

Daily Treasury Outlook

7 October 2024

Highlights

Global: Another blockbuster US labour market report to put recession fears on the back burner again. September nonfarm payrolls surged 254k, a far cry from market consensus expectations of 150k, while the two-month revision was +72k. Some of the services sectors, namely education & health and leisure & hospitality registered large job gains. The construction sector continued to add jobs, albeit reduced from August and job losses in the manufacturing sector narrowed. The unemployment rate unexpectedly eased to 4.1% while average hourly earnings accelerated to 4.0% YoY (0.4% MoM). The S&P500 gained 0.9% on Friday while the Dow notched up its 34th record close this year. Meanwhile, the 10-year UST bond yield jumped 12bps and the 2-year bond yield also surged 22bps. US Fed fund futures are now pricing in cumulative rate cuts of 52.3bp by end-2024 versus 66.7bp on 3 October. Rate cut expectations for 2025 were also pared back. The DXY index also jumped following the September jobs release. Elsewhere, Vietnam's 3Q24 GDP growth surprised at 7.4% YoY, up from 6.93% in 2Q24, boosted by manufacturing and exports. Tensions in the Middle East remain on edge, as Israel's response to Iran's retaliatory attack last week is still being weighed.

Market Watch: Asian markets are likely to open firmer this morning on hopes of a US soft landing. Today's economic data releases comprise of Thailand's September CPI, Germany's factory orders, the Eurozone's retail sales and Sentix investor confidence. Fed's Bowman, Bostic, Kashkari and Musalem, as well as ECB's Lane, Cipollone, Nagel and Escriva are also speaking today. For the week ahead, watch for the US' September CPI report due on Thursday (the last before the presidential elections), which is likely to increase by 2.6% YoY (0.1% MoM which would be the smallest rise in three months), with core CPI tipped to expand by 3.2% YoY (0.2% MoM). September PPI is also due this week. On the central bank front, there are the RBA minutes tomorrow, the RBNZ policy meeting (likely to cut 50bps to 4.75% following its August pivot) and RBI policy decision (likely on hold at 6.5% and 4.5% respectively for the RBI repurchase rate and the cash reserve ratio) on Wednesday, FOMC minutes on Thursday, and BOK policy decision on Friday (likely to cut 25bps to 3.25% amid decelerating inflation which moderated to a 12-year low in September). France is likely to announce its budget on Thursday while the ECB minutes are also due the same day. US earnings season also kicks off on Friday with JPMorgan and Wells Fargo.

Key Market Movements

Equity	Value	% chg
S&P 500	5751.1	0.9%
DJIA	42353	0.8%
Nikkei 225	38636	0.2%
SH Comp	3336.5	0.0%
STI	3589.1	0.3%
Hang Seng	22737	2.8%
KLCI	1630.0	-0.7%
	Value	% chg
DXY	102.520	0.5%
USDJPY	148.7	1.2%
EURUSD	1.0974	-0.5%
GBPUSD	1.3122	0.0%
USDIDR	15485	0.4%
USDSGD	1.3045	0.5%
SGDMYR	3.2526	-0.1%
	Value	chg (bp)
2Y UST	3.92	21.64
10Y UST	3.97	12.14
2Y SGS	2.59	6.20
10Y SGS	2.75	6.34
3M SORA	3.50	0.13
3M SOFR	5.29	-0.53
	Value	% chg
Brent	78.05	0.6%
WTI	74.38	0.9%
Gold	2654	-0.1%
Silver	32.20	0.6%
Palladium	1013	0.6%
Copper	9944	0.8%
BCOM	102.08	-0.2%

Source: Bloomberg

SG: The MAS policy decision is likely due 14 October and could see the status quo maintained amid two-sided perceived inflation risks and an expected decelerating MAS core inflation trajectory amid cooling domestic labour market conditions.

August retail sales surprised on the upside at 0.6% YoY (0.7% MoM sa), beating our and Bloomberg consensus forecast of 0.2% YoY (0.7% MoM sa). Motor vehicle sales surged 17.0% YoY due to a higher COE quota. However, retail sales excluding autos fell for the third straight month by 1.5% YoY (+2.0% MoM sa), suggesting that retail sentiments while an improvement from July is actually not much to shout about at this juncture. Key factors to watch ahead would include the health of the domestic labour market, the COE premium trends, as well as the escalation in the geopolitics tensions in the Middle East.

