

## Daily Treasury Outlook

24 July 2024

### Highlights

**Global:** U.S. stocks ended slightly lower ahead of earnings reports from major companies. The rotation from megacaps to underperforming small caps continues, with the Russell 2000 index up on Tuesday. The market will watch to see if this rotation is sustainable. On the data front, existing home sales fell 5.4% MoM in June, larger than the expected 3.2% decline. Nevertheless, the median existing home price rose 4.1% YoY in June to an all-time high of USD426,900. The average rate on a 30-year fixed-rate mortgage dropped to a four-month low of 6.77% in anticipation of a Fed rate cut in September. G20 finance ministers and central bank chiefs are gathering in Brazil this week. According to the draft communique, G20 officials are encouraged by the increasing likelihood of a soft landing for the global economy despite multiple challenges from geopolitical tensions. However, the draft also highlighted that the recovery has been highly uneven across countries. U.S. Vice President Kamala Harris launched her bid for the White House during a campaign stop in swing state Wisconsin. The latest Reuters/Ipsos poll, conducted on Monday and Tuesday, showed Harris leading Trump 44% to 42%. Trump led by 1% in a July 1 poll. Another poll by NPR/PBS News/Marist found Trump leading by 1%. All results were within the margin of error, indicating that any Trump trade is still premature. China's National Development and Reform Commission announced on Tuesday that it will support high-quality companies in borrowing medium to long-term foreign debt to support the development of the real economy.

**Market Watch:** Today, the market will watch for the flash PMI releases in Europe and the U.S. The Bank of Canada is expected to deliver another 25bps rate cut, bringing its policy rate to 4.5%. Fed speakers include Bowman and Logan.

**SG:** Headline and core CPI fell more than expected to 2.4% and 2.9% YoY respectively in June, down from 3.1% each in May. This is softer than the Bloomberg consensus forecast of 2.7% and 3.0% YoY, and OCBC forecast of 2.9% and 3.1% YoY. The key contributors to the softer June inflation prints were a decline in private transport costs (June: -0.7% YoY, May: 2.8%) and retail & other goods (June: 0.5% YoY, May: 1.5%). Given the more rapid than expected dip in the headline inflation in June, we adjust our full-year 2024 headline inflation forecast from 2.8% previously to 2.6% YoY and our core inflation forecast from 3.0% previously to 2.9% YoY.

### Key Market Movements

Equity	Value	% chg
S&P 500	5555.7	-0.2%
DJIA	40358	-0.1%
Nikkei 225	39594	0.0%
SH Comp	2915.4	-1.6%
STI	3461.2	0.7%
Hang Seng	17469	-0.9%
KLCI	1629.7	0.5%
	Value	% chg
DXY	104.450	0.1%
USDJPY	155.59	-0.9%
EURUSD	1.0854	-0.3%
GBPUSD	1.2908	-0.2%
USDIDR	16210	-0.1%
USDSGD	1.3456	0.0%
SGDMYR	3.4741	-0.2%
	Value	chg (bp)
2Y UST	4.49	-2.57
10Y UST	4.25	-0.19
2Y SGS	3.18	0.20
10Y SGS	3.10	1.05
3M SORA	3.64	-0.05
3M SOFR	5.36	0.02
	Value	% chg
Brent	81.01	-1.7%
WTI	76.96	-1.8%
Gold	2410	0.5%
Silver	29.24	0.4%
Palladium	928	2.3%
Copper	9166	-0.5%
BCOM	97.49	-0.6%

Source: Bloomberg

**Oil:** WTI and Brent weakened for a third consecutive trading day. Both fell by 3.5% and 1.7% on Tuesday, closing at USD77.0/bbl and USD81.0/bbl, respectively. The decline in oil prices was primarily due to concerns that a slowing Chinese economy could dampen oil demand, and rising expectations of a ceasefire deal in the Israel-Hamas conflict. Additionally, a stronger DXY profile also weighed on oil prices. Nevertheless, we anticipate some support for oil prices during early Asian trading hours due to industry reports of a drawdown in US crude oil and fuel inventories: the American Petroleum Institute (API) reported a drawdown of 3.9mn bbls, 2.8mn bbls, and 1.5mn bbls in US crude, gasoline and distillate inventories, respectively, for the week ending on 19 July. The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (24 July), with consensus anticipating a drawdown of 1.5mn bbls in US crude inventories.

