

## Daily Treasury Outlook

4 November 2024

### Highlights

**Global: Election watch.** Amid Harris and Trump' neck to neck race, Friday's US' nonfarm payrolls disappointed at just a paltry 12k, significantly undershooting consensus forecast of 100k, but was partly attributable to one-off factors like Hurricane Helene and Milton, as well as a major strike at Boeing. That said, the unemployment rate was unchanged at 4.1%. The September NFP print was revised up to 254k, but the net two-month revision was -112k. Private payrolls shrank 28k, from a revised 223k in September, while the average hourly earnings ticked up to 4.0% YoY (0.4% MoM) and the labor force participation rate slipped marginally to 62.6%. This data is unlikely to pressure the Fed into repeating its jumbo 50bps cut this week. The S&P500 rose 0.41% on Friday, aided by Intel and Amazon, while the 10-year UST bond yield jumped 10bps to 4.38% up for the seventh straight week and the highest level since early July) post-NFP, steepening the yield curve on fears of rising budget deficits.

**Market Watch: Asian markets are likely to trade with a slightly cautious tone this morning, while awaiting the US presidential elections and FOMC outcomes.** Today's economic data calendar comprises of Eurozone's Sentix investor confidence, US' September factory orders and durable goods orders. ECB's Nagel and Holzmann are also speaking today.

For the week ahead, watch for the US presidential election outcome, Indonesia's 2Q24 GDP growth estimates, US' services ISM PMI and Singapore's September retail sales tomorrow, Thailand, Taiwan and Vietnam's CPI, services and composite PMIs for US, Eurozone, UK and India on Wednesday, Philippines' 3Q24 GDP growth and China's October trade data on Thursday, and Malaysia's industrial production, Taiwan's trade and US' University of Michigan sentiment index on Friday. On the central bank front, watch for RBA policy decision (likely static at 4.35%) tomorrow, Bank of Canada's summary of deliberations and BNM policy decision (likely unchanged at 3%) on Wednesday, BOE policy decision (likely to cut 25bps to 4.75%) on Thursday, and FOMC (likely to cut 25bps to 4.5-4.75%) on Friday.

### Key Market Movements

Equity	Value	% chg
S&P 500	5728.8	0.4%
DJIA	42052	0.7%
Nikkei 225	38054	-2.6%
SH Comp	3272.0	-0.2%
STI	3555.4	-0.1%
Hang Seng	20506	0.9%
KLCI	1604.0	0.1%
	Value	% chg
DXY	104.282	0.3%
USDJPY	153.01	0.6%
EURUSD	1.0834	-0.5%
GBPUSD	1.2924	0.2%
USDIDR	15720	0.1%
USDSGD	1.3261	0.5%
SGDMYR	3.3076	0.0%
	Value	chg (bp)
2Y UST	4.21	3.52
10Y UST	4.38	9.92
2Y SGS	2.75	5.60
10Y SGS	2.86	3.15
3M SORA	3.38	-0.65
3M SOFR	5.13	-0.50
	Value	% chg
Brent	73.1	0.4%
WTI	69.49	0.3%
Gold	2737	-0.3%
Silver	32.49	-0.5%
Palladium	1105	-1.4%
Copper	9571	0.7%
BCOM	98.07	0.0%

Source: Bloomberg

**SG:** October manufacturing and electronics PMI slipped slightly to 50.8 and 51.4 respectively, versus 51.0 and 51.5 previously. New orders, new export orders, output, input purchases, input prices, and future business gauges softened, whereas stocks of finished goods, imports, employment, supplier deliveries and order backlog gauges improved for the manufacturing sector. For the electronics industry, what was notable was the electronics deliveries gauge rose to expansion territory (50.0) from 49.8 previously, and the new orders, new exports, output, imports, employment, order backlog and future business gauges stayed resilient above the 51.0 handle, suggesting continued momentum. Looking ahead, the short-term pullback could be partly attributable to the external uncertainties pertaining to the US election outcome, FOMC rate cut trajectory and the strength of China's recovery, but overall growth momentum should sustain in 4Q24.

**Oil:** Crude oil benchmarks extended their gains for the third consecutive session, with WTI and Brent increasing by 0.3% and 0.4% on Friday, closing at USD69.5/bbl and USD73.1/bbl, respectively. Nevertheless, both crude oil benchmarks closed lower for the week. Over the weekend, OPEC+ announced its decision to delay its planned production increase of 2.2mbpd for one month, until the end of December 2024. This decision is expected to support oil prices during early Asian trading hours.

