

Daily Treasury Outlook

21 June 2024

Highlights

Global: US stock indices closed mixed (S&P 500: -0.3%, Nasdaq: -0.8%, and Dow: +0.8%) on Thursday, while the 10-year UST yield rose to around the 4.26% level. Overnight data releases showed weaker-than-expected housing and manufacturing data, as well as still relatively elevated weekly jobless claims. Specifically, housing starts eased to 1.3mn in May from 1.4mn in April, a 19.3% year-over-year contraction. Meanwhile, the Philadelphia Fed Business Outlook, a measure of manufacturing activity in the region, dropped to 1.3 in June, its lowest level since January. In addition, the report also noted that "firms continued to indicate a decline in employment" and that "broad indicators for future activity fell but remained positive, suggesting less widespread expectations for growth over the next six months." Meanwhile, the initial claims for declined to 238k for the week ended June 15, but the four-week average claims increased by 5.5k to 233k, the highest since September.

Market Watch: Asian markets may open muted today after Wall Street retreated from record highs. Japan core inflation came in softer than expected at 2.5% YoY (consensus: 2.6% YoY) weighed down by food inflation, which eased to a 23-month low. Key highlights of today's calendar include inflation prints from Hong Kong and Macau. Globally, June's flash PMI data releases in the US, EU and India are data to keep an eye out for.

SG: Unemployment rates inched up slightly in March 2024 (overall: 2.1%; resident: 3.0%; citizen: 3.1%) while retrenchments in 1Q24 continued their decline (1Q24: 3,030, 4Q23: 3,460). Meanwhile, residents (5,500) contributed to all of 1Q24's employment increase as non-resident employment declined by 800. The labour market condition is cooling from a strong position, and MoM is not anticipating the increase in unemployment rates to be sustained as the number of retrenchments have eased and resident employment growth was positive in 1Q24. However, wage growth may be more tempered going ahead so bears watching if it keeps pace with inflation.

Key Market Movements

Equity	Value	% chg
S&P 500	5473.2	-0.3%
DJIA	39135	0.8%
Nikkei 225	38633	0.2%
SH Comp	3005.4	-0.4%
STI	3300.0	-0.1%
Hang Seng	18335	-0.5%
KLCI	1592.7	-0.4%
	Value	% chg
DXY	105.588	0.3%
USDJPY	158.93	0.5%
EURUSD	1.0702	-0.4%
GBPUSD	1.2657	-0.5%
USDIDR	16430	0.4%
USDSGD	1.3544	0.3%
SGDMYR	3.4820	-0.1%
	Value	chg (bp)
2Y UST	4.74	2.52
10Y UST	4.26	3.67
2Y SGS	3.36	1.60
10Y SGS	3.18	2.35
3M SORA	3.68	-0.20
3M SOFR	5.35	0.04
	Value	% chg
Brent	85.71	0.8%
WTI	81.29	0.7%
Gold	2360	1.4%
Silver	30.74	3.2%
Palladium	928	2.4%
Copper	9858	0.7%
BCOM	102.75	0.0%

Source: Bloomberg

Major Markets

CN: PBoC will gradually incorporate secondary market transactions of government bonds into its monetary policy toolkit. As China's financial markets rapidly develop, the scale and depth of the bond market have progressively increased, making it increasingly feasible for the central bank to inject base money by buying and selling government bonds in the secondary market. The inclusion of government bond transactions in the monetary policy toolkit does not imply a move towards quantitative easing but rather positions it as a channel for injecting base money and a tool for liquidity management.

ID: Bank Indonesia (BI) kept its policy rate unchanged at 6.25% during its June meeting, in line with expectations. BI acknowledged that there are "domestic factors" contributing to the recent rupiah weakness namely "increased demand for foreign exchange by corporations, including for dividend repatriation, as well as perceptions of future fiscal sustainability." These are in addition to external factors such the "uncertainty surrounding the direction of the Fed Funds Rate, the broad strengthening of US dollar, and continued high level of geopolitical tension." We expect BI to remain hawkish in the near-term, watching IDR moves and smoothing currency volatility. Further out, we expect BI to have some room to ease its policy rate once the US Federal Reserve begins easing. Our forecast is for BI to cut by a cumulative 50bp in 4Q24 followed by 75bp in 2025.

MY: The Ministry of Investment, Trade, and Industry (MITI) facilitated 11 memoranda of understanding (MOUs) between Malaysian and Chinese entities, amounting to a potential MYR13.2bn in investments. MITI Minister, Zafrul Abdul Aziz, highlighted that these MOUs, exchanged during Chinese Premier Li Qiang's visit, aim to boost the economy through enhanced supply chain resilience, expanded trade, high-quality investments, and strengthened human capital development. Key MOUs involve agencies like MIDA, Matrade, and Exim Bank Malaysia, focusing on high-value sectors such as oil and gas, energy, education, agriculture, automotive, and utility services, fostering greater economic and industrial collaboration between the two countries.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2bps higher and 10Y trading 3bps higher. Amidst an unprecedented surge in bond issuance and with borrowing costs reaching historically low levels, Wuxi Industry Development Group Co. (“Wuxi”), which is owned by the Wuxi city government near Shanghai, is contemplating the possibility of issuing a 50Y note, which would be the longest corporate debt maturity in the country if successfully executed. Wuxi has reportedly approached underwriters to gauge investor interest for a potential RMB1bn (USD138mn) domestic bond sale with a 50Y tenor. Bloomberg Asia USD Investment Grade remained stable at 81bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 496bps. (Bloomberg, OCBC)

