

Daily Treasury Outlook

12 November 2024

Highlights

Global: The US bond market was closed for the Veterans Day holiday, while data calendar had generally been light. Despite the holiday thinned trading, Trump trades continued to be well bid after his election victory. All three major US stock indexes refreshed new highs in early trading, before seeing some pullback for the S&P 500 and Nasdaq. The Dow closed 0.7% higher, while the S&P 500 and Nasdaq barely held on to a gain of 0.1%. Dollar rallied to post-election highs, while bitcoin breached above USD89,000, refreshing another record high. Both gold and crude prices fell notably, with the former dropping below its 50DMA. The LDP's Shigeru Ishiba stays on as the Japanese Prime Minister after winning a parliament vote despite the LDP losing its majority in parliament, putting some political uncertainties to rest.

Market Watch: Asian markets may open with a cautiously optimistic tone. Tuesday's Asian calendar comprises Japan's October NAB business confidence as well as India's October CPI and September industrial output. Australia's Westpac consumer confidence jumped by 5.3% to 94.6, the highest since April 2022, but remained below historical average. Later, the market will watch UK's September labour market and wage data, Germany's November ZEW survey, and US' NFIB small business optimism. ECB's Holzmann, Centeno and Rehn are expected to speak today, as will the BoE's Pill. Later tonight, Fed Waller and Barkin will also give speeches.

CN: China's aggregate social financing increased by CNY1.396trn in October, aligning with expectations. The growth rate of outstanding aggregate social financing slowed to 7.8% YoY, down from 8% YoY in September, partially due to base effects from the issuance of special government bonds last October.

The October credit data reveals three key insights. First, corporate sector appetite for leverage remains subdued. New yuan loans rose by CNY500bn, CNY238bn less than the same period last year, with a large portion driven by bill financing. The record-low bill discount rate in October reflects relatively weak loan demand. Despite improved sentiment, the transition from loose monetary policy to broad credit expansion will require additional time.

Second, medium- to long-term loans to the household sector increased by CNY110bn, CNY39.3bn higher than in the same period last year, signalling signs of recovery in property transactions.

Third, M1 growth contraction narrowed to 6.1% from 7.4%, and the gap between M2 and M1 growth also decreased. As recent policy measures take effect, the real economy has shown increased vitality, with both corporate and household investment and consumption willingness on the rise. Additionally, growing risk appetite among stock investors has prompted some to shift funds from fixed to demand deposits, supporting M1 growth.

Key Market Movements

Equity	Value	% chg
S&P 500	6001.4	0.1%
DJIA	44293	0.7%
Nikkei 225	39533	0.1%
SH Comp	3470.1	0.5%
STI	3739.5	0.4%
Hang Seng	20427	-1.5%
KLCI	1609.3	-0.7%
	Value	% chg
DXY	105.543	0.5%
USDJPY	153.72	0.7%
EURUSD	1.0655	-0.6%
GBPUSD	1.2868	-0.4%
USDIDR	15680	0.1%
USDSGD	1.3339	0.6%
SGDMYR	3.3138	-0.1%
	Value	chg (bp)
2Y UST	4.25	0.00
10Y UST	4.30	0.00
2Y SGS	2.77	1.70
10Y SGS	2.84	0.08
3M SORA	3.32	-1.62
3M SOFR	5.09	0.00
	Value	% chg
Brent	71.83	-2.8%
WTI	68.04	-3.3%
Gold	2619	-2.5%
Silver	30.68	-2.0%
Palladium	985	-0.7%
Copper	9332	-1.2%
BCOM	97.20	-1.0%

Source: Bloomberg

Oil: Crude oil benchmarks extended their losses for the second consecutive session, with WTI and Brent declining by 3.3% and 2.8%, respectively, closing at USD68.0/bbl and USD71.8/bbl. A stronger DXY profile and concerns over Chinese demand were the primary drivers of lower oil prices.

Major Markets

ID: The Consumer Confidence Index (CCI) fell for a second consecutive month to 121.1 in October (September: 123.5). The weakness was seen in both the 'Economic Condition' (109.9 versus 113.9) and 'Consumer Expectations' (132.4 versus 133.1) categories. Within these categories, consumers are less optimistic about current and future employment opportunities.

MY: The Malaysian government is considering raising the price ceiling of local white rice to address shortages in the market according to Agriculture and Food Security Minister Datuk Seri Mohamad Sabu. A detailed study is underway and will be discussed by the Cabinet Committee on National Food Security Policy. This study aims "to ensure stable rice prices nationwide and to help increase rice farmers' income fairly".

PH: President Ferdinand Marcos Jr. signed into law the Corporate Recovery and Tax Incentives for Enterprises to Maximise Opportunities for Reinvigorating the Economy (CREATE MORE Act). The CREATE MORE Act reduces the corporate income tax rate for registered businesses enterprises (RBEs) under the enhanced deductions regime to 20% (previous: 25%). Additionally, the CREATE MORE Act grants a 100% additional deduction on power expenses to cut the costs for the manufacturing sector and extends the maximum duration of tax incentives by another ten years to 27 years (previous: 17 years). Although the revenue loss will be PHP5.9bn from 2025 to 2028 (i.e., 0.004% of projected GDP of the same period), the government, however, expects higher FDI inflows in the coming years.

