

Daily Treasury Outlook

15 October 2024

Highlights

Global: Several markets (including US, Canada and Japan) were closed on Monday, and the economic calendar was also very light. However, there are plenty of headlines for investors to digest as geopolitical tensions ratcheted up on multiple fronts. In the Middle East, the Israeli army targeted the north Lebanese region for the first time. In Asia, South Korea claimed that North Korea was preparing to demolish connecting roads which connect it with South Korea. Meanwhile, China launched and concluded the "Joint Sword 2024B" military drills around Taiwan. The dollar index grinded higher to its highest since mid-August, amid bets on a smaller Fed rate cut next month and safe haven flow. Fed's Kashkari commented that the monetary policy is still in a restrictive stance, and further modest rate cuts could be appropriate. OPEC trimmed its forecasts for oil demand growth for the third consecutive month, to 1.9mn barrels per day, down by 2% compared to previous estimate. Taken together with news that oil facilities in Iran are not the target of Israeli attack, oil prices declined overnight. According to the Ministry of Industry and Information Technology, China will launch another batch of specific initiatives to promote consumption and expand domestic demand. The officials also made broad pledges to support businesses in areas such as taxes, social security, employment and financing. Separately, there were market chatters that China will issue CNY6trn of ultra long CGB bonds over 3 years.

CN: Aggregate social financing increased by CNY3.76trn in September, primarily driven by government bond issuance, while on-balance sheet lending remained weak. Government bond financing rose by CNY1.53trn in August, CNY543.7bn more than the same period last year, reflecting a significant acceleration in fiscal efforts. New yuan loans grew by CNY1.59trn, which is CNY720bn less than the same period last year. Medium- to long-term loans to the household sector only increased by CNY230bn, a decline of CNY317bn compared to the same period last year. This trend underscores the ongoing uncertainty in the property market, with weakened confidence in housing investment and concerns about economic stability dampening consumer behaviour. Additionally, both loan demand and corporate bond issuance showed signs of weakening, indicating that domestic demand remains ineffective. M2 growth rebounded by 0.5% to 6.8%, while the contraction in M1 growth widened to 7.4% from 7.3%, further confirming weak demand. The rebound in M2 is likely linked to the recovery in the equity market, which shifted capital back to banks from wealth management products.

Market Watch: Asian markets are likely to open with a slightly upbeat tone. Today's economic calendar comprises of Indonesia's September trade data, UK's August labour market data, Germany's October ZEW expectations, Eurozone's August industrial production, US' September Empire manufacturing and Canada's September inflation.

Key Market Movements

Equity	Value	% chg
S&P 500	5859.9	0.8%
DJIA	43065	0.5%
Nikkei 225	39606	0.0%
SH Comp	3284.3	2.1%
STI	3595.9	0.6%
Hang Seng	21093	-0.7%
KLCI	1636.5	0.2%
	Value	% chg
DXY	103.298	0.4%
USDJPY	149.76	0.4%
EURUSD	1.0909	-0.3%
GBPUSD	1.3059	-0.1%
USDIDR	15560	-0.1%
USDSGD	1.3085	0.3%
SGDMYR	3.2887	0.1%
	Value	chg (bp)
2Y UST	3.96	0.00
10Y UST	4.10	0.00
2Y SGS	2.73	-2.50
10Y SGS	2.81	-1.56
3M SORA	3.48	-1.41
3M SOFR	5.25	0.00
	Value	% chg
Brent	77.46	-2.0%
WTI	73.83	-2.3%
Gold	2649	-0.3%
Silver	31.20	-1.1%
Palladium	1032	-3.6%
Copper	9660	-1.3%
BCOM	99.47	-1.3%

Source: Bloomberg

Major Markets

ID: Finance Minister Sri Mulyani revealed that President-elect Prabowo Subianto has requested for her to stay in her current role in his administration. After a meeting with Mr. Prabowo on Monday (14 October), Finance Minister Mulyani noted that Prabowo's message to her remained consistent: "Guard state finances, particularly revenues and spending," without confirming if she will accept the role. Meanwhile, Prabowo indicated that all ministerial candidates have agreed to join his cabinet. Several ministers from the outgoing administration were also reportedly asked to join Prabowo's administration, including Bahlil Lahadalia, Tito Karnavian, Zulkifli Hasan, Erick Thohir, Budi Gunadi Sadikin and Airlangga Hartarto. Prabowo is set to assume office on 20 October 2024.

