

Daily Treasury Outlook

9 September 2024

Highlights

Global: Disappointment - August nonfarm payrolls rose 142k, missing market consensus forecast of 165k, albeit still an improvement from the downwardly revised July reading of just 89k. Meanwhile, the unemployment rate edged down to 4.2%, marking the first dip in five months. There was a net 2-month NFP revision of -86k, but the average weekly hours worked actually rose to 34.3. What the Fed will make of this set of data will keep market players in suspense as Fed officials enter the blackout period for speeches ahead of the September FOMC meeting. US Treasury secretary Yellen opined that "while there are risks.... this is what most people would call a soft landing". The S&P 500 declined 1.7% on Friday while the 10-year UST bond yield fell 2bps to 3.71%.

Market Watch: Asian markets are likely to trade with a cautious tone this morning. Today's economic data calendar kicks off with China's August CPI and PPI, Indonesia's consumer confidence, Taiwan's exports, and Eurozone's Sentix investor confidence. For the week ahead, key data to watch will be US' August CPI (with headline and core tipped at 2.6% and 3.2% YoY respectively) on Wednesday, PPI on Thursday, and the University of Michigan sentiment index on Friday, while outside of the US, we also get China's aggregate financing and trade data, the Euro-area's industrial production and also MAS' professional forecasters' survey. On the central bank front, the ECB is tipped to cut interest rates for the second time on 12 Sep by 25bp to 3.5% for the deposit rate and its risk assessment is likely to be biased to the downside with President Lagarde likely to emphasise easing inflation and wage growth.

SG: The September MAS professional forecasters survey could see the 2024 GDP growth forecast upgraded slightly from the 2.4% forecast in June closer to the upper end of the official 2-3% forecast, closer to our forecast of 2.6%. Meanwhile, our 2024 headline and core inflation forecasts remain at 2.8% and 3.0% respectively but should moderate further to 2.0% and 2.1% respectively in 2025.

Oil: Crude oil prices declined on Friday, with WTI and Brent decreasing by ~2.2%, closing at USD67.7/bbl and USD71.1/bbl respectively. Consequently, this led to the largest weekly drop of more than 8.0% since October 2023. The decline was mainly due to concerns of slowing demand, following the weaker-than-expected August US non-farm payrolls. Persistent concerns of slowing demand outweighed an agreement by OPEC+ to delay their planned output increases for October and November.

Key Market Movements

| Equity | Value | % chg |
|------------|---------|----------|
| S&P 500 | 5408.4 | -1.7% |
| DJIA | 40345 | -1.0% |
| Nikkei 225 | 36391 | -0.7% |
| SH Comp | 2765.8 | -0.8% |
| STI | 3454.5 | -0.1% |
| Hang Seng | 17444 | 0.0% |
| KLCI | 1653.1 | -0.7% |
| | Value | % chg |
| DXY | 101.177 | 0.1% |
| USDJPY | 142.3 | -0.8% |
| EURUSD | 1.1084 | -0.2% |
| GBPUSD | 1.3129 | -0.4% |
| USDIDR | 15365 | -0.2% |
| USDSGD | 1.3027 | 0.2% |
| SGDMYR | 3.3352 | 0.1% |
| | Value | chg (bp) |
| 2Y UST | 3.65 | -9.73 |
| 10Y UST | 3.71 | -1.89 |
| 2Y SGS | 2.44 | -5.70 |
| 10Y SGS | 2.57 | -5.92 |
| 3M SORA | 3.56 | -0.41 |
| 3M SOFR | 5.37 | 0.02 |
| | Value | % chg |
| Brent | 71.06 | -2.2% |
| WTI | 67.67 | -2.1% |
| Gold | 2497 | -0.8% |
| Silver | 27.94 | -3.1% |
| Palladium | 916 | -2.9% |
| Copper | 8996 | -1.1% |
| BCOM | 93.72 | -1.5% |

Source: Bloomberg

Major Markets

CN: Foreign exchange reserves increased by USD31.8bn in August, reaching USD3.29trn. This rise was largely attributed to valuation effects, with the U.S. dollar weakening and bond prices increasing. Meanwhile, gold reserves have remained unchanged at 72.8 mn ounces for four consecutive months. Looking ahead this week, market attention will focus on August economic data, starting with the release of CPI and PPI figures on Monday. The acceleration of government bond issuance in August is expected to support growth in aggregate social financing and infrastructure investment, which may help counterbalance the still sluggish real estate investment sector.

