

## Daily Treasury Outlook

9 July 2024

### Highlights

**Global:** Cautious sentiment prevailed ahead of testimony by Fed chair Powell and key inflation data this week. On a data light Monday, investors were seen trimming longs in gold and silver, and scaling back dollar short positions. Dollar rebounded mildly by 0.12%, snapping the four-day losing streak. Treasuries were mixed and traded in a very narrow range with the long end outperforming modestly. The S&P 500 continued its record run, closing at all-time highs for a fourth-straight session, as inflation expectations fell. NY Fed Survey showed that US inflation expectations fell for the second month in June, amid expectation of abating inflationary pressure stemming from home prices. Consumers now expect inflation to return to an annual rate of 3.02% over the next year, down from 3.17% in May. Over to Europe, French OAT 10-year bonds rallied, the OAT vs bund spread lowered by 3bp to 62bp, as the market contemplated what a hung parliament in France means for fiscal policies. On data front, Germany's export fell more than expected by 3.6% MoM in May to 131.6 billion euros, while imports dropped by 6.6% MoM. Japan's labour cash earnings rose by 1.9% YoY (vs. consensus of 2.1% increase), noting that the impact of agreed wage hikes is not fully reflected. The real cash earnings fell by 1.4% YoY, down for the 26th consecutive month, as the wage growth continued to lag inflation.

**Market Watch:** Asian markets today may open with a cautious tone. Today's economic data releases comprise of Australia's consumer and business confidence, Japan's machine tool orders, Taiwan's trade data, and US NFIB small business optimism. Meanwhile, the market will closely watch Fed chair Powell's testimony to the Senate Banking committee later today.

**CN:** Effective from 8 July, the People's Bank of China (PBOC) will conduct temporary repo and reverse repo operations in the afternoon session, in addition to the regular morning open market operations (OMO). These temporary operations will be conducted between 16:00 and 16:20, with an overnight maturity. The rates for these overnight temporary operations will be set at the 7-day reverse repo rate minus 20 basis points for repos and plus 50 basis points for reverse repos.

The recent announcements from the PBOC demonstrate that the central bank has enough tools in its policy toolbox to manage market anomalies such as asset shortages or excessive liquidity. In the case of an asset shortage, the central bank can increase the supply of medium- and long-term bonds in the bond market through borrowing and selling bonds to balance supply and demand. Similarly, if there is excessive liquidity, the central bank can use temporary OMO repo transactions to withdraw liquidity, preventing idle funds from being used for speculative activities within the financial system.

### Key Market Movements

Equity	Value	% chg
S&P 500	5572.9	0.1%
DJIA	39345	-0.1%
Nikkei 225	40781	-0.3%
SH Comp	2922.5	-0.9%
STI	3404.5	-0.2%
Hang Seng	17524	-1.5%
KLCI	1611.0	0.0%
	Value	% chg
DXY	105.000	0.1%
USDJPY	160.83	0.0%
EURUSD	1.0824	-0.1%
GBPUSD	1.2807	-0.1%
USDIDR	16255	-0.1%
USDSGD	1.35	0.1%
SGDMYR	3.4896	0.0%
	Value	chg (bp)
2Y UST	4.63	2.50
10Y UST	4.28	-0.01
2Y SGS	3.34	-2.10
10Y SGS	3.20	-2.27
3M SORA	3.63	0.36
3M SOFR	5.35	0.01
	Value	% chg
Brent	85.75	-0.9%
WTI	82.33	-1.0%
Gold	2359	-1.4%
Silver	30.76	-1.5%
Palladium	1014	-1.5%
Copper	9915	-0.3%
BCOM	101.34	-1.1%

Source: Bloomberg

**Oil:** Crude oil benchmarks declined for a second consecutive day. WTI and Brent closed lower by ~1.0% on Monday's trading session, closing at USD82.3/bbl and USD85.8/bbl, respectively. Oil prices dipped lower as the oil market sought to assess the impact of Hurricane Beryl on US oil demand. In the latest update, Hurricane Beryl has weakened to a major storm and has not caused any significant disruptions so far. Additionally, efforts for a ceasefire deal in Gaza eased concerns about a potential disruption in global oil supply.

