

Daily Treasury Outlook

9 May 2024

Highlights

Global: US markets were mixed overnight, with equities closed mixed (S&P: +0.0%; NASDAQ: -0.18%; Dow Jones: +0.44%), the DXY index trading choppy and UST yields higher across the longer-end of the curve. Market pricing around the US Federal Reserve rate cuts were little changed. In the equity space, Telsa, Alphabet, and Intel were the biggest stocks that closed in the red. Intel noted that its revenues are expected to fall “below the midpoint” of previously issued projections. In addition, reverberations of perceived cautious rhetoric from Fed speakers including Collins and Kashkari, modestly higher yields on a USD42bn 10-year auction, broadly higher yields in European bonds including German Bunds and weak US economic data could have weighed on sentiment. Specifically, US economic data releases included wholesale inventories and wholesale trade sales for March; both declined in MoM terms. Meanwhile, ECB rhetoric on action beyond the first cut was also somewhat cautious. ECB Governing Council member Pierre Wunsch noted that the “monetary-policy tightening was remarkably synchronous around the world”, while “easing cycles appear unlikely to exhibit similar synchronicity”. He further said, “now is not the time to commit to a preset course of action.” His Spanish counterpart Pablo Hernandez de Cos noted that ECB is “being very cautious about what the timeline will be like after the first cut, because the level of uncertainty continues to be very high.”

Market Watch: Asian markets could thread cautiously following US price action overnight. BoJ released the Summary of Opinions for the April MPM this morning. For the day ahead, Philippines 1Q24 GDP, China April trade data, Bank Negara Malaysia’s policy rate decision, Bank of England’s policy decision and US weekly jobs data (initial jobless claims and continuing claims) are slated for release. ECB’s Vujcic, Cipollone and Guindos are scheduled to speak.

SG: COE premiums ended mixed at the 8 May tender. Category A COEs ended at S\$93,604, declining by 0.4% from S\$94,010 prior. Category B and E COEs rose by 2.9% and 1.4% to end at S\$105,002 (17 Apr: S\$102,001) and S\$104,689 (17 Apr: S\$103,249) respectively. On markets, STI shed 1.1% to end at 3,264.5 at market close.

Oil: WTI and Brent increased by more than 0.5% to close at USD79.0/bbl and USD83.6/bbl, respectively, on Wednesday. Oil prices were under some downward pressure during early intra-day trading, with Brent oil prices dropping by 1.7% to USD82/bbl (intraday low) from its previous close. However, losses were pared back during US trading hours. The main catalyst for higher oil prices was due to the drawdown in US crude oil inventories. The Energy Information Administration (EIA) reported that US crude inventories declined by 1.4mn bbls to 495.5 mn bbls while gasoline inventories rose by 0.9mn bbls to 228.0 mn bbls, for the week ending 03 May.

Key Market Movements

Equity	Value	% chg
S&P 500	5187.7	0.0%
DJIA	39056	0.4%
Nikkei 225	38202	-1.6%
SH Comp	3128.5	-0.6%
STI	3264.5	-1.1%
Hang Seng	18314	-0.9%
KLCI	1604.8	-0.1%
	Value	% chg
DXY	105.546	0.1%
USDJPY	155.53	0.5%
EURUSD	1.0748	-0.1%
GBPUSD	1.2498	-0.1%
USDIDR	16045	0.0%
USDSGD	1.3555	0.1%
SGDMYR	3.4974	-0.1%
	Value	chg (bp)
2Y UST	4.84	0.61
10Y UST	4.49	3.67
2Y SGS	3.42	1.70
10Y SGS	3.27	1.52
3M SORA	3.66	0.28
3M SOFR	5.35	0.00
	Value	% chg
Brent	83.58	0.5%
WTI	78.99	0.8%
Gold	2309	-0.2%
Silver	27.33	0.3%
Palladium	957	-1.8%
Copper	9904	-1.3%
BCOM	102.06	-0.5%

Source: Bloomberg

Major Markets

CN: The US commerce department confirmed that it has revoked certain licenses for exports of chips to Huawei, which is expected to curb the development of Huawei's smartphone and laptop business lines. In reaction to that, China's commerce ministry said the actions taken by the United States severely violate its commitments of "not seeking decoupling from China" and "not impeding China's development," and are contrary to its assertion of "precisely defining national security."

