

## Daily Treasury Outlook

6 September 2024

### Highlights

**Global:** US markets traded choppy overnight; US equities were mixed (S&P: -0.3%; NASDAQ: +0.25%; Dow Jones: -0.54%), while UST yields were lower across the curve, with 10-year yields now marginally below 2-year yields, after the dip following the ADP report was pared towards the close. It was a similar case for the DXY index. The economic data released overnight failed to help elucidate underlying growth momentum. The August ADP payrolls came in lower-than-expected at 99k (versus expectations of 145k) with the July data also revised downwards to 111k from 122k. The decrease was led by small establishments while medium and large establishments continued to add jobs. Paygains were unchanged in August, flat at 4.8% YoY for job stayers and 7.3% for job changers. In contrast to ADP, the initial jobless claims data for the week ending 31 August showed a modest dip to 227k versus 232k the previous week. The ISM services index was broadly unchanged at 51.5 in August versus 51.4 in July, with a higher reading for the new orders sub-component but a lower one for employment. Earlier this morning Chicago Fed President Austan Goolsbee opined in an interview with MarketWatch that “it is pretty clear that the path is not just rate cuts soon” but multiple cuts over the next 12 months. Donald Trump, the Republican Presidential nominee, said he would lower corporate tax to 15% from 21% “solely for companies that make their product in America”. Elsewhere, BNM kept its policy rate unchanged at 3.00% as widely expected. RBI Governor Das delivered some modestly hawkish comments on Thursday, noting that the central bank should remain focused on the “last mile of disinflation”.

**Market Watch:** Asian and European markets will wait with bated breath ahead of the highly anticipated August non-farm payroll release tonight. Consensus expectations are for gains of 165k in August versus 114k in July. In the interim, Philippines July labour market data, Vietnam’s August activity and inflation data, German and French July industrial production and trade data and EU’s 2Q24 final GDP release are slated for release.

**SG:** Retail sales rose 1.0% YoY (3.1% MoM sa) in July, rebounding from June’s contraction of 0.6% YoY (-3.7% MoM sa). The key contributor was auto sales which jumped 27.2% YoY (21.7% MoM sa), whilst petrol stations, food & alcohol, supermarkets & hypermarkets, and watches & jewellery also eked out modest positive sales growth. Sales of food & alcohol slowed from the double-digit growth seen in 1H24 to only 4.7% YoY in July.

### Key Market Movements

Equity	Value	% chg
S&P 500	5503.4	-0.3%
DJIA	40756	-0.5%
Nikkei 225	36657	-1.1%
SH Comp	2788.3	0.1%
STI	3458.7	0.5%
Hang Seng	17444	-0.1%
KLCI	1664.8	-0.3%
	Value	% chg
DXY	101.107	-0.2%
USDJPY	143.45	-0.2%
EURUSD	1.1111	0.3%
GBPUSD	1.3180	0.3%
USDIDR	15398	-0.5%
USDSGD	1.3001	-0.3%
SGDMYR	3.3321	0.0%
	Value	chg (bp)
2Y UST	3.74	-1.04
10Y UST	3.73	-2.83
2Y SGS	2.50	-3.30
10Y SGS	2.63	-4.24
3M SORA	3.56	-0.38
3M SOFR	5.37	0.02
	Value	% chg
Brent	72.69	0.0%
WTI	69.15	-0.1%
Gold	2517	0.8%
Silver	28.82	1.9%
Palladium	943	0.5%
Copper	9092	1.5%
BCOM	95.16	0.3%

Source: Bloomberg

**Oil:** WTI and Brent closed flat on Thursday at USD69.2/bbl and USD72.7/bbl, respectively. The intraday trade was choppy, with oil prices showing a general upward trend during Asian and European trading hours but paring back gains during NY trading hours due to concerns about slowing demand and the potential return of Libyan oil supplies. These factors outweighed an agreement by OPEC+ to delay their planned crude oil production for October and November, as well as a reported drawdown in US crude oil inventories. According to the Energy Information Administration (EIA), US crude inventories decreased by 6.9mn bbls to 418.3mn bbls for the week ending 30 August.

## Major Markets

**CN:** The People's Bank of China (PBoC) stated in its recent press conference that there is still room for further adjustments to the reserve requirement ratio (RRR), as the average RRR for financial institutions remains around 7%. Regarding interest rates, the PBoC acknowledged constraints on further reductions in deposit and lending rates, citing the flow of bank deposits into asset management products and the narrowing of banks' net interest margins. Looking ahead, the central bank emphasized that future interest rate policy will be data-dependant, with particular attention to the progress of economic recovery and the specific macroeconomic challenges China faces.

