

Daily Treasury Outlook

23 May 2024

Highlights

Global: Sentiment was subdued for most of the session overnight. US equities closed lower (S&P: -0.27%, NASDAQ: -0.18%; Dow: -0.51%), UST yields were little changed across the curve and the DXY index edged higher. Nvidia Corp. posted solid results for the fiscal first quarter, with its shares 7.8% higher in extended trading. It also guided towards a bullish 2Q, which means tech stocks could see some support in Asian trading. US data overnight was mixed with existing home sales dropping 1.9% MoM for April from -3.7% in March while MBA mortgage applications were higher for the week of 17 May by 1.9%. The minutes from the April 30-May 1 FOMC policy meeting, released Wednesday, did not reveal much new information. It showed that members remain tentative about the appropriate timing for easing monetary policy. Specifically, it noted that "participants observed that while inflation had eased over the past year, in recent months there had been a lack of further progress toward the committee's 2 percent objective." In Asia, there were two policy meetings yesterday. RBNZ kept its policy rate unchanged 5.50%, in line with expectations, but its tone was seen as more hawkish. Similarly, Bank Indonesia also left rates unchanged. BI continued to sound hawkish and vigilant of external pressures. Elsewhere, UK headline and core inflation came in slightly higher than expected for April at 2.3% (Consensus: 2.1%) and 3.9% (Consensus: 3.6%) but eased from 3.2% and 4.2% in March, respectively.

Market Watch: The final 1Q24 GDP print for Singapore was unchanged relative to the flash estimate at 2.7% YoY (and 0.1% QoQ sa) versus expectations of a downward revision. Other data releases for today include Thailand customs trade data for April, Singapore April CPI, French, German and UK preliminary May PMI readings and weekly US labour market data (initial jobless claims and continuing claims) and the Chicago Fed Activity Index. Bank of Korea meets today and is expected to leave its policy rate unchanged.

Oil: WTI and Brent declined by 2.1% and 1.2% to close at USD77.6/bbl and USD81.9/bbl, respectively. Oil prices extended losses for a third consecutive session following signals that the Fed may hold policy rates high for longer. Meanwhile, higher-than-expected buildup in crude oil inventories also likely weighed on oil prices. The Energy Information Administration (EIA) reported that US crude inventories increased by 1.8mn bbls to 458.8 mn bbls while gasoline inventories declined by 0.9mn bbls to 226.8 mn bbls, for the week ending 17 May.

Key Market Movements

Equity	Value	% chg
S&P 500	5307.0	-0.3%
DJIA	39671	-0.5%
Nikkei 225	38617	-0.8%
SH Comp	3158.5	0.0%
STI	3307.9	0.0%
Hang Seng	19196	-0.1%
KLCI	1622.1	0.0%
	Value	% chg
DXY	104.933	0.3%
USDJPY	156.8	0.4%
EURUSD	1.0823	-0.3%
GBPUSD	1.2717	0.1%
USDIDR	15993	0.0%
USDSGD	1.3508	0.3%
SGDMYR	3.4876	0.0%
	Value	chg (bp)
2Y UST	4.87	4.05
10Y UST	4.42	0.98
2Y SGS	3.43	0.00
10Y SGS	3.29	0.00
3M SORA	3.69	0.00
3M SOFR	5.35	0.01
	Value	% chg
Brent	81.9	-1.2%
WTI	77.57	-1.4%
Gold	2379	-1.7%
Silver	30.79	-3.7%
Palladium	999	-2.9%
Copper	10419	-4.1%
BCOM	106.41	-0.5%

Source: Bloomberg

Major Markets

SG: The economy expanded 2.7% YoY (0.1% QoQ sa) in 1Q, matching the earlier advance estimates and up from 2.2% YoY in 4Q23. This marked the fastest YoY growth since 3Q22 and was attributed to construction (4.1% YoY) and services (3.9% YoY) offsetting the manufacturing weakness (-1.8% YoY). In particular, the arts, entertainment & recreation industry surged 22.8% YoY, likely thanks to the Swifties, and aided the accommodation (14.4% YoY). The 2024 official growth forecast remains unchanged at 1-3% YoY, in line with our forecast of around 2%.

