

Daily Treasury Outlook

6 November 2024

Highlights

Global: U.S. stocks ended higher on Tuesday, buoyed by solid economic data. However, with a tight U.S. presidential election result looming, some investors question whether this is the “calm before the storm” as they brace for potential market volatility this week.

The U.S. ISM Non-Manufacturing PMI rose to a more than two-year high of 56 in October from 54.9 in September, supported by strong job data. The employment subindex rebounded to 53, its highest reading since September 2023, reinforcing the view that October's disappointing nonfarm payroll data may be attributed to temporary factors. Meanwhile, the U.S. trade deficit widened to USD84.4bn, its highest level since April 2022, driven by robust imports—a sign of resilient domestic demand.

Elsewhere, minutes from the Bank of Japan’s September meeting indicated that policymakers are prepared to continue raising interest rates if economic and price forecasts align with expectations. In Australia, the Reserve Bank held its interest rate steady as anticipated. Governor Bullock refrained from offering forward guidance, though she affirmed the current stance as “appropriate” and highlighted potential inflationary pressures from persistent service prices. However, Bullock also noted weak private demand and stated the RBA is “ready to act” if economic conditions deteriorate. She hinted that inflation may not need to fall within the 2-3% target range for rate cuts, suggesting a potential rate cut as early as next year.

Market Watch: This morning, all eyes will be on the US elections as reporting beings to trickle in. On the data front, we will get Philippines’ September trade data, Thailand, Vietnam and Taiwan’s October inflation numbers, and Germany’s September factory orders. Also to be released today include composite and services PMI from Japan, India and a raft of Eurozone countries. Bank Negara Malaysia (BNM) meets today, where we expect them to hold.

Oil: Crude oil prices edged higher on Tuesday, with WTI and Brent increasing by 0.7% and 0.6%, respectively, closing at USD72.0/bbl and USD75.5/bbl. Oil prices remain supported due to ongoing tensions in the Middle East and supply constraints. Additionally, a weaker DXY profile and concerns that Tropical Storm Rafael could disrupt oil operations in the Gulf of Mexico added further upward pressure on oil prices. Separately, the American Petroleum Institute (API) reported an increase of 3.1mn bbls in US crude inventories for the week ending on 1 November. The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (6 November), with consensus anticipating a smaller buildup of 0.4mn bbls in US crude inventories.

Key Market Movements

Equity	Value	% chg
S&P 500	5782.8	1.2%
DJIA	42222	1.0%
Nikkei 225	38475	1.1%
SH Comp	3387.0	2.3%
STI	3581.6	0.3%
Hang Seng	21007	2.1%
KLCI	1620.7	0.3%
	Value	% chg
DXY	103.423	-0.4%
USDJPY	151.62	-0.3%
EURUSD	1.0930	0.5%
GBPUSD	1.3042	0.7%
USDIDR	15735	-0.1%
USDSGD	1.3144	-0.4%
SGDMYR	3.2987	-0.7%
	Value	chg (bp)
2Y UST	4.18	1.66
10Y UST	4.27	-1.39
2Y SGS	2.79	1.80
10Y SGS	2.87	1.87
3M SORA	3.36	-0.65
3M SOFR	5.11	-0.57
	Value	% chg
Brent	75.53	0.6%
WTI	71.99	0.7%
Gold	2744	0.3%
Silver	32.66	0.6%
Palladium	1079	0.1%
Copper	9697	0.0%
BCOM	99.09	0.2%

