

Daily Treasury Outlook

25 July 2024

Highlights

Global: US equities ended lower on Wednesday, as the Dow, S&P and Nasdaq declined by 1.3%, 2.3% and 3.6%, respectively. The DXY index closed lower. On US treasury yields, the UST 2Y closed lower from its previous close to 4.43% while the UST 10Y yields closed higher from its previous close to 4.28%. Elsewhere, oil prices moved higher while gold edged lower. Flash Purchasing Managers Index (PMI) figures in the euro zone, the UK and the United States were the focus yesterday. Preliminary readings for the UK and US composite PMI edged higher to 52.7 points and 55.0 points for July compared to 52.3 points and 54.8 points respectively in June. Specifically, US composite PMI surprised to the upside, supported by strong readings in the services PMI which more than offset a contraction in the manufacturing PMI. In contrast, the July preliminary readings for Eurozone composite PMI edged lower to 50.1 points compared to 50.9 in June. On other data releases, Bank of Canada cut its policy rate by 25bps to 4.50% at its July meeting. This is the second consecutive meeting which the Bank of Canada trimmed its policy rate. Bank of Canada also trimmed its 2024 GDP growth forecast to 1.2% from 1.5% previously.

Market Watch: This morning, advance estimates of South Korea's GDP showed more-than-expected easing, growing 2.3% YoY in 2Q24 (1Q24: 3.3%; consensus: 2.5%). Other data releases today include Germany's IFO Business Survey, Hong Kong trade data, US initial jobless claims, and advance estimates of 2Q24 US GDP and core PCE.

SG: MAS is likely to stay pat on monetary policy settings tomorrow morning at 8am, notwithstanding the recent softer than expected June headline and core CPI prints of 2.4% YoY and 2.9% respectively. While the FOMC is positioning to pare interest rates in the coming months, geopolitical tensions are still looming large with the US presidential elections due in November. Domestically, the labour market conditions are only gradually cooling and core inflation still has not stepped down in a more significant manner yet. As such, MAS is likely to remain in pause mode.

Oil: WTI and Brent rose by 0.8% and 0.9% on Wednesday, closing at USD77.6/bbl and USD81.7/bbl, respectively. Oil prices moved higher yesterday after three consecutive sessions of decline. The reversal in oil prices was primarily driven by a larger-than-expected drawdown in US crude oil and fuel inventories. According to the Energy Information Administration (EIA), US crude, gasoline and distillate inventories decreased by 3.7mn bbls, 5.6mn bbls, and 2.8mn bbls to 436.5mn bbls, 227.4mn bbls and 125.3mn bbls, respectively, for the week ending July 19. Nevertheless, oil prices edged lower during early Asian trading hours on continued concerns that a slowing Chinese economy could dampen global oil demand.

Key Market Movements

Equity	Value	% chg
S&P 500	5427.1	-2.3%
DJIA	39854	-1.2%
Nikkei 225	39155	-1.1%
SH Comp	2902.0	-0.5%
STI	3460.8	0.0%
Hang Seng	17311	-0.9%
KLCI	1621.1	-0.5%
	Value	% chg
DXY	104.391	-0.1%
USDJPY	153.89	-1.1%
EURUSD	1.0840	-0.1%
GBPUSD	1.2907	0.0%
USDIDR	16215	0.0%
USDSGD	1.3434	-0.2%
SGDMYR	3.4739	0.0%
	Value	chg (bp)
2Y UST	4.43	-6.06
10Y UST	4.28	3.32
2Y SGS	3.14	-4.00
10Y SGS	3.06	-3.65
3M SORA	3.64	-0.04
3M SOFR	5.36	0.03
	Value	% chg
Brent	81.71	0.9%
WTI	77.59	0.8%
Gold	2398	-0.5%
Silver	28.91	-1.1%
Palladium	932	0.4%
Copper	9104	-0.7%
BCOM	97.30	-0.2%

Source: Bloomberg

Major Markets

CN: Major state-owned banks cut deposit rates following the recent policy rate cuts. Industrial and Commercial Bank of China (ICBC) and Agricultural Bank of China (ABC) have officially announced reductions in their posted deposit rates. The current account rate will be decreased by 5 basis points. For fixed deposits, shorter tenor rates for three months, six months, and one year will be reduced by 10 basis points, while longer tenor rates above two years will be cut by 20 basis points.

