

Daily Treasury Outlook

19 June 2024

Highlights

Global: S&P500 and Nasdaq ended at record highs on the back of the AI boom despite weaker-than-expected US retail sales data. US retail sales rose by 0.1% MoM in May following a downwardly revised 0.2% drop in April, falling short of the 0.3% growth consensus. Core retail sales, excluding autos, gasoline, and building materials, rose 0.4% MoM, slightly below the 0.5% MoM consensus. The demand picture for goods was mixed, as sales for furniture softened while sales of motor vehicles and parts stayed strong in May. Online store sales also rose by 0.8% MoM. However, sales at food services and drinking places, the only services component in the report, dropped by 0.4% MoM, indicating that households are pulling back discretionary spending due to higher inflation. Despite weaker-than-expected retail sales, industrial output surprised to the upside, rising by 0.9% MoM in May, significantly beating the 0.3% MoM expectations. Auto assemblies, for example, exceeded pre-COVID levels. Additionally, capacity utilization increased to 78.7% in May. Strong manufacturing may partially offset weak retail sales. The weaker-than-expected retail sales data boosted the odds of a potential rate cut in September. The Reserve Bank of Australia (RBA) kept its interest rate unchanged yesterday but noted that the Board debated a rate hike in the June meeting, similar to May. Governor Bullock mentioned that she did not think the probability of hikes had increased, though the Board was mindful of upside risks to inflation. The second-quarter inflation report, due in late July, will be crucial for the Board's next policy decision. Overall, the RBA remains data-dependent and keeps options open.

Market Watch: Asian markets may open cautious today amid mixed signals between bullishness in Wall Street and softer US data releases. Today's economic calendar includes Indonesia May trade data and the Philippines Balance of Payments. Elsewhere, UK CPI is and US MBA mortgage applications for the week ending 14 Jun are due.

ID & MY: Indonesia ranks 27th in the 2024 IMD World Competitiveness Rankings, up from 34th in 2023. Meanwhile, Malaysia dropped 7 places from last year to 34th this year. The improvement in Indonesia's ranking was supported by improving economic performance (24th in 2024 from 29th in 2023), government efficiency (31 from 23), and business efficiency (14 from 20), which offset the worsening in the infrastructure rankings (52 from 51). On the other hand, despite the infrastructure ranking steady at 35th, the worsening in economic performance (8th in 2024 from 7th in 2023), government efficiency (33 from 29), and business efficiency (40 from 32) weighed on Malaysia's overall ranking. Elsewhere, Singapore returns to the top spot with a robust performance across all competitiveness factors. Thailand ranks 25th (up from 30th in 2023), while the Philippines steadied at 52nd.

Key Market Movements

Equity	Value	% chg
S&P 500	5487.0	0.3%
DJIA	38835	0.1%
Nikkei 225	38482	1.0%
SH Comp	3030.2	0.5%
STI	3301.8	0.1%
Hang Seng	17916	-0.1%
KLCI	1606.1	-0.1%
	Value	% chg
DXY	105.256	-0.1%
USDJPY	157.86	0.1%
EURUSD	1.0740	0.1%
GBPUSD	1.2709	0.0%
USDIDR	16400	0.0%
USDSGD	1.3509	-0.1%
SGDMYR	3.4811	-0.2%
	Value	chg (bp)
2Y UST	4.71	-5.35
10Y UST	4.22	-5.82
2Y SGS	3.37	3.70
10Y SGS	3.19	1.62
3M SORA	3.69	0.98
3M SOFR	5.35	0.02
	Value	% chg
Brent	85.33	1.3%
WTI	81.57	1.5%
Gold	2329	0.4%
Silver	29.54	0.2%
Palladium	892	-0.3%
Copper	9672	0.1%
BCOM	102.73	0.8%

Source: Bloomberg

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 2-3bps higher, belly tenors trading 2bps higher and 10Y trading 1bps higher. Chinese firms are participating in the largest wave of Japanese yen bond issuance by borrowers from Japan since 1986. According to data from Bloomberg, Chinese borrowers have issued JPY131bn (USD831mn) of debt in 2024, marking the highest amount since JPY135bn during the same period in 1986. However, this figure is significantly smaller compared to the USD26.1bn worth of dollar notes sold by Chinese companies this year. Bloomberg Asia USD Investment Grade widened by 1bps to 81bps, while Asia USD High Yield widened by 5bps to 500bps. (Bloomberg, OCBC)

New Issues:

There was a flurry of bond issuances in the Asiadollar market yesterday, amounting to around USD7bn. The most notable ones include:

- Hyundai Capital America priced a total of USD3.75bn in 5 parts (2Y, 3Y, 3Y FRN, 5Y, 7Y).
- Korea Development Bank/The priced a USD1bn 3Y Fixed at SOFR MS+56bps.
- Eight SPVs of Continuum Green Energy India Pvt priced a USD650mn 9NC3 Green bond at 7.5%.

