

Daily Treasury Outlook

16 December 2024

Highlights

Global: Hopes of continued Chinese policy stimulus as regulators pledge support for the housing and equity markets over the weekend. This came after China's credit growth unexpectedly slowed in November and the annual Central Economic Work Conference disappointed market expectations. The S&P500 closed down marginally by 0.16% while the 10-year UST bond yield surged 7bps to 4.397% in its biggest weekly rise since October 2023 on inflationary concerns. In Europe, ECB's Kazaks opined that while the central bank should cut rates, it shouldn't lower them to levels that stimulate economic expansion. Elsewhere, the impeachment of South Korean president Yoon Suk Yeol over the weekend, with the opposition leader Lee Jae Myung seen as the most likely to be the next president.

Market Watch: Asian markets may open cautious while awaiting the kickoff of Chinese data releases such as industrial production, retail sales, home prices, fixed asset investments, and jobless rate today. Also on tap are Indonesia and India's trade data, and a slew of PMIs from Europe, US, UK and Asia. ECB's Lagarde, Simkus, Guindos, Wunsch and Escriva are also speaking today. Taking centre stage this week will be the highly anticipated last FOMC meeting for the year on Thursday where a 25bps cut is already priced in but of keen market interest will be Fed chair Powell's press conference (any tilt away from data-dependency ahead of President-elect Trump's potentially inflationary tariffs and other policy prior), the nuancing in the FOMC statement (whether a pause in rate cuts is imminent due to the stalling of disinflationary progress) and the dot plot (whether there will be any shift from the four cuts for 2025 indicated in the September dot plot). This will be followed by the BoJ and BoE policy decisions on Thursday where both may stay on hold - note BoJ rhetoric of late have hinted at a later hike while BOE is tipped to retain its guidance of a gradual approach to removing policy restraint. Meanwhile, over in Asia, BI, BSP, CBC and BoT are also due to meet but only BSP may cut rates by 25bps. Separately, new French prime minister Bayrou will be forming a new cabinet. Other key data to watch for the week ahead include US' retail sales and Germany's IFO survey on Tuesday, UK's CPI, US' core PCE price index and China's LPR fixings on Friday.

SG: November NODX which is due for release tomorrow may have declined 0.1% YoY (9.3% MoM. sa) versus October's -0,7% YoY (-7.4% MoM SA), but electronics NODX may have accelerated from 2.6% YoY to 15.3% YoY.

Key Market Movements

Equity	Value	% chg
S&P 500	6051.1	0.0%
DJIA	43828	-0.2%
Nikkei 225	39470	-1.0%
SH Comp	3391.9	-2.0%
STI	3810.4	0.0%
Hang Seng	19971	-2.1%
KLCI	1608.8	0.4%
	Value	% chg
DXY	107.003	0.0%
USDJPY	153.65	0.7%
EURUSD	1.0501	0.3%
GBPUSD	1.2619	-0.4%
USDIDR	15995	0.4%
USDSGD	1.3488	0.1%
SGDMYR	3.2992	-0.1%
	Value	chg (bp)
2Y UST	4.24	5.42
10Y UST	4.40	6.89
2Y SGS	2.77	1.40
10Y SGS	2.75	1.99
3M SORA	3.15	-0.37
3M SOFR	4.80	-0.80
	Value	% chg
Brent	74.49	1.5%
WTI	71.29	1.8%
Gold	2648	-1.2%
Silver	30.55	-1.4%
Palladium	956	-1.3%
Copper	9053	-0.4%
BCOM	98.67	-0.4%

Source: Bloomberg

Major Markets

CN: Aggregate social financing (ASF) increased by CNY2.3trn in November, with the stock growth rate holding steady at 7.8% YoY. However, the RMB loan stock growth rate slowed by 0.3 percentage points to 7.7% YoY, as new yuan loans amounted to just CNY580bn, representing a YoY decline of approximately CNY510bn. This drop was primarily driven by reduced corporate loan demand. Local governments, having received debt restructuring funds, replaced earlier loans, while increased corporate bond financing may have partially crowded out corporate loans. Notably, medium- and long-term loans to corporates declined by nearly CNY240bn YoY in November.

On a more positive note, medium- and long-term household loans increased by CNY300bn, a YoY rise of CNY66.9bn, supported by housing loans. This was attributed to a recovery in real estate sales and reduced early repayment of housing loans following the implementation of lower existing mortgage rates on 25 October.

Local government bond issuance and corporate bond issuance were the primary drivers of ASF growth. Corporate bond issuance rose by over CNY100bn YoY, supported by a sharp decline in market interest rates, which boosted financing activity in the corporate bond market.

Meanwhile, M1 growth rebounded by 2.4 percentage points to -3.7% YoY, aided by a recovery in real estate sales, base effects, and local government debt repayments. This recovery also contributed to a rebound in the M1-M2 growth differential. Following the rollout of a comprehensive set of stimulus policies at the end of September, the differential has improved for two consecutive months in October and November, reflecting enhanced financial circulation within the real economy.

ID: The government is expected to announce an economic policy package this week, including a decision on the value-added tax (VAT) rate, as reported by Reuters. Specifically, the government plans to raise the VAT rate to 12% from the current 11% in January 2025, which is expected to apply only to luxury items while exempting staple goods. Additionally, the government is also expected to introduce fiscal stimulus for labour-intensive industries and provide assistance to low-income households for electricity bills.

MY: Communication Minister Fahmi Fadzil revealed that Bank Negara Malaysia (BNM) is expected to announce measures to address the rising medical insurance premium rates soon. Minister Fadzil noted that Prime Minister Anwar Ibrahim stated that BNM and the Ministry of Health will implement measures to prevent steep increases in premiums, with details expected to be released this week. Elsewhere, the Malaysian Palm Oil Board (MPOB) warns that the country's palm oil production could fall by up to 10% to 20% in December, especially if severe flooding persists in key palm-growing regions.

