

Daily Treasury Outlook

15 July 2024

Highlights

Global: China's 2Q24 GDP growth and the kick off of the much awaited third Plenum will be the main focus today. There could be some potential knee jerk risk-off reaction to the assassination attempt on Trump which had already spurred bitcoin to touch US\$60,000. JPMorgan, Wells Fargo and Citigroup announced earnings on Friday, and Goldman Sachs, Bank of America, and Morgan Stanley are also due to report this week. On the data front, US' June PPI accelerated from 2.4% YoY (0.0% MoM) in May to 2.6% YoY (0.2% MoM) and core PPI also picked up speed from 2.6% YoY (0.3% MoM) to 3.0% YoY (0.4% MoM). However, the University of Michigan sentiment index softened from 68.2 in June to 66.0 in July, while the 1-year and 5-10 year inflation gauges both also moderated from 3.0% to 2.9%. The S&P500 gained 0.55% on Friday, while the 10-year UST bond yield fell 3bps to close at 4.18%.

Market Watch: Asian markets may open with a cautious tone this morning, while awaiting China's 2Q24 GDP growth data estimates (which is likely to show a moderation from 5.3% YoY in 1Q to 5.1%) and possible policy announcements from the start of the long-awaiting Third Plenum. Today's economic data releases also comprise of China's June data dump for industrial production, retail sales, fixed-asset investments, property investments, new and existing home prices, and urban jobless rate, as well as the Eurozone's industrial production, Indonesia's June trade, and India's trade data. The PBoC is also likely to keep its 1-year MLF rate unchanged at 2.5%. Fed chair Powell is also speaking to the Economic Club of Washington with Daly also speaking today. For the week ahead, US earnings season kicks off with BlackRock and Netflix announcing earnings today, with 1Q profits tipped to grow 5.4%. Other data due this week are IMF's forecast updates and US' retail sales data (which could reflect softness) on Tuesday, UK's CPI on Wednesday and wage growth on Thursday ahead of the BOE's 1st August decision and the Fed's Beige Book on Wednesday. The UK's King Charles III will also deliver a speech on Wednesday that may showcase new PM Starmer's efforts to spur growth. On the central bank front, watch for BI's policy decision (likely static at 6.25%) on Wednesday, whilst the ECB is likely to stay pat this Thursday but possibly hint at further easing at the 12 September meeting instead.

SG: The STI added 0.65% to close at 3497.78 on Friday and may consolidate today.

Oil: WTI and Brent closed lower by ~0.5% on Friday, at USD82.2/bbl and USD85.0/bbl, respectively. Oil prices edged lower following reports of progress for a ceasefire deal in Gaza. Efforts for a ceasefire deal in Gaza eased concerns about a potential disruption in global oil supply, which led to the fading of geopolitical risk premiums.

Key Market Movements

Equity	Value	% chg
S&P 500	5615.4	0.6%
DJIA	40001	0.6%
Nikkei 225	41191	-2.4%
SH Comp	2971.3	0.0%
STI	3497.8	0.7%
Hang Seng	18293	2.6%
KLCI	1619.1	-0.3%
	Value	% chg
DXY	104.093	-0.3%
USDJPY	157.83	-0.6%
EURUSD	1.0907	0.4%
GBPUSD	1.2988	0.6%
USDIDR	16138	-0.4%
USDSGD	1.3409	-0.1%
SGDMYR	3.4781	0.0%
	Value	chg (bp)
2Y UST	4.45	-6.16
10Y UST	4.18	-2.72
2Y SGS	3.24	-8.20
10Y SGS	3.10	-8.97
3M SORA	3.63	0.08
3M SOFR	5.36	0.04
	Value	% chg
Brent	85.03	-0.4%
WTI	82.21	-0.5%
Gold	2411	-0.2%
Silver	30.79	-2.1%
Palladium	972	-2.5%
Copper	9877	0.9%
BCOM	100.75	0.0%

Source: Bloomberg

Major Markets

CN: Export growth in dollar terms accelerated to 8.6% YoY in June from 7.6% YoY in May, while imports in dollar terms contracted by 2.3% YoY in June. As a result, China's goods trade surplus hit a record high of \$99 billion in June. The strong demand from the US and EU during a relatively low season, as well as strong demand for electronic products, indicated that China's exports might be supported by front-loading activities due to concerns about increasing tariffs ahead of the US elections. Overall, the potential front-loading activities may keep China's exports supported in the third quarter. External demand is expected to support China's growth.

