

## Daily Treasury Outlook

5 December 2024

### Highlights

**Global:** Political uncertainty is now in full throttle in France after PM Barnier did not survive the no confidence vote. In fact, it was an emphatic defeat of 331-577 in favour of the no confidence vote. The question of what next looms large. President Macron can appoint a new prime minister but the fundamental issues that led to the no confidence motion against Barnier remain difficult to navigate politically. These include the adoption of austerity measures and passing the Budget 2025. For his part, President Macron has said he will not step down until his terms ends in 2027.

Moving onto the US, the beige book remained sanguine. It noted that “economic activity rose slightly in most Districts”. There were some vagaries at the sector specific levels namely that sale of farm equipment, commercial real estate lending remained subdued, but electricity generation grew “at a robust rate” and the demand for electricity was supported by data centers. On prices, Districts noted a modest rise and that input prices were rising faster, “resulting in declining profit margins”. In addition, “businesses in several Districts indicated tariffs pose a significant upside risk to inflation.” The beige book noted that “wage growth softened to a modest pace across most Districts, as did expectations for wage growth in coming months.” The employment side showed that employment levels “were flat or up only slightly across Districts” and that while hiring activity was subdued, “the level of layoffs was also reportedly low”. This was corroborated by the November ADP employment data, which came in at 146k from 184k in October, broadly in line with consensus of 150k. The ISM services reading was lower-than-expected at 52.1 in November from 56 in October, with the employment and new orders sub-component reading coming off but the prices paid subcomponent higher versus October. The probability of a Fed rate cut at the 18 December meeting is now higher at above 75%. Fed Chair Powell’s comments were broadly neutral, and he noted that he feels “good about where the economy is and where monetary policy is”. He also said he expects good relations with the incoming administration. US equities closed higher, DXY index moved lower from intra-day highs, similar to UST yields.

In our region, the Johor Singapore SEZ announcement has been postponed to January. PM Wong has contracted COVID-19 and will thus take some time out for recovery. The date for the next meeting has not been finalised yet. In the Philippines, the stress on Sara Duterte builds after a second impeachment complaint was filed against her.

### Key Market Movements

Equity	Value	% chg
S&P 500	6086.5	0.6%
DJIA	45014	0.7%
Nikkei 225	39276	0.1%
SH Comp	3364.7	-0.4%
STI	3799.9	0.4%
Hang Seng	19742	0.0%
KLCI	1614.1	0.4%
	Value	% chg
DXY	106.321	0.0%
USDJPY	150.59	0.7%
EURUSD	1.0511	0.0%
GBPUSD	1.2701	0.2%
USDIDR	15930	-0.1%
USDSGD	1.3439	-0.1%
SGDMYR	3.3077	-0.5%
	Value	chg (bp)
2Y UST	4.13	-5.39
10Y UST	4.18	-4.45
2Y SGS	2.74	0.20
10Y SGS	2.71	1.28
3M SORA	3.20	-0.54
3M SOFR	4.87	-0.80
	Value	% chg
Brent	72.31	-1.8%
WTI	68.54	-2.0%
Gold	2650	0.2%
Silver	31.30	0.9%
Palladium	980	0.7%
Copper	9083	-0.3%
BCOM	97.33	-0.2%

Source: Bloomberg

**Market Watch:** Ahead of the crucial November non-farm payroll release on Friday, the weekly initial jobless claims and continuing claims will be released today. The US October trade balance will also be important, as trade remains the crucial focus on President-elect Trump's administration. Other data releases today include October Australia household spending and trade data, Philippines November CPI, Singapore October retail sales, German October factory orders. South Korea's preliminary 3Q24 GDP growth estimate showed that the economy grew 1.5% YoY and 0.1% QoQ sa, which is soft even ahead of the ongoing political drama.

**Oil:** Crude oil benchmarks fell, with WTI and Brent declining by 2.0% and 1.8%, respectively, closing at USD68.5/bbl and USD72.3/bbl. During intraday trading, both WTI and Brent rose by ~1.0%, reaching intraday highs of USD70.5/bbl and USD74.3/bbl, respectively. However, these gains were pared back due to lower-than-expected US services PMI data prints for November. Meanwhile, a surprise buildup in US fuel inventories exerted further downward pressure on oil prices. According to the Energy Information Administration (EIA), US gasoline and distillate inventories rose by 2.4mn bbls and 3.4mn bbls, respectively, to 214.6mn bbls and 118.1mn bbls, for the week ending 29 November. However, US crude inventories declined by 5.1mn bbls to 423.4mn bbls. The OPEC+ meeting is scheduled for today (5 December).

