

## Daily Treasury Outlook

6 June 2024

### Highlights

**Global:** Bank of Canada lowered its policy rate by 25bp in a widely anticipated move. The path to further easing will not be straightforward but BOC's dovish intent is clear, and it will remain data dependent. Meanwhile, US equities ended higher, the DXY index traded sideways and UST yields were lower across the curve. US economic data overnight was mixed. ISM services came in higher than expected at 53.8 in a final May reading with increases in the new orders and employment components pointing to continued service sector resilience. The ADP employment change, however, was lower than expected at 152k in May versus a downwardly revised 188k in April. The big data release for the week will be the May non-farm payrolls on 7 June, followed by the US FOMC meeting next week. In India, PM Modi's allies backed his nomination allowing him a historic third term in office, albeit with a significantly diminished majority.

**Market Watch:** The focus is on the ECB's meeting today where a 25bp rate cut is all but priced in; the press conference will be watched closely for the forthcoming pace of rate cuts. Germany's April factory orders will also be an important to gauge for signs of a bottoming in the manufacturing sector. Weekly US labour market data including initial jobless claims and continuing claims will also be watched. BoJ Board member Nakamura will speak this morning. 2024 European Parliamentary elections begin today until 9 June.

**Oil:** Crude oil benchmarks rebounded after five consecutive sessions of losses. WTI and Brent rose by more than 1.1% to close at USD74.1/bbl and USD78.4/bbl respectively. The price reversal more than offset the reported buildup in US crude oil and gasoline inventories. The Energy Information Administration (EIA) reported that US crude and gasoline inventories rose by 1.2mn bbls and 2.1mn bbls to 455.9mn bbls and 230.9 mn bbls, respectively, for the week ending 31 May.

**HK:** S&P PMI fell to the contractionary zone in May, at 49.2 (vs. 50.6 in April), dragged by the decline in new orders and output sub-indexes. As a result of fewer new businesses, output contracted in three out of the four passing months. Overall sentiment deteriorated further, while profit margin continued to shrink with rising competition and input cost. Forward looking indicators suggested that demand is likely to stay subdued in the near term.

### Key Market Movements

Equity	Value	% chg
S&P 500	5354.0	1.2%
DJIA	38807	0.2%
Nikkei 225	38490	-0.9%
SH Comp	3065.4	-0.8%
STI	3330.0	-0.3%
Hang Seng	18425	-0.1%
KLCI	1608.5	-0.4%
	<b>Value</b>	<b>% chg</b>
DXY	104.268	0.2%
USDJPY	156.11	0.8%
EURUSD	1.0869	-0.1%
GBPUSD	1.2787	0.1%
USDIDR	16285	0.4%
USDSGD	1.3488	0.2%
SGDMYR	3.4864	0.0%
	<b>Value</b>	<b>chg (bp)</b>
2Y UST	4.72	-4.82
10Y UST	4.28	-5.04
2Y SGS	3.35	-1.20
10Y SGS	3.26	-1.18
3M SORA	3.66	0.22
3M SOFR	5.35	0.02
	<b>Value</b>	<b>% chg</b>
Brent	78.41	1.1%
WTI	74.07	1.1%
Gold	2355	1.2%
Silver	30.01	1.7%
Palladium	936	2.1%
Copper	9926	-0.2%
BCOM	101.87	0.6%

Source: Bloomberg

## Major Markets

**ID:** President Joko Widodo is confident that he can begin working in Nusantara, the new capital city in East Kalimantan, once clean water supplies are available, which is expected in July. He believes that all necessary infrastructure, including the presidential palace, will be completed in time for the Indonesian Independence Day ceremony on 17 August, which will also mark the gradual transfer of the state capital from Jakarta to Nusantara. The Public Works and Housing Minister, Bambang Basuki Hadimuljono, who is also the acting head of the Nusantara project, has provided assurances that progress is on track, with phase 1 development reaching 80%. In other news, the government has extended maternity leave to six months for mothers (and/or their newborns) facing health issues, while all new mothers can take three months of leave. The first four months will be fully paid, while the remaining two months will be paid at 75%.

**MY:** The Penang government has announced that consumers will receive the first 10,000 litres of water for free over the next six months, starting in July. This initiative will result in savings of RM6.20 per bill for households. Additionally, larger households with an income below RM5,000 will now receive a RM20 rebate under the family-friendly rebate scheme, an increase from the previous threshold of RM2,250. The state has instructed the Penang Water Supply Corporation (PBAPP) to implement these rebates for residents of Penang from July to December.

