

## Daily Treasury Outlook

29 July 2024

### Highlights

**Global:** The US presidential race heats up, with Kamala Harris having raised USD200mn in her first week as presidential candidate, which is a testament to a stunning reversal of fortunes from Biden's poor debate showing. Meanwhile, Treasury Secretary Yellen has refuted Trump's accusation that the strong USD has hurt manufacturing and exports. For the US, June core PCE price index rose a slower 2.5% YoY (0.1% MoM), while the core PCE held at 2.6% YoY (0.2% MoM), even as personal income grew at a slower pace of 0.2% and personal spending accelerated from 0.2% to 0.3% at the expense of the personal savings rate which fell from 3.5% to 3.4%. The US has also reached agreements with Japan and South Korea on a trilateral security partnership. The S&P 500 gained 1.11% on Friday, while the 10-year UST bond yield fell 5bps to close at 4.19%.

**Market Watch:** Asian markets may tread water today, while awaiting further central bank cues due later this week. The economic data calendar for today comprises Vietnam's July trade, industrial production and CPI data, and US' Dallas Fed manufacturing activity index. Elsewhere, UK Chancellor Rachel Reeves will unveil a "broke and broken" public fiscal picture today. For the week ahead, watch for the trifecta of central bank policy decisions, namely the FOMC which is likely to remain static but hint at cutting rates soon without pre-committing to a pre-set path; the BOJ which is due to announce its passive Quantitative Tightening measures by reducing the pace of JGB purchases and possibly hike interest rates tool; and the BOE which is tipped to enact its first rate cut since 2020 to bring down its policy rate from a 16-year high of 5.25% as well as unveil fresh inflation and growth forecasts. On the data front, the Euro area will release 2Q24 GDP and inflation data, Australia and South Korea inflation data and HK 2Q24 GDP growth estimates are also due, while China's July PMI data may underpin the need for the surprise rate cuts last week. On Friday, we get the US July nonfarm payrolls data which likely cooled from 206k in June to 178k, with the unemployment rate likely static at 4.1% and the average hourly earnings tipped to grow 3.7% YoY (0.3% MoM) versus 3.9% YoY (0.3% MoM) in June. On the US corporate earnings front, Microsoft, Meta, Apple and Amazon.com are set to release results this week amid concerns that the AI boom is looking stretched, and investors are rotating into cyclical stocks.

**SG:** June industrial production disappointed at -3.9% YoY (-3.8% MoM sa), down from, 1.1% YoY (2.9% MoM) in May.

### Key Market Movements

Equity	Value	% chg
S&P 500	5459.1	1.1%
DJIA	40589	1.6%
Nikkei 225	37667	-0.5%
SH Comp	2890.9	0.1%
STI	3426.5	-0.1%
Hang Seng	17021	0.1%
KLCI	1612.9	-0.1%
	Value	% chg
DXY	104.316	0.0%
USDJPY	153.76	-0.1%
EURUSD	1.0856	0.1%
GBPUSD	1.2867	0.1%
USDIDR	16290	0.2%
USDSGD	1.3426	-0.1%
SGDMYR	3.4662	-0.2%
	Value	chg (bp)
2Y UST	4.38	-4.75
10Y UST	4.19	-4.68
2Y SGS	3.04	2.50
10Y SGS	3.02	3.49
3M SORA	3.64	0.05
3M SOFR	5.36	0.04
	Value	% chg
Brent	81.13	-1.5%
WTI	77.16	-1.4%
Gold	2387	1.0%
Silver	27.93	0.3%
Palladium	905	-0.5%
Copper	9111	-0.1%
BCOM	95.96	-0.8%

Source: Bloomberg

**Oil:** WTI and Brent declined by 1.4% and 1.5% on Friday, closing at USD77.2/bbl and USD81.1/bbl, respectively. The slump in oil prices was largely driven by continued concerns about a slowing Chinese economy, which could dampen global oil demand. For the week, both WTI and Brent recorded a third consecutive weekly decline. The next OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting will be held this week on Aug 1.