## Major Markets

**ID:** Investment Minister Rosan Roeslani revealed that Apple has renewed its investment commitment in the country to USD1bn. This investment commitment marks a significant increase compared to Apple's previous proposal of USD100mn, which included expanding the Apple Developer Academy and building an accessory facility in the country. Minister Roeslani stated that this amount is a 'first phase' and anticipates a written commitment from Apple soon, emphasizing the need for fairness in investment and job creation. The sale of the iPhone 16 is currently banned in Indonesia, following Apple's failure to meet the local component requirements (TKDN).

**MY:** Finance Minister II Amir Hamzah Azizan noted that the country is on course to steadily reduce its fiscal deficit, with the deficit projected to "drop below 3.8% (of GDP)" in 2025. The fiscal deficit has been narrowing from 6.4% in 2021 to 5.0% in 2023 and is projected to continue narrowing to 4.3% this year. In addition, government debt is also expected to decline to an estimated MYR84.7bn in 2024, down from MYR92.5bn in 2023 and MYR99.4bn in 2022. These efforts align with the Public Finance and Fiscal Responsibility Act 2023, which aims to achieve a 3% fiscal deficit by 2026-2028."

**TH:** Headline CPI rose to 0.9% YoY in November versus 0.8% in October. The main driver of higher inflation was due to higher inflation in the 'Transport & Communication' (+1.4% YoY versus -0.3%) category, which more than offset lower inflation in 'Food & Non-Alcoholic Beverages' (1.3% YoY versus 1.9%). Meanwhile, core inflation remained steady at 0.8% YoY for the third consecutive month. Year-to-date, headline CPI averaged 0.3% YoY versus 1.3% in 2023, and we expect headline CPI to return to target in December. On monetary policy, we maintain the view that the BoT's rate cuts will be shallow. The BoT will likely leave its policy rate unchanged at 2.25% at its 18 December meeting, before implementing another 25bp rate cut expected in 1Q25, bringing the policy rate down to 2.00%.

**HK:** The HKMA unveiled a special mortgage scheme for homebuyers who purchased uncompleted residential properties in 2021-2023 under stage payment plans. Under the new scheme, banks can extend mortgage loans to homebuyers with a maximum loan-to-value ratio of 80% and the debt-servicing-ratio limit of 60%. This scheme aims to provide liquidity for homebuyers in need of extra funding for down payment amidst the property market downturn. Separately, Hong Kong's PMI dropped to 51.1 in November, from that of 52.2 in October, as growth of output and new orders slowed. External demand from abroad and mainland China weakened again, following the improvement seen in October. That said, staffing levels expanded for the first time since April, in the anticipation of further growth in output in the near-term.

## ESG Updates

**Rest of the world:** The Biden administration awarded over USD100bn in grants created by the Inflation Reduction Act, in hopes that this will help to continue the deployment of clean energy even after the new Trump administration. This makes the Biden administration on track to exceed its goal of obligating over 80% of available IRA grant funding by the end of the term next month. There is concern of a slowdown in the US' clean energy and other sustainability-related initiatives when the new Trump administration begins, which may reduce the role of the US in global action climate.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded slightly mixed yesterday, with shorter tenors trading flat to 1bp lower, belly tenors trading flat to 2bps higher and 10Y trading 3bps higher. Sales for Country Garden Holdings Co. experienced a significant decline in November, intensifying the company's liquidity issues as it seeks additional time to plan a debt restructuring. According to Bloomberg's analysis of corporate filings, contracted sales for November fell by 52.3% y/y to RMB3.01bn (USD414mn), widening from a 31% drop in October. Wanda announced in an exchange filing that it has obtained valid consent instructions for an extraordinary resolution from the bondholders of the USD400mn bonds maturing in 2025. Bloomberg Asia USD Investment Grade spreads remained flat at 75bps while Bloomberg Asia USD High Yield spreads widened by 5bps to 456bps. (Bloomberg, OCBC)

### New Issues:

There were three notable issuances in the Asiadollar market yesterday.

- Rakuten Group Inc priced a USD550mn PerpNC5 at 8.125%.
- Golomt Bank priced a USD100mn retap of GLMTMO 11% '27s at 105.3979 to yield 8.5%.
- Wuxi Xixi Industrial Development Group Co. Ltd. (SBLC Provider: Bank of Ningbo Co. Ltd./Wuxi) priced a USD100mn 3Y Fixed at 4.8%.

There were no notable issuances in the Singdollar market yesterday.

