

## Daily Treasury Outlook

16 July 2024

### Highlights

**Global:** Fed Chair Powell commented that recent inflation readings had boosted the Fed's confidence on bringing down inflation, adding further evidence that a Fed pivot is on the horizon. Rate-cut odds shifted to the dovish side for 2024, with 68bps cut now priced in. Elsewhere, some early analysis suggests the odds of victory have shifted in favour of Trump, providing further momentum to "Trump trades". The most apparent 'Trump trades' appear to be rising stocks, gold and bitcoin, higher long-end UST yields and a steeper yield curve, as market sees the prospect of wider budget deficits and higher inflation down the road. Major US stock indices closed between 0.3% and 0.5% higher, while dollar saw mild gains. Treasury yields were all higher but with a notable underperformance at the long-end. 2s30s dis-inverted for the first time since January. Gold surged back up near record highs, alongside rally in Bitcoin. On the data front, US Empire State index was roughly flat at -6.6, beating estimate of -7.6, suggesting that manufacturing activity continued to decline modestly in the New York area. Trump named James David Vance as his vice-presidential running mate, as the Republican Party officially nominated him to run for a second term.

**Market Watch:** Economic calendar is light for Asia today, with only Japan's May tertiary industry index. Market focus is squarely on the Third Plenum. Later, the market will watch US' June retail sales, Germany's July ZEW survey, Canada's June CPI. Fed's Powell and Daly, as well as ECB's Villeroy are also due to speak.

**CN:** The economy decelerated more than expected to 4.7% year-on-year (YoY) in the second quarter from 5.3% YoY in the first quarter. On a sequential basis, the economy grew by only 0.7% quarter-on-quarter (QoQ) after seasonal adjustment, slowing notably from 1.5% QoQ SA in the first quarter. For the first half of this year, the economy grew by 5% YoY, aligning with the government's target of "around 5%" growth. External demand played an important role in driving China's growth in the first half, with net exports contributing 13.9% of China's growth after dragging the economy down by 11.4% in 2023. China's growth disappointed in 2Q due to weak domestic demand, poor transmission from resilient external demand to domestic demand and the drag from the property market. Looking ahead, China is still able to achieve its growth target this year on the back of strong manufacturing sector and resilient external demand.

### Key Market Movements

Equity	Value	% chg
S&P 500	5631.2	0.3%
DJIA	40212	0.5%
Nikkei 225	41191	0.0%
SH Comp	2974.0	0.1%
STI	3499.9	0.1%
Hang Seng	18016	-1.5%
KLCI	1629.8	0.7%
	Value	% chg
DXY	104.189	0.1%
USDJPY	158.06	0.1%
EURUSD	1.0894	-0.1%
GBPUSD	1.2968	-0.2%
USDIDR	16170	0.2%
USDSGD	1.3438	0.2%
SGDMYR	3.4819	0.1%
	Value	chg (bp)
2Y UST	4.46	0.61
10Y UST	4.23	4.65
2Y SGS	3.19	-5.40
10Y SGS	3.05	-5.18
3M SORA	3.64	0.28
3M SOFR	5.36	0.09
	Value	% chg
Brent	84.85	-0.2%
WTI	81.91	-0.4%
Gold	2422	0.4%
Silver	30.68	-0.4%
Palladium	952	-2.1%
Copper	9806	-0.7%
BCOM	99.61	-1.1%

Source: Bloomberg

## Major Markets

**ID:** June trade data underperformed expectations. Export growth slowed to 1.2% YoY from 2.9% in May (consensus: 4.8%; OCBC: 3.3%), while imports improved by 7.6% following an 8.8% contraction in May (consensus: 8.2%; OCBC: 7.6%). As a result, the trade surplus narrowed to USD2.4bn in June from USD2.9bn in May. Specifically for imports based on end-use, capital goods remained weak (-6.3% YoY in June from -10.1% in May), while consumer (12.0% from -16.2%) and raw materials goods (10.6% vs -7.5%) reaccelerated.

**MY:** Over MYR230mn in palm oil trade deals were secured from Deputy Minister Chan Foong Hin's recent visit to China, resulting in four memoranda of understanding (MOUs) signed between Malaysian and Chinese companies. The MOUs, covering various aspects of palm oil trade and expansion into new sectors, were signed at the 15th China International Cereals and Oils Industry Summit in Nanjing.

## ESG Updates

**ID:** The Government of West Nusa Tenggara is implementing a resilient agricultural system to prevent food crises caused by impacts of climate change and land use change. The system can manage fertilisers, water, seedlings, and pest and disease control measures. This aims to increase productivity and incomes, strengthen plants' resilience against climate change, as well as reduce the contribution of agricultural emissions to climate change. This can support communities in a time where climate-related impacts and weather extremes are becoming more drastic, which can lead to upward pressures on food inflation because of impacts of agricultural production.

**Rest of the world:** The EU aims to pressure other countries at COP29 to follow through on their pledge to transition away from fossil fuels and focus efforts on renewables. COP29 is set to focus on finance, with developed economies under pressure to agree to commit more money to help developing economies cope with climate change impacts. Countries also face an early 2025 deadline to submit new national climate pledges to the UN.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 4-8bps lower, belly tenors trading 6-7bps lower and 10Y trading 5bps lower. China has witnessed offshore corporate bond defaults totaling USD11.4bn this year. This includes 25 bonds denominated in USD and 2 notes denominated in HKD. Additionally, missed payments among local notes remained at RMB10.1bn (USD1.39bn), involving 12 public offerings. It is anticipated that Agile Group Holdings Ltd will not be able to meet all of its offshore payment obligations, including a dollar bond. Bloomberg Asia USD Investment Grade remain unchanged and Bloomberg Asia USD High Yield also remain unchanged. (Bloomberg, OCBC)

### New Issues:

There were two notable issuances in the Asiadollar market yesterday.