Source: Bloomberg

Major Markets

ID: GDP growth slowed to 4.9% YoY in 3Q24 versus 5.0% in 2Q24, matching our forecast but below consensus expectations of 5.0%. GDP growth for the 1Q-3Q24 averaged 5.0% YoY, consistent with our full year 2024 GDP growth forecast of 5.0%. Domestic demand remained the main driver of growth, contributing 4.6 percentage points (pp) to headline GDP growth compared to 4.2pp in 2Q24. The strength in domestic demand was reflected in import growth, which picked up to 11.5% YoY versus 7.8% in 2Q24. This far outpaced the marginal improvement in exports growth (9.1% from 8.2). Net exports, as a result, shaved off 0.1pp off headline GDP after adding 0.2pp in 3Q24. We expect 4Q24 GDP growth to remain on the weaker side similar to 3Q24, bringing the full-year 2024 growth to 5.0%. Slowing growth justifies Bank Indonesia's bias to reduce its policy rate further, but the timing of the rate cuts will be dependent on IDR stability.

MY: The government plans to attract wealthy individuals and families with assets under management (AUM) of MYR500mn to MYR1.2bn to establish family offices locally, with the goal of generating MYW40mn to MYR110mn in investments over five years in high-growth sectors. Finance Minister II Amir Hamzah Azizan noted that this sector could yield an economic multiplier effect of three- to fivefold, with incentives offered to those meeting specific local investment and spending criteria. Requirements include maintaining a physical office, employing staff with a minimum salary of MYR10,000, and committing 10% of AUM to local investments.

PH: Headline CPI accelerated to 2.3% YoY in October versus 1.9% in September. Meanwhile, core CPI held steady at 2.4% YoY in October. The main driver of the higher headline CPI was due to higher prices within the food & non-alcoholic beverages (2.9% YoY versus 1.4%) category. This increase more than offset lower inflation in utilities (2.4% YoY versus 3.3%) and transport (-2.1% YoY versus -2.4%). The October figure brings the year-to-date headline CPI to average at 3.3% YoY, compared to 6.0% in 2023. We maintain our 2024 headline CPI forecast at 3.2% YoY, indicating well-contained inflationary pressure for 4Q24.

ESG Updates

SG: Singapore reaffirmed its position as a developing country as classified in international negotiations, therefore not obligated to contribute resources to developing countries under the Paris Agreement with regard to financing. However, Singapore has been voluntarily contributing to global climate finance in a few ways such as a blended finance initiative to raise up to USD5bn to address the financing gap in green projects in Asia. Singapore has also started consulting with countries on the outstanding issues related to Article 6 to find landing ground for greater collaboration in carbon credits.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 0-2bps lower, belly tenors trading 0-1bps lower and 10Y trading 1bps lower. Spreads for Bloomberg Asia's high-grade dollar bonds remained relatively stable on Tuesday as the first polls close in the US presidential elections per Bloomberg. Bond sales in Asia were subdued on Tuesday, with only one issue being priced. Bloomberg Asia USD Investment Grade spreads remained flat at 75bps while Bloomberg Asia USD High Yield spreads also remained flat at 442bps. (Bloomberg, OCBC)

New Issues:

There were two notable issuances in the Asiadollar market on yesterday.

- Taishan Finance International Business Co Ltd (guarantor: Tai'an Municipality Taishan Finance and Investment Group Co.) priced a USD300mn 2Y Fixed at Par to Yield 6.5%.
- CSCIF Hong Kong Ltd priced a USD100mn 3Y FRN at SOFR+70bps.

There was one notable issuance in the Singdollar market on yesterday.

