

## Daily Treasury Outlook

10 May 2024

### Highlights

**Global:** US stocks closed broadly higher on Thursday. The Dow, S&P and Nasdaq were up by 0.8%, 0.5% and 0.3% respectively. The DXY index closed lower from its previous. Similarly, US treasury yields declined, with the UST 2Y and UST 10Y closing lower from their previous close at 4.82% and 4.45% respectively. The Bank of England kept its policy rate unchanged at 5.25% as widely expected. The emphasis is on the split in votes. At its 9 May meeting, there was a 7-2 split to maintain the Bank rate (21 March meeting: 8-1 split). Specifically, two members now voted for a 25bp cut. On inflation, BOE Governor Andrew Bailey said he was "optimistic that things are moving in the right direction" and expects inflation to progress towards the 2% target in the coming months. US initial jobless claims rose by 10.5% to 231k (week ending 4 May) while continuing claims increased by 1.0% to 1.79mn (week ending 27 April).

**Market Watch:** Asian markets are set to end the week upbeat following Wall Street gains and weaker dollar from the day prior. Today's economic calendar kicked off with New Zealand's April manufacturing PMI which improved to 48.9 from 46.8 prior and Japan's March current account which recorded a JPY3,398bn surplus (Feb: JPY2,644bn). Other data slated for release includes Malaysia industrial production for March, preliminary UK 1Q24 GDP figures and preliminary U. Mich sentiment survey results for May.

**Oil:** WTI and Brent increased by more than 0.3% to close at USD79.3/bbl and USD83.9/bbl, respectively, on Thursday. Oil prices extended gains for a second consecutive day on improving trade data from China, though further upsides were held back by weaker US demand for gasoline and diesel.

### Key Market Movements

Equity	Value	% chg
S&P 500	5214.1	0.5%
DJIA	39388	0.8%
Nikkei 225	38074	-0.3%
SH Comp	3154.3	0.8%
STI	3266.0	0.0%
Hang Seng	18538	1.2%
KLCI	1601.2	-0.2%
	Value	% chg
DXY	105.227	-0.3%
USDJPY	155.48	0.0%
EURUSD	1.0782	0.3%
GBPUSD	1.2524	0.2%
USDIDR	16045	0.0%
USDSGD	1.3525	-0.2%
SGDMYR	3.4952	-0.1%
	Value	chg (bp)
2Y UST	4.82	-2.11
10Y UST	4.45	-4.06
2Y SGS	3.44	1.70
10Y SGS	3.32	4.72
3M SORA	3.67	0.65
3M SOFR	5.35	0.00
	Value	% chg
Brent	83.88	0.4%
WTI	79.26	0.3%
Gold	2346	1.6%
Silver	28.32	3.6%
Palladium	971	1.5%
Copper	9905	0.0%
BCOM	102.47	0.4%

Source: Bloomberg

## Major Markets

**CN:** Total trade in dollar terms rebounded by 4.4% YoY in April after experiencing contractions in the previous two months. This recovery was primarily driven by stronger-than-expected growth in imports, which surged by 8.5% YoY, while exports also saw an uptick of 1.5% YoY. Improved demand from the US and EU markets contributed to this growth, alongside sustained strength in China's exports to ASEAN, which saw an impressive increase of 8.15% YoY. The share of exports to ASEAN continued to rise, reaching 15.8% in April, up from 15.7% in March. Furthermore, China's demand for key commodities such as crude oil and electronic integrated circuits experienced a notable rebound. Imports of crude oil by value surged by 14.12%, while imports of chips saw a significant increase of 15.77% in value terms.

**MY:** BNM kept its policy rate unchanged at 3.00%, in line with expectations. BNM noted on the global front that economic growth is likely to be sustained and that the pace of “disinflation has slowed in advanced economies”. It added that “this increases prospects of interest rates remaining high for longer, particularly in the US.” Meanwhile, BNM remained upbeat on domestic growth prospects and noted that “the recovery in exports is expected to gather momentum supported by the global tech upcycle and continued strength in non-electrical and electronics goods. On the currency, BNM reverted to stating that the currency ringgit “currently does not reflect” economic fundamentals and growth prospects. Looking ahead, we continue to expect BNM to keep its policy rate unchanged at 3.00% in 2024.

**PH:** GDP growth picked up to 5.7% YoY in 1Q24 versus 5.5% in 4Q23, albeit lower than expected. On a sequential basis, the economy grew 1.3% QoQ SA versus 1.8% in 4Q23. The demand side drivers were mixed, with household (4.6% YoY versus 5.3% in 4Q23) and investment spending (2.3% versus 10.2% in 4Q23) slowing in 1Q24. Meanwhile, government spending picked up slightly to 1.7% YoY versus -1.0% in 4Q23. The contribution of domestic demand narrowed to 4.2 percentage points (pp) from 6.0pp in 4Q23. By contrast, the contribution of net exports shifted to +1.2pp from -1.4pp in 4Q23, as export growth improved more convincingly. Exports of goods and services picked up to 7.5% YoY versus -2.5% in 4Q23, led mainly by goods exports. The pickup in imports was more modest at 2.3% YoY versus 2.0% in 4Q23. Mirroring better exports, the supply side boost to growth came from the manufacturing sector (4.5% YoY versus 0.5% in 4Q23). Growth in the construction (7.0% YoY versus 8.4% in 4Q23) and services (6.9% versus 7.4% in 4Q23) sectors slowed but remained strong, nonetheless. Agriculture sector output was weaker at 0.4% YoY in 1Q24 versus 1.3% in 4Q23. Looking ahead, we maintain our full year 2024 GDP growth forecast of 6.0% YoY, supported by a reversal of government underspending in 2023, resilient infrastructure spending and a stabilisation of electronic exports.