CN: Fiscal revenue fell by 2.7% YoY in the first four months of 2024, while fiscal expenditure increased by 3.5% YoY. The decline in fiscal revenue was primarily due to a 4.9% YoY drop in tax revenue, partially offset by a strong 9.4% YoY increase in non-tax revenue. Additionally, from January to April, the total expenditure from the national government fund budget fell by 20.5% YoY. This sharp decline in national government fund budget expenditure was mainly due to a slower-than-expected pace in the issuance of special bonds. Consequently, broad fiscal expenditure, which includes both on-balance-sheet fiscal expenditures and expenditures from the national government fund budget, fell by 2.3% YoY in the first four months of 2024. This situation suggests that there is a potential need for accelerated bond issuance and additional fiscal measures.

ID: Bank Indonesia (BI) maintained its benchmark policy rate at 6.25% in its May MPC meeting, in line with expectations. It noted that it remains data dependent, while it expects the first rate cut from the US Fed to come by end of this year. There were no changes made to BI's key forecasts – namely it still expects growth within the range of 4.7-5.5% and headline inflation to end the year within its 1.5-3.5% target range. Additionally, BI stated that it currently sees no need to purchase government bonds and will continue to support the currency in line with its pro-market policy. The Indonesian market is closed for Waisak for the rest of the week.

MY: The manufacturing sector capacity utilization improved to 80.8% in 1Q24 from 79.9% in 4Q23, with increases observed in most sub-sectors. The higher operating capacity contributed to a 2.1% YoY increase in the industrial production index for the manufacturing industry in the same period, as shown by data from the Department of Statistics (DOSM). Elsewhere, PM Anwar Ibrahim revealed that the cabinet has agreed to rationalize diesel subsidies, with rationalization to take place in the peninsula first and later for Sabah and Sarawak. The move is expected to save the government around MYR4bn annually. No timeline has been given yet for when the rationalization will be implemented.

TH: Following the release of 1Q24 GDP, the government is working on a supplementary budget (~THB122bn) to stimulate the economy. In a statement, Finance Minister Pichai Chunhavajira shared that the stimulus is needed to boost economic growth given comparatively lower 1Q24 growth to regional peers. Deputy Finance Minister Paopoom Rojanaskul added that the additional spending will widen the Budget 2024 deficit of THB693bn (or 3.6% of GDP).

ESG Updates

ID: The Global Blended Finance Alliance (GBFA) secretariat was launched in Nusa Dua, Bali, and aims to tackle the financing gap to realise climate projects and achieve the sustainable development goals. The GBFA will support countries in designing and implementing appropriate policies and developing institutional structures, technology, data and financing solutions for the low-carbon transition.

Rest of the world: The US Commodity Futures Trading Commission (CFTC) is investigating greenwashing as part of its crackdown on fraud and misconduct in the voluntary carbon markets. Taking guidance from the Integrity Council for Voluntary Carbon Market's (ICVCM) Core Carbon Principles, regulators are looking to introduce standards to tackle fraud and misrepresentation in voluntary carbon markets.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher on Tuesday, with short tenors trading 0-1bps higher, while belly and 10Y tenors traded flat. China's major banks are encouraging branch managers to provide loans to state-owned companies that purchase unsold homes. Industrial & Commercial Bank of China Ltd. and other state-owned lenders are instructing managers to use the purchased properties as collateral for lending. Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 77bps while Asia USD High Yield spreads tightened by 5bps to 503bps. (Bloomberg, OCBC)

New Issues:

There were a few notable bond issuers in the Asiadollar market yesterday.

- Kodit Global 2024-1 Co. (Guarantor: Korea Credit Guarantee Fund) priced a USD300mn 3Y at final pricing of T+75bps.
- Ganzhou Jiankong Investment Holding Group Co Ltd (SBLC: Jiangxi Bank Co., Ltd., Ganzhou Branch) priced a USD130mn 3Y at final pricing of 6%.
- Korea Water Resources Corporation priced a USD120mn 2Y FRN at final pricing of SOFR+60bps.
- Tokyo Metropolitan Government priced a USD500mn 5Y at SOFR MS+60bps.

