Daily Treasury Outlook

9 October 2024

Highlights

Global: The resurgence of U.S. exceptionalism drove U.S. stocks higher on Tuesday, brushing off heightened volatility in Chinese assets. The smaller U.S. trade deficit in July and August contributed to this narrative, with exports rising by 2% in August to a record high of USD271.8bn, while imports fell by 0.9% to USD342.2bn. As a result, the trade gap narrowed further, supporting GDP growth in August. Coupled with stronger-than-expected labour market and consumer spending data, these factors indicate that the U.S. economy remained on solid footing in 3Q24.

China's A-shares closed higher after reopening from the Golden Week holiday, with the CSI300 index rising by 5.93%, a strong performance by any measure. However, the market appeared disappointed, retreating from an 11% opening surge due to the lack of detailed stimulus measures at the National Development and Reform Commission (NDRC) press conference. Hong Kong stocks suffered as capital rotated back to onshore markets, and the sell-off deepened following the NDRC briefing. The agency expressed confidence in achieving China's growth target and announced a frontloading of CNY200bn in central investment for the last quarter, which may help 4Q24 GDP rebound above 5%. However, investors were hoping for more substantial fiscal stimulus.

In the Eurozone, the Bank of Portugal became the latest central bank to lower its growth forecast, now expecting the Portuguese economy to grow by 1.6% in 2024 and 2.1% in 2025, down from 2% and 2.5% projected in June. According to a recent Reuters poll, over 90% of analysts are now calling for a 25bps rate cut at the European Central Bank's meeting on 17 October.

Global index provider FTSE Russell announced on Tuesday that India's sovereign bonds will be included in its Emerging Markets Government Bond Index (EMGBI) starting in September 2025. Additionally, South Korean government bonds will be added to the FTSE World Government Bond Index (WGBI).

Market Watch: The Reserve Bank of India meets today, and we expect it to keep its policy rate unchanged at 6.50%. Otherwise, it is a data light calendar, with markets awaiting the release of the September FOMC meeting minutes. Attention will turn to Thursday's U.S. CPI print, as little else is expected to move the needle in the near term.

Key Market Movements

Equity	Value	% chg
S&P 500	5751.1	1.0%
DJIA	42080	0.3%
Nikkei 225	38938	-1.0%
SH Comp	3489.8	4.6%
STI	3575.7	-0.7%
Hang Seng	20927	-9.4%
KLCI	1635.6	0.0%
	Value	**% chg**
DXY	102.549	0.0%
USDJPY	148.2	0.0%
EURUSD	1.0980	0.0%
GBPUSD	1.3104	0.2%
USDIDR	15645	-0.2%
USDSGD	1.304	0.0%
SGDMYR	3.2895	0.1%
	Value	**chg (bp)**
2Y UST	3.96	-3.70
10Y UST	4.01	-1.37
2Y SGS	2.79	0.20
10Y SGS	2.89	-1.78
3M SORA	3.50	-0.03
3M SOFR	5.27	-0.57
	Value	**% chg**
Brent	77.18	-4.6%
WTI	73.57	-4.6%
Gold	2622	-0.8%
Silver	30.67	-3.2%
Palladium	1024	-0.3%
Copper	9743	-1.9%
BCOM	100.13	-2.0%

Source: Bloomberg

Oil: The rally in crude oil prices halted on Tuesday, with WTI and Brent declining by 4.6% and closing at USD73.6/bbl and USD77.2/bbl, respectively. During Asian trading hours, prices were on a downward trajectory as the highly anticipated NDRC press conference appeared to lack details regarding stimulus measures. Meanwhile, reports of a potential ceasefire between Hezbollah and Israel added further downward pressure. Separately, the American Petroleum Institute (API) reported an increase of 11.0mn bbls in US crude inventories for the week ending on 4 October. The Energy Information Administration (EIA) is scheduled to release its oil inventories report tonight (9 October), with consensus anticipating a smaller buildup of 1.3mn bbls in US crude inventories.

Major Markets

ID: The Consumer Confidence Index (CCI) fell to 123.5 in September from 124.4 in August. Weakness was seen in both the present situation (113.9 in September from 114.0 in August) and expectations (133.1 from 134.9) sub-indices. Notably, consumers perceived current and future income situations to have worsened marginally. Similarly, consumers are less optimistic about future employment opportunities. The September print brings the 3Q24 CCI to an average of 123.8, down from 125.4 in 2Q24, and marks the lowest quarterly average since 3Q23.

