

## Daily Treasury Outlook

18 June 2024

### Highlights

**Global:** Risk sentiment improved on Monday as jitters around the French election eased somewhat. The currency (Euro), French stocks and bonds all gained after Marine Le Pen pledged to work with Macron if she wins elections. US stock indices ended in green, with S&P500 closing at record highs, amidst a rally in the Magnificent Seven stocks. UST yields rose by 6bps across the curve. Yet, the lift in UST yields did not support the dollar, as the DXY closed marginally lower for the day. In terms of data, the US Empire State manufacturing index came better-than-expected in June, rising by 10 points to -6.0. The economic data released from China was a mixed bag. Industrial production and investment growth surprised to the downside, rising by 5.6% in May and 4.0% in the first five months, respectively while retail sales were better than expected, at 3.7% in May. The surveyed unemployment was kept unchanged. The new home prices fell by 0.7% MoM in May, marking the 11th straight month of decline and steepest drop in more than 9 years. PBoC left the 1-year MLF rate unchanged at 2.5% as expected.

**Market Watch:** In the week ahead, the main risk events will be the central bank meetings in Australia, the UK, Switzerland, Norway and Indonesia. The market will also watch key inflation prints in the UK, Europe and Japan, as well as PMIs in Europe, the UK and the US. French election jitters are likely to persist this week, adding uncertainties in French and peripheral EU bond markets.

**Oil:** WTI and Brent rose by 2.4% and 2.0% respectively on Monday, closing higher at USD80.3/bbl and USD84.3/bbl. Prices edged higher due to market optimism regarding the demand outlook for oil, which is expected to result in the drawing down on oil inventories. Therefore, keeping oil inventories tight in the near-term. In addition, higher oil prices were supported by risk-on sentiment in the broader markets.

### Key Market Movements

Equity	Value	% chg
S&P 500	5473.2	0.8%
DJIA	38778	0.5%
Nikkei 225	38102	-1.8%
SH Comp	3015.9	-0.6%
STI	3297.6	0.0%
Hang Seng	17936	0.0%
KLCI	1607.3	0.0%
	Value	% chg
DXY	105.320	-0.2%
USDJPY	157.74	0.2%
EURUSD	1.0734	0.3%
GBPUSD	1.2705	0.1%
USDIDR	16400	0.0%
USDSGD	1.352	-0.1%
SGDMYR	3.4871	0.0%
	Value	chg (bp)
2Y UST	4.77	6.11
10Y UST	4.28	6.00
2Y SGS	3.33	0.00
10Y SGS	3.17	0.00
3M SORA	3.68	0.00
3M SOFR	5.35	0.00
	Value	% chg
Brent	84.25	2.0%
WTI	80.33	2.4%
Gold	2319	-0.6%
Silver	29.47	-0.3%
Palladium	895	0.1%
Copper	9666	-0.8%
BCOM	101.91	-0.5%

Source: Bloomberg

## Major Markets

**CN:** Despite resilient manufacturing sector and improving domestic demand, the latest May economic data failed to boost the sentiment as China's money supply growth hit the record low. The focus was primarily on money supply, with both M1 and M2 growth slowing to record lows. M2 growth decelerated to 7% YoY in May from 7.2% YoY in April, while the contraction in M1 growth widened to 4.2% YoY in May from 1.4% YoY previously. The gap between M2 and M1 widened further.

**ID:** Thomas Djiwandono, a senior aide to President-elect Prabowo Subianto, denied a Bloomberg report that the incoming government plans to boost Indonesia's public debt to 50% of GDP. Djiwandono, who is the treasurer of the Gerindra party and leads the fiscal discussions between Prabowo's 'synchronization task force' and the outgoing government finance minister, commented that "anything about debt levels, or going beyond the deficit, is noise" as reported by Reuters. The rupiah dropped 0.8% against the dollar, closing at 16,400 on Friday (14/6), following a Bloomberg News report that Prabowo wanted to steadily increase the country's debt-to-GDP ratio to 50% from the current 39%. The Indonesian market is closed for Eid al-Adha today (18/6).

**MY:** Prime Minister Anwar Ibrahim stated that the government continues to provide MYR7bn (~0.3% of GDP) in diesel subsidies in Peninsular Malaysia. He added that the subsidy rationalization measures are aimed at managing subsidies more efficiently and benefiting the appropriate groups while minimizing misuse. The savings, estimated to reach MYR4bn (0.2% of GDP) annually, will be redirected towards public sectors such as education and the health sector. The government announced cuts in diesel subsidies effective 10-June for the Peninsular area, while subsidies are still available in Sabah, Sarawak, and Labuan.

**TH:** The Board of Investment has approved eight investment projects that are valued at USD1.5bn. The projects are in key target industries such as biochemicals, data centres, power plants, and hospital which will promote economic growth and environmental protection.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower on Friday, with short tenors trading 2-4bps lower, belly tenors and the 10Y trading 4bps. China Vanke Co Ltd has announced that it will fulfill its obligation to pay the coupon on its 3.9% onshore bond on June 19th. Bloomberg reported that a Chinese financial news outlet backed by the PBOC has intensified its cautionary statements, as a surge in debt purchasing has resurfaced. According to the report, funds that invest in bonds will face challenges in maintaining the high returns, which have surpassed 10% in certain instances this year. Bloomberg Asia USD Investment Grade remained flat at 80bps, while Asia USD High Yield tightened by 1bps to 495bps. (Bloomberg, OCBC)

### New Issues:

There was one notable bond issuer in the Asiadollar market yesterday.