Oil: Crude oil prices rose on Friday, with WTI and Brent increasing by 0.9% and 0.6% respectively and closing at USD74.4/bbl and USD78.1/bbl. This is also the largest weekly gain in 2024. Concerns that escalating tensions in the Middle East could result in a disruption in global oil supply were the main driver of upward momentum. WTI and Brent rose by 2.5% and 2.2% to an intraday high of USD75.6/bbl and USD79.3/bbl, respectively. However, some of these gains were pared back after US President Biden discouraged an Israeli retaliation on Iranian oil facilities.

Major Markets

ID: President Joko Widodo emphasized the importance of controlling both deflation and inflation to maintain price stability and ensure fairness for all parties. President Jokowi made the remarks in response to the steady pace of deflation in the country over the past few months, adding that further examination is needed to determine whether it is caused by declining prices or weakening purchasing power. The headline Consumer Price Index (CPI) has eased from 3.1% in March 2024 to 1.8% in September.

MY: Prime Minister Anwar Ibrahim stated that the Budget 2025, to be presented on October 18, will address the issue of inflation and emphasize raising income levels to match productivity. Specifically, PM Anwar commented that while prices for goods like petrol and flour are lower in Malaysia compared to neighbouring countries, there remains a need to focus on improving income levels. Commenting on the currency, PM Anwar sees the USD/MYR exchange rate at MYR 4.1, with MYR "strengthening gradually without intervention."

PH: Headline CPI eased by more than expected to 1.9% YoY in September versus 3.3% in August. The decline was broad-based across all key categories, including food, transport, and utilities. Meanwhile, core inflation eased to a lesser extent (2.4% YoY versus 2.6%). We revise lower our 2024 average headline CPI forecast to 3.2% YoY from 3.5% previously, implying a modest uptick in inflation in the coming months. Bangko Sentral ng Pilipinas (BSP) has been more dovish than we had expected. We bring forward a cumulative 50bps in rate cuts to 4Q24. While our baseline remains for the policy rate to end 2025 to 5.00%, the risk is that it could be lower.

VN: GDP growth accelerated to 7.4% YoY in 3Q24 from an upwardly revised 7.1% in 2Q24 and was also higher than consensus (6.1%). Looking at the drivers, higher growth was seen in the industry sector (9.6% YoY in 3Q24 from 8.8% in 2Q24) and services sector (7.5% from 7.1%). These have more than offset the growth easing in the agriculture, forestry, and fishery sector (2.6% from 3.6%) and construction sector (7.1% from 7.8%). Head of the General Statistics Office, Nguyen Thi Huong, noted that the government's 2024 growth target of 6.8-7% will be "a big challenge" as the impact of Typhoon Yagi, geopolitical tensions, and global economic concerns weigh on growth.

ESG Updates

ID: Indonesia's Environment and Forestry Minister highlighted that Indonesia is on track to achieve net-zero emissions before 2060 i.e. possibly around 2057 or 2058. The permits of facilities that use coal, such as coal-fired power plants, are expected to end by around 2057. In the second Nationally Determined Contribution (NDC) document, the government has calculated that by 2060, Indonesia will reduce greenhouse gas (GHG) emissions by 103%. The document is expected to be launched ahead of COP29, putting Indonesia well ahead of the UN's Feb 2025 deadline to submit new NDCs.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher last Friday, with shorter tenors trading 5-6bps higher, belly tenors trading 6-7bps higher, and 10Y trading 6bps higher. According to a filing to the Hong Kong exchange, an expanded consortium that now includes Qatar Holding LLC has submitted an updated non-binding proposal to the ESR Group Ltd on October 4. The proposal aims to potentially acquire the Asian logistics real estate firm and warehouse developer. Asia USD Investment Grade spreads tightened by 5bps to 79bps while Bloomberg Asia USD High Yield spreads tightened by 18bps to 482bps. (Bloomberg, OCBC)

New Issues:

There was no notable issuance in the Asiadollar and Singdollar market last Friday.

