

## Daily Treasury Outlook

11 November 2024

### Highlights

**Global:** More Chinese stimulus announced on Friday, comprising of a 5-year package totalling CNY12trn to address local governments' hidden debt. The S&P500 added 0.38% on Friday, while the 10-year UST bond yield fell 2bps to 4.30%. Meanwhile, Bitcoin hit the USD81,000 handle for the first time. Over the weekend, the Asia-Pacific Economic Cooperation (APEC) annual trade forum took place in Lima, while the UN COP29 climate conference begins today in Azerbaijan, all under the shadow of anticipation from potential shifts in policy changes that the upcoming Trump administration will bring. Fed's Kashkari opined that "we need to finish the job" and "another rate cut is certainly possible" for December, but "we at the Fed will simply wait...to see what the rest of the government decides to do before we analyze what it means for the economy" when it comes to the newly elected President. Separately, the opposition in Germany is also demanding a confidence vote after the ruling coalition fell through last week.

**Market Watch:** Asian markets are likely to trade with a mixed tone today, balancing between the overall risk-constructive tone post-elections and anxiety about potential tariffs. Today's economic data calendar is relatively light and comprises of Indonesia's consumer confidence and Japan's Eco Watchers survey.

For the week ahead, look for CPI prints from India and Germany tomorrow, as well as US' October inflation (forecast: 0.3% MoM headline) and on Wednesday, Eurozone's 3Q24 GDP growth and US' PPI and initial jobless claims on Thursday, UK, Malaysia, HK and Japan's 3Q24 GDP growth, US' retail sales data as well as China's data dump (including October retail sales, new yuan loans, aggregate financing, new home prices, industrial production, FDI, monetary aggregates etc) on Friday. There are no major central bank policy decisions this week but watch for the US senior loan officer opinion survey on Wednesday and ECB minutes which are due Thursday. On the earnings front, watch for AstraZeneca and Home Depot on Tuesday, Tencent on Wednesday, Disney and JD.com on Thursday and Alibaba on Friday. Sri Lanka is also holding parliamentary elections on Thursday. Fed's Powell, ECB's Lagarde, BOE's Bailey and RBA's Bullock are also speaking on Thursday.

**SG:** PM Lawrence Wong opined that economic strategies and jobs are among the key focus for Budget 2025 in a more dangerous world. He also said Budget 2025 could be the last budget in this term of government when asked.

**CN:** With the imminent issuance of an additional CNY 2trn in local government bonds in the next two months, combined with the substantial volume of maturing Medium-Term Lending Facilities (MLFs), we anticipate that the People's Bank of China (PBoC) will implement another reserve requirement ratio (RRR) cut in November or December.

### Key Market Movements

Equity	Value	% chg
S&P 500	5995.5	0.4%
DJIA	43989	0.6%
Nikkei 225	39500	0.3%
SH Comp	3452.3	-0.5%
STI	3724.4	1.4%
Hang Seng	20728	-1.1%
KLCI	1621.2	-0.1%
	Value	% chg
DXY	104.997	0.5%
USDJPY	152.64	-0.2%
EURUSD	1.0718	-0.8%
GBPUSD	1.2921	-0.5%
USDIDR	15670	-0.4%
USDSGD	1.3255	0.4%
SGDMYR	3.3170	-0.1%
	Value	chg (bp)
2Y UST	4.25	5.45
10Y UST	4.30	-2.14
2Y SGS	2.75	-4.00
10Y SGS	2.84	-6.05
3M SORA	3.34	-0.74
3M SOFR	5.09	-0.58
	Value	% chg
Brent	73.87	-2.3%
WTI	70.38	-2.7%
Gold	2685	-0.8%
Silver	31.31	-2.3%
Palladium	992	-3.4%
Copper	9444	-2.3%
BCOM	98.13	-1.2%

Source: Bloomberg

**Oil:** Crude oil benchmarks fell on Friday, with WTI and Brent declining by 2.7% and 2.3%, closing at USD70.4/bbl and USD73.9/bbl, respectively. The decline in oil prices was partly due to the market's disappointment with China's recent economic stimulus packages. Additionally, the latest forecasts for Hurricane Rafael indicated a reduced risk of weather impact on oil production in the US Gulf of Mexico, which could have exerted further downward pressure on oil prices.

## Major Markets

**CN:** During a press conference by the National People's Congress Standing Committee on 8 November, Finance Minister Lan Fo'an announced a comprehensive CNY12trn debt resolution package.

According to Ministry of Finance estimates, as of the end of 2023, the total hidden debt balance nationwide stood at CNY14.3trn after detailed project reviews and hierarchical reporting. Minister Lan outlined a three-pronged policy approach aimed at reducing the amount of hidden debt to CNY2.3trn by 2028.

