

## Daily Treasury Outlook

22 July 2024

### Highlights

**Global:** Last night, US equities ended lower, with the Dow, S&P and Nasdaq down by 1.3%, 0.8% and 0.7% respectively. The DXY index traded higher. Meanwhile, US treasury yields rose, with 2Y and 10Y yields closing higher from their previous close at 4.47% and 4.20% respectively. Elsewhere, oil prices held steady following strong growth in the previous trading session, while gold dipped lower. On news, there are increasing calls for US president Joe Biden to step aside as the Democratic presidential candidate for the upcoming US Presidential elections. The ECB decision was the key focus yesterday: ECB kept its three key interest rates unchanged in a unanimous vote, as was widely expected. ECB President Christine Lagarde revealed that the September decision is “wide open” and there was unanimity in the council’s “determination to be data-dependent, decide meeting-by-meeting.” Over in the US, initial jobless claims rose by 9.0% to 243k (week ending 13 July). Similarly, continuing claims rose by 1.1% to 1.87mn (week ending 6 July).

**Market Watch:** This morning, Japan June headline CPI remained at 2.8% YoY, below expectations of 2.9%. Core CPI increased less than expected to 2.6% YoY (May: 2.5%, consensus: 2.7%). Supercore CPI was 2.2% versus 2.1% in May, meeting consensus expectations. Other data releases today include Malaysia 2Q24 GDP (advance estimates), and UK June retail sales. For central banks, NY Fed’s Williams will speak tonight.

**CN:** The 20th Central Committee of the Communist Party of China concluded its third plenum on 18 July. The communique released set a clear path to reform and opening up. The top four keywords in the communique were “Reform,” “Party,” “Economy,” and “Security.” “Reform,” which appears 53 times in the communique, underscores its importance in advancing Chinese modernization. The reform tasks laid out in the resolution cover a wide range of areas, from the economy and whole-process people’s democracy to ecological conservation and national security. Economic reform, in particular, was a main focus. The third plenum stated that China will build a high-standard socialist market economy in all respects by 2035. In this process, the role of the market must be better leveraged, fostering a fairer and more dynamic market environment and making resource allocation as efficient and productive as possible. The market will watch for the press conference this morning for more details.

**Oil:** WTI and Brent held steady on Thursday, closing at USD82.8/bbl and USD85.1/bbl, respectively. This follows the price rally in the previous trading session. Meanwhile, the backwardation in WTI and Brent time spreads continue to strengthen: Brent time spreads increased to USD1.2/bbl while WTI increased to USD1.3/bbl. This signals near-term tightness in the physical market.

### Key Market Movements

Equity	Value	% chg
S&P 500	5544.6	-0.8%
DJIA	40665	-1.3%
Nikkei 225	40126	-2.4%
SH Comp	2977.1	0.5%
STI	3471.2	-0.5%
Hang Seng	17778	0.2%
KLCI	1633.8	0.0%
	Value	% chg
DXY	104.173	0.4%
USDJPY	157.37	0.7%
EURUSD	1.0897	-0.4%
GBPUSD	1.2944	-0.5%
USDIDR	16157	0.4%
USDSGD	1.344	0.3%
SGDMYR	3.4823	0.0%
	Value	chg (bp)
2Y UST	4.47	3.35
10Y UST	4.20	4.45
2Y SGS	3.15	2.60
10Y SGS	3.03	4.30
3M SORA	3.64	0.26
3M SOFR	5.36	0.06
	Value	% chg
Brent	85.11	0.0%
WTI	82.82	0.0%
Gold	2445	-0.6%
Silver	29.83	-1.5%
Palladium	931	-2.5%
Copper	9386	-2.6%
BCOM	98.98	-0.2%

Source: Bloomberg

## Major Markets

**ID:** President Joko Widodo appointed three new deputy ministers on Thursday (19/7). Specifically, Thomas Djiwandono (President-elect Prabowo's nephew and Gerindra Party treasurer) was appointed as Deputy Finance Minister II, Sudaryono (Chairperson of the Gerindra Party's Central Java Regional Leadership Council) as Deputy Agriculture Minister, and Yuliot Tanjung as Deputy Investment Minister. In his inaugural speech, Deputy FM II, Djiwandono, noted that his appointment "showed continuity" between the incoming and outgoing government, adding that the incoming government programs will "be in line" with the principles and financial prudence of the current administration. Finance Minister Sri Mulyani commented "the addition of Thomas will make it much easier to communicate" and that deputy FM II Djiwandono will focus on formulating the upcoming 2025 state budget proposal.

