

Daily Treasury Outlook

24 June 2024

Highlights

Global: The S&P500 closed down 0.16% on Friday in its second day of retreat, after touching a record high amid the “triple witching” that ended Nvidia’s quick run as the world’s top stock. Meanwhile, the 10-year UST bond yield declined 1bp to 4.25%. US’ S&P manufacturing, services and composite PMIs surprised on the upside at 51.7, 55.1 and 54.6 respectively for June, while the May existing home sales also fell less than expected by 0.7% MoM to 4.11m. Meanwhile, China and the EU have agreed to start talks on EV tariffs which the latter plans to impose from July.

Market Watch: Asian markets are likely to range trade today. The economic data calendar for today comprises of Singapore’s May CPI, Malaysia’s foreign reserve, Germany’s IFO business climate, Taiwan’s unemployment rate and industrial production, and US’ Dallas Fed manufacturing activity index. Fed’s Waller, Goolsbee and Daly, and ECB’s Nagel, Villeroy and Schnabel are also speaking today. For the week ahead, the Fed’s favoured May core PCE deflator is due to come in at 2.6% annualised (0.1% MoM) in its smallest increase since March 2021 and pave the way for the Fed to cut interest rates down the road. Other US economic data releases on tap include personal spending, July consumer confidence, May new and existing home sales, and the third estimate of 1Q24 GDP growth. Elsewhere, BOJ policy minutes may shed some light on the pledge to trim bond purchase, as well as inflation prints from Malaysia, Singapore, Japan, France, Spain and Italy, China’s industrial profits, and trade data from Vietnam, Thailand and Hong Kong. Separately, Japan's Kanda said MOF is ready to intervene to support the JPY 24 hours if needed. On the central bank front, BSP may keep its policy rates static on Thursday and BOE’s financial stability report is also due that day. Separately, investors will also be keeping a close eye on two upcoming elections - UK will go to the polls on 4 July, with polls suggesting that Labour’s Keir Starmer will put an end to 14 years of Tory rule, while France’s two-round vote culminating on 7 July may also unveil a hung parliament with far-right Le Pen’s National Rally and the left-wing New Popular Front.

SG: Headline and core inflation may print at 2.8% and 3.0% YoY in May, versus April’s 2.7% and 3.1% respectively, partly due to the rebound in COE premiums, oil prices and water tariffs. The STI gained 0.18% to 3306.02 on Friday and may consolidate today.

Oil: WTI and Brent declined by 1.8% and 0.5% on Friday to close at USD80.7/bbl and USD85.2/bbl, respectively. Nonetheless, this is the second consecutive weekly gain for crude oil amid bullish US weekly oil inventory report. The Energy Information Administration (EIA) reported that US crude, gasoline and distillate inventories declined by 2.5mn bbls, 2.3mn bbls, 1.7mn bbls to 457.1mn bbls, 231.2mn bbls, and 121.6mn bbls, respectively, for the week ending 14 June.

Key Market Movements

Equity	Value	% chg
S&P 500	5464.6	-0.2%
DJIA	39150	0.0%
Nikkei 225	38596	-0.1%
SH Comp	2998.1	-0.2%
STI	3306.0	0.2%
Hang Seng	18029	-1.7%
KLCI	1590.4	-0.1%
	Value	% chg
DXY	105.796	0.2%
USDJPY	159.8	0.5%
EURUSD	1.0693	-0.1%
GBPUSD	1.2645	-0.1%
USDIDR	16450	0.1%
USDSGD	1.3549	0.0%
SGDMYR	3.4800	-0.1%
	Value	chg (bp)
2Y UST	4.73	-0.50
10Y UST	4.26	-0.40
2Y SGS	3.35	-0.70
10Y SGS	3.16	-1.07
3M SORA	3.68	-0.30
3M SOFR	5.35	0.01
	Value	% chg
Brent	85.24	-0.5%
WTI	80.73	-0.7%
Gold	2322	-1.6%
Silver	29.55	-3.9%
Palladium	955	2.9%
Copper	9683	-1.8%
BCOM	101.73	-1.0%

Source: Bloomberg

Major Markets

CN: Equity markets extended its loss last week as the sentiment was weighed down further by tax news. Several listed companies have recently disclosed in filings with stock exchanges that they have received government notices requiring them to pay additional taxes ranging from tens of millions to several hundred million yuan. They have also warned investors that this may impact the companies' earnings, further weighing down market sentiment. To address external doubts and concerns, the State Administration of Taxation of China clarified that it has not organized any nationwide, industry-specific, or centralized tax inspections, nor are there plans to conduct retroactive inspections covering 20 or 30 years. Nevertheless, this clarification failed to calm the market, especially after photos surfaced showing the establishment of The Police-Tax Joint Operations Center at the local level.