## Major Markets

**ID:** The coordinating ministry for economic affairs has revealed that they are preparing a road map for the implementation of a carbon tax, with two phases outlined. The initial phase will focus on regulating the carbon tax in the power plant subsector, while the second phase will expand to include the transportation subsector. These two sectors are expected to cover 71% of emissions in the energy sector and approximately 39% of Indonesia's total emissions. Additionally, the Indonesia Carbon Exchange has facilitated carbon transactions worth IDR36.7bn since its inception in September 2023, according to a report by Antara.

**MY:** Treasury Secretary General, Johan Mahmood Merican, emphasized that the government is committed to reducing its borrowings and debt-to-GDP ratio to 60% within five years, from the current 64%. The government has already begun gradually reducing annual net borrowings, from ~MYR100bn in 2021 and 2022, to MYR93bn in 2023 and aiming for MYR86bn in 2024, as reported by The Edge. Efforts to reduce the annual deficit include retargeting subsidies, using tenders instead of direct negotiations for government projects, and exercising prudence in expenditure.

**PH:** In his State of the Nation Address on 22 July, President Ferdinand Marcos Jr announced the ban of Philippine Offshore Gaming Operators (POGOs). He gave the national gaming regulator until the end of the year to cease the operation of POGOs. Finance Secretary Ralph Recto welcomed the ban and said that this would not significantly affect the Philippine economy. In their cost-benefit analysis, the Department of Finance estimated that the net cost of POGO operations was approximately PHP99.5bn annually.

## ESG Updates

**CN:** China will continue improving its policy support systems for its ETS, according to a report released by the Ministry of Ecology and Environment. There are also plans to gradually implement a combination of free and paid carbon emission allowance allocation methods, gradually increasing the proportion of paid allocation to make carbon prices more accurately reflect the emission reduction costs of enterprises. Priority support will be given to the development of projects in ecosystem carbon sequestration, renewable energy, methane emission control, energy conservation and efficiency improvement. There were no further updates regarding the expansion of the ETS coverage to other key sectors like cement and steel.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short and belly tenors trading 1-2bps lower and 10Y trading 1bps lower. Per Bloomberg, Asiadollar high yield bonds are continuing to perform well in July and are expected to maintain their positive momentum in the coming months. The global economy appears to be robust enough to support a favorable outlook for this asset class. According to a Bloomberg high yield index, these Asiadollar bonds have generated total returns of 12% YTD, with excess returns reaching 9.9%. China Vanke Co Ltd (“VANKE”) announced that it will pay the coupon on its 3.1% RMB bond on 24 July 2024. Bloomberg Asia USD Investment Grade tightened by 1bps to 82bps while Bloomberg Asia USD High Yield widened by 2bps to 469bps. (Bloomberg, OCBC)

### New Issues:

There was one notable issue in the Asiadollar market yesterday.

- Zhongsheng Group Holdings Ltd priced a USD600mn 3.5Y Fixed at T+198bps.

There was no notable issue in the Singdollar market yesterday.

