

Daily Treasury Outlook

5 July 2024

Highlights

Global: US markets are closed for the 4 July holiday to mark Independence Day, with June labour market data scheduled for release later in the day. Consensus are expecting total nonfarm payroll employment to increase by 190k in June (May: 272k), and the June unemployment rate to remain unchanged at 4.0 percent. Elsewhere, oil prices edged marginally higher while gold held steady. The UK headed to the polls to cast their vote in a general election. Pre-election opinion polls suggested a resounding victory for Keir Starmer's Labour Party which would end 14 years of Conservative rule. Voting has ended, and the official Ipsos exit poll projects the Labour party to win the UK election with 410 of the 650 seats. Meanwhile, the Conservatives are projected to win 131 seats, compared to 365 in the previous general election. For the remaining seats, the Liberal Democrats, Reform UK, and Scottish National Party are projected to win 61, 13 and 10 seats, respectively. Results from the UK's 650 constituencies will continue to trickle in during Asian trading hours. The winning party then forms a government if it has a majority of at least 326 seats. Following UK elections, France will return to the polls for a second round of elections on Sunday. Latest opinion polls suggest that Marine Le Pen's far right party is unlikely to secure an absolute majority in France's legislative election. On economic data, Switzerland's June inflation unexpectedly slowed to 1.3% YoY despite two consecutive rate cuts. Core inflation moderated to 1.1% YoY, below expectations of 1.3%. Goods inflation fell 0.2% YoY while services inflation rose 2.4%. Staying in Europe, German factory orders declined for the fifth consecutive month to 1.6% MoM in May (April: -0.6%).

Market Watch: Data releases include US June labour market data, Philippines and Thailand June CPI, as well as Singapore's May Retail Sales. In Europe, May Industrial Production data from France and Germany will be released today.

CN: The European Commission has decided to impose temporary anti-subsidy tariffs on electric vehicles imported from China. The EU will impose a 37.6% tariff on SAIC Motor Corporation, 19.9% on Geely, 17.4% on BYD, an average rate of 20.8% for other cooperating manufacturers, and 37.6% for non-cooperating manufacturers. Compared to the preliminary rates disclosed on June 12, the confirmed temporary duty rates have been slightly reduced. These temporary tariffs will take effect from July 5, 2024, and can last for a maximum of four months. During this period, EU member states will vote on whether to convert these temporary tariffs into formal duties lasting five years. The EU and Chinese governments are expected to negotiate further before the next vote.

Key Market Movements

Equity	Value	% chg
S&P 500	5537.0	0.0%
DJIA	39308	0.0%
Nikkei 225	40914	0.8%
SH Comp	2957.6	-0.8%
STI	3439.9	0.7%
Hang Seng	18028	0.3%
KLCI	1616.8	0.1%
	Value	% chg
DXY	105.130	-0.3%
USDJPY	161.28	-0.3%
EURUSD	1.0812	0.2%
GBPUSD	1.2760	0.1%
USDIDR	16330	-0.2%
USDSGD	1.3519	-0.1%
SGDMYR	3.4841	0.1%
	Value	chg (bp)
2Y UST	4.71	0.00
10Y UST	4.36	0.00
2Y SGS	3.36	-2.10
10Y SGS	3.25	-2.62
3M SORA	3.63	-0.04
3M SOFR	5.35	0.00
	Value	% chg
Brent	87.43	0.1%
WTI	83.88	0.0%
Gold	2357	0.0%
Silver	30.40	-0.3%
Palladium	1021	-0.6%
Copper	9883	0.1%
BCOM	102.18	0.0%

Source: Bloomberg

Oil: Brent rose marginally higher by 0.1% on Thursday to USD87.4/bbl. Oil prices held above the USD87/bbl level following larger-than-expected drawdown in US crude oil and fuel inventories the day before. Trading volumes were impacted as US markets are closed for Independence Day holiday. Nonetheless, gains were limited following Saudi Arabia's decision to cut its official selling prices for its flagship crude to Asia for a second consecutive month.

