

Daily Treasury Outlook

17 October 2024

Highlights

Global: US equities rallied overnight (S&P: +0.47%; NASDAQ: +0.28%; Dow: +0.79%), UST yields were lower across the curve with the 2-year trading choppily and the DXY index rose. It was a data light session, with no Fed speakers scheduled to speak. The action was mostly on the Asian, and specifically ASEAN, side. The central bank meetings bonanza of Bank Indonesia, Bangko Sentral ng Pilipinas and Bank of Thailand delivered two in-line decisions and one surprise. The in-line decisions were from BI and BSP. BI left its policy rate unchanged at 6.00%, citing IDR stability as the primary factor for the pause following the 25bp cut in September. The room for further easing is open and we expect another 25bp cut from BI either at its November or December meeting. BSP cut its policy rate by 25bp taking it to 6.00%, demonstrating comfort with the continued disinflation trajectory. We expect another 25bp cut from BSP at its December meeting. The surprise decision from BoT to lower its policy rate by 25bp taking it to 2.25% is not without its share of paradoxes. The vote within the MPC was emphatically dovish at 5-2 in favour of the cut but the policy statement and the press conference were more restrained. BoT noted that the policy stance remains neutral and that that “the policy rate...should not be at too low a level that would create build-ups of financial imbalances in the long term.” The upshot is that while it is compelling to believe that BoT acquiesced to the political pressure to lower rates, we had already pencilled in rate cuts at the December meeting justified by growth-inflation-financial stability fundamentals. THB continues to appreciate versus USD with financial conditions become slightly tighter. This rate cutting cycle will be shallow and we expect another 25bp cut from BoT in 2025.

SG: Non-oil domestic exports (NODX) rose by 2.7% YoY in September (August: 10.7%), below our expectations of an 8.9% rise and consensus expectations of 9.1% growth. Electronic exports grew by 4.0% YoY in September (August: 35.1%), while non-electronic products grew by 2.3% (August: 3.6%). NODX to top markets increased, with the EU, Indonesia and South Korea being the largest contributors. However, declines were seen in Japan, Hong Kong and the US.

Market Watch: The attention will shift to the next press briefing from Chinese authorities, this time from the housing minister, and ECB’s rate decision. Given the focus on the property market, the press conference from China will be closely watched while ECB is expected to cut its deposit facility rate by 25bp. In terms of data, releases today include Australia’s September employment data, the final reading of Eurozone September CPI, US September retail sales, weekly initial jobless claims and continuing claims and US September industrial production.

Key Market Movements

Equity	Value	% chg
S&P 500	5842.5	0.5%
DJIA	43078	0.8%
Nikkei 225	39180	-1.8%
SH Comp	3202.9	0.1%
STI	3590.6	-0.1%
Hang Seng	20287	-0.2%
KLCI	1632.6	-0.6%
	Value	% chg
DXY	103.590	0.3%
USDJPY	149.64	0.3%
EURUSD	1.0862	-0.3%
GBPUSD	1.2990	-0.6%
USDIDR	15513	-0.4%
USDSGD	1.3134	0.3%
SGDMYR	3.2821	-0.4%
	Value	chg (bp)
2Y UST	3.94	-0.78
10Y UST	4.01	-1.95
2Y SGS	2.65	-2.40
10Y SGS	2.71	-3.62
3M SORA	3.47	-0.53
3M SOFR	5.22	-0.55
	Value	% chg
Brent	74.22	0.0%
WTI	70.39	-0.3%
Gold	2674	0.4%
Silver	31.69	0.6%
Palladium	1027	1.2%
Copper	9559	0.3%
BCOM	98.27	-0.1%

Source: Bloomberg

Oil: Brent prices were virtually unchanged yesterday, closing down by three cents to USD74.22/bbl, while WTI fell by 0.3% to USD70.39/bbl. Lingering effects from the downgrading of oil demand from the day prior as well as reports of Israel not targeting Iranian oil facilities continued to impact oil prices. Looking ahead, weekly US oil storage data from the US Energy Information Administration (EIA) will be released tomorrow.

Major Markets

ID: Bank Indonesia's (BI) decision to hold the policy rate unchanged at 6.00% reflects the focus on IDR stability, while keeping the door open for further calibrated rate cuts in the coming months. BI's key forecasts on growth, inflation and current account for 2024 were unchanged from the previous meeting on 18 September. Indeed, BI noted that its "focus in the short-term is IDR stability" while it will keep "an eye on room for policy rate cuts". The shift in bias to becoming more growth supportive is clear and to that end, BI has extended its macroprudential liquidity incentives to end-2025 (originally set to expire end 2024). Rate cuts, however, will come in a deliberated manner based on IDR movements. We expect another 25bp cut from BI in either November or December, followed by a cumulative 75bps cut in 2025.

