

Daily Treasury Outlook

8 July 2024

Highlights

Global: Waiting for election results. The second round of French polls now point to the left-wing New Popular Front in first place, followed by Macron's centrist alliance NFP in second place, and the right wing Rassemblement National in third place. This is a surprise which could leave markets hanging on what are the implications of a hung parliament and the difficult path for policy making ahead. Meanwhile, US president Biden is pushing on amid growing pressure from Democrats. On the economic data front, US' nonfarm payrolls grew 206k in June, close to the revised 218k in May, albeit the past two month's revision was -111k. More importantly, the unemployment rate rose to 4.1% (highest since 2021), and the average hourly earnings moderated to 3.9% YoY (0.3% mom) in line with expectations, which is consistent with a cooling labour market. The S&P500 added 0.54% on Friday to notch its 34th record high this year, while the 10-year UST bond yield closed down 8bps at 4.28%.

Market Watch: Asian markets today may open on a firm tone. Today's economic data releases comprise of Japan's Eco Watchers Survey, Indonesia's consumer confidence, Eurozone's Sentix investor confidence, and New York Fed's 1-year inflation expectations. BOE's Haskel is also speaking later today. For the week ahead, of market interest will be Fed chair Powell's testimony tomorrow to the Senate Banking committee followed by the House panel on Wednesday for any dovish hints (with market players now looking at two cuts again starting from September), US' June CPI on Thursday, and PPI on Friday, as well as inflation data from China and India, trade data from China, Philippines and Taiwan, while Singapore's 2Q24 GDP growth estimate is due on Friday. On the central bank front, RBNZ and BOK may stay pat on Wednesday and Thursday respectively, but sound more dovish amid softening data whereas BNM (also on Thursday) may stay neutral in the interim. ECB officials like Nagel and Cipollone are also due to speak this week.

SG: The STI slipped 0.85% to close at 3410.81 on Friday, tracking regional bourses lower.

CN: Local media reported, on 5 July, that financial institutions have agreed to lend out several hundred billion yuan worth of medium- and long-term government bonds. The central bank will borrow these bonds on a credit basis with no fixed maturity date and will continue to borrow and sell government bonds depending on the performance of the bond market. This move reinforced the PBoC's commitment to defend the floor of long-term bond yields. Consequently, China's 10-year and 30-year government bond yields rebounded by 7 basis points (bps) and 8.5 bps, respectively, last week.

Key Market Movements

Equity	Value	% chg
S&P 500	5567.2	0.5%
DJIA	39376	0.2%
Nikkei 225	40912	0.0%
SH Comp	2949.9	-0.3%
STI	3410.8	-0.8%
Hang Seng	17800	-1.3%
KLCI	1611.0	-0.4%
	Value	% chg
DXY	104.875	-0.2%
USDJPY	160.75	-0.3%
EURUSD	1.0840	0.3%
GBPUSD	1.2815	0.4%
USDIDR	16278	-0.3%
USDSGD	1.3486	-0.2%
SGDMYR	3.4896	0.2%
	Value	chg (bp)
2Y UST	4.60	-10.24
10Y UST	4.28	-8.03
2Y SGS	3.36	-0.20
10Y SGS	3.22	-2.14
3M SORA	3.63	-0.04
3M SOFR	5.35	0.02
	Value	% chg
Brent	86.54	-1.0%
WTI	83.16	-0.9%
Gold	2392	1.5%
Silver	31.22	2.7%
Palladium	1030	0.8%
Copper	9944	0.6%
BCOM	102.50	0.3%

Source: Bloomberg

Oil: WTI and Brent closed lower by ~1.0% on Friday, at USD83.2/bbl and USD86.5/bbl, respectively. The decline in oil prices was driven by fading geopolitical risk premiums, which resulted from reports indicating that efforts for a ceasefire deal in Gaza have gained momentum. Hamas has delivered a revised proposal for the terms of a ceasefire deal while Israel announced that negotiations would continue this week. Nonetheless, both WTI and Brent experienced gains of 2.0% and 0.2% for the week, respectively.

