

Daily Treasury Outlook

8 October 2024

Highlights

Global: All the major US stock indexes ended lower on Monday. UST yields surged to a two-month high, in response to market reassessment of Fed rate cut chances and surge in oil prices. 2Y and 10Y UST yields both topped 4% once again. 2s10s briefly inverted as short-end UST once again underperformed. The dollar traded within a very tight range after last Friday's spike. Brent crude rose back to above USD80/bbl for the first time since August amid geopolitical tension in Middle East and fears about Gulf refinery impacts from Hurricane Milton. St. Louis Fed President Musalem supports a cautious path of rate cuts and said his outlook for monetary policy is slightly above the median projection. Moving to the Eurozone, retail sales rose by 0.2% MoM in August. Separately, Eurozone Sentix investor confidence showed some improvement, printing at -13.8 in September (vs market consensus at -15.4). Germany's factory orders plummeted by 5.8% MoM, far worse than the market estimate of decline at 2.0% MoM. Specifically, orders from outside the Euro area rose by 3.4% MoM, while orders from the Euro area plummeted by 10.5% MoM, signalling weakening demand within the Euro area.

Market Watch: Investors expect to see strong inflows as the onshore China market reopens today after the seven-day Golden Week holiday. All eyes are on China's National Development and Reform Commission's scheduled press briefing this morning to discuss the package of incremental economic policies. In the Asia session today, markets will watch Japan's August labour cash earnings, RBA's meeting minutes, Philippines' August unemployment, Indonesia' September consumer confidence, as well as Taiwan's September trade data. Later today, the economic calendar comprises of Germany's August industrial production and US' September trade balance.

Oil: Crude oil prices extended their gains for the fifth consecutive session, with WTI and Brent increasing by 3.7% on Monday, closing at USD77.1/bbl and USD80.9/bbl. The upward momentum continues to be driven by fears that an Israeli retaliatory attack on Iranian oil facilities could potentially disrupt global oil supply.

Key Market Movements

Equity	Value	% chg
S&P 500	5695.9	-1.0%
DJIA	41954	-0.9%
Nikkei 225	39333	1.8%
SH Comp	3336.5	0.0%
STI	3599.2	0.3%
Hang Seng	23100	1.6%
KLCI	1635.3	0.3%
	Value	% chg
DXY	102.537	0.0%
USDJPY	148.18	-0.3%
EURUSD	1.0976	0.0%
GBPUSD	1.3083	-0.3%
USDIDR	15680	1.3%
USDSGD	1.304	0.0%
SGDMYR	3.2855	1.0%
	Value	chg (bp)
2Y UST	4.00	7.35
10Y UST	4.03	5.84
2Y SGS	2.79	19.90
10Y SGS	2.91	15.40
3M SORA	3.50	0.13
3M SOFR	5.28	-1.66
	Value	% chg
Brent	80.93	3.7%
WTI	77.14	3.7%
Gold	2643	-0.4%
Silver	31.69	-1.6%
Palladium	1027	1.3%
Copper	9930	-0.1%
BCOM	102.16	0.1%

Source: Bloomberg

Major Markets

CN: China returned to the spotlight today. While there is still no clear evidence that the Chinese economy has exited its downward spiral, market sentiment is clearly on an upswing, particularly after both the Hang Seng Tech Index in Hong Kong and the Golden Dragon Index in the U.S. surged over 10% in the first week of October. During the final day of the Golden Week holiday, more than 360 webinars were held by sell-side analysts—a nearly 80% increase compared to the same period last year. This surge indicates heightened market interest in the post-holiday trajectory of A-shares and related hot topics.

ID: The foreign reserves position fell slightly to USD149.9bn at the end of September 2024 from USD150.2bn at the end of August. The lower reserves were due, among other factors, to the government's external debt payments. The reserve position was equivalent to 6.6 months of imports or 6.4 months of imports and servicing the government's external debt, well above the international reserve adequacy standard of around three months.

