

Daily Treasury Outlook

14 October 2024

Highlights

Global: A damp squib? The weekend Chinese MoF briefing did not disclose specific figures on the amount of fresh fiscal stimulus. Meanwhile, China's CPI edged up 0.4% YoY (core CPI: +0.1%) whereas PPI declined for the 24th straight month by 2.8% YoY, suggesting domestic demand conditions remain soft. Over in the US, the S&P 500 gained 0.61% to a fresh record on Friday, aided by solid bank earnings results, while the 10-year UST bond yield climbed 4bps to cross 4.1%. US' wholesale prices were flat on-month in September while the University of Michigan sentiment index dipped from 70.1 to 68.9 in October as both current and future expectations gauges eased. However, the 1-year inflation gauge accelerated from 2.7% to 2.9%.

Market Watch: Asian markets are likely to range trade this morning, caught between US earnings optimism and China's uncertainties. Today's economic data watch includes China's September trade data, and India's September CPI. Fed's Kashkari and Waller, ECB's Villeroy, BOE's Dhingra and RBNZ's deputy governor are also speaking today. For the week ahead, China's data dump comprising September monetary policy aggregates, 1-year MLF facility rate and volume, new home prices, FAI, jobless rate and 3Q24 GDP growth estimates will be of keen market interest. In addition, there is also UK's September CPI/RPI/PPI, Singapore's NODX, Eurozone's CPI, Malaysia's 3Q GDP growth and September trade, and US' initial jobless claims and retail sales. On the central bank front. Watch for Wednesday's policy decision from BoT (possibly static but dovish pressures), BSP (likely to cut its standing overnight deposit facility rate by 25bps to 5.5%) and BI (likely static at 6% for now), as well as Thursday's ECB policy decision (likely to cut 25bps to 3.25% for its deposit facility rate and 3.4% for its main refinancing rate and 3.65% for its marginal lending facility rate). US earnings season continues this week with Citigroup, Goldman Sachs, Bank of America, Schwab, United Airlines, J&J, Morgan Stanley, CSX, Netflix and American Express.

SG: No change to MAS policy. 3Q24 GDP growth of 4.1% YoY (2.1% QoQ sa) was close to our forecast of 4.0% YoY (2.0% QoQ sa). Risks to inflation outlook cited as more balanced compared to three months ago. Notably, if GDP growth is stronger-than-expected, this may translate to supported labour demand and wage pressures, and hence it may take longer for unit labour cost growth to moderate and consequently for services price inflation to normalise. MAS statement sounds more sanguine on growth - growth momentum has picked up and the negative output gap is projected to close in 2H24. Barring a weakening in global final demand, the economy should continue to expand at a steady pace and keep close to its potential path in 2025. MAS Core Inflation has stepped down but is anticipated to decline further to around 2% by the end of 2024.

Key Market Movements

Equity	Value	% chg
S&P 500	5815.0	0.6%
DJIA	42864	1.0%
Nikkei 225	39606	0.6%
SH Comp	3217.7	-2.5%
STI	3573.8	-0.3%
Hang Seng	21252	0.0%
KLCI	1633.6	-0.5%
	Value	% chg
DXY	102.890	-0.1%
USDJPY	149.13	0.4%
EURUSD	1.0937	0.0%
GBPUSD	1.3067	0.1%
USDIDR	15580	-0.5%
USDSGD	1.3048	-0.1%
SGDMYR	3.2843	0.1%
	Value	chg (bp)
2Y UST	3.96	-0.19
10Y UST	4.10	3.95
2Y SGS	2.76	-5.40
10Y SGS	2.82	-7.29
3M SORA	3.49	-0.42
3M SOFR	5.25	-0.58
	Value	% chg
Brent	79.04	-0.5%
WTI	75.56	-0.4%
Gold	2657	1.0%
Silver	31.54	1.2%
Palladium	1071	-0.3%
Copper	9792	0.7%
BCOM	100.81	0.3%

Source: Bloomberg

Oil: WTI and Brent declined by 0.4% and 0.5% on Friday, closing at USD75.6/bbl and USD79.0/bbl, respectively. Nevertheless, both crude oil benchmarks closed higher for the second consecutive week due to concerns about potential supply disruptions in the Middle East. It has been reported that the Gulf states have lobbied the US to prevent Israel from targeting Iranian oil infrastructure as part of its retaliatory actions.

