

Daily Treasury Outlook

12 June 2024

Highlights

Global: U.S. tech stocks advanced, driven by surging Apple shares, while U.S. Treasury yields fell ahead of today's CPI data release. Sentiment remained buoyant as the World Bank raised its global growth forecast for this year to 2.6%, up from the 2.4% projected in January 2024. This upward revision was largely due to resilient U.S. demand. The World Bank sharply increased its U.S. growth forecast from 1.6% to 2.5%, matching the 2023 growth rate, and indicated a runway for a soft landing as higher interest rates reduced inflation without significant job losses. Additionally, the World Bank raised its growth forecasts for China and India by 0.4% and 0.2%, respectively, while lowering Japan's growth outlook by 0.2% to 0.7% due to weak consumption and slowing exports. The ECB's chief economist stated yesterday that in an uncertain world, a prudent approach involves a bit of waiting. He emphasized that the ECB should restrain economic growth given the persistent inflationary pressures, reiterating the ECB's non-commitment to the timing of the next rate cut.

Market Watch: Today, before the release of U.S. May CPI data and the FOMC decision, the market will first monitor China's May inflation data during Asian trading hours. This data may support additional policy measures for China to combat deflation. Additionally, the Bank of Thailand is expected to keep its interest rate unchanged.

Oil: WTI and Brent rose by 0.2% and 0.4% on Tuesday to close marginally higher at USD77.9/bbl and USD81.9/bbl respectively. Prices held on to Monday's gains as OPEC maintains its relatively strong global oil demand growth forecast of 2.2mbpd for 2024, while the US Energy Information Administration raised its 2024 global oil demand growth forecast to 1.1mbpd (previous: 0.9mbpd). On a separate reading, the American Petroleum Institute (API) reported a drawdown of 2.4mn bbls in US crude inventories for the week ending 7 June. The Energy Information Administration (EIA) will release its oil inventories tonight (12 June), with consensus expecting a drawdown of 0.9mn bbls in US crude inventories. We expect the bullish API report to keep oil prices supported during early Asian trading hours.

Key Market Movements

Equity	Value	% chg
S&P 500	5375.3	0.3%
DJIA	38747	-0.3%
Nikkei 225	39135	0.2%
SH Comp	3028.0	-0.8%
STI	3309.2	-0.4%
Hang Seng	18176	-1.0%
KLCI	1611.5	-0.2%
	Value	% chg
DXY	105.230	0.1%
USDJPY	157.13	0.1%
EURUSD	1.0741	-0.2%
GBPUSD	1.2740	0.1%
USDIDR	16290	0.1%
USDSGD	1.353	0.0%
SGDMYR	3.4876	0.0%
	Value	chg (bp)
2Y UST	4.83	-4.64
10Y UST	4.40	-6.30
2Y SGS	3.39	-0.70
10Y SGS	3.29	-0.83
3M SORA	3.67	-0.06
3M SOFR	5.35	0.01
	Value	% chg
Brent	81.92	0.4%
WTI	77.9	0.2%
Gold	2317	0.3%
Silver	29.28	-1.6%
Palladium	891	-2.2%
Copper	9759	-1.4%
BCOM	102.71	0.3%

Source: Bloomberg

Major Markets

ID: Bank Indonesia's retail sales survey estimates a 4.7% YoY growth in May 2024, a significant increase from the 2.7% contraction in the previous month. The higher sales expectation is expected to come from increased sales in the 'clothing,' 'food, beverages & tobacco,' as well as 'spare parts and accessories' goods. According to the same survey, respondents anticipate higher price pressures over the next three months (July) and six months (October).

MY: Wholesale and retail trade sales value growth accelerated to 6.6% YoY (MYR144.9bn) in April from 5.2% in March. The uptick in April was supported by notable growth improvement in motor vehicle sales (18.1% YoY from 3.2% in March) and wholesale trade (4.8% from 4.0%), which offset the slight easing in retail sales growth (5.5% from 7.1%). In other data releases, the Department of Statistics (DOSM) noted that the number of unemployed persons was lower by 566k in April, with the unemployment rate steady at 3.3% for the sixth consecutive month.

PH: April exports accelerated to 26.6% YoY versus -7.3% in March. Similarly, April imports increased by 12.6% YoY (March: -17.7%). Consequently, the trade deficit widened to USD4.8bn versus USD3.4bn in March. Export growth started 2Q24 on a strong note, bringing the Jan-April export growth to 9.6% YoY versus -7.6% in 2023. 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.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short and belly tenors trading 2bps lower and 10Y trading 1bps lower. According to Bloomberg, the decline in home prices in Hong Kong is approaching its fifth consecutive year, marking the longest period of decline since the SARS crisis over twenty years ago. China Evergrande New Energy Vehicle Group Limited (“Evergrande NEV”, a subsidiary of the defaulted China Evergrande Group) has disclosed in an exchange filing that certain Chinese local government agencies have instructed its undisclosed subsidiaries to repay approximately RMB1.9bn of incentives and subsidies within a 15-day period. These unidentified local government agencies have also decided to terminate three agreements with Evergrande NEV subsidiaries. As a result, Evergrande NEV is at risk of losing land rights for certain plants, while some buildings and equipment will be utilized for repaying the incentives. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 78bps while Asia USD High Yield spreads widened by 6bps to 494bps. (Bloomberg, OCBC)

New Issues:

There was one notable bond issuer in the Asiadollar market recently.

