

Daily Treasury Outlook

2 May 2024

Highlights

Global: The focus overnight was the US FOMC meeting. As expected, the policy rate was left unchanged at 5.25-5.50%. However, the Federal Reserve's confidence around the disinflation process seems lower than at its previous meeting. Fed Chair Powell noted that "so far this year, the data have not given us that greater confidence" on inflation moving sustainably towards its 2% goal. He added that "readings on inflation have come in above expectations" and that "gaining such greater confidence will take longer than previously expected." He noted, however, that rate hikes are unlikely. The FOMC continued with quantitative tightening, lowering the monthly cap on Treasuries it will allow to mature without being reinvested, to USD25 billion from USD60 billion, while maintaining the cap for mortgage-backed securities at USD35 billion. The economic data overnight were mixed. The ADP report was stronger -than-expected, with 192k in job gains for April (Consensus: 183k) while the April ISM manufacturing index was weaker at 49.2. The prices paid component jumped to 60.9 versus 55.8 in March while the new orders components slowed to 49.1 versus 51.4 in March. Trading was choppy overnight: S&P500 and NASDAQ closed lower while Dow Jones was modestly up; UST yields closed the session lower across the curve, similar to the DXY index.

Market Watch: Asian markets will digest the impact of the FOMC while awaiting Australia March trade data, Indonesia April CPI, Switzerland April CPI and weekly US job market data such as initial jobless claims and continuing claims, ahead of the April NFP release on Friday. US factory orders and durable goods orders will also be released today. Korea's headline April CPI print came in lower-than-expected this morning at 2.9% YoY versus 3.1% in March (Consensus: 3.0%). Core inflation (ex-food and energy) eased to 2.3% YoY versus 2.4% in March.

SG: DBS Group 1Q24 net profit rose 15% to S\$2.69bn (Est: S\$2.48bn) mainly on higher fee and commission income. Net interest margin climbed 2.14% (Est: 2.09%) and return on equity hits record high of 19.4%.

Oil: Crude oil futures extended losses for a third consecutive day. WTI and Brent declined by 3.6% and 5.0% to close at USD79.0/bbl and USD83.4/bbl respectively. The main driver for lower oil prices on Wednesday was the surprise buildup in crude oil and gasoline inventories versus expectations of a drawdown. The Energy Information Administration (EIA) reported that US crude inventories rose by 7.3mn bbls to 460.9 mn bbls while gasoline inventories rose by 0.3mn bbls to 227.1mn bbls, for the week ending 26 April.

Key Market Movements

| Equity | Value | % chg |
|------------|---------|----------|
| S&P 500 | 5018.4 | -0.3% |
| DJIA | 37903 | 0.2% |
| Nikkei 225 | 38274 | -0.3% |
| SH Comp | 3104.8 | 0.0% |
| STI | 3292.7 | 0.0% |
| Hang Seng | 17763 | 0.0% |
| KLCI | 1576.0 | 0.0% |
| | Value | % chg |
| DXY | 105.755 | -0.4% |
| USDJPY | 154.57 | -2.0% |
| EURUSD | 1.0712 | 0.4% |
| GBPUSD | 1.2527 | 0.3% |
| USDIDR | 16260 | 0.0% |
| USDSGD | 1.3608 | -0.3% |
| SGDMYR | 3.4954 | -0.3% |
| | Value | chg (bp) |
| 2Y UST | 4.96 | -7.49 |
| 10Y UST | 4.63 | -5.15 |
| 2Y SGS | 3.50 | 0.00 |
| 10Y SGS | 3.45 | 0.00 |
| 3M SORA | 3.65 | 0.00 |
| 3M SOFR | 5.35 | 0.02 |
| | Value | % chg |
| Brent | 83.44 | -3.3% |
| WTI | 79 | -3.6% |
| Gold | 2320 | 1.5% |
| Silver | 26.65 | 1.4% |
| Palladium | 952 | -0.4% |
| Copper | 9896 | -1.0% |
| BCOM | 100.53 | -1.1% |

Source: Bloomberg

Major Markets

CN: The recent readout from April Politburo meeting was encouraging, with a strong focus on promoting growth. The reaffirmation of using interest rates and reserve requirement ratios to support the real economy, and reducing funding costs, suggests that there is potential for further rate cuts. However, the primary emphasis appears to be on the property market. The meeting explicitly highlighted the need for coordinated research and policy measures to manage existing housing stock and enhance new housing supply. This indicates that we may see additional measures in the coming months aimed at directly addressing housing supply issues through demand-side interventions, rather than relying solely on indirect measures to stimulate investment.

