

Daily Treasury Outlook

18 July 2024

Highlights

Global: US equity indices were mixed (Dow: +0.6%, S&P 500: -1.4%, and Nasdaq: -2.8%) on Wednesday with the tech sector facing pressure due to concerns over potential trade restrictions. Specifically, Bloomberg reported that the Biden administration is considering imposing a tougher trade rule known as the Foreign Direct Product Rule (FDPR). This rule would allow the US to control foreign-made products that utilize even the smallest amount of American technology, particularly towards companies that continue to provide China with access to its semiconductor technology. In terms of data, US housing starts increased to 1.35mn in June from 1.31mn in May, surpassing consensus expectations of 1.3mn. Building permits, a leading indicator for future construction activity, also rose to 1.45mn in June from 1.4mn in May. US industrial production growth eased to 0.6% MoM in June, compared to 1.0% in May. In the United Kingdom, headline and core CPI remained steady at 2.0% YoY and 3.5% respectively in June, slightly higher than consensus forecasts of 1.9% and 3.4%.

Market Watch: Japan's trade data came in lower than expected this morning, with June exports growth at 5.4% YoY (consensus: 7.2%) while imports grew 3.2% YoY (consensus: 9.6%). Other data releases today include Australia, UK, and HK unemployment rate as well as Malaysia trade data. The US will also release its initial jobless claims ahead of the FOMC blackout starting from 20 July. For central banks, the ECB will meet later today and are widely expected to hold rates steady.

Oil: WTI and Brent rose by 2.6% and 1.6% on Wednesday, closing at USD82.9/bbl and USD85.1/bbl, respectively. Oil prices rallied yesterday after three consecutive sessions of decline. The surge in oil prices was driven by a larger-than-expected drawdown in US crude oil inventories. According to the Energy Information Administration (EIA), US crude oil inventories decreased by 4.9mn bbls to 440.2mn bbls, for the week ending 12 July. This drawdown exceeded the 4.4mn bbls in a report by the American Petroleum Institute (API). Additionally, a softer DXY profile also contributed to the support for higher oil prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5588.3	-1.4%
DJIA	41198	0.6%
Nikkei 225	41098	-0.4%
SH Comp	2962.9	-0.5%
STI	3489.6	0.0%
Hang Seng	17739	0.1%
KLCI	1633.5	0.5%
	Value	% chg
DXY	103.748	-0.5%
USDJPY	156.2	-1.4%
EURUSD	1.0939	0.4%
GBPUSD	1.3009	0.3%
USDIDR	16100	-0.5%
USDSGD	1.3405	-0.3%
SGDMYR	3.4825	0.1%
	Value	chg (bp)
2Y UST	4.44	2.07
10Y UST	4.16	0.00
2Y SGS	3.13	1.10
10Y SGS	2.98	0.22
3M SORA	3.64	0.10
3M SOFR	5.36	0.04
	Value	% chg
Brent	85.08	1.6%
WTI	82.85	2.6%
Gold	2459	-0.4%
Silver	30.30	-3.0%
Palladium	955	-0.8%
Copper	9635	-0.3%
BCOM	99.21	-0.4%

Source: Bloomberg

Major Markets

ID: Bank Indonesia (BI) kept its benchmark policy rate at 6.25% at its June MPC meeting, as expected. It noted that it remains data-dependent while also noted that it now sees ‘a greater probability’ of a Fed rate cut in November. BI's key forecasts, including growth expectations of 4.7-5.5% and headline inflation within the 1.5-3.5% target range for 2024, remain unchanged. Regarding loans, BI revealed that loan growth remained strong, with a 12.36% YoY increase in June, driven by robust investment (15.09% YoY), working capital (11.68%), and consumption (10.80%) loans.

MY: Deputy Plantation and Commodities Minister Chan Foong Hin noted that the country aims to collaborate with China in establishing a shared consensus on engaging with the European Union (EU), particularly regarding the Deforestation Regulation (EUDR). Minister Chan further expressed Malaysia's commitment to supplying China with Malaysian Sustainable Palm Oil (MSPO) certified products to address the implementation and impact of the EUDR.

TH: A supplementary budget of THB122bn for Fiscal Year 2024 has successfully passed its first reading in the 500-member House of Representatives. The bill will now proceed to different house committees for review before returning to the House of Representatives for its second and third readings. The supplementary budget would be used to finance the government's flagship Digital Wallet Programme.

ESG Updates

CN: China plans to reduce its coal industry's emissions by piloting the firing of power plants using coal mixed with either green ammonia or biomass, as well as by carbon capture, utilisation and storage. This is according to a government plan issued by the National Development and Reform Commission and the National Energy Administration. By 2027, the government aims to expand low-carbon projects and lower operating costs, as well as cut average carbon emissions by 50% from 2023 levels. The costs of deploying these new low-carbon technologies currently remain high. Public and private investments would be required to lower costs in the long-term.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded mixed yesterday, with short tenors trading flat to 2bps higher, belly tenors trading flat to 1bps lower and 10Y trading 1bps lower. Allianz SE has offered to buy at least 51% in Income Insurance Limited in a SGD2.2bn cash deal. Ares Management Corp. is nearing the completion of a deal to acquire a majority stake in the HKD10.2bn project loan supporting the development of luxury apartments known as The Corniche in Hong Kong. In April, Ares had initially proposed purchasing the loan at a rate of 95 cents on the dollar, as reported by Bloomberg News. Bloomberg Asia USD Investment Grade remain unchanged at 83bps, and Bloomberg Asia USD High Yield tightened by 6bps to 492bps. (Bloomberg, OCBC)

New Issues:

There were multiple bond issuances in the Asiadollar market yesterday, amounting to USD2.75bn. The larger issuances are:

- Hong Kong Government International Bond priced a USD1bn 3Y green bond at T+12bps.
- Woori Bank priced a USD550mn PerpNC5 AT1 at 6.375%.
- Smic SG Holdings Pte (Guarantor: SM Investments Corp) priced a USD500mn 5Y bond at T+135bps.