### Mandates:

- There were no new Asiadollar mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.450	0.13%	USD-SGD	1.3456	-0.03%
USD-JPY	155.590	-0.92%	EUR-SGD	1.4606	-0.36%
EUR-USD	1.085	-0.34%	JPY-SGD	0.8648	0.89%
AUD-USD	0.662	-0.42%	GBP-SGD	1.7369	-0.21%
GBP-USD	1.291	-0.19%	AUD-SGD	0.8902	-0.44%
USD-MYR	4.673	-0.19%	NZD-SGD	0.8015	-0.41%
USD-CNY	7.275	0.01%	CHF-SGD	1.5097	-0.22%
USD-IDR	16210	-0.06%	SGD-MYR	3.4741	-0.23%
USD-VND	25366	0.12%	SGD-CNY	5.4065	0.06%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6300	0.11%	1M	5.3455	-0.03%
3M	3.7050	0.19%	2M	5.3330	-0.08%
6M	3.6410	0.22%	3M	5.2775	-0.09%
12M	3.5110	0.26%	6M	5.1340	-0.03%
			1Y	4.8135	-0.10%

## 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	-0.993	-0.248	5.081
11/07/2024	-1.585	-0.396	4.932
12/18/2024	-2.486	-0.621	4.707
01/29/2025	-3.175	-0.794	4.535

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.96	-3.53%	Corn (per bushel)	4.025	0.6%
Brent (per barrel)	81.01	-1.69%	Soybean (per bushel)	11.175	0.0%
Heating Oil (per gallon)	240.99	-1.02%	Wheat (per bushel)	5.428	-1.0%
Gasoline (per gallon)	241.41	-2.29%	Crude Palm Oil (MYR/MT)	40.120	-0.6%
Natural Gas (per MMBtu)	2.19	-2.84%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9166.00	-0.55%	Gold (per oz)	2409.6	0.5%
Nickel (per mt)	16021.00	-1.04%	Silver (per oz)	29.2	0.4%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	40,358.09	-57.35
S&P	5,555.74	-8.67
Nasdaq	17,997.35	-10.22
Nikkei 225	39,594.39	-4.61
STI	3,461.16	23.90
KLCI	1,629.68	7.61
JCI	7,313.86	-8.12
Baltic Dry	1,896.00	-6.00
VIX	14.72	-0.19

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.18 (-)	4.45(-)
5Y	3.05 (-0.01)	4.16 (-0.01)
10Y	3.1 (+0.01)	4.25 (0)
15Y	3.13 (+0.02)	--
20Y	3.08 (+0.01)	--
30Y	3.05 (+0.02)	4.48 (+0.01)

## 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
07/24/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Jul P	--	--	50	--
07/24/2024 08:30	JN	Jibun Bank Japan PMI Composite	Jul P	--	--	49.7	--
07/24/2024 12:00	MA	CPI YoY	Jun	2.20%	--	2.00%	--
07/24/2024 13:00	IN	HSBC India PMI Mfg	Jul P	--	--	58.3	--
07/24/2024 15:30	GE	HCOB Germany Manufacturing PMI	Jul P	44	--	43.5	--
07/24/2024 15:30	GE	HCOB Germany Services PMI	Jul P	53.3	--	53.1	--
07/24/2024 15:30	GE	HCOB Germany Composite PMI	Jul P	50.6	--	50.4	--
07/24/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	Jul P	46.1	--	45.8	--
07/24/2024 16:00	EC	HCOB Eurozone Composite PMI	Jul P	50.9	--	50.9	--
07/24/2024 16:30	UK	S&P Global UK Manufacturing PMI	Jul P	51	--	50.9	--
07/24/2024 16:30	UK	S&P Global UK Services PMI	Jul P	52.5	--	52.1	--
07/24/2024 19:00	US	MBA Mortgage Applications	Jul-19	--	--	3.90%	--
07/24/2024 20:30	US	Wholesale Inventories MoM	Jun P	0.50%	--	0.60%	--
07/24/2024 21:45	CA	Bank of Canada Rate Decision	Jul-24	4.50%	--	4.75%	--
07/24/2024 21:45	US	S&P Global US Manufacturing PMI	Jul P	51.6	--	51.6	--
07/24/2024 22:00	US	New Home Sales	Jun	640k	--	619k	--

Source: Bloomberg

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