**MY:** Total trade grew by 8.7% YoY in June as export growth slowed to 1.7% (-1.6% MoM) from 7.1% in May, while import growth improved to 17.8% (-5.4% MoM) from 13.4%. Consequently, the trade surplus rose to MYR14.3bn from MYR9.9bn in May. Export growth was recorded in all key sectors (manufacturing: +1.0% YoY, mining: +15.1%, and agriculture: +6.1%). Similarly, by end-use, strong growth was seen across the board, with intermediate goods (+37.2% YoY) leading, followed by capital goods (23.5%) and consumption goods (13.5%). The June figures bring the 2Q24 exports and import growth to 5.8% YoY and 15.0%, respectively, accelerating from 2.0% and 12.5% in 1Q24. Meanwhile, the trade surplus narrowed marginally to MYR32bn in 2Q24 from MYR34.1bn in 1Q24.

**TH:** Energy Minister Pirapan Salirathavibhaga revealed that the retail power tariff for the September to December period will be kept unchanged to help ease cost of living pressures. The retail power tariff for the current May to August period was maintained at THB4.18/unit.

**HK:** Hong Kong's unemployment and underemployment rates stayed flat at 3.0% and 1.2% respectively in the three-months ending June 2024. Total labour force and employed persons grew by 0.1% and 0.2% respectively compared with the preceding three-month period, hence keeping the job market on the tight side. However, it was noticed that private sector job vacancy fell notably period-to-period, suggesting that the labour market may have room to soften down the road.

## ESG Updates

**SG:** The Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP) involved multilateral cross-border electricity trade involving four ASEAN countries, and the first renewable energy import into Singapore. The deal was valid for two years and ended 22 Jun 2024. The extension of the deal is facing complications due to disagreements over how the energy will be transmitted through Malaysia and Thailand, as well as competition among economies for access to renewable energy.

**ID:** The central government is targeting to implement the Direct Assistance for Farmers (BLP) program in 2026, as part of efforts to transform its fertiliser subsidy policy and increase national food security. Under this program, farmers will get direct cash transfers instead of assistance in the form of a goods subsidy as previously implemented. This aims to make the distribution of government assistance more efficient and boost farmers' productivity. The BLP program is planned to be tested in East Belitung and Belitung districts of Bangka Belitung Islands in 2025.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded higher yesterday, with short tenors trading flat to 3-4bps higher, belly and 10Y tenors trading 4bps higher. China Vanke Co. Ltd ("Vanke") announced that it will be obtaining bank loans totaling RMB14.73bn (USD2bn), which will be guaranteed by two of its wholly owned units. Shenzhen Jiuzhou Real Estate Development Co., a subsidiary of Vanke, has provided a guarantee for a RMB12bn loan, while Chongqing Xipan Real Estate Co., has offered a guarantee for a RMB2.73bn loan. Bloomberg Asia USD Investment Grade remain unchanged at 83bps, and Bloomberg Asia USD High Yield tightened by 3bps to 489bps. (Bloomberg, OCBC)

### New Issues:

There were two bond issuances in the Asiadollar market yesterday.

- Hanwha Aerospace Co Ltd priced a USD140mn 3Y Floating at SOFR+105bps.
- Industrial & Commercial Bank of China Ltd of London priced a USD100mn 3Y Floating at SOFR+48bps.

