

## Daily Treasury Outlook

12 July 2024

### Highlights

**Global:** US stock indices closed mixed on Thursday, with the S&P 500 down 0.9%, the Nasdaq down 1.9%, and the Dow up 0.1%. Meanwhile, US Treasury yields were broadly lower, with the 2-year and 10-year yields falling to around 4.5% and 4.2% respectively. These movements followed the release of cooler-than-expected US CPI data for June, which supports the disinflation narrative in the US. Specifically, headline CPI eased to 3.0% YoY in June versus 3.3% in May, lower than the consensus of 3.1%. Excluding food and energy components, core CPI was at 3.3% YoY, below last month's reading and forecasts of 3.4%. On a monthly basis, headline CPI was -0.1%, the first negative reading since 2020. Austan Goolsbee, President of the Federal Reserve Bank of Chicago, described the data as "excellent" and stated that the figures provided the evidence he has been waiting for to be confident that the central bank is on a path to achieve its 2% inflation goal. The futures market has now priced in a 61bp cut by year-end, compared to a ~50bp cut on Wednesday.

**Market Watch:** Data releases today include Singapore's 2Q24 advance GDP estimates which grew by 2.9% YoY versus an upwardly revised 3.0% in 1Q24. Other data releases include Malaysia's May IP, India's June CPI and May IP and US June PPI.

**SG:** 2Q24 advance GDP estimates grew by 2.9% YoY versus an upwardly revised 3.0% in 1Q24. Goods producing industries grew 1.3% YoY, reversing the 0.7% YoY contraction in the previous quarter. Manufacturing grew 0.5% YoY versus -1.7% YoY in 1Q24, while construction grew 4.3% YoY, extending 4.1% YoY growth in 1Q24. Services grew 3.3% YoY, moderating from 4.3% in 1Q24.

**Oil:** Crude oil benchmarks rose for a second consecutive day. WTI and Brent closed higher by 0.6% and 0.4% on Thursday to USD82.6/bbl and USD85.4/bbl, respectively. The mood in the oil market remains supported, driven by the reported drawdown in US crude oil and gasoline inventories (for the week ending 5 July). Additionally, external developments, specifically weaker-than-expected US CPI data for June, provided further support for oil prices to edged higher.

### Key Market Movements

Equity	Value	% chg
S&P 500	5584.5	-0.9%
DJIA	39754	0.1%
Nikkei 225	42224	0.9%
SH Comp	2970.4	1.1%
STI	3475.1	0.4%
Hang Seng	17832	2.1%
KLCI	1623.1	0.3%
	Value	% chg
DXY	104.440	-0.6%
USDJPY	158.84	-1.8%
EURUSD	1.0868	0.4%
GBPUSD	1.2915	0.5%
USDIDR	16195	-0.3%
USDSGD	1.3428	-0.5%
SGDMYR	3.4789	-0.1%
	Value	chg (bp)
2Y UST	4.51	-10.70
10Y UST	4.21	-7.40
2Y SGS	3.32	0.30
10Y SGS	3.19	0.46
3M SORA	3.63	0.09
3M SOFR	5.35	0.03
	Value	% chg
Brent	85.4	0.4%
WTI	82.62	0.6%
Gold	2415	1.9%
Silver	31.46	2.1%
Palladium	996	0.4%
Copper	9787	-1.2%
BCOM	100.76	0.3%

Source: Bloomberg

## Major Markets

**CN:** The equity market ended higher on Thursday, buoyed by positive news such as the suspension of securities lending transactions. On July 10, the China Securities Regulatory Commission (CSRC) approved China Securities Finance Corporation's application to suspend securities lending transactions, effective from July 11, 2024. Additionally, the stock exchanges raised the minimum margin requirement for securities lending from no less than 80% to 100%, and for private equity funds participating in securities lending, the margin requirement was increased from no less than 100% to 120%. The CSRC has further strengthened counter-cyclical adjustments. The suspension of securities lending and the tightening of margin requirements aim to respond positively to investor demands and align with market conditions to maintain market stability.