- GLL IHT Pte Ltd (guarantor: GuocoLand Ltd) priced a SGD200mn 3Y Fixed at Par to Yield 3.307%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.423	-0.44%	USD-SGD	1.3144	-0.40%
USD-JPY	151.620	-0.34%	EUR-SGD	1.4365	0.07%
EUR-USD	1.093	0.48%	JPY-SGD	0.8666	-0.09%
AUD-USD	0.664	0.80%	GBP-SGD	1.7142	0.25%
GBP-USD	1.304	0.66%	AUD-SGD	0.8723	0.38%
USD-MYR	4.346	-0.64%	NZD-SGD	0.7894	0.15%
USD-CNY	7.105	0.05%	CHF-SGD	1.5222	-0.31%
USD-IDR	15735	-0.11%	SGD-MYR	3.2987	-0.67%
USD-VND	25341	0.08%	SGD-CNY	5.4051	0.41%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.1280	0.29%	1M	4.6095	-0.17%
3M	3.0750	-0.32%	2M	4.5764	0.09%
6M	2.9160	0.14%	3M	4.5175	-0.16%
12M	2.6190	-0.38%	6M	4.3871	0.00%
			1Y	4.1810	0.01%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.985	-0.246	4.584
12/18/2024	-1.693	-0.423	4.407
01/29/2025	-2.210	-0.553	4.278
03/19/2025	-2.830	-0.707	4.123
05/07/2025	-3.205	-0.801	4.029
06/18/2025	-3.603	-0.901	3.929

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.99	0.73%	Corn (per bushel)	4.185	0.5%
Brent (per barrel)	75.53	0.60%	Soybean (per bushel)	9.938	0.7%
Heating Oil (per gallon)	230.42	0.88%	Wheat (per bushel)	5.725	0.7%
Gasoline (per gallon)	204.46	1.26%	Crude Palm Oil (MYR/MT)	49.140	-1.4%
Natural Gas (per MMBtu)	2.67	-3.99%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9696.50	#DIV/0!	Gold (per oz)	2744.0	0.3%
Nickel (per mt)	16007.00	#DIV/0!	Silver (per oz)	32.7	0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	42,221.88	427.28
S&P	5,782.76	70.07
Nasdaq	18,439.17	259.19
Nikkei 225	38,474.90	421.23
STI	3,581.61	9.57
KLCI	1,620.70	4.27
JCI	7,491.93	12.43
Baltic Dry	1,374.00	-4.00
VIX	20.49	-1.49

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.79 (+0.02)	4.18(--)
5Y	2.75 (+0.02)	4.15(--)
10Y	2.87 (+0.02)	4.27 (-0.01)
15Y	2.94 (+0.02)	--
20Y	2.89 (+0.03)	--
30Y	2.81 (+0.03)	4.44 (-0.03)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.82
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/06/2024	VN	CPI YoY	Oct	2.80%	--	2.63%	--
11/06/2024 05:45	NZ	Unemployment Rate	3Q	5.00%	4.80%	4.60%	--
11/06/2024 05:45	NZ	Employment Change QoQ	3Q	-0.40%	-0.50%	0.40%	0.20%
11/06/2024 08:30	JN	Jibun Bank Japan PMI Composite	Oct F	--	--	49.4	--
11/06/2024 09:00	PH	Exports YoY	Sep	2.70%	--	0.30%	--
11/06/2024 11:13	VN	Domestic Vehicle Sales YoY	Oct	--	--	33.50%	--
11/06/2024 11:30	TH	CPI YoY	Oct	0.94%	--	0.61%	--
11/06/2024 11:30	TH	CPI Core YoY	Oct	0.80%	--	0.77%	--
11/06/2024 15:00	MA	BNM Overnight Policy Rate	Nov-06	3.00%	--	3.00%	--
11/06/2024 15:00	GE	Factory Orders MoM	Sep	1.50%	--	-5.80%	--
11/06/2024 16:00	TA	CPI YoY	Oct	1.80%	--	1.82%	--
11/06/2024 16:55	GE	HCOB Germany Services PMI	Oct F	51.4	--	51.4	--
11/06/2024 16:55	GE	HCOB Germany Composite PMI	Oct F	48.4	--	48.4	--
11/06/2024 17:00	EC	HCOB Eurozone Composite PMI	Oct F	49.7	--	49.7	--
11/06/2024 17:30	UK	S&P Global UK Construction PMI	Oct	55.1	--	57.2	--
11/06/2024 20:00	US	MBA Mortgage Applications	Nov-01	--	--	-0.10%	--

Source: Bloomberg

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