

Daily Treasury Outlook

26 July 2024

Highlights

Global: US equity indices closed mixed on Thursday (S&P 500: -0.5%, Nasdaq: 0.9%, Dow: +0.2%) as tech stocks continued to underperform. Meanwhile, 10-year US treasury yields moved lower to 4.24%. Gold prices were also lower, while oil prices increased, with Brent crude last seen at USD82.4/bbl. On the data front, advance readings showed that the US economy grew at a rate of 2.8% QoQ SAAR in 2Q24, surpassing the consensus estimate of 2.0% and the 1.4% growth in the previous quarter. The second GDP reading will be released on August 29. Looking at the drivers of GDP growth, it primarily reflected increases in consumer spending, private inventory investment, and non-residential fixed investment. In the labour market, initial jobless claims fell by 10k to 235k in the week ended July 20. However, the four-week moving average slightly increased to around 236k from 235k.

Market Watch: This morning, Tokyo CPI came in at 2.2% YoY for July, below the consensus of 2.3%. Meanwhile, core CPI came in at 2.2% YoY, within estimates, while supercore CPI increased 1.5% YoY in July. Data releases today include Singapore Industrial Production, France & Italy consumer confidence and the US with personal income, personal spending, June's core PCE and U.Mich sentiment.

SG: MAS kept the S\$NEER policy stance unchanged as expected. The 2024 core CPI forecast remained at 2.5-3.5% YoY. MAS also maintained its two-sided inflation risk outlook at this juncture while awaiting confirmation that core CPI will indeed step down more discernibly in 4Q24. MAS also gave the 2025 core CPI forecast at around 2% YoY which is in line with our forecast. Interestingly, MAS highlighted the seasonally adjusted QoQ rate of core inflation has fallen to an annualised 2.1% in 2Q24, and this sequential pace of price change, which better captures the most recent inflation in the economy, is expected to be lower in 2H24 compared to 1H24. The 2024 headline CPI forecast was shaded down from 2.5-3.5% YoY to 2-3%, while GDP growth is tipped at 2-3% YoY with expected improved momentum in 2H24. The October MPS is potentially open for a policy easing if a pre-emptive approach is adopted with greater comfort over core inflation momentum. URA private home prices eased to 0.9% QoQ in 2Q24, slightly slower than the 1.1% in 1Q24.

Key Market Movements

Equity	Value	% chg
S&P 500	5399.2	-0.5%
DJIA	39935	0.2%
Nikkei 225	37870	-3.3%
SH Comp	2886.7	-0.5%
STI	3430.5	-0.9%
Hang Seng	17005	-1.8%
KLCI	1615.2	-0.4%
	Value	% chg
DXY	104.355	0.0%
USDJPY	153.94	0.0%
EURUSD	1.0846	0.1%
GBPUSD	1.2851	-0.4%
USDIDR	16250	0.2%
USDSGD	1.3434	0.0%
SGDMYR	3.4725	0.0%
	Value	chg (bp)
2Y UST	4.43	0.00
10Y UST	4.24	-4.31
2Y SGS	3.02	-12.00
10Y SGS	2.98	-7.84
3M SORA	3.64	0.02
3M SOFR	5.36	0.03
	Value	% chg
Brent	82.37	0.8%
WTI	78.28	0.9%
Gold	2365	-1.4%
Silver	27.85	-3.7%
Palladium	910	-2.4%
Copper	9122	0.2%
BCOM	96.78	-0.5%

Source: Bloomberg

Oil: WTI and Brent rose by 0.9% and 0.8% on Thursday, closing at USD78.3/bbl and USD82.4/bbl, respectively. The intraday trade was choppy. Oil prices fell during Asian trading hours on concerns that a slowdown in the Chinese economy could dampen global oil demand. Both WTI and Brent oil prices declined by 2.0% (from previous day's close) to an intraday low of USD76.0/bbl and USD80.1/bbl, respectively. Nevertheless, losses were pared back during the NY session, and oil prices closed higher due to stronger-than-expected US 2Q24 (advance estimates) GDP growth.

Major Markets

CN: China unexpectedly conducted its second Medium-term Lending Facility (MLF) auction in July with a reduced interest rate of 20 basis points to 2.3%. There were two surprises from this action. Firstly, it is the first time since November 2020 that the PBoC has conducted MLF auctions twice in a single month. Secondly, it is also the first time that the MLF rate cut follows the cut of the Loan Prime Rate (LPR) since the MLF became the key policy rate in 2019. With the cuts of all major interest rates this week, including the 7-day reverse repo rate, LPR, and MLF, it indicates a potential pivot of the PBoC towards more aggressive easing. Additionally, the cut of the MLF rate after the LPR cut suggests a deemphasis of the MLF rate as the key policy rate. In the future, the transmission of China's monetary policy is likely to move from short-term 7-day rates to the LPR, rather than from the MLF to the LPR as done previously.

