

Daily Treasury Outlook

22 July 2024

Highlights

Global: Biden quits the US presidential race and endorses Kamala Harris to take his place as the Democratic nominee. Meanwhile, the PBoC cut the 7-day reverse repo rate by 10bps to 1.7% to optimize the open market operation mechanism and increase financial support for the economy. The S&P500 closed lower by 0.71% with market attention partly focusing on the CrowdStrike update that crashed many IT systems, while the 10-year UST bond yield rose 4bps to 4.24% on Friday.

Market Watch: Asian markets are likely to open with a muted start this week, awaiting the PBoC's decision on its Loan Prime Rate after the surprising cut of its 7-day reverse repo rate this morning. The chance of LPR rate cut is increasing after PBoC deemphasized the importance of the 1-year MLF. The economic data releases comprise of Taiwan's June export orders and unemployment rate, Hong Kong's CPI, and US' Chicago Fed national activity index. For the week ahead, watch for PMIs from Australia, Japan and India, as well as inflation data from Singapore, Malaysia and Hong Kong, S Korea's 2Q24 GDP on Thursday and US' PCE price index on Friday (with core PCE index tipped to increase by 0.1% for the second consecutive month in June). India is also releasing its budget tomorrow. On the central bank front, BoC meeting is expected to cut its policy rate for the second straight month on Wednesday, while Bundesbank president Nagel speaks at the G20 meeting on Thursday with ECB's Lagarde also speaking on the same day. On the corporate earnings side, Tesla and Alphabet Inc will be among the first of the Magnificent Seven to report this quarter, whilst others due this week include Coca-Cola, UPS, Spotify, Visa, IBM, General Motors, Ford Motors etc.

SG: June headline and core CPI likely to print at 2.9% and 3.1% YoY, versus 3.1% each in May. The STI slipped 0.68% to close at 3447.56 on Friday, weighed down by jitters about tech sector.

CN: The PBoC announced a cut to its 7-day reverse repo rate this morning by 10bps. The rate cut was in line with consensus, though the timing was a bit surprising. Renewed hope for more monetary policy support has heightened following the third plenum, which emphasized economic reform as a main focus of further comprehensive reforms. The third plenum also set a target to complete all these reforms within five years. This relatively short timeframe indicates that China needs to do more to grow the pie further in order to build a high-standard socialist market economy. The next key event to watch is whether China will also lower its Loan Prime Rate (LPR). The chance of LPR rate cut is increasing after the PBoC deemphasized the importance of the 1-year MLF. Additionally, with almost 1 trillion yuan in Medium-term Lending Facility (MLF) maturing in August and September, there is a window for the PBoC to replace some of this liquidity with more permanent injections via a Reserve Requirement Ratio (RRR) cut.

Key Market Movements

Equity	Value	% chg
S&P 500	5505.0	-0.7%
DJIA	40288	-0.9%
Nikkei 225	40064	-0.2%
SH Comp	2982.3	0.2%
STI	3447.6	-0.7%
Hang Seng	17418	-2.0%
KLCI	1636.6	0.2%
	Value	% chg
DXY	104.396	0.2%
USDJPY	157.48	0.1%
EURUSD	1.0882	-0.1%
GBPUSD	1.2914	-0.2%
USDIDR	16190	0.2%
USDSGD	1.3453	0.1%
SGDMYR	3.4848	0.1%
	Value	chg (bp)
2Y UST	4.51	3.95
10Y UST	4.24	3.68
2Y SGS	3.17	1.60
10Y SGS	3.07	4.09
3M SORA	3.64	0.11
3M SOFR	5.36	0.04
	Value	% chg
Brent	82.63	-2.9%
WTI	80.13	-3.2%
Gold	2401	-1.8%
Silver	29.22	-2.0%
Palladium	910	-2.3%
Copper	9310	-0.8%
BCOM	97.49	-1.5%

Source: Bloomberg

Major Markets

ID: The Ministry of Public Works and Public Housing (PUPR) has noted that the progress of the Balikpapan-Nusantara Capital City toll road construction is at 90%. The government aims to complete the highway before the 79th Independence Day ceremony on August 17, which will take place in the new capital city. The highway is expected to reduce travel time between Balikpapan and Nusantara from two and a half hours to just one hour. Additionally, Tempo reports that the ceremony plaza and the presidential palace in Nusantara are already operational, and the Sepaku Semoi dam will provide 3,000 liters of treated bulk water per second, with 2,500 liters allocated to Nusantara.

MY: The GDP growth improved to 5.8% YoY in 2Q24 from 4.2% in 1Q24, according to the advance estimates. Better growth was seen in the services sector (5.6% YoY in 2Q24 from 4.7% in 1Q24), manufacturing (4.7% from 1.9%), agriculture (7.1% from 1.6%) and construction (17.2% from 11.9%), while mining and quarrying growth eased slightly (3.3% from 5.7%). Overall, Malaysia's economy grew 5.0% in 1H24, compared to 4.1% in 1H23.