Major Markets

ID: The preliminary discussion for the 2025 budget draft (RABPN) and the government work plan 2025 between the Ministry of Finance, Ministry of National Development Planning (PPN), and Bank Indonesia, along with the Budget Committee (Banggar) of the House of Representative (DPR), has agreed to set the budget deficit at 2.29% - 2.82% of the GDP for 2025. Another agreement on basic assumptions include GDP growth of 5.1% - 5.5%, an inflation rate of 1.5% - 3.5%, an exchange rate of USD/IDR 15,300 - 15,900, and a 10-year government bond yield of 6.9% - 7.2%.

MY: Malaysia and Thailand have agreed to establish a joint task force to streamline border trade and investments, targeting USD30bn in bilateral trade by 2027. This decision was made at the joint trade committee meeting, with Malaysia represented by Investment, Trade and Industry Minister Zafrul Abdul Aziz and Thailand by Deputy Prime Minister Phumtham Wechayachai. In the past seven years, trade between the two countries averaged USD24.7bn annually, peaking at USD27.7bn in 2022, as reported by The Edge citing the Ministry of Investment, Trade and Industry (MITI) report. The task force aims to enhance cross-border connectivity, facilitate agricultural imports and exports, explore cooperation in rubber, land transport, entrepreneurship, and the digital environment, and continue promoting halal products.

HK: Hong Kong's PMI dropped further to 48.2 in June, the lowest reading since September 2022, dragged by the decline in new orders and output sub-indexes. Business conditions continued to deteriorate halfway into 2024, amid sluggish demand and rising competition among businesses in the region. Survey respondents reported ongoing challenges of rising costs, softening domestic demand, and heightened competition. Nonetheless, the level of pessimism eased notably during the month, with some firms increasing their purchasing activities in the hope of demand recovery down the road.

ESG Updates

CN: The Civil Aviation Authority of China (CAAC), based in Chengdu, launched the country's first technical centre for sustainable aviation fuel (SAF) that focuses on standard setting and product research. The centre will lead the mapping out of industry policy and setting standards for products and quality control. China is the second-largest aviation market globally that consumes about 11% of the jet fuel used in the world. It is expected to unveil its policy on the use of SAF for 2030 this year, that can spur greater investments in the clean fuel to enhance adoption.

ID: The share of coal's power generation in Indonesia has increased marginally to 61.8% in 2023 with no sign of slowing down, according to a London-based energy think-tank Ember. Indonesia's share of solar and wind in its electricity mix is at 0.3%, behind the ASEAN average of 4.4% and Vietnam (highest in the region) at 13%. Despite abundant solar and wind power potential, the country's reliance on coal remains high because of the influence of the coal industry and the need to ensure energy security despite climate risks.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading between 1 and 4bps lower, belly tenors trading 5bps lower and 10Y trading 6bps lower. A real estate company focused on commercial real estate, Shanghai Shimao Co. Ltd. and its subsidiaries were unable to make timely payments for RMB13.3bn of debt as of June 28. The company further states that they have accumulated an additional RMB457mn of debt that they are unable to repay on time in June. Sales have not improved, and the company is currently facing a liquidity crisis. Bloomberg Asia USD Investment Grade remained unchanged at 81bps while Bloomberg Asia USD High Yield remained unchanged at 500bps. (Bloomberg, OCBC)

New Issues:

There were no new bond issuances in the Asiadollar market yesterday.