**ID:** Wholesale car sales rose to 72,936 units (-11.8% YoY) in June from 71,306 units (-11.8%) in May, according to data from the Association of Indonesia Automotive Industries (Gaikindo). June sales bring the 1H24 wholesale car sales to 408,012 units, still reflecting a 19.4% YoY contraction. Gaikindo targets 1.1mn units of car sales in 2024, up from 1.0mn sales in 2023.

**MY:** BNM kept its policy rate unchanged at 3.00%, in line with expectations. BNM's tone remained sanguine around global growth prospects, with its assessment of the Malaysian economy broadly similar to its previous meeting on 9 May. Specifically, BNM expects that domestic GDP growth will be supported by exports (electronics and non-electronics), tourism, household consumption and investment spending. On inflation, BNM deemed higher inflation in 2H24 to be "manageable" following upward adjustments to retail diesel prices, in line with our expectations. Looking ahead, we maintain our forecast for BNM to keep its policy rate unchanged for the rest of 2024.

**TH:** The consumer confidence index (CCI) fell for the fourth consecutive month to 58.9 in June from 60.5 in May. The decline in CCI was broad-based across the sub-indices of 'economic situation' (52.6 versus 54.3 in May), 'income' (67.9 versus 69.8 in May), and 'job' (56.1 versus 57.6 in May). The decline was due to concerns of slowing economic growth and political uncertainty, according to University of the Thai Chamber of Commerce (UTCC).

**PH:** President Ferdinand Marcos Jr. has appointed veteran banker Walter Wassmer as a member of Bangko Sentral ng Pilipinas Monetary Board (MB). Prior to his appointment, he was a Consultant and Non-Executive Director of BDO Unibank, Inc. Mr Wassmer will fill one of the two vacancies of the MB following the resignations of Bruce Tolentino and Anita Linda Aquino from the MB.

## ESG Updates

**CN:** China's industry ministry issued draft rules on tightening investment regulations for solar photovoltaic (PV) manufacturing projects in efforts to tackle overcapacity. Projects will need to have a minimum capital ratio of 30% under the new rules. Previously, that minimum applied to polysilicon manufacturing projects while the minimum for other PV projects was 20%. The regulations also lay out minimum efficiency levels for different types of solar panel technologies. This aims to limit further expansion of manufacturing capacity and accelerate sector consolidation to reduce overcapacity.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded mostly flat yesterday, with short tenors trading ~1bps lower while belly tenors and 10Y traded flat. Logan Group Co Ltd, a Chinese developer, has stated that it is actively engaged in negotiations with its offshore creditors, with the aim of achieving a comprehensive management of its offshore debts. The company also mentioned that adjustments to payment arrangements for the principal and interest of 21 onshore corporate bonds and asset-backed securities issued by its Shenzhen unit have been approved through voting at the bondholders' meeting. Moreover, over 92% of the total outstanding principal amount of the existing notes have already agreed to the creditor support agreement. Bloomberg Asia USD Investment Grade spreads widened by 2bps to 83bps while Bloomberg Asia USD High Yield spreads widened by 8bps to 501bps. (Bloomberg, OCBC)

### New Issues:

There were two notable issuances in the Asiadollar market yesterday.

- Bayfront Infrastructure Management Pte Ltd priced four bonds, a USD208.7mn FRN at T+140bps, a USD145mn FRN at T+137.5bps, a USD76.8mn FRN at T+180bps, and a USD32mn FRN at T+350bps.
- First Abu Dhabi Bank PJSC priced a USD800mn 5Y Green Formosa FRN at SOFR+105bps.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Mirae Asset Securities Co. is planning to issue a USD Reg S only senior unsecured bond with a 3- or 3.5Y Tenor.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.440	-0.58%	USD-SGD	1.3428	-0.45%
USD-JPY	158.840	-1.76%	EUR-SGD	1.4594	-0.10%
EUR-USD	1.087	0.35%	JPY-SGD	0.8454	1.34%
AUD-USD	0.676	0.18%	GBP-SGD	1.7344	0.07%
GBP-USD	1.292	0.51%	AUD-SGD	0.9077	-0.25%
USD-MYR	4.688	-0.26%	NZD-SGD	0.8185	-0.22%
USD-CNY	7.258	-0.25%	CHF-SGD	1.4978	-0.11%
USD-IDR	16195	-0.28%	SGD-MYR	3.4789	-0.12%
USD-VND	25427	0.03%	SGD-CNY	5.4042	0.21%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5980	-0.47%	1M	5.3255	-0.02%
3M	3.7040	-0.11%	2M	5.3358	0.01%
6M	3.6830	0.41%	3M	5.2815	-0.04%
12M	3.6020	0.25%	6M	5.1485	-0.10%
			1Y	4.8465	-0.11%

