

## Daily Treasury Outlook

24 May 2024

### Highlights

**Global: US equities extended their losses on Thursday.** The Dow, S&P and Nasdaq closed lower by 1.5%, 0.7% and 0.4% respectively. US treasury yields were higher, with the UST 2Y and UST 10Y closed higher from their previous close at 4.94% and 4.48% respectively. Meanwhile the DXY index edged higher from its previous close. Flash Purchasing Managers Index (PMI) figures in the euro zone, the UK and the United States were the key focus yesterday. Preliminary readings for eurozone and US composite PMI edged higher to 52.3 points and 54.4 points for May compared to 51.7 points and 51.3 points, respectively, the previous month. Specifically, US composite PMI surprised to the upside, supported by increases in both manufacturing and services PMI. By contrast, the May preliminary readings for UK composite PMI declined lower to 52.8 points compared to 54.1 in April. Elsewhere, US initial jobless claims declined by 3.6% to 215k (week ending 18 May). By contrast, continuing claims remained relatively steady at 1.79mn (week ending 11 May).

**Market Watch: Asian markets will likely trade under downward pressure today.** Today's economic calendar kicked off with Japan's April headline and core inflation which eased to 2.5% YoY and 2.2% YoY from 2.7% and 2.6% respectively. Other data slated for release includes Singapore's industrial production, Malaysia's CPI and US' Durable Goods Orders. There are also a handful of ECB speakers (i.e., Isabel Schnabel, De Cos etc.) scheduled to speak later in the day.

**SG:** April headline and core CPI held steady at 2.7% YoY and 3.1% YoY respectively, as higher private transport costs were offset by lower accommodation costs, whilst higher prices for electricity & gas (partly due to low base in April 2023) and retail & other goods (due to the water price hike as well as more costly personal effects) was also offset by lower services and food inflation. Our full-year 2024 forecasts stand at 2.8% and 3.0% YoY respectively, down from the previous forecasts of 3.0% and 3.1% respectively, given well-behaved headline and core inflation prints year-to-date, and no indications that ongoing Middle East tensions have permanently contributed to higher energy prices.

**Oil:** WTI and Brent declined by more than 0.6% to close at USD76.9/bbl and USD81.4/bbl, respectively. Oil prices extended losses for a fourth consecutive session on prospects that the Fed may hold policy rates higher for longer to combat inflation. This follows from reports that US manufacturers are facing a surge in a range of input costs which could lead to a potential pickup in goods inflations in the coming months. Ahead of the start of US summer driving season, the buildup of US crude inventories weighed on oil prices.

### Key Market Movements

Equity	Value	% chg
S&P 500	5267.8	-0.7%
DJIA	39065	-1.5%
Nikkei 225	39103	1.3%
SH Comp	3116.4	-1.3%
STI	3322.6	0.4%
Hang Seng	18869	-1.7%
KLCI	1629.2	0.4%
	Value	% chg
DXY	105.108	0.2%
USDJPY	156.93	0.1%
EURUSD	1.0815	-0.1%
GBPUSD	1.2699	-0.1%
USDIDR	15993	0.0%
USDSGD	1.3518	0.1%
SGDMYR	3.4859	0.0%
	Value	chg (bp)
2Y UST	4.94	6.63
10Y UST	4.48	5.49
2Y SGS	3.43	0.30
10Y SGS	3.27	-2.13
3M SORA	3.68	-0.45
3M SOFR	5.35	0.01
	Value	% chg
Brent	81.36	-0.7%
WTI	76.87	-0.9%
Gold	2329	-2.1%
Silver	30.13	-2.1%
Palladium	973	-2.6%
Copper	10418	0.0%
BCOM	105.12	-1.2%

Source: Bloomberg

## Major Markets

**MY:** Labour productivity, also known as value-added per hour worked, grew by 1.9% YoY to MYR42/hour in 1Q24 from 0.6% (MYR43.6/hour) in 4Q23, according to data from the Department of Statistics (DOSM). Based on economic activity, the increase was led by construction (12% YoY in 1Q24 from 2.6% in 4Q23), followed by mining and quarrying (2.7% from 1.5%), and services (1.8% from 1.4%). This has more than offset the easing in agriculture (0.9% in 1Q24 from 1.0% in 4Q23) and the continued contraction in manufacturing (-0.3% from -2.8%).