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

- UBS Group AG retapped on the UBS 5.6%-PERP, with a reopening of SGD175mn at 5.6%.
- Ho Bee Land Ltd. priced a 5Y Green Fixed SGD160mn at 4.35%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.130	-0.26%	USD-SGD	1.3519	-0.14%
USD-JPY	161.280	-0.25%	EUR-SGD	1.4617	0.08%
EUR-USD	1.081	0.24%	JPY-SGD	0.8383	0.13%
AUD-USD	0.673	0.31%	GBP-SGD	1.7249	-0.01%
GBP-USD	1.276	0.14%	AUD-SGD	0.9094	0.18%
USD-MYR	4.709	-0.22%	NZD-SGD	0.8270	0.11%
USD-CNY	7.268	-0.03%	CHF-SGD	1.5020	0.02%
USD-IDR	16330	-0.24%	SGD-MYR	3.4841	0.14%
USD-VND	25455	0.00%	SGD-CNY	5.3791	0.19%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6350	-0.52%	1M	5.3262	-0.05%
3M	3.7050	-0.24%	2M	5.3309	-0.04%
6M	3.6780	0.05%	3M	5.3055	-0.04%
12M	3.5960	0.20%	6M	5.2227	-0.03%
			1Y	5.0062	-0.03%

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	-0.785	-0.196	5.133
11/07/2024	-1.150	-0.288	5.041
12/18/2024	-1.896	-0.474	4.855
01/29/2025	-2.425	-0.606	4.722

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.88	█	Corn (per bushel)	4.035	█
Brent (per barrel)	87.43	0.10%	Soybean (per bushel)	11.765	█
Heating Oil (per gallon)	263.43	█	Wheat (per bushel)	5.545	█
Gasoline (per gallon)	260.13	█	Crude Palm Oil (MYR/MT)	41.170	-0.4%
Natural Gas (per MMBtu)	2.42	█	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9882.50	0.15%	Gold (per oz)	2356.7	0.0%
Nickel (per mt)	17217.00	-0.61%	Silver (per oz)	30.4	-0.3%

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	40,913.65	332.89
STI	3,439.88	24.37
KLCI	1,616.75	1.43
JCI	7,220.89	24.13
Baltic Dry	2,064.00	-115.00
VIX	12.26	0.17

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (-0.02)	4.71(--)
5Y	3.22 (-0.03)	4.32(--)
10Y	3.25 (-0.03)	4.37(--)
15Y	3.25 (-0.03)	--
20Y	3.1 (-0.03)	--
30Y	3.05 (-0.03)	4.54(--)

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
07/05/2024 07:00	SK	BoP Current Account Balance	May	--	\$8922.5m	-\$285.2m	--
07/05/2024 09:00	PH	CPI YoY 2018=100	Jun	3.90%	--	3.90%	--
07/05/2024 11:00	ID	Foreign Reserves	Jun	--	--	\$139.00b	--
07/05/2024 13:00	SI	Retail Sales YoY	May	0.20%	--	-1.20%	--
07/05/2024 14:00	GE	Industrial Production SA MoM	May	0.10%	--	-0.10%	--
07/05/2024 14:30	TH	CPI YoY	Jun	1.10%	--	1.54%	--
07/05/2024 14:30	TH	CPI Core YoY	Jun	0.41%	--	0.39%	--
07/05/2024 15:30	TH	Gross International Reserves	Jun-28	--	--	\$224.7b	--
07/05/2024 16:00	TA	CPI YoY	Jun	2.30%	--	2.24%	--
07/05/2024 16:30	HK	Foreign Reserves	Jun	--	--	\$417.2b	--
07/05/2024 20:30	US	Change in Nonfarm Payrolls	Jun	190k	--	272k	--
07/05/2024 20:30	CA	Unemployment Rate	Jun	6.30%	--	6.20%	--
07/05/2024 20:30	US	Unemployment Rate	Jun	4.00%	--	4.00%	--
07/05/2024 20:30	CA	Net Change in Employment	Jun	25.0k	--	26.7k	--
07/05/2024 20:30	CA	Hourly Wage Rate Permanent Employees YoY	Jun	5.30%	--	5.20%	--
07/05/2024 20:30	US	Change in Manufact. Payrolls	Jun	5k	--	8k	--

Source: Bloomberg

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