13bps to 536bps. (Bloomberg, OCBC)

### New Issues:

There were 4 notable issues in the Asiadollar market yesterday.

- Republic of Indonesia priced a USD1.15bn 10Y Fixed at 4.75% (priced to yield 4.80%) and a USD650mn 30Y Fixed at 5.15% (priced to yield 5.2%).
- Dianjian Haiyu Ltd (Guarantor: Power Construction Corp of China) priced a USD500mn 3Y Green, Fixed at T+60bps.
- ORIX Corp priced a USD700mn 5Y Fixed at T+100bps.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Prologis LP is planning to issue a CNH senior unsecured note, mandated by Bank of China/Hong Kong, OCBC, ING and Standard Chartered Bank.
- Export-Import Bank of Korea is planning to issue USD 3Y Fixed, USD 5Y Fxd/FRN notes.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.825	0.17%	USD-SGD	1.3071	0.02%
USD-JPY	145.480	-0.98%	EUR-SGD	1.4435	-0.26%
EUR-USD	1.104	-0.26%	JPY-SGD	0.8986	1.01%
AUD-USD	0.671	-1.18%	GBP-SGD	1.7142	-0.23%
GBP-USD	1.311	-0.24%	AUD-SGD	0.8773	-1.16%
USD-MYR	4.369	0.26%	NZD-SGD	0.8087	-0.71%
USD-CNY	7.122	0.06%	CHF-SGD	1.5372	0.16%
USD-IDR	15525	0.00%	SGD-MYR	3.3376	0.10%
USD-VND	24875	-0.04%	SGD-CNY	5.4405	-0.10%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5880	-0.03%	1M	5.1578	-0.17%
3M	3.4690	-0.60%	2M	5.0995	-0.15%
6M	3.3510	-0.27%	3M	4.9863	-0.17%
12M	3.0720	-0.52%	6M	4.6765	-0.15%
			1Y	4.1835	-0.16%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/31/2024	-0.020	-0.005	5.324
09/18/2024	-1.400	-0.350	4.977
11/07/2024	-2.757	-0.689	4.638
12/18/2024	-4.090	-1.022	4.305
01/29/2025	-5.260	-1.315	4.012

## Equity and Commodity

Index	Value	Net change
DJIA	40,936.93	-626.15
S&P	5,528.93	-119.47
Nasdaq	17,136.30	-577.33
Nikkei 225	38,686.31	-14.56
STI	3,480.34	17.26
KLCI	1,676.65	-1.54
JCI	7,616.52	-78.01
Baltic Dry	1,919.00	105.00
VIX	20.72	5.17

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.59 (+0.01)	3.86(--)
5Y	2.57 (+0.01)	3.64 (-0.06)
10Y	2.74 (--)	3.83 (-0.07)
15Y	2.84 (--)	--
20Y	2.89 (--)	--
30Y	2.89 (-0.01)	4.12 (-0.07)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.32
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.34	-7.34%	Corn (per bushel)	3.865	4.0%
Brent (per barrel)	73.75	-4.86%	Soybean (per bushel)	9.970	2.4%
Heating Oil (per gallon)	220.60	-3.42%	Wheat (per bushel)	5.520	5.1%
Gasoline (per gallon)	197.77	-12.01%	Crude Palm Oil (MYR/MT)	40.200	-0.3%
Natural Gas (per MMBtu)	2.20	3.09%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8954.50	-2.49%	Gold (per oz)	2492.9	-0.3%
Nickel (per mt)	16462.00	-0.98%	Silver (per oz)	28.0	-1.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/04/2024 08:30	VN	S&P Global Vietnam PMI Mfg	Aug	--	--	54.7	--
09/04/2024 08:30	HK	S&P Global Hong Kong PMI	Aug	--	--	49.5	--
09/04/2024 09:30	AU	GDP SA QoQ	2Q	0.20%	--	0.10%	--
09/04/2024 09:30	AU	GDP YoY	2Q	0.90%	--	1.10%	--
09/04/2024 09:45	CH	Caixin China PMI Services	Aug	51.8	--	52.1	--
09/04/2024 09:45	CH	Caixin China PMI Composite	Aug	--	--	51.2	--
09/04/2024 15:55	GE	HCOB Germany Services PMI	Aug F	51.4	--	51.4	--
09/04/2024 15:55	GE	HCOB Germany Composite PMI	Aug F	48.5	--	48.5	--
09/04/2024 16:00	EC	HCOB Eurozone Composite PMI	Aug F	51.2	--	51.2	--
09/04/2024 16:30	UK	S&P Global UK Services PMI	Aug F	53.3	--	53.3	--
09/04/2024 19:00	US	MBA Mortgage Applications	Aug-30	--	--	0.50%	--
09/04/2024 20:30	US	Trade Balance	Jul	-\$79.0b	--	-\$73.1b	--
09/04/2024 21:45	CA	Bank of Canada Rate Decision	Sep-04	4.25%	--	4.50%	--
09/04/2024 22:00	US	Durable Goods Orders	Jul F	9.90%	--	9.90%	--
09/04/2024 22:00	US	Factory Orders	Jul	4.80%	--	-3.30%	--
09/04/2024 22:00	US	Durables Ex Transportation	Jul F	-0.20%	--	-0.20%	--

Source: Bloomberg

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