

Daily Treasury Outlook

10 June 2024

Highlights

Global: There seems to be a risk-off mood building. US nonfarm payrolls came in higher than expected at 272k for May versus a modestly downwardly revised 165k in April. Average hourly earnings were higher in YoY and MoM terms by 4.1% and 0.4%, respectively above the April readings and consensus expectations. The unemployment rate, however, ticked higher to 4.0% from 3.9% and labour force participation was down slightly (62.5% versus 62.7%). The print was taken to show some resilience in the labour markets, with the DXY index and UST yields across the curve ending the session higher. US equities closed lower (S&P: -0.11%; NASDAQ: -0.22%; Dow: -0.22%). Fed fund futures are now pricing in 36.1bp in rate cuts for this year versus 49.6bp the day before the NFP print. Meanwhile, in Europe, the Parliamentary elections threw up some unexpected results for France and Germany. In France, initial projections show that the far-right National Rally party came out on top with 31.5% of the vote, more than double the share of Macron's Renaissance (15.2% of the vote). President Macron has dissolved Parliament and called for snap elections. The first round of the new legislative election will be held on June 30, with a second round on July 7. Moving onto Asia, Malaysia will allow diesel fuel prices to be adjusted in line with market prices, as of 10 June. The immediate price increase will be 55.8% for Peninsular Malaysia. For India, the RBI kept its policy rate unchanged, with another member of the MPC voting for a cut making it 2 of a total of six members. PM Modi's cabinet is lined up, but ministries have not been designated yet.

Market Watch: Japan's GDP growth this morning contracted by 1.8% QoQ in the final estimate, slightly better than expectations of -2.0%. Other data today includes Malaysia's April industrial production, Japan May economic watchers survey. For the rest of the week, the focus will be on the US FOMC meeting on 12 June, Bank of Japan's meeting on 14 June and Bank of Thailand's policy meeting on 12 June. Various ECB speakers are lined up to speak this week; their rhetoric will be closely watched for clues on ECB's next move.

Oil: WTI held steady at USD75.5/bbl while Brent declined marginally by 0.3% to close at USD79.6/bbl on Friday. This is the third straight weekly loss following strong selling pressure on 3 June (for week ending 7 June). Nonetheless, some losses were pared back following assurances from OPEC+ ministers that the output agreement for eight member countries to gradually unwind (from 4Q24 onwards) is dependent on conditions in the oil market. As oil prices dipped, the US Department of Energy announced two new solicitations to purchase oil (a total of 6 million barrels) for its Strategic Petroleum Reserve (SPR) for delivery from September through December 2024.

Key Market Movements

Equity	Value	% chg
S&P 500	5347.0	-0.1%
DJIA	38799	-0.2%
Nikkei 225	38684	-0.1%
SH Comp	3051.3	0.1%
STI	3330.8	0.0%
Hang Seng	18367	-0.6%
KLCI	1617.9	0.2%
	Value	% chg
DXY	104.885	0.8%
USDJPY	156.75	0.7%
EURUSD	1.0801	-0.8%
GBPUSD	1.2719	-0.6%
USDIDR	16195	-0.4%
USDSGD	1.3522	0.5%
SGDMYR	3.4889	0.1%
	Value	chg (bp)
2Y UST	4.89	16.28
10Y UST	4.43	14.65
2Y SGS	3.34	0.70
10Y SGS	3.21	-0.24
3M SORA	3.67	0.05
3M SOFR	5.35	0.03
	Value	% chg
Brent	79.62	-0.3%
WTI	75.53	0.0%
Gold	2294	-3.5%
Silver	29.15	-6.9%
Palladium	915	-1.9%
Copper	9763	-3.8%
BCOM	101.82	-1.6%

Source: Bloomberg

Major Markets

ID: The foreign reserves increased to USD139.0bn as of the end of May 2024, up from USD136.2mn in April. The higher reserves were due to, among other factors, “tax and services receipts as well as government bonds issuance” according to Bank Indonesia. The current reserves position is equivalent to 6.3 months of imports or 6.1 months of imports and servicing the government's external debt, still well above the international adequacy of three months of imports.

