

Daily Treasury Outlook

13 December 2024

Highlights

Global: ECB lowered its policy rate by 25bps, in line with expectations. The decision was unanimous, and the language of the policy statement was amended. The line on keeping the policy rate “sufficiently restrictive for as long as necessary” was removed. The GDP growth forecasts were revised lower across the horizon period from 2024-2026. ECB noted that compared to September, the downward revisions reflect “revisions to data on investment in the first half of 2024, expectations of weaker export growth in 2025, and a small downward revision to the projected expansion of domestic demand in 2026.” Specifically, GDP growth for 2025 was revised by 0.2pp to 1.1%. Headline inflation forecasts were revised lower for 2024 and 2025. For 2025, ECB expects inflation to come in at 2.1% versus 2.4% in 2024, before easing to 1.9% in 2026. The downward revisions were “mainly owing to downward data surprises and lower oil and electricity price assumptions”. President Lagarde left the door open for further policy easing.

Moving onto the US, markets reacted to the sharper-than-expected rise in November producer price inflation. PPI for final demand rose by 0.4% MoM and 3.0% YoY from upwardly revised figures of 0.3% MoM and 2.6% YoY in October. According to the Bureau of Economic Analysis, nearly 60% of the broad-based rise in final demand prices can be attributed to a 0.7% increase in the index for final demand goods. Within this sub-component, 80% of the broad-based advance in November can be traced to prices for final demand foods, which jumped 3.1% MoM. A quarter of this rise came from a 54.6% jump in the index for chicken eggs. Excluding food and energy, the increase in PPI slowed to 0.2% MoM versus 0.3% in October and was unchanged at 3.4% YoY, albeit upwardly revised for October. The weekly initial jobless claims data was also above expectations at 242k for 7 December versus 225k in the previous week. US equities sold off, the DXY index and UST yields closed the US session higher. There is also news of another potential dock worker strike from the International Longshoremen’s Association, the same association that went on strike in October. A temporary compromise was reached until 15 January, recent rhetoric has shown few signs of a permanent agreement. Developments in this space will be important to monitor.

Finally in India, the mix of inflation and activity data bodes well for the Reserve Bank of India to start its easing cycle at its 7 February 2025 meeting. November headline inflation eased to 5.5% YoY, back within RBI’s 2-6% target range, versus 6.2% in October and broadly in line with expectations. The volatile food inflation component eased to 9.0% YoY (October: 10.9%) aided by lower vegetable inflation of 29.3% YoY versus 42.2%. Industrial production rose by 3.5% YoY in October versus 3.1% in September, also largely matching expectations. The improvements were broad-based across the manufacturing, electricity, and mining sectors. However, details reveal slower

Key Market Movements

| Equity | Value | % chg |
|------------|--------------|-----------------|
| S&P 500 | 6051.3 | -0.5% |
| DJIA | 43914 | -0.5% |
| Nikkei 225 | 39849 | 1.2% |
| SH Comp | 3461.5 | 0.8% |
| STI | 3809.3 | 0.4% |
| Hang Seng | 20397 | 1.2% |
| KLCI | 1602.1 | -0.1% |
| | Value | % chg |
| DXY | 106.956 | 0.2% |
| USDJPY | 152.63 | 0.1% |
| EURUSD | 1.0468 | -0.3% |
| GBPUSD | 1.2673 | -0.6% |
| USDIDR | 15925 | 0.1% |
| USDSGD | 1.3469 | 0.2% |
| SGDMYR | 3.3033 | 0.2% |
| | Value | chg (bp) |
| 2Y UST | 4.19 | 3.74 |
| 10Y UST | 4.33 | 5.67 |
| 2Y SGS | 2.76 | 1.80 |
| 10Y SGS | 2.73 | 2.58 |
| 3M SORA | 3.15 | -0.52 |
| 3M SOFR | 4.81 | -0.80 |
| | Value | % chg |
| Brent | 73.41 | -0.1% |
| WTI | 70.02 | -0.4% |
| Gold | 2681 | -1.4% |
| Silver | 31.00 | -2.8% |
| Palladium | 969 | -1.6% |
| Copper | 9092 | -1.1% |
| BCOM | 99.04 | -0.7% |

Source: Bloomberg

IP in the consumer durables and capital goods segment, portending a more mixed growth outlook.

Market Watch: Data for the day ahead includes US November import and export prices, Euro October industrial production and Japan's final October industrial production print. ECB's Villeroy, Holzmann and Centeno speak today.

