

Daily Treasury Outlook

12 July 2024

Highlights

Global: US equities rallied overnight (S&P: +1.02%; NASDAQ: +1.18%; Dow: 1.09%) driven by tech stocks Nvidia Corp and Apple, the DXY index moved slightly lower and UST yields traded choppy. US Federal Reserve Chairperson Powell's testimony to the House Financial Services Committee was broadly similar to his testimony to Senate Banking Committee the day before. The bottom line was that Powell remained reticent in committing to the timing of rate cuts. He said that if the question around inflation is if he is "sufficiently confident that it is moving sustainably down to 2%", he is "not prepared to say that yet". Nevertheless, supportive incoming US economic data in terms of steady disinflation and moderating (albeit still strong) activity data suggests that the door for rate cuts is opening. Lisa Cook added that the data so far seem consistent with a soft landing and that the Fed would be "responsive" to labour market conditions. Fed funds futures continue to price in a cumulative ~50bp in rate cuts this year, with the probability of a cut in September increasing. Data overnight was limited out of the US with wholesale inventories rising 0.6% MoM in the final reading for May. Some uncertainty on the political front persists as the pressure to replace President Biden as the Democratic candidate remains.

Market Watch: Today is a busy day in terms of data and central bank meetings. Bank of Korea and Bank Negara Malaysia are expected to remain on hold, following on from a dovish RBNZ meeting on Wednesday. In BNM's case, we expect the inflationary impact to be minimal from diesel price rationalisation in early June and for headline inflation to remain within BNM's 2-3.5% forecast range for the year. The final reading of German June CPI, May UK industrial production and the all-important US June CPI data will be the key data releases for today. US Fed's Bostic will speak in moderated Q&A later tonight.

Oil: WTI and Brent rose by 0.8% and 0.5% on Wednesday to USD82.1/bbl and USD85.1/bbl, respectively. The intraday trade was choppy. Specifically, Brent oil prices declined by 0.8% to USD84/bbl (intraday low) as a result of minimal supply disruption from Tropical Storm Beryl on US oil and gas facilities in Texas. Nevertheless, losses were pared back and oil prices settled higher due to a larger-than-expected decline in US crude oil and gasoline inventories. According to the Energy Information Administration (EIA), US crude and gasoline inventories decreased by 3.4mn bbls and 2.0mn bbls to 445.1mn bbls and 229.7mn bbls, respectively, for the week ending 5 July.

Key Market Movements

Equity	Value	% chg
S&P 500	5633.9	1.0%
DJIA	39721	1.1%
Nikkei 225	41832	0.6%
SH Comp	2939.4	-0.7%
STI	3459.9	1.0%
Hang Seng	17472	-0.3%
KLCI	1618.4	0.2%
	Value	% chg
DXY	105.048	-0.1%
USDJPY	161.69	0.2%
EURUSD	1.0830	0.2%
GBPUSD	1.2849	0.5%
USDIDR	16240	-0.1%
USDSGD	1.3489	-0.1%
SGDMYR	3.4830	-0.1%
	Value	chg (bp)
2Y UST	4.62	-0.64
10Y UST	4.28	-1.18
2Y SGS	3.32	-1.20
10Y SGS	3.18	-2.49
3M SORA	3.63	-0.01
3M SOFR	5.35	0.03
	Value	% chg
Brent	85.08	0.5%
WTI	82.1	0.8%
Gold	2371	0.3%
Silver	30.82	0.0%
Palladium	993	0.8%
Copper	9905	0.4%
BCOM	100.44	-0.2%

Source: Bloomberg

Major Markets

CN: Consumer price index (CPI) growth decelerated to 0.2% year-on-year (YoY) in June from 0.3% YoY in May. On a sequential basis, CPI fell 0.2% month-on-month (MoM) due to declines in both food and non-food prices. Despite a sharp increase in pork prices, which rose 11.4% MoM in June, the seasonal arrival of certain vegetables, fruits, and seafood led to price decreases. Fresh vegetables fell 7.3%, potatoes by 4.8%, fresh fruits by 3.8%, and shrimp and crab by 2.4%. These reductions contributed to a MoM decrease of approximately 0.25 percentage points in CPI. In non-food items, despite higher travel costs due to the start of the summer holiday, prices of durable goods such as automobiles, electronic appliances, and furniture fell due to promotions from the 618 shopping festival. Core CPI, excluding food and energy prices, remained unchanged at 0.6% YoY. Looking ahead, China's CPI is likely to hover between 0-0.5% in the coming months. The delay in the CPI rebound underscores the increasing urgency for more decisive policy support from China to avoid entrenched disinflation expectations.

