

Daily Treasury Outlook

5 September 2024

Highlights

Global: US equity indices closed mixed (S&P: -0.2%, Nasdaq: -0.3%, Dow: +0.1%) on Wednesday, while the VIX index rose marginally. Brent crude continued to slide, down by over 7% week-to-date and was last seen around USD72.7/bbl. Meanwhile, the 2yr UST yield moved lower to around 3.75%. Economic data releases were on the light side, with the JOLTS report showing 7.7mn job openings in July, 237k lower than the previous month and consensus estimates for a rise to 8.1mn openings. Meanwhile, the Fed's August Beige Book noted that while "employment levels were generally flat to up slightly in recent weeks," it also revealed that "employers were more selective with their hires and less likely to expand their workforces" due to demand and uncertain economic outlook concerns. The report also noted that "manufacturing activity declined in most districts," in line with the still weak ISM Manufacturing PMI report released on Tuesday (47.2 in August vs 46.8 in July).

Market Watch: South Korea 2Q24 GDP came in at 2.3% YoY, holding steady from advance estimates. Over in Japan, July real cash earnings grew 0.4% YoY, beating expectations of a 0.6% YoY decline and marking the second consecutive month of real wage growth. Nominal cash earnings grew 3.6% YoY in July. The day ahead is packed, with August inflation data from the Philippines, Thailand and Taiwan, as well as retail sales for July from Singapore and the Euro area. A host of US data is slated to be released later today, which include ADP employment change for August, initial jobless claims for the week ending 31 August as well as both S&P and ISM services PMI. Bank Negara Malaysia will meet this afternoon, where we expect them to keep their policy rate steady at 3.00%.

SG: Tax revenue for FY2023/24 rose 17% YoY to SGD80.3bn, as all tax sectors bar stamp duties saw increased revenue collection as strong corporate earnings, higher wages and increased consumer spending boosted revenues. Stamp duties fell as a result of reduced property transaction volume.

Oil: Crude oil benchmarks declined for a second consecutive session, with WTI and Brent falling by over 1.4% on Wednesday, closing at USD69.2/bbl and USD72.7/bbl, respectively. Persistent concerns of slowing demand remain a key driver to lower oil prices. Meanwhile, a potential resolution to the political dispute in Libya could end disruption to oil supplies, consequently putting downward pressure on oil prices. In separate news, the American Petroleum Institute (API) reported a drawdown of 7.4mn bbls, 0.3mn bbls, and 0.4mn bbls in US crude, gasoline, and distillate inventories, respectively, for the week ending on 30 August. The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (5 September). Given the constructive API report, we anticipate some support for oil prices during early Asian trading hours.

Key Market Movements

Equity	Value	% chg
S&P 500	5520.1	-0.2%
DJIA	40975	0.1%
Nikkei 225	37048	-4.2%
SH Comp	2784.3	-0.7%
STI	3441.4	-1.1%
Hang Seng	17457	-1.1%
KLCI	1670.2	-0.4%
	Value	% chg
DXY	101.358	-0.5%
USDJPY	143.74	-1.2%
EURUSD	1.1082	0.4%
GBPUSD	1.3147	0.3%
USDIDR	15475	-0.3%
USDSGD	1.3038	-0.3%
SGDMYR	3.3324	-0.2%
	Value	chg (bp)
2Y UST	3.75	-10.92
10Y UST	3.76	-7.58
2Y SGS	2.53	-5.20
10Y SGS	2.67	-7.46
3M SORA	3.57	-0.29
3M SOFR	5.37	0.01
	Value	% chg
Brent	72.7	-1.4%
WTI	69.2	-1.6%
Gold	2496	0.1%
Silver	28.27	0.8%
Palladium	939	-1.0%
Copper	8960	0.1%
BCOM	94.87	-0.4%

Source: Bloomberg

Major Markets

ID: The National Food Agency (BAPANAS) aims to increase government rice reserves to 2mn tons by the end of 2024, anticipating a rise in rice demand ahead of regional elections in November. BAPANAS Head Arief Prasetyo Adi stated that the reserves need to be boosted due to a predicted decline in rice production towards the end of the year and in early 2025, as reported by Tempo. As of September 2, 2024, the national rice stocks held by the State Logistics Agency (BULOG) stood at 1.4mn tons.

