

Daily Treasury Outlook

11 June 2024

Highlights

Global: Following the significant setbacks in the European Parliament elections for the ruling parties in France and Germany, French President Macron decided to call a snap legislative election on 30 June and 7 July. This added pressure on the Euro, EUR/USD fell to one-month low while French bond yields rose to the highest level since November last year. Meanwhile, US stocks shrugged off early weakness, and all the major indices ended slightly higher on the day. Treasury yields rose modestly, with the long-end underperforming. The dollar index also ended marginally higher. On data front, the New York Fed survey found respondents had a mixed view on inflation. Consumers expected inflation a year from now to be at 3.2% (vs 3.3% in April), three years from now expected inflation held steady at 2.8%, while five years inflation was seen at 3% (vs 2.8% in April). Euro area's Sentix Investor Confidence rose to the highest level since February 2022, at 0.3, after eight consecutive months of increase. Japan's economy contracted less than estimated in the first quarter, shrinking an annualized 1.8% (vs the preliminary reading of 2%), due to an upward revision in business spending. The 10-year JGB yield jumped 6.9 bps on Monday, reversing part of last week's decline.

Market Watch: Mainland China, Hong Kong and Australia markets will reopen today after the long weekend. The economic calendar on Tuesday is light, with only South Korea's April current account balance, Philippines' April trade data and Australia's May business confidence. Later today, market will also watch UK's April job market data.

Oil: WTI and Brent rose by more than 2.5% on Monday to close higher at USD77.7/bbl and USD81.6/bbl respectively. Higher oil prices was supported by optimism of strong fuel demand in the summer which more than offset a stronger DXY profile.

Key Market Movements

Equity	Value	% chg
S&P 500	5360.8	0.3%
DJIA	38868	0.2%
Nikkei 225	39038	0.9%
SH Comp	3051.3	0.0%
STI	3322.1	-0.3%
Hang Seng	18367	0.0%
KLCI	1614.4	-0.2%
	Value	% chg
DXY	105.150	0.3%
USDJPY	157.04	0.2%
EURUSD	1.0765	-0.3%
GBPUSD	1.2731	0.1%
USDIDR	16280	0.5%
USDSGD	1.3526	0.0%
SGDMYR	3.4891	0.0%
	Value	chg (bp)
2Y UST	4.88	-0.64
10Y UST	4.47	3.35
2Y SGS	3.40	6.20
10Y SGS	3.29	8.15
3M SORA	3.67	0.67
3M SOFR	5.35	0.06
	Value	% chg
Brent	81.63	2.5%
WTI	77.74	2.9%
Gold	2311	0.7%
Silver	29.75	2.0%
Palladium	911	-0.4%
Copper	9899	1.4%
BCOM	102.39	0.6%

Source: Bloomberg

Major Markets

CN: Holiday spending remained robust during the Dragon Boat Festival long weekend, showcasing the resilience of the domestic tourism industry. According to data released by the Ministry of Culture and Tourism on Monday, a total of 110 million trips were made during the holiday, marking a 6.3 percent increase compared to the previous year. Additionally, total domestic travel spending grew by 8.1 percent year-on-year, reaching 40.35 billion yuan. Furthermore, the Hong Kong-Zhuhai-Macao Bridge, which serves as a crucial link between the mainland and the Hong Kong and Macao Special Administrative Regions, experienced record-breaking traffic during the holiday period. Between Saturday and Monday noon, the bridge witnessed the entry of more than 227,000 passengers and over 42,000 vehicles, highlighting the increasing connectivity of the Greater Bay Area.

ID: The consumer confidence index (CCI) eased to 125.2 in May from 127.7 in April, as weakness was broad-based in both the 'present-situation' and 'expectations' sub-indices. Specifically, all subcomponents in both indices recorded a decrease, with the drop in the present situation subcomponents (current income: -4.3, durable goods purchase: -3.6, employment: -4.0) outweighing the decrease in the expectation subcomponents (income: -1.6, employment: -0.2, business conditions: -1.1), though all remained above the 100 level. Nevertheless, the May print brings the April-May average to 126.5, up from 124 in 1Q24.

MY: April IP rose by 6.1% YoY versus 2.4% in March (1Q24: 3.3%) suggesting better growth momentum to start 2Q24. Mining IP growth jumped to 10% YoY while manufacturing growth was up 4.9% YoY, both sectors faring better than in March. Electricity IP growth slowed to 7.6% YoY versus 8.5% in March. There was a positive base effect in play. IP contracted by 0.3% MoM sa in April from -0.1% in March, led by the manufacturing and electricity sectors. Mining sector growth improved on a sequential basis to 2.1% MoM sa from -1.8% in March. The print was overall mixed, and it remains to be seen if manufacturing IP momentum can improve in May. Nonetheless, by orientation is still clear that domestic oriented IP is still the main driver, underscoring still resilient domestic demand conditions.

TH: Finance Minister Pichai Chunhavajira shared that the government has set a growth target of (at least) 3% for 2024. The government believes the growth target can be achieved through stronger tourism inflows and higher disbursement rate of the delayed FY2024 fiscal budget. The government has set a target disbursement rate of 70-75% for the THB850bn investment for FY2024.