ID: Coordinating Minister for Economic Affairs Airlangga Hartarto revealed that the government plans to introduce incentives for hybrid cars to promote electric vehicles. Currently, hybrid cars are subject to a sales tax on luxury goods (PPnBM) of 6-12%, while fully electric cars enjoy several incentives, including the removal of luxury tax on EVs for 2024, import tax waivers until 2025, and a reduction in value-added tax (VAT) from 11% to 1% for EVs with over 40% domestic components. The Ministry of Industry will propose these incentives to the Ministry of Finance, emphasizing vehicles that meet local content requirements and have low-carbon emissions.

MY: Headline inflation remained steady at 2.0% YoY in June, similar to May, but below the market consensus of 2.2%. Similarly, core inflation remained unchanged at 1.9% YoY. The main drivers of June inflation were mixed. Inflation in key components such as food & beverages, restaurants and accommodation services, and transportation increased in June compared to May. However, these increases were offset by lower inflation in health, information & communication, and personal care social protection & miscellaneous goods & services. Utilities inflation remained stable at 3.2% YoY. The June data brings 2Q24 CPI to an average of 1.9% YoY, up from 1.7% in 1Q24.

TH: The Constitutional Court revealed that it will hand down its verdict on PM Srettha Thavisin's case on August 14. In their statement, the Constitutional Court said that it has "considered and finds the case is a legal matter and there is sufficient evidence to decide the case." The verdict will be handed down one week after another major decision by the Constitutional Court on the Move Forward Party.

ESG Updates

SG: A S\$90mn programme, called the CREATE Thematic Programme in Decarbonisation, has been launched to further national research into areas such as hydrogen utilisation and the production of greener chemicals and fuels e.g. sustainable aviation fuel. The programme will contribute towards building Singapore's capacity in hydrogen utilisation, developing new insights on the combustion behaviours of zero-carbon fuel blends, and building ammonia-ready fuel cells for power generation. This aims to help decarbonise energy and industrial sectors through novel low-carbon energy alternatives to achieve net-zero emissions by 2050.

MY: The Bursa Carbon Exchange (BCX) is set to auction the first locally-generated carbon credits on 25 Jul 2024, from the Kuamut Rainforest Conservation project led by Permian Global. The project is assessed against Verra's Verified Carbon Standard and the Verra Climate, Community and Biodiversity Standard. The project aims to protect and restore 83,381 hectares of tropical rainforest in the Tongod and Kinabatangan districts of Sabah, Malaysia. The successful launch of this project can encourage the development of other carbon credit projects in Malaysia.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 5-7bps lower, belly tenors trading 6bps lower and 10Y trading 5bps lower. According to Bloomberg, sales of panda bonds have reached a record USD17bn year to date as foreign borrowers piled into China's onshore market while corporate bond yields in China fell to fresh lows. China Vanke Co Ltd ("VANKE") announced that it will pay the coupon on its 3.49% RMB bond on 26 July 2024. In Singapore, MAS proposed to subject all REITs to a minimum interest coverage ratio threshold of 1.5x and an aggregate leverage limit of 50%, replacing the current rules for REITs to have a minimum interest coverage ratio of 2.5x if they intend to increase their aggregate leverage from 45% to 50%. Bloomberg Asia USD Investment Grade widened by 1bps to 83bps while Bloomberg Asia USD High Yield widened by 2bps to 471bps. (Bloomberg, OCBC)

New Issues:

There were two notable issues in the Asiadollar market yesterday.

- Mirae Asset Securities Co Ltd Ltd priced a USD400mn 3Y Fixed at 5.688% (T+145bps).
- SAEL Limited, Sunfree Paschim Renewable Energy Private Limited, SAEL Solar Solutions Private Limited, Jasrasar Green Power Energy Private Limited, SAEL Kaithal Renewable Energy Private Limited and Universal Biomass Energy Private Limited priced a USD300mn 7NC3 Green Fixed at 7.8%.

There was no notable issue in the Singdollar market yesterday.