- Last Friday, Kunming Anju Group Co. Ltd. priced a USD100mn 1.5Y bond at 8%.

There was one notable bond issuer in the Singdollar market yesterday.

- Manulife Financial Corp. priced a SGD500mn 10NC5 Tier 2 at 4.275%.

Mandates: There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.230	0.08%	USD-SGD	1.3530	0.03%
USD-JPY	157.130	0.06%	EUR-SGD	1.4532	-0.20%
EUR-USD	1.074	-0.22%	JPY-SGD	0.8611	-0.01%
AUD-USD	0.661	-0.06%	GBP-SGD	1.7238	0.10%
GBP-USD	1.274	0.07%	AUD-SGD	0.8939	-0.02%
USD-MYR	4.719	-0.08%	NZD-SGD	0.8313	0.29%
USD-CNY	7.254	0.09%	CHF-SGD	1.5073	-0.09%
USD-IDR	16290	0.06%	SGD-MYR	3.4876	-0.04%
USD-VND	25443	0.08%	SGD-CNY	5.3618	0.08%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6540	-0.68%	1M	5.3310	-0.01%
3M	3.7430	-0.43%	2M	5.3371	-0.03%
6M	3.7480	0.35%	3M	5.3453	0.00%
12M	3.7250	0.65%	6M	5.3053	-0.02%
			1Y	5.1397	-0.06%

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	-0.582	-0.146	5.185
11/07/2024	-0.873	-0.218	5.113
12/18/2024	-1.566	-0.392	4.939
01/29/2025	-1.983	-0.496	4.835

Equity and Commodity

Index	Value	Net change
DJIA	38,747.42	-120.62
S&P	5,375.32	14.53
Nasdaq	17,343.55	151.02
Nikkei 225	39,134.79	96.63
STI	3,309.21	-12.87
KLCI	1,611.49	-2.88
JCI	6,855.69	-65.86
Baltic Dry	1,831.00	-52.00
VIX	12.85	0.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (-0.01)	4.84(--)
5Y	3.25 (-0.01)	4.42 (-0.06)
10Y	3.29 (-0.01)	4.41 (-0.06)
15Y	3.29 (-0.01)	--
20Y	3.23 (-0.01)	--
30Y	3.18 (-0.01)	4.54 (-0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.90	0.21%	Com (per bushel)	4.495	-0.5%
Brent (per barrel)	81.92	0.36%	Soybean (per bushel)	11.780	-0.9%
Heating Oil (per gallon)	242.13	0.27%	Wheat (per bushel)	6.265	3.1%
Gasoline (per gallon)	240.89	-0.08%	Crude Palm Oil (MYR/MT)	39.310	0.0%
Natural Gas (per MMBtu)	3.13	7.67%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9759.00	-1.41%	Gold (per oz)	2317.0	0.3%
Nickel (per mt)	17818.00	-0.41%	Silver (per oz)	29.3	-1.6%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/12/2024 06:15	CH	Money Supply M2 YoY	May	7.10%	--	7.20%	--
06/12/2024 07:00	SK	Unemployment rate SA	May	2.80%	2.80%	2.80%	--
06/12/2024 07:50	JN	PPI YoY	May	2.00%	2.40%	0.90%	1.10%
06/12/2024 09:30	CH	CPI YoY	May	0.40%	--	0.30%	--
06/12/2024 09:30	CH	PPI YoY	May	-1.50%	--	-2.50%	--
06/12/2024 14:00	GE	CPI YoY	May F	2.40%	--	2.40%	--
06/12/2024 14:00	UK	Industrial Production MoM	Apr	-0.10%	--	0.20%	--
06/12/2024 14:00	GE	CPI MoM	May F	0.10%	--	0.10%	--
06/12/2024 14:00	UK	Manufacturing Production MoM	Apr	-0.20%	--	0.30%	--
06/12/2024 14:00	GE	CPI EU Harmonized YoY	May F	2.80%	--	2.80%	--
06/12/2024 15:00	TH	BoT Benchmark Interest Rate	Jun-12	2.50%	--	2.50%	--
06/12/2024 19:00	US	MBA Mortgage Applications	Jun-07	--	--	-5.20%	--
06/12/2024 20:00	IN	Industrial Production YoY	Apr	4.50%	--	4.90%	--
06/12/2024 20:00	IN	CPI YoY	May	4.85%	--	4.83%	--
06/12/2024 20:30	US	CPI MoM	May	0.10%	--	0.30%	--
06/12/2024 20:30	US	CPI YoY	May	3.40%	--	3.40%	--

Source: Bloomberg

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