

Daily Treasury Outlook

6 May 2024

Highlights

Global: Risk sentiment rebounded on Friday, primarily due to weaker-than-expected April US job data. The US non-farm payroll figures revealed a slowdown to 175k, close to the monthly average of 183k in the pre-COVID decade. Although the data remains solid, it signalled lower risks of an overheated economy. There was further relief as wage growth slowed to 3.9% YoY in April, although still above the mid 3% range that Fed officials consider consistent with their 2% inflation target. The unemployment rate inched higher to 3.9%. Chicago Fed President Goolsbee stated on Friday that "the more job numbers resemble the ones we saw, the more we can expect an easing of inflation." Additionally, Fed Governor Bowman expressed her outlook that inflation will continue to decline with the policy rate remaining steady. As a result of this data, the likelihood of a rate cut in September has increased. The implied Fed fund rate for the year-end has fallen below 5% once again. Elsewhere, the ECB dove Yannis Stournaras said that an economic rebound in the first quarter of the year made three rate cuts more likely than four for European Central Bank. US Treasury Secretary Janet Yellen refused to acknowledge the intervention from Japan to support the currency over the weekend although market has been convinced that Japanese authorities have entered the market. Yellen still pointed to a long-standing agreement among G7 countries to allow the market to determine exchange rates. She said, "we would expect these interventions to be rare and consultation to take place." Yen weakened this morning following Yellen's comments.

Market Watch: For this week, markets will continue to watch for earnings from US companies. Other than a group of Fed speakers, there will be RBA decisions on Tuesday and BOE decisions on Thursday. In Asia, Bank Negara Malaysia is expected to keep its rate unchanged. Data wise, Indonesia and the Philippines will release 1Q24 GDP data. China will publish its April CPI, trade and credit data.

SG: Retail sales rose at a slower pace at 2.7% YoY in March, against 8.6% in February and consensus estimates of 2.8%. Largest gains came from the 'food & alcohol' (17.0% YoY) component, while the drag came from 'computers & telecom equipment' (-5.1% YoY). Sales also slowed for 'apparel and footwear', 'department stores' and 'recreational goods' following the CNY festive season in February.

Oil: WTI and Brent declined by more than 0.8% on Friday to close at USD78.1/bbl and USD83.0/bbl, respectively. Oil futures also posted the steepest weekly drop since February. The softening of the oil market was driven by fading geopolitical risk premiums. However, there are reports that Israel-Hamas ceasefire discussions over the weekend ended inconclusively. Meanwhile, the higher-than-expected buildup in oil inventories also weighed on oil prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5127.8	1.3%
DJIA	38676	1.2%
Nikkei 225	38236	0.0%
SH Comp	3104.8	0.0%
STI	3292.9	-0.1%
Hang Seng	18476	1.5%
KLCI	1589.6	0.6%
	Value	% chg
DXY	105.030	-0.3%
USDJPY	153.05	-0.4%
EURUSD	1.0761	0.3%
GBPUSD	1.2547	0.1%
USDIDR	16084	-0.6%
USDSGD	1.3496	-0.4%
SGDMYR	3.5041	0.2%
	Value	chg (bp)
2Y UST	4.82	-5.67
10Y UST	4.51	-7.34
2Y SGS	3.46	-2.40
10Y SGS	3.38	-6.07
3M SORA	3.65	0.17
3M SOFR	5.35	-0.01
	Value	% chg
Brent	82.96	-0.8%
WTI	78.11	-1.1%
Gold	2302	-0.1%
Silver	26.56	-0.5%
Palladium	944	0.8%
Copper	9910	1.5%
BCOM	101.34	0.5%

Source: Bloomberg

Major Markets

CN: During the Labor Day holiday, people's mobility remained robust. On the first day of the May Day holiday, total interregional population flow reached around 316 million, indicating a 30.3% increase compared to the same period in 2019 (the first day of the May Day holiday) and a 16% increase compared to the same period in 2023. Similarly, on the second day of the holiday, total interregional population flow was approximately 283 million, showing a 32.2% increase compared to the same period in 2019 and an 8.4% increase compared to the same period in 2023.