Mandates:

- The National Bank of Canada is planning to issue up to RMB5bn via a tranche of 2Y panda bond.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.391	-0.06%	USD-SGD	1.3434	-0.16%
USD-JPY	153.890	-1.09%	EUR-SGD	1.4562	-0.30%
EUR-USD	1.084	-0.13%	JPY-SGD	0.8731	0.96%
AUD-USD	0.658	-0.51%	GBP-SGD	1.7340	-0.17%
GBP-USD	1.291	-0.01%	AUD-SGD	0.8842	-0.67%
USD-MYR	4.672	-0.03%	NZD-SGD	0.7967	-0.60%
USD-CNY	7.264	-0.16%	CHF-SGD	1.5176	0.52%
USD-IDR	16215	0.03%	SGD-MYR	3.4739	-0.01%
USD-VND	25356	-0.04%	SGD-CNY	5.4046	-0.04%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.6180	-0.33%	1M	5.3455	0.01%
3M	3.6850	-0.54%	2M	5.3170	-0.22%
6M	3.6420	0.03%	3M	5.2623	-0.07%
12M	3.5080	-0.09%	6M	5.1065	-0.20%
			1Y	4.7731	-0.27%

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	-0.065	-0.016	5.313
09/18/2024	-1.110	-0.278	5.051
11/07/2024	-1.718	-0.430	4.899
12/18/2024	-2.657	-0.664	4.664
01/29/2025	-3.355	-0.839	4.490

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.59	0.82%	Corn (per bushel)	4.038	0.3%
Brent (per barrel)	81.71	0.86%	Soybean (per bushel)	11.110	-0.6%
Heating Oil (per gallon)	245.24	1.76%	Wheat (per bushel)	5.470	0.8%
Gasoline (per gallon)	245.15	1.55%	Crude Palm Oil (MYR/MT)	39.920	-0.5%
Natural Gas (per MMBtu)	2.12	-3.20%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9104.00	-0.68%	Gold (per oz)	2397.7	-0.5%
Nickel (per mt)	15827.00	-1.21%	Silver (per oz)	28.9	-1.1%

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

Equity and Commodity

Index	Value	Net change
DJIA	39,853.87	-504.22
S&P	5,427.13	-128.61
Nasdaq	17,342.41	-654.94
Nikkei 225	39,154.85	-439.54
STI	3,460.82	-0.34
KLCI	1,621.14	-8.54
JCI	7,262.76	-51.10
Baltic Dry	1,869.00	-27.00
VIX	18.04	3.32

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.14 (-0.04)	4.42(--)
5Y	3.01 (-0.04)	4.17 (+0.01)
10Y	3.06 (-0.04)	4.28 (+0.03)
15Y	3.11 (-0.02)	--
20Y	3.05 (-0.03)	--
30Y	3.03 (-0.02)	4.54 (+0.06)

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
07/25/2024 05:00	SK	Business Survey Manufacturing	Aug	--	72	75	--
07/25/2024 07:00	SK	GDP YoY	2Q A	2.50%	2.30%	3.30%	--
07/25/2024 07:00	SK	GDP SA QoQ	2Q A	0.10%	-0.20%	1.30%	--
07/25/2024 16:00	GE	IFO Business Climate	Jul	89	--	88.6	--
07/25/2024 16:00	EC	M3 Money Supply YoY	Jun	1.90%	--	1.60%	--
07/25/2024 16:00	GE	IFO Expectations	Jul	89.3	--	89	--
07/25/2024 16:00	GE	IFO Current Assessment	Jul	88.5	--	88.3	--
07/25/2024 16:30	HK	Exports YoY	Jun	13.10%	--	14.80%	--
07/25/2024 20:30	US	Initial Jobless Claims	Jul-20	238k	--	243k	--
07/25/2024 20:30	US	GDP Annualized QoQ	2Q A	2.00%	--	1.40%	--
07/25/2024 20:30	US	Durable Goods Orders	Jun P	0.30%	--	0.10%	--
07/25/2024 20:30	US	GDP Price Index	2Q A	2.60%	--	3.10%	--
07/25/2024 20:30	US	Durables Ex Transportation	Jun P	0.20%	--	-0.10%	--
07/25/2024 20:30	US	Continuing Claims	Jul-13	1868k	--	1867k	--
07/25/2024 20:30	US	Personal Consumption	2Q A	2.00%	--	1.50%	--
07/25/2024 20:30	US	Core PCE Price Index QoQ	2Q A	2.70%	--	3.70%	--

Source: Bloomberg

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