

## Daily Treasury Outlook

23 July 2024

### Highlights

**Global:** All the major US indexes were higher on Monday, led by small caps and mega-cap tech stocks, as investors looked ahead to quarterly earnings this week. Cyclical sectors came under some modest pressure, as “Trump trades” unwinded. US yield bear steepened overnight. Dollar largely moved sideways, as there is no clear-cut election dollar play. On the geopolitical front, VP Harris swiftly consolidated Democratic support for her presidential bid and earned endorsements from top party figures, after Biden bowed out of the upcoming race. Surveys held between 19-21 July showed Republican candidate Trump widened his lead in the presidential race after his official nomination during the Republican National Convention. On the data front, Chicago Fed National Activity index fell to 0.05 (consensus: -0.09) from the upward revised 0.23 in May, suggesting slowdown of economic activities. Three out of four broad categories fell from May, with only production-related indicators making positive contribution to the index.

**Market Watch:** Asian markets are likely to open with a more upbeat tone. Economic calendar is light for Asia today, with only Singapore’s June CPI and Taiwan’s June industrial output. Later today, the market will watch Eurozone’s July consumer confidence, US’ July Richmond Fed Manufacturing Index and June existing home sales.

**CN:** The PBoC announced a cut to its 7-day reverse repo rate and 1-year and 5-year loan prime rate (LPR) by 10bps on 22 July. After the third plenum, the PBoC announced last Friday that it will increase the elasticity of the foreign exchange. The higher tolerance for mild increases in RMB volatility creates room for further interest rate adjustments. However, it remains to be seen whether the recent LPR rate cut marks the beginning of a fresh rate cut cycle or is simply a symbolic gesture of monetary policy reform. If it is the latter, the rate cut might be a one-off event in the near term.

**Oil:** Crude oil benchmarks declined for a second consecutive day, with WTI and Brent both falling by 0.4% and 0.3% on Monday. They closed at USD79.8/bbl and USD82.4/bbl, respectively. The oil market continues to soften, primarily due to concerns that a slowing Chinese economy could dampen oil demand. This concern more than offset the impact of escalating geopolitical tensions in the Middle East, where the Israeli military retaliated against the Houthis in Yemen.

### Key Market Movements

Equity	Value	% chg
S&P 500	5564.4	1.1%
DJIA	40415	0.3%
Nikkei 225	39599	-1.2%
SH Comp	2964.2	-0.6%
STI	3437.3	-0.3%
Hang Seng	17636	1.3%
KLCI	1622.1	-0.9%
	Value	% chg
DXY	104.314	-0.1%
USDJPY	157.04	-0.3%
EURUSD	1.0891	0.1%
GBPUSD	1.2933	0.1%
USDIDR	16220	0.2%
USDSGD	1.346	0.1%
SGDMYR	3.4820	-0.1%
	Value	chg (bp)
2Y UST	4.52	0.61
10Y UST	4.25	1.36
2Y SGS	3.18	0.70
10Y SGS	3.09	1.86
3M SORA	3.64	-0.21
3M SOFR	5.36	0.10
	Value	% chg
Brent	82.4	-0.3%
WTI	78.4	-0.3%
Gold	2397	-0.2%
Silver	29.13	-0.3%
Palladium	907	-0.3%
Copper	9217	-1.0%
BCOM	98.09	0.6%

Source: Bloomberg

## Major Markets

**ID:** Acting Secretary General of the Special Economic Zones (SEZ), Rizal Edwin, noted that the government has received proposals for the establishment of seven SEZs in Java, Sulawesi, and the Nusantara capital city. Rizal added that the SEZ in Nusantara will focus on providing energy to the new capital city and serving as a hub for mining activities, as reported by Antara news. The government is offering tax allowances and optimizing the one map policy to accelerate the development of SEZs and national strategic projects.

**MY:** Investment, Trade, and Industry Minister Zafrul Abdul Aziz revealed that the country is considering joining international organizations, including the OECD, alongside the BRICS, to maintain a balance of economic development and good relations with trading partners. Minister Zafrul emphasized that Malaysia's participation in BRICS and other appropriate organizations, like the OECD, would contribute to the development of the international community.

## ESG Updates

**Rest of the world:** Azerbaijan has proposed a US\$1 bn Climate Finance Action Fund (CFAF) to invest in climate action in developing economies, which is one of 14 initiatives announced in Azerbaijan as part of the COP29 agenda. CFAF will be capitalised with voluntary contributions from fossil fuel-producing countries and companies across oil, gas and coal, with Azerbaijan being a founding contributor. According to the COP29 Presidency, members will commit to transfer annual contributions as a fixed-sum or based on volume of production. The idea faced pushback from a number of countries, including the US which is the world's largest producer of fossil fuels. Countries that are already planning to contribute to the loss and damage fund may be hesitant to contribute to a new fund as well.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher yesterday, trading ~2bps higher across the short, belly and 10Y tenors. Chinese authorities have instructed state banks to provide support in order to enable heavily indebted municipalities to refinance until mid-2027. A recent directive states that banks and provincial governments should assist local government financing vehicles (“LGFV”) in repaying both domestic and offshore debt that will mature by June 30, 2027. This new plan extends the previous assistance program by an additional 2.5 years, which originally aimed to help municipalities with debt maturing before the end of this year, including loans, bonds, and other non-standard liabilities. Per Bloomberg, LGFVs have issued USD24.1bn in USD bonds as of 22 July 2024, a record amount and up 79% y/y. Bloomberg Asia USD Investment Grade widened by 1bps to 83bps while Bloomberg Asia USD High Yield tightened by 19bps to 467bps. (Bloomberg, OCBC)

### New Issues:

There were three notable issues in the Asiadollar market yesterday.