## Major Markets

**CN:** Treasury yields closed the last week lower across the curve, supported by central bank liquidity measures. On October 31, the People's Bank of China (PBoC) conducted its new outright reverse repo tool, injecting CNY500bn in medium-term liquidity through a six-month operation. Additionally, the PBoC made net purchases of short-term treasury bonds totalling CNY200bn in October. For the month, the PBoC net injected over CNY600bn in medium- to long-term liquidity via this new mechanism after adjusting for CNY89bn net decline of Medium-Term Lending Facility (MLF). Despite a net liquidity withdrawal of CNY851.4bn via 7-day reverse repos, month-end liquidity remained stable due to medium-term liquidity support measures. Consequently, both the 1-day and 7-day repo rates declined by 17 bps and 18.5 bps, respectively, last week, bolstering sentiment in the bond market.

**ID:** Headline inflation eased to 1.7% YoY in October from 1.8% in September, matching expectations. Meanwhile, the core inflation rate rose to a 15-month high of 2.2% YoY, up from 2.1% in September. Looking at the drivers, the lower inflation rate was primarily due to a decline in transportation CPI, which fell to -0.1% YoY in October from 0.9% in September, in line with lower unsubsidized fuel prices during the month. Similarly, the food, beverage, and tobacco (2.3% from 2.6%) and recreation, sports, and culture (1.5% from 1.6%) CPI eased compared to the September prints. This has more than offset the higher CPI in food and beverage provision and personal care CPI. The October print brings the year-to-date CPI average to 2.5% YoY, compared to 3.7% in 2023. We continue to forecast 2024 CPI to average 2.5% YoY, implying stable price pressures in the last two months of 2024.

**MY:** Prime Minister Anwar Ibrahim will visit China from 4 November to 7 November at the invitation of China's Premier Li Qiang to attend the 7th China International Import Expo. In addition, PM Anwar will meet with Premier Li Qiang to discuss bilateral and regional issues. While in Beijing, he is scheduled to meet President Xi Jinping and deliver a talk at Peking University. The visit will also include business meetings aimed at strengthening economic partnerships, including a visit to the Huawei Executive Briefing Centre, as reported by The Edge.

**TH:** The business sentiment index (BSI) rose to 47.0 in October, up from 45.7 in September. The increase in BSI was due to higher sentiment across most components, except for the 'investment' component. By sector, the BSI "improved in both the manufacturing and the non-manufacturing sectors. However, the manufacturing sector remained pessimistic, with both current and 3-month expected BSI below the 50-threshold, reflecting deteriorated business sentiment," as reported by the Bank of Thailand. Meanwhile, the 3-month expected BSI increased to 52.4, up from 51.6 in September.

**VN:** The S&P Global Manufacturing PMI rose to 51.2 in October from 47.3 in September, marking an ongoing recovery in economic activity in the aftermath of Typhoon Yagi in September. Specifically, businesses are reporting a rise in new orders and output, and firms have positive expectations regarding manufacturing production over the coming year. That said, some firms are still not operating at full capacity, as some of the impacts of the storms and flooding lingered into October.

## ESG Updates

**CN:** China and Finland plan to strengthen collaboration in areas such as climate change, biodiversity, global sustainable development and AI intelligence governance. They signed multiple documents on bilateral cooperation in areas like education, water resources, environmental protection, circular economy, and agricultural and food products. There are also plans to provide visa-free entry to China for Finnish nationals to improve trade and ease of travel. Many countries are seeking China's expertise in clean energy technologies to enhance their own renewable energy capacities, in order to meet decarbonisation goals.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded higher on last Friday, with shorter tenors trading 6-7bps higher, belly tenors trading 4-6bps higher and 10Y trading 3bps higher. According to data compiled by Bloomberg, the issuance of sustainable debt in Asia has reached USD334.5bn this year, reflecting an 11% increase compared to the same period last year. This growth has been supported by USD13.2bn raised in the past two weeks. Note that this data does not include structured finance. Bloomberg Asia USD Investment Grade spreads remained flat at 74bps while Bloomberg Asia USD High Yield spreads tightened by 19bps to 434bps. (Bloomberg, OCBC)

### New Issues:

There were three notable issuances in the Asiadollar market on last Friday.

- Industrial & Commercial Bank of China Ltd of London priced a USD200mn 3Y FRN at SOFR+58bps.
- China Construction Bank (Asia) Corporation Limited priced a USD1bn AT1, PerpNC5 at 5.705%.
- Chongqing Jiangjin District Jiangding Industrial Development Co Ltd (guarantor: Chengdu-Chongqing Bond Insurance Co Ltd) priced a USD100mn 3Y Fixed at Par to Yield 6.5%.