The path to resolving the CNY12trn debt includes: first, raising the local government debt ceiling by CNY6trn to swap existing hidden debt over three years (2024-2026) at CNY2trn annually. Second, allocating CNY800bn per year for five years through newly issued local government special bonds to supplement government fund resources for debt resolution, cumulatively addressing CNY4trn of hidden debt. Third, extending repayment terms for CNY2trn of hidden debt related to shantytown redevelopment beyond 2028, allowing repayment according to original contract terms starting in 2029.

**Within the CNY12trn debt resolution plan, only CNY6trn is regarded as incremental policy in our view**, while the remaining CNY4trn reflects a repurposing of existing local government special bonds. However, as noted during the press conference, China plans to increase the issuance size of local government special bonds next year, signalling potential incremental measures, although specific figures have yet to be confirmed.

**Overall, the amount announced last Friday aligns largely with expectations but may not meet the demands of all stakeholders.** Notably, there will be no issuance of additional central government bonds or adjustments to the deficit ratio for 2024. Additionally, the debt resolution responsibility remains primarily with local governments rather than shifting to the central government. As a result, compared to central government-led leverage increases, the chain of reaction to economic support from the local government-led resolutions may be longer.

**ID:** The budget deficit widened to 1.3% of GDP (IDR309.trn) as of October, compared to a 0.7% (IDR153.7trn) deficit in September 2024. As of October 2024, total revenue increased by 0.3% YoY, reaching IDR2,247.5trn, or 80.2% of the budgeted amount. Meanwhile, government spending rose by 14.1% YoY to IDR2,556.7trn, or 76.9% of the target. The government forecasts a budget deficit of 2.7% of GDP in 2024 and a 2.5% deficit in 2025.

**MY:** Industrial Production Index (IPI) growth eased to 2.3% YoY in September from 4.1% in August, with weaknesses observed across key sectors. Specifically, manufacturing IPI growth slowed to 3.2% YoY in September from 6.2% in August, and electricity growth also slowed to 3.9% YoY from 4.2%, while mining IPI declined for the third consecutive month to -2.2% YoY in September. Consequently, the September data brings IPI growth to 3.9% YoY in 3Q24, down from 4.5% in 2Q24. For January to September 2024, the IPI rose by 3.9% YoY, supported by growth in mining (1.4%), manufacturing (4.3%), and electricity (6.4%).

**TH:** The Energy Regulatory Commission (ERC) has proposed three options for electricity tariffs from January to April 2025. The proposed tariff rates range from THB4.18/unit to THB5.49/unit, indicating a potential hike of up to 31%. In a statement, ERC Secretary-General Poonpat Leesombatpiboon stated that the cost of power generation is projected to decrease during this period, presenting a good opportunity to repay the outstanding debt to the Electricity Generating Authority of Thailand.

**HK:** The Hong Kong Monetary Authority cut its base rate by 25bps to 5%, via a pre-determined formula following Fed rate cut. Some major Hong Kong banks cut their Prime rate by 25bps, effective on 11 November.

## ESG Updates

**Rest of the world:** The UN reported that the amount of finance provided to developing countries to help them adapt to the impacts of climate change is far short of the US\$359bn a year needed even after the biggest annual increase yet. Countries are meeting in Azerbaijan at COP29 starting 11 Nov for the next round of climate talks, focusing on climate finance among other pressing topics such as carbon markets and transitioning away from fossil fuels.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower last Friday, with shorter tenors trading 1-5bps lower, belly tenors trading 5-7bps lower and 10Y trading 7bps lower. Meanwhile, China unveiled a RMB10 trillion program (including RMB6 trillion increase in debt ceiling, RMB4 trillion in another new special local bond quota over 5Y) last Friday to help local government tackle their hidden debt. Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 71bps while Bloomberg Asia USD High Yield spreads tightened by 13bps to 431bps, with both IG and HY spreads at another 52-week low. Per Bloomberg, spreads were tightened meaningfully last week on both Asiadollar IG (4bps) and HY (11bps) indices following Donald Trump's victory in the US presidential election last week. (Bloomberg, OCBC)

### New Issues:

There were two notable issuances in the Asiadollar market last Friday.

- Korea Railroad Corp priced a USD100mn 2Y FRN green bond at SOFRRATE +80bps.
- Nanxun Communications Investment Group Co Ltd priced a USD200mn 3Y bond at 6.2%.

There was no notable issuance in the Singdollar market last Friday.