China's aggregate social financing increased by 3.3 trillion yuan in June, down by 928.3 billion yuan compared to the same period last year. Among these, medium to long-term loans to the corporate sector totalled 970 billion yuan, a decrease of 623.3 billion yuan YoY, indicating weak real demand. Additionally, financing demand in the household sector remained weak. However, the pace of fiscal expansion accelerated in June. Government bond financing increased by 848.7 billion yuan, up by 311.6 billion yuan YoY. Fiscal spending also accelerated, reducing fiscal deposits by 819.3 billion yuan.

ID: The coordinating minister for political, legal, and security affairs, Hadi Tjahjanto, noted on Saturday (13/7) that the government has restored 86 public services offered by 16 state institutions that were affected by a cyberattack on the temporary national data centre (PDNS) 2 in June. Minister Tjahjanto added that the restored services include permits and scholarships. Previously, PDNS 2 was attacked by Brain Cipher ransomware on June 20, with the attacker demanding a ransom of USD8mn, which the government refused to pay, according to Antara news. On June 24, the government revealed that the cyberattack had affected 211 public services. The figure increased to 282 the following day.

MY: The industrial production index rose by 2.4% YoY in May versus 6.1% in April, below expectations (Consensus: 3.6%; OCBC: 5.0%). IP growth, however, picked up in sequential terms rising 1.7% MoM sa versus -0.3% in April. By-orientation, export-oriented IP growth picked up to 3.7% YoY versus 2.6% in April while domestic oriented IP growth slowed to 6.4% YoY versus 9.5%. Our GDP tracking estimates show higher GDP growth of 4.9% YoY in 2Q24 versus 4.2% in 1Q24. With GDP growth momentum improving and inflation remaining manageable, we maintain our view for BNM to remain on hold for the rest of 2024.

ESG Updates

MY: The latest estimates on the National Energy Transition Roadmap's (NETR) flagship projects and initiatives show investments involved will be worth RM60.7 bn instead of the initial projection of RM25 bn when the roadmap was launched on 29 Aug 2023. This update is based on the March 2024 progress report which shows that 84,544 job opportunities would be created (development and post-project) compared with the initial forecast of 23,000 jobs. The reduction in greenhouse gas emissions is now estimated at 24,264 Gg CO₂eq per year compared with 10,000 Gg CO₂eq per year that was initially forecast, which can support Malaysia in reaching its climate targets earlier than previously anticipated with sufficient investments.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 5-8bps lower, belly tenors trading 6-8bps lower and 10Y trading 6bps lower. In June, China experienced a new record low in credit growth, indicating a subdued demand for borrowing and leading a publication supported by the central bank to downplay concerns about economic weakness. Official figures released on Friday revealed that the stock of aggregate financing growing by 8.1% compared to the previous year. This growth rate represents the slowest on record since 2017. Bloomberg calculations based on the data indicate a net increase in aggregate financing of RMB3.3tn (USD455bn), falling short of the RMB3.4tn forecast in a Bloomberg survey. Additionally, loan growth reached a record low, with the stock of outstanding bank loans increasing by 8.3% from the previous year, the slowest pace since 2003. Bloomberg Asia USD Investment Grade tightened by 1bps to 82bps while Bloomberg Asia USD High Yield tightened by 3bps to 498bps. (Bloomberg, OCBC)

New Issues:

There was no notable issue in the Asiadollar market last Friday.

There was no notable issue in the Singdollar market last Friday.