The contraction in the producer price index (PPI) narrowed further to 0.8% YoY in June. However, on a sequential basis, the PPI fell by 0.2% MoM after a brief increase of 0.2% MoM in May. The MoM decline in PPI highlights two issues: the instability of upstream raw material prices for domestic demand and overcapacity in some equipment manufacturing industries. Looking ahead, China's PPI may still remain in contractionary territory in the coming quarters.

ID: The coordinating minister for maritime affairs and investment, Luhut Binsar Pandjaitan, has indicated that the government is considering measures to address budget waste, including improving the efficiency of subsidized fuel usage. The objective is to reduce the number of ineligible recipients of fuel subsidies, starting from August 17. Minister Luhut emphasized the importance of curbing budget waste to maintain a stable and balanced state budget. Earlier this week, on Monday (8/7), Finance Minister Sri Mulyani noted that the budget deficit is estimated to be 2.7% of GDP in 2024, higher than the initial target of 2.3%.

MY: The unemployment rate remained stable at 3.3% (7.2 million persons) in May, while the number of individuals in the labour force increased by 23.8 thousand people to reach 17.2 million persons. The overall labour force participation rate also remained stable at 70.3%. Specifically, the number of employed individuals rose by 24.1 thousand people (0.1% MoM) to reach 15.9 million. According to the Department of Statistics Malaysia (DOSM), the services sector had the highest concentration of employed individuals, accounting for nearly two-thirds of the workforce. This sector, particularly in wholesales & retail trade, food & beverage services, and information & communication activities, continued to exhibit a positive trend. Furthermore, the manufacturing, construction, mining & quarrying, and agriculture sectors also experienced an increase in employment.

TH: The Election Commission has certified the results of the Senate elections after a delay on 2 July. The incoming senate will comprise of 200 members across 20 different professions who will serve a five-year term. Secretary-general of the Election Commission Sawaeng Boonmee shared that the official list of the senate members will be submitted for publication in the Royal Gazette.

PH: May exports declined by 3.1% YoY versus an upwardly revised +27.9% in April while import growth was flat (April: upwardly revised 13.0%). Consequently, the trade deficit narrowed to USD4.6bn compared to USD4.7bn in April. On the exports front, lower shipments in 'manufactures' (-3.5% YoY versus +27.7% in April), 'mineral products' (-8.4% YoY versus +6.7%), 'forest products' (-24.0% YoY versus -35.0%) more than offset higher shipments in the remaining categories. Lower imports in capital goods (-11.5% YoY versus +10.5% in April) were offset by higher imports across the other remaining categories. We expect robust GDP growth of 6% YoY in 2024 versus 5.5% in 2023, implying growth momentum of 6.0% in 2Q-4Q24 GDP growth versus 5.7% in 1Q24. The main drivers of growth, in our view, will be from improved government spending and external demand growth.

ESG Updates

SG: Singapore and Laos signed a deal on carbon credit cooperation, working towards an Implementation Agreement similar to those Singapore has signed with Papua New Guinea and Ghana. The deal sets out a bilateral framework for the international transfer of correspondingly adjusted carbon credits, and the exchange of best practises and knowledge on carbon market mechanisms. The countries also discussed cooperation on other areas including clean energy, using food supply as a means to increase trade and investment, as well as public health and banking.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors, belly tenors and 10Y trading 1bps lower. Bloomberg Asia USD Investment Grade remain unchanged at 81bps while Bloomberg Asia USD High Yield widened by 1bps to 493bps. (Bloomberg, OCBC)

New Issues:

There were multiple bond issuances in the Asiadollar market and one in the Singdollar market yesterday.

