

Daily Treasury Outlook

20 June 2024

Highlights

Global: Markets were dictated by European moves overnight. Euro Stoxx 50 ended lower while FTSE 1000 was up on the day; yields on European country bonds were broadly higher. France and Italy were among 7 countries reprimanded by the European Commission for running deficits above the limit, ahead of France's upcoming election. In terms of data, construction output in April for the Eurozone was weak at -1.1% YoY versus -0.7% in March. UK May inflation was in line with expectations. Headline inflation cooled to 2% YoY versus 2.3% in April, with core inflation easing to 3.5% versus 3.9% in April. The retail price index eased slightly more than expected to 3.0% YoY in May versus 3.3% in April (Consensus: 3.1%) and 0.4% MoM from 0.5% in April (Consensus: 0.5%). This supports the view that BOE will remain on hold at its meeting today but has scope to ease further out in the year. In Asia, Indonesia's May trade data came in higher than expected, with export growth rising 2.9% YoY versus 1.7% in April (Consensus: -0.1%) while import growth fell to -8.8% YoY from a significantly upwardly revised figure of 10.1% YoY in April (Consensus: -9.9%; Previous: 4.6%). Trade surplus widened to USD2.9bn from USD2.7bn in April and has remained sizeable at USD13.1bn year-to-May (compared to USD16.5bn during the same period in 2023). Our base case is for Bank Indonesia to keep its policy rate unchanged at 6.25% at its meeting this afternoon but assign a 30% probability to a 25bp rate hike. BI is caught between a rock and a hard place. IDR depreciation versus USD persisted late last week and early this week on the news of fiscal expansion under the incoming Prabowo administration, resulting in IDR underperformance relative to regional peers since BI's last meeting on 20 May.

Market Watch: Apart from BOE and BI, the 5-year and 1-year LPR announcements from PBOC and SNB will be watched closely. US markets will return from a holiday, and the usual weekly labour market data will be in focus (initial jobless claims and continuing claims); other data includes May housing starts and building permits and 1Q24 current account balance. Malaysia May trade data will also be released. The 1Q24 GDP print for New Zealand came in modestly higher than expected at 0.3% YoY versus expectations of 0.1%; the market reaction was muted.

CN: PBoC Governor Pan stated that recent measures to regulate market behaviour, such as promoting balanced credit allocation, preventing capital idling, and rectifying manual interest rate subsidies, may have a "squeezing out" effect on aggregate financial data. However, this does not imply a shift in the PBoC's monetary policy stance. The PBoC will continue to maintain a supportive monetary policy, strengthening both counter-cyclical and cross-cyclical adjustments. Governor Pan emphasized that maintaining price stability and promoting moderate price increases are important considerations, suggesting that the PBoC is open to further interest rate and RRR cuts.

Key Market Movements

Equity	Value	% chg
S&P 500	5487.0	0.0%
DJIA	38835	0.0%
Nikkei 225	38571	0.2%
SH Comp	3018.0	-0.4%
STI	3304.0	0.1%
Hang Seng	18430	2.9%
KLCI	1599.8	-0.4%
	Value	% chg
DXY	105.254	0.0%
USDJPY	158.09	0.1%
EURUSD	1.0744	0.0%
GBPUSD	1.2720	0.1%
USDIDR	16365	-0.2%
USDSGD	1.3507	0.0%
SGDMYR	3.4842	0.1%
	Value	chg (bp)
2Y UST	4.71	0.00
10Y UST	4.22	0.00
2Y SGS	3.35	-2.50
10Y SGS	3.15	-3.65
3M SORA	3.69	-0.11
3M SOFR	5.35	0.00
	Value	% chg
Brent	85.07	-0.3%
WTI	81.57	0.0%
Gold	2328	-0.1%
Silver	29.79	0.9%
Palladium	906	1.5%
Copper	9786	1.2%
BCOM	102.73	0.0%

Source: Bloomberg

Major Markets

ID: Export growth improved to 2.9% YoY in May, beating both consensus (-0.1%) and the April print (1.7%). Meanwhile, imports fell by 8.8% YoY in May from an upwardly revised 10.1% YoY in April. The revision to April imports print was made to all import classifications by end use, namely consumer goods (+2.8% YoY from 0.6% in the previous print), raw materials (8.5% from 3.3%), and capital goods (22.0% from 13.6%). Consequently, the trade surplus improved marginally to USD2.9bn in May, up from the downwardly revised USD2.7bn in April.