Elsewhere, China has also stepped-up fiscal policy. The National Development and Reform Commission (NDRC) and Ministry of Finance announced the repurposing of this year's CNY1tn ultra-long-term bond. CNY300bn will be used to support equipment upgrades and trade-ins of consumer goods. For example, in the aspect of vehicle scrappage and renewal, the subsidy standards for eligible vehicles have been doubled to CNY20,000 for new energy vehicles and CNY15,000 for fuel-powered vehicles. This may help offset weak domestic demand.

ID: The government has launched the golden visa program which aims to entice foreign investors, global talent, and the diaspora to contribute their expertise or invest in the country in return for extended stay permits. To obtain a five-year visa, individual investors must establish a company valued at USD2.5mn, while a ten-year visa requires a USD5mn investment. Corporate investors seeking visas for directors and commissioners must invest USD25mn for a five-year visa and USD50mn for a ten-year visa. Additionally, the government has set a lower investment threshold of USD5mn for a five-year visa and USD10mn for a ten-year visa for investment in the Nusantara capital city, as reported by the Jakarta Post.

MY: The leading index (LI) grew by 3.8% YoY to 114.2 in May from 113.3 (+4.5%) in April. This growth reflects "a resilient economy, underpinned by increasing tourism activities and promising external demand," according to the Department of Statistics Malaysia (DOSM). The LI is a tool used to predict economic trends for an average of four to six months ahead. Additionally, the coincident index (CI), which reflects the current state of the economy, grew 2.2% YoY to 126.1 points in May.

HK: Hong Kong's merchandise exports and imports continued to grow in June, though at a decelerated pace of 10.7% and 9.0% respectively (14.8% YoY and 9.6% YoY respectively in March). The trade deficit rose sharply to HK\$55.7 billion in June, from that of HK\$12.1 billion in the previous month. Exports to mainland China increased by 11.9% YoY, the slowest pace in four months, while exports to US rose sharply by 40.6% YoY, likely due to some form of front-running of Chinese exports ahead of the US presidential elections. Moving into the second half of 2024, growth of merchandise exports is likely to slow further, amid higher base of comparison, softening external demand and China's growing trade friction with the West.

ESG Updates

CN: Coal-fired power plants accounted for 59.6% of China's total electricity output in 1H24, which is the first time on record that coal produced less than 60% of the country's total electricity during that period. This is driven by clean power sources that generated a record 37.3% share of China's total electricity in the same period. Strong growth in electricity generation by hydro dams, solar parks and wind farms were the main drivers for China's clean power generation, which is set to continue growing this year. While this is encouraging news for the world's largest emitter, overcapacity concerns would need to be addressed.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 8-10bps lower, belly tenors trading 7-8bps lower and 10Y trading 6bps lower. Per Bloomberg, approximately 87 Chinese companies are facing repayment pressure on bonds totaling USD56.3bn. This includes RMB337.5bn of onshore notes and USD9.7bn of offshore bonds. The onshore subsidiary of Greentown China Holdings, a Chinese builder, plans to raise up to RMB1.5bn through a green bond, with two tenors. The price guidance for the bond includes four-year notes with a put option in two years at 3.3%-4% and five-year notes with a put option in three years at 3.6%-4.4%. The bond is expected to be marketed in early August. Bloomberg Asia USD Investment Grade spreads remained flat at 83bps while Bloomberg Asia USD High Yield spreads widened by 5bps to 476bps. (Bloomberg, OCBC)

New Issues:

There were three notable issues in the Asiadollar market yesterday.

- Industrial & Commercial Bank of China Ltd. (ICBC) of Doha priced a USD100mn 3Y Fixed at 4.40%.
- Bank of Communications Co Ltd/Hong Kong priced a USD550mn 3Y FRN at SOFR+55bps.
- Dongxing Securities Co., Ltd. (Guarantor: Dongxing Securities Co., Ltd.) priced a USD350mn 3Y Fixed at 5.3%.

