

Daily Treasury Outlook

16 October 2024

Highlights

Global: Tuesday lacked a clear overarching theme in global markets, with divergence seen in both geopolitical tensions and risk sentiment. China's equity market declined once again, despite reports from Caixin and Bloomberg suggesting that China may raise CNY6trn in debt over the next three years to address local government hidden debt risks. Oil prices tumbled after news emerged that Israel would not target Iranian nuclear or oil facilities. Meanwhile, escalating tensions on the Korean Peninsula, following North Korea's destruction of roads near the South Korean border, led to a weaker RMB and a stronger dollar. In the U.S., concerns over tech earnings weighed on stocks, despite positive earnings from banks.

Treasury yields fell after weaker-than-expected New York Empire manufacturing activity data, which dropped to -11.9 in October from 11.5 in September. Additionally, Federal Reserve Bank of San Francisco President Mary Daly reaffirmed expectations for more rate cuts this year, provided economic data continues to align with forecasts. She noted that even with the recent rate cut, policy remains restrictive, applying further downward pressure on inflation to ensure it reaches the 2% target. Rate cut expectations for November rebounded slightly, despite an uptick in long-term inflation expectations. A survey from the New York Fed showed inflation expectations a year ahead held steady at 3%. However, inflation expectations for a three-year horizon ticked up to 2.7% (August: 2.5%) and to 2.9% for a five-year horizon (August: 2.8%).

China will hold another press conference on Thursday regarding property market policies, led by Minister Ni Hong from the Ministry of Housing and Urban-Rural Development, alongside officials from the Ministry of Finance, the Ministry of Natural Resources, the People's Bank of China, and the National Financial Regulatory Administration.

Market Watch: This morning, South Korea's unemployment rate for September ticked up slightly less than expected to 2.5% (August: 2.4%; consensus: 2.6%). Core machine orders in Japan surprised strongly to the downside in August, contracting 3.4% YoY (July: +8.7%; consensus: 3.8%). Today's Asian economic calendar is headlined by central bank meetings, as Bank Indonesia (BI), Bank of Thailand (BoT) and Bangko Sentral ng Pilipinas (BSP) are all set to meet later today. We expect BSP to continue on with its monetary policy easing and cut rates by 25bp. For BI and BoT, we expect both to hold rates steady at 6.00% and 2.50% respectively. Elsewhere, we will get UK September CPI and retail price index later today, while at night, the US will release MBA mortgage applications for the week ending 11 October.

Key Market Movements

Equity	Value	% chg
S&P 500	5815.3	-0.8%
DJIA	42740	-0.8%
Nikkei 225	39911	0.8%
SH Comp	3201.3	-2.5%
STI	3595.5	0.0%
Hang Seng	20319	-3.7%
KLCI	1642.0	0.3%
	Value	% chg
DXY	103.261	0.0%
USDJPY	149.2	-0.4%
EURUSD	1.0893	-0.1%
GBPUSD	1.3074	0.1%
USDIDR	15580	0.1%
USDSGD	1.3093	0.1%
SGDMYR	3.2944	0.2%
	Value	chg (bp)
2Y UST	3.95	-1.00
10Y UST	4.03	-6.86
2Y SGS	2.68	-5.50
10Y SGS	2.75	-5.73
3M SORA	3.48	-0.51
3M SOFR	5.23	-2.40
	Value	% chg
Brent	74.25	-4.1%
WTI	70.58	-4.4%
Gold	2663	0.5%
Silver	31.50	1.0%
Palladium	1015	-1.7%
Copper	9531	-1.3%
BCOM	98.41	-1.1%

Source: Bloomberg

Oil: Brent and WTI declined for the third consecutive day by 4.1% and 4.4% respectively to close at USD74.3/bbl and USD70.6/bbl respectively as supply concerns eased following news that Israel would not target Iranian nuclear and oil sites. In addition, both OPEC and IEA lowered their forecasts for global oil demand growth this year, citing weak growth in China as a factor weighing on demand.