MY: Investment, Trade, and Industry Minister Zafrul Aziz noted that Malaysia is currently engaged in negotiations for multiple new free trade agreements (FTAs) as part of an effort to mitigate the impact of conflicts in the Middle East and the Russia-Ukraine war. The ongoing negotiations include the Malaysia-United Arab Emirates Comprehensive Economic Partnership Agreement and the ASEAN-Canada FTA, as well as negotiations to upgrade the ASEAN-China FTA.

TH: According to the Krungthep Turakji newspaper, former permanent secretary of Thailand's energy ministry, Kulit Sombatsiri is emerging as the frontrunner in the race to become the next chairman of the Bank of Thailand (BoT). Kulit Sombatsiri is seen as qualified and potentially an acceptable choice for both the Thai government and the BoT.

VN: Hyosung Group of South Korea plans to invest an additional USD4bn in Vietnam for investments in data centres, high-tech industrial materials, carbon fibre manufacturing, and aviation biofuel, as reported by Vneconomy. The company has already invested USD4bn in Vietnam, creating around 10,000 jobs, and the additional investment is expected to generate an additional 10,000 jobs.

ESG Updates

SG: Singapore will be submitting its updated Nationally Determined Contribution in early 2025, to meet the UN's 25 February deadline. Ahead of that, the National Climate Change Secretariat (NCCS) has launched a public consultation exercise on Singapore's decarbonisation journey that will be open till 5 Nov. The views from the public will be taken into consideration as Singapore develops its next bound of climate targets, measures and policies through 2035. NCCS is focusing on three transitions to enable Singapore to achieve its climate targets i.e. (i) a carbon transition to reduce emissions across all sectors, (ii) an energy transition to achieve a resilient net zero electricity grid, and (iii) an economic transition to remain competitive in a low-carbon future and to capture new green growth opportunities.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter and belly tenors trading 2-3bps lower and 10Y trading 2bps lower. In September, China's loan expansion fell short of expectations despite credit growth surpassing predictions due to a surge in government bond sales according to calculations by Bloomberg based on data released by the People's Bank of China. Aggregate financing increased by RMB3.8trn per Bloomberg calculations, slightly lower than the RMB4.1trn recorded in the same month last year and falling short of the median estimate from a Bloomberg survey of economists of RMB3.6trn. Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads remained flat at 481bps as a result of the Columbus Day holiday. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar and market yesterday:

- IRB Infrastructure Developers Ltd priced a USD200mn Tap of IRBIN 7.11% '32s at 7.11%.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- China Huadian Overseas Development 2018 Ltd. (guarantor: China Huadian Corp.) is planning to issue USD subordinated guaranteed perpetuals.
- Korea Land & Housing Corp. is planning to issue USD senior unsecured bonds with expected tenor of 2-3Y.
- Sepco Virgin Ltd. (guarantor: Power Construction Corp. of China) is planning to issue USD subordinated guaranteed perpetuals.
- PT Bank KB Bukopin Tbk is planning to issue a USD Fixed with an expected tenor of 3Y.
- Export Finance Australia is planning to issue USD 5Y Fixed senior unsecured notes.
- Zhaoqing Guolian Investment Holding Co., Ltd may price a USD 3Y sustainability, fixed note.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.298	0.40%	USD-SGD	1.3085	0.28%
USD-JPY	149.760	0.42%	EUR-SGD	1.4274	0.01%
EUR-USD	1.091	-0.26%	JPY-SGD	0.8737	-0.14%
AUD-USD	0.673	-0.36%	GBP-SGD	1.7087	0.22%
GBP-USD	1.306	-0.06%	AUD-SGD	0.8801	-0.09%
USD-MYR	4.297	0.19%	NZD-SGD	0.7976	0.05%
USD-CNY	7.090	0.32%	CHF-SGD	1.5168	-0.35%
USD-IDR	15560	-0.13%	SGD-MYR	3.2887	0.13%
USD-VND	24846	0.12%	SGD-CNY	5.4143	-0.08%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2450	-0.31%	1M	4.7848	-0.06%
3M	3.1790	-0.16%	2M	4.7301	0.07%
6M	3.0640	0.29%	3M	4.6463	-0.19%
12M	2.8220	1.11%	6M	4.4476	-0.15%
			1Y	4.1228	-0.24%