**PH:** BSP's Governor Remolona retained his dovish bias, implying that the BSP maybe the first ASEAN central bank to bite the bullet on lower rates after May inflation surprised to downside at 3.9% YoY (Consensus: 4.0%), still rising versus 3.8% in April (OCBC: 3.9%, consensus: 4.0%). Core inflation eased modestly to 3.1% YoY versus 3.2% in April. The May headline CPI print brings the year-to-date inflation to 3.5% YoY. Looking ahead, we maintain our 2024 average headline CPI at 3.9% YoY, implying a slight pickup in inflationary pressures in the coming months. This is still within BSP's 2-4% headline inflation range.

**TH:** Tensions between the government and central bank were a drag on sentiment for Thai assets. Bloomberg reported that the government is considering replacing the BOT's board chairman role (in September) with candidates sympathetic to government's cause of lowering its policy rate. To be clear, the chairman is not a member of the MPC and does not have a direct vote on monetary policy. However, even the perceived risk of undermining BOT's decision-making processes will be viewed negatively. Meanwhile, Finance Minister Pichai Chunhavajira revealed that the government's cash payment plan remains unchanged at 4Q24. The plan is expected to benefit ~50 million people nationwide, each receiving a one-time payment of THB10,000. He also clarified that there "may be a misunderstanding" in the communication regarding reports that 15 million welfare card holders will be given priority for the cash handout in 3Q24. Separately, the constitutional court will consider the Move Forward Party dissolution case on 12 June.

## ESG Updates

**SG:** Singapore has published an Environmental Crimes Money Laundering (ML) National Risk Assessment which identifies key threats and vulnerabilities in environmental crimes ML that Singapore is exposed to, such as illegal wildlife trade and illegal logging. According to the report, banks and cross-border payment service providers are sectors that are most vulnerable to being misused to launder proceeds from environmental crimes, given their transnational nature. Given the level of exposure and existing legislation and controls, there is a medium-low risk of criminals using Singapore for environmental crimes ML.

**CN:** China announced plans to better measure the carbon content of its products through a new carbon footprint management system that will go into effect in 2027, setting standards for measuring carbon emissions for about 100 key products throughout the Chinese economy. This will first apply to high-emitting products such as coal and natural gas as well as export products like steel, aluminium, lithium batteries and electric vehicles, with the aim of expanding the guidance to 200 products by 2030.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 0-2bps lower, belly tenors trading 2-3bps lower and 10Y trading 3bps lower. China South City Holdings Ltd. ("CSC"), a defaulted builder, is facing a significant lawsuit worth USD1.4bn related to keepwell agreements. Citicorp International Ltd. has filed a lawsuit against Shenzhen SEZ Construction and Development Group Co., the largest shareholder of CSC. The lawsuit, dated 3rd June, revolves around keepwell agreements provided by Shenzhen SEZ for some of CSC's dollar bonds. Citicorp International acts as the trustee for China South City's dollar bonds. Previous disputes between global creditors and distressed Chinese companies over keepwell agreements have produced mixed outcomes. Elsewhere, China Vanke Co Ltd ("VANKE") has deposited funds to fully repay the USD600mn VNKRL 4.2% '24s due 7th June. Bloomberg Asia USD Investment Grade traded flat at 79bps while Asia USD High Yield widened by 6bps to 500bps. (Bloomberg, OCBC)

### New Issues:

There were no notable bond issuers in the Asiadollar market yesterday.

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

- OUE REIT Treasury Pte Ltd (Guarantors: DBS Trustee Ltd, in its capacity as trustee of and OUE Real Estate Investment Trust) priced a SGD250mn 3Y Green senior note at 4.1%.

### Mandates:

- Zhongyuan Yuzi Investment Holding Group Co., Ltd. is planning to issue USD sustainable bonds.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.268	0.15%	USD-SGD	1.3488	0.16%
USD-JPY	156.110	0.79%	EUR-SGD	1.4659	0.05%
EUR-USD	1.087	-0.09%	JPY-SGD	0.8639	-0.63%
AUD-USD	0.665	-0.02%	GBP-SGD	1.7247	0.28%
GBP-USD	1.279	0.13%	AUD-SGD	0.8966	0.12%
USD-MYR	4.698	-0.08%	NZD-SGD	0.8353	0.41%
USD-CNY	7.248	0.10%	CHF-SGD	1.5096	-0.21%
USD-IDR	16285	0.40%	SGD-MYR	3.4864	-0.04%
USD-VND	25423	0.03%	SGD-CNY	5.3762	-0.02%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6660	-0.65%	1M	5.3285	0.00%
3M	3.7720	-0.26%	2M	5.3340	-0.04%
6M	3.7560	0.03%	3M	5.3342	-0.02%
12M	3.7150	-0.19%	6M	5.2690	-0.03%
			1Y	5.0704	-0.01%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.012	-0.003	5.328
07/31/2024	-0.192	-0.048	5.283
09/18/2024	-0.832	-0.208	5.123
11/07/2024	-1.227	-0.307	5.024
12/18/2024	-1.948	-0.487	4.844
01/29/2025	-2.432	-0.608	4.722