Mandates:

- Adani Hybrid Energy Jaisalmer One Limited ("AHEJ One"), Adani Hybrid Energy Jaisalmer Two Limited ("AHEJ Two"), Adani Hybrid Energy Jaisalmer Four Limited ("AHEJ Four") and Adani Solar Energy Jaisalmer One Private Limited are planning to issue a USD senior secured note with 20Y door to door tenor and ~13.6Y weighted average life.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.520	0.52%	USD-SGD	1.3045	0.55%
USD-JPY	148.700	1.20%	EUR-SGD	1.4314	0.01%
EUR-USD	1.097	-0.52%	JPY-SGD	0.8772	-0.66%
AUD-USD	0.680	-0.66%	GBP-SGD	1.7120	0.55%
GBP-USD	1.312	-0.02%	AUD-SGD	0.8860	-0.16%
USD-MYR	4.220	-0.05%	NZD-SGD	0.8036	-0.31%
USD-CNY	#N/A N/A	#VALUE!	CHF-SGD	1.5203	-0.06%
USD-IDR	15485	0.42%	SGD-MYR	3.2526	-0.06%
USD-VND	24756	0.00%	SGD-CNY	5.3809	-0.55%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2700	-0.70%	1M	4.8463	0.04%
3M	3.2500	0.37%	2M	4.7376	0.81%
6M	3.0460	-0.81%	3M	4.6488	1.20%
12M	2.6880	-0.88%	6M	4.4145	2.60%
			1Y	4.0916	4.98%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.946	-0.236	4.587
12/18/2024	-2.101	-0.525	4.299
01/29/2025	-2.925	-0.731	4.093
03/19/2025	-3.703	-0.926	3.898
05/07/2025	-4.273	-1.068	3.755
06/18/2025	-4.848	-1.212	3.612

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.38	0.91%	Corn (per bushel)	4.248	-0.8%
Brent (per barrel)	78.05	0.55%	Soybean (per bushel)	10.378	-0.8%
Heating Oil (per gallon)	231.27	0.78%	Wheat (per bushel)	5.898	-2.3%
Gasoline (per gallon)	209.58	0.15%	Crude Palm Oil (MYR/MT)	44.000	3.1%
Natural Gas (per MMBtu)	2.85	-3.91%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9943.50	0.79%	Gold (per oz)	2653.6	-0.1%
Nickel (per mt)	17992.00	2.29%	Silver (per oz)	32.2	0.6%

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

Equity and Commodity

Index	Value	Net change
DJIA	42,352.75	341.16
S&P	5,751.07	51.13
Nasdaq	18,137.85	219.38
Nikkei 225	38,635.62	83.56
STI	3,589.13	11.70
KLCI	1,629.97	-11.58
JCI	7,496.09	-47.74
Baltic Dry	1,928.00	-13.00
VIX	19.21	-1.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.59 (+0.06)	3.92(--)
5Y	2.59 (+0.06)	3.8 (+0.18)
10Y	2.75 (+0.06)	3.97 (+0.12)
15Y	2.81 (+0.06)	--
20Y	2.8 (+0.06)	--
30Y	2.79 (+0.06)	4.25 (+0.07)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.85
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/07/2024	CH	Foreign Reserves	Sep	\$3308.20b	--	\$3288.22b	--
10/07/2024	PH	Foreign Reserves	Sep	--	--	\$106.9b	\$107.9b
10/07/2024 05:00	SK	Foreign Reserves	Sep	--	\$419.97b	\$415.92b	--
10/07/2024 08:00	AU	Melbourne Institute Inflation MoM	Sep	--	--	-0.10%	--
10/07/2024 10/13	VN	Domestic Vehicle Sales YoY	Sep	--	--	3.70%	--
10/07/2024 10/19	US	Monthly Budget Statement	Sep	\$4.3b	--	-\$380.1b	-\$380.1b
10/07/2024 11:00	ID	Foreign Reserves	Sep	--	--	\$150.2b	--
10/07/2024 11:30	TH	CPI YoY	Sep	0.78%	--	0.35%	--
10/07/2024 11:30	TH	CPI Core YoY	Sep	0.75%	--	0.62%	--
10/07/2024 11:30	TH	CPI NSA MoM	Sep	0.04%	--	0.07%	--
10/07/2024 13:00	JN	Leading Index CI	Aug P	106.9	--	109.3	--
10/07/2024 14:00	GE	Factory Orders MoM	Aug	-2.00%	--	2.90%	--
10/07/2024 14:00	GE	Factory Orders WDA YoY	Aug	-1.60%	--	3.70%	--
10/07/2024 15:00	MA	Foreign Reserves	Sep-30	--	--	\$117.6b	--
10/07/2024 16:30	HK	Foreign Reserves	Sep	--	--	\$423.4b	--
10/07/2024 17:00	EC	Retail Sales MoM	Aug	0.20%	--	0.10%	--

Source: Bloomberg

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