- Shinhan Capital Co., Ltd. priced a USD300mn 3Y FRN at SOFR+100bps.

There was one notable bond issuer in the Singdollar market last Friday.

- CDL Properties Ltd. priced a SGD200mn 3Y at 3.6%.

### Mandates:

- There are no Asiadollar mandates for today.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.320	-0.22%	USD-SGD	1.3520	-0.09%
USD-JPY	157.740	0.22%	EUR-SGD	1.4512	0.19%
EUR-USD	1.073	0.29%	JPY-SGD	0.8571	-0.35%
AUD-USD	0.661	-0.03%	GBP-SGD	1.7175	0.03%
GBP-USD	1.271	0.14%	AUD-SGD	0.8940	-0.20%
USD-MYR	4.721	0.25%	NZD-SGD	0.8290	-0.26%
USD-CNY	7.256	0.01%	CHF-SGD	1.5199	-0.05%
USD-IDR	16400	0.80%	SGD-MYR	3.4871	-0.09%
USD-VND	25454	0.02%	SGD-CNY	5.3673	0.12%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5790	-0.56%	1M	5.3435	-0.01%
3M	3.7150	-0.11%	2M	5.3483	-0.01%
6M	3.7350	-0.21%	3M	5.3505	-0.10%
12M	3.6720	-0.16%	6M	5.2885	-0.13%
			1Y	5.0738	-0.22%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	#N/A N/A	#N/A N/A	#N/A N/A
06/12/2024	-0.013	-0.003	5.327
07/31/2024	-0.080	-0.020	5.307
09/18/2024	-0.680	-0.170	5.158
11/07/2024	-1.045	-0.261	5.066
12/18/2024	-1.812	-0.453	4.875
01/29/2025	-2.370	-0.592	4.735

## Equity and Commodity

Index	Value	Net change
DJIA	38,778.10	188.94
S&P	5,473.23	41.63
Nasdaq	17,857.02	168.14
Nikkei 225	38,102.44	-712.12
STI	3,297.55	-26.98
KLCI	1,607.32	-2.85
JCI	6,734.83	-96.73
Baltic Dry	1,948.00	6.00
VIX	12.75	0.09

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.33 (-0.02)	4.75(-)
5Y	3.17 (-0.03)	4.3 (+0.06)
10Y	3.17 (-0.06)	4.27 (+0.06)
15Y	3.19 (-0.05)	--
20Y	3.14 (-0.06)	--
30Y	3.11 (-0.03)	4.4 (+0.06)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.31
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## Commodities Futures

	Futures	% chg	Soft Corn
<b>Energy</b>			
WTI (per barrel)	80.33	2.40%	Corn (per bushel)
Brent (per barrel)	84.25	1.97%	Soybean (per bushel)
Heating Oil (per gallon)	248.25	0.48%	Wheat (per bushel)
Gasoline (per gallon)	244.69	1.97%	Crude Oil (per barrel)
Natural Gas (per MMBtu)	2.79	-3.23%	Rubber (per ton)
<b>Base Metals</b>			<b>Precious</b>
Copper (per mt)	9665.50	-0.78%	Gold (per ounce)
Nickel (per mt)	17467.00	-0.61%	Silver (per ounce)

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

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/18/2024 05:00	NZ	Westpac Consumer Confidence	2Q	--	82.2	93.2	--
06/18/2024 08:30	SI	Non-oil Domestic Exports YoY	May	-1.10%	--	-9.30%	--
06/18/2024 08:30	SI	Non-oil Domestic Exports SA MoM	May	1.80%	--	7.60%	--
06/18/2024 08:30	SI	Electronic Exports YoY	May	--	--	3.30%	--
06/18/2024 12:30	AU	RBA Cash Rate Target	Jun-18	4.35%	--	4.35%	--
06/18/2024 17:00	GE	ZEW Survey Expectations	Jun	50	--	47.1	--
06/18/2024 17:00	EC	CPI YoY	May F	2.60%	--	2.60%	--
06/18/2024 17:00	GE	ZEW Survey Current Situation	Jun	-65	--	-72.3	--
06/18/2024 17:00	EC	CPI MoM	May F	0.20%	--	0.20%	--
06/18/2024 17:00	EC	CPI Core YoY	May F	2.90%	--	2.90%	--
06/18/2024 17:00	EC	ZEW Survey Expectations	Jun	--	--	47	--
06/18/2024 20:30	US	Retail Sales Advance MoM	May	0.30%	--	0.00%	--
06/18/2024 20:30	US	Retail Sales Ex Auto MoM	May	0.20%	--	0.20%	--
06/18/2024 20:30	US	Retail Sales Ex Auto and Gas	May	0.40%	--	-0.10%	--
06/18/2024 21:15	US	Industrial Production MoM	May	0.30%	--	0.00%	--
06/18/2024 21:15	US	Capacity Utilization	May	78.60%	--	78.40%	--

Source: Bloomberg

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