Major Markets

ID: The foreign reserves increased to USD140.2bn as of end of June 2024, up from USD139.0bn as of the end of May 2024. The higher reserves were due to, among other factors, “tax and services receipts as well as government foreign loan withdrawals, despite rupiah stabilisation needs given persistently high global financial market uncertainty” according to Bank Indonesia. The current reserves position is equivalent to 6.3 months of imports or 6.1 months of imports and servicing the government's external debt, well above the international adequacy standard of three months of imports.

MY: Bank Negara Malaysia (BNM)'s international reserves rose slightly to USD113.8bn as of end June 2024 from USD113.6bn as of end May. The reserves position in June is sufficient to finance 5.4 months of imports of goods and services and is 1.0 times of the total short-term external debt.

PH: Headline CPI eased to 3.7% YoY in June versus 3.9% in May while core inflation held steady at 3.1% YoY in June. The drivers of headline inflation were quite mixed. Food inflation rose but was more than offset by an easing in transportation and utilities components. With 2024 year-to-date headline CPI averaging 3.5% YoY, we see downside risks to our full year forecast of 3.9% YoY (2023: 6.0%). The data is turning more favourable for Bangko Sentral ng Pilipinas (BSP) to ease in 3Q24. This suggests our baseline forecast, for BSP to cut its policy rate by a cumulative 50bp starting in 4Q24, could be brought forward.

TH: Headline CPI eased more-than-expected to 0.6% YoY in June versus 1.5% in May (Consensus: 1.1%; OCBC: 1.2%) while core inflation, for a fourth consecutive month, held steady at 0.4% YoY in June. With 2024 year-to-date headline CPI averaging 0% YoY, we see downside risks to our full year forecast of 1.2% YoY (2023: 1.2%). In terms of monetary policy, we see no urgency for the Bank of Thailand (BOT) to adjust monetary policy despite political pressures. Favourable growth-inflation dynamics would provide BOT the impetus to hold for the rest of 2024.

ESG Updates

MY: Malaysia may soon begin exploring the implementation of a carbon tax and facilitate carbon trading. The challenge is that the country remains heavily reliant on coal, with blanket fuel subsidies in place. The government aims to first address fuel subsidies before moving on to implementing a carbon policy. The country has begun diesel subsidy reforms that can save around RM4bn annually, as the government shifts away from costly blanket subsidies to a targeted approach that aims to help low-income communities.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 1bps lower, belly tenors trading 1bps lower and 10Y trading 1bps lower. Cathay Pacific Airways Ltd., based in Hong Kong, achieved another significant milestone in its COVID recovery efforts. The company announced its intention to repurchase the remaining half of the HKD19.5bn (USD2.5bn) worth of preference shares that were lent by the government to support its operations during the pandemic. Bloomberg Asia USD Investment Grade widened by 1bps to 82bps while Bloomberg Asia USD High Yield tightened by 2bps to 498bps. (Bloomberg, OCBC)

New Issues:

There was no notable issue in the Asiadollar market last Friday.

There was no notable issue in the Singdollar market last Friday.

Mandates:

- Bayfront Infrastructure Management Pte. Ltd. And Bayfront Infrastructure Capital V Pte. Ltd is planning to issue a Reg S transaction with multiple classes of USD senior secured notes backed by cashflows.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.875	-0.24%	USD-SGD	1.3486	-0.24%
USD-JPY	160.750	-0.33%	EUR-SGD	1.4616	-0.01%
EUR-USD	1.084	0.26%	JPY-SGD	0.8390	0.08%
AUD-USD	0.675	0.34%	GBP-SGD	1.7282	0.19%
GBP-USD	1.282	0.43%	AUD-SGD	0.9101	0.08%
USD-MYR	4.709	-0.01%	NZD-SGD	0.8288	0.22%
USD-CNY	7.268	0.00%	CHF-SGD	1.5056	0.24%
USD-IDR	16278	-0.32%	SGD-MYR	3.4896	0.16%
USD-VND	25417	-0.15%	SGD-CNY	5.3900	0.20%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6350	0.30%	1M	5.3269	0.04%
3M	3.7120	0.11%	2M	5.3325	0.01%
6M	3.6780	-0.14%	3M	5.3029	0.00%
12M	3.5880	-0.11%	6M	5.2094	0.04%
			1Y	4.9557	0.14%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/12/2024	-0.013	-0.003	5.327
07/31/2024	-0.065	-0.016	5.313
09/18/2024	-0.810	-0.202	5.126
11/07/2024	-1.222	-0.306	5.023
12/18/2024	-1.988	-0.497	4.832
01/29/2025	-2.615	-0.654	4.675

