

## Daily Treasury Outlook

10 October 2024

### Highlights

**Global:** Risk-on continued Wednesday, with US equities closing higher (S&P: +0.71%; NASDAQ: +0.6%; Dow: +1.03%), UST yields higher along with the DXY index. The minutes of the 17-18 September FOMC meeting were in focus. The interesting takeaways included, first, some uncertainties around the observations related to the labour market. Specifically, while the members noted that “labor market conditions remained solid, as layoffs had been limited and initial claims for unemployment insurance benefits had stayed low”, some participants made the case that “rather than using layoffs to lower their demand for labor, businesses had instead been taking steps such as posting fewer openings, reducing hours, or making use of attrition.” Some members also observed “that the evaluation of labor market developments had been challenging, with increased immigration, revisions to reported payroll data, and possible changes in the underlying growth rate of productivity cited as complicating factors.” Second, the bigger than expected 50bp cut could be explained to some extent by the fact that “some participants noted that there had been a plausible case for a 25 basis point rate cut at the previous meeting and that data over the intermeeting period had provided further evidence that inflation was on a sustainable path toward 2% while the labor market continued to cool.” Third, “several participants discussed the importance of communicating that the ongoing reduction in the Federal Reserve’s balance sheet could continue for some time even as the Committee reduced its target range for the federal funds rate.” Fed funds futures pricing was little following the release of the FOMC minutes. Elsewhere, the Reserve Bank of India (RBI) kept its policy rate unchanged at 6.50%, in line with expectations, but shifted its stance to “neutral”. One member of the new MPC voted for a cut, with the others voted for a hold.

**Market Watch:** Today the main data release is US September CPI and weekly US labour market data. Other data releases today include August Philippines trade and Germany August retail sales. Central bank speakers today include Fed’s Cook, Barkin, Williams and SNB’s Martin.

**Oil:** Crude oil prices continued to edge lower on Wednesday, with WTI and Brent declining by 0.4% and 0.8% respectively, closing at USD73.2/bbl and USD76.6/bbl. The downward pressure was supported by a reported buildup in US crude inventories. However, concerns over escalating tensions in the Middle East and a larger-than-expected drawdown in US fuel inventories likely limited losses. According to the Energy Information Administration (EIA), US crude inventories increased by 5.8mn bbls to 422.7mn bbls, for the week ending 4 October. However, drawdowns were observed in gasoline and distillate inventories. US gasoline and distillate inventories declined by 6.3mn bbls and 3.1mn bbls respectively, to 214.9mn bbls and 118.5mn bbls respectively.

### Key Market Movements

Equity	Value	% chg
S&P 500	5792.0	0.7%
DJIA	42512	1.0%
Nikkei 225	39278	0.9%
SH Comp	3258.9	-6.6%
STI	3595.7	0.6%
Hang Seng	20637	-1.4%
KLCI	1634.9	0.0%
	Value	% chg
DXY	102.928	0.4%
USDJPY	149.31	0.7%
EURUSD	1.0939	-0.4%
GBPUSD	1.3071	-0.3%
USDIDR	15620	-0.2%
USDSGD	1.3071	0.2%
SGDMYR	3.2835	-0.2%
	Value	chg (bp)
2Y UST	4.02	6.33
10Y UST	4.07	6.07
2Y SGS	2.80	1.20
10Y SGS	2.89	0.46
3M SORA	3.50	-0.08
3M SOFR	5.26	-0.56
	Value	% chg
Brent	76.58	-0.8%
WTI	73.24	-0.4%
Gold	2608	-0.5%
Silver	30.50	-0.5%
Palladium	1043	1.9%
Copper	9675	-0.7%
BCOM	99.41	-0.7%

Source: Bloomberg

**CN:** The PBoC has officially launched the Securities, Funds, and Insurance Companies Swap Facility (SFISF). Under this program, eligible securities, fund, and insurance companies can now use assets such as bonds, stock ETFs, and CSI 300 index components as collateral to access high-grade liquid assets like government bonds and central bank bills from the People's Bank of China (PBoC). The initial scale of the facility is set at CNY500bn, with the potential for expansion based on market conditions. Applications from qualifying institutions are being accepted starting today. Elsewhere, China's Ministry of Finance confirmed its press conference this Saturday which raised hopes for more incremental policies.