Major Markets

ID: The finance ministry in the next administration is set to have a total of three deputy ministers, up from two currently, as reported by Kompas. Anggito Abimanyu, a prominent economist and a former fiscal policy head (2006-10), is set to join the current Deputy FM Suhasil Nazara and Deputy FM Thomas Djiwandono. Previously, President-elect Prabowo has offered FM Sri Mulyani to continue serving as FM in his administration.

MY: The government will enhance the development framework of the East Coast Economic Region (ECER) over the next five years to reduce regional development disparities and attract more investment. Prime Minister Anwar Ibrahim pointed out key growth areas such as food production, tourism, manufacturing, marine industries, logistics, and renewable energy. ECER secured RM13.3bn in investments from 21 projects during the first three quarters of 2024, exceeding the RM10bn target and creating 8,700 jobs across sectors like steel, petrochemicals, biomass, and tourism.

TH: At a weekly meeting of the Thai cabinet, Finance Minister Pichai Chunhavajira called for the Bank of Thailand (BoT) to ease monetary policy. Finance Minister Pichai told reporters that the “timing is right” for the BoT to finally ease policy as it would help Thailand better manage capital flows and stem the THB rally, he said. This is the latest development in the Thai government’s push for the BoT to lower interest rates to support lacklustre growth.

PH: According to Bangko Sentral ng Pilipinas (BSP), personal remittances rose by 3.3% YoY to USD3.2bn in August from 3.2% (USD3.428bn) in July. For year-to August, total personal remittances rose by 3.0% YoY (USD24.7bn).

VN: The Minister of Transport has officially opened the Tien Son inland port in Bắc Ninh province. Spanning 114,836 square meters in the Tien Son Industrial Park, Tu Son City, the port is expected to handle approximately 120,000 TEUs annually. Strategically located in Bac Ninh Province, the port will play a vital role in facilitating the transfer of goods across different modes of transport, linking road and highway networks to major seaports in Hai Phong and Quang Ninh.

ESG Updates

ID: Indonesia, Malaysia and the European Union will formulate a guide to EU deforestation rules for smallholders by November. This will be applicable to smallholders and small businesses including in the palm oil, coffee, rubber, timber and cocoa sectors to prepare them for the EU Deforestation Regulation (EUDR). There are concerns that the EUDR rules will impose onerous procedures on smallholders and exclude them from global supply chains. This initiative is an encouraging move to better support smallholders in the EUDR-covered sectors.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 3-4bps lower, belly tenor and 10Y trading 5bps lower. China's housing minister is scheduled to hold a press briefing on Thursday, where it is expected that additional information will be shared regarding measures aimed at supporting the country's struggling property sector and strengthening economic growth. Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads tightened by 3bps to 478bps. (Bloomberg, OCBC)

New Issues:

There were five notable issuances from four issuers in the Asiadollar market yesterday:

- CSI MTN Ltd (guarantor: CSI) priced a USD1bn in two tranches, a USD500mn 3Y FRN at SOFR+73bps, a USD500mn 3.5Y Fixed at T+60bps.
- Korea Land & Housing Corp priced a USD500mn 3Y Fixed at T+55bps.
- Sepco Virgin Ltd (guarantor: Power Construction Corp of China) priced a USD300mn PerpNC5 Sub, Fixed at Par to Yield 4.65%.
- Zhaoqing Guolian Investment Holdings Co Ltd priced a USD300mn 3Y Sustainability, Fixed at Par to Yield 5.25%.

There was one notable issuance in the Singdollar market yesterday:

- City Developments Limited priced a SGD300mn 5Y Senior Unsecured Fixed bond at 3.397%.

