

Daily Treasury Outlook

20 May 2024

Highlights

Global: The S&P500 closed up slightly by 0.12% on Friday, with the Dow closing above 40,000 for the first time to cap the fifth week of straight gains. Meanwhile the 10-year UST bond yield rose 5bps to 4.42%, after Fed's Bowman suggested that a rate hike is still possible.

Market Watch: Asian markets are likely to open on a firm tone this morning, given China's move to scrap the mortgage rate floor, reduce the minimum down payment and establish a CNY300bn facility to fund loans for state companies to buy unsold completed properties. The data calendar today kicks off with China's 1- and 5-year LPR fixings (likely on hold at 3.45% and 3.95% respectively), Thailand's 1Q24 GDP growth, Indonesia's 1Q24 current account balance, Malaysia's April trade data, and Hong Kong's unemployment rate. Fed chair Bostic, Barr, Waller, and Jefferson are also speaking today. For the week ahead, watch for inflation data from Singapore, Hong Kong, Japan, UK and Malaysia, PMIs from the Eurozone and the UK. RBA and FOMC minutes are due tomorrow and Thursday respectively, and policy decisions from RBNZ (likely on a hawkish hold at 5.5%), BI (also static at 6.25%) on Wednesday, followed by BOK (also on hold at 3.5%) on Thursday. Nvidia's earnings on 23 May (before US market open) will be of key interest on the US earnings front.

SG: The 1Q24 final GDP growth estimate is likely to be revised lower on Thursday from the earlier estimate of 2.7% YoY (0.1% QoQ sa) to 2.2% YoY (-0.5% QoQ sa) due to the disappointing March manufacturing and NODX data. The April headline and core inflation are likely to come in at 2.8% and 3.1% YoY respectively.

Key Market Movements

Equity	Value	% chg
S&P 500	5303.3	0.1%
DJIA	40004	0.3%
Nikkei 225	38787	-0.3%
SH Comp	3154.0	1.0%
STI	3313.5	0.3%
Hang Seng	19554	0.9%
KLCI	1616.6	0.3%
	Value	% chg
DXY	104.445	0.0%
USDJPY	155.65	0.2%
EURUSD	1.0869	0.0%
GBPUSD	1.2701	0.2%
USDIDR	15955	0.2%
USDSGD	1.345	-0.1%
SGDMYR	3.4797	-0.1%
	Value	chg (bp)
2Y UST	4.82	2.92
10Y UST	4.42	4.48
2Y SGS	3.36	1.70
10Y SGS	3.20	1.28
3M SORA	3.69	-0.23
3M SOFR	5.35	0.01
	Value	% chg
Brent	83.98	0.9%
WTI	80.06	1.0%
Gold	2415	1.6%
Silver	31.49	6.5%
Palladium	1012	2.0%
Copper	10668	2.3%
BCOM	105.74	1.6%

Source: Bloomberg

Major Markets

CN: Various ministries have unveiled what are currently the strongest set of support measures for the property market, focusing on four key areas: increased financial support for home buyers, additional financial support for developers, measures to reduce housing inventory through state acquisition, and repurposing existing land holdings to aid developers in recycling capital. On data, April's economic performance presented a mixed picture with varying strengths and weaknesses across different sectors. While external demand remained robust, domestic demand was weaker than anticipated. Looking ahead, the recovery in domestic demand is expected to remain slow, with external demand continuing to play a critical role. Attention should be given to whether this new round of real estate policies can stabilize real estate investment.

HK: The digital yuan wallets have officially been launched, enabling residents to make payment in yuan in Mainland China directly. Aside from the GBA area, the digital yuan can also be used in other Mainland pilot areas. The launch of digital yuan wallet is one of the six measures announced by the PBoC and HKMA earlier this year under the "three connection, three facilitation" initiative to deepen financial cooperation between mainland and Hong Kong. It aims to facilitate cross-boundary transactions using digital currency.

ID: Elon Musk, together with the Minister of Health, Budi Sadikin, inaugurated SpaceX's Starlink internet services at a local community health centre in Bali last Sunday (19/5), as Indonesia seeks to boost connectivity and improve education and health services across the archipelago. Starlink secured a license to operate in the country earlier this month. Commenting on other investment prospects, Musk noted that his other companies "will invest in Indonesia in the future," as reported by Bloomberg. Musk is scheduled to meet President Joko Widodo on Monday (20/5) and will also participate in the 10th World Water Forum.

MY: 1Q24 GDP growth was revised higher to 4.2% YoY from the advance estimate of 3.9% (4Q23: 2.9%). On the supply-side, upward revisions were made relative to the advance estimates for almost all key sectors. Growth in the services sector was revised higher from the advance estimate along with growth in the construction, mining and agriculture sectors. Manufacturing sector growth was unchanged at 1.9% YoY. Notably, growth in all sectors, except for agriculture, were higher compared to 4Q23. The 1Q24 print suggests that our full year 2024 GDP growth forecast of 4.2% is achievable. On other data, the current account surplus widened to MYR16.2bn (3.3% of GDP) in 1Q24 from MYR0.9bn (0.2%) in 4Q23. Resilient growth prospects and solid external balances amid benign inflationary pressures will allow Bank Negara Malaysia to keep its policy rate unchanged in 2024, under our baseline.

ESG Updates

SG: The Infocomm Media Development Authority aims to launch the green data centre roadmap by May to help data centres in Singapore become more sustainable. Data centres accounted for around 7% of Singapore's total electricity consumption in 2020. Transforming the data centre industry is important as their carbon footprint is significant, being high consumers of energy to power cooling systems.

