

Daily Treasury Outlook

10 September 2024

Highlights

Global: U.S. stocks rebounded strongly ahead of Wednesday's CPI data. The latest Survey of Consumer Expectations from the New York Fed indicated stable inflation expectations. Inflation projections for both the one-year and five-year horizons remained unchanged, while the three-year inflation expectation ticked up slightly to 2.5% from 2.3%. The report highlighted mixed expectations for the labour market, with respondents anticipating higher income and earnings growth. Consumer spending expectations also increased. Additionally, the survey revealed improved outlooks for credit access, although concerns over missed debt payments rose for the third consecutive month. For Japan, 2Q24 GDP was revised downwards to 2.9% QoQ saar from 3.2% previously as both private capex and consumption were revised downwards.

Market Watch: Today, markets are expected to focus on the first presidential debate between Trump and Harris, where both candidates are expected to reveal more of their policies. We will also get Philippines trade data, Malaysia industrial production and UK labour data. A whole host of European countries will also release inflation and industrial production data before the ECB's meeting on 12 September.

CN: The consumer price index (CPI) accelerated to 0.6% YoY in August, up from 0.5% YoY in July. On a month-on-month basis, CPI rose by 0.4%. The uptick in inflation was primarily driven by a surge in food prices due to extreme summer weather. In particular, vegetable prices jumped by 18.1% MoM, while pork prices rose for the fourth consecutive month, increasing by 7.3% MoM. However, the impact of rising food costs was partially offset by softening fuel prices, which fell by 2.9% MoM in August. This decline in fuel prices exerted downward pressure on the CPI, contributing to a 0.3% YoY drag on the index. Excluding food and energy, China's core CPI fell by 0.2% MoM, bringing the core inflation rate to just 0.3% YoY, the lowest level since March 2021, indicating continued weakness in domestic demand. Additionally, the contraction in the Producer Price Index (PPI) widened to 1.8% YoY in August, compared to a 0.8% YoY decline in July. Given these trends, the GDP deflator is likely to remain in negative territory for the third quarter, necessitating further policy support to turn the deflator positive.

Oil: WTI and Brent increased by 1.5% and 1.1%, closing at USD68.7/bbl and USD71.8/bbl, respectively. The rebound in oil prices was driven by worries that Tropical Storm Francine could cause disruptions to oil operations along the US Gulf Coast. However, despite potential risks to supply, concerns of weak demand continue to linger.

Key Market Movements

Equity	Value	% chg
S&P 500	5471.1	1.2%
DJIA	40830	1.2%
Nikkei 225	36216	-0.5%
SH Comp	2736.5	-1.1%
STI	3496.5	1.2%
Hang Seng	17197	-1.4%
KLCI	1651.5	-0.1%
	Value	% chg
DXY	101.552	0.4%
USDJPY	143.18	0.6%
EURUSD	1.1035	-0.4%
GBPUSD	1.3074	-0.4%
USDIDR	15455	0.6%
USDSGD	1.3058	0.2%
SGDMYR	3.3475	0.4%
	Value	chg (bp)
2Y UST	3.67	2.26
10Y UST	3.70	-0.76
2Y SGS	2.45	1.00
10Y SGS	2.61	3.80
3M SORA	3.55	-0.63
3M SOFR	5.37	0.04
	Value	% chg
Brent	71.84	1.1%
WTI	68.71	1.5%
Gold	2506	0.4%
Silver	28.35	1.5%
Palladium	950	3.7%
Copper	9097	1.1%
BCOM	94.22	0.5%

Source: Bloomberg

Major Markets

ID: The Consumer Confidence Index (CCI) rose to 124.4 in August from 123.4 in July, however, the average for July & August eased to 123.9 compared to 125.4 in 2Q24. The present (113.7 in Jul-Aug from 115.9 in 2Q24) and expectations (134.1 from 134.9) sub-indices eased. Consumers perceive their current income situations to have improved marginally, but their six-month income expectations as lower. Additionally, consumers are less optimistic about current and future employment situations.

MY: Wholesale and retail trade sales value growth accelerated to 6.7% YoY to MYR149bn in July from 5.4% (MYR146bn) in June. The growth in July was supported by notable growth improvement in the wholesale trade (5.5% YoY to MYR66.6bn from 4.0% in June) and motor vehicle (12.2% YoY to MYR19.0bn from 2.0% in June) sales, which offset the easing in retail sales growth (6.4% or MYR63.5bn from 7.9% in June). In other data releases, the number of unemployed persons was lower by 1.6k to 563.7k in July, with the unemployment rate steadied at 3.3% since November 2023.

ESG Updates

CN: US climate envoy John Podesta visited China last week as the countries sought to seek common ground on addressing global warming. Expectations for climate progress between both countries are low amid uncertainties about the outcome of the US presidential election.

MY: Malaysia is targeting net zero emissions in its aviation sector by 2050, and launched a decarbonisation plan to achieve this. It plans to reduce carbon emissions by up to 18% in aircraft technology, and increase the use of sustainable aviation fuel, including biofuels and other alternatives, which aims to reduce emissions by 46%. Malaysia also plans to pursue an additional 30% reduction in carbon emissions by adopting carbon offset schemes and purchasing carbon credits.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 0-2bps higher, belly tenors trading 2-3bps higher and 10Y trading 3bps higher. According to data compiled by Bloomberg, the issuance of sustainable debt in Asia has reached a total of USD265.9bn this year, marking a 5.8% increase compared to the same period last year. In the past two weeks alone, there has been a significant boost with an additional USD11.9bn raised. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 93bps while Bloomberg Asia USD High Yield spreads widened by 23bps to 595bps. (Bloomberg, OCBC)

New Issues:

There were 2 notable issues in the Asiadollar market yesterday.