MY: Battery-powered vehicles (BEVs) sales rose 112% YoY to 6,617 units in 1H24, according to Minister Tengku Zafrul Abdul Aziz. Given the strong growth momentum, Minister Aziz confident that the government target of EVs to comprise 20% of the total industry volume by 2030. Additionally, Minister Zafrul noted there are about 3,171 charging stations as of 30 September 2024, with the government aims to install 10,000 charging stations by end 2025.

TH: Bank of Thailand (BoT) cut its policy rate by 25bp, in a surprise move, with a 5-2 vote in favour of the outcome. While it is compelling to believe that BoT acquiesced to the government's call for lower rates, rate cuts were on the cards for BoT justified by growth-inflation-financial stability fundamentals, in our view. We expect another 25bp rate cut in 1Q25, taking the policy rate to 2.00%. BoT noted in its policy statement that "the Committee deems that a neutral stance of policy rate remains appropriate with the economic growth and inflation outlook". More importantly, the statement concluded with BoT noting that "the policy rate...should not be at too low a level that would create build-ups of financial imbalances in the long term."

PH: Bangko Sentral ng Pilipinas (BSP) decision to lower its policy rate by 25bp was in line with consensus and our expectations, taking the key policy rate to 6.25%. The decision was supported by further evidence of disinflation. Indeed, BSP adjusted lower its 2024 'risk-adjusted' headline CPI forecast to 3.1% from 3.3% but raised its 2025 forecast to 3.3% from 2.9%. Specifically, BSP noted that the September headline inflation print of 1.9% YoY was due to base effects but even accounting for this, the print was low. Looking ahead, we expect the BSP to deliver another 25bp cut at its 19 December meeting followed by a cumulative 75bps in rate cuts in 1H25. This will take the policy rate to 5.00%. During the press conference, BSP Governor Eli Remolona noted that the nominal neutral rate is roughly at 5.00%.

VN: Prime Minister Pham Minh Chinh has called for an acceleration in infrastructure development in the Mekong Delta region. Specifically, the government aims to increase the total length of expressways in the region to 600km by 2025 and 1,200km by 2030, up from less than 39km prior to 2021. The Mekong Delta region, which is Vietnam's largest rice hub and includes Can Tho City and 12 provinces, contributes up to 17.7% of the national GDP, according to the government news portal.

HK: Chief Executive John Lee delivered his third Policy Address on Wednesday. The 2024 Policy Address can be interpreted as a continuity of previous policy direction, though with more focus back on “prosperity” instead of “stability”. Overall speaking, it attempts to consolidate Hong Kong’s existing edges and search for new growth areas, while offering supports to selected sectors facing structural challenges. The most impactful policies were likely on housing sector. Mortgage rules are eased further, with loan-to-value ratio for all residential property loans raised to 70%. Investment in residential properties is now allowed under the New Capital Investment Entrant Scheme, provided that the transaction price of the residential property concerned is no less than HK\$50 million. Separately, Hong Kong government moved to phase out the infamous subdivided units, which used to symbolize the city’s inadequate housing problem. There was an array of new initiatives to develop the local financial industries, including attracting new capital and products to the stock market. Meanwhile, for the first time, the authority pushed to establish an international gold-trading market in Hong Kong. The government continued to support the retail and tourism industries, through organising more mega events and enabling more mainland tourists to visit. The government also proposed to cut tax levied on liquor with import price of HKD200 or above, from 100% to 10% , as part of plan to boost the “Night Economy”.

ESG Updates

Rest of the world: The EU aims to push for significant progress on defining the climate finance framework at COP29 and lay the groundwork for the next round of more ambitious Nationally Determined Contributions. Developing countries are calling for a larger funding goal but the EU and Canada have said that a large increase in public funding would be unrealistic for developed economies.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 2-3bps lower, belly tenor and 10Y trading 3bps lower. Taiwanese companies are experiencing the highest fundraising levels in nearly twenty years as chipmakers initiate expansion strategies to meet the increasing demand for artificial intelligence components. The rise in offerings from chipmakers and hardware manufacturers has contributed to a total of USD2.9bn in additional share sales by Taiwanese companies abroad this year, making it the highest since 2007 according to data compiled by Bloomberg. Additionally, the issuance of convertible bonds denominated in USD has surged to USD2.5bn. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 78bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 474bps. (Bloomberg, OCBC)

New Issues:

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

- Sekisui House Ltd priced USD1bn debt in 2 tranches, a USD500mn Long 5Y Fixed at T+88bps, a USD500mn 10Y Fixed at T+113bps.
- Muthoot Finance Ltd priced a USD400mn 4.5Y Senior Secured Fixed, at 99.996 to Yield 6.375%.
- Philippine National Bank priced a USD300mn 5Y Sustainability, Fixed at T+102bps.