**ID:** Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, revealed that Indonesia is set to export 2-3 gigawatts (GW) of green electricity to Singapore, as both countries have concluded negotiations. Indeed, Singapore has granted two new projects to import 1.4 GW of renewable energy from Indonesia, as well as its first conditional licenses for five Indonesian projects to import 2 GW of low carbon electricity into the city-state, as reported by Business Times. Coordinating Minister Luhut indicated that these investment projects amount to as much as USD20bn.

**MY:** BNM kept its policy rate unchanged at 3.00%, in line with expectations, for a seventh consecutive meeting. BNM's assessment on growth and inflation were broadly unchanged relative to its 11 July meeting. BNM still expects growth to be sustained by "resilient domestic demand and higher export activity". On inflation, BNM noted that "spillovers from the diesel price adjustment to broader prices have been contained..." BNM maintained its headline and core inflation forecast range at 2-3.5% and 2-3%, respectively. The risk to inflation remains from changes to domestic price policy (namely regarding RON95). Looking ahead, we expect BNM to maintain status quo until there is further clarity on the fiscal front. The Budget 2025 announcement on 18 October will be watched closely in this regard.

**TH:** Headline CPI eased to 0.4% YoY in August versus 0.8% in July, in line with expectations (Consensus: 0.4%, OCBC: 0.3%). In contrast, core inflation edged slightly higher to 0.6% YoY in August versus 0.5% in July but remained benign, nonetheless. Headline inflation was driven by lower transportation (-1.0% YoY versus 2.0%), and utilities (-0.9% YoY versus -0.8%) costs, which more than offset higher food prices (1.8% YoY versus 1.3%). Year-to-date headline inflation averaged 0.1% YoY. We forecast the 2024 average to be 0.6% YoY, assuming some upward adjustments to retail fuel and electricity tariffs, with headline inflation potentially returning to BOT 1-3% target range around 4Q24.

**PH:** Headline CPI was lower-than-expected at 3.3% YoY in August (Consensus and OCBC: 3.6%) versus 4.4% in July. This was also within BSP's expectations of 3.2-4.0%. Similarly, core inflation eased to 2.6% YoY versus 2.9% in July. Lower food inflation (3.9% YoY versus 6.4%) was the major driver, with rice inflation easing to 14.7% YoY in August versus 20.9% in July. Similarly, transportation inflation eased sharply (-0.2% YoY versus 3.6%) reflecting lower retail fuel prices. These more than offset higher utilities (3.8% YoY versus 2.3%) inflation. The August headline CPI print brings the year-to-date inflation to 3.6% YoY. Looking ahead, we maintain our 2024 average headline CPI at 3.5% YoY, implying a continued disinflationary trajectory ahead.

## ESG Updates

**SG:** Singapore granted conditional approvals to another two companies, Singa Renewables and Shell Eastern Trading, to import 1.4GW of low-carbon electricity from Indonesia. This adds to a total import capacity of 4.2GW from other companies in Cambodia, Indonesia and Vietnam that have also been granted conditional approvals. Given the encouraging progress of electricity import projects that are on track to achieve the goal of importing 4GW low-carbon electricity by 2035, Singapore has raised its ambition and seeks to import 6GW by 2035.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 4-5bps lower, and belly tenors and 10Y trading 3bps lower. Following recent comments from Stefan Walter, Chief Executive Officer of The Swiss Financial Market Supervisory Authority ("FINMA") on the need for the banking supervisor to have stronger powers to intervene on bank strategy and business models in the absence of a crisis, Mr Walter made additional comments in a speech that the size of UBS Group AG makes proportional supervision of the bank vital for Switzerland. This is because the country is heavily exposed to UBS in terms of its risk culture, governance, and business models. FINMA also needs new instruments, a clearer legal basis, and more resources to regulate effectively by way of early identification of problems, acting quickly and, intervening where necessary with appropriate instruments to rectify the problem. Bloomberg Asia USD Investment Grade spreads remained flat at 92bps while Bloomberg Asia USD High Yield spreads widened by 5bps to 562bps. (Bloomberg, OCBC)

## **New Issues:**

There were 4 notable issues in the Asiadollar market yesterday.

- Hongkong International (Qingdao) Company Limited (Keepwell Provider: Qingdao City Construction Investment (Group) Limited) priced a USD600mn 3Y Fixed at 5.75%.
- Korea Housing Finance Corporation priced a USD500mn 3.5Y Social, Fixed at T+63bps.
- GF Financial Holdings BVI Ltd. (Guarantor: GF Securities Co., Ltd.) priced a USD300mn 3Y FRN at SOFR+67bps.
- San Miguel Global Power Holdings Corp priced a USD268.1mn PerpNC5 at 8.75%, as part of a USD800mn deal size which also includes USD531.9mn of exchanged notes.

