

Daily Treasury Outlook

21 October 2024

Highlights

Global: Market players are watching for potential Israeli retaliation towards Iran, with gold prices hitting a fresh record high above USD2721.43/oz. The US markets are also keeping a close watch on the upcoming presidential elections, with Harris and Trump neck-to-neck. The S&P500 gained 0.4% on Friday while the 10-year UST bond yield was little changed at 4.08%. Malaysia announced an expansionary budget on Friday while Indonesia's new president Prabowo confirmed Sri Mulyani Indrawati will continue as the Finance Minister.

Market Watch: Asian markets may start the week on a firm tone this morning, while waiting China's 1- and 5-year LPR fixings (likely cut at least 20bps). Today's economic data calendar comprises of UK's October Rightmove house prices, Germany's PPI, and Taiwan's September export orders. Fed's Logan and Kashkari, as well as ECB's Simkus are also speaking today. For the week ahead, watch for the IMF-World Bank meetings (with refreshed global growth forecasts), 3Q24 GDP growth estimates from South Korea, Singapore and Malaysia's September CPI, and global manufacturing, services and composite PMIs. On the central bank front, BoC policy decision on Wednesday (likely 50bps cut to 3.75%), and Fed's Beige Book and RBA annual report are due on Thursday. Meanwhile, earnings reporting season continues with Tesla, Boeing, UPS, Southwest etc.

CN: On data, the Chinese economy decelerated to 4.6% YoY in real terms in the third quarter of 2024, down from 4.7% in the second quarter. For the first three quarters, the economy grew by 4.8% YoY. On a sequential basis, the economy rebounded to 0.9% QoQ, up from 0.5% in the second quarter, though this growth remained below the seasonal average.

China's GDP deflator contracted for the sixth consecutive quarter, though the contraction narrowed in the third quarter. As a result, nominal GDP growth stabilized, slightly rebounding from 3.97% YoY in the second quarter to 4.04% in the third quarter.

External demand strengthened, with net exports contributing 1.1 percentage points to cumulative GDP growth, up from 0.7 percentage points in 1H24. This indicates that in 2024, external demand has accounted for over 20% of China's economic growth.

GDP growth slowed in the third quarter, mainly due to weaker performance in July and August. However, September showed signs of stabilization and recovery, with marginal improvements in key economic indicators.

Key Market Movements

Equity	Value	% chg
S&P 500	5864.7	0.4%
DJIA	43276	0.1%
Nikkei 225	38982	0.2%
SH Comp	3261.6	2.9%
STI	3640.2	0.4%
Hang Seng	20804	3.6%
KLCI	1646.0	0.3%
	Value	% chg
DXY	103.493	-0.3%
USDJPY	149.53	-0.5%
EURUSD	1.0867	0.3%
GBPUSD	1.3052	0.3%
USDIDR	15465	-0.2%
USDSGD	1.3101	-0.3%
SGDMYR	3.2807	0.0%
	Value	chg (bp)
2Y UST	3.95	-2.36
10Y UST	4.08	-0.78
2Y SGS	2.71	4.90
10Y SGS	2.82	6.76
3M SORA	3.46	-0.71
3M SOFR	5.21	-0.55
	Value	% chg
Brent	73.06	-1.9%
WTI	69.22	-2.1%
Gold	2721	1.1%
Silver	33.72	6.4%
Palladium	1084	3.6%
Copper	9626	1.2%
BCOM	98.24	-0.1%

Source: Bloomberg

Looking ahead, while external demand's contribution to the economy may have peaked and infrastructure investment faces uncertainties due to the new round of debt restructuring, recent stimulus measures are expected to continue stabilizing domestic demand. The real estate market is likely to experience marginal improvement. With the National Development and Reform Commission already advancing a CNY200bn investment plan for the fourth quarter, we expect the economy to return to growth above 5% in Q4, bringing full-year growth closer to the 5% target. Additionally, with the issuance of a new round of special government bonds, we anticipate continued economic support into 2025. As a result, we have revised our economic growth forecast for 2025 upward from 4.6% to 4.8%.

Oil: Crude oil benchmarks declined on Friday, with Brent falling 1.9% and WTI falling 2.1% to USD73.1/bbl and USD69.2/bbl respectively. Over the weekend, Middle East tensions continued to simmer as a Hezbollah drone exploded near Israeli Prime Minister Benjamin Netanyahu's home which led to Israel stepping up attacks on Hezbollah in Lebanon. Sudan has also announced that it is ready to resume exporting oil from South Sudan after a pipeline that has been out of service for eight months appears to have been repaired. Before its closure, the pipeline carried more than 150,000 barrels of crude oil.