ID: Industry Minister Agus Gumiwang Kartasasmita met with Japanese Minister Ken Saito in Tokyo on Friday (21/6) to discuss increasing cooperation in the manufacturing industry, especially in the automotive sector. Minister Kartasasmita highlighted the positive activities of Japanese automotive companies in Indonesia and their involvement in the local production ecosystem. He encouraged them to help develop Indonesia's electric vehicle sector and address the gap in automotive per capita consumption. They also discussed energy transition projects, the finalization of the Indonesia-Japan Economic Partnership Agreement (IJEPA), and an industrial human resources exchange program, as reported by Antara.

MY: The Investment, Trade, and Industry Minister, Zafrul Aziz, anticipates an improvement in Malaysia's ranking in the 2025 IMD World Competitiveness Ranking, following a drop of 7 places this year to 34th. This improvement is expected due to increased high-technology exports and higher investments. Minister Aziz explained that this year's lower ranking resulted from a temporary drop in high-tech exports and global competition but expects improvement within 12 to 18 months. He noted that Malaysia, as the world's sixth-largest semiconductor exporter, will benefit from projected increases in global semiconductor sales. He emphasized that stable economic growth, low unemployment, and controlled inflation will enhance Malaysia's competitiveness, as reported by The Edge.

TH: Customs export growth rose for a second consecutive month to 7.2% YoY in May (April: 6.8%) while customs import declined by 1.7% YoY (April: +8.3%). Consequently, the customs trade balance shifted to a surplus of USD0.7bn in May from a deficit of USD1.6bn in April. On the customs export front, the growth was broad-based across all categories, supported by higher shipments in 'agricultural products' (36.5% YoY versus -3.8% in April), 'agro-industrial products' (0.8% versus 12.7%), 'principal manufacturing products' (4.6% versus 9.2%), 'mineral products and fuel' (2.6% versus -9.2%). We expect robust GDP growth of 2.8% YoY in 2024 versus 1.9% in 2023, implying growth momentum of 3.3% in 2Q-4Q24 GDP growth versus 1.5% in 1Q24, supported by tourism and government policies to boost consumption.

ESG Updates

SG: Singapore is reported to be offering refiners and petrochemical companies rebates of up to 76% for its carbon tax, to help them ease cost stress and remain competitive with other countries. This would lower the final costs to between S\$6/tCO₂e to S\$10/tCO₂e, compared to the current carbon tax of S\$25/tCO₂e. The tax concessions may provide a significant buffer for refiners' profit margins amid growing competition with newer plants in China and the Middle East.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 1-2bps lower, belly tenors trading 2bps lower and 10Y trading 1bps lower. Kaisa Group Holdings Ltd. (“Kaisa”) on Monday, will be facing a court hearing in Hong Kong to prevent liquidation. Despite numerous delays since the initial petition to wind up the company was filed nearly 11 months ago, Kaisa is now required to demonstrate advancements in creating plans to restructure its debt. Failure to do so may result in the court ordering the company to sell off its assets in order to repay its creditors. Kaisa currently holds over USD11bn in outstanding dollar securities, which is one of the largest debts of its kind. Bloomberg Asia USD Investment Grade widened by 1bps to 82bps while Bloomberg Asia USD High Yield remained flat at 496bps. (Bloomberg, OCBC)

New Issues:

There were two notable bond issuances in the Asiadollar market last Friday.

- Bank of China Ltd of Qatar Financial Centre priced a USD140mn 3Y FRN at SOFR+62bps.
- China Construction Bank (New Zealand) Limited (Guarantors: China Construction Bank Corp) priced a USD120mn 3Y FRN at SOFR+60bps.

There were no notable bond issuers in the Singdollar market last Friday.