Major Markets

CN: Building on the shifting tone signaled by the Politburo meeting two days ago, China's 2024 Central Economic Working Conference provided further elaboration, confirming the country's policy priority toward a reflationary path. While no specific numerical targets were disclosed, the statement explicitly emphasized the goal of achieving a reasonable recovery in prices. In terms of monetary policy, the conference clarified the shift from a prudent to a moderately loose stance, signaling expectations for further interest rate cuts and reductions in the reserve requirement ratio (RRR). On fiscal policy, the adoption of a more prudent fiscal approach points to a higher fiscal deficit target and increased issuance of long-term special bonds. Looking ahead, we anticipate the People's Bank of China (PBoC) will cut interest rates by 40bps and reduce the RRR by 100bps in 2025. Additionally, we expect China to set its fiscal deficit target at 4% of GDP for 2025, reflecting the government's commitment to supporting economic stability and growth.

ID: Wholesale car sales slowed to 74,347 units in November, down from 77,191 units in October, according to data from the Association of Indonesia Automotive Industries (Gaikindo). Year-to-November sales stood at 784,347 units, marking an 11.9% YoY contraction and still falling short of Gaikindo's revised sales target of 850,000 units (the previous target was 1.mn units) for 2024.

MY: The Johor Bahru-Singapore Rapid Transit System (RTS) Link infrastructure work has reached 95% progress as of November, with system component installations also underway. Deputy Transport Minister Datuk Hasbi Habibollah stated that Malaysia has spent MYR2mn on civil infrastructure, with MYR5.2bn allocated for the entire project, as reported by Bernama. The RTS Link is expected to begin operations on 31 December 2026.

ESG Updates

CN: China plans to start guiding the local carbon industry to participate in Article 6 markets. Stakeholders have expressed interest in buying Article 6 credits as the supply from its domestic voluntary carbon market, known as the China Certified Emission Reduction (CCER), remains limited. Given the existing challenges in carbon markets and high decarbonisation costs, strong policy signals from the government are important to guide stakeholders to participate in Article 6 markets.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading flat to 2bps higher, belly tenors trading 3-4bps higher and the 10Y trading 5bps higher. Guangzhou R&F Properties Co. received a temporary reprieve from efforts to liquidate one of its subsidiaries, as a Hong Kong court postponed the hearing date. Additionally, a Hong Kong court dismissed a liquidation case against the Chinese developer Leading Holdings after the winding-up petition was retracted. A major creditor group of the defaulted Chinese construction firm Sino-Ocean Group Holding Ltd. has presented an updated restructuring proposal to a UK court, as reported by a legal representative during a call with certain creditors, according to sources familiar with the situation. Bloomberg Asia USD Investment Grade spreads tightened to 1bps to 75bps while Bloomberg Asia USD High Yield spreads tightened by 5bps to 441bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuances in the Asiadollar market in the past two days.

- Xichang Haihe Cultural Tourism Investment Development Co Ltd (guarantor: Sichuan Development Financing Guarantee Co Ltd) priced a USD100mn 3Y Fixed at Par to Yield 7%.

