

Daily Treasury Outlook

16 May 2024

Highlights

Global: US stock market indices closed higher, the DXY index closed lower as did UST yields across the curve. Fed fund futures pricing for rate cuts is now at 52bp cuts for this year versus 43bp prior to the US CPI release. April US CPI eased by 0.3% MoM from 0.4% in March, translating into 3.4% YoY and matching expectations. Importantly, core CPI also eased by 0.3% MoM versus 0.4% in March and slowed to 3.6% YoY versus 3.8% in March. Real average hourly earnings also slowed to 0.5% YoY in April compared to 0.6% in March. Simultaneously, the April retail sales print was weaker than expected remaining flat MoM from a downwardly revised 0.6% in March. Core retail sales also slowed more sharply in April. The combination slowing inflation and activity data led to building rate cut expectations. Nonetheless, Federal Reserve members cautioned against hasty shifts in judgements. Chicago President Goolsbee noted “some improvement from last time” was expected and “there’s still room for improvement” while Kashkari noted that the Fed will likely keep rates at current levels “a while longer”. Meanwhile, Chinese authorities are considering a proposal to have local governments across the country buy millions of unsold homes; a proposal aimed at bolstering the property market.

Market Watch: The sentiment from US markets could be carried forth into Asia. The preliminary 1Q24 GDP print for Japan, released this morning, was weaker-than-expected dropping to -2% QoQ annualised. The final print of Japan March IP will out today along with Australia April labour market data, US weekly labour market data (continuing and initial jobless claims), April housing starts and manufacturing production. Bangko Sentral ng Pilipinas (BSP) will meet today and likely keep its policy rate unchanged. It is likely to sound hawkish as inflation remains a bugbear and the currency (peso) has underperformed peers (versus USD) in the past month. There are lots of ECB and Federal Reserve speakers lined up to speak today. ECB will present its financial stability review today.

CN: As reports emerged on Bloomberg about Chinese policymakers mulling a proposal to authorize local governments nationwide to purchase millions of unsold homes, one district government in Hangzhou, the capital city of Zhejiang province, captured attention yesterday by unveiling plans to acquire such properties for conversion into public housing. The newly introduced policy sets clear limits, stating that the total area of acquired housing units should not exceed 10,000 square meters, with individual unit sizes capped at 70 square meters. This implies that the LingAn district government of Hangzhou city is likely to acquire fewer than 200 units. While this number may appear insignificant for a district with over half a million registered residents with Hukou, the announcement sets an example in local destocking efforts.

Key Market Movements

Equity	Value	% chg
S&P 500	5308.2	1.2%
DJIA	39908	0.9%
Nikkei 225	38386	0.1%
SH Comp	3119.9	-0.8%
STI	3289.4	-0.7%
Hang Seng	19074	0.0%
KLCI	1603.2	-0.2%
	Value	% chg
DXY	104.345	-0.6%
USDJPY	154.88	-1.0%
EURUSD	1.0884	0.6%
GBPUSD	1.2685	0.7%
USDIDR	16028	-0.5%
USDSGD	1.3452	-0.5%
SGDMYR	3.4886	0.1%
	Value	chg (bp)
2Y UST	4.72	-9.10
10Y UST	4.34	-9.94
2Y SGS	3.39	-3.50
10Y SGS	3.27	-4.96
3M SORA	3.70	0.15
3M SOFR	5.35	0.01
	Value	% chg
Brent	82.75	0.4%
WTI	78.63	0.8%
Gold	2386	1.2%
Silver	29.67	3.7%
Palladium	1011	2.8%
Copper	10219	1.0%
BCOM	103.90	0.8%

Source: Bloomberg

Major Markets

ID: April trade data showed promise with export and import growth improving versus March, albeit disappointing expectations. Export growth improved to 1.7% YoY in April compared to -12.8% in March (consensus: 4.4%, OCBC: 1.4%) while import growth rose to 4.6% YoY versus -12.8% in March (consensus: 8.7%, OCBC: 5.9%). Consequently, the trade surplus narrowed to USD3.6bn from USD4.6bn in March, marking 48 consecutive months of trade surpluses. Looking ahead, it remains to be seen whether this trend can be sustained for the rest of 2Q24. While the price effect started to turn more positive in March, export volume growth remained subdued. Separately, President-elect Prabowo Subianto spoke at the Qatar economic forum with news headlines reporting that he viewed the fiscal deficit ceiling as “arbitrary”. We view his statement more as an observation rather than any actionable comment. It will also have limited implications for the 2025 fiscal deficit, in our view. Estimates show that the President-elect’s proposed free food and milk program will cost around 0.5% of GDP next year; the government has the scope to increase spending by this magnitude without pushing the fiscal deficit beyond 3% of GDP.

MY: The Economy Minister, Rafizi Ramli, noted that the data in the Central Database Hub (PADU) system is ready to be used for the government to implement its programs, including targeted subsidy measures. However, Minister Ramli added that the decision regarding the implementation mechanism will only be decided at a suitable time, as reported by The Edge. He also mentioned that it is part of measures for the government to “avoid inflationary speculation.” The PADU database aims to provide a comprehensive and real-time national database for the government to use in policy formulation, including towards a more targeted policy implementation.

ESG Updates

CN: China authorities have released a set of basic rules for the operations of the domestic power markets, as it pushes for a transition towards market-based electricity pricing while supporting the development of renewable energy.

