

Daily Treasury Outlook

17 September 2024

Highlights

Global: The economic calendar was light on Monday, with some Asian markets out on holiday. US equities closed on a mixed note. The Dow and S&P were up by 0.6% and 0.3%, while Nasdaq was down by 0.5%. US treasury yields drifted lower on the day with the long-end outperforming. The 10Y yield closed at its lowest since June 2023. The dollar retraced modestly lower, back to the Jackson Hole lows. Gold consolidated at record highs, while oil prices continued the rebound. On data front, US Empire Fed Manufacturing Index surprised well to the upside, rising from -4.7 in August to 11.5 in September, marking the first positive reading this year. The new orders index climbed to multi-year high of 9.4, while shipments index was also at the highest level in more than a year. The index for number of employees continued to decline modestly, while price indexes were little changed. Surveyed firms were more optimistic that conditions would improve in the months ahead.

Market Watch: Asian markets are likely to trade with a cautious tone today. In the Asia session today, the market will watch Indonesia's August trade data, Japan's July tertiary industry index and India's August wholesale prices. Later today, economic calendar comprises of Germany's September ZEW expectation, Canada's August CPI, US' August retail sales and industrial production.

SG: Non-oil domestic exports (NODX) for August came in below expectations at 10.7% YoY (consensus: 15.0%; OCBC: 15.7%). Electronic NODX continued to exhibit strong growth in August, rising 35.1% YoY, an increase from the upwardly revised 16.8% growth in July. However, non-electronic NODX grew 3.7% YoY in August, a marked decline from the 15.5% expansion in July. NODX to all top markets bar the EU27 and Japan grew, with the largest contributors to NODX growth being Hong Kong (70.6% YoY), China (18.8%) and Malaysia (28.6%).

Oil: WTI and Brent increased by 2.1% and 1.6% respectively, closing at USD70.1/bbl and USD 72.8/bbl each. Supply disruptions from Hurricane Francine and slumping Libyan exports continue to exert upward pressure on oil prices. While most production has resumed in the Gulf of Mexico in the aftermath of Hurricane Francine, 12.2% of oil production remains shut-in, representing around 213,204 bpd of decreased supply per the US Bureau of Safety and Environmental Enforcement. Additionally, market expectations of a more aggressive Fed cut continue to fuel increased demand expectations despite sluggish demand signals from an underperforming Chinese economy.

Key Market Movements

Equity	Value	% chg
S&P 500	5633.1	0.1%
DJIA	41622	0.6%
Nikkei 225	36582	0.0%
SH Comp	2704.1	0.0%
STI	3570.4	0.2%
Hang Seng	17422	0.3%
KLCI	1652.2	0.0%
	Value	% chg
DXY	100.763	-0.3%
USDJPY	140.62	-0.2%
EURUSD	1.1133	0.5%
GBPUSD	1.3216	0.7%
USDIDR	15400	0.0%
USDSGD	1.2953	-0.2%
SGDMYR	3.3200	0.2%
	Value	chg (bp)
2Y UST	3.55	-3.15
10Y UST	3.62	-3.37
2Y SGS	2.29	-1.60
10Y SGS	2.43	-2.08
3M SORA	3.54	-0.61
3M SOFR	5.37	0.04
	Value	% chg
Brent	72.75	1.6%
WTI	70.09	2.1%
Gold	2582	0.2%
Silver	30.73	0.0%
Palladium	1080	0.9%
Copper	9390	0.9%
BCOM	96.75	0.6%

Source: Bloomberg

Major Markets

ID: Defence Minister and President-elect Prabowo Subianto visited Vietnam over the weekend as part of his ASEAN tour, where he met with various officials including President To Lam and Prime Minister Pham Minh Chinh. The discussions primarily focused on bilateral relations, defence cooperation, and addressing issues such as illegal fishing and typhoon relief efforts.

MY: The Malaysian Palm Oil Board (MPOB) has mapped 70% of independent smallholders and 85% of organized smallholders, with data available through its GeoPalm portal, as reported by The Edge. This project, in collaboration with the Malaysian Space Agency (MySA), supports compliance with the EU Deforestation Regulation (EUDR) by providing accurate geolocation data for licensed growers. MPOB is working closely with state governments and regional peers, including Indonesia through the Joint Task Force, to ensure all palm oil producers meet EUDR standards, aiming for a unified regional approach to address these challenges.

TH: In response to ongoing floods in the country, PM Paetongtarn Shinawatra said that the government plans to waive utility bills for affected households in September. She added that there are plans to provide a 30% discount to utility bills for affected households in October, and that these measures could be extended if the situation does not improve.

ESG Updates

ID: Indonesia's President-elect Prabowo Subianto plans to launch a green economy fund by selling carbon credits, with the aim of raising IDR1,000trn (USD65bn) by 2028. There are plans to establish a new regulator for carbon emission rules to oversee efforts to reach Indonesia's emissions targets under the Paris Agreement. The regulator will form a 'special mission vehicle' to manage the green fund and operate the projects that generate carbon credits. However, the market still faces challenges such as ensuring the integrity of carbon credits generated, and the fund target is ambitious when considering current prices of nature-based carbon credits.