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

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.933	0.26%	USD-SGD	1.3508	0.26%
USD-JPY	156.800	0.40%	EUR-SGD	1.4619	-0.03%
EUR-USD	1.082	-0.29%	JPY-SGD	0.8614	-0.16%
AUD-USD	0.662	-0.69%	GBP-SGD	1.7177	0.32%
GBP-USD	1.272	0.06%	AUD-SGD	0.8941	-0.45%
USD-MYR	4.697	0.23%	NZD-SGD	0.8236	0.35%
USD-CNY	7.241	0.05%	CHF-SGD	1.4750	-0.28%
USD-IDR	15993	-0.01%	SGD-MYR	3.4876	-0.01%
USD-VND	25462	0.00%	SGD-CNY	5.3602	-0.19%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.7850	-0.58%	1M	5.3223	-0.01%
3M	3.8230	0.03%	2M	5.3352	0.00%
6M	3.7840	-0.08%	3M	5.3358	-0.03%
12M	3.6800	0.19%	6M	5.3008	-0.08%
			1Y	5.1680	-0.02%

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	5.323
07/31/2024	-0.210	-0.052	5.283
09/18/2024	-0.710	-0.178	5.158
11/07/2024	-1.036	-0.259	5.076
12/18/2024	-1.602	-0.401	4.934
01/29/2025	-1.950	-0.488	4.847

Equity and Commodity

Index	Value	Net change
DJIA	39,671.04	-201.95
S&P	5,307.01	-14.40
Nasdaq	16,801.54	-31.09
Nikkei 225	38,617.10	-329.83
STI	3,307.90	-6.15
KLCI	1,622.09	-5.41
JCI	7,222.38	36.34
Baltic Dry	1,829.00	-18.00
VIX	12.29	0.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.43 (+0.04)	4.88(--)
5Y	3.26 (+0.04)	4.46 (+0.03)
10Y	3.29 (+0.04)	4.43 (+0.01)
15Y	3.32 (+0.05)	--
20Y	3.33 (+0.05)	--
30Y	3.36 (+0.06)	4.55 (-0.01)

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)	77.57	-2.13%	Corn (per bushel)	4.613	0.7%
Brent (per barrel)	81.90	-1.18%	Soybean (per bushel)	12.463	0.8%
Heating Oil (per gallon)	243.18	-1.24%	Wheat (per bushel)	6.930	-0.6%
Gasoline (per gallon)	246.78	-1.68%	Crude Palm Oil (MYR/MT)	38.360	#DIV/0!
Natural Gas (per MMBtu)	2.84	6.40%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10419.00	-4.05%	Gold (per oz)	2378.9	-1.7%
Nickel (per mt)	20366.00	-4.40%	Silver (per oz)	30.8	-3.7%

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

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
05/23/2024	SK	BOK Base Rate	May-23	3.50%	--	3.50%	--
05/23/2024 08:00	SI	GDP YoY	1Q F	2.50%	2.70%	2.70%	--
05/23/2024 08:30	JN	Jibun Bank Japan PMI Mfg	May P	--	--	49.6	--
05/23/2024 11:30	TH	Customs Exports YoY	Apr	0.05%	--	-10.90%	-10.87%
05/23/2024 13:00	SI	CPI YoY	Apr	2.70%	--	2.70%	--
05/23/2024 13:00	IN	HSBC India PMI Mfg	May P	--	--	58.8	--
05/23/2024 15:30	GE	HCOB Germany Manufacturing PMI	May P	43.5	--	42.5	--
05/23/2024 15:30	GE	HCOB Germany Services PMI	May P	53.5	--	53.2	--
05/23/2024 16:00	EC	HCOB Eurozone Manufacturing PMI	May P	46.1	--	45.7	--
05/23/2024 16:00	EC	HCOB Eurozone Composite PMI	May P	52	--	51.7	--
05/23/2024 16:30	UK	S&P Global UK Manufacturing PMI	May P	49.5	--	49.1	--
05/23/2024 16:30	HK	CPI Composite YoY	Apr	2.00%	--	2.00%	--
05/23/2024 16:30	UK	S&P Global UK Services PMI	May P	54.7	--	55	--
05/23/2024 20:30	US	Initial Jobless Claims	May-18	220k	--	222k	--
05/23/2024 21:45	US	S&P Global US Manufacturing PMI	May P	49.9	--	50	--
05/23/2024 22:00	US	New Home Sales	Apr	678k	--	693k	--

Source: Bloomberg

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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

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