Mandates:

- Piramal Capital & Housing Finance Ltd. Is planning to issue a Reg S USD senior secured fixed rate sustainability note with 3.5Y door to door tenor and long 3Y weighted average life, following their euro medium term note program.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.093	-0.33%	USD-SGD	1.3409	-0.14%
USD-JPY	157.830	-0.64%	EUR-SGD	1.4626	0.22%
EUR-USD	1.091	0.36%	JPY-SGD	0.8496	0.50%
AUD-USD	0.678	0.37%	GBP-SGD	1.7416	0.42%
GBP-USD	1.299	0.57%	AUD-SGD	0.9099	0.24%
USD-MYR	4.672	-0.34%	NZD-SGD	0.8205	0.24%
USD-CNY	7.250	-0.10%	CHF-SGD	1.4993	0.10%
USD-IDR	16138	-0.35%	SGD-MYR	3.4781	-0.02%
USD-VND	25416	-0.04%	SGD-CNY	5.4083	0.08%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6250	0.39%	1M	5.3319	0.10%
3M	3.6640	-0.57%	2M	5.3426	0.14%
6M	3.6620	-0.38%	3M	5.2874	0.08%
12M	3.5640	-0.86%	6M	5.1477	-0.11%
			1Y	4.8230	-0.59%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/12/2024	-0.013	-0.003	5.327
07/31/2024	-0.045	-0.011	5.318
09/18/2024	-0.980	-0.245	5.084
11/07/2024	-1.617	-0.404	4.924
12/18/2024	-2.496	-0.624	4.705
01/29/2025	-3.225	-0.806	4.523

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.21	-0.50%	Corn (per bushel)	4.000	-1.7%
Brent (per barrel)	85.03	-0.43%	Soybean (per bushel)	11.345	-0.7%
Heating Oil (per gallon)	250.96	-0.34%	Wheat (per bushel)	5.380	-2.9%
Gasoline (per gallon)	251.53	-0.10%	Crude Palm Oil (MYR/MT)	39.700	-0.9%
Natural Gas (per MMBtu)	2.33	2.69%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9877.00	0.92%	Gold (per oz)	2411.4	-0.2%
Nickel (per mt)	16856.00	0.28%	Silver (per oz)	30.8	-2.1%

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

Equity and Commodity

Index	Value	Net change
DJIA	40,000.90	247.15
S&P	5,615.35	30.81
Nasdaq	18,398.45	115.04
Nikkei 225	41,190.68	-1033.34
STI	3,497.78	22.72
KLCI	1,619.06	-4.06
JCI	7,327.58	27.17
Baltic Dry	1,997.00	50.00
VIX	12.46	-0.46

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.24 (-0.08)	4.45(--)
5Y	3.1 (-0.09)	4.1 (-0.04)
10Y	3.1 (-0.09)	4.18 (-0.03)
15Y	3.12 (-0.09)	--
20Y	3.06 (-0.06)	--
30Y	3 (-0.06)	4.4 (-0.02)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.34
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/15/2024	PH	Overseas Cash Remittances YoY	May	3.00%	--	3.10%	--
07/15/2024	IN	Exports YoY	Jun	--	--	9.10%	--
07/15/2024	PH	Overseas Workers Cash Remittances	May	--	--	\$2562m	--
07/15/2024 05:00	NZ	REINZ House Sales YoY	Jun	--	-25.60%	6.80%	--
07/15/2024 10:00	CH	GDP YoY	2Q	5.10%	--	5.30%	--
07/15/2024 10:00	CH	Industrial Production YoY	Jun	5.00%	--	5.60%	--
07/15/2024 10:00	CH	Retail Sales YoY	Jun	3.40%	--	3.70%	--
07/15/2024 10:00	CH	Industrial Production YTD YoY	Jun	6.00%	--	6.20%	--
07/15/2024 10:00	CH	GDP YTD YoY	2Q	5.20%	--	5.30%	--
07/15/2024 10:00	CH	Fixed Assets Ex Rural YTD YoY	Jun	3.90%	--	4.00%	--
07/15/2024 10:00	CH	Retail Sales YTD YoY	Jun	4.00%	--	4.10%	--
07/15/2024 12:00	ID	Exports YoY	Jun	4.81%	--	2.86%	2.85%
07/15/2024 14:30	IN	Wholesale Prices YoY	Jun	3.60%	--	2.61%	--
07/15/2024 20:30	US	Empire Manufacturing	Jul	-8	--	-6	--
07/15/2024 20:30	CA	Manufacturing Sales MoM	May	0.20%	--	1.10%	--
07/15/2024 22:30	CA	BoC Overall Business Outlook Survey	2Q	--	--	-2.4	--

Source: Bloomberg

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