Mandates:

- Bangkok Bank Pcl is planning to issue USD10Y Fixed.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.796	0.20%	USD-SGD	1.3549	0.04%
USD-JPY	159.800	0.55%	EUR-SGD	1.4486	-0.06%
EUR-USD	1.069	-0.08%	JPY-SGD	0.8477	-0.53%
AUD-USD	0.664	-0.23%	GBP-SGD	1.7127	-0.09%
GBP-USD	1.265	-0.09%	AUD-SGD	0.8986	-0.31%
USD-MYR	4.713	0.07%	NZD-SGD	0.8284	-0.06%
USD-CNY	7.261	0.01%	CHF-SGD	1.5156	-0.25%
USD-IDR	16450	0.12%	SGD-MYR	3.4800	-0.06%
USD-VND	25456	0.02%	SGD-CNY	5.3587	-0.07%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6000	0.06%	1M	5.3445	-0.01%
3M	3.6860	-0.38%	2M	5.3448	-0.01%
6M	3.6910	0.05%	3M	5.3408	-0.02%
12M	3.6220	0.39%	6M	5.2682	-0.02%
			1Y	5.0387	-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	-0.100	-0.025	5.302
09/18/2024	-0.710	-0.178	5.150
11/07/2024	-1.098	-0.275	5.053
12/18/2024	-1.876	-0.469	4.859
01/29/2025	-2.450	-0.613	4.715

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.73	-1.75%	Corn (per bushel)	4.350	-1.1%
Brent (per barrel)	85.24	-0.55%	Soybean (per bushel)	11.605	0.5%
Heating Oil (per gallon)	249.15	-1.31%	Wheat (per bushel)	5.615	-2.0%
Gasoline (per gallon)	251.37	0.52%	Crude Palm Oil (MYR/MT)	39.300	-1.3%
Natural Gas (per MMBtu)	2.71	-1.31%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9682.50	-1.78%	Gold (per oz)	2322.0	-1.6%
Nickel (per mt)	17224.00	-1.15%	Silver (per oz)	29.6	-3.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	39,150.33	15.57
S&P	5,464.62	-8.55
Nasdaq	17,689.36	-32.23
Nikkei 225	38,596.47	-36.55
STI	3,306.02	6.02
KLCI	1,590.37	-2.32
JCI	6,879.98	60.66
Baltic Dry	1,997.00	13.00
VIX	13.20	-0.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.35 (-0.01)	4.73(--)
5Y	3.17 (-0.01)	4.27(--)
10Y	3.16 (-0.01)	4.25 (0)
15Y	3.19 (-0.01)	--
20Y	3.14 (-0.01)	--
30Y	3.12 (-0.01)	4.39(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/24/2024 06:45	NZ	Trade Balance NZD	May	--	204m	91m	-3m
06/24/2024 06:45	NZ	Exports NZD	May	--	7.16b	6.42b	6.31b
06/24/2024 06:45	NZ	Imports NZD	May	--	6.95b	6.32b	--
06/24/2024 06:45	NZ	Trade Balance 12 Mth YTD NZD	May	--	-10054m	-10114m	-10217m
06/24/2024 13:00	SI	CPI YoY	May	3.10%	--	2.70%	--
06/24/2024 13:00	SI	CPI NSA MoM	May	0.70%	--	0.10%	--
06/24/2024 13:30	JN	Nationwide Dept Sales YoY	May	--	--	8.90%	--
06/24/2024 13:30	JN	Tokyo Dept Store Sales YoY	May	--	--	10.80%	--
06/24/2024 15:00	MA	Foreign Reserves	Jun-14	--	--	\$113.6b	--
06/24/2024 16:00	GE	IFO Business Climate	Jun	89.6	--	89.3	--
06/24/2024 16:00	GE	IFO Expectations	Jun	90.7	--	90.4	--
06/24/2024 16:00	GE	IFO Current Assessment	Jun	88.5	--	88.3	--
06/24/2024 16:00	TA	Industrial Production YoY	May	8.50%	--	14.61%	--
06/24/2024 16:00	TA	Unemployment Rate	May	3.40%	--	3.39%	--
06/24/2024 18:00	UK	CBI Trends Total Orders	Jun	-26	--	-33	--
06/24/2024 22:30	US	Dallas Fed Manf. Activity	Jun	-15	--	-19.4	--

Source: Bloomberg

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