

Daily Treasury Outlook

8 May 2024

Highlights

Global: US equities entered a range-trading mode on Tuesday as markets digested the timeline of Fed rate cuts. Meanwhile, the AUD experienced a decline after the Reserve Bank of Australia (RBA) decided to keep its cash rate unchanged for a 4th consecutive meeting. This message disappointed investors, as they were expecting the RBA to adjust its guidance in response to higher-than-expected inflation in 1Q24. However, the RBA did revise its growth forecast for 2024 downward from 1.8% to 1.6%, while increasing its CPI forecast from 3.2% to 3.8%. During the press conference, Governor Bullock explained that the RBA's aim was to slow down the economy and bring inflation down without causing a recession. She also mentioned that the board had discussed the possibility of a rate hike at the meeting but ultimately decided to maintain a neutral stance. Bullock pointed out that there was no evidence of inflation expectations increasing, citing the example of easing wage agreements. In his latest essay, Minneapolis Fed President Kashkari wrote that he believed the Fed has tightened policy meaningfully. The housing market has displayed greater resilience to this tightening compared to historical trends. This observation raises questions about whether policymakers and the market may be misperceiving the near-term neutral rate. Uncertainty surrounding the current position of the neutral rate presents a challenge for policymakers, not only in terms of decision-making but also in effectively communicating their intentions. While it is possible that neutral rate may eventually decrease, the FOMC must base its policy decisions on the short-term position of the neutral rate in order to achieve its dual mandate goals. In an interview on Tuesday, Kashkari also expressed his expectation that the Fed will need to maintain steady rates for an extended period.

Market Watch: Today will be a light day for data. Markets will watch for central bank speakers including Fed's Jefferson, Collins and Cook and ECB's Wunsch and De Cos.

Oil: Crude oil futures edged marginally lower on Tuesday. WTI and Brent declined by 0.1% and 0.2% to close at USD78.4/bbl and USD83.2/bbl respectively. The intraday trade was choppy. Specifically, Brent prices declined by 1.1% to USD82.4/bbl (intraday low) before paring back some losses due to uncertainties in the Israel-Hamas ceasefire discussions, and a decision by US to replenish its Strategic Petroleum Reserve (SPR). The US Department of Energy announced a solicitation to purchase oil (approximately 3.3 million barrels) for its Strategic Petroleum Reserve (SPR) for delivery in October 2024, which could have helped pared back some losses during the intraday trade. Nonetheless, oil prices closed lower after American Petroleum Institute (API) reported a buildup of 0.5mn bbls in US crude inventories for the week ending 03 May. The Energy Information Administration (EIA) will release its crude oil inventories tonight (08 May). US oil inventories will be the key focus and will provide further direction to the oil market today.

Key Market Movements

Equity	Value	% chg
S&P 500	5187.7	0.1%
DJIA	38884	0.1%
Nikkei 225	38835	1.6%
SH Comp	3147.7	0.2%
STI	3300.0	-0.1%
Hang Seng	18479	-0.5%
KLCI	1605.7	0.5%
	Value	% chg
DXY	105.412	0.3%
USDJPY	154.69	0.5%
EURUSD	1.0755	-0.1%
GBPUSD	1.2509	-0.4%
USDIDR	16049	0.1%
USDSGD	1.3545	0.2%
SGDMYR	3.5002	-0.3%
	Value	chg (bp)
2Y UST	4.83	-0.01
10Y UST	4.46	-3.04
2Y SGS	3.41	0.20
10Y SGS	3.26	-1.53
3M SORA	3.66	0.15
3M SOFR	5.35	0.00
	Value	% chg
Brent	83.16	-0.2%
WTI	78.38	-0.1%
Gold	2314	-0.4%
Silver	27.24	-0.7%
Palladium	974	-0.6%
Copper	10030	1.2%
BCOM	102.55	0.0%

Source: Bloomberg

Major Markets

CN: The PBOC continued its trend of increasing its gold holdings for the 18th consecutive month in April, adding 60,000 ounces to its reserves. Over the past 18 months, China has significantly boosted its gold holdings, accumulating a total of 10.16 million ounces.

