

Daily Treasury Outlook

17 July 2024

Highlights

Global: US stocks closed higher, with the Dow, S&P and Nasdaq up by 1.9%, 0.6% and 0.2%, respectively on Tuesday. Specifically, the Dow Jones Industrial Average closed at an all-time high. US treasury yields fell, with 2-year and 10-year yields closing lower at 4.42% and 4.16% respectively. Elsewhere, oil prices edged lower while gold hit a record high. The IMF kept its 2024 global growth forecast unchanged at 3.2% but revised its 2025 global growth forecast upward by 0.1% from the previous estimate in April to 3.3%. The IMF maintained that the risks to outlook remain balanced but warned that a lack of progress in inflation could delay the easing of monetary policies, which could pose a risk to global growth. The IMF has lowered its 2024 growth forecast for the US to 2.6% (April 24 WEO: 2.7%) due to a slower-than-expected start to the year, while raising China's GDP growth to 5.0% (April 24 WEO: 4.6%). Given lower-than-expected 2Q24 GDP growth, the IMF acknowledged downside risks to its full year growth forecast for China. On the data front, US retail sales was flat in June (consensus: -0.3%) compared to an upwardly revised 0.3% MoM growth in May. Core retail sales, excluding autos, gasoline, and building materials, rose more-than-expected at 0.9% MoM in June (consensus: 0.2%) compared to 0.4% in May. Additionally, US import prices were flat in June.

Market Watch: Today's data releases include Singapore's June NODX which declined by 8.7% YoY compared to a downwardly revised -0.7% in May. Other releases include Bank Indonesia's Policy Rate, US June IP, UK June CPI, among others.

Oil: WTI and Brent declined by 1.4% and 1.3% on Tuesday, closing at USD80.8/bbl and USD83.7/bbl, respectively. Oil prices have declined for a third consecutive session. The softening of the oil market was driven by concerns that a slowing Chinese economy could dampen oil demand. Nevertheless, we anticipate some support for oil prices during early Asian trading hours. This follows a reported drawdown of 4.4mn bbls in US crude inventories for the week ending on 12 July, according to the American Petroleum Institute (API). The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (17 July), with consensus anticipating a softer drawdown of 0.7mn bbls in US crude inventories.

Key Market Movements

Equity	Value	% chg
S&P 500	5667.2	0.6%
DJIA	40954	1.8%
Nikkei 225	41275	0.2%
SH Comp	2976.3	0.1%
STI	3487.9	-0.3%
Hang Seng	17728	-1.6%
KLCI	1626.0	-0.2%
	Value	% chg
DXY	104.270	0.1%
USDJPY	158.35	0.2%
EURUSD	1.0899	0.0%
GBPUSD	1.2974	0.0%
USDIDR	16180	0.1%
USDSGD	1.3442	0.0%
SGDMYR	3.4801	-0.1%
	Value	chg (bp)
2Y UST	4.42	-4.03
10Y UST	4.16	-7.18
2Y SGS	3.12	-7.20
10Y SGS	2.98	-6.53
3M SORA	3.64	0.11
3M SOFR	5.36	0.03
	Value	% chg
Brent	83.73	-1.3%
WTI	80.76	-1.4%
Gold	2469	1.9%
Silver	31.25	1.9%
Palladium	962	1.1%
Copper	9664	-1.5%
BCOM	99.59	0.0%

Source: Bloomberg

Major Markets

ID: Coordinating Minister for Economic Affairs Airlangga Hartarto stated on Tuesday (16 Jul) that there are currently "no fuel restrictions in place", but mentioned that the government is developing programs to be presented to President Joko Widodo for approval. President Jokowi also noted that "there haven't been any discussions" regarding the subsidized fuel purchase limit. Earlier, Coordinating Minister for Maritime Affairs and Investment Luhut Binsar Pandjaitan announced that the government intends to restrict subsidized fuel purchases by implementing a more targeted subsidy starting from August 17, aiming to reduce the burden on the budget. Elsewhere, Bank Indonesia is widely expected to keep its policy rate steady at 6.25% at today's MPC (3pm SGT).

MY: Deputy Prime Minister Fadillah Yusof noted that the government is reviewing all existing agreements regarding the sale of raw water from the Johor River to Singapore at a fixed price of 3 sen per 1,000 gallons since 1962. DPM Yusof, who is also the Minister of Energy Transition and Water Transformation, made this statement in response to former PM Mahathir Mohamad's claim that the water deal has resulted in a significant "subsidy" to Singapore over the past 61 years, as reported by The Edge. DPM Fadillah stated that the issue has persisted for years, and they are currently reviewing all the existing agreements.

ESG Updates

MY: Malaysia aims to table a carbon capture, utilisation and storage (CCUS) bill in November, to regulate CCUS activities and attract more investors into the country as indicated in its National Energy Transition Roadmap. Terengganu is one of the leading states in implementing CCUS initiatives because of existing offshore oil wells and terminal facilities available. Other states include Pahang, Sabah and Sarawak. Implementing CCUS initiatives would require high costs to develop and deploy associated infrastructure. Nonetheless, a strong and clear policy is a step in the right direction to enable the low-carbon transition through CCUS.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 6-7bps lower, belly tenors trading 6-7bps lower and 10Y trading 7bps lower. Peking University Founder Group Corp. has been granted permission to proceed with a final appeal regarding a court ruling related to its obligations on "keepwell" bonds. The court of final appeal's decision in this case could potentially provide clarity on the future viability of keepwell bonds and their usefulness. Bloomberg Asia USD Investment Grade widened by 1bps to 83bps, while Bloomberg Asia USD High Yield remain unchanged at 498bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuances in the Asiadollar market and one in the Singdollar market yesterday.

