

Daily Treasury Outlook

15 May 2024

Highlights

Global: Risk sentiment improved overnight despite the higher-than-expected US April Producer Price Index (PPI) print. The PPI for final demand rose by 0.5% MoM in April, rebounding from a downwardly revised 0.1% decline in March. This increase was primarily driven by rising service costs, which rose by 0.6% MoM. The market is now awaiting the April Consumer Price Index (CPI) data tonight. During an event in Amsterdam yesterday, Federal Reserve Chairman Powell reiterated that the next move in interest rates is unlikely to be a hike. He expressed his expectation that inflation will eventually decrease but admitted that his confidence in this outlook is not as high as it previously was. Market expectations regarding rate movements have remained largely unchanged ahead of the release of the CPI data tonight. In general, Powell's tone supports the narrative for 'high for longer' rates. Meanwhile, during the same forum, the Dutch Central Bank Chief Knot expressed increasing confidence that inflation will return to the target of 2%. He also mentioned that June would be a good opportunity to begin removing restrictions if the European Central Bank (ECB) can confirm the trend of disinflation.

Market Watch: For tonight, market will watch for US April CPI and retail sales. Eurozone will publish its first quarter GDP data. In Asia, the interest rate for China's 1-year medium term lending facility will also be watched.

SG: The inauguration of the new Prime Minister is scheduled for today.

Key Market Movements

Equity	Value	% chg
S&P 500	5246.7	0.5%
DJIA	39558	0.3%
Nikkei 225	38356	0.5%
SH Comp	3145.8	-0.1%
STI	3313.4	0.3%
Hang Seng	19074	-0.2%
KLCI	1605.9	0.2%
	Value	% chg
DXY	105.013	-0.2%
USDJPY	156.42	0.1%
EURUSD	1.0819	0.3%
GBPUSD	1.2592	0.3%
USIDDR	16104	0.1%
USDSGD	1.3518	-0.1%
SGDMYR	3.4861	-0.2%
	Value	chg (bp)
2Y UST	4.81	-4.65
10Y UST	4.44	-4.71
2Y SGS	3.42	-1.90
10Y SGS	3.32	-1.66
3M SORA	3.70	0.40
3M SOFR	5.35	0.00
	Value	% chg
Brent	82.38	-1.2%
WTI	78.02	-1.4%
Gold	2358	0.9%
Silver	28.62	1.5%
Palladium	984	2.0%
Copper	10114	-0.7%
BCOM	103.13	-0.1%

Source: Bloomberg

Major Markets

CN: The Biden Administration announced a fresh wave of tariffs on various Chinese goods, spanning steel, aluminium, semiconductors, electric vehicles (EVs), critical minerals, solar cells, cranes, and certain medical products. Notably, the tariff increases are substantial, with the tariff on Chinese EVs soaring to 100% from the previous 25%, and tariffs on batteries doubling or even tripling depending on the battery type. However, it's worth noting that the scope of these tariffs is relatively narrow, affecting only around US\$18bn worth of China's exports to the US, which constitutes less than 4% of China's total exports to the US. This contrasts starkly with the initial rounds of the trade war in 2018, when the Trump Administration imposed tariffs on US\$50bn worth of products, subsequently expanding to an additional US\$200bn in 2019. Overall, the current situation appears to reflect a more balanced approach to trade tensions, likely influenced by upcoming elections. Consequently, we anticipate the impact to be limited, with any potential retaliation from China expected to be mild and measured.

ID: Wholesale car sales fell to 48,637 units in April (-17.5% YoY) from 74,724 (-6.2% YoY) in March, according to data from the Association of Indonesia Automotive Industries (Gaikindo). April sales bring the year-to-date wholesale car sales to 263,706 units, reflecting a 22.8% contraction. Gaikindo targets 1.1 million units of car sales in 2024, up from 1.0 million sales in 2023.

MY: PM Anwar Ibrahim emphasized that fuel subsidy cuts will be done "at the right time." Speaking to Bloomberg TV at the Qatar Economic Forum, he reiterated that the government needs to cut wasteful spending and reduce excessive subsidies, but this must be done without burdening the poor. The country aims to replace broad subsidies with targeted assistance to narrow the 2024 budget deficit to 4.3% of GDP, down from 5% last year.

ESG Updates

MY: Malaysia's voluntary carbon market exchange, Bursa Carbon Exchange, will host an auction of its first Malaysian carbon credits on 25 July. The auction will involve carbon credits from the Kuamut Rainforest Conservation Project, which aims to protect and restore 83,381 hectares of tropical forest in the Tongod and Kinabatangan districts in Sabah. This marks the expansion of BCX's product offering to include local carbon credits on top of global carbon credits.

Rest of the world: The Japanese government will, by end Mar 2025, map out a new national strategy encompassing decarbonisation and industrial policy targeting 2040. This is a part of efforts to reduce emissions by 46% from 2013 levels by 2030 and achieve net zero by 2050. This aims to set out a long-term strategy to encourage investment to accelerate decarbonisation and to bolster the competitiveness of domestic industries.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1bps lower, belly tenors trading 1bps lower and 10Y trading also 1bps lower. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Asia USD High Yield spreads tightened by 18bps to 532bps. (Bloomberg, OCBC)

New Issues:

There were three notable bond issuers in the Asiadollar market yesterday.

