

Daily Treasury Outlook

9 April 2024

Highlights

Global: US stock indices ended flat on Monday, rising at opening before a selloff towards the latter part of the session. The market is pricing in fewer rate cuts this year, sending Treasury yields higher across curve, and 10-year yields to a new year-to-date high. The dollar index fell back towards 104 handle, after spiking back up on Friday's payrolls print. Meanwhile, gold continued to push higher, as authorities in China and India continued to show an increased appetite for the precious metal. On data front, NY Fed survey showed that median one-year-ahead inflation expectations remained unchanged at 3.0% for the third consecutive month, while longer term expectations were mixed. Median three-year-ahead inflation expectation increased to 2.9% from 2.7%, while that of five-year-ahead horizon decreased to 2.6% from 2.9%. Eurozone's Sentix investor confidence rose more than expected in April to -5.9, the highest reading since February 2022. The expectations index also rose from -2.3 in the previous month to 5.0 in April. Germany's industrial production rose by 2.1% MoM in March, surprising market to the upside, although recent manufacturing PMI pointed to further weakness. Exports fell by 2.0% MoM, larger than the estimated -0.5%. Closer to home, Japan's labour cash earnings rose by 1.8% YoY, up from the downward revised 1.5% in January and in line with market estimate. The pace of growth is the highest since June last year.

Market Watch: Asian markets are likely to trade with a cautious tone this morning. Economic data today comprises of Australia's April consumer confidence, Japan's March consumer confidence and machine tool orders, Taiwan's March CPI, as well as US's March NFIB small business optimism index.

SG: MAS holdings of foreign reserves rose 3.12% MoM to \$368.49bn in March from \$357.35bn prior. On markets, STI shed -0.1% to end at 3,216.0 by market close.

Oil: Crude oil benchmarks eased on Monday after multiple sessions of gains. WTI and Brent declined by 0.6% and 0.9% to settle lower at USD86.4/bbl and USD90.4/bbl respectively. The rally in oil prices ended due to the resumption of Israel-Hamas ceasefire talks in Egypt as well as the withdrawal of some Israeli troop presence which have led to some reprieve in geopolitical tensions in the Middle East. Nonetheless, the situation remains uncertain given past negotiations ended in a deadlock.

Key Market Movements

Equity	Value	% chg
S&P 500	5202.4	0.0%
DJIA	38893	0.0%
Nikkei 225	39347	0.9%
SH Comp	3047.1	-0.7%
STI	3216.0	-0.1%
Hang Seng	16733	0.1%
KLCI	1560.0	0.3%

	Value	% chg
DXY	104.140	-0.2%
USDJPY	151.82	0.1%
EURUSD	1.0859	0.2%
GBPUSD	1.2655	0.1%
USDIDR	15845	0.0%
USDSGD	1.3475	-0.1%
SGDMYR	3.5222	0.0%

	Value	chg (bp)
2Y UST	4.79	3.81
10Y UST	4.42	1.82
2Y SGS	3.43	4.40
10Y SGS	3.29	8.39
3M SORA	3.67	-1.05
3M SOFR	5.35	0.03

	Value	% chg
Brent	90.38	-0.9%
WTI	86.43	-0.6%
Gold	2339	0.4%
Silver	27.85	1.4%
Palladium	1049	4.3%
Copper	9412	0.9%
BCOM	102.92	0.0%

Source: Bloomberg

Major Markets

MY: The Industrial Production Index (IPI) growth eased to 3.1% YoY in February versus 4.3% in January, as weakness in the manufacturing sector more than offset improvements in the mining and electricity sectors. Specifically, the IPI growth in the manufacturing sector eased to 1.2% YoY in February versus 3.7% in January. Meanwhile, growth in the mining and electricity sector accelerated to 8.1% YoY and 10.9% in February from 5.0% and 8.3% in January, respectively. IP growth averaged 3.7% YoY in January and February versus 0.8% in 4Q23 underscoring better growth momentum. This remains supportive of our view that GDP growth will gradually improve in 2024 and average 4.2% YoY versus 3.7% in 2023.