MY: Bank Negara Malaysia (BNM) is expected to keep its benchmark policy rate at 3.00% at today's MPC meeting (3pm SGT). Inflation was benign at 1.8% YoY in April, while recent measures to support the currency (MYR) have shown promise. Looking ahead, the timing and mechanism of the government's fuel subsidy rationalization policies, and its impact on inflation, will be closely watched.

ID: The foreign reserves fell to USD136.2bn in April from USD 140.4bn in March. The lower reserves were due to, among other factors, "the government's external debt payment and the need for rupiah stabilization in the face of increasing global financial market uncertainty," according to Bank Indonesia. The USD4.2bn drop in April marks the fourth straight month of decline and is the sharpest monthly decline since May 2023. The reserves position is equivalent to 6.1 months of imports or 6.0 months of imports and servicing the government's external debt, still well above the international adequacy of three months of imports. The Indonesian market is closed for the rest of the week for Ascension Day.

PH: March exports declined by 7.3% YoY versus +15.7% in February while imports contracted 20.0% YoY (February: +6.5%). Consequently, the trade deficit narrowed to USD3.2bn versus USD3.7bn in February. We expect 1Q24 GDP growth to remain solid at 6% YoY versus 5.5% in 4Q23.

ESG Updates

Rest of the world: The Integrity Council for the Voluntary Carbon Market (ICVCM) has confirmed that Verified Carbon Standard and Architecture for REDD+ Transactions meet the high-integrity Core Carbon Principles (CCPs), joining American Carbon Registry, Climate Action Reserve and Gold Standard. These five programs have a 98% share of the voluntary carbon market, potentially giving market participants more confidence in the market. To enable CCP-eligible programs to issue CCP-labelled credits, the methodologies must also be approved by the Integrity Council. The first decisions on the methodologies that meet the CCP standards are expected to be announced in June, paving the way for the first CCP-labelled credits to appear in the market.

Credit Market Updates

Market Commentary: The SGD SORA yields traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2bps higher and 10Y trading 1bps higher. China Vanke Co. (“Vanke”) looking to auction off a piece of land for office use in Shenzhen for RMB2.2bn (USD304.5mn), according to Securities Times. The auction price is lower than the price of RMB3.1bn that Vanke initially paid for in 2017. (Bloomberg, OCBC)

New Issues:

There were some notable bond issuers in the Asiadollar market yesterday.

- China Ping An Insurance Overseas Holdings Ltd priced a USD300mn 10Y bond at 6.224% (T+173bps).
- Export Import Bank of Thailand priced a USD400mn 5Y bond at 5.354% (T+85bps).
- Security Bank Corp priced a USD400mn 5Y bond at 5.594% (T+110bps).
- Manappuram Finance Ltd priced a USD300mn 4Y senior secured bond at 7.5%.
- HSBC Holdings PLC priced two TLAC issues. A USD1.85bn 4NC3 senior unsecured TLAC at 5.597% (T+95bps) and a USD1.4bn 8NC7 senior unsecured TLAC at T+125bps.

There were no notable issues in the Singdollar market yesterday.