- Chongqing International Logistics Hub Park Construction Co Ltd priced a USD142.7mn 3Y Fixed at 6.5%.
- China Minsheng Banking Corp Ltd/Hong Kong priced a USD300mn 3Y FRN at SOFR+65bps.

There was no notable issue in the Singdollar market yesterday.

Mandates:

- Marubeni Corp is planning to issue USD Reg S bonds with expected tenor of 5Y.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.552	0.37%	USD-SGD	1.3058	0.24%
USD-JPY	143.180	0.62%	EUR-SGD	1.4410	-0.20%
EUR-USD	1.104	-0.44%	JPY-SGD	0.9120	-0.36%
AUD-USD	0.666	-0.15%	GBP-SGD	1.7071	-0.19%
GBP-USD	1.307	-0.42%	AUD-SGD	0.8697	0.00%
USD-MYR	4.372	0.97%	NZD-SGD	0.8024	-0.24%
USD-CNY	7.114	0.22%	CHF-SGD	1.5374	-0.50%
USD-IDR	15455	0.59%	SGD-MYR	3.3475	0.37%
USD-VND	24666	0.21%	SGD-CNY	5.4491	0.12%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5210	-0.59%	1M	5.1096	-0.29%
3M	3.4680	-0.06%	2M	5.0637	-0.09%
6M	3.3460	-0.54%	3M	4.9443	-0.15%
12M	3.0250	-0.92%	6M	4.5800	-0.12%
			1Y	4.0001	0.03%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
09/18/2024	-1.308	-0.327	5.008
11/07/2024	-2.874	-0.718	4.616
12/18/2024	-4.436	-1.109	4.226
01/29/2025	-5.848	-1.462	3.873
03/19/2025	-7.190	-1.797	3.537
05/07/2025	-8.144	-2.036	3.299

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.71	1.54%	Corn (per bushel)	3.843	0.1%
Brent (per barrel)	71.84	1.10%	Soybean (per bushel)	10.000	1.1%
Heating Oil (per gallon)	213.94	1.15%	Wheat (per bushel)	5.555	0.4%
Gasoline (per gallon)	192.04	1.29%	Crude Palm Oil (MYR/MT)	39.850	0.1%
Natural Gas (per MMBtu)	2.17	-4.62%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9097.00	1.12%	Gold (per oz)	2506.4	0.4%
Nickel (per mt)	15903.00	0.06%	Silver (per oz)	28.3	1.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	40,829.59	484.18
S&P	5,471.05	62.63
Nasdaq	16,884.60	193.77
Nikkei 225	36,215.75	-175.72
STI	3,496.53	42.06
KLCI	1,651.49	-1.63
JCI	7,702.74	-19.11
Baltic Dry	1,941.00	22.00
VIX	19.45	-2.93

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.45 (+0.01)	3.67(--)
5Y	2.43 (+0.02)	3.49(--)
10Y	2.61 (+0.04)	3.7 (-0.01)
15Y	2.67 (+0.03)	--
20Y	2.72 (+0.02)	--
30Y	2.74 (+0.03)	4.01 (-0.02)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.34
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/10/2024	CH	Trade Balance	Aug	\$81.10b	--	\$84.65b	--
09/10/2024	CH	Exports YoY	Aug	6.60%	--	7.00%	--
09/10/2024	CH	Imports YoY	Aug	2.50%	--	7.20%	--
09/10/2024 07:50	JN	Money Stock M2 YoY	Aug	--	1.30%	1.40%	1.50%
09/10/2024 07:50	JN	Money Stock M3 YoY	Aug	--	0.90%	0.90%	1.00%
09/10/2024 08:30	AU	Westpac Consumer Conf SA MoM	Sep	--	--	2.80%	--
09/10/2024 09:13	VN	Domestic Vehicle Sales YoY	Aug	--	--	8.30%	--
09/10/2024 09:15	CH	Money Supply M2 YoY	Aug	6.20%	--	6.30%	--
09/10/2024 09:00	PH	Exports YoY	Jul	-3.20%	--	-17.30%	--
09/10/2024 14:00	GE	CPI YoY	Aug F	1.90%	--	1.90%	--
09/10/2024 14:00	UK	Jobless Claims Change	Aug	--	--	135.0k	--
09/10/2024 14:00	GE	CPI MoM	Aug F	-0.10%	--	-0.10%	--
09/10/2024 14:00	UK	ILO Unemployment Rate 3Mths	Jul	4.10%	--	4.20%	--
09/10/2024 14:00	UK	Claimant Count Rate	Aug	--	--	4.70%	--
09/10/2024 14:00	GE	CPI EU Harmonized YoY	Aug F	2.00%	--	2.00%	--
09/10/2024 14:00	UK	Payrolled Employees Monthly Change	Aug	25k	--	24k	--

Source: Bloomberg

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