## Major Markets

**CN:** In a recent article, Deputy Governor of the People's Bank of China, Tao Ling, highlighted the next steps to accelerate the improvement of the central bank's system reforms. One key point is that the central bank needs to clearly define its role and establish the dual objectives of maintaining currency stability and financial stability. The currency stability carries out two aspects including preventing the devaluation of money held by the public and maintaining the RMB exchange rate at a reasonable and balanced level. It also involves maintaining a reasonable positive real interest rate, emphasizing employment targets, appropriately monitoring asset price changes, establishing effective communication mechanisms, and increasing policy transparency. Overall, while balancing multiple objectives, the central bank will continue to seek a balance between inflation and exchange rate stability. These multiple goals also explain the central bank's previous focus on the exchange rate.

**ID:** The defence minister and President-elect, Prabowo Subianto, met with the French business community last Thursday (25/7) during an Indonesian-French business executive luncheon. The purpose of the meeting was to explore opportunities for cooperation and expansion between the two countries. From Indonesia, the meeting was attended by the State-Owned Minister, Erick Thohir, the Chairman of the Advisory Board of the Indonesian Chamber of Commerce and Industry (KADIN), Anindya N. Bakrie, and the Indonesian Ambassador to France, Mohamad Oemar. Prabowo had also met with French President Emmanuel Macron the day before.

**MY:** Prime Minister Anwar Ibrahim has announced that his government has submitted an application to Russia, the current chairman of the organization, to join the BRICS intergovernmental organization. Initially formed in 2009 with Brazil, Russia, India, and China, BRICS was established as a collaborative platform for emerging economies. South Africa joined the bloc in 2010, and it has since expanded to include Iran, Egypt, Ethiopia, and the United Arab Emirates.

**TH:** June customs trade data underperformed against expectations. Customs export growth declined by 0.3% YoY (consensus: +2.6%) from +7.2% in May, while customs import growth improved to 0.3% YoY (consensus: +2.6%) from -1.6% in May. As a result, the customs trade surplus narrowed to USD0.2bn from USD0.7bn in May. Specifically, on the customs export front, lower shipments in 'agricultural products' (-2.2% YoY versus +36.3% in May) and 'agro-industrial products' (-4.8% YoY versus 0.8%) more than offset growth in 'principle manufacturing products' (0.3% YoY versus 4.2% in May) and 'mineral products and fuel' (1.3% YoY versus 2.6%).

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher last Friday, with short tenors trading 3-4bps higher, belly tenors trading 4bps higher and 10Y trading 3bps higher. Shimao Group Holdings Ltd enters into an agreement to amend credit support annex to reflect changes that it believes are beneficial to participating creditors. A subsidiary of Power Construction Corp. of China intends to raise USD500mn through a dollar bond with a maximum maturity of five years. Bloomberg Asia USD Investment Grade widened by 1bps to 84bps while Bloomberg Asia USD High Yield widened by 11bps to 487bps. (Bloomberg, OCBC)

### New Issues:

There was one notable issue in the Asiadollar market last Friday:

- Huainan Construction Development Holdings (Group) Co. priced a USD200mn 3Y Fixed at 5.8%.

There was no notable issue in the Singdollar market last Friday.

### Mandates:

- There were no new Asiadollar mandates last Friday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	104.316	-0.04%	<b>USD-SGD</b>	1.3426	-0.06%
<b>USD-JPY</b>	153.760	-0.12%	<b>EUR-SGD</b>	1.4578	0.06%
<b>EUR-USD</b>	1.086	0.09%	<b>JPY-SGD</b>	0.8733	0.07%
<b>AUD-USD</b>	0.655	0.15%	<b>GBP-SGD</b>	1.7276	0.08%
<b>GBP-USD</b>	1.287	0.12%	<b>AUD-SGD</b>	0.8791	0.09%
<b>USD-MYR</b>	4.658	-0.08%	<b>NZD-SGD</b>	0.7906	-0.04%
<b>USD-CNY</b>	7.251	0.05%	<b>CHF-SGD</b>	1.5194	-0.28%
<b>USD-IDR</b>	16290	0.25%	<b>SGD-MYR</b>	3.4662	-0.18%
<b>USD-VND</b>	25321	0.04%	<b>SGD-CNY</b>	5.4007	0.33%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
<b>1M</b>	3.6210	0.47%	<b>1M</b>	5.3406	-0.02%
<b>3M</b>	3.6550	-0.84%	<b>2M</b>	5.3058	-0.06%
<b>6M</b>	3.5910	-0.77%	<b>3M</b>	5.2459	-0.10%
<b>12M</b>	3.4260	-1.58%	<b>6M</b>	5.0742	-0.25%
			<b>1Y</b>	4.7297	-0.37%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/31/2024	-0.040	-0.010	5.319
09/18/2024	-1.149	-0.287	5.042
11/07/2024	-1.849	-0.462	4.866
12/18/2024	-2.786	-0.697	4.632
01/29/2025	-3.485	-0.871	4.458

## Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	40,589.34	654.27
<b>S&amp;P</b>	5,459.10	59.88
<b>Nasdaq</b>	17,357.88	176.16
<b>Nikkei 225</b>	37,667.41	-202.10
<b>STI</b>	3,426.47	-3.98
<b>KLCI</b>	1,612.88	-2.30
<b>JCI</b>	7,288.17	47.89
<b>Baltic Dry</b>	1,808.00	-26.00
<b>VIX</b>	16.39	-2.07

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	3.04 (+0.03)	4.37(--)
<b>5Y</b>	2.95 (+0.03)	4.07 (-0.06)
<b>10Y</b>	3.02 (+0.03)	4.18 (-0.05)
<b>15Y</b>	3.07 (+0.04)	--
<b>20Y</b>	3.05 (+0.06)	--
<b>30Y</b>	3.02 (+0.04)	4.44 (-0.03)

## Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	#N/A	N/A
<b>TED</b>	35.36	--

## Secured Overnight Fin. Rate

<b>SOFR</b>	5.35
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.16	-1.43%	Com (per bushel)	3.945	-2.8%
Brent (per barrel)	81.13	-1.51%	Soybean (per bushel)	10.775	-3.4%
Heating Oil (per gallon)	241.97	-2.08%	Wheat (per bushel)	5.235	-2.6%
Gasoline (per gallon)	246.05	-0.29%	Crude Palm Oil (MYR/MT)	40.440	0.9%
Natural Gas (per MMBtu)	2.01	-1.71%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9111.00	-0.12%	Gold (per oz)	2387.2	1.0%
Nickel (per mt)	15794.00	0.16%	Silver (per oz)	27.9	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
07/29/2024	VN	CPI YoY	Jul	4.30%	--	4.34%	--
07/29/2024	VN	Industrial Production YoY	Jul	--	--	10.90%	--
07/29/2024	VN	Trade Balance	Jul	\$2000m	--	\$2940m	--
07/29/2024	VN	Exports YoY	Jul	13.50%	--	10.50%	--
07/29/2024 16:00	TA	Monitoring Indicator	Jun	--	--	35	--
07/29/2024 16:30	UK	Mortgage Approvals	Jun	60.3k	--	60.0k	--
07/29/2024 16:30	UK	M4 Money Supply YoY	Jun	--	--	0.30%	--
07/29/2024 16:30	UK	Money Supply M4 MoM	Jun	--	--	-0.10%	--
07/29/2024 16:30	UK	Net Lending Sec. on Dwellings	Jun	1.1b	--	1.2b	--
07/29/2024 16:30	UK	M4 Ex IOFCs 3M Annualised	Jun	--	--	3.60%	--
07/29/2024 16:30	UK	Net Consumer Credit	Jun	1.3b	--	1.5b	--
07/29/2024 16:30	UK	Consumer Credit YoY	Jun	--	--	8.30%	--
07/29/2024 18:00	UK	CBI Retailing Reported Sales	Jul	-10	--	-24	--
07/29/2024 18:00	UK	CBI Total Dist. Reported Sales	Jul	--	--	-9	--
07/29/2024 20:00	CA	Bloomberg Nanos Confidence	Jul-26	--	--	53	--
07/29/2024 22:30	US	Dallas Fed Manf. Activity	Jul	-15.5	--	-15.1	--

Source: Bloomberg

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