Major Markets

ID: Former Defense Minister Prabowo Subianto (73) was sworn in as Indonesia's eighth president on Sunday (20 October), alongside his vice president, Gibran Rakabuming Raka (37), the son of outgoing leader Joko Widodo. On the same day, President Prabowo unveiled his 'Red-White' cabinet, reappointing several key figures, including Sri Mulyani as Finance Minister, Airlangga Hartarto as Coordinating Minister for Economic Affairs, Erick Thohir as Minister of State-Owned Enterprises, Bahlil Lahadalia as Minister of Energy and Mineral Resources, and Rosan Roeslani as Minister of Investment. Additionally, President Prabowo expanded his administration by adding several departments and forming new coordinating ministries, including a Coordinating Ministry for Food Affairs led by Zulkifli Hasan and a Coordinating Ministry for Infrastructure and Spatial Development headed by Agus Harimurti Yudhoyono. Other key appointments include the selection of Sugiono as Foreign Minister.

MY: The government aims to narrow the fiscal deficit to 3.8% of GDP in 2025 from 4.3% of GDP in 2024 on the assumption that revenues will grow by 5.5% YoY in 2025 (versus 2.3% in the 2024 revised budget estimate) and expenditures will rise by 3.3% YoY after remaining flat in 2024. Specifically on the expenditure front, the skew was tilted towards operational expenditures, which are budgeted to increase by 4.2% YoY in 2025 versus 3.3% in 2024 (RE). Importantly, subsidies & social assistance spending is projected to drop by 14.4% YoY in 2024. Targeted RON95 rationalisation is expected from mid-2025 onwards, removing access for the top 15% of earners and foreigners.

TH: As reported by Bloomberg, Thailand Prime Minister Paetongtarn Shinawatra is formulating a plan to address elevated household debt to reduce its drag on the economy. The government is in talks with banks to find ways to help debtors pay their loans. A debt relief package is expected to be announced in the coming weeks and may include allowing banks to pay lower fees to the state bailout fund in exchange for reducing terms to debtors.

PH: 23 projects have been added to the Philippine governments public-private partnership (PPP) pipeline, bringing the total amount of projects to 173 and worth around PHP3.17trn (USD 55bn). Of the added projects, 16 of them have not been approved by implementing agencies, while the remaining projects have been submitted by the agencies themselves.

HK: The seasonally adjusted unemployment and underemployment rates stayed flat at 3.0% and 1.2% respectively in July-September 2024. Meanwhile, unemployment rate before seasonal adjustment edged down by 0.1 percentage point to 3.1%, as compared to June-August 2024. Breaking down, unemployment rate in “retail, accommodation and food services” sectors rose further, by 0.1 percentage point, to the highest level since late 2022. Meanwhile, unemployment rates in most of the other sectors fell marginally. Separately, the HKMA announced to cut the countercyclical capital buffer ratio from 1% to 0.5% with immediate effect, among other measures, with the hope to facilitate SMEs’ funding needs.

ESG Updates

MY: Malaysia plans to introduce a carbon tax on the iron, steel, and energy industries by 2026, announced at Budget 2025. Proceeds from the carbon tax will be utilised to finance green technology programmes and research. This coincides with the start of the European Union’s (EU) Carbon Border Adjustment Mechanism (CBAM) definitive regime starting in 2026, that will impact Malaysia’s iron and steel exports to the EU. Implementing a carbon tax for Malaysia’s iron and steel sectors can reduce the tariffs paid to the EU under the CBAM.

Rest of the world: The EU's Department for Civil Protection and Humanitarian Aid Operations and ASEAN’s Coordinating Centre for Humanitarian Assistance on Disaster Management have signed an agreement on disaster management to combat the rising threat of climate-related disasters. This aims to facilitate knowledge exchange and share best practices, as well as develop training programmes. As both regions are prone to natural disasters such as floods, this agreement can boost the regions’ response capacities to natural disasters and build long-term resilience against future threats.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher last Friday, with shorter tenors trading 2-4bps higher, belly tenors trading 4-5bps higher and 10Y trading 6bps higher. China has halted the corporate bond underwriting operations of Central China Securities and Kaiyuan Securities for six months, according to a statement from the China Securities Regulatory Commission (CSRC). According to a UK court document submitted by the legal representative of the Chinese builder, the anticipated recovery rates for Sino-Ocean Group Holding Ltd. (“Sino-Ocean”)’s Class B, C, and D creditors would be 18.1%, 12.5%, and 14.2%, respectively, in a best-case scenario where all creditors opt to receive newly issued perpetual securities as part of the debt plan. Country Garden Real Estate (“COGARD”) has requested the Shanghai Stock Exchange to resume trading of three RMB bonds starting October 21, according to the company's filings. The bonds in question are a 4.98%-yuan bond maturing in 2026, a 4.38%-yuan bond maturing in 2026, and a 4.15%-yuan bond maturing in 2026. Bloomberg Asia USD Investment Grade spreads widened 1bps to 78bps while Bloomberg Asia USD High Yield spreads tightened by 1bps to 468bps. (Bloomberg, OCBC)

New Issues:

There were one notable issuances in the Asiadollar market last Friday:

- Jingjiang Port Group Co Ltd priced a USD100mn 3Y Fixed at Par to Yield 6.4%.