Major Markets

CN: The Ministry of Finance's press conference on Saturday, while not disclosing specific figures, exceeded market expectations in terms of overall support. While the NDRC press conference disappointed investors by only focusing on achieving the 5% growth target in 2024, the Ministry of Finance press conference signalled that China is getting serious about tackling deflation. This is precisely the message the market has been waiting for. Overall, the balance of revenues and expenditures, along with the four incremental measures, suggests that government bond issuance will likely increase further in the fourth quarter. The additional issuance could reach as high as CNY3trn in the near term. The overall fiscal stimulus could reach CNY10trn spreading over next few years given this is the strongest debt restructuring measure introduced in recent years.

ID: Wholesale car sales eased to 72,667 units (-9.1% YoY) in September from 76,304 units (-14.2%) in August, according to data from the Association of Indonesia Automotive Industries (Gaikindo). Year-to-September sales stood at 633,218 units and is still short of the Gaikindo 1mn sales target in 2024. For 3Q24, car sales rose by 14.6% YoY to 223,200 units, versus -9.5% YoY in 2Q24 and -13.9% in 1Q24.

MY: Industrial production growth slowed to 4.1% YoY in August versus 5.3% in July (Consensus: 5.5%) driven by manufacturing IP growth (6.5% YoY in August from 7.7% in July), followed by electricity (4.1% from 7.0%), and mining (-6.4% from -5.0%). By orientation, export (6.3% YoY in August from 7.8% in July) and domestic-oriented (7.1% from 7.5%) IP slowed in August versus July. Average IP growth for July-August accelerated to 4.7% YoY from 4.5% in 2Q24. Our tracking estimate suggests that 3Q24 GDP growth (advance estimate on 18 October) will slow to 4.9% YoY versus 5.9% in 2Q24.

TH: The consumer confidence index (CCI) fell for the seventh consecutive month to 55.3 in September from 56.5 in August. The decline in CCI was broad-based across the sub-indices of 'economic situation' (48.8 versus 50.2 in August), 'income' (64.4 versus 65.6 in August), and 'job' (52.7 versus 53.9 in August). According to the Thai Chamber of Commerce, consumer confidence was affected by concerns over a slowing economic growth and the impact from recent floods across several provinces.

VN: Vietnam and China signed 10 agreements in various fields, including transport, customs, education, agriculture, journalism, and banking, following Chinese Premier Li Qiang's visit to Hanoi over the weekend. Specifically, both countries reached an agreement to work on a technical plan for a railway connecting Lao Cai in northern Vietnam to Hekou in China's Yunnan province.

MO: Former judge, Sam Hou Fai was elected as the chief executive designate of Macao Special Administrative Region on Sunday. He will take office in December, taking over Ho Iat-seng who had been in office since 2019.

ESG Updates

SG: Singapore has launched a 15-month plan to assess the impact of the 14 June oil spill on marine biodiversity. This will be done through retrieving sediment samples from affected and unaffected areas to assess the impact on organisms in the sediment. While there has been no observable significant impact on marine biodiversity, the 15-month study will better inform what mitigation and restoration measures are required to conserve important biodiversity areas in Singapore.

CN: ASEAN member states and China have concluded negotiations to upgrade the ASEAN-China Free Trade Area in relation to the digital and green economies, to boost trade and support international supply chains. The upgrade covers new and enhanced rules on customs procedures, non-tariff barriers including standards and technical regulations covering food, agriculture and industrial products, the digital and green economies, and supply chain connectivity. They are now working towards the full conclusion of negotiations targeted for 2025. China's expertise in clean energy can also help to advance ASEAN's low-carbon transition and advance plans for a regional power grid.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower last Friday, with shorter tenors trading 6bps lower, belly tenors trading 5-6bps lower and 10Y trading 5bps lower. Per Bloomberg, investors once again increased their holdings of Chinese onshore corporate bonds as stocks experienced their worst week since July. Traders reported that yields on most RMB company notes dropped by approximately 10bps on Friday, mitigating the impact of what would have been the country's worst weekly decline in junk debt market since 2022. Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads remained flat at 481bps. (Bloomberg, OCBC)

New Issues:

There was no notable issuance in the Asiadollar and Singdollar market last Friday.