MY: The Malaysia Investment Development Authority (MIDA) has revealed that approved investments in Malaysia grew by 18% YoY, reaching MYR160bn in the first half of 2024. This growth is expected to create 79,187 new job opportunities through 2,948 investment projects across various sectors. Notably, domestic investments have taken the lead, accounting for 53.4% (MYR 85.4bn) of the total approved investments, while foreign investments accounted for 46.6% (MYR74.bn) of the total, representing a 19.1% YoY growth and 16.1% growth, respectively.

TH: According to the Royal Gazette announcement, His Majesty King Maha Vajiralongkorn has endorsed PM Shinawatra's thirty-five member cabinet lineup. Seventeen of the thirty-five member cabinet lineup are from the Pheu Thai Party, with the remaining 19 portfolios divided amongst the Pheu Thai Party's coalition partners. Notably, Deputy Prime Minister Phumtham Wechayachai (Pheu Thai Party) will now take the defence portfolio. He has been replaced as commerce minister by former energy minister Pichai Nariiphaphan (Pheu Thai Party). Meanwhile, Pichai Chunchavajira (Pheu Thai Party) remains as finance minister.

PH: BSP Governor Eli Remolona announced that Jose Querubin will be appointed as a member of the Monetary Board (MB). This appointment will complete the seven-member Monetary Board following the resignations of two MB members in June. Jose Querubin is a seasoned banker, with experience in various positions at United Coconut Planters Bank, Solid Bank Corp., Citibank NA, and Bank of America Corp.

ESG Updates

ID: Indonesia plans to explore utilising geothermal energy in African countries with significant geothermal potential, including in Kenya that is estimated to produce 10,000 MW of electricity. Indonesia's Pertamina Geothermal Energy is making progress in the development of two geothermal energy sites in Kenya. The exploration of two blocks of geothermal energy sources in Kenya will be carried out in late 2024 or early 2025. Pertamina already manages 13 sites with a total capacity of 1,877MW in Indonesia, and is making efforts towards becoming a global player in the geothermal sector with the projects in Kenya.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 5-7bps lower, belly tenors and 10Y trading 7bps lower. Per Bloomberg, China is contemplating a two-step plan to reduce interest rates on approximately USD5.3trn worth of mortgages. The objective is to lower borrowing costs for millions of households and alleviate the profit pressure on the banking system. As per insiders, financial regulators have suggested a nationwide reduction of around 80bps on existing mortgages. This proposal also includes an expedited timeline for mortgage refinancing eligibility. Bloomberg Asia USD Investment Grade spreads widened by 2bps at 92bps while Bloomberg Asia USD High Yield spreads widened by 21bps to 557bps. (Bloomberg, OCBC)

New Issues:

There were 4 notable issues in the Asiadollar market yesterday.

- Export-Import Bank of Korea priced 2 bonds, a USD700mn 3Y Fixed at 4.1%, and USD800mn 5Y Fixed at 4.147%.
- Canara Bank priced a USD300mn 5Y Fixed at T+125bps.
- Nanshan Life Pte. Ltd. (Guarantor: Nan Shan Life Insurance Co Ltd) priced a USD700mn 10Y Tier 2 at T+170bps

