

## Daily Treasury Outlook

10 July 2024

### Highlights

**Global:** The DXY index extended its gains while US Treasury yields rebounded as Fed Chairman Powell did not provide any details about the timing of interest rate cuts in his testimony to the Senate Banking Committee yesterday. Powell reiterated the presence of two-sided risks and stated that “the labour market appears to be fully back in balance.” According to him, the US is no longer an overheated economy. Nevertheless, Powell remained non-committal, stating that he did not want to send any signals about the timing of future actions and would remain data dependent. Throughout the hearing, Powell emphasized the importance of the Fed's independence as he faced pressure from Republican lawmakers who argued that any rate cut before the November election would create a negative perception. Overall, we believe Powell continued to lay the foundation for a possible rate cut in September, should data remain favourable. However, given the lack of new information, the implied rate cut by the futures market remained largely unchanged, with the odds of a rate cut in September hovering slightly above 70%. On the data front, US small business optimism index rose 1 point to 91.5 in June, the highest in six months. A net 37% of small business owners reported job openings they could not fill, down 5 points. On inflation, the picture remains mixed. Although a net 22% of small businesses planned to increase compensation in the next three months, up 4 points, the net percentage of owners planning to increase prices in the next three months fell by 2 points to 26%. Meanwhile, ECB Governing Council member Panetta said yesterday that the ECB can continue to gradually reduce interest rates without jeopardizing the current decline in inflation.

**Market Watch:** Today, the market will watch for China’s June inflation data. Fed Chairman Powell is scheduled to testify before the House Financial Services Committee. Other Fed speakers include Bowman and Goolsbee.

**Oil:** WTI and Brent declined by 1.1% and 1.3% during Tuesday's trading session, closing at USD81.4/bbl and USD84.7/bbl, respectively. Oil prices have declined for a third consecutive session, as the impact of Tropical Storm Beryl on US oil and gas facilities in Texas is expected to be minimal. Additionally, the American Petroleum Institute (API) reported a drawdown of 1.9mn bbls in US crude inventories for the week ending on 5 July. The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (10 July), with consensus expectations pointing towards a buildup of 0.4mn bbls in US crude inventories. Given the latest API report, we anticipate support for oil prices during early Asian trading hours.

### Key Market Movements

Equity	Value	% chg
S&P 500	5577.0	0.1%
DJIA	39292	-0.1%
Nikkei 225	41580	2.0%
SH Comp	2959.4	1.3%
STI	3426.1	0.6%
Hang Seng	17523	0.0%
KLCI	1614.4	0.2%
	Value	% chg
DXY	105.129	0.1%
USDJPY	161.33	0.3%
EURUSD	1.0813	-0.1%
GBPUSD	1.2786	-0.2%
USDIDR	16250	0.0%
USDSGD	1.3509	0.1%
SGDMYR	3.4858	-0.1%
	Value	chg (bp)
2Y UST	4.63	-0.21
10Y UST	4.30	1.76
2Y SGS	3.33	-0.20
10Y SGS	3.21	0.71
3M SORA	3.63	0.10
3M SOFR	5.35	0.01
	Value	% chg
Brent	84.66	-1.3%
WTI	81.41	-1.1%
Gold	2364	0.2%
Silver	30.80	0.1%
Palladium	985	-2.8%
Copper	9869	-0.5%
BCOM	100.69	-0.6%

Source: Bloomberg

## Major Markets

**ID:** Bank Indonesia's retail sales survey estimates a 4.4% YoY growth in June 2024 following a 2.1% increase in the previous month. The high sales expectation is anticipated to come from increased sales in the 'food, beverage, and tobacco,' 'other household equipment,' and 'clothing.' The June retail sales index brings the 2Q24 sales growth to ease to 1.1% YoY compared to 5.6% in 1Q24. According to the same survey, respondents anticipate milder price pressures over the next three months (August) before intensifying in the next six months (November).

**MY:** The Ministry of Finance noted that it is still working on refining policies and legislation for the High-Value Goods Tax (HVGT) and has not yet set a rollout date. The HVGT, originally planned for 1<sup>st</sup> May, has been postponed to a later date to be determined by the cabinet. Disagreements on the definition and price range of "high-value goods" have reportedly caused delays in presenting the HVGT bill during the first parliament meeting of 2024, as reported by The Edge.

## ESG Updates

**SG:** Sixteen species of insects, including crickets and silkworms, have been approved as food in Singapore by the Singapore Food Agency (SFA). SFA has developed an insect regulatory framework that establishes guidelines for insects to be approved as food, which applies to businesses intending to import, farm or process insects into food or animal feed. One industry player called House of Seafood anticipates that sales from insect-based dishes will increase its revenue by around 30%, with mostly younger customers under the age of 30 more interested in insect-based dishes. Insects are touted as a more sustainable alternative to meat as they have high protein content while producing lower greenhouse gas emissions when farmed.