### Mandates:

- There were no new Asiadollar mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.997	0.47%	USD-SGD	1.3255	0.41%
USD-JPY	152.640	-0.20%	EUR-SGD	1.4210	-0.35%
EUR-USD	1.072	-0.81%	JPY-SGD	0.8684	0.61%
AUD-USD	0.658	-1.44%	GBP-SGD	1.7122	-0.12%
GBP-USD	1.292	-0.51%	AUD-SGD	0.8728	-1.01%
USD-MYR	4.383	-0.49%	NZD-SGD	0.7911	-0.54%
USD-CNY	7.184	0.57%	CHF-SGD	1.5136	0.03%
USD-IDR	15670	-0.41%	SGD-MYR	3.3170	-0.06%
USD-VND	25286	-0.31%	SGD-CNY	5.4044	-0.06%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.0870	-0.26%	1M	4.6020	-0.02%
3M	3.0320	0.00%	2M	4.5603	0.18%
6M	2.8220	-1.26%	3M	4.5225	0.29%
12M	2.5340	-1.13%	6M	4.4260	0.73%
			1Y	4.2640	1.34%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.998	-0.249	4.581
12/18/2024	-0.651	-0.163	4.418
01/29/2025	-0.993	-0.248	4.333
03/19/2025	-1.562	-0.391	4.190
05/07/2025	-1.860	-0.465	4.116
06/18/2025	-2.316	-0.579	4.002

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.38	-2.74%	Corn (per bushel)	4.310	0.8%
Brent (per barrel)	73.87	-2.33%	Soybean (per bushel)	10.168	0.1%
Heating Oil (per gallon)	223.89	-2.08%	Wheat (per bushel)	5.725	0.2%
Gasoline (per gallon)	201.25	-2.00%	Crude Palm Oil (MYR/MT)	51.600	2.4%
Natural Gas (per MMBtu)	2.67	-0.89%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9443.50	-2.28%	Gold (per oz)	2684.8	-0.8%
Nickel (per mt)	16397.00	-1.15%	Silver (per oz)	31.3	-2.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	43,988.99	259.65
S&P	5,995.54	22.44
Nasdaq	19,286.78	17.32
Nikkei 225	39,500.37	118.96
STI	3,724.37	50.88
KLCI	1,621.24	-2.04
JCI	7,287.19	43.33
Baltic Dry	1,495.00	44.00
VIX	14.94	-0.26

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.75 (-0.04)	4.25(--)
5Y	2.73 (-0.05)	4.19 (+0.02)
10Y	2.84 (-0.06)	4.3 (-0.02)
15Y	2.89 (-0.07)	--
20Y	2.85 (-0.06)	--
30Y	2.78 (-0.06)	4.47 (-0.06)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	4.82
------	------

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/11/2024 07:50	JN	BoP Current Account Balance	Sep	¥3421.7b	--	¥3803.6b	--
11/11/2024 07:50	JN	Trade Balance BoP Basis	Sep	-¥66.2b	--	-¥377.9b	--
11/11/2024 07:50	JN	BoP Current Account Adjusted	Sep	¥2951.1b	--	¥3016.5b	--
11/11/2024 07:50	JN	Bank Lending Incl Trusts YoY	Oct	--	--	2.70%	--
11/11/2024 07:50	JN	Bank Lending Ex-Trusts YoY	Oct	--	--	3.10%	--
11/11/2024 10:00	NZ	2Yr Inflation Expectation	4Q	--	--	2.03%	--
11/11/2024 11/13	VN	Domestic Vehicle Sales YoY	Oct	--	--	33.50%	--
11/11/2024 11/15	CH	Money Supply M2 YoY	Oct	7.00%	--	6.80%	--
11/11/2024 11/15	CH	Aggregate Financing CNY YTD	Oct	27200.0b	--	25660.0b	25664.2b
11/11/2024 11/15	CH	Money Supply M1 YoY	Oct	-7.00%	--	-7.40%	--
11/11/2024 11/15	CH	Money Supply M0 YoY	Oct	--	--	11.50%	--
11/11/2024 11/15	CH	New Yuan Loans CNY YTD	Oct	16720.3b	--	16020.0b	16020.3b
11/11/2024 11/18	CH	FDI YTD YoY CNY	Oct	--	--	-30.40%	--
11/11/2024 11:00	ID	Consumer Confidence Index	Oct	--	--	123.5	--
11/11/2024 13:00	JN	Eco Watchers Survey Current SA	Oct	47.2	--	47.8	--
11/11/2024 13:00	JN	Eco Watchers Survey Outlook SA	Oct	49.2	--	49.7	--

Source: Bloomberg

## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyionq1@ocbc.com](mailto:shuyionq1@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

This publication is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W