## Major Markets

**ID:** The Consumer Confidence Index (CCI) eased to 123.3 in June from 125.2 in May, as weakness was observed in both the 'present situation' and 'expectations' sub-indexes. Specifically, there was a notable downturn in the employment condition and durable goods purchase, which more than offset the improvement in the income subcomponents within the former sub-index. Meanwhile, weakness in expected employment and expected income weighed on the 'expectations' sub-index. However, it is worth noting that all components remained above the 100 level. The June CCI reading brings the average for the second quarter of 2024 to 125.4, up from 124.0 in the first quarter.

**MY:** Investment, Trade and Industry Minister, Zafrul Abdul Aziz, noted that the value of Malaysia's halal exports reached MYR54bn in 2023. In addition, Minister Zafrul emphasized the importance of the halal industry as a catalyst for economic growth and highlighted its potential for further expansion, as the global halal industry is projected to reach USD5tn by 2030, as reported by The Edge. The government is committed to supporting halal entrepreneurs through initiatives like the Jelajah Halal Malaysia (JHM) program, which has already benefited over 1,800 micro, small, and medium industries (MSMEs) in gaining access to domestic and international halal markets.

**PH:** According to preliminary data, the Philippine Statistics Authority (PSA) reported that unemployment rate in the country increased slightly to 4.1% in May versus 4.0% in April (May 2023: 4.3%). The labour force participation rate rose to 64.8% in May from 64.1% in April (May 2023: 65.3%). By economic sectors, the PSA reported an annual increase in the number of employed persons in the 'construction', 'administrative and support service activities', 'manufacturing', 'transportation and storage', 'public administration and defense; compulsory social security'. In contrast, there was an annual decrease in the number of employed persons in the 'agriculture and forestry', 'fishing and aquaculture', 'arts, entertainment and recreation', 'real estate activities', 'professional, scientific and technical activities'.

## ESG Updates

**SG:** The amount of green, social and sustainability-linked loans issued in Singapore has increased for the sixth consecutive year and reached \$30.4bn in 2023. This is approximately 21% higher than 2022 at \$25.2bn, based on the MAS' sustainability report. However, the amount of green, social, sustainability and sustainability-linked bonds decreased in 2023 to \$7.4 billion, from \$10.1 billion in 2022. This comes amid a global slowdown in bond issuances due to rising interest rates and inflation. Singapore remains ASEAN's largest market for green, social, sustainability and sustainability-linked bonds and loans, accounting for more than 50% of the market.

**MY:** Malaysia has seized 106 containers of electronic waste over the last three months, and shut down two factories suspected of unlicensed electronic and plastic waste recycling in the northern Kedah state. This involved an illegal import syndicate that used false documentation to import waste for recycling purposes, reflecting the ongoing problem of wealthy countries illegally sending e-waste overseas to less developed countries where it is cheaper to process.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading between 1 and 3bps lower while belly tenors trading 3bps lower and 10Y were trading 2bps lower. Guangzhou R&F Properties has reported that its subsidiary, Trillion Glory, has received a winding-up petition from Seatown Private Credit Master Fund. The petition was filed at the High Court in Hong Kong on Monday. Bloomberg Asia USD Investment Grade remained unchanged at 82bps while Bloomberg Asia USD High Yield tightened by 2bps to 496bps. (Bloomberg, OCBC)

### New Issues:

There were three bond issuances in the Asiadollar market yesterday.

- Australia & New Zealand Banking Group Ltd priced a USD750mn 3Y fixed at T+50bps, a USD1.25bn 3Y FRN at SOFR+68bps.
- Kraton Corp (Guarantor: Korea Development Bank) priced a USD1bn 3Y fixed at 5.257%.
- China Merchants Bank Co., New York branch priced a USD300mn 3Y social FRN at SOFR+54bps.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Panasonic Holdings Corporation is planning to issue USD 144A/Reg S senior notes with maturities of three and/or ten years.
- Piramal Capital and Housing Finance is planning to issue a USD300-500mn note with a tenor of three to five years.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.000	0.12%	USD-SGD	1.3500	0.10%
USD-JPY	160.830	0.05%	EUR-SGD	1.4613	-0.02%
EUR-USD	1.082	-0.15%	JPY-SGD	0.8393	0.04%
AUD-USD	0.674	-0.18%	GBP-SGD	1.7289	0.04%
GBP-USD	1.281	-0.06%	AUD-SGD	0.9094	-0.08%
USD-MYR	4.709	-0.01%	NZD-SGD	0.8269	-0.23%
USD-CNY	7.268	0.00%	CHF-SGD	1.5038	-0.12%
USD-IDR	16255	-0.14%	SGD-MYR	3.4896	0.16%
USD-VND	25419	0.01%	SGD-CNY	5.3850	-0.09%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6350	0.30%	1M	5.3262	0.01%
3M	3.7120	0.11%	2M	5.3350	0.01%
6M	3.6780	-0.14%	3M	5.3042	-0.02%
12M	3.5880	-0.11%	6M	5.2080	-0.09%
			1Y	4.9567	-0.08%