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	104.173	0.41%	USD-SGD	1.3440	0.26%
USD-JPY	157.370	0.75%	EUR-SGD	1.4644	-0.14%
EUR-USD	1.090	-0.38%	JPY-SGD	0.8540	-0.50%
AUD-USD	0.671	-0.34%	GBP-SGD	1.7395	-0.26%
GBP-USD	1.294	-0.50%	AUD-SGD	0.9013	-0.09%
USD-MYR	4.670	0.11%	NZD-SGD	0.8124	-0.37%
USD-CNY	7.262	0.00%	CHF-SGD	1.5140	-0.23%
USD-IDR	16157	0.35%	SGD-MYR	3.4823	-0.01%
USD-VND	25318	-0.12%	SGD-CNY	5.4033	-0.25%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6010	0.50%	1M	5.3455	0.00%
3M	3.6780	0.11%	2M	5.3435	0.00%
6M	3.6200	-0.39%	3M	5.2835	-0.03%
12M	3.5030	-0.09%	6M	5.1376	-0.07%
			1Y	4.8075	-0.17%

## 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	-1.625	-0.406	4.923
12/18/2024	-2.525	-0.631	4.697
01/29/2025	-3.225	-0.806	4.523

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.82	-0.04%	Corn (per bushel)	3.913	-1.7%
Brent (per barrel)	85.11	0.04%	Soybean (per bushel)	10.985	0.1%
Heating Oil (per gallon)	248.68	-0.29%	Wheat (per bushel)	5.353	-0.7%
Gasoline (per gallon)	251.64	0.60%	Crude Palm Oil (MYR/MT)	39.850	0.2%
Natural Gas (per MMBtu)	2.13	4.42%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9386.00	-2.58%	Gold (per oz)	2445.1	-0.6%
Nickel (per mt)	16423.00	-0.21%	Silver (per oz)	29.8	-1.5%

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

## Equity and Commodity

Index	Value	Net change
DJIA	40,665.02	-533.06
S&P	5,544.59	-43.68
Nasdaq	17,871.22	-125.70
Nikkei 225	40,126.35	-971.34
STI	3,471.16	-18.41
KLCI	1,633.81	0.27
JCI	7,321.07	96.85
Baltic Dry	1,890.00	-52.00
VIX	15.93	1.45

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.15 (+0.03)	4.47(--)
5Y	3 (+0.03)	4.12 (+0.04)
10Y	3.03 (+0.04)	4.2 (+0.04)
15Y	3.05 (+0.04)	--
20Y	3.01 (+0.04)	--
30Y	2.96 (+0.06)	4.42 (+0.05)

## 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
07/19/2024	PH	BoP Overall	Jun	--	--	\$1997m	--
07/19/2024 04:00	US	Net Long-term TIC Flows	May	--	-\$54.6b	\$123.1b	\$123.3b
07/19/2024 04:00	US	Total Net TIC Flows	May	--	\$15.8b	\$66.2b	\$64.2b
07/19/2024 07:01	UK	GfK Consumer Confidence	Jul	-12	-13	-14	--
07/19/2024 07:30	JN	Natl CPI YoY	Jun	2.90%	2.80%	2.80%	--
07/19/2024 07:30	JN	Natl CPI Ex Fresh Food YoY	Jun	2.70%	2.60%	2.50%	--
07/19/2024 12:00	MA	GDP YoY	2Q A	4.70%	--	4.20%	--
07/19/2024 14:00	UK	Retail Sales Inc Auto Fuel MoM	Jun	-0.60%	--	2.90%	--
07/19/2024 14:00	UK	Retail Sales Inc Auto Fuel YoY	Jun	0.20%	--	1.30%	--
07/19/2024 14:00	UK	Retail Sales Ex Auto Fuel MoM	Jun	-0.50%	--	2.90%	--
07/19/2024 14:00	UK	Retail Sales Ex Auto Fuel YoY	Jun	0.20%	--	1.20%	--
07/19/2024 14:00	UK	PSNB ex Banking Groups	Jun	11.2b	--	15.0b	--
07/19/2024 15:30	TH	Gross International Reserves	Jul-12	--	--	\$225.7b	--
07/19/2024 20:30	CA	Retail Sales MoM	May	-0.60%	--	0.70%	--
07/19/2024 20:30	CA	Retail Sales Ex Auto MoM	May	-0.50%	--	1.80%	--
07/19/2024 20:30	CA	Industrial Product Price MoM	Jun	--	--	0.00%	--

Source: Bloomberg

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