- NongHyup Bank priced two social bonds, a USD300mn 3Y FRN at SOFR+80bps and a USD300mn 5Y Fixed at T+68bps.
- Haitian BVI International Investment Development Ltd (Keepwell Provider: Qingdao Conson Development Group Co Ltd) priced a 3Y Green Fixed at 6.1%.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Ningbo Yincheng Group Co is planning to issue senior unsecured USD sustainable bonds.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.189	0.09%	USD-SGD	1.3438	0.22%
USD-JPY	158.060	0.15%	EUR-SGD	1.4640	0.10%
EUR-USD	1.089	-0.12%	JPY-SGD	0.8503	0.08%
AUD-USD	0.676	-0.35%	GBP-SGD	1.7426	0.06%
GBP-USD	1.297	-0.15%	AUD-SGD	0.9084	-0.16%
USD-MYR	4.674	0.04%	NZD-SGD	0.8163	-0.51%
USD-CNY	7.258	0.11%	CHF-SGD	1.5002	0.06%
USD-IDR	16170	0.20%	SGD-MYR	3.4819	0.11%
USD-VND	25370	-0.18%	SGD-CNY	5.4040	-0.08%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6250	0.39%	1M	5.3392	-0.02%
3M	3.6640	-0.57%	2M	5.3477	-0.01%
6M	3.6620	-0.38%	3M	5.2775	-0.10%
12M	3.5640	-0.86%	6M	5.1149	-0.27%
			1Y	4.7831	-0.30%

## 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	-0.085	-0.021	5.307
09/18/2024	-1.140	-0.285	5.044
11/07/2024	-1.797	-0.449	4.879
12/18/2024	-2.720	-0.680	4.649
01/29/2025	-3.445	-0.861	4.468

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.91	-0.36%	Corn (per bushel)	3.905	-2.4%
Brent (per barrel)	84.85	-0.21%	Soybean (per bushel)	10.780	-5.0%
Heating Oil (per gallon)	251.36	0.16%	Wheat (per bushel)	5.325	-1.0%
Gasoline (per gallon)	249.16	-0.94%	Crude Palm Oil (MYR/MT)	39.800	0.3%
Natural Gas (per MMBtu)	2.16	-7.34%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9806.00	-0.72%	Gold (per oz)	2422.3	0.4%
Nickel (per mt)	16701.00	-0.92%	Silver (per oz)	30.7	-0.4%

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

## Equity and Commodity

Index	Value	Net change
DJIA	40,211.72	210.82
S&P	5,631.22	15.87
Nasdaq	18,472.57	74.12
Nikkei 225	41,190.68	-1033.34
STI	3,499.89	2.11
KLCI	1,629.82	10.76
JCI	7,278.86	-48.72
Baltic Dry	1,997.00	50.00
VIX	13.12	0.66

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.19 (-0.05)	4.44(--)
5Y	3.04 (-0.06)	4.13 (+0.03)
10Y	3.05 (-0.05)	4.22 (+0.05)
15Y	3.07 (-0.05)	--
20Y	3.03 (-0.03)	--
30Y	2.96 (-0.05)	4.45 (+0.06)

## 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
07/16/2024 05:00	SK	Export Price Index YoY	Jun	--	12.20%	7.50%	7.60%
07/16/2024 11:00	NZ	Non Resident Bond Holdings	Jun	--	--	61.50%	--
07/16/2024 12:30	JN	Tertiary Industry Index MoM	May	0.10%	--	1.90%	--
07/16/2024 17:00	GE	ZEW Survey Expectations	Jul	41	--	47.5	--
07/16/2024 17:00	GE	ZEW Survey Current Situation	Jul	-74.8	--	-73.8	--
07/16/2024 17:00	EC	ZEW Survey Expectations	Jul	--	--	51.3	--
07/16/2024 20:15	CA	Housing Starts	Jun	254.1k	--	264.5k	--
07/16/2024 20:30	CA	CPI YoY	Jun	2.70%	--	2.90%	--
07/16/2024 20:30	US	Retail Sales Advance MoM	Jun	-0.30%	--	0.10%	--
07/16/2024 20:30	CA	CPI NSA MoM	Jun	0.10%	--	0.60%	--
07/16/2024 20:30	US	Import Price Index MoM	Jun	-0.20%	--	-0.40%	--
07/16/2024 20:30	US	Retail Sales Ex Auto MoM	Jun	0.10%	--	-0.10%	--
07/16/2024 20:30	US	Retail Sales Ex Auto and Gas	Jun	0.20%	--	0.10%	--
07/16/2024 20:30	US	New York Fed Services Business Activity	Jul	--	--	-4.7	--
07/16/2024 22:00	US	NAHB Housing Market Index	Jul	43	--	43	--
07/16/2024 22:00	US	Business Inventories	May	0.50%	--	0.30%	--

Source: Bloomberg

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