MY: Prime Minister Anwar Ibrahim announced that the government will increase the salary for civil servants by over 13% starting in December this year. PM Anwar added that the salary adjustment will involve an allocation of over MYR 10bn, and that the government will ensure the minimum income for civil servants exceeds MYR 2,000/month, compared to MYR 1,750/month currently. Separately, Communications Minister Fahmi Fadzil commented that details regarding this salary increase will be announced during the tabling of the budget for 2025 in October.

ID: Microsoft will invest up to US\$1.7bn in Indonesia to build cloud computing and artificial intelligence infrastructure, with the investment to be made over four years. In addition, the company pledges to help train around 840,000 Indonesians with AI skills. The investment marks the largest single investment in the 29-year history of Microsoft in Indonesia.

TH: The economy slowed in March as domestic demand and tourism sectors softened partly due to waning impact of stimulus measures (i.e., Easy E-Receipt campaign), according to the Bank of Thailand (BOT). BOT expects 1Q24 GDP growth at 1.0% YoY versus 1.7% in 4Q23. Separately, the Constitutional Court has extended the deadline for Move Forward Party to submit its defence statement to 18 May from 3 May, previously.

PH: Bangko Sentral ng Pilipinas (BSP) expects April headline inflation to “settle within 3.5%-4.3%”. The primary sources of upward pressures in April will come from “continued price increases for rice and meat along with higher gasoline prices and the peso depreciation”. Meanwhile, “lower prices of fish, fruits, vegetables as well as lower electricity rates and the rollback in LPG prices could offset upside price pressures”. Separately, Finance Secretary Ralph G. Recto expects 1Q24 GDP growth at 5.8%-6.3%.

ESG Updates

SG: Singapore will build two "fast start" power generating units to boost the reliability of its power system, that will provide 100 MW of fast start generation capacity by 2Q 2025. This is part of efforts to ensure that Singapore has uninterrupted power supply when unexpected events occur in the power system. Such events may happen when large-scale low-carbon electricity imports from the region are phased in by the end of the decade.

Rest of the World: G7 energy ministers reached a deal to end the use of coal in power generation by 2035 but gave leeway to Germany and Japan whose economies depend on the fuel, in a step towards the transition away from fossil fuels aligned with the direction indicated at COP28.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly lower on Tuesday, with short tenors trading 1-2bps lower, belly tenors and 10Y trading flat. China Vanke Co. ("Vanke") plans to enhance its liquidity by divesting assets and exiting all non-core operations to focus solely on its three main operations, namely property development, real estate management services, and rentals. Yu emphasized the company's commitment to reducing debt and achieving high-quality growth, outlining a plan to reduce interest-bearing debt by over RMB100bn (USD13.8bn) within the next two years. Bloomberg Asia USD Investment Grade spreads widened by 3bps to 83bps while Asia USD High Yield spreads tightened by 24bps to 581bps. (Bloomberg, OCBC)

New Issues:

There were no notable bond issuers in the Asiadollar and Singdollar market yesterday.