**ID:** President Joko Widodo (Jokowi) has designated Sekupang and Nongsa in Batam, Riau Islands Province, as special economic zones (SEZ) for international tourism and health. The Batam International Tourism and Health SEZ spans an area of 47.2 hectares and is expected to be completed within 36 months, as reported by Antara. The investment is expected to reach IDR6.9trn and is estimated to create 105.4k jobs.

**MY:** Deputy Prime Minister Fadillah Yusof emphasized Malaysia's plan to phase out coal-fired generation, with no new coal plants in the pipeline. DPM Fadillah, who is also the Minister of Energy Transition and Water Transformation, highlighted Malaysia's goal of boosting renewable energy in the renewable electricity mix to 40% by 2035 and 70% by 2050, up from the current 28%. Additionally, the government plans to enhance its grid flexibility by investing in smart grids, digitalization, and energy storage, with a goal of a 20% increase in grid flexibility by 2035.

**PH:** The Philippine Statistics Authority (PSA) reported that the unemployment rate in the country fell to 4.0% in August from 4.7% in July (August 2023: 4.4%). The labour force participation rate rose higher to 64.8% in August from 63.5% in July (August 2023: 64.7%). 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', 'public administration and defense; compulsory social security', 'accommodation and food service activities', 'other service activities', 'transportation and storage'. According to ABS-CBN News, Finance Secretary Ralph Recto welcomed the latest labour print and stated, "we expect more economic opportunities to be created, especially in the wholesale and retail trade sectors, as the holiday season nears and shopping peaks."

**VN:** The World Bank has revised its forecast for Vietnam's GDP, projecting a higher growth rate of 6.1% in 2024 and 6.5% in 2025, compared to previous estimates of 5.5% and 6.0% respectively, made in April 2024. According to data from the General Statistics Office (GSO), the economy grew by 7.4% YoY in the 3Q24, following an upwardly revised growth rate of 7.1% in the second quarter, bringing the 1Q-3Q24 growth to 6.8%.

## ESG Updates

**MY:** Following the EU's proposal for a one-year delay in the enforcement of its EU regulation on deforestation-free products (EUDR), Malaysia has expressed support for the delay to provide more time for affected small-scale producers to comply with the rules. Similar to Indonesia, Malaysia has concerns over being subject to more stringent compliance rules if classified as high-risk under the EU classification. The government aims to assist small holders with meeting the costs and standards of compliance through the process.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 1-2bps lower, belly tenors trading 0-1bps higher, and 10Y almost flat. Country Garden Holdings Co. ("COGARD") has failed to meet its own deadline for obtaining crucial creditor support for the terms of its restructuring plan per a report on Bloomberg. Meanwhile, COGARD reported September contracted sales of CNY3.62bn, down 41.3% y/y. China's State Council Information Office announced that Finance Minister Lan Fo'an will hold a briefing on Saturday to introduce moves to strengthen fiscal policy and shore up growth. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 78bps while Bloomberg Asia USD High Yield spreads tightened by 2bps to 481bps. (Bloomberg, OCBC)

### New Issues:

There were six notable issuances in the Asiadollar market yesterday from five issuers.

- Uzbekistan gold miner Navoi Mining Metallurgical Company JSC priced USD1bn debt in 2 tranches, a USD500mn 4Y Fixed at Par to Yield 6.7% and a USD500mn 7Y Fixed at Par to Yield 6.95%.
- Hong Kong Mortgage Corp Ltd/The priced a USD850mn 3Y Social, Fixed at T+33bps.
- Export-Import Bank of Korea priced a USD500mn 3Y Fixed at T+36bps.
- Bank of China Ltd/London priced a USD300mn 3Y FRN at SOFR+59bps.
- Mianyang Xinxing Investment Holding Co Ltd (guarantor: Chengdu-Chongqing Bond Insurance Co Ltd) priced a USD45mn 3Y Fixed at Par to Yield 7%.

There was no notable issuance in the Singdollar market yesterday.