Mandates:

- Ningbo Haishu Development & Construction Investment Group Co. is planning to issue USD senior unsecured bonds.
- Muthoot Finance Ltd. may issue USD 4.5Y door to door tenor and 4Y weighted average life.
- Sekisui House Ltd. is planning to issue USD senior unsecured, fixed bonds with maturities of long 5Y and/or 10Y.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.261	-0.04%	USD-SGD	1.3093	0.06%
USD-JPY	149.200	-0.37%	EUR-SGD	1.4265	-0.06%
EUR-USD	1.089	-0.15%	JPY-SGD	0.8774	0.42%
AUD-USD	0.670	-0.34%	GBP-SGD	1.7118	0.18%
GBP-USD	1.307	0.11%	AUD-SGD	0.8777	-0.27%
USD-MYR	4.310	0.30%	NZD-SGD	0.7965	-0.14%
USD-CNY	7.120	0.42%	CHF-SGD	1.5185	0.11%
USD-IDR	15580	0.13%	SGD-MYR	3.2944	0.17%
USD-VND	24923	0.31%	SGD-CNY	5.4361	0.40%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2580	0.40%	1M	4.7775	-0.04%
3M	3.2050	0.82%	2M	4.7105	-0.02%
6M	3.0620	-0.07%	3M	4.6238	-0.19%
12M	2.7990	-0.82%	6M	4.4310	-0.08%
			1Y	4.1020	-0.23%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.972	-0.243	4.586
12/18/2024	-1.835	-0.459	4.370
01/29/2025	-2.605	-0.651	4.177
03/19/2025	-3.530	-0.882	3.946
05/07/2025	-4.197	-1.049	3.780
06/18/2025	-4.825	-1.206	3.622

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.58	-4.40%	Corn (per bushel)	4.013	-1.7%
Brent (per barrel)	74.25	-4.14%	Soybean (per bushel)	9.910	-0.5%
Heating Oil (per gallon)	218.77	-3.80%	Wheat (per bushel)	5.795	-1.0%
Gasoline (per gallon)	203.77	-3.36%	Crude Palm Oil (MYR/MT)	43.500	-0.5%
Natural Gas (per MMBtu)	2.50	0.16%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9530.50	-1.34%	Gold (per oz)	2662.6	0.5%
Nickel (per mt)	17424.00	-1.39%	Silver (per oz)	31.5	1.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/16/2024	IN	Exports YoY	Sep	--	--	-9.30%	--
10/16/2024 05:45	NZ	CPI QoQ	3Q	0.70%	0.60%	0.40%	--
10/16/2024 05:45	NZ	CPI Non Tradeable QoQ	3Q	1.30%	1.30%	0.90%	--
10/16/2024 05:45	NZ	CPI YoY	3Q	2.20%	2.20%	3.30%	--
10/16/2024 07:00	SK	Unemployment rate SA	Sep	2.60%	2.50%	2.40%	--
10/16/2024 07:30	AU	Westpac Leading Index MoM	Sep	--	0.03%	-0.05%	-0.01%
10/16/2024 07:50	JN	Core Machine Orders MoM	Aug	0.10%	-1.90%	-0.10%	--
10/16/2024 14:00	UK	CPI YoY	Sep	1.90%	--	2.20%	--
10/16/2024 14:00	UK	CPI MoM	Sep	0.10%	--	0.30%	--
10/16/2024 14:00	UK	CPI Core YoY	Sep	3.40%	--	3.60%	--
10/16/2024 14:00	UK	PPI Input NSA YoY	Sep	-2.20%	--	-1.20%	--
10/16/2024 15:00	TH	BoT Benchmark Interest Rate	Oct-16	2.50%	--	2.50%	--
10/16/2024 15:00	PH	BSP Overnight Borrowing Rate	Oct-16	6.00%	--	6.25%	--
10/16/2024 15:20	ID	BI-Rate	Oct-16	6.00%	--	6.00%	--
10/16/2024 19:00	US	MBA Mortgage Applications	Oct-11	--	--	-5.10%	--
10/16/2024 20:15	CA	Housing Starts	Sep	235.0k	--	217.4k	--

Source: Bloomberg

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