MY: Prime Minister Anwar Ibrahim stated that the government will continue its pursuit of structural reforms, citing the positive impact of recent measures such as a stronger ringgit, increased investment, and improving economic growth. Using the diesel subsidy rationalization reform introduced in May 2024 as an example, PM Anwar emphasized that the savings (estimated to be around MYR4bn annually) from these reforms are being redirected to the public through subsidies and cash transfers. Moving forward, PM Anwar highlighted that the commitment to structural reforms will also include a focus on governance, accountability, and social justice, among others.

TH: Headline CPI rose to 0.6% YoY in September versus 0.4% in August. Similarly, core inflation edged higher to 0.8% YoY in September versus 0.6% in August. The main drivers were food (2.3% YoY versus 1.8%) and utilities (0.4% YoY versus -0.9%). The pickup in utilities inflation was due to a low base effect caused by the government's decision to sharply lower retail fuel and electricity tariff in September 2023. These more than offset lower clothing (-0.7% YoY versus -0.6%), medical (-0.1% YoY versus 0.0%), transport (-1.8% YoY versus -1.0%), tobacco and alcohol (1.3% YoY versus 1.6%) inflation. Looking ahead, we maintain our 2024 average headline CPI forecast at 0.6% YoY, implying higher CPI in 4Q24 given the year-to-date average of 0.2% YoY. We assume that retail fuel prices will be adjusted higher in 4Q24. As such, headline inflation will return to BoT's 1-3% target range in 4Q24. Our base case remains for Bank of Thailand (BoT) to cut its policy rate by 25bp in 4Q24 and 25bp in 1Q25. The risk is that rate cuts could be delayed into 2025.

VN: Prime Minister Pham Minh Chinh has ordered his ministries to implement measures to boost economic growth to more than 7% in 2024 from 5.1% in 2023. The economy grew by 6.8% in the first nine months of 2024, following higher than expected 7.4% YoY growth in 3Q24. Among other directives, PM Chinh directed the State Bank of Vietnam to manage and maintain exchange rate stability, as well as strive to reduce lending rates and improve access to credit to boost credit growth.

ESG Updates

SG: A registry that supports local companies in calculating their carbon emissions, known as NetZeroHub.SG, was launched by the Singapore Business Federation. The free platform helps companies calculate emissions by using around 200 factors that cater specifically to Singapore's emission profiles and context. As the registry caters to all businesses regardless of size, this registry can support SMEs that are starting out on their sustainability journeys by charting out their emissions trajectory.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 17-21bps higher, belly tenors trading 16-20bps higher, and 10Y trading 14bps higher. According to data compiled by Bloomberg, the total issuance of sustainable debt in Asia has reached USD299.8bn this year, marking a 6.1% increase compared to the same period last year. In the past two weeks alone, there has been an additional USD10.7bn in issuance, contributing to this growth (not including structured finance). Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads tightened by 8bps to 474bps. (Bloomberg, OCBC)

New Issues:

There were five notable issuances in the Asiadollar market yesterday from three issuers.

- Shinhan Bank Co Ltd priced a USD400mn 5Y Green, Covered FRN at SOFR+85bps.
- Kodit Global 2024-2 Co. (Guarantor: Korea Credit Guarantee Fund) priced a USD200mn 3Y FRN at SOFR+85bps.
- Toyota Motor Credit Corp priced a USD3bn debt in 3 tranches, a USD1bn 1.5Y FRN at SOFR+45bps, a USD1.25bn 3Y Fixed at T+47bps and a USD750mn 7Y Fixed at T+72bps.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- Norinchukin Bank/The is planning to issue USD 5Y Green, Fixed note.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.537	0.02%	USD-SGD	1.3040	-0.04%
USD-JPY	148.180	-0.35%	EUR-SGD	1.4312	-0.01%
EUR-USD	1.098	0.02%	JPY-SGD	0.8801	0.33%
AUD-USD	0.676	-0.56%	GBP-SGD	1.7060	-0.35%
GBP-USD	1.308	-0.30%	AUD-SGD	0.8813	-0.53%
USD-MYR	4.285	1.54%	NZD-SGD	0.7987	-0.61%
USD-CNY	#N/A N/A	#VALUE!	CHF-SGD	1.5265	0.41%
USD-IDR	15680	1.26%	SGD-MYR	3.2855	1.01%
USD-VND	24852	0.39%	SGD-CNY	5.3800	-0.02%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2700	-0.70%	1M	4.8245	-0.04%
3M	3.2500	0.37%	2M	4.7537	-0.10%
6M	3.0460	-0.81%	3M	4.6685	-0.22%
12M	2.6880	-0.88%	6M	4.4508	-0.30%
			1Y	4.1344	-0.47%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.880	-0.220	4.606
12/18/2024	-2.027	-0.507	4.319
01/29/2025	-2.855	-0.714	4.113
03/19/2025	-3.698	-0.925	3.902
05/07/2025	-4.309	-1.077	3.749
06/18/2025	-4.867	-1.217	3.610