## ESG Updates

**ID:** Indonesia is looking to the UAE to develop the green aluminium industry, as it lacks aluminium smelters and alumina refineries required to support downstream activities. Indonesia sees firms in the UAE as potential partners in building renewable energy projects in Indonesia and developing the downstream aluminium industry, with potential opportunities to supply green aluminium for global automakers.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 3-4bps higher and 10Y trading 4bps higher. According to insiders, Chinese developer Country Garden Holdings Co. (“COGARD”) is reaching out to a state-supported program that guarantees developer bonds to cover interest payments that COGARD cannot make. The financially strained developer is in discussions with China Bond Insurance Co., which provides guarantees for two notes with upcoming coupon payments. These payments are part of a larger program introduced by authorities in 2022 to assist private developers in alleviating liquidity challenges. The total amount for the two coupon payments is RMB65.95mn (USD9.1mn), and they were scheduled to be paid on May 9 and there is reportedly a 5-day grace period before a default can be called. (Bloomberg, OCBC)

### New Issues:

There was one notable bond issuer in the Asiadollar market yesterday.

- Golomt Bank JSC priced a USD300mn 3Y at 12%.

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	105.227	-0.30%	USD-SGD	1.3525	-0.22%
USD-JPY	155.480	-0.03%	EUR-SGD	1.4582	0.08%
EUR-USD	1.078	0.32%	JPY-SGD	0.8699	-0.20%
AUD-USD	0.662	0.61%	GBP-SGD	1.6938	-0.02%
GBP-USD	1.252	0.21%	AUD-SGD	0.8953	0.38%
USD-MYR	4.741	-0.01%	NZD-SGD	0.8162	0.28%
USD-CNY	7.220	-0.07%	CHF-SGD	1.4928	0.00%
USD-IDR	16045	-0.02%	SGD-MYR	3.4952	-0.06%
USD-VND	25443	0.04%	SGD-CNY	5.3393	0.19%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8700	-0.13%	1M	5.3200	-0.02%
3M	3.8140	0.69%	2M	5.3224	-0.03%
6M	3.7950	-0.18%	3M	5.3216	-0.04%
12M	3.6420	-0.14%	6M	5.2835	-0.05%
			1Y	5.1375	-0.03%

## 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	-0.360	-0.090	5.238
09/18/2024	-0.895	-0.224	5.104
11/07/2024	-1.271	-0.318	5.010
12/18/2024	-1.815	-0.454	4.874
01/29/2025	-2.240	-0.560	4.767

## Equity and Commodity

Index	Value	Net change
DJIA	39,387.76	331.37
S&P	5,214.08	26.41
Nasdaq	16,346.26	43.50
Nikkei 225	38,073.98	-128.39
STI	3,265.95	1.42
KLCI	1,601.22	-3.53
JCI	7,088.80	-34.82
Baltic Dry	2,203.00	120.00
VIX	12.69	-0.31

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.44 (+0.02)	4.82(--)
5Y	3.28 (+0.04)	4.47 (-0.03)
10Y	3.32 (+0.05)	4.46 (-0.04)
15Y	3.34 (+0.03)	--
20Y	3.33 (+0.02)	--
30Y	3.32 (+0.01)	4.61 (-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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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.26	0.34%	Com (per bushel)	4.428	-0.6%
Brent (per barrel)	83.88	0.36%	Soybean (per bushel)	11.928	-1.6%
Heating Oil (per gallon)	247.76	0.06%	Wheat (per bushel)	6.198	0.6%
Gasoline (per gallon)	254.18	0.39%	Crude Palm Oil (MYR/MT)	39.230	-0.9%
Natural Gas (per MMBtu)	2.30	5.21%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9904.50	0.01%	Gold (per oz)	2346.3	1.6%
Nickel (per mt)	19033.00	0.78%	Silver (per oz)	28.3	3.6%

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

## Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/10/2024 06:30	NZ BusinessNZ Manufacturing PMI	Apr	--	48.9	47.1
05/10/2024 07:50	JN BoP Current Account Balance	Mar	¥3454.6b	¥3398.8b	¥2644.2b
05/10/2024 12:00	MA Industrial Production YoY	Mar	1.90%	--	3.10%
05/10/2024 14:00	UK GDP QoQ	1Q P	0.40%	--	-0.30%
05/10/2024 14:00	UK GDP YoY	1Q P	0.00%	--	-0.20%
05/10/2024 14:00	UK Industrial Production MoM	Mar	-0.50%	--	1.10%
05/10/2024 14:00	UK Manufacturing Production MoM	Mar	-0.50%	--	1.20%
05/10/2024 14:00	UK Industrial Production YoY	Mar	0.30%	--	1.40%
05/10/2024 14:00	UK Trade Balance GBP/Mn	Mar	-£2100m	--	-£2291m
05/10/2024 14:00	UK Manufacturing Production YoY	Mar	1.70%	--	2.70%
05/10/2024 15:30	TH Gross International Reserves	May-03	--	--	\$221.5b
05/10/2024 20:00	IN Industrial Production YoY	Mar	5.20%	--	5.70%
05/10/2024 20:30	CA Unemployment Rate	Apr	6.20%	--	6.10%
05/10/2024 20:30	CA Net Change in Employment	Apr	20.0k	--	-2.2k
05/10/2024 20:30	CA Hourly Wage Rate Permanent Employees YoY	Apr	4.70%	--	5.00%
05/10/2024 22:00	US U. of Mich. Sentiment	May P	76.2	--	77.2

Source: Bloomberg

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