ESG Updates

Rest of the world: The US Energy Information Administration (EIA) estimates that the production capacity of sustainable aviation fuel (SAF) in the US could jump by 1400% in 2024 if all announced capacity additions come online. The EIA anticipates domestic production of biofuels will increase by about 50% in 2024, led by rising SAF production. This can reduce the high cost of SAF over time and help to accelerate the adoption of SAF.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher last Friday, with short tenors trading 2-3bps higher, belly tenors trading 2-3bps higher and 10Y trading 3bps higher. Zhuhai Huafa Group Co Ltd plans to raise between RMB1bn and RMB1.5bn through a perpetual dim sum bond. The state-owned enterprise plans to market the bond as early as next week with an expected pricing range of 5.75% to 5.9%, with a call option after three years. Bloomberg Asia USD Investment Grade tightened by 1bps to 82bps while Bloomberg Asia USD High Yield tightened by 2bps to 487bps. (Bloomberg, OCBC)

New Issues:

There was no notable issue in the Asiadollar market last Friday.

There was no notable issue in the Singdollar market last Friday.

Mandates:

- There were no new Asiadollar mandates last Friday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.396	0.21%	USD-SGD	1.3453	0.10%
USD-JPY	157.480	0.07%	EUR-SGD	1.4640	-0.03%
EUR-USD	1.088	-0.14%	JPY-SGD	0.8543	0.04%
AUD-USD	0.669	-0.31%	GBP-SGD	1.7371	-0.14%
GBP-USD	1.291	-0.23%	AUD-SGD	0.8997	-0.18%
USD-MYR	4.686	0.35%	NZD-SGD	0.8083	-0.50%
USD-CNY	7.270	0.11%	CHF-SGD	1.5132	-0.05%
USD-IDR	16190	0.20%	SGD-MYR	3.4848	0.07%
USD-VND	25333	0.06%	SGD-CNY	5.4039	0.01%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6260	-0.19%	1M	5.3468	0.02%
3M	3.6980	0.27%	2M	5.3400	-0.07%
6M	3.6330	0.25%	3M	5.2827	-0.02%
12M	3.5020	-0.03%	6M	5.1415	0.00%
			1Y	4.8265	-0.08%

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	-1.000	-0.250	5.079
11/07/2024	-1.605	-0.401	4.927
12/18/2024	-2.484	-0.621	4.708
01/29/2025	-3.165	-0.791	4.538

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.13	-3.25%	Corn (per bushel)	3.905	-0.2%
Brent (per barrel)	82.63	-2.91%	Soybean (per bushel)	10.973	-0.1%
Heating Oil (per gallon)	241.91	-2.72%	Wheat (per bushel)	5.428	1.4%
Gasoline (per gallon)	245.04	-2.62%	Crude Palm Oil (MYR/MT)	40.130	0.7%
Natural Gas (per MMBtu)	2.13	0.14%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9310.00	-0.81%	Gold (per oz)	2400.8	-1.8%
Nickel (per mt)	16256.00	-1.02%	Silver (per oz)	29.2	-2.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	40,287.53	-377.49
S&P	5,505.00	-39.59
Nasdaq	17,726.94	-144.28
Nikkei 225	40,063.79	-62.56
STI	3,447.56	-23.60
KLCI	1,636.55	2.74
JCI	7,294.50	-26.58
Baltic Dry	1,902.00	-10.00
VIX	16.52	0.59

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.17 (+0.02)	4.51(--)
5Y	3.04 (+0.03)	4.17 (+0.05)
10Y	3.07 (+0.04)	4.22 (+0.04)
15Y	3.09 (+0.04)	--
20Y	3.05 (+0.04)	--
30Y	3.01 (+0.05)	4.42 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	#N/A	N/A
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	5.34
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/22/2024 06:45	NZ	Trade Balance NZD	Jun	--	699m	204m	54m
07/22/2024 06:45	NZ	Exports NZD	Jun	--	6.17b	7.16b	7.00b
07/22/2024 06:45	NZ	Imports NZD	Jun	--	5.47b	6.95b	6.94b
07/22/2024 06:45	NZ	Trade Balance 12 Mth YTD NZD	Jun	--	-9399m	-10054m	-10213m
07/22/2024 07/24	TH	Car Sales	Jun	--	--	49871	--
07/22/2024 08:00	SK	Exports 20 Days YoY	Jul	--	18.80%	8.50%	--
07/22/2024 08:00	SK	Imports 20 Days YoY	Jul	--	14.20%	-0.60%	--
07/22/2024 09:15	CH	1-Year Loan Prime Rate	Jul-22	3.45%	--	3.45%	--
07/22/2024 09:15	CH	5-Year Loan Prime Rate	Jul-22	3.95%	--	3.95%	--
07/22/2024 13:00	JN	Tokyo Condominiums for Sale YoY	Jun	--	--	-19.90%	--
07/22/2024 15:00	MA	Foreign Reserves	Jul-15	--	--	\$113.8b	--
07/22/2024 16:00	TA	Export Orders YoY	Jun	12.30%	--	7.00%	--
07/22/2024 16:00	TA	Unemployment Rate	Jun	3.33%	--	3.35%	--
07/22/2024 16:30	HK	CPI Composite YoY	Jun	1.20%	--	1.20%	--
07/22/2024 20:00	CA	Bloomberg Nanos Confidence	Jul-19	--	--	53.2	--
07/22/2024 20:30	US	Chicago Fed Nat Activity Index	Jun	-0.09	--	0.18	--

Source: Bloomberg

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