New Issues:

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

- Bocom Leasing Management Hong Kong Co Ltd (Keepwell Provider: Bank of Communications Financial Leasing Co Ltd) priced two bonds. A USD650mn 3Y FRN at SOFR+68bps, and a USD300mn 3Y at T+62bps.
- FWD Group Holdings Ltd priced a USD600mn subordinated 7Y at T+335bps.
- Bank of East Asia Ltd/The priced a USD650mn 10NC5 Tier 2 at T+255bps.
- Shangrao Innovation Development Industrial Investment Group Co Ltd (SBLC Provider: Bank of Nanjing) priced a USD50mn short (34.5mth) 3Y at 5.6%.

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

- Mapletree Treasury Services Ltd (Guarantor: Mapletree Investments Pte Ltd) priced a SGD185mn 20Y at 3.888%.

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.588	0.32%	USD-SGD	1.3544	0.27%
USD-JPY	158.930	0.53%	EUR-SGD	1.4495	-0.12%
EUR-USD	1.070	-0.39%	JPY-SGD	0.8522	-0.25%
AUD-USD	0.666	-0.25%	GBP-SGD	1.7143	-0.23%
GBP-USD	1.266	-0.50%	AUD-SGD	0.9014	0.01%
USD-MYR	4.710	0.06%	NZD-SGD	0.8289	0.07%
USD-CNY	7.260	0.05%	CHF-SGD	1.5194	-0.52%
USD-IDR	16430	0.40%	SGD-MYR	3.4820	-0.06%
USD-VND	25452	0.00%	SGD-CNY	5.3625	-0.19%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6080	0.06%	1M	5.3444	-0.01%
3M	3.7120	-0.13%	2M	5.3460	-0.02%
6M	3.6950	0.00%	3M	5.3439	-0.03%
12M	3.6130	0.36%	6M	5.2742	-0.07%
			1Y	5.0524	-0.05%

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	-1.052	-0.263	5.064
12/18/2024	-1.851	-0.463	4.865
01/29/2025	-2.420	-0.605	4.722

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.17	2.29%	Corn (per bushel)	4.398	-0.9%
Brent (per barrel)	85.71	0.75%	Soybean (per bushel)	11.553	-0.2%
Heating Oil (per gallon)	252.45	1.69%	Wheat (per bushel)	5.728	-3.2%
Gasoline (per gallon)	250.08	2.20%	Crude Palm Oil (MYR/MT)	39.800	0.5%
Natural Gas (per MMBtu)	2.74	-1.69%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9858.00	0.74%	Gold (per oz)	2360.1	1.4%
Nickel (per mt)	17424.00	0.30%	Silver (per oz)	30.7	3.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	39,134.76	299.90
S&P	5,473.17	-13.86
Nasdaq	17,721.59	-140.64
Nikkei 225	38,633.02	62.26
STI	3,300.00	-4.00
KLCI	1,592.69	-7.10
JCI	6,819.32	92.40
Baltic Dry	1,943.00	-18.00
VIX	13.28	0.80

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (+0.02)	4.74(--)
5Y	3.18 (+0.02)	4.27 (+0.03)
10Y	3.18 (+0.02)	4.26 (+0.04)
15Y	3.2 (+0.02)	--
20Y	3.15 (+0.02)	--
30Y	3.13 (+0.02)	4.4 (+0.04)

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
06/21/2024 07:30	JN	Natl CPI YoY	May	2.90%	2.80%	2.50%	--
06/21/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Jun P	--	50.1	50.4	--
06/21/2024 13:00	IN	HSBC India PMI Mfg	Jun P	--	--	57.5	--
06/21/2024 14:00	UK	Retail Sales Inc Auto Fuel MoM	May	1.80%	--	-2.30%	--
06/21/2024 14:00	UK	Retail Sales Inc Auto Fuel YoY	May	-0.60%	--	-2.70%	--
06/21/2024 14:00	UK	Retail Sales Ex Auto Fuel MoM	May	1.80%	--	-2.00%	--
06/21/2024 15:30	GE	HCOB Germany Manufacturing PMI	Jun P	46.4	--	45.4	--
06/21/2024 15:30	TH	Gross International Reserves	Jun-14	--	--	\$223.8b	--
06/21/2024 15:30	GE	HCOB Germany Services PMI	Jun P	54.4	--	54.2	--
06/21/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	Jun P	47.9	--	47.3	--
06/21/2024 16:30	UK	S&P Global UK Manufacturing PMI	Jun P	51.1	--	51.2	--
06/21/2024 16:30	HK	CPI Composite YoY	May	1.30%	--	1.10%	--
06/21/2024 16:30	UK	S&P Global UK Services PMI	Jun P	53	--	52.9	--
06/21/2024 21:45	US	S&P Global US Manufacturing PMI	Jun P	51	--	51.3	--
06/21/2024 22:00	US	Existing Home Sales	May	4.10m	--	4.14m	--
06/21/2024 22:00	US	Leading Index	May	-0.30%	--	-0.60%	--

Source: Bloomberg

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