ESG Updates

CN: China's environment ministry will impose tougher curbs on the amount of methane released during coal extraction. This is in efforts to reduce methane emissions from coal mines, as China's coal mines account for around 40% of the country's methane emissions. Under the new rules, coal mines releasing emissions with methane content of 8% or higher - and amounting to more than 10m³ of pure methane per minute - must capture the gas. Gas that is captured but cannot be utilised will need to be destroyed. The value has been reduced from the previous threshold of 30% which was set in 2008. All new mines will have to comply with the rules by April next year, while existing mines will be given until April 2027.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher last Friday, with shorter tenors trading 1-2bps higher, belly tenors and the 10Y trading 2bps higher. Bonds from at least 75 Chinese companies, valued at a total of USD54bn, are under pressure to repay, as reported by Bloomberg. This includes RMB329.86bn worth of notes and USD8.59bn of offshore bonds. Bloomberg Asia USD Investment Grade spreads tightened to 1bps to 74bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 437bps. (Bloomberg, OCBC)

New Issues:

There were no notable issuances in the Asiadollar and Singdollar market last Friday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	107.003	0.04%	USD-SGD	1.3488	0.14%
USD-JPY	153.650	0.67%	EUR-SGD	1.4167	0.48%
EUR-USD	1.050	0.32%	JPY-SGD	0.8782	-0.48%
AUD-USD	0.636	-0.11%	GBP-SGD	1.7024	-0.28%
GBP-USD	1.262	-0.43%	AUD-SGD	0.8582	0.05%
USD-MYR	4.450	0.25%	NZD-SGD	0.7773	0.05%
USD-CNY	7.274	0.06%	CHF-SGD	1.5108	0.09%
USD-IDR	15995	0.44%	SGD-MYR	3.2992	-0.12%
USD-VND	25404	0.04%	SGD-CNY	5.3916	-0.12%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.8710	-1.07%	1M	4.3837	-0.21%
3M	2.8430	-1.49%	2M	4.3647	-0.10%
6M	2.6390	-0.64%	3M	4.3580	-0.10%
12M	2.4050	-0.66%	6M	4.2822	-0.09%
			1Y	4.1803	-0.25%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/18/2024	-0.934	-0.234	4.346
01/29/2025	-1.127	-0.282	4.298
03/19/2025	-1.629	-0.407	4.172
05/07/2025	-1.874	-0.468	4.111
06/18/2025	-2.259	-0.565	4.015
07/30/2025	-2.447	-0.612	3.967

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.29	1.81%	Corn (per bushel)	4.300	-0.4%
Brent (per barrel)	74.49	1.47%	Soybean (per bushel)	9.883	-0.8%
Heating Oil (per gallon)	227.00	1.49%	Wheat (per bushel)	5.265	-2.3%
Gasoline (per gallon)	200.18	0.67%	Crude Palm Oil (MYR/MT)	51.400	-0.4%
Natural Gas (per MMBtu)	3.28	-5.07%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9052.50	-0.43%	Gold (per oz)	2648.2	-1.2%
Nickel (per mt)	15862.00	-1.89%	Silver (per oz)	30.6	-1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	43,828.06	-86.06
S&P	6,051.09	-0.16
Nasdaq	19,926.72	23.88
Nikkei 225	39,470.44	-378.70
STI	3,810.35	1.08
KLCI	1,608.75	6.67
JCI	7,324.79	-69.45
Baltic Dry	1,051.00	-4.00
VIX	13.81	-0.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.77 (+0.01)	4.23(--)
5Y	2.7 (+0.02)	4.25 (+0.07)
10Y	2.75 (+0.02)	4.38 (+0.07)
15Y	2.79 (+0.01)	--
20Y	2.77 (+0.01)	--
30Y	2.72 (+0.01)	4.59 (+0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.62
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
12/16/2024	PH	Overseas Cash Remittances YoY	Oct	3.20%	--	3.30%	--
12/16/2024	IN	Exports YoY	Nov	--	--	17.20%	--
12/16/2024 05:45	NZ	Food Prices MoM	Nov	--	-0.10%	-0.90%	--
12/16/2024 07:50	JN	Core Machine Orders MoM	Oct	1.10%	2.10%	-0.70%	--
12/16/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Dec P	--	--	49	--
12/16/2024 10:00	CH	Industrial Production YoY	Nov	5.40%	--	5.30%	--
12/16/2024 10:00	CH	Retail Sales YoY	Nov	5.00%	--	4.80%	--
12/16/2024 12:30	JN	Tertiary Industry Index MoM	Oct	-0.10%	--	-0.20%	--
12/16/2024 13:00	IN	HSBC India PMI Mfg	Dec P	--	--	56.5	--
12/16/2024 16:30	GE	HCOB Germany Manufacturing PMI	Dec P	43.1	--	43	--
12/16/2024 17:00	EC	HCOB Eurozone Manufacturing PMI	Dec P	45.3	--	45.2	--
12/16/2024 17:30	UK	S&P Global UK Manufacturing PMI	Dec P	48.5	--	48	--
12/16/2024 17:30	UK	S&P Global UK Services PMI	Dec P	51	--	50.8	--
12/16/2024 21:15	CA	Housing Starts	Nov	245.1k	--	240.8k	--
12/16/2024 21:30	US	Empire Manufacturing	Dec	10	--	31.2	--
12/16/2024 22:45	US	S&P Global US Manufacturing PMI	Dec P	49.5	--	49.7	--

Source: Bloomberg

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