## 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	-0.085	-0.021	5.307
09/18/2024	-0.995	-0.249	5.080
11/07/2024	-1.605	-0.401	4.927
12/18/2024	-2.452	-0.613	4.716
01/29/2025	-3.135	-0.784	4.545

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.62	0.63%	Corn (per bushel)	4.068	0.9%
Brent (per barrel)	85.40	0.38%	Soybean (per bushel)	11.428	0.1%
Heating Oil (per gallon)	251.82	-0.01%	Wheat (per bushel)	5.543	2.0%
Gasoline (per gallon)	251.78	0.58%	Crude Palm Oil (MYR/MT)	40.050	0.2%
Natural Gas (per MMBtu)	2.27	-2.62%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9786.50	-1.20%	Gold (per oz)	2415.5	1.9%
Nickel (per mt)	16809.00	-0.49%	Silver (per oz)	31.5	2.1%

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

## Equity and Commodity

Index	Value	Net change
DJIA	39,753.75	32.39
S&P	5,584.54	-49.37
Nasdaq	18,283.41	-364.04
Nikkei 225	42,224.02	392.03
STI	3,475.06	15.13
KLCI	1,623.12	4.74
JCI	7,300.41	13.36
Baltic Dry	1,939.00	45.00
VIX	12.92	0.07

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (--)	4.51(--)
5Y	3.19 (--)	4.14 (-0.09)
10Y	3.19 (--)	4.21 (-0.07)
15Y	3.21 (--)	--
20Y	3.13 (+0.01)	--
30Y	3.06 (--)	4.42 (-0.06)

## 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
07/12/2024	CH	Trade Balance	Jun	\$85.30b	--	\$82.62b	--
07/12/2024	CH	Exports YoY	Jun	8.00%	--	7.60%	--
07/12/2024	PH	Money Supply M3 SRF YoY	May	--	--	5.60%	--
07/12/2024	CH	Imports YoY	Jun	2.50%	--	1.80%	--
07/12/2024 02:00	US	Monthly Budget Statement	Jun	-\$76.1b	-\$66.0b	-\$347.1b	--
07/12/2024 06:30	NZ	BusinessNZ Manufacturing PMI	Jun	--	41.1	47.2	46.6
07/12/2024 07:15	CH	Money Supply M2 YoY	Jun	6.80%	--	7.00%	--
07/12/2024 08:00	SI	GDP YoY	2Q A	2.70%	--	2.70%	--
07/12/2024 12:30	JN	Industrial Production MoM	May F	--	--	2.80%	--
07/12/2024 14:00	GE	Wholesale Price Index MoM	Jun	--	--	0.10%	--
07/12/2024 14:00	GE	Wholesale Price Index YoY	Jun	--	--	-0.70%	--
07/12/2024 15:30	TH	Gross International Reserves	Jul-05	--	--	\$224.3b	--
07/12/2024 20:00	IN	Industrial Production YoY	May	4.90%	--	5.00%	--
07/12/2024 20:00	IN	CPI YoY	Jun	4.80%	--	4.75%	--
07/12/2024 20:30	US	PPI Final Demand MoM	Jun	0.10%	--	-0.20%	--
07/12/2024 22:00	US	U. of Mich. Sentiment	Jul P	68.5	--	68.2	--

Source: Bloomberg

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