**VN:** The State Bank of Vietnam (SBV) raised its reverse repurchase rate to 4.5% on Wednesday (22/5) from 4.25% through the open market operations, marking its second 25bp hike in the past month. The move is largely seen as an effort to stabilize the currency, with the dong has lost over 4% this year.

**TH:** The constitutional court has accepted a petition by a group of forty senators to remove PM Srettha Thavisin over his cabinet appointment of Pichit Chuenban (who resigned on 21 May). PM Srettha Thavisin has 15 days to submit his defense to the constitutional court. On the data front, customs export growth rose higher-than-expected to 6.8% YoY in April (March: -10.9%) while customs import growth picked up 8.3% YoY compared to 5.6% in March. Consequently, the trade deficit widened to USD1.6bn in April compared to USD1.2bn in March. On the customs export front, growth was supported by higher shipments in 'agro-industrial products' (12.7% YoY versus -9.9% in March) and 'principal manufacturing products' (9.2% YoY versus -12.3% in March) which more than offset lower shipments in 'agricultural products' and 'mineral products and fuel'. Meanwhile, the pickup in customs import growth was driven by higher 'capital goods', 'raw materials and intermediate products', and 'consumer goods' imports.

## ESG Updates

**SG:** The MAS and the People's Bank of China discussed initiatives to advance cooperation in green and transition finance between China and Singapore at the 2nd China-Singapore Green Finance Taskforce (GFTF) meeting. Initiatives discussed covered the alignment of taxonomies, facilitation of green finance flows and the development of a decarbonisation rating platform.

**Rest of the world:** As electric vehicle (EV) adoption increases in the US market, US electricity consumption from electric vehicles (EVs) over the first two months of 2024 (1.58 mil MWh) jumped by over 50% from the same months in 2023 (1.04 mil MWh). California was the top state for electricity use by EVs in 2023, followed by Florida and Texas. States with the lowest electricity demand for EVs in 2023 were North Dakota, Wyoming and South Dakota, owing to limited public charging infrastructure and concerns about the impact of harsh winters on battery life.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded marginally higher yesterday, with short tenors trading 1-2bps higher, while belly tenors traded 0-1bps higher and 10Y tenors traded flat. Just a month ago, China Vanke Co. was on the brink of defaulting and its credit ratings were recently downgraded due to the company's reduced liquidity buffer following weaker-than-expected sales performance for the year-to-date. However, the situation has taken a positive turn as the company's shares and bonds, have experienced a significant surge. This turnaround can be attributed to Chinese banks stepping in with nearly USD4bn in funding, including a substantial syndicated loan announced on Thursday. The value of Vanke's dollar bond due in 2029 has risen from 40 cents in early March to around 65 cents, while the company's shares have gained 85% from their low point in April according to Bloomberg. Bloomberg Asia USD Investment Grade spreads remained flat at 77bps while Asia USD High Yield spreads tightened by 8bps to 495bps. (Bloomberg, OCBC)

### New Issues:

There was one notable bond issuer in the Asiadollar market yesterday.

- TFI Overseas Investment Ltd (Guarantors: TF International Securities Group Ltd, Tianfeng Securities Co Ltd) priced a USD300mn 2Y at 6.5%.

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	105.108	0.17%	USD-SGD	1.3518	0.07%
USD-JPY	156.930	0.08%	EUR-SGD	1.4620	0.01%
EUR-USD	1.082	-0.07%	JPY-SGD	0.8615	0.01%
AUD-USD	0.661	-0.21%	GBP-SGD	1.7165	-0.07%
GBP-USD	1.270	-0.14%	AUD-SGD	0.8929	-0.13%
USD-MYR	4.704	0.15%	NZD-SGD	0.8245	0.11%
USD-CNY	7.243	0.02%	CHF-SGD	1.4785	0.24%
USD-IDR	15993	-0.01%	SGD-MYR	3.4859	-0.05%
USD-VND	25467	0.02%	SGD-CNY	5.3559	-0.08%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.7970	0.32%	1M	5.3250	-0.02%
3M	3.8190	-0.10%	2M	5.3400	-0.01%
6M	3.7840	0.00%	3M	5.3423	-0.05%
12M	3.6700	-0.27%	6M	5.3158	-0.11%
			1Y	5.2008	-0.17%