Rest of the world: The Philippines has extended its no-tariff policy on electric vehicles and parts through 2028, in efforts to transition the country away from fossil fuels and boost its EV market. It also widened the scope of preferential tax rates to include hybrid electric vehicles, e-motorcycles and e-bicycles to encourage more environmentally friendly transportation options.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher last Friday, with short tenors trading 2bps higher, belly tenors trading 2bps higher and 10Y trading 2bps higher. Beijing has introduced a plan to address China's housing problems. This plan involves relaxing mortgage rules and providing a credit of RMB300bn (USD42bn) to assist government-backed firms in purchasing excess housing inventory from developers. Although property stocks experienced a significant rally following the announcement, many believe that the plan may be insufficient and too late to fully resolve the housing situation. Another measure introduced by Beijing is the reduction of minimum down-payment ratios for homebuyers and interest rates on mortgages. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 78bps while Asia USD High Yield spreads tightened by 9bps to 505bps. (Bloomberg, OCBC)

New Issues:

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

Mandates:

- Shandong Hi-Speed Group Co. is planning to issue a Regulation S offering of US dollar-denominated unsubordinated guaranteed perpetual securities.
- PT Krakatau Posco is planning to issue an inaugural USD-denominated Reg S only fixed rate senior unsecured bond offering with expected tenor of 3-and/or 5Y.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.445	-0.02%	USD-SGD	1.3450	-0.07%
USD-JPY	155.650	0.17%	EUR-SGD	1.4622	-0.03%
EUR-USD	1.087	0.02%	JPY-SGD	0.8641	-0.24%
AUD-USD	0.669	0.21%	GBP-SGD	1.7086	0.19%
GBP-USD	1.270	0.24%	AUD-SGD	0.9002	0.14%
USD-MYR	4.688	0.10%	NZD-SGD	0.8252	0.15%
USD-CNY	7.224	0.04%	CHF-SGD	1.4796	-0.39%
USD-IDR	15955	0.19%	SGD-MYR	3.4797	-0.09%
USD-VND	25449	0.00%	SGD-CNY	5.3720	0.10%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.7990	-0.47%	1M	5.3191	0.00%
3M	3.8300	0.10%	2M	5.3282	-0.01%
6M	3.7910	-0.11%	3M	5.3262	-0.02%
12M	3.6450	-0.14%	6M	5.2895	-0.05%
			1Y	5.1442	-0.08%

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	5.313
07/31/2024	-0.320	-0.080	5.258
09/18/2024	-0.830	-0.207	5.130
11/07/2024	-1.179	-0.295	5.043
12/18/2024	-1.788	-0.447	4.890
01/29/2025	-2.160	-0.540	4.798

Equity and Commodity

Index	Value	Net change
DJIA	40,003.59	134.21
S&P	5,303.27	6.17
Nasdaq	16,685.97	-12.35
Nikkei 225	38,787.38	-132.88
STI	3,313.48	8.49
KLCI	1,616.62	5.51
JCI	7,317.24	70.54
Baltic Dry	1,844.00	27.00
VIX	11.99	-0.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (+0.02)	4.82(--)
5Y	3.18 (+0.02)	4.45 (+0.05)
10Y	3.2 (+0.01)	4.42 (+0.04)
15Y	3.23 (--)	--
20Y	3.24 (+0.01)	--
30Y	3.26 (+0.01)	4.56 (+0.05)

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)	80.06	1.05%	Corn (per bushel)	4.525	-1.0%
Brent (per barrel)	83.98	0.85%	Soybean (per bushel)	12.280	1.0%
Heating Oil (per gallon)	248.63	1.74%	Wheat (per bushel)	6.513	-1.8%
Gasoline (per gallon)	257.42	1.43%	Crude Palm Oil (MYR/MT)	38.950	1.9%
Natural Gas (per MMBtu)	2.63	5.25%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10668.00	2.34%	Gold (per oz)	2415.2	1.6%
Nickel (per mt)	21080.00	6.48%	Silver (per oz)	31.5	6.5%

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

Economic Calendar

date	country	item	period	survey	actual	prior	revised
05/20/2024	PH	BoP Overall	Apr	--	--	\$1173m	--
05/20/2024 05/24	TH	Car Sales	Apr	--	--	56099	--
05/20/2024 07:01	UK	Rightmove House Prices MoM	May	--	0.80%	1.10%	--
05/20/2024 07:01	UK	Rightmove House Prices YoY	May	--	0.60%	1.70%	--
05/20/2024 09:15	CH	1-Year Loan Prime Rate	May-20	3.45%	--	3.45%	--
05/20/2024 09:15	CH	5-Year Loan Prime Rate	May-20	3.95%	--	3.95%	--
05/20/2024 10:30	TH	GDP YoY	1Q	0.80%	--	1.70%	--
05/20/2024 10:30	TH	GDP SA QoQ	1Q	0.60%	--	-0.60%	--
05/20/2024 11:00	ID	BoP Current Account Balance	1Q	-\$1866m	--	-\$1290m	--
05/20/2024 12:00	MA	Exports YoY	Apr	14.10%	--	-0.80%	--
05/20/2024 12:00	MA	Trade Balance MYR	Apr	11.85b	--	12.81b	--
05/20/2024 12:00	MA	Imports YoY	Apr	17.80%	--	12.50%	1.70%
05/20/2024 12:30	JN	Tertiary Industry Index MoM	Mar	-0.10%	--	1.50%	--
05/20/2024 16:00	TA	Export Orders YoY	Apr	6.10%	--	1.20%	--
05/20/2024 16:20	TA	BoP Current Account Balance	1Q	--	--	\$34839m	--
05/20/2024 16:30	HK	Unemployment Rate SA	Apr	3.00%	--	3.00%	--

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
HerbertHWong@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