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 105.755 | -0.44% | USD-SGD | 1.3608 | -0.34% |
| USD-JPY | 154.570 | -2.05% | EUR-SGD | 1.4577 | 0.10% |
| EUR-USD | 1.071 | 0.43% | JPY-SGD | 0.8804 | 1.70% |
| AUD-USD | 0.652 | 0.77% | GBP-SGD | 1.7046 | -0.06% |
| GBP-USD | 1.253 | 0.28% | AUD-SGD | 0.8877 | 0.45% |
| USD-MYR | 4.773 | 0.10% | NZD-SGD | 0.8069 | 0.36% |
| USD-CNY | 7.241 | 0.17% | CHF-SGD | 1.4863 | 0.09% |
| USD-IDR | 16260 | 0.03% | SGD-MYR | 3.4954 | -0.33% |
| USD-VND | 25334 | 0.00% | SGD-CNY | 5.3230 | 0.30% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|-------|---------|--------|-------|----------|--------|
| 1M | 3.8730 | 0.39% | 1M | 5.3239 | -0.01% |
| 3M | 3.8250 | -0.26% | 2M | 5.3301 | -0.01% |
| 6M | 3.7950 | -0.52% | 3M | 5.3350 | -0.03% |
| 12M | 3.6960 | -0.81% | 6M | 5.3226 | -0.05% |
| | | | 1Y | 5.2392 | -0.02% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|---------------------|-----------------------------------|
| 03/20/2024 | -0.008 | -0.002 | 5.327 |
| 05/01/2024 | -0.005 | -0.001 | 5.329 |
| 06/12/2024 | -0.100 | -0.025 | 5.307 |
| 07/31/2024 | -0.280 | -0.070 | 5.262 |
| 09/18/2024 | -0.613 | -0.153 | 5.179 |
| 11/07/2024 | -0.855 | -0.214 | 5.119 |
| 12/18/2024 | -1.332 | -0.333 | 4.999 |
| 01/29/2025 | -1.620 | -0.405 | 4.927 |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 37,903.29 | 87.37 |
| S&P | 5,018.39 | -17.30 |
| Nasdaq | 15,605.48 | -52.34 |
| Nikkei 225 | 38,274.05 | -131.61 |
| STI | 3,292.69 | 10.64 |
| KLCI | 1,575.97 | -6.69 |
| JCI | 7,234.20 | 78.41 |
| Baltic Dry | 1,685.00 | 1.00 |
| VIX | 15.39 | -0.26 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 3.5 (-0.01) | 4.96(--) |
| 5Y | 3.4 (+0.03) | 4.65 (-0.07) |
| 10Y | 3.45 (+0.01) | 4.62 (-0.05) |
| 15Y | 3.45 (+0.02) | -- |
| 20Y | 3.44 (+0.02) | -- |
| 30Y | 3.36 (+0.02) | 4.74 (-0.03) |

Financial Spread (bps)

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

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 5.34 |
|------|------|

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 79.00 | -3.58% | Corn (per bushel) | 4.433 | 0.9% |
| Brent (per barrel) | 83.44 | -5.03% | Soybean (per bushel) | 11.558 | 0.9% |
| Heating Oil (per gallon) | 245.19 | -2.45% | Wheat (per bushel) | 5.815 | -0.6% |
| Gasoline (per gallon) | 257.74 | -4.92% | Crude Palm Oil (MYR/MT) | 38.620 | -2.2% |
| Natural Gas (per MMBtu) | 1.93 | -2.96% | Rubber (JPY/KG) | 309.500 | 2.8% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 9895.50 | -0.96% | Gold (per oz) | 2319.6 | 1.5% |
| Nickel (per mt) | 18879.00 | -1.87% | Silver (per oz) | 26.7 | 1.4% |

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

Economic Calendar

| Date | Event | Survey | Actual | Prior | Revised |
|------------------|--------------------------------------|--------|--------|-------|---------|
| 05/02/2024 02:00 | US FOMC Rate Decision (Upper Bound) | May-01 | 5.50% | 5.50% | -- |
| 05/02/2024 02:00 | US Interest on Reserve Balances Rate | May-02 | 5.40% | 5.40% | -- |
| 05/02/2024 07:00 | SK CPI YoY | Apr | 3.00% | 2.90% | 3.10% |
| 05/02/2024 08:30 | ID S&P Global Indonesia PMI Mfg | Apr | -- | -- | 54.2 |
| 05/02/2024 08:30 | SK S&P Global South Korea PMI Mfg | Apr | -- | -- | 49.8 |
| 05/02/2024 08:30 | TA S&P Global Taiwan PMI Mfg | Apr | -- | -- | 49.3 |
| 05/02/2024 08:30 | VN S&P Global Vietnam PMI Mfg | Apr | -- | -- | 49.9 |
| 05/02/2024 09:30 | AU Building Approvals MoM | Mar | 3.40% | -- | -1.90% |
| 05/02/2024 12:00 | ID CPI YoY | Apr | 3.10% | -- | 3.05% |
| 05/02/2024 13:00 | IN HSBC India PMI Mfg | Apr F | -- | -- | 59.1 |
| 05/02/2024 15:55 | GE HCOB Germany Manufacturing PMI | Apr F | 42.2 | -- | 42.2 |
| 05/02/2024 16:00 | EC HCOB Eurozone Manufacturing PMI | Apr F | 45.6 | -- | 45.6 |
| 05/02/2024 16:30 | HK GDP YoY | 1Q A | 0.80% | -- | 4.30% |
| 05/02/2024 20:30 | US Initial Jobless Claims | Apr-27 | 211k | -- | 207k |
| 05/02/2024 22:00 | US Durable Goods Orders | Mar F | 2.60% | -- | 2.60% |
| 05/02/2024 22:00 | US Factory Orders | Mar | 1.60% | -- | 1.40% |

Source: Bloomberg

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!

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