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	104.355	-0.03%	USD-SGD	1.3434	0.00%
USD-JPY	153.940	0.03%	EUR-SGD	1.4569	0.05%
EUR-USD	1.085	0.06%	JPY-SGD	0.8727	-0.05%
AUD-USD	0.654	-0.65%	GBP-SGD	1.7263	-0.44%
GBP-USD	1.285	-0.43%	AUD-SGD	0.8783	-0.67%
USD-MYR	4.661	-0.23%	NZD-SGD	0.7909	-0.73%
USD-CNY	7.247	-0.23%	CHF-SGD	1.5237	0.40%
USD-IDR	16250	0.22%	SGD-MYR	3.4725	-0.04%
USD-VND	25311	-0.18%	SGD-CNY	5.3831	-0.40%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.5980	-0.55%	1M	5.3390	-0.09%
3M	3.6980	0.35%	2M	5.3095	-0.08%
6M	3.6520	0.27%	3M	5.2550	-0.10%
12M	3.5280	0.57%	6M	5.0974	-0.11%
			1Y	4.7700	-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	-0.085	-0.021	5.307
09/18/2024	-1.130	-0.283	5.046
11/07/2024	-1.777	-0.444	4.884
12/18/2024	-2.659	-0.665	4.664
01/29/2025	-3.315	-0.829	4.500

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.28	0.89%	Corn (per bushel)	4.060	0.6%
Brent (per barrel)	82.37	0.81%	Soybean (per bushel)	11.160	0.5%
Heating Oil (per gallon)	247.12	0.77%	Wheat (per bushel)	5.378	-1.7%
Gasoline (per gallon)	246.76	0.66%	Crude Palm Oil (MYR/MT)	40.080	0.4%
Natural Gas (per MMBtu)	2.04	-3.59%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9122.00	0.20%	Gold (per oz)	2364.6	-1.4%
Nickel (per mt)	15769.00	-0.37%	Silver (per oz)	27.8	-3.7%

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

Equity and Commodity

Index	Value	Net change
DJIA	39,935.07	81.20
S&P	5,399.22	-27.91
Nasdaq	17,181.72	-160.69
Nikkei 225	37,869.51	-1285.34
STI	3,430.45	-30.37
KLCI	1,615.18	-5.96
JCI	7,240.28	-22.48
Baltic Dry	1,864.00	-5.00
VIX	18.46	0.42

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.02 (-0.12)	4.43(--)
5Y	2.93 (-0.09)	4.13 (-0.04)
10Y	2.98 (-0.08)	4.24 (-0.04)
15Y	3.03 (-0.07)	--
20Y	2.98 (-0.07)	--
30Y	2.98 (-0.06)	4.48 (-0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.34
------	------

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/26/2024	IN	Foreign Exchange Reserves	Jul-19	--	--	\$666.9b	--
07/26/2024 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Jul	2.20%	2.20%	2.10%	--
07/26/2024 07:30	JN	Tokyo CPI YoY	Jul	2.30%	2.20%	2.30%	--
07/26/2024 11:00	TH	Customs Exports YoY	Jun	2.55%	--	7.20%	--
07/26/2024 11:00	TH	Customs Imports YoY	Jun	2.55%	--	-1.70%	--
07/26/2024 11:00	TH	Customs Trade Balance	Jun	\$600m	--	\$656m	--
07/26/2024 13:00	SI	Industrial Production YoY	Jun	-0.10%	--	2.90%	--
07/26/2024 13:00	SI	Industrial Production SA MoM	Jun	-0.60%	--	1.10%	--
07/26/2024 13:00	JN	Leading Index CI	May F	--	--	111.1	--
07/26/2024 15:30	TH	Gross International Reserves	Jul-19	--	--	\$227.8b	--
07/26/2024 20:30	US	Personal Income	Jun	0.40%	--	0.50%	--
07/26/2024 20:30	US	Personal Spending	Jun	0.30%	--	0.20%	--
07/26/2024 20:30	US	Core PCE Price Index MoM	Jun	0.20%	--	0.10%	--
07/26/2024 20:30	US	Core PCE Price Index YoY	Jun	2.50%	--	2.60%	--
07/26/2024 20:30	US	PCE Price Index YoY	Jun	2.40%	--	2.60%	--
07/26/2024 22:00	US	U. of Mich. Sentiment	Jul F	66.4	--	66	--

Source: Bloomberg

Macro Research

Selena Ling

Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong

Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Jonathan Ng

ASEAN Economist
jonathanng4@ocbc.com

Tommy Xie Dongming

Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist
lavyanavenkateswaran@ocbc.com

Ong Shu Yi

ESG Analyst
shuyiong1@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist
cindyckeung@ocbc.com

Ahmad A Enver

ASEAN Economist
ahmad.enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA

Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong

FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong

Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo

Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee

Credit Research Analyst
mengteechin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W