MY: Malaysia will begin rationalizing diesel subsidies in the Peninsular area on Monday (10/6), resulting in a rise in the retail price of diesel fuel to MYR3.35 per litre at petrol stations across Peninsular. However, prices will remain unchanged at MYR2.15 per litre in Sabah, Sarawak, and Labuan, as well as for eligible logistics vehicles under the government's subsidized diesel control system. The government aims to save approximately MYR4bn annually through this subsidy cut, with the savings redirected towards low-income groups. Additionally, cash assistance will be provided to eligible individuals, including diesel vehicle owners, small-scale farmers, and commodity smallholders.

TH: Headline CPI surprised to the upside at 1.5% YoY (Consensus: 1.2%) in May versus 0.2% in April. Core inflation held steady for the fourth consecutive month at 0.4% YoY. The drivers were mixed. Higher inflation in key components such as ‘food & non alcoholic beverages’, ‘housing & furnishing’, ‘medical & personal care’, ‘transport & communication’, recreation, reading, education & religion’ more than offset lower inflation in ‘apparel & footwears’. The Ministry of Commerce expects inflation to ease to 1.0%-1.1% in June. Looking ahead, we maintain our 2024 average headline inflation at 1.2% YoY, implying a pickup in inflationary pressures of 2.1% YoY for Jun-Dec 2024 versus -0.1% in Jan-May 2024, in the coming months. This will still be within BOT's 1-3% headline inflation range.

ESG Updates

ID: Malaysia's Housing and Local Government Ministry aims to create green and eco-friendly communities, and construct more high-quality housing to continue enhancing the living standards of Malaysians. It will launch a new public housing programme called the Program Residensi Rakyat (PRR), that provides houses at subsidised prices. Malaysia is collaborating with Singapore's Housing and Development Board to advance the PRR programme.

Rest of the world: The International Energy Agency estimates that global investment in clean energy technologies and infrastructure is set to hit US\$2 trillion this year, which is twice the amount that is being invested into fossil fuels. This includes renewables, electric vehicles, nuclear power, grids, energy storage, low-emissions fuels, energy efficiency improvements and heat pumps. China is set to account for the largest share of clean energy investment in 2024 with an estimated US\$675 billion, while Europe is set to account for US\$370 billion and the US at US\$315 billion.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 1-3bps lower, belly tenors trading 2bps lower and 10Y trading 2bps lower. Agile Group Holdings Ltd (“Agile”), a Chinese developer, has announced in a filing with the Hong Kong exchange on Friday night that it has enlisted the assistance of financial and legal advisors to handle its offshore debt. The company has appointed Alvarez & Marsal Corporate Finance Ltd. as its financial advisor and Sidley Austin as its legal advisor. Bloomberg Asia USD Investment Grade tightened by 3bps to 76bps while Asia USD High Yield tightened by 15bps to 484bps. (Bloomberg, OCBC)

New Issues: There were no notable bond issuers in the Asiadollar and Singdollar market last Friday.

Mandates: There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.885	0.75%	USD-SGD	1.3522	0.48%
USD-JPY	156.750	0.73%	EUR-SGD	1.4607	-0.33%
EUR-USD	1.080	-0.82%	JPY-SGD	0.8626	-0.27%
AUD-USD	0.658	-1.26%	GBP-SGD	1.7201	-0.08%
GBP-USD	1.272	-0.56%	AUD-SGD	0.8906	-0.74%
USD-MYR	4.692	-0.06%	NZD-SGD	0.8253	-1.11%
USD-CNY	7.248	0.04%	CHF-SGD	1.5083	-0.34%
USD-IDR	16195	-0.40%	SGD-MYR	3.4889	0.11%
USD-VND	25413	-0.07%	SGD-CNY	5.3624	-0.40%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6790	-0.24%	1M	5.3299	-0.01%
3M	3.7590	0.11%	2M	5.3388	-0.02%
6M	3.7350	-0.24%	3M	5.3458	-0.01%
12M	3.7010	0.46%	6M	5.3161	0.02%
			1Y	5.1707	0.02%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.012	-0.003	5.328
07/31/2024	-0.093	-0.023	5.307
09/18/2024	-0.502	-0.126	5.205
11/07/2024	-0.773	-0.193	5.137
12/18/2024	-1.445	-0.361	4.969
01/29/2025	-1.833	-0.458	4.873

