GLOBAL MARKETS RESEARCH

Daily Treasury Outlook

11 October 2024

Highlights

Global: US equities closed lower overnight, with the Dow, S&P and Nasdaq down by 0.1%, 0.2% and 0.1% respectively. Meanwhile, treasury yields edged lower, with the UST2Y and UST10Y yields closing lower from their previous close at 3.96% and 4.06% respectively. Crude oil prices jumped higher, snapping a two-day decline. Gold prices closed relatively flat. In the US, September CPI increased by 0.2% MoM. This is the same increase in August, driven by higher shelter and food prices. On a year-on-year basis, CPI edged lower to 2.4% from 2.5% in August. Excluding food and energy, core CPI increased by 0.3% MoM. This is also the same increase in August. However, on a year-on-year basis, core CPI edged higher to 3.3% YoY from 3.2% the previous month. NY Fed President Williams stated that he expects that it will be appropriate to "continue the process of moving the stance of monetary policy to a more neutral setting over time." Meanwhile, Atlanta Fed President Bostic, in an interview with the Wall Street Journal, said that he is "totally comfortable with skipping a meeting if the data suggests that's appropriate". Separately, the weekly US labour market data came in higher than expected. Initial jobless claims rose higher by 14.7% to 258k (week ending 5 October). Similarly, continuing claims rose by 2.3% to 1.9mn (week ending 28 September).

Market Watch: This morning, the Bank of Korea (BoK) kickstarted its rate easing cycle with a 25bp cut. August industrial production data from Malaysia, the UK and India are slated for release. Later today, the final reading of German September inflation will be released, with Canada September unemployment rate and US September PPI and October University of Michigan sentiment to be released tonight.

Oil: Crude oil benchmarks rebounded on Thursday, snapping a two-day decline. WTI and Brent rose by 3.6% and 3.7% respectively, closing at USD75.9/bbl and USD79.4/bbl. The main driver behind higher oil prices were concerns about potential supply disruptions in the Middle East. It was reported that Israel's security cabinet has convened to formulate a response against the latest Iranian missile attack.

Key Market Movements

Equity	Value	% chg
S&P 500	5780.1	-0.2%
DJIA	42454	-0.1%
Nikkei 225	39381	0.3%
SH Comp	3301.9	1.3%
STI	3585.3	-0.3%
Hang Seng	21252	3.0%
KLCI	1640.9	0.4%
	Value	**% chg**
DXY	102.988	0.1%
USDJPY	148.57	-0.5%
EURUSD	1.0934	0.0%
GBPUSD	1.3059	-0.1%
USDIDR	15665	0.3%
USDSGD	1.3056	-0.1%
SGDMYR	3.2824	0.0%
	Value	**chg (bp)**
2Y UST	3.96	-6.42
10Y UST	4.06	-1.18
2Y SGS	2.81	0.70
10Y SGS	2.90	0.46
3M SORA	3.50	-0.11
3M SOFR	5.26	-0.57
	Value	**% chg**
Brent	79.4	3.7%
WTI	75.85	3.6%
Gold	2630	0.8%
Silver	31.16	2.2%
Palladium	1075	3.0%
Copper	9723	0.5%
BCOM	100.55	1.1%

Source: Bloomberg

Major Markets

CN: Chinese banks have recently made an announcement regarding a reduction in mortgage rates for existing properties nationwide, with the exception of second properties in Shanghai, Beijing, and Shenzhen. The new rates will be set at the Loan Prime Rate (LPR) minus 30 basis points.

ID: Bank Indonesia's retail sales survey estimates that retail sales growth eased to 4.7% YoY (-2.5% MoM) in September from 5.8% in August. Retailers expect sales to be driven by several commodity groups, including automotive fuel, parts, accessories, and clothing. The September reading indicates that retail sales are expected to have risen by 5.0% YoY in 3Q24, up from 0.6% in 2Q24. The same survey also shows that respondents are expecting milder inflationary pressure over the next three months (November) and six months (February 2025).

MY: The number of employed persons rose by 29.4k to 16.7mn people in August, while the unemployment rate fell to 3.2% (to 558.5k persons) in August from 3.3% in July. The labour force participation rate remained unchanged at 70.4% in August, as 24.2k persons entered the labour force, bringing the total size to 17.2mn in August. The Department of Statistics Malaysia (DOSM) noted that the services sector continues to see an upward trend in the number of people employed, with similar trends also observed in the manufacturing, construction, mining & quarrying, and agriculture sectors.