ID: Defence Minister and President-elect Prabowo Subianto visited Brunei Darussalam, Laos, Cambodia, and Malaysia to strengthen defence cooperation. During his visits, which extended from September 5th to 7th, he also had an unofficial meeting with Thai Prime Minister Paetongtarn Shinawatra and her father Thaksin Shinawatra in Bangkok, Thailand. President-elect Prabowo emphasized Indonesia's commitment to closer defence ties with Malaysia and discussed potential cooperation in the defence industry with leaders in Brunei. Additionally, he discussed broader new opportunities for future cooperation with Laos and Cambodia, as reported by Tempo.

MY: Prime Minister Anwar Ibrahim noted that the budget for 2025 will prioritize strategies to stabilize inflation and "find solutions to the cost-of-living issues." The headline inflation rate was stable at 2.0% YoY in July versus June. PM Anwar also noted that the government remains committed to prudent economic management, ensuring no wasteful spending in various sectors. PM Anwar will present the federal budget on 18 October 2024.

PH: The Philippine Statistics Authority (PSA) reported that the unemployment rate rose to 4.7% in July from 3.1% in June (July 2023: 4.9%). The labour force participation rate dipped to 63.5% in July from 66.0% in June (July 2023: 60.0%). By economic sectors, the PSA reported an annual increase in the number of employed persons in the 'wholesale and retail trade; repair of motor vehicles and motorcycles', 'agriculture and forestry', 'accommodation and food service activities', 'public administration and defence; compulsory social security', and 'construction' sectors.

TH: The House of Representatives has passed a THB3.8trn budget for FY2025, implying a 4.2% increase in government spending for the next fiscal year. Out of the 500-member House of Representatives, 309 lawmakers supported the FY2025 bill at its third and final reading. The bill will be sent to the Senate for approval before its submission for royal endorsement.

ESG Updates

ID: The International Finance Corporation (IFC) has signed an agreement with Indonesian steelmaker PT Gunung Raja Paksi Tbk (GRP) to support its shift to lower-carbon production and help it access green steel markets. IFC will provide USD60mn to help upgrade GRP's electric arc furnace (EAF) and boost energy efficiency, as well as explore ways to finance the decommissioning of GRP's blast furnace. GRP has already decided to write off its unused blast furnace and hopes that its decommissioning can generate carbon credits. The steel sector will also face more international pressure when the EU's Carbon Border Adjustment Mechanism (CBAM) comes into effect in 2026, where importers will need to pay a levy on steel products based on their emissions. This makes the transition to low-carbon operations more urgent for emissions-intensive sectors like steel.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower last Friday, with shorter tenors trading 4-6bps lower, belly tenors trading 6-7bps lower and 10Y trading 7bps lower. China Vanke Co. ("VANKE") experienced a deepening sales slump, raising concerns about the company's debt repayment capabilities. Contracted sales declined by 24% compared to the previous year, amounting to RMB17.24bn (USD2.4bn), which is a wider decline compared to the 13% slide in July. Additionally, transactions decreased by 10% m/m. Bloomberg Asia USD Investment Grade spreads remained flat at 92bps while Bloomberg Asia USD High Yield spreads widened by 10bps to 572bps. (Bloomberg, OCBC)

New Issues:

There was 1 notable issue in the Asiadollar market last Friday.

- Korean Development Bank/London priced a USD100mn 1.5Y FRN at SOFR+45bps.

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

Mandates:

- There were no new Asiadollar mandates last Friday.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 101.177 | 0.07% | USD-SGD | 1.3027 | 0.20% |
| USD-JPY | 142.300 | -0.80% | EUR-SGD | 1.4439 | -0.04% |
| EUR-USD | 1.108 | -0.24% | JPY-SGD | 0.9153 | 0.99% |
| AUD-USD | 0.667 | -1.04% | GBP-SGD | 1.7104 | -0.18% |
| GBP-USD | 1.313 | -0.39% | AUD-SGD | 0.8697 | -0.75% |
| USD-MYR | 4.330 | -0.18% | NZD-SGD | 0.8043 | -0.59% |
| USD-CNY | 7.098 | 0.13% | CHF-SGD | 1.5452 | 0.31% |
| USD-IDR | 15365 | -0.21% | SGD-MYR | 3.3352 | 0.09% |
| USD-VND | 24615 | -0.52% | SGD-CNY | 5.4427 | -0.21% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|-------|---------|--------|-------|----------|--------|
| 1M | 3.5210 | -0.59% | 1M | 5.1095 | -0.47% |
| 3M | 3.4680 | -0.06% | 2M | 5.0718 | 0.37% |
| 6M | 3.3460 | -0.54% | 3M | 4.9406 | -0.35% |
| 12M | 3.0250 | -0.92% | 6M | 4.5600 | -0.36% |
| | | | 1Y | 3.9676 | -0.21% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|---------------------|-----------------------------------|
| 09/18/2024 | -1.375 | -0.344 | 4.993 |
| 11/07/2024 | -2.888 | -0.722 | 4.614 |
| 12/18/2024 | -4.569 | -1.142 | 4.194 |
| 01/29/2025 | -5.975 | -1.494 | 3.842 |
| 03/19/2025 | -7.294 | -1.823 | 3.513 |
| 05/07/2025 | -8.225 | -2.056 | 3.280 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 67.67 | -2.14% | Corn (per bushel) | 3.838 | -1.6% |
| Brent (per barrel) | 71.06 | -2.24% | Soybean (per bushel) | 9.893 | -1.9% |
| Heating Oil (per gallon) | 211.50 | -2.49% | Wheat (per bushel) | 5.533 | -1.4% |
| Gasoline (per gallon) | 189.60 | -1.55% | Crude Palm Oil (MYR/MT) | 39.800 | -1.0% |
| Natural Gas (per MMBtu) | 2.28 | 0.93% | Rubber (JPY/KG) | 309.500 | 2.8% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 8996.00 | -1.06% | Gold (per oz) | 2497.4 | -0.8% |
| Nickel (per mt) | 15893.00 | -1.15% | Silver (per oz) | 27.9 | -3.1% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 40,345.41 | -410.34 |
| S&P | 5,408.42 | -94.99 |
| Nasdaq | 16,690.83 | -436.83 |
| Nikkei 225 | 36,391.47 | -265.62 |
| STI | 3,454.47 | -4.19 |
| KLCI | 1,653.12 | -11.70 |
| JCI | 7,721.85 | 40.80 |
| Baltic Dry | 1,941.00 | 22.00 |
| VIX | 22.38 | 2.48 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 2.44 (-0.06) | 3.65(--) |
| 5Y | 2.41 (-0.05) | 3.49 (-0.05) |
| 10Y | 2.57 (-0.06) | 3.71 (-0.02) |
| 15Y | 2.64 (-0.07) | -- |
| 20Y | 2.7 (-0.06) | -- |
| 30Y | 2.71 (-0.06) | 4.02(--) |

Financial Spread (bps)

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

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 5.35 |
|------|------|

Economic Calendar

| Date | Country | Item | Period | Survey | Actual | Prior | Revised |
|------------------|---------|------------------------------------|--------|----------|----------|----------|---------|
| 09/09/2024 07:50 | JN | GDP SA QoQ | 2Q F | 0.80% | 0.70% | 0.80% | -- |
| 09/09/2024 07:50 | JN | GDP Annualized SA QoQ | 2Q F | 3.20% | 2.90% | 3.10% | -- |
| 09/09/2024 07:50 | JN | BoP Current Account Balance | Jul | ¥2498.0b | ¥3193.0b | ¥1533.5b | -- |
| 09/09/2024 07:50 | JN | GDP Deflator YoY | 2Q F | 3.00% | 3.20% | 3.00% | -- |
| 09/09/2024 07:50 | JN | Inventory Contribution % GDP | 2Q F | -0.10% | -0.10% | -0.10% | -- |
| 09/09/2024 07:50 | JN | Trade Balance BoP Basis | Jul | -¥427.6b | -¥482.7b | ¥556.3b | -- |
| 09/09/2024 07:50 | JN | Net Exports Contribution % GDP | 2Q F | -0.10% | -0.10% | -0.10% | -- |
| 09/09/2024 09/13 | VN | Domestic Vehicle Sales YoY | Aug | -- | -- | 8.30% | -- |
| 09/09/2024 09/13 | GE | Retail Sales MoM | May | 0.10% | -- | -1.20% | -0.20% |
| 09/09/2024 09/15 | CH | Money Supply M2 YoY | Aug | 6.20% | -- | 6.30% | -- |
| 09/09/2024 09/15 | CH | Money Supply M1 YoY | Aug | -6.70% | -- | -6.60% | -- |
| 09/09/2024 09:30 | CH | CPI YoY | Aug | 0.70% | -- | 0.50% | -- |
| 09/09/2024 09:30 | CH | PPI YoY | Aug | -1.50% | -- | -0.80% | -- |
| 09/09/2024 16:00 | TA | Exports YoY | Aug | 8.40% | -- | 3.10% | -- |
| 09/09/2024 22:00 | US | Wholesale Inventories MoM | Jul F | 0.30% | -- | 0.30% | -- |
| 09/09/2024 23:00 | US | NY Fed 1-Yr Inflation Expectations | Aug | -- | -- | 2.97% | -- |

Source: Bloomberg

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