Equity and Commodity

Index	Value	Net change
DJIA	38,798.99	-87.18
S&P	5,346.99	-5.97
Nasdaq	17,133.13	-39.99
Nikkei 225	38,683.93	-19.58
STI	3,330.77	-0.04
KLCI	1,617.86	3.13
JCI	6,897.95	-76.95
Baltic Dry	1,881.00	12.00
VIX	12.22	-0.36

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.34 (+0.01)	4.89(--)
5Y	3.17 (-0.01)	4.46 (+0.16)
10Y	3.21 (--)	4.45 (+0.15)
15Y	3.22 (--)	--
20Y	3.17 (--)	--
30Y	3.12 (--)	4.57 (+0.12)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.33
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	75.53	-0.03%	Corn (per bushel)	4.488	-0.7%
Brent (per barrel)	79.62	-0.31%	Soybean (per bushel)	11.793	-1.7%
Heating Oil (per gallon)	235.17	-0.25%	Wheat (per bushel)	6.275	-1.9%
Gasoline (per gallon)	238.26	-0.62%	Crude Palm Oil (MYR/MT)	39.530	0.5%
Natural Gas (per MMBtu)	2.92	3.44%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9762.50	-3.81%	Gold (per oz)	2293.8	-3.5%
Nickel (per mt)	18031.00	-2.70%	Silver (per oz)	29.2	-6.9%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/10/2024 06:13	VN	Domestic Vehicle Sales YoY	May	--	--	1.80%	--
06/10/2024 06:15	CH	Money Supply M2 YoY	May	7.10%	--	7.20%	--
06/10/2024 06:15	CH	Money Supply M1 YoY	May	-1.60%	--	-1.40%	--
06/10/2024 06:15	CH	Money Supply M0 YoY	May	--	--	10.80%	--
06/10/2024 07:50	JN	GDP SA QoQ	1Q F	-0.50%	-0.50%	-0.50%	--
06/10/2024 07:50	JN	GDP Annualized SA QoQ	1Q F	-2.00%	-1.80%	-2.00%	--
06/10/2024 07:50	JN	BoP Current Account Balance	Apr	¥1783.5b	¥2050.5b	¥3398.8b	--
06/10/2024 07:50	JN	GDP Deflator YoY	1Q F	3.60%	3.40%	3.60%	--
06/10/2024 07:50	JN	Inventory Contribution % GDP	1Q F	0.20%	0.30%	0.20%	--
06/10/2024 07:50	JN	Trade Balance BoP Basis	Apr	-¥346.7b	-¥661.5b	¥491.0b	--
06/10/2024 07:50	JN	Net Exports Contribution % GDP	1Q F	-0.30%	-0.40%	-0.30%	--
06/10/2024 07:50	JN	GDP Nominal SA QoQ	1Q F	0.10%	0.00%	0.10%	--
06/10/2024 07:50	JN	BoP Current Account Adjusted	Apr	¥2081.7b	¥2524.1b	¥2010.6b	--
06/10/2024 12:00	MA	Industrial Production YoY	Apr	6.40%	--	2.40%	--
06/10/2024 15:00	MA	Foreign Reserves	May-31	--	--	\$113.3b	--
06/10/2024 23:00	US	NY Fed 1-Yr Inflation Expectations	May	--	--	3.26%	--

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
Cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W