PH: August export growth improved to 0.3% YoY versus 0.1% in July. Meanwhile, August imports eased to 2.7% YoY versus 7.3% YoY in July. Consequently, the trade deficit narrowed to USD4.4bn versus USD4.9bn in July. On the exports front, the drivers of growth were supported by higher shipments in 'total agro products' (23.6% YoY versus 16.4% in July). This more than offset lower shipments in 'manufactures' (-0.1% YoY versus 1.6%), 'forest products' (-25.8% YoY versus -42.4%), 'mineral products' (-13.4% YoY versus +11.4%). By end-use, higher imports in 'capital goods', 'raw materials & intermediate goods' more than offset lower imports in 'consumer goods' and 'mineral fuel & lubricant'. We continue to expect a robust GDP growth of 6.0% YoY in 2024, implying similar growth momentum in 2H24. The bulk of the improvements is expected to come from the domestic demand front, particularly investment spending and private consumption.

VN: Motor vehicle sales grew by 33% YoY to 32,023 units in September, up from 21,408 units sold in the previous month, according to data from the Vietnam Automobile Manufacturers Association (VAMA). The print also marks a 49.6% sales jump on a month-on-month basis (nsa), partly supported by the implementation of a 50% reduction in registration fees for domestically manufactured and assembled vehicles, effective 1 September 2024.

ESG Updates

Rest of the world: A UN trade agency known as International Trade Centre is launching an online platform this month to help small farmers in developing countries maintain access to Europe once the EU regulation on deforestation-free products (EUDR) kicks in. The platform, called the Deforestation-Free Trade Gateway, aims to reduce repetitive and costly data collection and sharing, as well as have a platform where farmers, exporters and importers can confirm compliance. A pilot will launch in Latin America before it expands globally in November, that can help Asian economies like Malaysia and Indonesia whose small-scale farmers in the covered sectors will be impacted by the rules.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 1-3bps higher, and belly tenors and 10Y trading 3bps higher. According to Bloomberg, there is a repayment pressure on bonds from a minimum of 83 Chinese companies, amounting to a total of USD54.7bn. This includes RMB328.73bn worth of notes and USD8.19bn of offshore bonds. On Wednesday, Guotai Junan Securities Co (HKG:2611) and Haitong Securities jointly announced their merger through a share swap deal. Under this agreement, Guotai Junan will issue A shares and H shares to Haitong shareholders at a ratio of 0.62 to 1. Additionally, Guotai Junan plans to raise RMB10bn yuan by issuing shares to its controlling shareholder. Starting Thursday, the People's Bank of China (PBOC) has announced that its swap facility will begin accepting applications from securities, funds, and insurance companies to access its funds. The initial size of the facility is RMB500bn (USD70.6bn), and it can be expanded further based on the prevailing circumstances. The purpose of this facility is to provide support to eligible brokerages, funds, and insurance firms by allowing them to use various assets like bonds, stock ETFs, CSI 300 constituent shares, etc., as collateral. In exchange, they can obtain high-grade liquid assets such as treasury bonds and central bank bills from the PBOC. In Europe, industrial companies are facing the highest level of credit stress since September 2020 according to the Weil European Distress. The index tracks financial market conditions and company performance with Germany experiencing the most stress amongst European countries with higher stress driven by weaker Chinese demand and higher investment pressures from geopolitics and high energy prices. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 79bps while Bloomberg Asia USD High Yield spreads remained flat at 481bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market yesterday.