There were three notable issuances in the Singdollar market yesterday:

- Sembcorp Financial Services Pte Ltd (guarantor: Sembcorp Industries Ltd) priced a SGD350mn 12Y green bond at 3.65%.
- Cagamas Global PLC (guarantor: Cagamas Bhd) priced a SGD105mn 1Y Fixed at 3.25%.
- Banco Santander SA priced a SGD300mn 6NC5 Senior Non-Preferred at 3.60%.

Mandates:

- There are no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.590	0.32%	USD-SGD	1.3134	0.31%
USD-JPY	149.640	0.29%	EUR-SGD	1.4267	0.01%
EUR-USD	1.086	-0.28%	JPY-SGD	0.8778	0.05%
AUD-USD	0.667	-0.54%	GBP-SGD	1.7063	-0.32%
GBP-USD	1.299	-0.64%	AUD-SGD	0.8756	-0.24%
USD-MYR	4.297	-0.30%	NZD-SGD	0.7956	-0.11%
USD-CNY	7.120	0.00%	CHF-SGD	1.5175	-0.07%
USD-IDR	15513	-0.43%	SGD-MYR	3.2821	-0.37%
USD-VND	24984	0.24%	SGD-CNY	5.4191	-0.31%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.2350	-0.71%	1M	4.7603	-0.46%
3M	3.2150	0.31%	2M	4.6927	-0.50%
6M	3.0570	-0.16%	3M	4.6213	-0.19%
12M	2.7660	-1.18%	6M	4.4194	-0.31%
			1Y	4.0940	-0.23%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.946	-0.236	4.592
12/18/2024	-1.819	-0.455	4.374
01/29/2025	-2.605	-0.651	4.177
03/19/2025	-3.504	-0.876	3.953
05/07/2025	-4.197	-1.049	3.780
06/18/2025	-4.835	-1.209	3.620

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.39	-0.27%	Corn (per bushel)	4.048	0.9%
Brent (per barrel)	74.22	-0.04%	Soybean (per bushel)	9.800	-1.1%
Heating Oil (per gallon)	217.47	-0.59%	Wheat (per bushel)	5.850	0.9%
Gasoline (per gallon)	204.03	0.13%	Crude Palm Oil (MYR/MT)	43.720	0.5%
Natural Gas (per MMBtu)	2.37	-5.24%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9558.50	0.29%	Gold (per oz)	2673.8	0.4%
Nickel (per mt)	17279.00	-0.83%	Silver (per oz)	31.7	0.6%

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

Equity and Commodity

Index	Value	Net change
DJIA	43,077.70	337.28
S&P	5,842.47	27.21
Nasdaq	18,367.08	51.49
Nikkei 225	39,180.30	-730.25
STI	3,590.62	-4.85
KLCI	1,632.63	-9.34
JCI	7,648.94	21.99
Baltic Dry	1,766.00	-48.00
VIX	19.58	-1.06

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.65 (-0.02)	3.94(--)
5Y	2.63 (-0.03)	3.84 (-0.01)
10Y	2.71 (-0.04)	4.02 (-0.02)
15Y	2.78 (-0.03)	--
20Y	2.78 (-0.02)	--
30Y	2.71 (-0.02)	4.3 (-0.02)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.86
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
10/17/2024 08:30	AU	Unemployment Rate	Sep	4.20%	--	4.20%	--
10/17/2024 08:30	AU	Employment Change	Sep	25.0k	--	47.5k	--
10/17/2024 08:30	SI	Non-oil Domestic Exports YoY	Sep	9.10%	--	10.70%	--
10/17/2024 08:30	AU	Participation Rate	Sep	67.10%	--	67.10%	--
10/17/2024 10:26	US	Monthly Budget Statement	Sep	\$37.5b	--	-\$380.1b	--
10/17/2024 12:30	JN	Tertiary Industry Index MoM	Aug	-0.30%	--	1.40%	--
10/17/2024 17:00	EC	CPI YoY	Sep F	1.80%	--	1.80%	--
10/17/2024 17:00	EC	CPI MoM	Sep F	-0.10%	--	-0.10%	--
10/17/2024 17:00	EC	CPI Core YoY	Sep F	2.70%	--	2.70%	--
10/17/2024 20:15	EC	ECB Main Refinancing Rate	Oct-17	3.40%	--	3.65%	--
10/17/2024 20:15	EC	ECB Deposit Facility Rate	Oct-17	3.25%	--	3.50%	--
10/17/2024 20:15	EC	ECB Marginal Lending Facility	Oct-17	3.65%	--	3.90%	--
10/17/2024 20:30	US	Initial Jobless Claims	Oct-12	258k	--	258k	--
10/17/2024 20:30	US	Retail Sales Advance MoM	Sep	0.30%	--	0.10%	--
10/17/2024 20:30	US	Philadelphia Fed Business Outlook	Oct	3	--	1.7	--
10/17/2024 21:15	US	Industrial Production MoM	Sep	-0.20%	--	0.80%	--

Source: Bloomberg

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