There were no notable issuances in the Singdollar market yesterday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 106.956 | 0.23% | USD-SGD | 1.3469 | 0.16% |
| USD-JPY | 152.630 | 0.12% | EUR-SGD | 1.4099 | -0.10% |
| EUR-USD | 1.047 | -0.27% | JPY-SGD | 0.8824 | 0.08% |
| AUD-USD | 0.637 | 0.00% | GBP-SGD | 1.7071 | -0.42% |
| GBP-USD | 1.267 | -0.61% | AUD-SGD | 0.8578 | 0.19% |
| USD-MYR | 4.438 | 0.12% | NZD-SGD | 0.7769 | -0.09% |
| USD-CNY | 7.269 | 0.08% | CHF-SGD | 1.5095 | -0.71% |
| USD-IDR | 15925 | 0.06% | SGD-MYR | 3.3033 | 0.22% |
| USD-VND | 25394 | 0.07% | SGD-CNY | 5.3981 | -0.02% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|-------|---------|--------|-------|----------|--------|
| 1M | 2.8890 | 0.07% | 1M | 4.3913 | -0.22% |
| 3M | 2.8880 | 0.56% | 2M | 4.3641 | -0.09% |
| 6M | 2.6540 | -0.04% | 3M | 4.3547 | -0.04% |
| 12M | 2.4290 | -0.41% | 6M | 4.2681 | -0.04% |
| | | | 1Y | 4.1557 | -0.05% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|---------------------|-----------------------------------|
| 12/18/2024 | -0.964 | -0.241 | 4.341 |
| 01/29/2025 | -1.199 | -0.300 | 4.283 |
| 03/19/2025 | -1.763 | -0.441 | 4.141 |
| 05/07/2025 | -2.018 | -0.504 | 4.078 |
| 06/18/2025 | -2.427 | -0.607 | 3.976 |
| 07/30/2025 | -2.639 | -0.660 | 3.922 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 70.02 | -0.38% | Corn (per bushel) | 4.318 | -1.4% |
| Brent (per barrel) | 73.41 | -0.15% | Soybean (per bushel) | 9.958 | 0.0% |
| Heating Oil (per gallon) | 223.66 | 0.60% | Wheat (per bushel) | 5.388 | -0.9% |
| Gasoline (per gallon) | 198.85 | 0.14% | Crude Palm Oil (MYR/MT) | 51.600 | 0.9% |
| Natural Gas (per MMBtu) | 3.46 | 2.28% | Rubber (JPY/KG) | 309.500 | 2.8% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 9091.50 | -1.09% | Gold (per oz) | 2680.7 | -1.4% |
| Nickel (per mt) | 16168.00 | 1.95% | Silver (per oz) | 31.0 | -2.8% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 43,914.12 | -234.44 |
| S&P | 6,051.25 | -32.94 |
| Nasdaq | 19,902.84 | -132.05 |
| Nikkei 225 | 39,849.14 | 476.91 |
| STI | 3,809.27 | 16.45 |
| KLCI | 1,602.08 | -1.12 |
| JCI | 7,394.24 | -70.51 |
| Baltic Dry | 1,106.00 | -50.00 |
| VIX | 13.92 | 0.34 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 2.76 (+0.02) | 4.19(--) |
| 5Y | 2.68 (+0.03) | 4.18 (+0.05) |
| 10Y | 2.73 (+0.03) | 4.32 (+0.06) |
| 15Y | 2.78 (+0.02) | -- |
| 20Y | 2.76 (+0.01) | -- |
| 30Y | 2.71 (+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 | 4.62 |
|------|------|

Economic Calendar

| Date | Country | Item | Period | Survey | Actual | Prior | Revised |
|------------------|---------|---------------------------------|--------|---------|--------|----------|---------|
| 12/13/2024 05:30 | NZ | BusinessNZ Manufacturing PMI | Nov | -- | 45.5 | 45.8 | 45.7 |
| 12/13/2024 07:50 | JN | Tankan Large Mfg Index | 4Q | 13 | 14 | 13 | -- |
| 12/13/2024 07:50 | JN | Tankan Large All Industry Capex | 4Q | 10.00% | 11.30% | 10.60% | -- |
| 12/13/2024 07:50 | JN | Tankan Large Mfg Outlook | 4Q | 12 | 13 | 14 | -- |
| 12/13/2024 07:50 | JN | Tankan Large Non-Mfg Index | 4Q | 33 | 33 | 34 | -- |
| 12/13/2024 07:50 | JN | Tankan Large Non-Mfg Outlook | 4Q | 28 | 28 | 28 | -- |
| 12/13/2024 12:30 | JN | Industrial Production MoM | Oct F | -- | -- | 3.00% | -- |
| 12/13/2024 12:30 | JN | Capacity Utilization MoM | Oct | -- | -- | 4.40% | -- |
| 12/13/2024 15:00 | UK | Industrial Production MoM | Oct | 0.30% | -- | -0.50% | -- |
| 12/13/2024 15:00 | GE | Wholesale Price Index MoM | Nov | -- | -- | 0.40% | -- |
| 12/13/2024 15:00 | UK | Manufacturing Production MoM | Oct | 0.20% | -- | -1.00% | -- |
| 12/13/2024 15:00 | UK | Industrial Production YoY | Oct | 0.20% | -- | -1.80% | -- |
| 12/13/2024 15:00 | UK | Trade Balance GBP/Mn | Oct | -£3500m | -- | -£3462m | -- |
| 12/13/2024 15:00 | GE | Wholesale Price Index YoY | Nov | -- | -- | -0.80% | -- |
| 12/13/2024 15:30 | TH | Gross International Reserves | Dec-06 | -- | -- | \$237.5b | -- |
| 12/13/2024 21:30 | US | Import Price Index MoM | Nov | -0.20% | -- | 0.30% | -- |

Source: Bloomberg

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