

Daily Treasury Outlook

10 December 2024

Highlights

Global: Two China-related headlines rattled the market on Monday. First, Politburo conference vowed to implement “moderately loose policy, more proactive fiscal policy and more unconventional counter-cyclical adjustments”, shifting away from the prudent approach in the last decade, hence help building expectations of bolder stimulus measures. The meeting also reiterated stabilizing the housing and the property market, as well as “stimulating consumption” and “promoting investment”. In response, the NASDAQ Golden Dragon China Index surged by almost 9% overnight. Second, Sino-US trade tensions are once again escalating. China launched an antitrust investigation into Nvidia. On the other hand, China is expected to set tighter curbs on drone supplies. Three major US stock indexes closed the day 0.5%-0.6% lower, pressured by tech sector weakness, while UST yields rose across curve. Dollar, gold and crude oils were all trading firmer on Monday. On data front, the New York Fed survey showed one-year consumer inflation expectations rose to 2.97% in November, from that of 2.87% in October. Japan’s second estimate of 3Q GDP growth came in at 1.2% QoQ annualized, upward revised from the first estimate of 0.9% QoQ. In China, CPI slowed unexpectedly to 0.2% YoY (vs. estimate of 0.4%) in November, while decline of PPI narrowed to -2.5% YoY (vs. estimate of -2.8%).

Market Watch: The RBA’s interest rate decision will take center stage today. While the market has not priced in any rate cuts, RBA’s rhetoric will be watched closely after a slew of weak data out of Australia. Tuesday’s Asian calendar comprises Japan’s November monetary data (M2: +1.5%YoY; M3: +0.7%) and machine tool orders, Australia’s November NAB business confidence, and China’s November trade data.

CN: The Politburo meeting reinforced China’s “whatever it takes” mentality coming into support for growth in 2025. There are five notable shifts in the policy tone, reflecting a strategic recalibration by China’s leadership. We will share more in the following page.

Oil: Crude oil benchmarks rebounded, with WTI and Brent increasing by 1.7% and 1.4%, respectively, closing at USD68.4/bbl and USD72.1/bbl. Geopolitical uncertainties in the Middle East exerted upward pressure on oil prices, following the swift collapse of the Syrian government over the weekend. Meanwhile, yesterday’s statement from China’s Politburo meeting reinforced the commitment to support economic growth in 2025.

Key Market Movements

Equity	Value	% chg
S&P 500	6052.9	-0.6%
DJIA	44402	-0.5%
Nikkei 225	39161	0.2%
SH Comp	3402.5	0.0%
STI	3794.9	0.0%
Hang Seng	20414	2.8%
KLCI	1611.4	-0.1%
	Value	% chg
DXY	106.145	0.1%
USDJPY	151.21	0.8%
EURUSD	1.0554	-0.1%
GBPUSD	1.2750	0.0%
USDIDR	15865	0.1%
USDSGD	1.3404	-0.2%
SGDMYR	3.3050	0.2%
	Value	chg (bp)
2Y UST	4.12	2.06
10Y UST	4.20	4.83
2Y SGS	2.71	-2.70
10Y SGS	2.68	-2.40
3M SORA	3.17	-2.33
3M SOFR	4.83	-2.50
	Value	% chg
Brent	72.14	1.4%
WTI	68.37	1.7%
Gold	2660	1.0%
Silver	31.84	2.8%
Palladium	977	1.8%
Copper	9232	1.2%
BCOM	98.50	1.0%

Source: Bloomberg

Major Markets

CN: Firstly, the monetary policy stance will shift to being moderately loose, marking a significant departure from the prudent monetary policy regime in place since 2011. We anticipate the PBoC will lower the 1-year Loan Prime Rate (LPR) by 40bps in 2025 and reduce the reserve requirement ratio (RRR) by an additional 100bps, providing substantial liquidity support to the economy.