- Bocom Leasing Management Hong Kong Company Limited (Keepwell provider: Bank of Communications Financial Leasing Co., Ltd) priced a USD100mn 3Y floating rate note with final pricing of SOFR+75bps.
- Asian Development Bank priced a USD3.5bn 2Y Fixed bond with final pricing of SOFR MS+18bps.
- Japan International Cooperation Agency (Guarantor: Japan) priced a USD1bn 5Y Fixed Sustainability bond with final pricing of SOFR MS+53bps.

There was one notable bond issuer in the Singdollar market yesterday.

- Housing & Development Board priced a SGD900mn 7Y at final pricing of 3.46%.

Mandates:

- China Huaneng Group plans to raise around USD500mn via a dollar-denominated perpetual.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.013	-0.19%	USD-SGD	1.3518	-0.13%
USD-JPY	156.420	0.13%	EUR-SGD	1.4626	0.15%
EUR-USD	1.082	0.27%	JPY-SGD	0.8642	-0.25%
AUD-USD	0.663	0.29%	GBP-SGD	1.7022	0.14%
GBP-USD	1.259	0.26%	AUD-SGD	0.8958	0.16%
USD-MYR	4.718	-0.25%	NZD-SGD	0.8167	0.28%
USD-CNY	7.234	0.00%	CHF-SGD	1.4913	0.08%
USD-IDR	16104	0.15%	SGD-MYR	3.4861	-0.22%
USD-VND	25453	0.00%	SGD-CNY	5.3507	0.11%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8280	-0.73%	1M	5.3198	0.00%
3M	3.8280	0.26%	2M	5.3272	0.00%
6M	3.8000	0.29%	3M	5.3262	-0.01%
12M	3.6540	0.69%	6M	5.2908	0.02%
			1Y	5.1484	0.01%

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	-0.050	-0.012	5.313
07/31/2024	-0.290	-0.072	5.253
09/18/2024	-0.825	-0.206	5.119
11/07/2024	-1.149	-0.287	5.038
12/18/2024	-1.714	-0.428	4.897
01/29/2025	-2.110	-0.527	4.798

Equity and Commodity

Index	Value	Net change
DJIA	39,558.11	126.60
S&P	5,246.68	25.26
Nasdaq	16,511.18	122.94
Nikkei 225	38,356.06	176.60
STI	3,313.35	9.69
KLCI	1,605.88	2.97
JCI	7,083.76	-15.50
Baltic Dry	2,066.00	-63.00
VIX	13.42	-0.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (-0.02)	4.82(--)
5Y	3.28 (-0.01)	4.45 (-0.05)
10Y	3.32 (-0.02)	4.45 (-0.05)
15Y	3.34 (-)	--
20Y	3.35 (+0.01)	--
30Y	3.36 (+0.02)	4.59 (-0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.02	-1.39%	Corn (per bushel)	4.538	-1.0%
Brent (per barrel)	82.38	-1.18%	Soybean (per bushel)	11.990	-0.5%
Heating Oil (per gallon)	242.00	-0.69%	Wheat (per bushel)	6.570	-2.0%
Gasoline (per gallon)	245.96	-2.03%	Crude Palm Oil (MYR/MT)	38.000	-2.8%
Natural Gas (per MMBtu)	2.34	-1.55%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10114.00	-0.70%	Gold (per oz)	2358.1	0.9%
Nickel (per mt)	19075.00	-0.81%	Silver (per oz)	28.6	1.5%

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

Economic Calendar

date	country	item	period	survey	actual	prior	revised
05/15/2024	PH	Overseas Cash Remittances YoY	Mar	2.90%	--	3.00%	--
05/15/2024	IN	Exports YoY	Apr	--	--	-0.70%	--
05/15/2024	PH	Overseas Workers Cash Remittances	Mar	--	--	\$2646m	--
05/15/2024 09:30	AU	Wage Price Index QoQ	1Q	0.90%	--	0.90%	--
05/15/2024 12:00	ID	Exports YoY	Apr	4.36%	--	-4.19%	-3.75%
05/15/2024 17:00	EC	GDP SA QoQ	1Q P	0.30%	--	0.30%	--
05/15/2024 17:00	EC	GDP SA YoY	1Q P	0.40%	--	0.40%	--
05/15/2024 19:00	US	MBA Mortgage Applications	May-10	--	--	2.60%	--
05/15/2024 20:15	CA	Housing Starts	Apr	240.0k	--	242.2k	--
05/15/2024 20:30	US	CPI MoM	Apr	0.40%	--	0.40%	--
05/15/2024 20:30	US	CPI YoY	Apr	3.40%	--	3.50%	--
05/15/2024 20:30	US	Retail Sales Advance MoM	Apr	0.40%	--	0.70%	--
05/15/2024 20:30	US	Empire Manufacturing	May	-10	--	-14.3	--
05/15/2024 20:30	US	CPI Ex Food and Energy MoM	Apr	0.30%	--	0.40%	--
05/15/2024 20:30	US	CPI Ex Food and Energy YoY	Apr	3.60%	--	3.80%	--
05/15/2024 20:30	US	Retail Sales Ex Auto MoM	Apr	0.20%	--	1.10%	--

Source: Bloomberg

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