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.16	-0.86%	Corn (per bushel)	4.113	1.9%
Brent (per barrel)	86.54	-1.02%	Soybean (per bushel)	11.885	1.0%
Heating Oil (per gallon)	260.24	-1.21%	Wheat (per bushel)	5.723	3.2%
Gasoline (per gallon)	255.91	-1.62%	Crude Palm Oil (MYR/MT)	40.880	-0.7%
Natural Gas (per MMBtu)	2.32	-4.09%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9944.00	0.62%	Gold (per oz)	2392.2	1.5%
Nickel (per mt)	17341.00	0.72%	Silver (per oz)	31.2	2.7%

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

Equity and Commodity

Index	Value	Net change
DJIA	39,375.87	67.87
S&P	5,567.19	30.17
Nasdaq	18,352.76	164.46
Nikkei 225	40,912.37	-1.28
STI	3,410.81	-29.07
KLCI	1,611.02	-5.73
JCI	7,253.37	32.48
Baltic Dry	1,966.00	-55.00
VIX	12.48	0.22

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (--)	4.61(--)
5Y	3.21 (-0.01)	4.23 (-0.1)
10Y	3.22 (-0.02)	4.29 (-0.08)
15Y	3.23 (-0.02)	--
20Y	3.09 (-0.01)	--
30Y	3.04 (-0.01)	4.49 (-0.05)

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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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/08/2024 07:15	TH	Consumer Confidence Economic	Jun	--	--	54.3	--
07/08/2024 07:30	JN	Labor Cash Earnings YoY	May	2.10%	1.90%	2.10%	1.60%
07/08/2024 07:30	JN	Scheduled Full-Time Pay - Same Base YoY	May	2.20%	2.70%	2.10%	--
07/08/2024 07:30	JN	Cash Earnings - Same Sample Base YoY	May	2.10%	2.30%	1.70%	1.80%
07/08/2024 07:30	JN	Real Cash Earnings YoY	May	-1.20%	-1.40%	-0.70%	-1.20%
07/08/2024 07:50	JN	BoP Current Account Balance	May	¥2350.2b	¥2849.9b	¥2050.5b	--
07/08/2024 07:50	JN	Trade Balance BoP Basis	May	-¥1186.7b	-¥1108.9b	-¥661.5b	--
07/08/2024 07:50	JN	BoP Current Account Adjusted	May	¥2051.0b	¥2406.2b	¥2524.1b	--
07/08/2024 07:50	JN	Bank Lending Incl Trusts YoY	Jun	--	3.20%	3.00%	2.90%
07/08/2024 07:50	JN	Bank Lending Ex-Trusts YoY	Jun	--	3.60%	3.40%	3.30%
07/08/2024 14:00	GE	Exports SA MoM	May	-2.80%	--	1.60%	--
07/08/2024 14:00	GE	Imports SA MoM	May	-1.00%	--	2.00%	1.90%
07/08/2024 16:30	EC	Sentix Investor Confidence	Jul	-0.5	--	0.3	--
07/08/2024 17:00	SI	Foreign Reserves	Jun	--	--	\$370.54b	--
07/08/2024 20:00	CA	Bloomberg Nanos Confidence	Jul-05	--	--	53.2	--
07/08/2024 23:00	US	NY Fed 1-Yr Inflation Expectations	Jun	--	--	3.17%	--

Source: Bloomberg

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