Secondly, fiscal policy will become more proactive, signaling an intensification from the current proactive fiscal stance. The last instance of a more aggressive fiscal approach was during the onset of the COVID-19 pandemic when China raised its fiscal deficit target. Similarly, we expect the fiscal deficit target for 2025 to increase to 4%. Additionally, the issuance of local government special bonds and long-term special bonds is likely to expand, underscoring the government's commitment to driving growth through fiscal channels.

Thirdly, for the first time, the policy language includes the term “extraordinary” to describe counter-cyclical adjustments, signaling a readiness to employ bold and innovative measures. This opens the door for potential large-scale interventions, fostering speculation about the breadth and depth of upcoming policies.

Fourthly, the policy explicitly mentions maintaining stability in both the property and equity markets, with the latter being included for the first time. This highlights policymakers' intent to strengthen the wealth effect, boost investor confidence, and stabilize financial markets as a pillar of economic growth.

Fifthly, the government has pledged to significantly enhance consumption, reflecting an increased emphasis on demand-side measures to balance growth and address structural challenges in the economy.

ID: The Consumer Confidence Index (CCI) rose to 125.9 in November, up from 121.1 in October. Improvement was observed in both the present situation (113.5 in November, up from 109.9 in October) and the expectations sub-index (138.3, up from 132.4). Notably, consumers perceived improvements in both current and future income situations, with similar trends also observed in employment conditions and prospects.

MY: The number of employed persons rose by 28.5k to 16.72mn in October, while the unemployment rate remained steady at 3.2%, corresponding to 551.4k persons. The labour force participation rate was unchanged at 70.5% in October, as 24.6k persons entered the labour force, bringing the total size to 17.27mn in October. The Department of Statistics Malaysia (DOSM) noted that the services sector continues to show an upward trend in the number of people employed, with similar trends also observed in the manufacturing, construction, mining and quarrying, and agriculture sectors.

PH: President Ferdinand Marcos Jr. has signed into law a VAT refund program for non-resident tourists. The new law aims to boost tourism and stimulate spendings on domestic products. Under this program, the Department of Finance estimates that annual VAT refunds may reach PHP2.9bn to PHP4.1bn. However, the projected loss can be offset by the potential increase in tourist spending and a boost in tourism.

ESG Updates

CN: China's environment ministry is seeking comments on emissions accounting rules for domestic steelmakers. The ministry is also seeking comments on a separate set of guidelines for external agencies to conduct verification work. The consultation period for the policy documents will last until 16 Dec. Market participants are awaiting more details on how the environment ministry will allocate carbon permits for the three new industries i.e. cement, steel and aluminium.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 4-6bps lower, and belly tenors and 10Y trading 5bps lower. Last week, the spreads on certain Chinese onshore corporate bonds tightened significantly, marking the largest reduction in six years, amid rising expectations for additional government measures to stimulate the economy. According to Bloomberg data, the spreads on Chinese AA-rated 5Y corporate bonds narrowed by 13.55bps, the most substantial decrease since November 2018. Bloomberg Asia USD Investment Grade spreads tightened by 1bp to 76bps while Bloomberg Asia USD High Yield spreads tightened by 5bps to 458bps. (Bloomberg, OCBC)

New Issues:

There were four notable issuances by the same issuer group in the Asiadollar market yesterday.

- Australia & New Zealand Banking Group Ltd/New York NY priced a USD650mn 2Y Fixed at T+30bps and a USD900mn 5Y Fixed at T+55bps.
- Australia & New Zealand Banking Group Ltd priced a USD350mn 2Y FRN at SOFR+47bps and a USD850mn 5Y FRN at SOFR+85bps.