MY: Fourteen MOUs, MOAs, protocols, and joint statements were exchanged between Malaysia and China, witnessed by Prime Minister Anwar Ibrahim during Chinese Premier Li Qiang's three-day visit to the country. The agreements involved nine Malaysian ministries, including investment, trade and industry, finance, and agriculture and food security, focusing on sectors such as the digital economy and green development. This visit, marking the 50th anniversary of Malaysia-China diplomatic relations, also included the signing of the second cycle of the Malaysia-China Five-Year Economic and Trade Cooperation Program.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-3bps lower, belly tenors as well as the 10Y tenor trading 4bps lower. According to Reuters, the chairman of Kaisa Group, visited Shenzhen to hold discussions with officials in order to obtain regulatory approval for a restructuring of offshore debt. There was no updated data on Bloomberg Asia USD Investment Grade and High Yield spreads amidst the market closure for Juneteenth National Independence Day in the US. (Bloomberg, OCBC)

New Issues:

There were three notable bond issuances in the Asiadollar market yesterday.

- Legend Fortune Limited priced a USD100mn 3Y FRN at SOFR+65bps.
- Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings Group Co Ltd) priced a USD230mn 3Y senior unsecured bond at 6.8%.
- Bank of China Ltd/Johannesburg priced a USD300mn 3Y FRN at SOFR+58bps.

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

- CapitaLand Treasury Limited (Guarantor: Capitaland Group Pte Ltd) priced a SGD275mn 7Y at 3.8%.

Mandates:

The Bank of East Asia Ltd. is planning to issue USD 10NC5 subordinated notes that qualify as Tier 2 capital and loss absorbing instruments.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.254	0.00%	USD-SGD	1.3507	-0.01%
USD-JPY	158.090	0.15%	EUR-SGD	1.4512	0.02%
EUR-USD	1.074	0.04%	JPY-SGD	0.8543	-0.18%
AUD-USD	0.667	0.26%	GBP-SGD	1.7182	0.08%
GBP-USD	1.272	0.09%	AUD-SGD	0.9013	0.23%
USD-MYR	4.707	-0.14%	NZD-SGD	0.8283	-0.20%
USD-CNY	7.257	0.04%	CHF-SGD	1.5273	-0.04%
USD-IDR	16365	-0.21%	SGD-MYR	3.4842	0.09%
USD-VND	25453	0.00%	SGD-CNY	5.3727	0.05%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6060	0.11%	1M	5.3470	0.04%
3M	3.7170	0.16%	2M	5.3483	0.02%
6M	3.6950	-0.43%	3M	5.3464	-0.02%
12M	3.6000	-0.77%	6M	5.2789	-0.03%
			1Y	5.0488	0.00%

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	-0.700	-0.175	5.153
11/07/2024	-1.078	-0.270	5.058
12/18/2024	-1.872	-0.468	4.859
01/29/2025	-2.450	-0.613	4.715

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)	85.07	-0.30%	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)	39.590	0.6%
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)	9786.00	1.18%	Gold (per oz)	2328.2	-0.1%
Nickel (per mt)	17372.00	0.45%	Silver (per oz)	29.8	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

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	38,570.76	88.65
STI	3,304.00	2.22
KLCI	1,599.79	-6.34
JCI	6,726.92	-7.91
Baltic Dry	1,961.00	13.00
VIX	12.48	0.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.35 (-0.02)	4.73(--)
5Y	3.16 (-0.04)	4.24(--)
10Y	3.15 (-0.04)	4.24(--)
15Y	3.18 (-0.03)	--
20Y	3.13 (-0.03)	--
30Y	3.11 (-0.02)	4.37(--)

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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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/20/2024 06:45	NZ	GDP SA QoQ	1Q	0.10%	0.20%	-0.10%	--
06/20/2024 06:45	NZ	GDP YoY	1Q	0.20%	0.30%	-0.30%	-0.20%
06/20/2024 07:50	JN	Japan Buying Foreign Bonds	Jun-14	--	--	-¥2647.6b	--
06/20/2024 15:20	ID	BI-Rate	Jun-20	6.25%	--	6.25%	--
06/20/2024 16:00	TA	Export Orders YoY	May	6.20%	--	10.80%	--
06/20/2024 16:00	SI	Automobile COE Open Bid Cat A	Jun-20	--	--	88200	--
06/20/2024 16:00	SI	Automobile COE Open Bid Cat B	Jun-20	--	--	100607	--
06/20/2024 16:30	HK	Unemployment Rate SA	May	3.00%	--	3.00%	--
06/20/2024 19:00	UK	Bank of England Bank Rate	Jun-20	5.25%	--	5.25%	--
06/20/2024 20:30	US	Initial Jobless Claims	Jun-15	235k	--	242k	--
06/20/2024 20:30	US	Housing Starts	May	1370k	--	1360k	--
06/20/2024 20:30	US	Philadelphia Fed Business Outlook	Jun	5	--	4.5	--
06/20/2024 20:30	US	Current Account Balance	1Q	-\$206.8b	--	-\$194.8b	--
06/20/2024 20:30	US	Continuing Claims	Jun-08	1810k	--	1820k	--
06/20/2024 20:30	US	Building Permits	May	1450k	--	1440k	--
06/20/2024 22:00	EC	Consumer Confidence	Jun P	-13.8	--	-14.3	--

Source: Bloomberg

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