

Daily Treasury Outlook

25 June 2024

Highlights

Global: The US Nasdaq index declined for a third day led by Nvidia due to profit taking; rotation flows from tech stocks to cheaper sectors sent the Dow to a one-month high. The latest minutes of Bank of Japan's monetary policy meeting showed that some BOJ members had called for raising interest rates in a timely manner as upside risks to prices had become more noticeable. However, the view remained split as some were more cautious, citing the need to scrutinise whether rising wages would lift consumption. The USD/JPY rate tested 160 again yesterday. The persistent Yen weakness versus USD may complicate BOJ's inflation outlook.

Market Watch: The German Ifo business climate index declined to 88.6 from 89.3, below market expectations of 89.7. The expectation index also dropped from 90.3 to 89.0. The Ifo slightly raised its forecast for German growth to 0.4% last week. San Francisco Fed President Mary Daly said there is still more work to do to bring down inflation. However, she also warned of some risks to the job market. Overall, the Fed will need to navigate between the twin risks of high inflation and rising unemployment. For today, markets will watch for more Fed speakers as well as June consumer confidence data in the US. Malaysia May CPI will also be released along with May Hong Kong trade data.

SG: Headline inflation reaccelerated to 3.1% YoY (0.7% MoM nsa) in May, up from 2.7% YoY where it was for March and April 2024. This was largely due to higher private transport inflation. May core CPI was unchanged at 3.1% YoY for the third straight month, bringing the first five months to 3.2% YoY. There is no change to the official 2024 headline and core inflation forecasts of 2.5-3.5%. MAS-MTI's view remains that imported intermediate and final manufactured goods have also continued on a broad decline and the gradually strengthening S\$ trade-weighted exchange rate will continue to temper imported inflation in the coming months. Meanwhile, the cooling domestic labour market conditions should weigh on unit labour costs, albeit as businesses are likely to continue to pass on earlier cumulative cost increases to consumer prices at a reduced pace. Thus, MAS core inflation is still tipped to gradually moderate over the course of the year and step down more discernibly in 4Q24.

Oil: WTI and Brent rose by ~1.0% on Monday to close at USD81.6/bbl and USD86.0/bbl, respectively. Both oil benchmarks rose on concerns of a potential supply disruption from the ongoing Middle East and Russia-Ukraine conflict (i.e., an increase in Ukrainian drone attacks on Russian oil refineries). Meanwhile, a softer DXY profile also provided support for higher oil prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5447.9	-0.3%
DJIA	39411	0.7%
Nikkei 225	38805	0.5%
SH Comp	2963.1	-1.2%
STI	3314.1	0.2%
Hang Seng	18028	0.0%
KLCI	1589.7	0.0%

	Value	% chg
DXY	105.473	-0.3%
USDJPY	159.62	-0.1%
EURUSD	1.0733	0.4%
GBPUSD	1.2686	0.3%
USDIDR	16394	-0.3%
USDSGD	1.3528	-0.2%
SGDMYR	3.4827	0.1%

	Value	chg (bp)
2Y UST	4.72	-0.88
10Y UST	4.23	-2.33
2Y SGS	3.34	-1.10
10Y SGS	3.16	-0.72
3M SORA	3.66	-1.73
3M SOFR	5.35	0.00

	Value	% chg
Brent	86.01	0.9%
WTI	81.63	1.1%
Gold	2335	0.5%
Silver	29.58	0.1%
Palladium	983	3.0%
Copper	9661	-0.2%
BCOM	102.56	0.8%

Source: Bloomberg

Major Markets

ID: Finance Minister Sri Mulyani announced on Monday (24/6) that the state budget recorded a deficit of IDR21.8tn, equivalent to 0.1% of GDP, as of the end of May 2024. This is compared to surplus of 0.3% of GDP at the end of April. The deficit was driven by lower revenue of IDR1,123.5tn, a 7.1% YoY contraction, while expenditure increased by 14% YoY to IDR1,145.3tn. From the same press conference, Minister Mulyani also stated that IDR71tn will be allocated for President-elect Prabowo Subianto's free meal program next year, which will still keep the budget deficit within the forecasted range of 2.3% to 2.8% of GDP.

MY: Finance Minister II Amir Hamzah Azizan assured that the country will achieve its 2024 targets of 2%-3.5% inflation and 4%-5% GDP growth, despite the new diesel subsidy retargeting programme. The programme aims to mitigate consumer goods price pressure by providing subsidised diesel to the logistics sector and monthly cash assistance to individuals. While the government will save MYR4bn annually, it will still allocate MYR10bn for subsidies, including MYR3bn for Sabah and Sarawak, MYR4bn for public transportation and logistics in Peninsular Malaysia, MYR2bn for individual diesel vehicle owners and agricultural smallholders, and MYR1bn for fishermen.

ESG Updates

CN: The China Development Bank has strengthened financial support for green and low-carbon industries, and it has already issued over 200 bn yuan of green loans up till May this year. Its cumulative issuance of carbon-reduction loans through a carbon-reduction credit facility has exceeded 110 bn yuan. Moving forward, it aims to expand support for green transformation in key sectors including energy, water resources and transportation as part of efforts to meet its carbon neutrality goals.

