

## Daily Treasury Outlook

13 June 2024

### Highlights

**Global:** On Wednesday, US stocks generally closed higher (Dow: -0.1%; S&P: +0.9%; Nasdaq: +1.5%) following softer-than-expected US CPI data. However, the Fed's revision of its rate cut to 1 cut for 2024 (versus 3 cuts in previous projection) might have dampen some of the mood. Meanwhile, the DXY and treasury yields closed lower from their previous close, with the UST 2Y and UST 10Y yields closed at 4.75% and 4.32% respectively. Policymakers on the FOMC voted unanimously to maintain the fed funds rate in a target range of 5.25% to 5.5%. In the latest summary of economic projections, the FOMC has now pencilled in one rate cut for 2024 (versus 3 cuts in previous projection), and four rate cuts in 2025 (versus 3 cuts in previous projection). This is on the assumption of quarter percentage point increments. In its press release, the Fed's acknowledged that "inflation has eased over the past year but remains elevated". They also noted that "in recent months, there has been modest further progress towards the Committee's 2% inflation objection." The median core PCE inflation projections for 2024 and 2025 have been revised higher to 2.8% and 2.3% respectively (previous: 2.6% and 2.2%) before returning to 2% target in 2026, while the projections for GDP growth remained largely unchanged. On the unemployment rate, the projection for 2024 remained unchanged, but there was an upward revision for 2025 and 2026 to 4.2% and 4.1% respectively (previous: 4.1% and 4.0%). On other economic data, US CPI remained unchanged, at 0% MoM in May. On a year-on-year basis, CPI eased to 3.3% from 3.4% in April. Excluding food and energy, core CPI rose less-than-expected at 0.2% MoM (3.4% YoY versus 3.6). The softer than expected CPI prints are encouraging to the overall inflation picture.

**Market Watch:** Asian markets will likely start on a brighter tone today. Today's economic calendar comprises US PPI data, jobless claims and continuing claims.

**Oil:** WTI and Brent rose by ~0.8% on Wednesday to close higher at USD78.5/bbl and USD82.6/bbl respectively. Prices edged higher due to risk-on sentiment (driven by softer-than-expected US CPI data). However, gains were limited by the reported buildup in US crude oil and gasoline inventories. The Energy Information Administration (EIA) reported that US crude and gasoline inventories rose by 3.7mn bbls and 2.6mn bbls to 459.7mn bbls and 233.5 mn bbls, respectively, for the week ending 7 June.

### Key Market Movements

Equity	Value	% chg
S&P 500	5421.0	0.9%
DJIA	38712	-0.1%
Nikkei 225	38877	-0.7%
SH Comp	3037.5	0.3%
STI	3307.4	-0.1%
Hang Seng	17938	-1.3%
KLCI	1609.0	-0.2%
	<b>Value</b>	<b>% chg</b>
DXY	104.645	-0.6%
USDJPY	156.72	-0.3%
EURUSD	1.0809	0.6%
GBPUSD	1.2798	0.5%
USIDR	16295	0.0%
USDSGD	1.3472	-0.4%
SGDMYR	3.4887	0.0%
	<b>Value</b>	<b>chg (bp)</b>
2Y UST	4.75	-8.22
10Y UST	4.32	-8.80
2Y SGS	3.39	-0.70
10Y SGS	3.27	-1.43
3M SORA	3.67	0.04
3M SOFR	5.35	0.01
	<b>Value</b>	<b>% chg</b>
Brent	82.6	0.8%
WTI	78.5	0.8%
Gold	2325	0.3%
Silver	29.73	1.5%
Palladium	907	1.8%
Copper	9945	1.9%
BCOM	103.33	0.6%