- VLL International Inc (Guarantors: Vista Land & Lifescapes Inc, Brittany Corp, Camella Homes Inc, Communities Philippines Inc, Crown Asia Properties Inc, Vista Residences Inc and Vistamalls Inc) priced a USD300mn 5Y Fixed at 9.375%.
- Korea Hydro & Nuclear Power Co Ltd priced a USD500mn 5Y Fixed at T+70bps.
- Piramal Capital & Housing Finance Ltd priced a USD300mn 3.5Y Sustainable, Fixed at 7.95%.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- Zhongsheng Group is planning to issue USD bonds for refinancing and is also making an offer to purchase the 2026 Bonds with the maximum acceptance amount at purchase price of USD966 per USD1000.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.314	-0.08%	USD-SGD	1.3460	0.05%
USD-JPY	157.040	-0.28%	EUR-SGD	1.4659	0.13%
EUR-USD	1.089	0.08%	JPY-SGD	0.8572	0.34%
AUD-USD	0.664	-0.63%	GBP-SGD	1.7406	0.20%
GBP-USD	1.293	0.15%	AUD-SGD	0.8941	-0.62%
USD-MYR	4.682	-0.08%	NZD-SGD	0.8048	-0.43%
USD-CNY	7.274	0.05%	CHF-SGD	1.5130	-0.01%
USD-IDR	16220	0.19%	SGD-MYR	3.4820	-0.08%
USD-VND	25336	0.01%	SGD-CNY	5.4032	-0.01%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6260	-0.19%	1M	5.3476	0.00%
3M	3.6980	0.27%	2M	5.3375	-0.05%
6M	3.6330	0.25%	3M	5.2831	-0.05%
12M	3.5020	-0.03%	6M	5.1417	-0.13%
			1Y	4.8325	-0.09%

## 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	-0.025	-0.006	5.323
09/18/2024	-0.970	-0.243	5.086
11/07/2024	-1.539	-0.385	4.944
12/18/2024	-2.450	-0.613	4.716
01/29/2025	-3.125	-0.781	4.548

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.78	-0.44%	Corn (per bushel)	4.003	2.5%
Brent (per barrel)	82.40	-0.28%	Soybean (per bushel)	11.178	1.9%
Heating Oil (per gallon)	243.48	0.65%	Wheat (per bushel)	5.480	1.0%
Gasoline (per gallon)	247.06	0.82%	Crude Palm Oil (MYR/MT)	40.350	0.5%
Natural Gas (per MMBtu)	2.25	5.78%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9216.50	-1.00%	Gold (per oz)	2396.6	-0.2%
Nickel (per mt)	16190.00	-0.41%	Silver (per oz)	29.1	-0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	40,415.44	127.91
S&P	5,564.41	59.41
Nasdaq	18,007.57	280.63
Nikkei 225	39,599.00	-464.79
STI	3,437.26	-10.30
KLCI	1,622.07	-14.48
JCI	7,321.98	27.48
Baltic Dry	1,902.00	-10.00
VIX	14.91	-1.61

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.18 (+0.01)	4.51(--)
5Y	3.06 (+0.02)	4.17 (+0.01)
10Y	3.09 (+0.02)	4.25 (+0.01)
15Y	3.11 (+0.02)	--
20Y	3.07 (+0.02)	--
30Y	3.03 (+0.01)	4.47 (+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
07/23/2024 05:00	SK	PPI YoY	Jun	--	2.50%	2.30%	--
07/23/2024 07:24	TH	Car Sales	Jun	--	--	49871	--
07/23/2024 10:00	CH	Bloomberg July China Economic Survey					
07/23/2024 13:00	SI	CPI YoY	Jun	2.70%	--	3.10%	--
07/23/2024 13:00	SI	CPI NSA MoM	Jun	0.00%	--	0.70%	--
07/23/2024 13:00	SI	CPI Core YoY	Jun	3.00%	--	3.10%	--
07/23/2024 13:00	IN	Bloomberg July India Economic Survey					
07/23/2024 14:00	JN	Machine Tool Orders YoY	Jun F	--	--	9.70%	--
07/23/2024 16:00	TA	Industrial Production YoY	Jun	17.00%	--	16.06%	--
07/23/2024 20:30	US	Philadelphia Fed Non-Manufacturing Activity	Jul	--	--	2.9	--
07/23/2024 22:00	US	Existing Home Sales	Jun	3.99m	--	4.11m	--
07/23/2024 22:00	US	Richmond Fed Manufact. Index	Jul	-6	--	-10	--
07/23/2024 22:00	EC	Consumer Confidence	Jul P	-13.5	--	-14	--
07/23/2024 22:00	US	Existing Home Sales MoM	Jun	-3.00%	--	-0.70%	--
07/23/2024 22:00	US	Richmond Fed Business Conditions	Jul	--	--	-11	--

Source: Bloomberg

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