Rest of the world: South Korea generated more electricity from nuclear reactors than from coal and natural gas for the first time during the 1H24. It plans to add four more nuclear plants to its power fleet by 2038, which may lead to reduced purchases of fossil fuels in the future. While South Korea increases efforts to expand renewable energy, nuclear power is the country's main source of clean energy generation and has supplied about 28% of its electricity since 2010.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded marginally higher yesterday, with shorter tenors trading within a -1 to +1bps range, belly tenors trading 1bps higher and 10Y trading 2bps higher. Primary market activity slowed to start the week due to holidays in Japan, South Korea and China and ahead of central bank meetings later this week across the globe. In another court delay for a Chinese developer, Redsun Properties Group Ltd.'s liquidation hearing was adjourned until 31 March by a Hong Kong court. The company is planning to release a term sheet by January and a restructuring support agreement by March. In Europe, the European Central Bank has reportedly asked banks for details of their private credit exposures including lending to private credit funds as part of wider investigations into shadow banking and the risks it poses to the traditional financial system. In the US, Royal Caribbean Cruises Ltd priced USD1.5bn in 7NC3Y senior unsecured notes to repay debts including its 7.250% senior notes due 2030. The private offering of USD1.0bn was upsized as the company seeks to replace higher cost secured and guaranteed debt with lower cost unsecured bonds. Bloomberg Asia USD Investment Grade spreads widened by 1 bps to 94bps while Bloomberg Asia USD High Yield spreads tightened by 2bps to 596bps. (Bloomberg, OCBC)

New Issues:

There was no notable issue in the Asiadollar and Singdollar market yesterday.

Mandates:

- Australian broadband service provider NBN Co Ltd is planning to issue 144A/Reg S USD senior unsecured notes with a 3Y and/or 5Y tenor.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.763	-0.35%	USD-SGD	1.2953	-0.18%
USD-JPY	140.620	-0.16%	EUR-SGD	1.4419	0.28%
EUR-USD	1.113	0.52%	JPY-SGD	0.9211	-0.10%
AUD-USD	0.675	0.72%	GBP-SGD	1.7119	0.49%
GBP-USD	1.322	0.70%	AUD-SGD	0.8746	0.45%
USD-MYR	4.301	-0.78%	NZD-SGD	0.8033	0.53%
USD-CNY	7.097	-0.28%	CHF-SGD	1.5332	0.25%
USD-IDR	15400	-0.19%	SGD-MYR	3.3200	0.21%
USD-VND	24543	-0.15%	SGD-CNY	5.4739	0.22%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.4050	-0.90%	1M	4.9510	-0.29%
3M	3.4720	-0.26%	2M	4.8930	-0.31%
6M	3.2710	0.18%	3M	4.8040	-0.23%
12M	2.9480	0.65%	6M	4.4275	-0.16%
			1Y	3.8323	-0.13%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
09/18/2024	-1.725	-0.431	4.913
11/07/2024	-3.212	-0.803	4.541
12/18/2024	-4.810	-1.203	4.141
01/29/2025	-6.345	-1.586	3.757
03/19/2025	-7.753	-1.938	3.406
05/07/2025	-8.695	-2.174	3.170

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.09	2.10%	Corn (per bushel)	4.108	5.1%
Brent (per barrel)	72.75	1.59%	Soybean (per bushel)	10.045	1.8%
Heating Oil (per gallon)	209.68	0.60%	Wheat (per bushel)	5.785	1.3%
Gasoline (per gallon)	196.82	1.97%	Crude Palm Oil (MYR/MT)	39.300	-2.2%
Natural Gas (per MMBtu)	2.37	2.95%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9390.00	0.88%	Gold (per oz)	2582.5	0.2%
Nickel (per mt)	16284.00	2.13%	Silver (per oz)	30.7	0.0%

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

Equity and Commodity

Index	Value	Net change
DJIA	41,622.08	228.30
S&P	5,633.09	7.07
Nasdaq	17,592.13	-91.85
Nikkei 225	36,581.76	-251.51
STI	3,570.43	7.78
KLCI	1,652.15	13.84
JCI	7,812.13	13.98
Baltic Dry	1,890.00	-37.00
VIX	17.14	0.58

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.29 (-0.02)	3.55(--)
5Y	2.25 (-0.02)	3.4 (-0.03)
10Y	2.43 (-0.02)	3.62 (-0.03)
15Y	2.48 (-0.02)	--
20Y	2.53 (-0.02)	--
30Y	2.54 (-0.03)	3.93 (-0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.33
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
09/17/2024	IN	Exports YoY	Aug	--	--	-1.50%	--
09/17/2024 08:30	SI	Non-oil Domestic Exports YoY	Aug	15.00%	--	15.70%	--
09/17/2024 12:00	ID	Exports YoY	Aug	4.00%	--	6.46%	--
09/17/2024 12:00	ID	Trade Balance	Aug	\$1900m	--	\$472m	--
09/17/2024 12:30	JN	Tertiary Industry Index MoM	Jul	0.90%	--	-1.30%	--
09/17/2024 14:30	IN	Wholesale Prices YoY	Aug	1.78%	--	2.04%	--
09/17/2024 17:00	GE	ZEW Survey Expectations	Sep	17	--	19.2	--
09/17/2024 17:00	GE	ZEW Survey Current Situation	Sep	-80	--	-77.3	--
09/17/2024 17:00	EC	ZEW Survey Expectations	Sep	--	--	17.9	--
09/17/2024 20:15	CA	Housing Starts	Aug	250.0k	--	279.5k	--
09/17/2024 20:30	CA	CPI YoY	Aug	2.10%	--	2.50%	--
09/17/2024 20:30	US	Retail Sales Advance MoM	Aug	-0.20%	--	1.00%	--
09/17/2024 20:30	CA	CPI NSA MoM	Aug	0.00%	--	0.40%	--
09/17/2024 20:30	US	Retail Sales Ex Auto MoM	Aug	0.20%	--	0.40%	--
09/17/2024 21:15	US	Industrial Production MoM	Aug	0.20%	--	-0.60%	--
09/17/2024 21:15	US	Capacity Utilization	Aug	77.90%	--	77.80%	--

Source: Bloomberg

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