MY: The World Bank has revised its forecast for Malaysia higher to 4.9% in 2024 and 4.5% in 2025, up from its previous forecast of 4.3% and 4.4%, respectively, in April 2024. The higher forecast reflects stronger-than-expected GDP growth in the first semester, driven by robust growth in consumption, investment, and trade activity. Additionally, the World Bank noted that assuming a USD/MYR exchange rate of 4.5 and an average growth rate of 4.3%, Malaysia could achieve high-income nation status by 2028. However, lead economist Dr. Apurva Sanghi highlighted that "these projections are highly sensitive to the assumption," as reported by The Edge.

PH & TH: In the BSP-BoT High-Level Bilateral Meeting, BSP Governor Eli Remolona and BoT Governor Sethaput Suthiwartnarueput met "to exchange views and strengthen cooperation on various areas of central banking". According to a statement from the BSP, both sides "discussed and shared insights on the role of central banks in capital market development, payment systems development, and artificial intelligence (AI) use cases. Issues discussed include the role of central banks in the development of the capital market, its drivers and challenges; approaches in digital payments, and measures for fraud prevention and consumer protection; and AI use cases in monetary policy, along with measures in mitigating potential risks."

VN: According to FTSE Russell, Vietnam remains on the watch list for a possible reclassification from frontier to secondary emerging market status in the FTSE classification of fixed income markets, as the market has yet to meet the settlement requirements stipulated in the country classification framework. The Vietnamese authorities remain committed to pursuing the various regulatory reforms required to attain emerging market status. Elsewhere, Vietnam and France have upgraded their bilateral ties to a comprehensive strategic partnership, with expectations of deepening cooperation in fields such as defence, aerospace, AI, technology, and renewable energy.

HK: Local equity market saw sharp correction on Tuesday, with Hang Seng Index down by more than 9% at closing, as NDRC failed to deliver the much anticipated fiscal stimulus during the press briefing. Meanwhile, the daily transaction volume reached HKD620bn, breaking another record high.

ESG Updates

ID: The Energy and Mineral Resources Ministry anticipates that Indonesia will miss its 2025 target for renewable power generating capacity by a wide margin. This can be attributed to uncompetitive prices and policies that support coal power. Indonesia already reduced its renewable energy target from 23% to 17%-19% in 2025. The Ministry estimates that PLN, according to its electricity procurement plan, would need to build renewable power plants with a total capacity of 8.2GW by the end of 2025 to meet the target. Projects in the pipeline include solar, hydroelectric, micro-hydro and wind power plants with a total capacity of 2.83GW, 1.7GW, 787MW and 527MW respectively. The investment required for those plants was estimated at US$14bn, which if secured, can enable renewable energy to reach around 21.2% of the national energy mix. This highlights the need for climate finance for developing countries to accelerate the transition away from coal and enhance renewable energy capacity.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 3-4bps lower, belly tenors trading 2-3bps lower, and 10Y trading 1bps lower. China's recent efforts to boost the housing market have shown positive results, as evidenced by reports of strong sales and buyer interest during the country's week-long holiday. However, it remains uncertain whether this upward trend will continue in the long term. According to the China Index Academy, average daily sales in 25 cities increased by 23% compared to the previous year's national day celebrations, after adjusting for seasonal variations. However, analysts believe that these figures may not fully capture the actual number of transactions, as online deals have not been included in the tally yet, per Bloomberg. Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads widened by 9bps to 483bps. (Bloomberg, OCBC)

New Issues:

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

- Norinchukin Bank/The priced a USD500mn Green, 5Y Fixed at T+123bps.
- Korea Development Bank/The priced a USD1bn WNG 3Y Fixed at SOFR MS+60bps.

There was one notable issuance in the Singdollar market yesterday.

- BNP Paribas SA priced a SGD550mn Tier 2 10.5NC5.5 Sub to Yield 3.95%.