Source: Bloomberg

## Major Markets

**CN:** CPI rose by 0.3% YoY in May, unchanged from April's reading. On sequential basis, CPI fell by 0.1% MoM due to a weaker-than-expected decline in non-food items. Food prices stabilized in May after contracting for two consecutive months, influenced by a rebound in pork prices due to reduced pig production capacity. Non-food and core CPI both decreased by 0.2% MoM, underperforming compared to the previous month. Looking ahead, given that pork prices continued to rise in the first half of June, this may help counteract the unfavourable base effect with food prices tending to fall sequentially in June. We expect June CPI to accelerate slightly to around 0.5% YoY. On a positive note, PPI rose by 0.2% MoM in May, marking the first sequential increase in seven months. Consequently, the YoY contraction of PPI in May narrowed sharply to 1.4% from April's 2.5%. The MoM increase in PPI was primarily driven by rising upstream raw material prices, particularly in the non-ferrous metal industry chain (influenced by increases in international non-ferrous metal prices). However, price transmission from upstream to downstream in the PPI remained weak, suggesting that the rise in commodity prices is mainly reflected in increased cost pressures for midstream and downstream industries. There is still considerable room for the current price upcycle. The MoM rate of increase will depend on demand-side drivers, with the real estate industry chain being the most elastic part of the short-term demand side.

**ID:** Wholesale car sales rose to 71,263 units (-13.3% YoY) in May from 48,637 units (-17.5%) in April, according to data from the Association of Indonesia Automotive Industries (Gaikindo). May sales bring the year-to-May wholesale car sales to 334,969 units, still reflecting a 21% YoY contraction. Gaikindo targets 1.1mn units of car sales in 2024, up from 1.0mn sales in 2023.

**MY:** The Employees Provident Fund (EPF) recorded 107,105 new member registrations in 1Q24, bringing the total membership to 16.1mn. Out of this, 8.6mn were active members, representing 50% of Malaysia's labour force. Additionally, there was a significant increase in new employer registrations, with 20,080 registered during the period, bringing the total number of employers registered with the EPF to 608,433. Total contributions received also rose to MYR29.1bn in 1Q24 from MYR25.8bn in 1Q23. Furthermore, the EPF's overall investment assets reached RM1.1tn as of March 2024, with overseas investments accounting for 38% of the total assets.

**TH:** The Bank of Thailand (BOT) maintained its policy rate at 2.50%, as anticipated. The MPC voted 6-1 in favour of the decision. There was a more hawkish shift in the MPC votes as two members had voted for a 25bp cut at its 10 April meeting. BOT made no changes to their growth or inflation forecasts, implying that the incoming data were broadly in line with its expectations. As such, we maintain our forecast for the BOT to keep its policy rate unchanged at 2.50% for the rest of the year.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 0-1bps lower, belly tenors trading 1-2bps lower and 10Y trading 3bps lower. Dexin China Holdings Co. (“Dexin”), a Zhejiang-based developer concentrated on developing homes and commercial buildings in China’s relatively wealthy Yangtze River Delta region, has been instructed by the Hong Kong court to wind up, three months after a petition was submitted by China Construction Bank (Asia) and a year and a half after it defaulted. China’s State Council asked officials to keep an open mind to reduce housing inventory, which may be a signal that more measures would be introduced to support the market. Spreads in general continue to retrace from multi-year lows, with Bloomberg Asia USD Investment Grade spreads widening by 2bps to 80bps while Asia USD High Yield spreads widened by 6bps to 500bps. (Bloomberg, OCBC)

### **New Issues:**

In the Asiadollar credit market yesterday, YI Bright International Ltd (Guarantor: Linyi City Construction Investment Group Co Ltd) priced a USD300mn 3Y bond at 6.68%.

Meanwhile, there was no new issue in the Singdollar market yesterday.