### Mandates:

- Yantai Guofeng Investment Holdings Group Co., Ltd. is planning to issue USD senior secured bonds.
- Zhaoqing Guolian Investment Holding Co., Ltd is planning to issue USD senior unsecured sustainability bonds.
- CSI MTN Ltd. (guarantor: Citic Securities International Co.) is planning to issue USD Fixed/FRN senior unsecured notes under their USD5bn guaranteed MTN program.
- IRB Infrastructure is planning to issue USD200mn worth of bonds with final maturity in 2032.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.928	0.37%	USD-SGD	1.3071	0.24%
USD-JPY	149.310	0.75%	EUR-SGD	1.4299	-0.13%
EUR-USD	1.094	-0.37%	JPY-SGD	0.8755	-0.50%
AUD-USD	0.672	-0.39%	GBP-SGD	1.7089	0.01%
GBP-USD	1.307	-0.25%	AUD-SGD	0.8780	-0.19%
USD-MYR	4.282	-0.14%	NZD-SGD	0.7926	-0.96%
USD-CNY	7.081	0.25%	CHF-SGD	1.5186	-0.16%
USD-IDR	15620	-0.16%	SGD-MYR	3.2835	-0.18%
USD-VND	24835	-0.02%	SGD-CNY	5.4157	0.08%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2720	-0.30%	1M	4.8052	-0.41%
3M	3.2650	-0.09%	2M	4.7422	-0.29%
6M	3.0580	0.33%	3M	4.6607	-0.32%
12M	2.7980	3.17%	6M	4.4625	-0.45%
			1Y	4.1675	-0.36%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.828	-0.207	4.619
12/18/2024	-1.847	-0.462	4.365
01/29/2025	-2.575	-0.644	4.182
03/19/2025	-3.378	-0.845	3.982
7/5/2025	-3.898	-0.974	3.852
06/18/2025	-4.495	-1.124	3.702

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.24	-0.45%	Corn (per bushel)	4.210	0.1%
Brent (per barrel)	76.58	-0.78%	Soybean (per bushel)	10.203	0.4%
Heating Oil (per gallon)	227.69	-0.88%	Wheat (per bushel)	5.990	0.7%
Gasoline (per gallon)	206.64	-0.08%	Crude Palm Oil (MYR/MT)	43.430	-0.1%
Natural Gas (per MMBtu)	2.66	-2.67%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9675.00	-0.69%	Gold (per oz)	2607.8	-0.5%
Nickel (per mt)	17371.00	-2.28%	Silver (per oz)	30.5	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	42,512.00	431.63
S&P	5,792.04	40.91
Nasdaq	18,291.62	108.70
Nikkei 225	39,277.96	340.42
STI	3,595.66	19.97
KLCI	1,634.91	-0.71
JCI	7,501.29	-55.86
Baltic Dry	1,860.00	-47.00
VIX	20.86	-0.56

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.8 (+0.01)	4.01(--)
5Y	2.79 (--)	3.92 (+0.07)
10Y	2.89 (--)	4.07 (+0.06)
15Y	2.94 (+0.01)	--
20Y	2.92 (+0.01)	--
30Y	2.89 (--)	4.34 (+0.05)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	4.84
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## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/10/2024 07:01	UK	RICS House Price Balance	Sep	10%	11%	1%	0%
10/10/2024 07:50	JN	PPI YoY	Sep	2.30%	2.80%	2.50%	2.60%
10/10/2024 07:50	JN	PPI MoM	Sep	-0.30%	0.00%	-0.20%	--
10/10/2024 09:00	PH	Exports YoY	Aug	-7.10%	--	0.10%	--
10/10/2024 09:00	PH	Trade Balance	Aug	-\$4371m	--	-\$4869m	--
10/10/2024 10/13	VN	Domestic Vehicle Sales YoY	Sep	--	--	3.70%	--
10/10/2024 10/14	NZ	REINZ House Sales YoY	Sep	--	--	-0.70%	--
10/10/2024 10/15	CH	Money Supply M2 YoY	Sep	6.40%	--	6.30%	--
10/10/2024 10/15	CH	Aggregate Financing CNY YTD	Sep	25475.2b	--	21900.0b	21899.6b
10/10/2024 10/15	CH	Money Supply M1 YoY	Sep	-7.20%	--	-7.30%	--
10/10/2024 20:30	US	Initial Jobless Claims	Oct-05	230k	--	225k	--
10/10/2024 20:30	US	CPI MoM	Sep	0.10%	--	0.20%	--
10/10/2024 20:30	US	CPI YoY	Sep	2.30%	--	2.50%	--
10/10/2024 20:30	US	CPI Ex Food and Energy MoM	Sep	0.20%	--	0.30%	--
10/10/2024 20:30	US	CPI Ex Food and Energy YoY	Sep	3.20%	--	3.20%	--
10/10/2024 20:30	US	Continuing Claims	Sep-28	1830k	--	1826k	--

Source: Bloomberg

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