## 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	0.000	0.000	5.328
07/31/2024	-0.140	-0.035	5.293
09/18/2024	-0.595	-0.149	5.179
11/07/2024	-0.874	-0.218	5.109
12/18/2024	-1.440	-0.360	4.967
01/29/2025	-1.740	-0.435	4.892

## Equity and Commodity

Index	Value	Net change
DJIA	39,065.26	-605.78
S&P	5,267.84	-39.17
Nasdaq	16,736.03	-65.51
Nikkei 225	39,103.22	486.12
STI	3,322.62	14.72
KLCI	1,629.18	7.09
JCI	7,222.38	36.34
Baltic Dry	1,804.00	-25.00
VIX	12.77	0.48

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.43 (--)	4.92(--)
5Y	3.26 (--)	4.53 (+0.07)
10Y	3.27 (-0.02)	4.47 (+0.05)
15Y	3.28 (-0.04)	--
20Y	3.27 (-0.06)	--
30Y	3.28 (-0.08)	4.58 (+0.04)

## 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)	76.87	-0.90%	Corn (per bushel)	4.640	0.6%
Brent (per barrel)	81.36	-0.66%	Soybean (per bushel)	12.393	-0.6%
Heating Oil (per gallon)	241.18	-0.82%	Wheat (per bushel)	6.980	0.7%
Gasoline (per gallon)	246.94	0.06%	Crude Palm Oil (MYR/MT)	38.530	#DIV/0!
Natural Gas (per MMBtu)	2.66	-6.51%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10417.50	-0.01%	Gold (per oz)	2329.3	-2.1%
Nickel (per mt)	20084.00	-1.38%	Silver (per oz)	30.1	-2.1%

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

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
05/24/2024 06:45	NZ	Trade Balance NZD	Apr	--	91m	588m	476m
05/24/2024 07:30	JN	Natl CPI YoY	Apr	2.40%	2.50%	2.70%	--
05/24/2024 07:30	JN	Natl CPI Ex Fresh Food YoY	Apr	2.20%	2.20%	2.60%	--
05/24/2024 12:00	MA	CPI YoY	Apr	1.90%	--	1.80%	--
05/24/2024 13:00	SI	Industrial Production YoY	Apr	-0.50%	--	-9.20%	--
05/24/2024 13:00	SI	Industrial Production SA MoM	Apr	6.00%	--	-16.00%	--
05/24/2024 14:00	UK	Retail Sales Inc Auto Fuel MoM	Apr	-0.50%	--	0.00%	--
05/24/2024 14:00	UK	Retail Sales Inc Auto Fuel YoY	Apr	-0.30%	--	0.80%	--
05/24/2024 14:00	UK	Retail Sales Ex Auto Fuel MoM	Apr	-0.80%	--	-0.30%	--
05/24/2024 14:00	UK	Retail Sales Ex Auto Fuel YoY	Apr	-1.10%	--	0.40%	--
05/24/2024 14:00	GE	GDP SA QoQ	1Q F	0.20%	--	0.20%	--
05/24/2024 15:30	TH	Gross International Reserves	May-17	--	--	\$224.1b	--
05/24/2024 20:30	US	Durable Goods Orders	Apr P	-0.80%	--	2.60%	0.90%
05/24/2024 20:30	CA	Retail Sales MoM	Mar	-0.10%	--	-0.10%	--
05/24/2024 20:30	US	Durables Ex Transportation	Apr P	0.10%	--	0.20%	0.00%
05/24/2024 22:00	US	U. of Mich. Sentiment	May F	67.7	--	67.4	--

Source: Bloomberg

## Macro Research

**Selena Ling**  
Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Herbert Wong**  
Hong Kong & Macau  
[HerberhtWong@ocbc.com](mailto:HerberhtWong@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

**Tommy Xie Dongming**  
Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[LavanyaVenkateswaran@ocbc.com](mailto:LavanyaVenkateswaran@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau  
[Cindyckeung@ocbcwh.com](mailto:Cindyckeung@ocbcwh.com)

**Ahmad A Enver**  
ASEAN Economist  
[Ahmad.Enver@ocbc.com](mailto:Ahmad.Enver@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

## Credit Research

**Andrew Wong**  
Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[MengTeeChin@ocbc.com](mailto: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