ID: Indonesia may be lifting its current moratorium on post-2020 carbon credit issuances by the end of the year, with new supply expected to flow in 1Q 2025. The ban was implemented in 2022 that suspended carbon credit exports, with some international trades permitted but subject to complex conditions to ensure that the carbon budget is not depleted by foreign buyers.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mixed yesterday, with short tenors trading 0-1bps higher, belly tenors trading 1bps lower and 10Y trading flat. Chinese regulators have granted approval for a heavily indebted city in the eastern part of the country to receive funding support from banks. In an effort to assist more localities, banks have been directed to provide additional assistance to local government financing vehicles in Weifang, located in Shandong province. The banks have been instructed to offer support such as loan refinancing. Bloomberg Asia USD Investment Grade was unchanged at 82bps while Bloomberg Asia USD High Yield widened by 2bps to 498bps. (Bloomberg, OCBC)

New Issues:

There were three bond issuances in the Asiadollar market yesterday from the same issuer.

- LG Energy Solution Ltd priced three bonds. A USD700mn 3Y Fixed at T+100bps, a USD800mn 5Y Green Fixed at T+110bps, a USD500mn 10Y Green Fixed at T+135bps.

There were no notable bond issuers in the Singdollar market yesterday.

Mandates:

- China Great Wall AMC (International) Holdings Co is planning to issue USD Senior Bonds, Unsubordinated Perpetual.
- Sumitomo Corp is arranging fixed income investor calls for USD Benchmark Reg S 5Y and 10Y bonds.
- NTT Finance Corp is planning to issue USD Benchmark 3Y, 5Y, 7Y 144A/3c7/Reg S bonds.
- Cathaylife Singapore Pte (guaranteed by Cathay Life Insurance Co.,) is planning a USD 10Y Reg S Subordinated Tier 2 capital bond.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.473	-0.31%	USD-SGD	1.3528	-0.15%
USD-JPY	159.620	-0.11%	EUR-SGD	1.4522	0.25%
EUR-USD	1.073	0.37%	JPY-SGD	0.8475	-0.02%
AUD-USD	0.666	0.24%	GBP-SGD	1.7161	0.20%
GBP-USD	1.269	0.32%	AUD-SGD	0.9006	0.22%
USD-MYR	4.713	0.01%	NZD-SGD	0.8286	0.02%
USD-CNY	7.259	-0.02%	CHF-SGD	1.5152	-0.03%
USD-IDR	16394	-0.34%	SGD-MYR	3.4827	0.08%
USD-VND	25456	0.00%	SGD-CNY	5.3666	0.15%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6000	0.06%	1M	5.3446	0.01%
3M	3.6860	-0.38%	2M	5.3434	-0.01%
6M	3.6910	0.05%	3M	5.3374	-0.03%
12M	3.6220	0.39%	6M	5.2626	-0.07%
			1Y	5.0299	-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	-0.745	-0.186	5.141
11/07/2024	-1.131	-0.283	5.045
12/18/2024	-1.918	-0.480	4.848
01/29/2025	-2.520	-0.630	4.698

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.63	1.11%	Corn (per bushel)	4.335	-0.3%
Brent (per barrel)	86.01	0.90%	Soybean (per bushel)	11.753	1.3%
Heating Oil (per gallon)	252.14	1.20%	Wheat (per bushel)	5.525	-1.6%
Gasoline (per gallon)	251.15	-0.09%	Crude Palm Oil (MYR/MT)	39.370	0.2%
Natural Gas (per MMBtu)	2.81	3.92%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9661.00	-0.22%	Gold (per oz)	2334.7	0.5%
Nickel (per mt)	17325.00	0.59%	Silver (per oz)	29.6	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	39,411.21	260.88
S&P	5,447.87	-16.75
Nasdaq	17,496.82	-192.54
Nikkei 225	38,804.65	208.18
STI	3,314.14	8.12
KLCI	1,589.66	-0.71
JCI	6,889.17	9.19
Baltic Dry	1,997.00	13.00
VIX	13.33	0.13

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.34 (-0.01)	4.73(--)
5Y	3.16 (-0.01)	4.25 (-0.02)
10Y	3.16 (-0.01)	4.23 (-0.02)
15Y	3.18 (-0.01)	--
20Y	3.13 (-0.01)	--
30Y	3.11 (-0.01)	4.37 (-0.03)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
06/25/2024 05:00	SK	Consumer Confidence	Jun	--	100.9	98.4	--
06/25/2024 07:50	JN	PPI Services YoY	May	3.00%	2.50%	2.80%	2.70%
06/25/2024 08:30	AU	Westpac Consumer Conf SA MoM	Jun	--	--	-0.30%	--
06/25/2024 12:00	MA	CPI YoY	May	1.90%	--	1.80%	--
06/25/2024 13:00	JN	Leading Index CI	Apr F	--	--	111.6	--
06/25/2024 14:00	JN	Machine Tool Orders YoY	May F	--	--	4.20%	--
06/25/2024 16:30	HK	Exports YoY	May	14.80%	--	11.90%	--
06/25/2024 16:30	HK	Imports YoY	May	8.50%	--	3.70%	--
06/25/2024 16:30	HK	Trade Balance HKD	May	-8.7b	--	-10.2b	--
06/25/2024 20:30	CA	CPI YoY	May	2.60%	--	2.70%	--
06/25/2024 20:30	CA	CPI NSA MoM	May	0.30%	--	0.50%	--
06/25/2024 20:30	US	Philadelphia Fed Non-Manufacturing Activity	Jun	--	--	-0.6	--
06/25/2024 20:30	US	Chicago Fed Nat Activity Index	May	-0.25	--	-0.23	--
06/25/2024 21:00	US	FHFA House Price Index MoM	Apr	0.30%	--	0.10%	--
06/25/2024 22:00	US	Conf. Board Consumer Confidence	Jun	100	--	102	--
06/25/2024 22:00	US	Richmond Fed Manufact. Index	Jun	-3	--	0	--

Source: Bloomberg

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