There was no notable issue in the Singdollar market yesterday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.358	-0.46%	USD-SGD	1.3038	-0.25%
USD-JPY	143.740	-1.20%	EUR-SGD	1.4449	0.10%
EUR-USD	1.108	0.35%	JPY-SGD	0.9072	0.96%
AUD-USD	0.673	0.21%	GBP-SGD	1.7143	0.01%
GBP-USD	1.315	0.25%	AUD-SGD	0.8768	-0.06%
USD-MYR	4.353	-0.36%	NZD-SGD	0.8084	-0.04%
USD-CNY	7.113	-0.12%	CHF-SGD	1.5403	0.20%
USD-IDR	15475	-0.32%	SGD-MYR	3.3324	-0.16%
USD-VND	24865	-0.04%	SGD-CNY	5.4540	0.25%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5610	-0.75%	1M	5.1165	-0.62%
3M	3.4580	-0.32%	2M	5.0441	-0.84%
6M	3.3810	0.90%	3M	4.9355	-0.53%
12M	3.1130	1.33%	6M	4.5835	-0.68%
			1Y	4.0500	-0.55%

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	-1.442	-0.360	4.968
11/07/2024	-2.929	-0.732	4.596
12/18/2024	-4.416	-1.104	4.224
01/29/2025	-5.682	-1.420	3.908

Equity and Commodity

Index	Value	Net change
DJIA	40,974.97	38.04
S&P	5,520.07	-8.86
Nasdaq	17,084.30	-52.00
Nikkei 225	37,047.61	-1638.70
STI	3,441.38	-38.96
KLCI	1,670.24	-6.41
JCI	7,672.90	56.38
Baltic Dry	1,947.00	28.00
VIX	21.32	0.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.53 (-0.05)	3.75(--)
5Y	2.5 (-0.07)	3.55 (-0.09)
10Y	2.67 (-0.07)	3.75 (-0.08)
15Y	2.76 (-0.08)	--
20Y	2.81 (-0.07)	--
30Y	2.82 (-0.07)	4.06 (-0.07)

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)	69.20	-1.62%	Corn (per bushel)	3.905	1.0%
Brent (per barrel)	72.70	-1.42%	Soybean (per bushel)	10.060	0.9%
Heating Oil (per gallon)	215.75	-2.20%	Wheat (per bushel)	5.653	2.4%
Gasoline (per gallon)	196.18	-0.80%	Crude Palm Oil (MYR/MT)	39.920	-0.7%
Natural Gas (per MMBtu)	2.15	-2.63%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8960.00	0.06%	Gold (per oz)	2495.7	0.1%
Nickel (per mt)	16214.00	-1.51%	Silver (per oz)	28.3	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/05/2024 07:00	SK	GDP YoY	2Q P	2.30%	2.30%	2.30%	--
09/05/2024 07:00	SK	GDP SA QoQ	2Q P	-0.20%	-0.20%	-0.20%	--
09/05/2024 09:00	PH	CPI YoY 2018=100	Aug	3.60%	--	4.40%	--
09/05/2024 09:30	AU	Trade Balance	Jul	A\$5000m	--	A\$5589m	--
09/05/2024 11:30	TH	CPI YoY	Aug	0.40%	--	0.83%	--
09/05/2024 13:00	SI	Retail Sales YoY	Jul	1.50%	--	-0.60%	--
09/05/2024 14:00	GE	Factory Orders MoM	Jul	-1.70%	--	3.90%	--
09/05/2024 15:00	MA	BNM Overnight Policy Rate	Sep-05	3.00%	--	3.00%	--
09/05/2024 16:00	TA	CPI YoY	Aug	2.27%	--	2.52%	--
09/05/2024 16:30	UK	S&P Global UK Construction PMI	Aug	54.5	--	55.3	--
09/05/2024 20:15	US	ADP Employment Change	Aug	144k	--	122k	--
09/05/2024 20:30	US	Initial Jobless Claims	Aug-31	230k	--	231k	--
09/05/2024 22:00	US	ISM Services Prices Paid	Aug	56	--	57	--
09/05/2024 22:00	US	ISM Services Index	Aug	51.4	--	51.4	--
09/05/2024 22:00	US	ISM Services New Orders	Aug	--	--	52.4	--
09/05/2024 22:00	US	ISM Services Employment	Aug	--	--	51.1	--

Source: Bloomberg

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