ESG Updates

CN: China and Indonesia have agreed to strengthen cooperation in key sectors, including lithium batteries, new-energy vehicles, green energy and tourism. Both nations also plan to collaborate more closely in the mining sector and strengthen partnership on the global energy transition. They have signed deals worth USD10bn at the Indonesia-China Business Forum to accelerate collaboration in these areas.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 3-4bps higher, belly tenors trading 0-1bps higher and 10Y trading 1bps lower. The strong demand for Additional Tier 1 (AT1) bonds is enabling banks to incorporate clauses that provide them with greater flexibility regarding the timing and method of redeeming this high-risk debt. According to Bloomberg data, over 40% of European AT1 bonds issued this year include so-called clean-up call options. China's local corporate bond defaults have risen to RMB15bn (USD2.1bn) this year, encompassing 17 public and 2 private offerings, according to data from Bloomberg. Meanwhile, offshore defaults have remained steady at USD17bn, involving 28 bonds denominated in USD and 2 notes denominated in HKD. Bloomberg Asia USD Investment Grade spreads remained flat at 71bps while Bloomberg Asia USD High Yield spreads also remained flat at 431bps as bond markets were closed in the US due to Veterans Day. (Bloomberg, OCBC)

New Issues:

There was no notable issuance in the Asiadollar market yesterday.

There were two notable issuances in the Singdollar market yesterday.

- Singapore Medical Group Ltd (guarantor: Credit Guarantee & Investment Facility) priced a SGD90mn 5Y Fixed at 3.54%
- Australia and New Zealand Banking Group Limited priced a SGD600mn Tier 2, 10NC5 at 3.75%.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.543	0.52%	USD-SGD	1.3339	0.63%
USD-JPY	153.720	0.71%	EUR-SGD	1.4213	0.02%
EUR-USD	1.066	-0.59%	JPY-SGD	0.8677	-0.08%
AUD-USD	0.658	-0.12%	GBP-SGD	1.7165	0.25%
GBP-USD	1.287	-0.41%	AUD-SGD	0.8770	0.48%
USD-MYR	4.411	0.64%	NZD-SGD	0.7955	0.56%
USD-CNY	7.215	0.43%	CHF-SGD	1.5142	0.04%
USD-IDR	15680	0.06%	SGD-MYR	3.3138	-0.10%
USD-VND	25311	0.10%	SGD-CNY	5.4066	0.04%

Equity and Commodity

Index	Value	Net change
DJIA	44,293.13	304.14
S&P	6,001.35	5.81
Nasdaq	19,298.76	11.98
Nikkei 225	39,533.32	32.95
STI	3,739.47	15.10
KLCI	1,609.26	-11.98
JCI	7,266.46	-20.73
Baltic Dry	1,495.00	44.00
VIX	14.97	0.03

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.0870	-0.26%	1M	4.6040	0.04%
3M	3.0320	0.00%	2M	4.5569	-0.07%
6M	2.8220	-1.26%	3M	4.5176	-0.20%
12M	2.5340	-1.13%	6M	4.4262	-0.21%
			1Y	4.2792	-0.16%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.77 (+0.02)	4.27(--)
5Y	2.73 (--)	4.19(--)
10Y	2.84 (--)	4.32(--)
15Y	2.88 (-0.01)	--
20Y	2.85 (--)	--
30Y	2.78 (--)	4.47(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/18/2024	-0.688	-0.172	4.408
01/29/2025	-1.008	-0.252	4.328
03/19/2025	-1.573	-0.393	4.186
05/07/2025	-1.853	-0.463	4.116
06/18/2025	-2.321	-0.580	3.999
07/30/2025	-2.538	-0.635	3.945

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.82
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.04	-3.32%	Corn (per bushel)	4.300	-0.2%
Brent (per barrel)	71.83	-2.76%	Soybean (per bushel)	10.118	-0.5%
Heating Oil (per gallon)	219.76	-1.84%	Wheat (per bushel)	5.655	-1.2%
Gasoline (per gallon)	195.70	-2.76%	Crude Palm Oil (MYR/MT)	52.700	2.1%
Natural Gas (per MMBtu)	2.92	9.40%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9331.50	-1.19%	Gold (per oz)	2618.8	-2.5%
Nickel (per mt)	16108.00	-1.76%	Silver (per oz)	30.7	-2.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
11/12/2024 07:30	AU	Westpac Consumer Conf SA MoM	Nov	--	5.30%	6.20%	--
11/12/2024 07:50	JN	Money Stock M2 YoY	Oct	--	1.20%	1.30%	1.20%
11/12/2024 07:50	JN	Money Stock M3 YoY	Oct	--	0.70%	0.80%	0.70%
11/12/2024 11/13	VN	Domestic Vehicle Sales YoY	Oct	--	--	33.50%	--
11/12/2024 15:00	GE	CPI YoY	Oct F	2.00%	--	2.00%	--
11/12/2024 15:00	UK	Jobless Claims Change	Oct	--	--	27.9k	--
11/12/2024 15:00	GE	CPI MoM	Oct F	0.40%	--	0.40%	--
11/12/2024 15:00	UK	Payrolled Employees Monthly Change	Oct	-20k	--	-15k	--
11/12/2024 15:00	UK	ILO Unemployment Rate 3Mths	Sep	4.10%	--	4.00%	--
11/12/2024 15:00	UK	Claimant Count Rate	Oct	--	--	4.70%	--
11/12/2024 15:00	GE	CPI EU Harmonized YoY	Oct F	2.40%	--	2.40%	--
11/12/2024 15:00	GE	CPI EU Harmonized MoM	Oct F	0.40%	--	0.40%	--
11/12/2024 18:00	GE	ZEW Survey Expectations	Nov	13.2	--	13.1	--
11/12/2024 18:00	GE	ZEW Survey Current Situation	Nov	-85	--	-86.9	--
11/12/2024 18:30	IN	Industrial Production YoY	Sep	2.50%	--	-0.10%	--
11/12/2024 18:30	IN	CPI YoY	Oct	5.90%	--	5.49%	--

Source: Bloomberg

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