

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%
USDIIDR	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.



GLOBAL MARKETS RESEARCH

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		
			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		

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

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!



GLOBAL MARKETS RESEARCH

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahamad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy
Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research
Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W