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	101.107	-0.25%	USD-SGD	1.3001	-0.28%
USD-JPY	143.450	-0.20%	EUR-SGD	1.4445	-0.03%
EUR-USD	1.111	0.26%	JPY-SGD	0.9063	-0.10%
AUD-USD	0.674	0.24%	GBP-SGD	1.7135	-0.05%
GBP-USD	1.318	0.25%	AUD-SGD	0.8763	-0.06%
USD-MYR	4.338	-0.35%	NZD-SGD	0.8091	0.09%
USD-CNY	7.089	-0.34%	CHF-SGD	1.5404	0.01%
USD-IDR	15398	-0.50%	SGD-MYR	3.3321	-0.01%
USD-VND	24743	-0.49%	SGD-CNY	5.4543	0.01%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5360	-0.70%	1M	5.1101	-0.28%
3M	3.4490	-0.26%	2M	5.0447	-0.16%
6M	3.3790	-0.06%	3M	4.9368	-0.23%
12M	3.0940	-0.61%	6M	4.5949	-0.17%
			1Y	4.0611	-0.17%

## 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	-1.392	-0.348	4.977
11/07/2024	-2.853	-0.713	4.612
12/18/2024	-4.372	-1.093	4.232
01/29/2025	-5.662	-1.415	3.910

## Equity and Commodity

Index	Value	Net change
DJIA	40,755.75	-219.22
S&P	5,503.41	-16.66
Nasdaq	17,127.66	43.36
Nikkei 225	36,657.09	-390.52
STI	3,458.66	17.28
KLCI	1,664.82	-5.42
JCI	7,681.04	8.15
Baltic Dry	1,902.00	-45.00
VIX	19.90	-1.42

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.5 (-0.03)	3.74(--)
5Y	2.46 (-0.04)	3.54 (-0.01)
10Y	2.63 (-0.04)	3.73 (-0.03)
15Y	2.71 (-0.05)	--
20Y	2.76 (-0.05)	--
30Y	2.77 (-0.05)	4.02 (-0.04)

## 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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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.15	-0.07%	Corn (per bushel)	3.900	-0.1%
Brent (per barrel)	72.69	-0.01%	Soybean (per bushel)	10.083	0.2%
Heating Oil (per gallon)	216.89	0.53%	Wheat (per bushel)	5.610	-0.8%
Gasoline (per gallon)	192.58	-1.84%	Crude Palm Oil (MYR/MT)	40.210	0.7%
Natural Gas (per MMBtu)	2.25	5.08%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9092.00	1.47%	Gold (per oz)	2516.8	0.8%
Nickel (per mt)	16078.00	-0.84%	Silver (per oz)	28.8	1.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/06/2024	VN	CPI YoY	Aug	3.90%	--	4.36%	--
09/06/2024 07:00	SK	BoP Current Account Balance	Jul	--	\$9131.8m	\$12259.2m	\$12563.8m
09/06/2024 09:13	VN	Domestic Vehicle Sales YoY	Aug	--	--	8.30%	--
09/06/2024 11:00	ID	Foreign Reserves	Aug	--	--	\$145.4b	--
09/06/2024 14:00	GE	Industrial Production SA MoM	Jul	-0.50%	--	1.40%	--
09/06/2024 15:00	MA	Foreign Reserves	Aug-30	--	--	\$115.9b	--
09/06/2024 15:30	TH	Gross International Reserves	Aug-30	--	--	\$237.0b	--
09/06/2024 16:30	HK	Foreign Reserves	Aug	--	--	\$419.3b	--
09/06/2024 17:00	EC	GDP SA QoQ	2Q F	0.30%	--	0.30%	--
09/06/2024 17:00	EC	GDP SA YoY	2Q F	0.60%	--	0.60%	--
09/06/2024 17:00	EC	Govt Expend QoQ	2Q	0.30%	--	0.00%	-0.10%
09/06/2024 20:30	US	Change in Nonfarm Payrolls	Aug	165k	--	114k	--
09/06/2024 20:30	CA	Unemployment Rate	Aug	6.50%	--	6.40%	--
09/06/2024 20:30	US	Unemployment Rate	Aug	4.20%	--	4.30%	--
09/06/2024 20:30	CA	Net Change in Employment	Aug	25.0k	--	-2.8k	--
09/06/2024 20:30	US	Change in Manufact. Payrolls	Aug	-2k	--	1k	--

Source: Bloomberg

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