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	-1.797	-0.449	4.379
01/29/2025	-2.585	-0.646	4.182
03/19/2025	-3.543	-0.886	3.943
05/07/2025	-4.217	-1.054	3.775
06/18/2025	-4.828	-1.207	3.622

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.83	-2.29%	Corn (per bushel)	4.083	-1.8%
Brent (per barrel)	77.46	-2.00%	Soybean (per bushel)	9.960	-0.9%
Heating Oil (per gallon)	227.42	-2.97%	Wheat (per bushel)	5.853	-2.3%
Gasoline (per gallon)	210.86	-2.00%	Crude Palm Oil (MYR/MT)	43.700	2.0%
Natural Gas (per MMBtu)	2.49	-5.24%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9659.50	-1.35%	Gold (per oz)	2648.5	-0.3%
Nickel (per mt)	17670.00	-1.09%	Silver (per oz)	31.2	-1.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	43,065.22	201.36
S&P	5,859.85	44.82
Nasdaq	18,502.69	159.75
Nikkei 225	39,605.80	224.91
STI	3,595.91	22.15
KLCI	1,636.54	2.99
JCI	7,559.66	39.05
Baltic Dry	1,809.00	19.00
VIX	19.70	-0.76

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.73 (-0.02)	3.96(--)
5Y	2.72 (-0.02)	3.9(--)
10Y	2.81 (-0.02)	4.1(--)
15Y	2.86 (-0.01)	--
20Y	2.85 (-0.01)	--
30Y	2.82 (-0.02)	4.41(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.82
------	------

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/15/2024	PH	Overseas Cash Remittances YoY	Aug	3.10%	--	3.10%	--
10/15/2024 04:00	NZ	REINZ House Sales YoY	Sep	--	-1.10%	-0.70%	5.10%
10/15/2024 10:26	US	Monthly Budget Statement	Sep	\$37.5b	--	-\$380.1b	--
10/15/2024 12:00	ID	Exports YoY	Sep	8.10%	--	7.13%	--
10/15/2024 12:30	JN	Industrial Production MoM	Aug F	--	--	-3.30%	--
10/15/2024 14:00	UK	Jobless Claims Change	Sep	--	--	23.7k	--
10/15/2024 14:00	GE	Wholesale Price Index MoM	Sep	--	--	-0.80%	--
10/15/2024 14:00	UK	Payrolled Employees Monthly Change	Sep	-3k	--	-59k	--
10/15/2024 14:00	UK	ILO Unemployment Rate 3Mths	Aug	4.10%	--	4.10%	--
10/15/2024 14:00	UK	Claimant Count Rate	Sep	--	--	4.70%	--
10/15/2024 14:00	GE	Wholesale Price Index YoY	Sep	--	--	-1.10%	--
10/15/2024 17:00	GE	ZEW Survey Expectations	Oct	10	--	3.6	--
10/15/2024 17:00	GE	ZEW Survey Current Situation	Oct	-84	--	-84.5	--
10/15/2024 20:30	CA	CPI YoY	Sep	1.80%	--	2.00%	--
10/15/2024 20:30	CA	CPI NSA MoM	Sep	-0.30%	--	-0.20%	--
10/15/2024 20:30	US	Empire Manufacturing	Oct	3.6	--	11.5	--

Source: Bloomberg

Macro Research

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

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyionq1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
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 and general circulation 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. Oversea-Chinese Banking Corporation Limited ("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. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. 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