MY: Minister of Investment, Trade, and Industry, Zafrul Aziz, revealed that over 98% of manufacturing projects that were approved in 2023 have been implemented or are in the planning stage as of Sunday (5/5), as reported by The Edge. Specifically, the government approved manufacturing investments worth MYR152bn in 2023, of which MYR46.1bn was realized last year and involved 445 projects.

ID: The unemployment rate fell to 4.8% in February 2024 from 5.5% in February 2023, representing a decrease from 8mn people to 7.2mn people. Additionally, the number of employed individuals rose by 2.2% YoY, equivalent to 2.8mn people, in February 2024, reaching a total of 142.2mn people. Similarly, the labour force participation rate slightly increased to 69.8% in February 2024 from 69.3% during the same period last year. Furthermore, informal employment experienced a marginal decline to 59.2% in February 2024 compared to 60.1% in February 2023.

PH: April headline CPI rose by 3.8% YoY versus 3.7% in March. Meanwhile core inflation eased to 3.2% YoY versus 3.4% in March. The main drivers to higher headline CPI were higher inflation in the 'food & non-alcoholic beverages', 'transport', 'information & communication' components. The April headline CPI print brings the year-to-date average inflation to 3.4% YoY. Looking ahead, we maintain our 2024 average headline CPI to 3.9% YoY, implying a pickup in inflation in the coming months. In terms of monetary policy, we expect a cumulative 50bps in rate cuts in 4Q24 with a cumulative 100bps to follow through into 2025, reflecting changes to our house view on the US Federal Reserve policy rate.

ESG Updates

SG: Singapore Airlines (SIA) Group has signed an agreement with Neste to purchase 1,000 tonnes of neat Neste MY Sustainable Aviation Fuel (SAF) for airlines SIA and Scoot. This will make SIA and Scoot the first carriers to receive SAF produced at Neste's refinery. The SAF will be blended with conventional jet fuel and delivered to Changi Airport's fuel hydrant system in two batches – once in Q2 2024 and once in Q4 2024.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mixed yesterday, with short tenors trading 0-2bps higher, belly tenors trading 0-1bps lower and 10Y trading 2bps lower. Chinese builder Logan Group Co. ("Logan") is proposing a suspension on bond payments and planning to come up with a new onshore debt restructuring plan, per Bloomberg. Logan is reportedly seeking a 10-month grace period until March 2025 for all onshore notes payments. (Bloomberg, OCBC).

New Issues:

There were some notable bond issuers in the Asiadollar market yesterday.

- Republic of the Philippines priced a USD1bn 10Y at 5.263%
- Republic of the Philippines priced a USD1bn 25Y sustainability bond at 5.60%
- Korea Expressway Corporation priced a USD500mn 3Y at 5.22%
- China Everbright Bank Company Limited/Hong Kong priced a USD550mn 3Y floating rate note at SOFR+52bps
- Muthoot Finance Ltd. priced a USD650mn 3.75Y at 7.125%
- BOC Aviation (USA) Corporation (Guarantor: BOC Aviation Ltd) priced a USD500mn 5Y at 5.323%

There was no notable bond issuer in the Singdollar market yesterday.

Mandates:

Export Import Bank of Thailand is planning to issue 5Y USD senior unsecured notes
China Ping An Insurance Overseas Holdings Ltd. is planning to issue USD senior notes
Korea Credit Guarantee Fund is planning to issue 3Y USD social senior unsecured notes
Jiantou International (Hong Kong) Co., Limited is planning to issue USD senior unsecured fixed rate credit enhanced bonds