**Rest of the world:** The month of June this year was the hottest month recorded across the globe, surpassing last year's high in June. New records are expected to be broken as the climate continues to warm. Ocean temperatures are concurrently hitting new highs, with record sea surface temperatures in the Atlantic, the Northern Pacific and Indian Ocean contributing to the soaring heat globally. Global temperatures may taper down in the coming months as it transitions into a La Nina phase which has a cooling effect.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded mostly flat yesterday, with short tenors traded flat while belly tenors trading 1bps lower and 10Y were trading flat. China Vanke Co Ltd (“VANKE”). has announced that it has consolidated RMB4.3bn of onshore bonds due in the second half of the year and has made repayment arrangements to fulfill these obligations. However, the company has also issued a warning that its losses have significantly increased in the second quarter. VANKE attributes these losses to over-optimistic investments in certain projects. The company anticipates a first-half loss of RMB7bn (USD962mn) to RMB9bn (USD1.2bn). Bloomberg Asia USD Investment Grade tightened by 1bps to 81bps while Bloomberg Asia USD High Yield tightened by 4bps to 492bps. (Bloomberg, OCBC)

### New Issues:

There were two notable bond issuances in the Asiadollar market yesterday.

- Japan-based Panasonic Holdings Corp priced a USD500mn 10Y Fixed at T+100bps.
- Japan Bank for International Cooperation priced a USD1.5bn 3Y Fixed at SOFR MS+44bps.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Saudi Arabian Oil Company is planning to issue a USD 144A/Reg S senior unsecured multi-tranche offering consisting of 10-, 30- and 40-year tranches under Saudi Armco’s GMTN program.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.129	0.12%	USD-SGD	1.3509	0.07%
USD-JPY	161.330	0.31%	EUR-SGD	1.4607	-0.04%
EUR-USD	1.081	-0.10%	JPY-SGD	0.8373	-0.24%
AUD-USD	0.674	0.06%	GBP-SGD	1.7272	-0.10%
GBP-USD	1.279	-0.16%	AUD-SGD	0.9105	0.12%
USD-MYR	4.707	-0.04%	NZD-SGD	0.8274	0.06%
USD-CNY	7.273	0.06%	CHF-SGD	1.5046	0.05%
USD-IDR	16250	-0.03%	SGD-MYR	3.4858	-0.11%
USD-VND	25419	0.00%	SGD-CNY	5.3847	-0.01%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6280	-0.19%	1M	5.3275	-0.01%
3M	3.6990	-0.35%	2M	5.3382	-0.01%
6M	3.6750	-0.08%	3M	5.3044	-0.08%
12M	3.5990	0.31%	6M	5.2132	0.00%
			1Y	4.9580	-0.05%

## 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	-0.755	-0.189	5.140
11/07/2024	-1.208	-0.302	5.027
12/18/2024	-1.997	-0.499	4.829
01/29/2025	-2.625	-0.656	4.673

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.41	-1.12%	Corn (per bushel)	4.003	1.1%
Brent (per barrel)	84.66	-1.27%	Soybean (per bushel)	11.615	-1.1%
Heating Oil (per gallon)	252.36	-2.15%	Wheat (per bushel)	5.543	0.2%
Gasoline (per gallon)	252.74	-0.41%	Crude Palm Oil (MYR/MT)	40.150	-1.8%
Natural Gas (per MMBtu)	2.34	-0.93%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9869.00	-0.46%	Gold (per oz)	2364.1	0.2%
Nickel (per mt)	17142.00	-1.89%	Silver (per oz)	30.8	0.1%

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

## Equity and Commodity

Index	Value	Net change
DJIA	39,291.97	-52.82
S&P	5,576.98	4.13
Nasdaq	18,429.29	25.55
Nikkei 225	41,580.17	799.47
STI	3,426.09	21.62
KLCI	1,614.42	3.40
JCI	7,269.80	18.82
Baltic Dry	1,894.00	-46.00
VIX	12.51	0.14

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.33 (-)	4.63(-)
5Y	3.2 (+0.01)	4.24(-)
10Y	3.21 (+0.01)	4.3 (+0.02)
15Y	3.23 (+0.01)	--
20Y	3.12 (+0.01)	--
30Y	3.06 (+0.01)	4.49 (+0.02)

## 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
07/10/2024 06:45	NZ	Net Migration SA	May	--	1410	7380	5110
07/10/2024 07:14	NZ	REINZ House Sales YoY	Jun	--	--	6.80%	--
07/10/2024 07:00	SK	Unemployment rate SA	Jun	2.80%	2.80%	2.80%	--
07/10/2024 07:50	JN	PPI YoY	Jun	2.90%	2.90%	2.40%	2.60%
07/10/2024 07:50	JN	PPI MoM	Jun	0.40%	0.20%	0.70%	--
07/10/2024 09:00	PH	Exports YoY	May	-0.80%	--	26.40%	--
07/10/2024 09:00	PH	Trade Balance	May	-\$4591m	--	-\$4761m	--
07/10/2024 09:00	PH	Imports YoY	May	1.50%	--	12.60%	--
07/10/2024 09:00	PH	Exports	May	--	--	\$6216.0m	--
07/10/2024 09:00	PH	Imports	May	--	--	\$10977.0m	--
07/10/2024 09:30	CH	CPI YoY	Jun	0.40%	--	0.30%	--
07/10/2024 09:30	CH	PPI YoY	Jun	-0.80%	--	-1.40%	--
07/10/2024 10:00	NZ	RBNZ Official Cash Rate	Jul-10	5.50%	--	5.50%	--
07/10/2024 19:00	US	MBA Mortgage Applications	Jul-05	--	--	-2.60%	--
07/10/2024 22:00	US	Wholesale Inventories MoM	May F	0.60%	--	0.60%	--
07/10/2024 22:00	US	Wholesale Trade Sales MoM	May	0.30%	--	0.10%	--

Source: Bloomberg

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