- Korean Ocean Business Corp priced a USD400mn 5Y FRN at SOFR+88bps.
- Saudi Arabian Oil Co priced a USD6bn debt in 3 parts, a USD2bn 10Y Fixed at T+105bps (5.336%), a USD2bn 30Y Fixed at T+145bps (5.932%), a USD2bn 40Y Fixed at T+155bps (6.032%).
- Mitsubishi Corp priced a USD500mn 10Y Fixed at T+93bps (5.214%).
- Ziyang Development Investment Group Co Ltd (Guarantor: Chongqing Xingnong Financing Guarantee Group Co Ltd) priced a USD42mn 2Y Fixed at 7.5%.
- Muthoot Finance Ltd priced a USD100mn tap of its existing MUTHIN 7.125% 02/14/28 at 101 plus accrued interest to yield 6.737%.
- Astrea 8 is priced a debt in 2 parts, a SGD260mn Class A-1 issue at 4.35%, and a USD150mn Class A-2 issue at 6.35%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.048	-0.08%	USD-SGD	1.3489	-0.15%
USD-JPY	161.690	0.22%	EUR-SGD	1.4608	0.01%
EUR-USD	1.083	0.16%	JPY-SGD	0.8342	-0.37%
AUD-USD	0.675	0.09%	GBP-SGD	1.7332	0.35%
GBP-USD	1.285	0.49%	AUD-SGD	0.9100	-0.05%
USD-MYR	4.700	-0.16%	NZD-SGD	0.8203	-0.86%
USD-CNY	7.276	0.05%	CHF-SGD	1.4994	-0.35%
USD-IDR	16240	-0.06%	SGD-MYR	3.4830	-0.08%
USD-VND	25419	0.00%	SGD-CNY	5.3929	0.15%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6150	-0.36%	1M	5.3272	-0.02%
3M	3.7080	0.24%	2M	5.3382	-0.01%
6M	3.6680	-0.19%	3M	5.3015	-0.06%
12M	3.5930	-0.17%	6M	5.2036	-0.15%
			1Y	4.9420	-0.15%

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	-0.780	-0.195	5.134
11/07/2024	-1.261	-0.315	5.014
12/18/2024	-2.028	-0.507	4.822
01/29/2025	-2.685	-0.671	4.658

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.10	0.85%	Corn (per bushel)	4.033	0.7%
Brent (per barrel)	85.08	0.50%	Soybean (per bushel)	11.413	-1.7%
Heating Oil (per gallon)	251.84	-0.21%	Wheat (per bushel)	5.435	-1.9%
Gasoline (per gallon)	250.34	-0.95%	Crude Palm Oil (MYR/MT)	39.980	-0.4%
Natural Gas (per MMBtu)	2.33	-0.64%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9905.00	0.36%	Gold (per oz)	2371.3	0.3%
Nickel (per mt)	16891.00	-1.46%	Silver (per oz)	30.8	0.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	39,721.36	429.39
S&P	5,633.91	56.93
Nasdaq	18,647.45	218.16
Nikkei 225	41,831.99	251.82
STI	3,459.93	33.84
KLCI	1,618.38	3.96
JCI	7,287.04	17.24
Baltic Dry	1,939.00	45.00
VIX	12.85	0.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (-0.01)	4.62(--)
5Y	3.19 (-0.01)	4.24 (-0.01)
10Y	3.18 (-0.02)	4.29 (-0.01)
15Y	3.21 (-0.02)	--
20Y	3.12 (--)	--
30Y	3.06 (--)	4.48 (-0.01)

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
07/11/2024	SK	BOK Base Rate	Jul-11	3.50%	--	3.50%	--
07/11/2024 06:45	NZ	Food Prices MoM	Jun	--	1.00%	-0.20%	--
07/11/2024 07:15	CH	Money Supply M2 YoY	Jun	6.80%	--	7.00%	--
07/11/2024 07:50	JN	Core Machine Orders MoM	May	0.80%	-3.20%	-2.90%	--
07/11/2024 14:00	GE	CPI YoY	Jun F	2.20%	--	2.20%	--
07/11/2024 14:00	UK	Industrial Production MoM	May	0.30%	--	-0.90%	--
07/11/2024 14:00	GE	CPI MoM	Jun F	0.10%	--	0.10%	--
07/11/2024 14:00	UK	Manufacturing Production MoM	May	0.40%	--	-1.40%	--
07/11/2024 14:00	GE	CPI EU Harmonized YoY	Jun F	2.50%	--	2.50%	--
07/11/2024 14:00	UK	Industrial Production YoY	May	0.60%	--	-0.40%	--
07/11/2024 14:00	GE	CPI EU Harmonized MoM	Jun F	0.20%	--	0.20%	--
07/11/2024 15:00	MA	BNM Overnight Policy Rate	Jul-11	3.00%	--	3.00%	--
07/11/2024 20:30	US	Initial Jobless Claims	Jul-06	235k	--	238k	--
07/11/2024 20:30	US	CPI MoM	Jun	0.10%	--	0.00%	--
07/11/2024 20:30	US	CPI YoY	Jun	3.10%	--	3.30%	--
07/11/2024 20:30	US	CPI Ex Food and Energy MoM	Jun	0.20%	--	0.20%	--

Source: Bloomberg

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