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.14	3.71%	Corn (per bushel)	4.260	0.3%
Brent (per barrel)	80.93	3.69%	Soybean (per bushel)	10.340	-0.4%
Heating Oil (per gallon)	239.62	3.61%	Wheat (per bushel)	5.925	0.5%
Gasoline (per gallon)	215.38	2.77%	Crude Palm Oil (MYR/MT)	44.000	0.0%
Natural Gas (per MMBtu)	2.75	-3.78%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9929.50	-0.14%	Gold (per oz)	2642.6	-0.4%
Nickel (per mt)	18052.00	0.33%	Silver (per oz)	31.7	-1.6%

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

Equity and Commodity

Index	Value	Net change
DJIA	41,954.24	-398.51
S&P	5,695.94	-55.13
Nasdaq	17,923.90	-213.95
Nikkei 225	39,332.74	697.12
STI	3,599.19	10.06
KLCI	1,635.29	5.32
JCI	7,504.14	8.04
Baltic Dry	1,928.00	-13.00
VIX	22.64	3.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.79 (+0.2)	3.97(--)
5Y	2.78 (+0.19)	3.87 (+0.06)
10Y	2.91 (+0.15)	4.02 (+0.06)
15Y	2.94 (+0.14)	--
20Y	2.92 (+0.12)	--
30Y	2.9 (+0.11)	4.3 (+0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.83
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/08/2024 07:00	SK	BoP Current Account Balance	Aug	--	\$6595.3m	\$9131.8m	\$8966.0m
10/08/2024 07:30	AU	Westpac Consumer Conf SA MoM	Oct	--	6.20%	-0.50%	--
10/08/2024 07:30	JN	Labor Cash Earnings YoY	Aug	2.90%	3.00%	3.60%	3.40%
10/08/2024 07:30	JN	Household Spending YoY	Aug	-2.60%	-1.90%	0.10%	--
10/08/2024 07:50	JN	BoP Current Account Balance	Aug	¥2955.9b	¥3803.6b	¥3193.0b	--
10/08/2024 07:50	JN	Trade Balance BoP Basis	Aug	-¥532.4b	-¥377.9b	-¥482.7b	--
10/08/2024 08:30	AU	NAB Business Confidence	Sep	--	--	-4	--
10/08/2024 08:30	AU	NAB Business Conditions	Sep	--	--	3	--
10/08/2024 10/13	VN	Domestic Vehicle Sales YoY	Sep	--	--	3.70%	--
10/08/2024 10/19	US	Monthly Budget Statement	Sep	-\$21.5b	--	-\$380.1b	--
10/08/2024 14:00	GE	Industrial Production SA MoM	Aug	0.80%	--	-2.40%	--
10/08/2024 14:00	GE	Industrial Production WDA YoY	Aug	-3.80%	--	-5.30%	--
10/08/2024 16:00	TA	Exports YoY	Sep	10.90%	--	16.80%	--
10/08/2024 18:00	US	NFIB Small Business Optimism	Sep	92	--	91.2	--
10/08/2024 20:30	US	Trade Balance	Aug	-\$70.5b	--	-\$78.8b	--
10/08/2024 20:30	CA	Int'l Merchandise Trade	Aug	-0.50b	--	0.68b	--

Source: Bloomberg

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