ESG Updates

ID: Indonesia and South Korea signed an MoU on the implementation of Article 6 of the Paris Agreement, on the sidelines of the Indo-Pacific Economic Framework for Prosperity (IPEF) Ministerial-Level Meeting in Singapore. Under the collaboration, Indonesian and South Korean companies are encouraged to collaborate on projects that reduce carbon emissions in Indonesia for both countries to obtain carbon credits from these projects. This cooperation would be similar to the Joint Crediting Mechanism that has been carried out by Indonesia and Japan since 2013, which encourages the private sector to invest in low-carbon development activities in Indonesia through incentives from Japan.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 5-9bps higher, belly tenors trading 9-10bps higher and 10Y trading 10bps higher. Asia credit markets had a muted start to the week due to holidays in Asia and Australia as well as the impending US Federal Reserve meeting this week and the release of inflation data. In Europe, the announcement of snap elections in France caused some market volatility with bank shares taking a hit. This follows the recent negative rating action on France's sovereign rating on a higher-than-expected budget deficit. Recent results of French banks though show solid underlying credit fundamentals amidst strategic repositioning with FY2024 targets affirmed following decent 1Q2024 results. (Bloomberg, OCBC)

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

Mandates: There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.150	0.25%	USD-SGD	1.3526	0.03%
USD-JPY	157.040	0.19%	EUR-SGD	1.4561	-0.31%
EUR-USD	1.077	-0.33%	JPY-SGD	0.8612	-0.16%
AUD-USD	0.661	0.43%	GBP-SGD	1.7220	0.11%
GBP-USD	1.273	0.09%	AUD-SGD	0.8941	0.39%
USD-MYR	4.723	0.66%	NZD-SGD	0.8289	0.44%
USD-CNY	7.248	0.04%	CHF-SGD	1.5086	0.02%
USD-IDR	16280	0.52%	SGD-MYR	3.4891	0.01%
USD-VND	25423	0.04%	SGD-CNY	5.3573	-0.10%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6790	-0.24%	1M	5.3314	0.03%
3M	3.7590	0.11%	2M	5.3390	0.01%
6M	3.7350	-0.24%	3M	5.3469	0.01%
12M	3.7010	0.46%	6M	5.3133	0.01%
			1Y	5.1617	-0.04%

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	-0.525	-0.131	5.199
11/07/2024	-0.832	-0.208	5.123
12/18/2024	-1.493	-0.373	4.957
01/29/2025	-1.892	-0.473	4.858

Equity and Commodity

Index	Value	Net change
DJIA	38,868.04	69.05
S&P	5,360.79	13.80
Nasdaq	17,192.53	59.40
Nikkei 225	39,038.16	354.23
STI	3,322.08	-8.69
KLCI	1,614.37	-3.49
JCI	6,921.55	23.60
Baltic Dry	1,881.00	12.00
VIX	12.74	0.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.4 (+0.06)	4.88(--)
5Y	3.26 (+0.09)	4.48 (+0.02)
10Y	3.29 (+0.08)	4.46 (+0.03)
15Y	3.3 (+0.08)	--
20Y	3.24 (+0.07)	--
30Y	3.18 (+0.06)	4.59 (+0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.33
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.74	2.93%	Corn (per bushel)	4.518	0.7%
Brent (per barrel)	81.63	2.52%	Soybean (per bushel)	11.883	0.8%
Heating Oil (per gallon)	241.47	2.68%	Wheat (per bushel)	6.075	-3.2%
Gasoline (per gallon)	241.09	1.19%	Crude Palm Oil (MYR/MT)	39.310	-0.6%
Natural Gas (per MMBtu)	2.91	-0.41%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9899.00	1.40%	Gold (per oz)	2310.9	0.7%
Nickel (per mt)	17891.00	-0.78%	Silver (per oz)	29.7	2.0%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/11/2024 06:13	VN	Domestic Vehicle Sales YoY	May	--	--	1.80%	--
06/11/2024 06:15	CH	Money Supply M2 YoY	May	7.10%	--	7.20%	--
06/11/2024 07:00	SK	BoP Current Account Balance	Apr	--	-\$285.2m	\$6931.4m	--
06/11/2024 07:50	JN	Money Stock M2 YoY	May	--	1.90%	2.20%	--
06/11/2024 07:50	JN	Money Stock M3 YoY	May	--	1.30%	1.60%	--
06/11/2024 09:00	PH	Exports YoY	Apr	13.00%	--	-7.30%	--
06/11/2024 09:00	PH	Trade Balance	Apr	-\$3700m	--	-\$3181m	--
06/11/2024 09:30	AU	NAB Business Confidence	May	--	--	1	--
06/11/2024 09:30	AU	NAB Business Conditions	May	--	--	7	--
06/11/2024 14:00	UK	Jobless Claims Change	May	--	--	8.9k	--
06/11/2024 14:00	UK	Payrolled Employees Monthly Change	May	-10k	--	-85k	--
06/11/2024 14:00	UK	ILO Unemployment Rate 3Mths	Apr	4.30%	--	4.30%	--
06/11/2024 14:00	UK	Claimant Count Rate	May	--	--	4.10%	--
06/11/2024 14:00	UK	Average Weekly Earnings 3M/YoY	Apr	5.70%	--	5.70%	--
06/11/2024 14:00	JN	Machine Tool Orders YoY	May P	--	--	-8.90%	--
06/11/2024 20:30	CA	Building Permits MoM	Apr	5.00%	--	-11.70%	--

Source: Bloomberg

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