**Mandates:** There are no Asiadollar mandates for today.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.645	-0.56%	USD-SGD	1.3472	-0.43%
USD-JPY	156.720	-0.26%	EUR-SGD	1.4562	0.21%
EUR-USD	1.081	0.63%	JPY-SGD	0.8596	-0.17%
AUD-USD	0.666	0.88%	GBP-SGD	1.7243	0.03%
GBP-USD	1.280	0.46%	AUD-SGD	0.8977	0.43%
USD-MYR	4.717	-0.04%	NZD-SGD	0.8332	0.23%
USD-CNY	7.241	-0.19%	CHF-SGD	1.5063	-0.07%
USD-IDR	16295	0.03%	SGD-MYR	3.4887	0.03%
USD-VND	25443	0.00%	SGD-CNY	5.3770	0.28%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6130	-1.12%	1M	5.3318	-0.01%
3M	3.7390	-0.11%	2M	5.3386	-0.03%
6M	3.7510	0.08%	3M	5.3458	-0.04%
12M	3.7280	0.08%	6M	5.2865	-0.12%
			1Y	5.0844	-0.19%

## 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	-0.080	-0.020	5.307
09/18/2024	-0.650	-0.163	5.165
11/07/2024	-1.022	-0.256	5.072
12/18/2024	-1.768	-0.442	4.885
01/29/2025	-2.270	-0.567	4.760

## Equity and Commodity

Index	Value	Net change
DJIA	38,712.21	-35.21
S&P	5,421.03	45.71
Nasdaq	17,608.44	264.89
Nikkei 225	38,876.71	-258.08
STI	3,307.44	-1.77
KLCI	1,608.95	-2.54
JCI	6,850.10	-5.59
Baltic Dry	1,831.00	-52.00
VIX	12.04	-0.81

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (-0.01)	4.75(--)
5Y	3.23 (-0.01)	4.32 (-0.1)
10Y	3.27 (-0.01)	4.31 (-0.09)
15Y	3.28 (-0.01)	--
20Y	3.22 (-0.01)	--
30Y	3.17 (-0.01)	4.47 (-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)	78.50	0.77%	Corn (per bushel)	4.543	1.1%
Brent (per barrel)	82.60	0.83%	Soybean (per bushel)	11.773	-0.1%
Heating Oil (per gallon)	244.08	0.81%	Wheat (per bushel)	6.170	-1.5%
Gasoline (per gallon)	239.44	-0.60%	Crude Palm Oil (MYR/MT)	39.620	0.8%
Natural Gas (per MMBtu)	3.05	-2.68%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9944.50	1.90%	Gold (per oz)	2325.0	0.3%
Nickel (per mt)	18061.00	1.36%	Silver (per oz)	29.7	1.5%

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

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/13/2024 02:00	US	FOMC Rate Decision (Upper Bound)	Jun-12	5.50%	5.50%	5.50%	--
06/13/2024 02:00	US	Monthly Budget Statement	May	-\$276.5b	-\$347.1b	-\$240.3b	--
06/13/2024 02:00	US	FOMC Rate Decision (Lower Bound)	Jun-12	5.25%	5.25%	5.25%	--
06/13/2024 07:01	UK	RICS House Price Balance	May	-5%	-17%	-5%	-7%
06/13/2024	TA	CBC Benchmark Interest Rate	Jun-13	2.00%	--	2.00%	--
06/13/2024 09:30	AU	Unemployment Rate	May	4.00%	--	4.10%	--
06/13/2024 09:30	AU	Employment Change	May	30.0k	--	38.5k	--
06/13/2024 09:30	AU	Participation Rate	May	66.70%	--	66.70%	--
06/13/2024 14:00	GE	Wholesale Price Index MoM	May	--	--	0.40%	--
06/13/2024 14:00	GE	Wholesale Price Index YoY	May	--	--	-1.80%	--
06/13/2024 20:30	US	Initial Jobless Claims	Jun-08	225k	--	229k	--
06/13/2024 20:30	US	PPI Final Demand MoM	May	0.10%	--	0.50%	--
06/13/2024 20:30	US	PPI Final Demand YoY	May	2.50%	--	2.20%	--
06/13/2024 20:30	US	Continuing Claims	Jun-01	1795k	--	1792k	--
06/13/2024 20:30	US	PPI Ex Food and Energy MoM	May	0.30%	--	0.50%	--
06/13/2024 20:30	US	PPI Ex Food and Energy YoY	May	2.50%	--	2.40%	--

Source: Bloomberg

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