ID: The Ministry of Economic Affairs is targeting completion of 41 national strategic projects worth Rp554 trillion (~ US\$34.37 billion) in 2024. It also aims to complete the development of 16 critical mineral projects, with an investment value of Rp248.75 trillion (~US\$15.44 billion), including the downstreaming of nickel, copper, bauxite, alumina, iron sand and pig iron. This is part of efforts towards its national priorities for eradicating poverty, creating jobs and adding value to commodities.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 2-4bps lower, belly tenors trading 6-7bps lower and 10Y trading 7bps lower. China is seeking feedback from several provinces and government entities to have local governments / state-owned enterprises purchase millions of unsold homes from struggling developers at significant discounts and converting into affordable housing. This will be funded using loans provided by state banks. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 82bps while Asia USD High Yield spreads widened by 2bps to 534bps. (Bloomberg, OCBC)

New Issues:

There were no issues in the Asiadollar and Singdollar markets yesterday. Outside of these markets, a notable deal was RMB40bn in issuance of total loss-absorbing capacity bonds by Industrial & Commercial Bank of China, which is the first such debt sales by Chinese lenders. Bank of China Ltd may follow suit in issuing.

Mandates:

- There are no Asiadollar mandates today

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.345	-0.64%	USD-SGD	1.3452	-0.49%
USD-JPY	154.880	-0.98%	EUR-SGD	1.4641	0.10%
EUR-USD	1.088	0.60%	JPY-SGD	0.8685	0.50%
AUD-USD	0.669	1.01%	GBP-SGD	1.7065	0.25%
GBP-USD	1.269	0.74%	AUD-SGD	0.9004	0.51%
USD-MYR	4.706	-0.24%	NZD-SGD	0.8236	0.84%
USD-CNY	7.219	-0.20%	CHF-SGD	1.4910	-0.02%
USD-IDR	16028	-0.47%	SGD-MYR	3.4886	0.07%
USD-VND	25454	0.00%	SGD-CNY	5.3651	0.27%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8380	0.26%	1M	5.3187	-0.02%
3M	3.8240	-0.10%	2M	5.3275	0.00%
6M	3.7990	-0.03%	3M	5.3230	-0.04%
12M	3.6380	-0.44%	6M	5.2725	-0.05%
			1Y	5.0922	-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	-0.050	-0.012	5.313
07/31/2024	-0.350	-0.087	5.238
09/18/2024	-0.955	-0.239	5.086
11/07/2024	-1.364	-0.341	4.984
12/18/2024	-2.067	-0.517	4.808
01/29/2025	-2.490	-0.623	4.703

Equity and Commodity

Index	Value	Net change
DJIA	39,908.00	349.89
S&P	5,308.15	61.47
Nasdaq	16,742.39	231.21
Nikkei 225	38,385.73	29.67
STI	3,289.42	-23.93
KLCI	1,603.23	-2.65
JCI	7,179.83	96.07
Baltic Dry	1,993.00	-73.00
VIX	12.45	-0.97

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (-0.04)	4.72(--)
5Y	3.23 (-0.05)	4.35 (-0.11)
10Y	3.27 (-0.05)	4.33 (-0.1)
15Y	3.31 (-0.04)	--
20Y	3.32 (-0.03)	--
30Y	3.33 (-0.03)	4.49 (-0.09)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.63	0.78%	Corn (per bushel)	4.625	1.9%
Brent (per barrel)	82.75	0.45%	Soybean (per bushel)	12.135	1.2%
Heating Oil (per gallon)	242.31	0.13%	Wheat (per bushel)	6.658	1.3%
Gasoline (per gallon)	249.68	1.51%	Crude Palm Oil (MYR/MT)	38.010	0.0%
Natural Gas (per MMBtu)	2.42	3.07%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10219.00	1.04%	Gold (per oz)	2386.0	1.2%
Nickel (per mt)	19489.00	2.17%	Silver (per oz)	29.7	3.7%

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

Economic Calendar

date	country	item	period	survey	actual	prior	revised
05/16/2024 04:00	US	Net Long-term TIC Flows	Mar	--	\$100.5b	\$71.5b	\$62.9b
05/16/2024 07:50	JN	GDP SA QoQ	1Q P	-0.30%	-0.50%	0.10%	0.00%
05/16/2024 07:50	JN	GDP Annualized SA QoQ	1Q P	-1.20%	-2.00%	0.40%	0.00%
05/16/2024 07:50	JN	GDP Deflator YoY	1Q P	3.30%	3.60%	3.90%	--
05/16/2024 07:50	JN	Inventory Contribution % GDP	1Q P	0.10%	0.20%	-0.10%	-0.20%
05/16/2024 09:30	AU	Unemployment Rate	Apr	3.90%	--	3.80%	--
05/16/2024 09:30	AU	Employment Change	Apr	23.7k	--	-6.6k	--
05/16/2024 09:30	AU	Participation Rate	Apr	66.60%	--	66.60%	--
05/16/2024 12:30	JN	Industrial Production MoM	Mar F	--	--	3.80%	--
05/16/2024 12:30	JN	Capacity Utilization MoM	Mar	--	--	-0.50%	--
05/16/2024 15:00	PH	BSP Overnight Borrowing Rate	May-16	6.50%	--	6.50%	--
05/16/2024 20:30	US	Initial Jobless Claims	May-11	220k	--	231k	--
05/16/2024 20:30	US	Housing Starts	Apr	1421k	--	1321k	--
05/16/2024 20:30	US	Philadelphia Fed Business Outlook	May	8	--	15.5	--
05/16/2024 20:30	US	Import Price Index MoM	Apr	0.30%	--	0.40%	--
05/16/2024 21:15	US	Industrial Production MoM	Apr	0.10%	--	0.40%	--

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
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