## Equity and Commodity

Index	Value	Net change
DJIA	38,807.33	96.04
S&P	5,354.03	62.69
Nasdaq	17,187.90	330.85
Nikkei 225	38,490.17	-347.29
STI	3,330.01	-8.93
KLCI	1,608.53	-6.87
JCI	6,947.67	-151.64
Baltic Dry	1,813.00	5.00
VIX	12.63	-0.53

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.35 (-0.01)	4.73(--)
5Y	3.23 (-0.02)	4.29 (-0.05)
10Y	3.26 (-0.01)	4.29 (-0.05)
15Y	3.25 (-0.01)	--
20Y	3.2 (--)	--
30Y	3.13 (--)	4.44 (-0.04)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.33
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.07	1.12%	Com (per bushel)	4.393	-0.7%
Brent (per barrel)	78.41	1.15%	Soybean (per bushel)	11.773	-0.1%
Heating Oil (per gallon)	230.11	0.66%	Wheat (per bushel)	6.468	-1.7%
Gasoline (per gallon)	235.36	0.17%	Crude Palm Oil (MYR/MT)	38.680	-0.3%
Natural Gas (per MMBtu)	2.76	6.61%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9925.50	-0.20%	Gold (per oz)	2355.3	1.2%
Nickel (per mt)	18288.00	-4.09%	Silver (per oz)	30.0	1.7%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/06/2024 - 06/13/2024	VN	Domestic Vehicle Sales YoY	May	--	--	1.80%	--
06/06/2024 07:50	JN	Japan Buying Foreign Bonds	May-31	--	¥1323.4b	-¥297.9b	-¥310.4b
06/06/2024 09:00	NZ	ANZ Commodity Price MoM	May	--	--	0.50%	--
06/06/2024 09:30	AU	Investor Loan Value MoM	Apr	--	--	3.80%	--
06/06/2024 09:30	AU	Trade Balance	Apr	A\$5400m	--	A\$5024m	--
06/06/2024 14:00	GE	Factory Orders MoM	Apr	0.60%	--	-0.40%	--
06/06/2024 14:00	GE	Factory Orders WDA YoY	Apr	0.30%	--	-1.90%	--
06/06/2024 16:00	TA	CPI YoY	May	2.10%	--	1.95%	--
06/06/2024 16:30	UK	S&P Global UK Construction PMI	May	52.5	--	53	--
06/06/2024 20:15	EC	ECB Main Refinancing Rate	Jun-06	4.25%	--	4.50%	--
06/06/2024 20:15	EC	ECB Deposit Facility Rate	Jun-06	3.75%	--	4.00%	--
06/06/2024 20:15	EC	ECB Marginal Lending Facility	Jun-06	4.50%	--	4.75%	--
06/06/2024 20:30	US	Initial Jobless Claims	Jun-01	220k	--	219k	--
06/06/2024 20:30	US	Trade Balance	Apr	-\$76.5b	--	-\$69.4b	--
06/06/2024 20:30	US	Continuing Claims	May-25	1790k	--	1791k	--
06/06/2024 20:30	CA	Int'l Merchandise Trade	Apr	-1.04b	--	-2.28b	--

Source: Bloomberg

## Macro Research

Selena Ling  
Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

Tommy Xie Dongming  
Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

Keung Ching (Cindy)  
Hong Kong & Macau Economist  
[Cindyckeung@ocbc.com](mailto:Cindyckeung@ocbc.com)

Herbert Wong  
Hong Kong & Macau Economist  
[HerbertWong@ocbc.com](mailto:HerbertWong@ocbc.com)

Lavanya Venkateswaran  
Senior ASEAN Economist  
[LavanyaVenkateswaran@ocbc.com](mailto:LavanyaVenkateswaran@ocbc.com)

Ahmad A Enver  
ASEAN Economist  
[Ahmad.Enver@ocbc.com](mailto:Ahmad.Enver@ocbc.com)

Jonathan Ng  
ASEAN Economist  
[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

Ong Shu Yi  
ESG Analyst  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

## FX/Rates Strategy

Frances Cheung, CFA  
Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

Christopher Wong  
FX Strategist  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

## Credit Research

Andrew Wong  
Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

Ezien Hoo, CFA  
Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

Wong Hong Wei, CFA  
Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

Chin Meng Tee, CFA  
Credit Research Analyst  
[MengTeeChin@ocbc.com](mailto:MengTeeChin@ocbc.com)

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