

Daily Treasury Outlook

8 November 2024

Highlights

Global: US equities generally extended their gains to close higher on Thursday. The S&P and Nasdaq were up by 0.7% and 1.5%, but the Dow was flat. Meanwhile, both the DXY index and treasury yields have edged lower. Central bank decisions were the key focus yesterday. The FOMC voted unanimously to lower the Fed funds rate by 25bp to a target range of 4.50% - 4.75%. There was no update to the Summary of Economic Projections at the 7 November meeting. In the press release, the committee noted that “recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labour market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated.” Across the Atlantic, the Bank of England (BoE) cut its policy rate by 25bp to 4.75% as widely expected. The MPC voted 8-1 in favour of the reduction. Only one member voted to maintain the policy rate at 5.00%. Policymakers pointed to “continued progress in disinflation” as a factor in their decision but cautioned the prospects of higher inflation from the combined effects of the measures announced in the government’s Autumn Budget 2024. BoE Governor Andrew Bailey reaffirms a gradual approach to the easing of policy rates. Elsewhere, there were also rate decisions from Norges Bank, which maintained its policy rate at 4.50%, while Sveriges Riksbank cut its policy rate by 50bp to 2.75%. On other data, US initial jobless claims rose higher by 1.4% to 221k (week ending 2 November). Similarly, US continuing claims rose by 2.1% to 1.9mn (week ending 26 October).

Market Watch: Today, market focus will be on China’s National People’s Congress meeting, where details of fiscal stimulus measures are expected to be announced. Apart from that, the data calendar is relatively light, with Malaysia September industrial production, Taiwan October trade data and Canada’s unemployment rate. The US will also release November University of Michigan consumer sentiment tonight. For central bank speakers, Bank of England’s Breeden and Pill are expected to give speeches today, while European Central Bank’s Panetta and Vujcic will speak today.

Oil: Crude oil benchmarks rebounded on Thursday, with WTI and Brent increasing by 0.9% and closing at USD72.4/bbl and USD75.6/bbl, respectively. The rise in oil prices was partly driven by supply disruptions caused by Hurricane Rafael. 22.4% of oil production remains shut-in, representing around 391,214 bpd, according to the US Bureau of Safety and Environmental Enforcement. However, gains were limited by a reported slump in China's crude oil imports, which declined by ~9% YoY in October.

Key Market Movements

Equity	Value	% chg
S&P 500	5973.1	0.7%
DJIA	43729	0.0%
Nikkei 225	39381	-0.3%
SH Comp	3470.7	2.6%
STI	3673.5	2.0%
Hang Seng	20953	2.0%
KLCI	1623.3	-0.7%
	Value	% chg
DXY	104.508	-0.6%
USDJPY	152.94	-1.1%
EURUSD	1.0805	0.7%
GBPUSD	1.2987	0.8%
USDIDR	15735	-0.6%
USDSGD	1.3201	-1.0%
SGDMYR	3.3191	0.3%
	Value	chg (bp)
2Y UST	4.20	-6.23
10Y UST	4.33	-10.58
2Y SGS	2.79	-3.60
10Y SGS	2.90	-3.58
3M SORA	3.34	-0.78
3M SOFR	5.10	-0.60
	Value	% chg
Brent	75.63	0.9%
WTI	72.36	0.9%
Gold	2707	1.8%
Silver	32.03	2.7%
Palladium	1028	-0.9%
Copper	9664	3.4%
BCOM	99.32	1.2%

Source: Bloomberg

Major Markets

CN: China's exports grew by 12.7% YoY to USD309bn in October, surpassing market expectations. This absolute export value also exceeded September's figure, defying the typical seasonal pattern where October exports are usually lower than September's. Imports, on the other hand, fell by 2.3% YoY, resulting in a widened goods trade surplus of USD95.7bn.

The stronger-than-expected export growth in October was attributed to several factors, including the diminishing impact of typhoons, a marginal recovery in external demand, and a low base effect. September's typhoons disrupted shipping and cargo operations in coastal areas, impacting trade. However, when adjusting for these disruptions, combined September and October export growth still posted a robust 7.4%, demonstrating resilience.

Regionally, exports to ASEAN and the EU rose by 15.8% YoY and 12.7% YoY, respectively, while exports to the U.S. rebounded, growing by 8.1% YoY. The broader narrative of a global economic soft landing is likely to support China's export growth through the remainder of the year, although the pace may decelerate in the last two months due to a high base effect. Overall, we anticipate China's exports to grow by 4-5% for the full year, outpacing the WTO's projected global trade growth of 2.6%.