There was no notable issuance in the Singdollar market on last Friday.

### Mandates:

- There were no new Asiadollar mandates last Friday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.282	0.29%	USD-SGD	1.3261	0.48%
USD-JPY	153.010	0.64%	EUR-SGD	1.4366	0.01%
EUR-USD	1.083	-0.46%	JPY-SGD	0.8668	-0.14%
AUD-USD	0.656	-0.35%	GBP-SGD	1.7133	0.64%
GBP-USD	1.292	0.19%	AUD-SGD	0.8699	0.14%
USD-MYR	4.381	0.06%	NZD-SGD	0.7908	0.25%
USD-CNY	7.129	0.15%	CHF-SGD	1.5244	-0.24%
USD-IDR	15720	0.15%	SGD-MYR	3.3076	-0.05%
USD-VND	25300	0.08%	SGD-CNY	5.3735	-0.25%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.1190	-0.51%	1M	4.6374	-0.31%
3M	3.0850	0.75%	2M	4.5860	-0.36%
6M	2.9120	1.68%	3M	4.5360	-0.43%
12M	2.6290	3.22%	6M	4.4028	-0.16%
			1Y	4.1995	0.24%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.985	-0.246	4.584
12/18/2024	-1.856	-0.464	4.366
01/29/2025	-2.410	-0.603	4.227
03/19/2025	-3.045	-0.761	4.069
05/07/2025	-3.538	-0.884	3.946
06/18/2025	-4.040	-1.010	3.820

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.49	0.33%	Corn (per bushel)	4.145	0.9%
Brent (per barrel)	73.10	-0.08%	Soybean (per bushel)	9.825	0.0%
Heating Oil (per gallon)	223.42	0.66%	Wheat (per bushel)	5.680	-0.4%
Gasoline (per gallon)	196.65	-1.85%	Crude Palm Oil (MYR/MT)	49.760	5.0%
Natural Gas (per MMBtu)	2.66	-1.63%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9570.50	0.68%	Gold (per oz)	2736.5	-0.3%
Nickel (per mt)	15944.00	1.44%	Silver (per oz)	32.5	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	42,052.19	288.73
S&P	5,728.80	23.35
Nasdaq	18,239.92	144.77
Nikkei 225	38,053.67	-1027.58
STI	3,555.43	-3.45
KLCI	1,603.98	2.10
JCI	7,505.26	-68.76
Baltic Dry	1,378.00	-10.00
VIX	21.88	-1.28

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.75 (+0.06)	4.21(--)
5Y	2.72 (+0.05)	4.22 (+0.07)
10Y	2.86 (+0.03)	4.38 (+0.1)
15Y	2.9 (+0.03)	--
20Y	2.85 (+0.04)	--
30Y	2.76 (+0.04)	4.58 (+0.1)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	4.90
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## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/04/2024 08:00	AU	Melbourne Institute Inflation MoM	Oct	--	0.30%	0.10%	--
11/04/2024 08:00	AU	Melbourne Institute Inflation YoY	Oct	--	3.00%	2.60%	--
11/04/2024 08:30	AU	ANZ-Indeed Job Advertisements MoM	Oct	--	--	1.60%	--
11/04/2024 08:30	PH	S&P Global Philippines PMI Mfg	Oct	--	--	53.7	--
11/04/2024 13:00	IN	HSBC India PMI Mfg	Oct F	--	--	57.4	--
11/04/2024 16:55	GE	HCOB Germany Manufacturing PMI	Oct F	42.6	--	42.6	--
11/04/2024 17:00	EC	HCOB Eurozone Manufacturing PMI	Oct F	45.9	--	45.9	--
11/04/2024 17:30	EC	Sentix Investor Confidence	Nov	-12.6	--	-13.8	--
11/04/2024 21:00	CA	Bloomberg Nanos Confidence	Nov-01	--	--	56.7	--
11/04/2024 23:00	US	Durable Goods Orders	Sep F	-0.80%	--	-0.80%	--
11/04/2024 23:00	US	Factory Orders	Sep	-0.50%	--	-0.20%	--
11/04/2024 23:00	US	Durables Ex Transportation	Sep F	0.40%	--	0.40%	--
11/04/2024 23:00	US	Cap Goods Orders Nondef Ex Air	Sep F	--	--	0.50%	--
11/04/2024 23:00	US	Cap Goods Ship Nondef Ex Air	Sep F	--	--	-0.30%	--
11/04/2024 23:00	US	Factory Orders Ex Trans	Sep	--	--	-0.10%	--

Source: Bloomberg

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