There were no notable issuances in the Singdollar market yesterday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	106.145	0.08%	USD-SGD	1.3404	-0.17%
USD-JPY	151.210	0.81%	EUR-SGD	1.4146	-0.32%
EUR-USD	1.055	-0.13%	JPY-SGD	0.8864	-0.97%
AUD-USD	0.644	0.77%	GBP-SGD	1.7091	-0.07%
GBP-USD	1.275	0.05%	AUD-SGD	0.8632	0.62%
USD-MYR	4.427	0.20%	NZD-SGD	0.7861	0.42%
USD-CNY	7.259	-0.18%	CHF-SGD	1.5254	-0.16%
USD-IDR	15865	0.09%	SGD-MYR	3.3050	0.25%
USD-VND	25374	-0.04%	SGD-CNY	5.4197	0.06%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.0050	-0.73%	1M	4.4542	-0.09%
3M	2.8680	-0.45%	2M	4.4153	-0.12%
6M	2.6540	0.45%	3M	4.3960	-0.05%
12M	2.3990	0.46%	6M	4.2880	-0.07%
			1Y	4.1320	-0.10%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/18/2024	-0.858	-0.215	4.367
01/29/2025	-1.115	-0.279	4.302
03/19/2025	-1.773	-0.443	4.138
05/07/2025	-2.160	-0.540	4.041
06/18/2025	-2.612	-0.653	3.928
07/30/2025	-2.895	-0.724	3.858

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.37	1.74%	Corn (per bushel)	4.340	0.8%
Brent (per barrel)	72.14	1.43%	Soybean (per bushel)	9.900	-0.4%
Heating Oil (per gallon)	218.35	2.39%	Wheat (per bushel)	5.413	-0.2%
Gasoline (per gallon)	195.25	2.43%	Crude Palm Oil (MYR/MT)	53.080	-0.5%
Natural Gas (per MMBtu)	3.18	3.45%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9232.00	1.20%	Gold (per oz)	2660.3	1.0%
Nickel (per mt)	15996.00	-0.32%	Silver (per oz)	31.8	2.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	44,401.93	-240.59
S&P	6,052.85	-37.42
Nasdaq	19,736.69	-123.08
Nikkei 225	39,160.50	69.33
STI	3,794.92	-1.24
KLCI	1,611.43	-1.82
JCI	7,437.73	54.95
Baltic Dry	1,167.00	7.00
VIX	14.19	1.42

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.71 (-0.03)	4.12(--)
5Y	2.63 (-0.04)	4.07 (+0.04)
10Y	2.68 (-0.02)	4.19 (+0.05)
15Y	2.73 (-0.02)	--
20Y	2.71 (-0.02)	--
30Y	2.67 (-0.01)	4.38 (+0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.60
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
12/10/2024	CH	Trade Balance	Nov	\$93.50b	--	\$95.72b	--
12/10/2024	CH	Exports YoY	Nov	8.70%	--	12.70%	--
12/10/2024	CH	Imports YoY	Nov	0.90%	--	-2.30%	--
12/10/2024 07:50	JN	Money Stock M2 YoY	Nov	--	1.20%	1.20%	--
12/10/2024 07:50	JN	Money Stock M3 YoY	Nov	--	0.70%	0.70%	--
12/10/2024 08:30	AU	NAB Business Confidence	Nov	--	--	5	--
12/10/2024 09:00	PH	Exports YoY	Oct	-2.80%	--	-7.60%	--
12/10/2024 09:00	PH	Trade Balance	Oct	-\$4994m	--	-\$5087m	--
12/10/2024 11:30	AU	RBA Cash Rate Target	Dec-10	4.35%	--	4.35%	--
12/10/2024 12/13	VN	Domestic Vehicle Sales YoY	Nov	--	--	49.70%	--
12/10/2024 12/15	CH	Money Supply M2 YoY	Nov	7.50%	--	7.50%	--
12/10/2024 12/15	CH	Aggregate Financing CNY YTD	Nov	29722.0b	--	27060.0b	--
12/10/2024 15:00	GE	CPI YoY	Nov F	2.20%	--	2.20%	--
12/10/2024 15:00	GE	CPI MoM	Nov F	-0.20%	--	-0.20%	--
12/10/2024 15:00	GE	CPI EU Harmonized YoY	Nov F	2.40%	--	2.40%	--
12/10/2024 15:00	GE	CPI EU Harmonized MoM	Nov F	-0.70%	--	-0.70%	--

Source: Bloomberg

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