HK: Total retail sales in March fell by 7.0% YoY and 8.6% YoY in value and volume terms respectively, surprising market to the downside, due to more outbound travels and weak domestic consumption sentiment. On sequential terms, total value of retail sales dropped by 7.6% in March. Sales value fell sequentially across the board, except for sales of consumer durable goods (17.2% MoM) and fuels (3.8% MoM). Changes in consumption patterns of residents and visitors continued to pose challenges for local retailers, and we expect retail sales to stay weak in periods ahead.

MY: PM Anwar Ibrahim revealed that his cabinet has not yet made any final decision regarding the removal of fuel subsidies. He added that "the issue of withdrawing the diesel subsidy, although there was initial discussion, there was no final decision regarding the implementation date." He told reporters on Sunday (5/5). Previously, on Friday (3/5), The Straits Times, a Singapore-based news agency, reported that Malaysia is set to cut fuel subsidies by June, a reform that may test the support for the Pakatan Harapan-led government.

ID: Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, revealed that SpaceX's satellite internet constellation will launch its broadband services in Indonesia in the next two weeks. Speaking at an event in Jakarta last Friday (3/5), Minister Luhut added that the launch would provide high-speed internet access to the broader population. Separately, Minister of Communication and Informatics, Budi Arie Setiadi, noted that Starlink will test its network in the new capital city, Nusantara, and that it will begin full operations this year.

TH: Headline inflation flipped into positive territory in April, increasing to 0.2% YoY versus -0.5% in March. Meanwhile, core inflation remained stable at 0.4% in April, similar to March. The main drivers for higher inflation were the 'food & non-alcoholic beverages', 'medical & personal care', and 'transport & communication' components. Looking ahead, we maintain our 2024 average headline inflation forecast to average 1.2% YoY in 2024, implying higher inflation in the coming months as the government slowly unwinds its cost-of-living measures. We no longer expect BOT to lower its policy rate in 2024. Our house view is for the US Fed to cut its policy rate only in 2H24, when we expect GDP growth to improve, reducing the need for monetary policy stimulus this year.

ESG Updates

MY: Malaysia plans to establish the Energy Exchange Malaysia (Enegem) to facilitate cross-border sales of green electricity to neighbouring countries, to support energy transition efforts and support regional power integration. It will work with interested and eligible parties to participate in the auction for the purchase of green electricity from Malaysia's Electricity supply system to be supplied to Singapore via the Enegem Platform. This can enhance regional cooperation on cross-border energy trading between ASEAN countries.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly lower last Friday, with short tenors trading 2-5bps lower, belly tenors trading 5bps lower and 10Y trading 5bps lower. Country Garden Holdings Co. ("COGARD") is facing two bond-payment deadlines this week that would be the first major test for a state-sponsored program that guarantees debt from some of the country's biggest builders. COGARD has payments due on 9 May on two yuan bonds with combined interest of RMB65.95mn (USD9.1mn). China Bond Insurance Co., a state-owned credit-support provider, guarantees both notes and is a crucial component of a program introduced by authorities in August 2022, aimed at assisting private developers in avoiding liquidity shortages. So far, none of the builders who have utilized this program have failed to make payments on the securities that are guaranteed. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 83bps while Asia USD High Yield spreads tightened by 2bps at 576bps. (Bloomberg, OCBC)

New Issues:

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

Mandates:

There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.030	-0.26%	USD-SGD	1.3496	-0.39%
USD-JPY	153.050	-0.38%	EUR-SGD	1.4525	-0.05%
EUR-USD	1.076	0.34%	JPY-SGD	0.8818	-0.02%
AUD-USD	0.661	0.69%	GBP-SGD	1.6932	-0.30%
GBP-USD	1.255	0.10%	AUD-SGD	0.8924	0.33%
USD-MYR	4.739	-0.34%	NZD-SGD	0.8112	0.42%
USD-CNY	7.241	#DIV/0!	CHF-SGD	1.4913	0.24%
USD-IDR	16084	-0.62%	SGD-MYR	3.5041	0.17%
USD-VND	25414	0.13%	SGD-CNY	5.3652	0.34%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8650	-0.31%	1M	5.3209	-0.02%
3M	3.8270	-0.67%	2M	5.3220	-0.04%
6M	3.8020	-0.68%	3M	5.3230	-0.08%
12M	3.6930	-0.94%	6M	5.2871	-0.29%
			1Y	5.1463	-0.85%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	#N/A N/A	#N/A N/A	#N/A N/A
05/01/2024	-0.005	-0.001	5.329
06/12/2024	-0.100	-0.025	5.298
07/31/2024	-0.380	-0.095	5.227
09/18/2024	-0.880	-0.220	5.102
11/07/2024	-1.245	-0.311	5.011
12/18/2024	-1.815	-0.454	4.869
01/29/2025	-2.240	-0.560	4.762

Equity and Commodity

Index	Value	Net change
DJIA	38,675.68	450.02
S&P	5,127.79	63.59
Nasdaq	16,156.33	315.37
Nikkei 225	38,236.07	-37.98
STI	3,292.93	-3.96
KLCI	1,589.59	9.29
JCI	7,134.72	17.30
Baltic Dry	1,876.00	102.00
VIX	13.49	-1.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.46 (-0.02)	4.82(-)
5Y	3.33 (-0.06)	4.5 (-0.07)
10Y	3.38 (-0.06)	4.51 (-0.07)
15Y	3.42 (-0.05)	--
20Y	3.42 (-0.05)	--
30Y	3.36 (-0.05)	4.66 (-0.06)

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)	78.11	-1.06%	Corn (per bushel)	4.470	-1.1%
Brent (per barrel)	82.96	-0.85%	Soybean (per bushel)	12.018	1.0%
Heating Oil (per gallon)	244.34	0.01%	Wheat (per bushel)	6.060	3.3%
Gasoline (per gallon)	255.51	-1.59%	Crude Palm Oil (MYR/MT)	38.900	-0.1%
Natural Gas (per MMBtu)	2.14	5.26%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9910.00	1.48%	Gold (per oz)	2301.7	-0.1%
Nickel (per mt)	19237.00	3.16%	Silver (per oz)	26.6	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
05/06/2024 05:13	VN Domestic Vehicle Sales YoY	Apr	--	-8.10%	--
05/06/2024 08:30	HK S&P Global Hong Kong PMI	Apr	--	50.9	--
05/06/2024 09:00	AU Melbourne Institute Inflation MoM	Apr	--	0.10%	--
05/06/2024 09:00	NZ ANZ Commodity Price MoM	Apr	--	-1.30%	--
05/06/2024 09:00	AU Melbourne Institute Inflation YoY	Apr	--	3.80%	--
05/06/2024 09:30	AU ANZ-Indeed Job Advertisements MoM	Apr	--	-1.00%	--
05/06/2024 09:45	CH Caixin China PMI Services	Apr	52.5	52.7	--
05/06/2024 09:45	CH Caixin China PMI Composite	Apr	--	52.7	--
05/06/2024 12:00	ID GDP YoY	1Q	5.08%	5.04%	--
05/06/2024 13:00	IN HSBC India PMI Composite	Apr F	--	62.2	--
05/06/2024 13:00	IN HSBC India PMI Services	Apr F	--	61.7	--
05/06/2024 15:55	GE HCOB Germany Services PMI	Apr F	53.3	53.3	--
05/06/2024 15:55	GE HCOB Germany Composite PMI	Apr F	50.5	50.5	--
05/06/2024 16:00	EC HCOB Eurozone Composite PMI	Apr F	51.4	51.4	--
05/06/2024 16:00	EC HCOB Eurozone Services PMI	Apr F	52.9	52.9	--
05/06/2024 17:00	EC PPI YoY	Mar	-7.70%	-8.30%	--

Source: Bloomberg

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