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.412	0.34%	USD-SGD	1.3545	0.24%
USD-JPY	154.690	0.50%	EUR-SGD	1.4567	0.10%
EUR-USD	1.076	-0.13%	JPY-SGD	0.8756	-0.26%
AUD-USD	0.660	-0.41%	GBP-SGD	1.6941	-0.20%
GBP-USD	1.251	-0.42%	AUD-SGD	0.8936	-0.18%
USD-MYR	4.739	-0.01%	NZD-SGD	0.8130	0.11%
USD-CNY	7.219	0.14%	CHF-SGD	1.4910	-0.01%
USD-IDR	16049	0.15%	SGD-MYR	3.5002	-0.27%
USD-VND	25392	0.05%	SGD-CNY	5.3275	-0.14%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8520	-0.34%	1M	5.3210	-0.02%
3M	3.8240	-0.08%	2M	5.3240	0.00%
6M	3.7910	-0.29%	3M	5.3258	-0.02%
12M	3.6580	-0.95%	6M	5.2955	0.00%
			1Y	5.1551	-0.05%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	#N/A N/A	#N/A N/A	#N/A N/A
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.100	-0.025	5.302
07/31/2024	-0.320	-0.080	5.248
09/18/2024	-0.820	-0.205	5.123
11/07/2024	-1.185	-0.296	5.031
12/18/2024	-1.734	-0.433	4.894
01/29/2025	-2.150	-0.538	4.790

Equity and Commodity

Index	Value	Net change
DJIA	38,884.26	31.99
S&P	5,187.70	6.96
Nasdaq	16,332.56	-16.69
Nikkei 225	38,835.10	599.03
STI	3,300.04	-3.15
KLCI	1,605.68	8.29
JCI	7,123.61	-12.28
Baltic Dry	1,876.00	102.00
VIX	13.23	-0.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.41 (--)	4.83(--)
5Y	3.2 (-0.03)	4.47 (-0.02)
10Y	3.26 (-0.02)	4.46 (-0.03)
15Y	3.3 (-0.03)	--
20Y	3.33 (-0.02)	--
30Y	3.32 (+0.02)	4.6 (-0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.38	-0.13%	Corn (per bushel)	4.538	-0.7%
Brent (per barrel)	83.16	-0.20%	Soybean (per bushel)	12.323	-0.2%
Heating Oil (per gallon)	246.56	0.17%	Wheat (per bushel)	6.248	-1.2%
Gasoline (per gallon)	254.34	-1.73%	Crude Palm Oil (MYR/MT)	39.600	1.3%
Natural Gas (per MMBtu)	2.21	0.55%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10029.50	0.00%	Gold (per oz)	2314.1	-0.4%
Nickel (per mt)	19256.00	0.00%	Silver (per oz)	27.2	-0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/08/2024 09:00	PH Exports YoY	Mar -2.20%	--	15.70%	--
05/08/2024 09:00	PH Trade Balance	Mar -\$4100m	--	-\$3648m	--
05/08/2024 09:00	PH Unemployment Rate	Mar --	--	3.50%	--
05/08/2024 09:00	PH Imports YoY	Mar -6.00%	--	6.30%	--
05/08/2024 11:00	ID Foreign Reserves	Apr --	--	\$140.40b	--
05/08/2024 14:00	GE Industrial Production SA MoM	Mar -0.70%	--	2.10%	--
05/08/2024 14:00	GE Industrial Production WDA YoY	Mar -3.60%	--	-4.90%	--
05/08/2024 15:00	MA Foreign Reserves	Apr-30 --	--	\$113.4b	--
05/08/2024 16:00	TA Exports YoY	Apr 9.40%	--	18.90%	--
05/08/2024 16:00	SI Automobile COE Open Bid Cat A	May-08 --	--	94010	--
05/08/2024 16:00	SI Automobile COE Open Bid Cat B	May-08 --	--	102001	--
05/08/2024 16:00	SI Automobile COE Open Bid Cat E	May-08 --	--	103249	--
05/08/2024 16:00	TA Trade Balance	Apr \$8.02b	--	\$8.67b	--
05/08/2024 16:00	TA Imports YoY	Apr 7.90%	--	7.10%	--
05/08/2024 19:00	US MBA Mortgage Applications	May-03 --	--	-2.30%	--
05/08/2024 22:00	US Wholesale Inventories MoM	Mar F -0.40%	--	-0.40%	--

Source: Bloomberg

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W