Mandates:

- There was no new Asiadollar mandate last Friday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.890	-0.10%	USD-SGD	1.3048	-0.06%
USD-JPY	149.130	0.38%	EUR-SGD	1.4272	-0.05%
EUR-USD	1.094	0.03%	JPY-SGD	0.8749	-0.43%
AUD-USD	0.675	0.16%	GBP-SGD	1.7050	0.00%
GBP-USD	1.307	0.06%	AUD-SGD	0.8809	0.11%
USD-MYR	4.289	-0.09%	NZD-SGD	0.7972	0.21%
USD-CNY	7.067	-0.14%	CHF-SGD	1.5222	-0.17%
USD-IDR	15580	-0.54%	SGD-MYR	3.2843	0.06%
USD-VND	24815	-0.12%	SGD-CNY	5.4186	0.11%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2450	-0.31%	1M	4.7849	-0.38%
3M	3.1790	-0.16%	2M	4.7268	-0.20%
6M	3.0640	0.29%	3M	4.6473	-0.18%
12M	2.8220	1.11%	6M	4.4424	-0.10%
			1Y	4.1135	-0.22%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.893	-0.223	4.605
12/18/2024	-1.809	-0.452	4.377
01/29/2025	-2.595	-0.649	4.180
03/19/2025	-3.548	-0.887	3.942
05/07/2025	-4.217	-1.054	3.775
06/18/2025	-4.841	-1.210	3.619

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	75.56	-0.38%	Corn (per bushel)	4.158	-0.7%
Brent (per barrel)	79.04	-0.45%	Soybean (per bushel)	10.055	-0.9%
Heating Oil (per gallon)	234.39	-0.30%	Wheat (per bushel)	5.990	-0.8%
Gasoline (per gallon)	215.16	0.03%	Crude Palm Oil (MYR/MT)	42.830	-1.5%
Natural Gas (per MMBtu)	2.63	-1.61%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9791.50	0.70%	Gold (per oz)	2656.6	1.0%
Nickel (per mt)	17864.00	1.84%	Silver (per oz)	31.5	1.2%

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

Equity and Commodity

Index	Value	Net change
DJIA	42,863.86	409.74
S&P	5,815.03	34.98
Nasdaq	18,342.94	60.89
Nikkei 225	39,605.80	224.91
STI	3,573.76	-11.53
KLCI	1,633.55	-7.39
JCI	7,520.60	40.52
Baltic Dry	1,809.00	19.00
VIX	20.46	-0.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.76 (-0.05)	3.96(--)
5Y	2.73 (-0.06)	3.9 (+0.02)
10Y	2.82 (-0.07)	4.1 (+0.04)
15Y	2.88 (-0.06)	--
20Y	2.86 (-0.06)	--
30Y	2.84 (-0.05)	4.41 (+0.05)

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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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/14/2024 05:45	NZ	Card Spending Total MoM	Sep	--	0.30%	-0.20%	--
10/14/2024 08:00	SI	GDP YoY	3Q A	3.80%	--	2.90%	--
10/14/2024 08:00	SI	GDP SA QoQ	3Q A	2.00%	--	0.40%	--
10/14/2024 10:15	CH	Money Supply M2 YoY	Sep	6.40%	--	6.30%	--
10/14/2024 10:15	CH	Aggregate Financing CNY YTD	Sep	25475.2b	--	21900.0b	21899.6b
10/14/2024 10:15	CH	Money Supply M1 YoY	Sep	-7.20%	--	-7.30%	--
10/14/2024 10:15	CH	Money Supply M0 YoY	Sep	--	--	12.20%	--
10/14/2024 10:15	CH	New Yuan Loans CNY YTD	Sep	16368.1b	--	14430.0b	14426.1b
10/14/2024 14:30	IN	Wholesale Prices YoY	Sep	2.00%	--	1.31%	--
10/14/2024 15:00	CH	Trade Balance	Sep	\$91.00b	--	\$91.02b	--
10/14/2024 15:00	CH	Exports YoY	Sep	6.00%	--	8.70%	--
10/14/2024 15:00	CH	Imports YoY	Sep	0.70%	--	0.50%	--
10/14/2024 15:00	CH	Exports YoY CNY	Sep	--	--	8.40%	--
10/14/2024 15:00	CH	Imports YoY CNY	Sep	--	--	0.00%	--
10/14/2024 15:00	CH	Trade Balance CNY	Sep	--	--	649.34b	--
10/14/2024 20:00	IN	CPI YoY	Sep	5.11%	--	3.65%	--

Source: Bloomberg

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