There was no notable issue in the Singdollar market yesterday.

Mandates:

- There were no new Asiadollar mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.748	-0.50%	USD-SGD	1.3405	-0.28%
USD-JPY	156.200	-1.36%	EUR-SGD	1.4665	0.09%
EUR-USD	1.094	0.37%	JPY-SGD	0.8583	1.10%
AUD-USD	0.673	-0.07%	GBP-SGD	1.7440	0.00%
GBP-USD	1.301	0.27%	AUD-SGD	0.9021	-0.34%
USD-MYR	4.664	-0.27%	NZD-SGD	0.8154	0.26%
USD-CNY	7.262	-0.09%	CHF-SGD	1.5175	0.88%
USD-IDR	16100	-0.49%	SGD-MYR	3.4825	0.07%
USD-VND	25348	-0.13%	SGD-CNY	5.4166	0.21%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5830	0.31%	1M	5.3465	-0.01%
3M	3.6740	0.33%	2M	5.3438	-0.28%
6M	3.6340	-0.03%	3M	5.2853	-0.07%
12M	3.5060	-0.45%	6M	5.1335	-0.11%
			1Y	4.7960	-0.16%

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	-0.045	-0.011	5.318
09/18/2024	-1.010	-0.252	5.076
11/07/2024	-1.677	-0.419	4.909
12/18/2024	-2.556	-0.639	4.690
01/29/2025	-3.285	-0.821	4.508

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.85	2.59%	Corn (per bushel)	3.980	0.6%
Brent (per barrel)	85.08	1.61%	Soybean (per bushel)	10.973	0.6%
Heating Oil (per gallon)	249.40	1.02%	Wheat (per bushel)	5.393	1.6%
Gasoline (per gallon)	250.13	0.96%	Crude Palm Oil (MYR/MT)	39.770	0.3%
Natural Gas (per MMBtu)	2.04	-6.99%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9635.00	-0.29%	Gold (per oz)	2458.8	-0.4%
Nickel (per mt)	16457.00	-0.83%	Silver (per oz)	30.3	-3.0%

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

Equity and Commodity

Index	Value	Net change
DJIA	41,198.08	243.60
S&P	5,588.27	-78.93
Nasdaq	17,996.92	-512.42
Nikkei 225	41,097.69	-177.39
STI	3,489.57	1.66
KLCI	1,633.54	7.58
JCI	7,224.22	-0.07
Baltic Dry	1,942.00	-51.00
VIX	14.48	1.29

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.13 (+0.01)	4.44(--)
5Y	2.97 (+0.01)	4.08(--)
10Y	2.98 (--)	4.16(--)
15Y	3.01 (--)	--
20Y	2.97 (--)	--
30Y	2.9 (+0.01)	4.37(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.35
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/18/2024 09:30	AU	Unemployment Rate	Jun	4.10%	--	4.00%	--
07/18/2024 09:30	AU	Employment Change	Jun	20.0k	--	39.7k	--
07/18/2024 09:30	AU	Participation Rate	Jun	66.80%	--	66.80%	--
07/18/2024 14:00	UK	Jobless Claims Change	Jun	--	--	50.4k	--
07/18/2024 14:00	UK	Payrolled Employees Monthly Change	Jun	-5k	--	-3k	--
07/18/2024 14:00	UK	ILO Unemployment Rate 3Mths	May	4.40%	--	4.40%	--
07/18/2024 14:00	UK	Claimant Count Rate	Jun	--	--	4.30%	--
07/18/2024 14:00	UK	Average Weekly Earnings 3M/YoY	May	5.70%	--	5.90%	--
07/18/2024 16:30	HK	Unemployment Rate SA	Jun	3.00%	--	3.00%	--
07/18/2024 20:15	EC	ECB Main Refinancing Rate	Jul-18	4.25%	--	4.25%	--
07/18/2024 20:15	EC	ECB Deposit Facility Rate	Jul-18	3.75%	--	3.75%	--
07/18/2024 20:15	EC	ECB Marginal Lending Facility	Jul-18	4.50%	--	4.50%	--
07/18/2024 20:30	US	Initial Jobless Claims	Jul-13	229k	--	222k	--
07/18/2024 20:30	US	Philadelphia Fed Business Outlook	Jul	2.9	--	1.3	--
07/18/2024 20:30	US	Continuing Claims	Jul-06	1856k	--	1852k	--
07/18/2024 22:00	US	Leading Index	Jun	-0.30%	--	-0.50%	--

Source: Bloomberg

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