- Junfeng International Co Ltd (keepwell Provider: Yantai Guofeng Investment Holdings Group Co Ltd) priced a USD270mn 3Y Fixed at Par to Yield 5.6%.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- There was no new Asiadollar mandate yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.988	0.06%	**USD-SGD**	1.3056	-0.11%
USD-JPY	148.570	-0.50%	**EUR-SGD**	1.4279	-0.14%
EUR-USD	1.093	-0.05%	**JPY-SGD**	0.8787	0.37%
AUD-USD	0.674	0.31%	**GBP-SGD**	1.7050	-0.23%
GBP-USD	1.306	-0.09%	**AUD-SGD**	0.8799	0.22%
USD-MYR	4.293	0.26%	**NZD-SGD**	0.7955	0.37%
USD-CNY	7.077	-0.06%	**CHF-SGD**	1.5248	0.41%
USD-IDR	15665	0.29%	**SGD-MYR**	3.2824	-0.03%
USD-VND	24845	0.04%	**SGD-CNY**	5.4125	-0.06%

Equity and Commodity

Index	Value	Net change
DJIA	42,454.12	-57.88
S&P	5,780.05	-11.99
Nasdaq	18,282.05	-9.57
Nikkei 225	39,380.89	102.93
STI	3,585.29	-10.37
KLCI	1,640.94	6.03
JCI	7,480.08	-21.20
Baltic Dry	1,860.00	-47.00
VIX	20.93	0.07

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2560	-0.49%	**1M**	4.7884	-0.31%
3M	3.2230	-1.29%	**2M**	4.7345	-0.04%
6M	3.0470	-0.36%	**3M**	4.6510	-0.10%
12M	2.7920	-0.21%	**6M**	4.4460	-0.02%
			1Y	4.1244	0.05%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.81 (+0.01)	3.96(--)
5Y	2.8 (+0.01)	3.89 (-0.03)
10Y	2.9 (--)	4.07 (-0.01)
15Y	2.94 (--)	--
20Y	2.92 (--)	--
30Y	2.89 (--)	4.36 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.854	-0.214	4.613
12/18/2024	-1.851	-0.463	4.364
01/29/2025	-2.635	-0.659	4.168
03/19/2025	-3.560	-0.890	3.936
05/07/2025	-4.188	-1.047	3.779
06/18/2025	-4.787	-1.197	3.629

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.83

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	75.85	3.56%	Corn (per bushel)	4.185	-0.6%
Brent (per barrel)	79.40	3.68%	Soybean (per bushel)	10.148	-0.5%
Heating Oil (per gallon)	235.09	3.25%	Wheat (per bushel)	6.038	0.8%
Gasoline (per gallon)	215.09	4.09%	Crude Palm Oil (MYR/MT)	43.500	0.2%
Natural Gas (per MMBtu)	2.68	0.56%	Rubber (JPY/KG)	309.500	2.8%

Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	9723.00	0.50%	Gold (per oz)	2629.7	0.8%
Nickel (per mt)	17541.00	0.98%	Silver (per oz)	31.2	2.2%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/11/2024	SK	BOK Base Rate	Oct-11	3.25%	--	3.50%	--
10/11/2024 05:30	NZ	BusinessNZ Manufacturing PMI	Sep	--	46.9	45.8	46.1
10/11/2024 05:45	NZ	Food Prices MoM	Sep	--	0.50%	0.20%	--
10/11/2024 07:50	JN	Money Stock M2 YoY	Sep	--	1.30%	1.30%	--
10/11/2024 14:00	GE	CPI YoY	Sep F	1.60%	--	1.60%	--
10/11/2024 14:00	UK	Industrial Production MoM	Aug	0.20%	--	-0.80%	--
10/11/2024 14:00	GE	CPI MoM	Sep F	0.00%	--	0.00%	--
10/11/2024 14:00	UK	Manufacturing Production MoM	Aug	0.20%	--	-1.00%	--
10/11/2024 14:00	GE	CPI EU Harmonized YoY	Sep F	1.80%	--	1.80%	--
10/11/2024 14:00	GE	CPI EU Harmonized MoM	Sep F	-0.10%	--	-0.10%	--
10/11/2024 15:30	TH	Gross International Reserves	Oct-04	--	--	$243.2b	--
10/11/2024 20:00	IN	Industrial Production YoY	Aug	1.00%	--	4.80%	--
10/11/2024 20:30	CA	Unemployment Rate	Sep	6.70%	--	6.60%	--
10/11/2024 20:30	US	PPI Final Demand MoM	Sep	0.10%	--	0.20%	--
10/11/2024 20:30	CA	Net Change in Employment	Sep	27.0k	--	22.1k	--
10/11/2024 22:00	US	U. of Mich. Sentiment	Oct P	71	--	70.1	--

Source: Bloomberg

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