TH: PM Srettha Thavisin reiterated his call for the Bank of Thailand to cut its policy rate at its April MPC meeting (10 April). Specifically, he said, in an interview with Reuters, that the BOT should cut its policy rate "by at least a quarter point this week to support government efforts to revive" economic growth. On growth, PM Srettha Thavisin shared that "the economy might have expanded less than 1% in 1Q24". He underscored the need for a major boost in domestic consumption and vowed "to forge ahead with his government's flagship digital wallet handout scheme worth THB500bn in 4Q24.

PH: Bangko Sentral ng Pilipinas (BSP) kept its policy rate unchanged at 6.50%, in line with expectations. The bugbear for BSP remains inflationary pressures: BSP raised its baseline and risk-adjusted 2024 headline inflation forecast to 3.8% YoY and 4.0% YoY respectively, versus 3.6% and 3.9% at its February meeting. BSP noted that it was "appropriate" to maintain "tight monetary policy setting" but ruled out further tightening. Our view is for BSP to deliver a cumulative 100bp in rate cuts in 2024, starting in late 2Q24. This mirrors our house view on the timing of US Federal Reserve rate cuts in June. The risk, however, is that the timing of rate cuts for BSP is pushed out in 2H24 until it is convinced that inflationary pressures have become more contained.

ESG Updates

SG: Singapore's economic losses due to heat stress could nearly double to S\$2.22 billion in 2035 from pre-pandemic 2018 as a result of a decline in labour productivity, according to a recent study by the National University of Singapore. Workers exposed to heat from the sun or machineries are expected to be hit the hardest, such as those in the services, construction, manufacturing and agriculture sectors.

Rest of the world: The Integrity Council for Voluntary Carbon Markets (ICVCM) approved three voluntary carbon programmes for Core Carbon Principles (CCP) eligibility, namely Gold Standard, American Carbon Registry and Climate Action Reserve. Verra, ART TREES, Social Carbon and Isometric will be assessed by May 2024. This marks a step towards greater clarity in carbon markets through the labelling of credits issued via ICVCM's methodologies with the CCP stamp.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 4-8bps higher, belly tenors trading 9bps higher and 10Y trading 8bps higher. Shimao Group Holdings Ltd (“Shimao”) shares fall as much as 12% after China Construction Bank (Asia) Corporation Limited filed a winding-up petition against the company at the High Court of the HKSAR. This is in relation to a financial obligation amounting to ~HKD1.6bn. Shimao which defaulted in mid-2022 is in the midst of a debt restructuring of its USD bonds and has offered bondholders with four options in its recently announced Creditor Support Agreement. That said, we note that the company has not obtain support from key bondholders on the proposal. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 83bps while Asia USD High Yield spreads widened by 2bps to 589bps, respectively. (Bloomberg, OCBC)

New Issues:

There were five notable bond issuances in the Asiadollar market yesterday.

- ICBCIL Finance Co. Limited priced a USD100mn 3Y with final pricing of 5.2%.
- Shinhan Bank Co Ltd priced a USD500mn 10Y with final pricing of T+140bps.
- Putian State-owned Assets Investment Co Ltd priced a USD265mn 3Y Green bond with final pricing to yield 7.4%.
- Mitsubishi UFJ Financial Group Inc priced two bonds. A USD900mn 6NC5 with final pricing of T+82bps and another USD1.6bn 11NC10 with final pricing of T+100bps.

There was one notable bond issuance in the Singdollar market yesterday.

- The Great Eastern Life Assurance Company Limited priced a SGD500mn 15NC10 sub variable with final pricing of 3.928%.

Mandates:

- LG Electronics Inc. (“LGE”) is planning to issue USD-denominated Rule 144A/Reg S fixed rate senior unsecured bonds with expected tenor of 3Y and/or 5Y, of which one will be a sustainability bond.
- Nippon Life Insurance Company is planning to issue a benchmark size offering of USD 144A / Reg S 30NC10 step-up callable subordinated notes.
- Far East Horizon Limited is planning to issue a proposed USD denominated benchmark Regulation S (Category 1) registered senior unsecured notes.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.140	-0.15%	USD-SGD	1.3475	-0.09%
USD-JPY	151.820	0.13%	EUR-SGD	1.4634	0.13%
EUR-USD	1.086	0.20%	JPY-SGD	0.8875	-0.22%
AUD-USD	0.660	0.38%	GBP-SGD	1.7052	0.04%
GBP-USD	1.266	0.13%	AUD-SGD	0.8899	0.28%
USD-MYR	4.753	0.11%	NZD-SGD	0.8128	0.22%
USD-CNY	7.231	-0.03%	CHF-SGD	1.4884	-0.45%
USD-IDR	15845	-0.30%	SGD-MYR	3.5222	0.00%
USD-VND	24974	0.05%	SGD-CNY	5.3660	0.03%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8880	0.28%	1M	5.3205	-0.01%
3M	3.8850	-0.15%	2M	5.3305	0.00%
6M	3.8340	-0.26%	3M	5.3079	-0.02%
12M	3.6560	-0.19%	6M	5.2535	-0.02%
			1Y	5.0960	-0.04%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.327
05/01/2024	-0.047	-0.012	5.317
06/12/2024	-0.508	-0.127	5.202
07/31/2024	-0.865	-0.216	5.113
09/18/2024	-1.488	-0.372	4.957
11/07/2024	-1.824	-0.456	4.873
12/18/2024	-2.443	-0.611	4.718
01/29/2025	-2.825	-0.706	4.623

Equity and Commodity

Index	Value	Net change
DJIA	38,892.80	-11.24
S&P	5,202.39	-1.95
Nasdaq	16,253.96	5.44
Nikkei 225	39,347.04	354.96
STI	3,215.99	-2.27
KLCI	1,559.98	4.73
JCI	7,286.88	32.48
Baltic Dry	1,628.00	-41.00
VIX	15.19	-0.84

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.43 (+0.04)	4.79(--)
5Y	3.2 (+0.07)	4.43 (+0.04)
10Y	3.29 (+0.08)	4.42 (+0.02)
15Y	3.25 (+0.07)	--
20Y	3.22 (+0.07)	--
30Y	3.18 (+0.07)	4.56(--)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	#N/A N/A
TED	35.36

Secured Overnight Fin. Rate

SOFR	5.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	86.43	-0.55%	Corn (per bushel)	4.355	0.3%
Brent (per barrel)	90.38	-0.87%	Soybean (per bushel)	11.815	-0.3%
Heating Oil (per gallon)	272.87	-1.60%	Wheat (per bushel)	5.658	-0.3%
Gasoline (per gallon)	274.86	-1.43%	Crude Palm Oil (MYR/MT)	45.140	-1.1%
Natural Gas (per MMBtu)	1.84	3.31%	Rubber (JPY/KG)	337.300	1.3%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9411.50	0.88%	Gold (per oz)	2339.0	0.4%
Nickel (per mt)	17848.00	0.25%	Silver (per oz)	27.9	1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
04/09 - 04/15	CH	Money Supply M2 YoY	Mar	8.70%	--	8.70%	--
04/09 - 04/15	CH	New Yuan Loans CNY	Mar	3600.0b	--	--	4914.3b
04/09 - 04/15	CH	Money Supply M1 YoY	Mar	1.50%	--	1.20%	--
04/09 - 04/15	CH	Money Supply M0 YoY	Mar	--	--	12.50%	--
04/09 - 04/15	CH	Aggregate Financing CNY	Mar	4650.0b	--	--	6536.4b
04/09 - 04/17	TH	Consumer Confidence Economic	Mar	--	--	57.7	--
04/09/2024 07:01	UK	BRC Sales Like-For-Like YoY	Mar	1.80%	3.20%	1.00%	--
04/09/2024 08:30	AU	Westpac Consumer Conf SA MoM	Apr	--	--	-1.80%	--
04/09/2024 08:30	AU	Westpac Consumer Conf Index	Apr	--	--	84.4	--
04/09/2024 09:30	AU	NAB Business Confidence	Mar	--	--	0	--
04/09/2024 09:30	AU	NAB Business Conditions	Mar	--	--	10	--
04/09/2024 14:00	JN	Machine Tool Orders YoY	Mar P	--	--	-8.00%	--
04/09/2024 16:00	TA	CPI YoY	Mar	2.50%	--	3.08%	--
04/09/2024 16:00	TA	CPI Core YoY	Mar	--	--	2.90%	--
04/09/2024 16:30	HK	Foreign Reserves	Mar	--	--	\$425.1b	--
04/09/2024 18:00	US	NFIB Small Business Optimism	Mar	89.9	--	89.4	--

Source: Bloomberg

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