- China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd) priced 2 bonds, a USD500mn 3Y Fixed at T+115bps and USD500mn 5.5Y Fixed at T+143bps.
- Housing & Development Board priced an SGD 965mn 2Y Fixed at 3.244%.

Mandates:

- SAEL Limited is planning to issue USD senior secured green bond with 7Y door-to-door tenor.
- PT Sorik Marapi Geothermal Power is planning to issue a USD 7NC3 bond.
- SM Investments Corp. is planning to issue a USD 5Y senior note.
- Mitsubishi HC Finance America LLC (Guarantor: Mitsubishi HC Capital Inc) is planning to issue a USD senior unsecured 5.25Y Fixed bond.
- HKSAR government is planning to issue a USD, EUR, CNH senior unsecured Green Fixed notes.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.270	0.08%	USD-SGD	1.3442	0.03%
USD-JPY	158.350	0.18%	EUR-SGD	1.4652	0.08%
EUR-USD	1.090	0.05%	JPY-SGD	0.8490	-0.15%
AUD-USD	0.673	-0.38%	GBP-SGD	1.7440	0.08%
GBP-USD	1.297	0.05%	AUD-SGD	0.9052	-0.35%
USD-MYR	4.677	0.07%	NZD-SGD	0.8133	-0.37%
USD-CNY	7.269	0.14%	CHF-SGD	1.5042	0.27%
USD-IDR	16180	0.06%	SGD-MYR	3.4801	-0.05%
USD-VND	25380	0.04%	SGD-CNY	5.4055	0.03%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5720	-1.46%	1M	5.3413	-0.01%
3M	3.6620	-0.05%	2M	5.3514	0.00%
6M	3.6350	-0.74%	3M	5.2788	-0.07%
12M	3.5220	-1.18%	6M	5.1260	0.03%
			1Y	4.7831	-0.07%

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	-0.065	-0.016	5.313
09/18/2024	-1.100	-0.275	5.054
11/07/2024	-1.737	-0.434	4.894
12/18/2024	-2.659	-0.665	4.664
01/29/2025	-3.405	-0.851	4.477

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.76	-1.40%	Corn (per bushel)	3.958	1.3%
Brent (per barrel)	83.73	-1.32%	Soybean (per bushel)	10.905	1.2%
Heating Oil (per gallon)	246.88	-1.78%	Wheat (per bushel)	5.308	-0.3%
Gasoline (per gallon)	247.75	-0.57%	Crude Palm Oil (MYR/MT)	39.660	-0.4%
Natural Gas (per MMBtu)	2.19	1.39%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9663.50	-1.45%	Gold (per oz)	2469.1	1.9%
Nickel (per mt)	16594.00	-0.64%	Silver (per oz)	31.2	1.9%

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

Equity and Commodity

Index	Value	Net change
DJIA	40,954.48	742.76
S&P	5,667.20	35.98
Nasdaq	18,509.34	36.77
Nikkei 225	41,275.08	84.40
STI	3,487.91	-11.98
KLCI	1,625.96	-3.86
JCI	7,224.29	-54.57
Baltic Dry	1,993.00	-4.00
VIX	13.19	0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.12 (-0.07)	4.42(--)
5Y	2.97 (-0.07)	4.07 (-0.06)
10Y	2.98 (-0.07)	4.16 (-0.07)
15Y	3.01 (-0.06)	--
20Y	2.97 (-0.06)	--
30Y	2.9 (-0.06)	4.37 (-0.09)

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
07/17/2024 06:45	NZ	CPI QoQ	2Q	0.50%	0.40%	0.60%	--
07/17/2024 06:45	NZ	CPI YoY	2Q	3.40%	3.30%	4.00%	--
07/17/2024 08:30	SI	Non-oil Domestic Exports YoY	Jun	-1.30%	--	-0.10%	--
07/17/2024 08:30	AU	Westpac Leading Index MoM	Jun	--	--	-0.01%	--
07/17/2024 14:00	UK	CPI YoY	Jun	1.90%	--	2.00%	--
07/17/2024 14:00	UK	CPI MoM	Jun	0.10%	--	0.30%	--
07/17/2024 14:00	UK	CPI Core YoY	Jun	3.40%	--	3.50%	--
07/17/2024 14:00	UK	PPI Input NSA YoY	Jun	1.10%	--	-0.10%	--
07/17/2024 14:00	UK	RPI YoY	Jun	2.90%	--	3.00%	--
07/17/2024 14:00	UK	RPI MoM	Jun	0.20%	--	0.40%	--
07/17/2024 15:20	ID	BI-Rate	Jul-17	6.25%	--	6.25%	--
07/17/2024 17:00	EC	CPI YoY	Jun F	2.50%	--	2.50%	--
07/17/2024 17:00	EC	CPI MoM	Jun F	0.20%	--	0.20%	--
07/17/2024 19:00	US	MBA Mortgage Applications	Jul-12	--	--	-0.20%	--
07/17/2024 20:30	US	Housing Starts	Jun	1300k	--	1277k	--
07/17/2024 21:15	US	Industrial Production MoM	Jun	0.30%	--	0.90%	0.70%

Source: Bloomberg

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