### Mandates:

- There were no new Asiadollar mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	106.321	-0.04%	USD-SGD	1.3439	-0.07%
USD-JPY	150.590	0.66%	EUR-SGD	1.4126	-0.04%
EUR-USD	1.051	0.02%	JPY-SGD	0.8923	-0.78%
AUD-USD	0.643	-0.86%	GBP-SGD	1.7069	0.13%
GBP-USD	1.270	0.22%	AUD-SGD	0.8642	-0.95%
USD-MYR	4.453	-0.37%	NZD-SGD	0.7864	-0.58%
USD-CNY	7.264	-0.30%	CHF-SGD	1.5198	0.16%
USD-IDR	15930	-0.06%	SGD-MYR	3.3077	-0.49%
USD-VND	25405	0.02%	SGD-CNY	5.4082	-0.26%

## Equity and Commodity

Index	Value	Net change
DJIA	45,014.04	308.51
S&P	6,086.49	36.61
Nasdaq	19,735.12	254.21
Nikkei 225	39,276.39	27.53
STI	3,799.94	13.81
KLCI	1,614.09	7.13
JCI	7,326.76	130.75
Baltic Dry	1,237.00	-61.00
VIX	13.45	0.15

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.0020	0.50%	1M	4.4829	-0.43%
3M	2.8790	-1.54%	2M	4.4440	-0.31%
6M	2.6340	-1.53%	3M	4.4252	-0.17%
12M	2.3560	-3.09%	6M	4.3246	-0.13%
			1Y	4.1650	-0.01%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.74 (-)	4.14(-)
5Y	2.67 (-)	4.07 (-0.04)
10Y	2.71 (+0.01)	4.19 (-0.04)
15Y	2.76 (+0.01)	--
20Y	2.73 (+0.01)	--
30Y	2.69 (+0.01)	4.36 (-0.06)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/18/2024	-0.739	-0.185	4.396
01/29/2025	-0.985	-0.246	4.335
03/19/2025	-1.607	-0.402	4.179
05/07/2025	-2.035	-0.509	4.072
06/18/2025	-2.495	-0.624	3.957
07/30/2025	-2.775	-0.694	3.887

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	4.64
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.54	-2.00%	Corn (per bushel)	4.220	-0.3%
Brent (per barrel)	72.31	-1.78%	Soybean (per bushel)	9.838	-0.8%
Heating Oil (per gallon)	216.74	-2.27%	Wheat (per bushel)	5.380	0.2%
Gasoline (per gallon)	193.91	-1.19%	Crude Palm Oil (MYR/MT)	52.870	-1.0%
Natural Gas (per MMBtu)	3.04	0.03%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9083.00	-0.31%	Gold (per oz)	2649.9	0.2%
Nickel (per mt)	16107.00	0.57%	Silver (per oz)	31.3	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
12/05/2024 07:00	SK	GDP YoY	3Q P	1.50%	1.50%	1.50%	--
12/05/2024 07:00	SK	GDP SA QoQ	3Q P	0.10%	0.10%	0.10%	--
12/05/2024 07:50	JN	Japan Buying Foreign Bonds	Nov-29	--	¥922.4b	-¥773.7b	-¥779.1b
12/05/2024 07:50	JN	Foreign Buying Japan Stocks	Nov-29	--	-¥607.7b	-¥446.0b	-¥445.8b
12/05/2024 08:30	AU	Trade Balance	Oct	A\$4500m	--	A\$4609m	--
12/05/2024 08:30	AU	Exports MoM	Oct	--	--	-4.30%	--
12/05/2024 09:00	PH	CPI YoY 2018=100	Nov	2.50%	--	2.30%	--
12/05/2024 13:00	SI	Retail Sales YoY	Oct	2.40%	--	2.00%	--
12/05/2024 15:00	GE	Factory Orders MoM	Oct	-2.00%	--	4.20%	--
12/05/2024 16:00	TA	CPI YoY	Nov	1.90%	--	1.69%	--
12/05/2024 17:30	UK	S&P Global UK Construction PMI	Nov	53.5	--	54.3	--
12/05/2024 18:00	EC	Retail Sales MoM	Oct	-0.30%	--	0.50%	--
12/05/2024 21:30	US	Initial Jobless Claims	Nov-30	215k	--	213k	--
12/05/2024 21:30	US	Trade Balance	Oct	-\$75.0b	--	-\$84.4b	--
12/05/2024 21:30	US	Continuing Claims	Nov-23	190k	--	190k	--
12/05/2024 21:30	CA	Int'l Merchandise Trade	Oct	-1.05b	--	-1.26b	--

Source: Bloomberg

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