There were no notable issuances in the Singdollar market last Friday.

Mandates:

- Wuhan Financial Holdings (Group) Co., Ltd. is planning to issue senior unsecured USD sustainability notes.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.493	-0.32%	USD-SGD	1.3101	-0.32%
USD-JPY	149.530	-0.45%	EUR-SGD	1.4235	-0.01%
EUR-USD	1.087	0.33%	JPY-SGD	0.8761	0.13%
AUD-USD	0.671	0.15%	GBP-SGD	1.7099	-0.02%
GBP-USD	1.305	0.32%	AUD-SGD	0.8789	-0.14%
USD-MYR	4.306	-0.07%	NZD-SGD	0.7955	-0.13%
USD-CNY	7.102	-0.29%	CHF-SGD	1.5153	-0.16%
USD-IDR	15465	-0.19%	SGD-MYR	3.2807	0.04%
USD-VND	25165	-0.05%	SGD-CNY	5.4201	0.02%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.1470	-0.85%	1M	4.7405	-0.28%
3M	3.2010	-0.56%	2M	4.6883	-0.03%
6M	3.0280	-0.26%	3M	4.6221	-0.05%
12M	2.7090	-0.29%	6M	4.4345	0.02%
			1Y	4.1163	0.16%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
11/07/2024	-0.946	-0.236	4.592
12/18/2024	-1.733	-0.433	4.396
01/29/2025	-2.485	-0.621	4.208
03/19/2025	-3.397	-0.849	3.979
05/07/2025	-4.102	-1.026	3.803
06/18/2025	-4.766	-1.191	3.637

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.22	-2.05%	Corn (per bushel)	4.048	-0.5%
Brent (per barrel)	73.06	-1.87%	Soybean (per bushel)	9.700	-1.9%
Heating Oil (per gallon)	215.22	-1.93%	Wheat (per bushel)	5.728	-2.8%
Gasoline (per gallon)	200.20	-2.19%	Crude Palm Oil (MYR/MT)	43.180	-0.6%
Natural Gas (per MMBtu)	2.26	-3.79%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9625.50	1.15%	Gold (per oz)	2721.5	1.1%
Nickel (per mt)	16897.00	-0.64%	Silver (per oz)	33.7	6.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
21/10/2024 07:01	UK	Rightmove House Prices MoM	Oct	--	0.30%	0.80%	--
21/10/2024 07:01	UK	Rightmove House Prices YoY	Oct	--	1.00%	1.20%	--
21/10/2024 08:00	SK	Exports 20 Days YoY	Oct	--	-2.90%	-1.10%	--
21/10/2024 08:00	SK	Imports 20 Days YoY	Oct	--	-10.10%	-4.50%	--
21/10/2024 09:00	CH	1-Year Loan Prime Rate	21-Oct	3.15%	--	3.35%	--
21/10/2024 09:00	CH	5-Year Loan Prime Rate	21-Oct	3.65%	--	3.85%	--
10/21/2024 10/25	CH	1-Yr Medium-Term Lending Facility Rate	25-Oct	2.00%	--	2.00%	--
10/21/2024 10/25	CH	1-Yr Medium-Term Lending Facilities Volume	25-Oct	600.0b	--	300.0b	--
10/21/2024 10/25	CH	FDI YTD YoY CNY	Sep	--	--	-31.50%	--
21/10/2024 12:00	MA	GDP YoY	3Q A	5.20%	--	5.90%	--
21/10/2024 13:00	JN	Tokyo Condominiums for Sale YoY	Sep	--	--	-50.40%	--
21/10/2024 14:00	GE	PPI MoM	Sep	-0.20%	--	0.20%	--
21/10/2024 14:00	GE	PPI YoY	Sep	-1.10%	--	-0.80%	--
21/10/2024 16:00	TA	Export Orders YoY	Sep	5.20%	--	9.10%	--
21/10/2024 20:00	CA	Bloomberg Nanos Confidence	18-Oct	--	--	55.7	--
21/10/2024 22:00	US	Leading Index	Sep	-0.30%	--	-0.20%	--

Source: Bloomberg

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