Mandates:

There is no Asiadollar mandate today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.546	0.13%	USD-SGD	1.3555	0.07%
USD-JPY	155.530	0.54%	EUR-SGD	1.4570	0.02%
EUR-USD	1.075	-0.07%	JPY-SGD	0.8716	-0.46%
AUD-USD	0.658	-0.27%	GBP-SGD	1.6942	0.01%
GBP-USD	1.250	-0.09%	AUD-SGD	0.8919	-0.19%
USD-MYR	4.742	0.06%	NZD-SGD	0.8139	0.11%
USD-CNY	7.225	0.08%	CHF-SGD	1.4928	0.12%
USD-IDR	16045	-0.02%	SGD-MYR	3.4974	-0.08%
USD-VND	25433	0.16%	SGD-CNY	5.3294	0.04%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8750	0.60%	1M	5.3210	0.00%
3M	3.7880	-0.94%	2M	5.3237	-0.01%
6M	3.8020	0.29%	3M	5.3236	-0.04%
12M	3.6470	-0.30%	6M	5.2903	-0.06%
			1Y	5.1545	-0.04%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.100	-0.025	5.302
07/31/2024	-0.340	-0.085	5.243
09/18/2024	-0.840	-0.210	5.118
11/07/2024	-1.179	-0.295	5.033
12/18/2024	-1.733	-0.433	4.894
01/29/2025	-2.130	-0.533	4.795

Equity and Commodity

Index	Value	Net change
DJIA	39,056.39	172.13
S&P	5,187.67	-0.03
Nasdaq	16,302.76	-29.80
Nikkei 225	38,202.37	-632.73
STI	3,264.53	-35.51
KLCI	1,604.75	-0.93
JCI	7,088.80	-34.82
Baltic Dry	2,083.00	207.00
VIX	13.00	-0.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (+0.02)	4.84(-)
5Y	3.24 (+0.04)	4.5 (+0.03)
10Y	3.27 (+0.02)	4.5 (+0.04)
15Y	3.31 (+0.01)	--
20Y	3.31 (-0.02)	--
30Y	3.31 (-0.01)	4.65 (+0.04)

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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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.99	0.78%	Com (per bushel)	4.455	-1.8%
Brent (per barrel)	83.58	0.51%	Soybean (per bushel)	12.128	-1.6%
Heating Oil (per gallon)	247.61	0.43%	Wheat (per bushel)	6.160	-1.4%
Gasoline (per gallon)	253.18	-0.46%	Crude Palm Oil (MYR/MT)	39.570	-0.1%
Natural Gas (per MMBtu)	2.19	-0.91%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9904.00	-1.25%	Gold (per oz)	2308.9	-0.2%
Nickel (per mt)	18885.00	-1.93%	Silver (per oz)	27.3	0.3%

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

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/09/2024	PH Money Supply M3 SRF YoY	Mar	--	5.00%	--
05/09/2024	CH Trade Balance	Apr	\$81.00b	--	\$58.55b
05/09/2024	CH Exports YoY	Apr	1.30%	--	-7.50%
05/09/2024	CH Imports YoY	Apr	4.70%	--	-1.90%
05/09/2024 05/13	VN Domestic Vehicle Sales YoY	Apr	--	--	-8.10%
05/09/2024 05/15	CH Money Supply M2 YoY	Apr	8.30%	--	8.30%
05/09/2024 05/15	CH Money Supply M1 YoY	Apr	1.20%	--	1.10%
05/09/2024 07:00	SK BoP Current Account Balance	Mar	--	\$6931.4m	\$6858.3m
05/09/2024 07:01	UK RICS House Price Balance	Apr	-2%	-5%	-4%
05/09/2024 07:30	JN Labor Cash Earnings YoY	Mar	1.40%	0.60%	1.80%
05/09/2024 10:00	PH GDP YoY	1Q	5.90%	--	5.60%
05/09/2024 13:00	JN Leading Index CI	Mar P	111.2	--	111.8
05/09/2024 15:00	MA BNM Overnight Policy Rate	May-09	3.00%	--	3.00%
05/09/2024 19:00	UK Bank of England Bank Rate	May-09	5.25%	--	5.25%
05/09/2024 20:30	US Initial Jobless Claims	May-04	212k	--	208k
05/09/2024 20:30	US Continuing Claims	Apr-27	1782k	--	1774k

Source: Bloomberg

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