Mandates:

- The Hong Kong Mortgage Corp. is planning to issue HKD, CNH and USD Reg S senior unsecured, Fixed, social notes under the MTN program.
- Export-Import Bank of Korea is planning to issue USD 3Y Fixed bond.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.549	0.01%	**USD-SGD**	1.3040	0.00%
USD-JPY	148.200	0.01%	**EUR-SGD**	1.4317	0.03%
EUR-USD	1.098	0.04%	**JPY-SGD**	0.8799	-0.02%
AUD-USD	0.674	-0.19%	**GBP-SGD**	1.7087	0.16%
GBP-USD	1.310	0.16%	**AUD-SGD**	0.8797	-0.18%
USD-MYR	4.287	0.07%	**NZD-SGD**	0.8003	0.20%
USD-CNY	7.063	#DIV/0!	**CHF-SGD**	1.5210	-0.36%
USD-IDR	15645	-0.22%	**SGD-MYR**	3.2895	0.12%
USD-VND	24841	-0.04%	**SGD-CNY**	5.4116	0.59%

Equity and Commodity

Index	Value	Net change
DJIA	42,080.37	126.13
S&P	5,751.13	55.19
Nasdaq	18,182.92	259.02
Nikkei 225	38,937.54	-395.20
STI	3,575.69	-23.50
KLCI	1,635.62	0.33
JCI	7,557.14	53.01
Baltic Dry	1,907.00	-21.00
VIX	21.42	-1.22

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2820	0.37%	**1M**	4.8242	-0.06%
3M	3.2680	0.55%	**2M**	4.7490	-0.10%
6M	3.0480	0.07%	**3M**	4.6594	-0.23%
12M	2.7120	0.89%	**6M**	4.4450	-0.12%
			1Y	4.1207	-0.15%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.79 (--)	3.96(--)
5Y	2.79 (+0.01)	3.85 (-0.02)
10Y	2.89 (-0.02)	4.01 (-0.01)
15Y	2.94 (-0.01)	--
20Y	2.92 (-0.01)	--
30Y	2.89 (-0.02)	4.29 (-0.01)

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	-1.973	-0.493	4.333
01/29/2025	-2.795	-0.699	4.128
03/19/2025	-3.643	-0.911	3.915
05/07/2025	-4.246	-1.062	3.765
06/18/2025	-4.797	-1.199	3.627

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.83

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	73.57	-4.63%	Corn (per bushel)	4.208	-1.2%
Brent (per barrel)	77.18	-4.63%	Soybean (per bushel)	10.163	-1.7%
Heating Oil (per gallon)	229.72	-4.13%	Wheat (per bushel)	5.948	0.4%
Gasoline (per gallon)	206.81	-3.98%	Crude Palm Oil (MYR/MT)	43.490	-1.2%
Natural Gas (per MMBtu)	2.73	-0.47%	Rubber (JPY/KG)	309.500	2.8%

Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	9742.50	-1.88%	Gold (per oz)	2621.8	-0.8%
Nickel (per mt)	17776.00	-1.53%	Silver (per oz)	30.7	-3.2%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/09/2024 09:00	NZ	RBNZ Official Cash Rate	Oct-09	4.75%	--	5.25%	--
10/09/2024 10/15	CH	Money Supply M2 YoY	Sep	6.40%	--	6.30%	--
10/09/2024 10/15	CH	Aggregate Financing CNY YTD	Sep	25475.2b	--	21900.0b	21899.6b
10/09/2024 10/15	CH	Money Supply M1 YoY	Sep	-7.20%	--	-7.30%	--
10/09/2024 10/15	CH	Money Supply M0 YoY	Sep	--	--	12.20%	--
10/09/2024 12:30	IN	RBI Repurchase Rate	Oct-09	6.50%	--	6.50%	--
10/09/2024 12:30	IN	RBI Cash Reserve Ratio	Oct-09	4.50%	--	4.50%	--
10/09/2024 14:00	JN	Machine Tool Orders YoY	Sep P	--	--	-3.50%	--
10/09/2024 14:00	GE	Exports SA MoM	Aug	-1.00%	--	1.70%	1.90%
10/09/2024 16:00	TA	CPI YoY	Sep	2.00%	--	2.36%	--
10/09/2024 16:00	SI	Automobile COE Open Bid Cat A	Oct-09	--	--	98524	--
10/09/2024 16:00	SI	Automobile COE Open Bid Cat B	Oct-09	--	--	110001	--
10/09/2024 16:00	SI	Automobile COE Open Bid Cat E	Oct-09	--	--	113104	--
10/09/2024 16:00	TA	CPI Core YoY	Sep	1.75%	--	1.80%	--
10/09/2024 19:00	US	MBA Mortgage Applications	Oct-04	--	--	-1.30%	--
10/09/2024 22:00	US	Wholesale Inventories MoM	Aug F	0.20%	--	0.20%	--

Source: Bloomberg

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