ID: The Coordinating Minister for Economic Affairs, Airlangga Hartarto, expressed confidence in increasing Indonesia's palm oil production to meet rising energy demands, with plans to expand the mandatory biodiesel blend to 40% (B40) palm oil by 2025, up from the current B35. Minister Hartarto added that Indonesia's biodiesel policy is primarily aimed at reducing dependence on imported fossil fuels, fostering a more sustainable energy mix, and supporting the palm oil industry. In the medium term, the Director of Bioenergy at the Energy and Mineral Ministry revealed plans to increase the blending mandate to B50 in 2028. Elsewhere, foreign reserves rose to USD151.2bn by the end of October, up from USD149.9bn in September, equivalent to 6.6 months of imports or 6.4 months of imports and servicing the government's external debt.

MY: Prime Minister Anwar Ibrahim reaffirmed Malaysia's commitment to enhancing its partnership with China, focusing on trade, digital technology, energy, and global cooperation. In a meeting with President Xi Jinping on the fourth and final day of his work trip to China, PM Anwar expressed appreciation for China's support and praised Xi's vision for global security and development, which he said aligns closely with Malaysia's values. Anwar emphasized China's role as a "voice" for the Global South, "one that champions the interests of the developing world." He also highlighted Malaysia's upcoming ASEAN chairmanship and its potential to strengthen ASEAN's relationships with the Gulf Cooperation Council and China, which he views as pivotal to future trade and diplomacy.

PH: GDP growth slowed to 5.2% YoY in 3Q24 versus an upwardly revised 6.4% in 2Q24. On a sequential basis, the economy grew 1.7% QoQ sa from an upwardly revised 0.7% in 2Q24. Looking ahead, we maintain our full year 2024 GDP growth forecast of 6.0% YoY. This implies a pick-up in 4Q24 GDP growth to 6.4% YoY, supported by reconstruction efforts following recent typhoons, a sustained focus on infrastructure development, improved household spending bolstered by lower inflation and the ongoing rate cutting cycle. For 2025, we forecast stable GDP growth of 6.0%. The lower-than-expected 3Q24 GDP print taken together with lower headline inflation prints in September and October supports our view that BSP will deliver another 25bp cut at its 19 December meeting, followed by a cumulative 75bps in rate cuts in 1H25, taking the policy rate to 5.00% by end-2025.

VN: Visitor arrivals rose by 27.6% YoY in October to 1.4mn visitors, up from 1.3mn arrivals (20.9%) in September. Notably, arrivals from China increased by 47.5k (65.7% YoY) to 305.5k in October, although this figure represents only about 63.1% of the monthly average arrivals in 2019. The cumulative visitor arrivals from January to October totalled 14.mn, marking a 41.3% YoY increase. The government aims to welcome 17-1mn visitors this year, matching the 2019 arrivals of 18mn.

ESG Updates

MY: Following the opening up of the national grid for direct trading of electricity between renewable energy firms and corporate consumers within Malaysia, the government is looking into opening it up for green energy exports as well. This can contribute to the creation of the ASEAN power grid and support neighbouring countries such as Singapore to achieve their low-carbon electricity import target.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 2-3bps lower, and belly tenors and 10Y trading 2bps lower. Credit markets continue to digest Donald Trump's US presidential election victory with a broad rally and tighter credit spreads on expectations that economic growth will be supported by business-friendly policies. This is despite the prospect of trade wars and tariffs and higher US government borrowings with Reserve Bank of Australia Assistant Governor Christopher Kent telling a parliamentary panel in Canberra that US tariffs on China would adversely affect Australia. Bloomberg Asia USD Investment Grade spreads remained flat at 73bps while Bloomberg Asia USD High Yield spreads widened by 6bps to 444bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market yesterday.