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

- UBS Group AG priced a SGD500mn PerpNC5.5 at 5.6%.

Mandates:

Changchun Urban Development & Investment Holdings Group Co. is planning to issue USD-denominated Regulation S (Cat 1) registered form senior unsecured fixed rate bonds.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.256	-0.06%	USD-SGD	1.3509	-0.08%
USD-JPY	157.860	0.08%	EUR-SGD	1.4509	-0.02%
EUR-USD	1.074	0.06%	JPY-SGD	0.8558	-0.15%
AUD-USD	0.666	0.65%	GBP-SGD	1.7168	-0.04%
GBP-USD	1.271	0.03%	AUD-SGD	0.8992	0.58%
USD-MYR	4.713	-0.16%	NZD-SGD	0.8300	0.12%
USD-CNY	7.254	-0.03%	CHF-SGD	1.5279	0.53%
USD-IDR	16400	0.80%	SGD-MYR	3.4811	-0.17%
USD-VND	25453	0.00%	SGD-CNY	5.3701	0.05%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6020	0.64%	1M	5.3438	0.00%
3M	3.7110	-0.11%	2M	5.3480	0.03%
6M	3.7110	-0.64%	3M	5.3465	0.00%
12M	3.6280	-1.20%	6M	5.2790	0.03%
			1Y	5.0468	-0.01%

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	-0.100	-0.025	5.302
09/18/2024	-0.745	-0.186	5.141
11/07/2024	-1.105	-0.276	5.051
12/18/2024	-1.926	-0.482	4.846
01/29/2025	-2.500	-0.625	4.703

Equity and Commodity

Index	Value	Net change
DJIA	38,834.86	56.76
S&P	5,487.03	13.80
Nasdaq	17,862.23	5.21
Nikkei 225	38,482.11	379.67
STI	3,301.78	4.23
KLCI	1,606.13	-1.19
JCI	6,734.83	-96.73
Baltic Dry	1,948.00	0.00
VIX	12.30	-0.45

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.37 (+0.04)	4.71(--)
5Y	3.2 (+0.03)	4.24 (-0.06)
10Y	3.19 (+0.02)	4.22 (-0.06)
15Y	3.21 (+0.02)	--
20Y	3.17 (+0.02)	--
30Y	3.14 (+0.02)	4.36 (-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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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.57	1.54%	Corn (per bushel)	4.500	1.4%
Brent (per barrel)	85.33	1.28%	Soybean (per bushel)	11.740	1.4%
Heating Oil (per gallon)	252.08	1.54%	Wheat (per bushel)	5.820	-1.6%
Gasoline (per gallon)	248.32	1.48%	Crude Palm Oil (MYR/MT)	39.370	0.1%
Natural Gas (per MMBtu)	2.91	4.34%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9671.50	0.06%	Gold (per oz)	2329.5	0.4%
Nickel (per mt)	17294.00	-0.99%	Silver (per oz)	29.5	0.2%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/19/2024	PH	BoP Overall	May	--	--	-\$639m	--
06/19/2024 04:00	US	Net Long-term TIC Flows	Apr	--	\$123.1b	\$100.5b	\$102.6b
06/19/2024 04:00	US	Total Net TIC Flows	Apr	--	\$66.2b	\$102.1b	\$104.2b
06/19/2024 06:45	NZ	BoP Current Account Balance NZD	1Q	-4.650b	-4.359b	-7.837b	-7.975b
06/19/2024 07:50	JN	Trade Balance	May	-\$1280.5b	-\$1221.3b	-\$462.5b	-\$465.6b
06/19/2024 12:00	ID	Exports YoY	May	-0.10%	--	1.72%	--
06/19/2024 12:00	ID	Trade Balance	May	\$2959m	--	\$3559m	--
06/19/2024 14:00	UK	CPI YoY	May	2.00%	--	2.30%	--
06/19/2024 14:00	UK	CPI MoM	May	0.40%	--	0.30%	--
06/19/2024 14:00	UK	CPI Core YoY	May	3.50%	--	3.90%	--
06/19/2024 14:00	UK	PPI Input NSA YoY	May	-0.20%	--	-1.60%	--
06/19/2024 14:00	UK	RPI MoM	May	0.50%	--	0.50%	--
06/19/2024 14:00	UK	RPI YoY	May	3.10%	--	3.30%	--
06/19/2024 14:00	UK	Retail Price Index	May	387	--	385	--
06/19/2024 14:00	UK	PPI Input NSA MoM	May	-0.30%	--	0.60%	--
06/19/2024 19:00	US	MBA Mortgage Applications	Jun-14	--	--	15.60%	--

Source: Bloomberg

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