## 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	-0.045	-0.011	5.318
09/18/2024	-0.813	-0.203	5.126
11/07/2024	-1.248	-0.312	5.017
12/18/2024	-2.014	-0.503	4.825
01/29/2025	-2.655	-0.664	4.665

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.33	-1.00%	Corn (per bushel)	3.958	-3.8%
Brent (per barrel)	85.75	-0.91%	Soybean (per bushel)	11.743	-1.2%
Heating Oil (per gallon)	257.91	-0.90%	Wheat (per bushel)	5.530	-3.4%
Gasoline (per gallon)	253.79	-0.83%	Crude Palm Oil (MYR/MT)	40.880	#DIV/0!
Natural Gas (per MMBtu)	2.37	2.03%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9915.00	-0.29%	Gold (per oz)	2359.1	-1.4%
Nickel (per mt)	17473.00	0.76%	Silver (per oz)	30.8	-1.5%

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

## Equity and Commodity

Index	Value	Net change
DJIA	39,344.79	-31.08
S&P	5,572.85	5.66
Nasdaq	18,403.74	50.98
Nikkei 225	40,780.70	-131.67
STI	3,404.47	-6.34
KLCI	1,611.02	-5.73
JCI	7,250.98	-2.40
Baltic Dry	1,966.00	-55.00
VIX	12.37	-0.11

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.34 (-0.02)	4.62(--)
5Y	3.19 (-0.02)	4.24 (+0.01)
10Y	3.2 (-0.02)	4.28 (0)
15Y	3.22 (-0.01)	--
20Y	3.1 (+0.01)	--
30Y	3.05 (+0.01)	4.47 (-0.01)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.32
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## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/09/2024 03:00	US	Consumer Credit	May	\$8.850b	\$11.354b	\$6.403b	\$6.485b
07/09/2024 07:13	VN	Domestic Vehicle Sales YoY	Jun	--	--	13.00%	--
07/09/2024 07:15	CH	Money Supply M2 YoY	Jun	6.80%	--	7.00%	--
07/09/2024 07:15	CH	Money Supply M1 YoY	Jun	-5.40%	--	-4.20%	--
07/09/2024 07:15	CH	Money Supply M0 YoY	Jun	--	--	11.70%	--
07/09/2024 07:50	JN	Money Stock M2 YoY	Jun	--	1.50%	1.90%	--
07/09/2024 07:50	JN	Money Stock M3 YoY	Jun	--	1.00%	1.30%	--
07/09/2024 08:30	AU	Westpac Consumer Conf SA MoM	Jul	--	--	1.70%	--
07/09/2024 08:30	AU	Westpac Consumer Conf Index	Jul	--	--	83.6	--
07/09/2024 09:30	AU	NAB Business Confidence	Jun	--	--	-3	--
07/09/2024 09:30	AU	NAB Business Conditions	Jun	--	--	6	--
07/09/2024 14:00	JN	Machine Tool Orders YoY	Jun P	--	--	4.20%	--
07/09/2024 16:00	TA	Exports YoY	Jun	14.70%	--	3.50%	--
07/09/2024 16:00	TA	Trade Balance	Jun	\$7.04b	--	\$6.05b	--
07/09/2024 16:00	TA	Imports YoY	Jun	10.00%	--	0.60%	--
07/09/2024 18:00	US	NFIB Small Business Optimism	Jun	90.2	--	90.5	--

Source: Bloomberg

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