- Huzhou New City Investment Development Group Co Ltd (guarantor: Huzhou Wuxing State-owned Capital Investment Development Co Ltd) priced a USD33mn retap of HZZLDE 6.5% '27s at 99.995 to Yield 6.5%.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.508	-0.55%	USD-SGD	1.3201	-0.96%
USD-JPY	152.940	-1.09%	EUR-SGD	1.4260	-0.30%
EUR-USD	1.081	0.71%	JPY-SGD	0.8631	0.13%
AUD-USD	0.668	1.67%	GBP-SGD	1.7143	-0.15%
GBP-USD	1.299	0.84%	AUD-SGD	0.8817	0.67%
USD-MYR	4.404	0.02%	NZD-SGD	0.7954	0.49%
USD-CNY	7.143	-0.44%	CHF-SGD	1.5132	-0.47%
USD-IDR	15735	-0.60%	SGD-MYR	3.3191	0.26%
USD-VND	25365	-0.10%	SGD-CNY	5.4079	0.40%

Equity and Commodity

Index	Value	Net change
DJIA	43,729.34	-0.59
S&P	5,973.10	44.06
Nasdaq	19,269.46	286.00
Nikkei 225	39,381.41	-99.26
STI	3,673.49	70.50
KLCI	1,623.28	-10.89
JCI	7,243.86	-140.01
Baltic Dry	1,427.00	22.00
VIX	15.20	-1.07

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.1020	0.32%	1M	4.6005	-0.05%
3M	3.0490	-0.26%	2M	4.5495	-0.06%
6M	2.9160	-0.24%	3M	4.5065	-0.06%
12M	2.6420	0.46%	6M	4.3940	0.00%
			1Y	4.2102	0.06%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.79 (-0.04)	4.2(--)
5Y	2.78 (-0.03)	4.17 (-0.1)
10Y	2.9 (-0.04)	4.34 (-0.11)
15Y	2.96 (-0.04)	--
20Y	2.92 (-0.03)	--
30Y	2.83 (-0.03)	4.54 (-0.08)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.998	-0.249	4.581
12/18/2024	-0.747	-0.187	4.394
01/29/2025	-1.153	-0.288	4.293
03/19/2025	-1.806	-0.452	4.129
05/07/2025	-2.201	-0.550	4.031
06/18/2025	-2.688	-0.672	3.909

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.81
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.36	0.93%	Corn (per bushel)	4.275	0.3%
Brent (per barrel)	75.63	0.95%	Soybean (per bushel)	10.155	2.1%
Heating Oil (per gallon)	228.64	0.72%	Wheat (per bushel)	5.715	-0.3%
Gasoline (per gallon)	205.36	0.89%	Crude Palm Oil (MYR/MT)	50.380	0.8%
Natural Gas (per MMBtu)	2.69	-1.97%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9664.00	3.44%	Gold (per oz)	2706.7	1.8%
Nickel (per mt)	16587.00	2.85%	Silver (per oz)	32.0	2.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/08/2024	PH	Money Supply M3 SRF YoY	Sep	--	--	5.50%	--
11/08/2024 03:00	US	FOMC Rate Decision (Upper Bound)	Nov-07	4.75%	4.75%	5.00%	--
11/08/2024 03:00	US	FOMC Rate Decision (Lower Bound)	Nov-07	4.50%	4.50%	4.75%	--
11/08/2024 07:30	JN	Household Spending YoY	Sep	-1.80%	-1.10%	-1.90%	--
11/08/2024 07:50	JN	Japan Buying Foreign Bonds	Nov-01	--	-¥4457.9b	-¥889.6b	-¥897.1b
11/08/2024 07:50	JN	Foreign Buying Japan Stocks	Nov-01	--	¥139.4b	¥8.0b	¥10.3b
11/08/2024 07:50	JN	Foreign Buying Japan Bonds	Nov-01	--	-¥42.6b	¥277.9b	--
11/08/2024 12:00	MA	Industrial Production YoY	Sep	3.50%	--	4.10%	--
11/08/2024 13:00	JN	Leading Index CI	Sep P	109	--	106.9	--
11/08/2024 15:30	TH	Gross International Reserves	Nov-01	--	--	\$238.5b	--
11/08/2024 16:00	TA	Exports YoY	Oct	9.10%	--	4.50%	--
11/08/2024 16:00	TA	Trade Balance	Oct	\$6.30b	--	\$7.12b	--
11/08/2024 19:30	IN	Foreign Exchange Reserves	Nov-01	--	--	\$684.8b	--
11/08/2024 21:30	CA	Unemployment Rate	Oct	6.60%	--	6.50%	--
11/08/2024 21:30	CA	Net Change in Employment	Oct	27.2k	--	46.7k	--
11/08/2024 23:00	US	U. of Mich. Sentiment	Nov P	71	--	70.5	--

Source: Bloomberg

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