

## Daily Treasury Outlook

4 January 2024

### Highlights

**Global:** The December FOMC minutes suggest that rate cuts are not imminent - "Participants viewed the policy rate as likely at or near its peak for this tightening cycle", and that the "current stance of monetary policy was restrictive". However, they also "reaffirmed that it would be appropriate for policy to remain at a restrictive stance for some time until inflation was clearly moving down sustainably", and that "baseline projections implied that a lower target range for the federal funds rate would be appropriate by the end of 2024" given the "high degree of uncertainty surrounding the economic outlook". The US' manufacturing ISM also improved from 46.7 in November to 47.4 in December, with the employment gauge rising to 48.1 but the 'prices paid' and 'new orders' gauges softened. Fed Funds Futures pricing was little changed for the probability of a March rate cut and the cumulative cuts for this year. The S&P500 extended losses by declining another 0.80%, with tech stocks still under pressure, while UST bond yields traded choppy due to the FOMC minutes release, but the 10-year bond yield eventually closed lower at 3.91% after briefly testing the 4% handle. Fed's Barkin opined that "a soft landing is increasingly conceivable but in no way inevitable" and he needs more conviction to support a rate cut.

**Market watch:** Asian markets may continue to consolidate today as market players remain wary of the Fed's rate intentions. Today's economic data calendar will kick off with China's Caixin services and composite PMIs followed by Germany's CPI, S'pore's COE results, HK retail sales, and US' initial jobless claims, ADP employment change, and S&P services and composite PMIs.

**SG:** The manufacturing and electronics PMIs improved in December to 50.5 (+0.2 points) and 50.2 (+0.1 point) respectively. This marked the highest readings since January and July 2022 for the manufacturing and electronics PMIs respectively, and the fourth and second consecutive month of expansion for both PMIs. In particular, the electronics PMI saw a faster expansion in new orders, employment, supplier deliveries, with the new export gauge finally reverting to an expansion after shrinking for 16 straight months, and should continue to benefit from the demand for AI chips. The manufacturing sector growth should rebound to around 2% YoY in 2024, up from -3.6% YoY in 2023, predicated on a further stabilization in the global electronics demand, a soft global growth landing and no further deterioration in geopolitical tensions (especially US-China relations). The STI fell 0.94% to close at 3,199.44 and continue to chop around. SGS bonds sold off yesterday with yields higher by 1-4bps, and the MAS 87-day bill auction fetched a cut off at 4.05%.

### Key Market Movements

Equity	Value	% chg
S&P 500	4704.8	-0.8%
DJIA	37430	-0.8%
Nikkei 225	33464	0.0%
SH Comp	2967.2	0.2%
STI	3199.4	-0.9%
Hang Seng	16646	-0.8%
KLCI	1462.4	0.6%
	Value	% chg
DXY	102.494	0.3%
USDJPY	143.29	0.9%
EURUSD	1.0922	-0.2%
GBPUSD	1.2665	0.4%
USDIDR	15480	0.1%
USDSGD	1.3287	0.2%
SGDMYR	3.4911	0.3%
	Value	chg (bp)
2Y UST	4.33	1.04
10Y UST	3.92	-1.32
2Y SGS	3.30	0.40
10Y SGS	2.81	2.19
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.06
3M SOFR	5.36	0.09
	Value	% chg
Brent	78.25	3.1%
WTI	72.7	3.3%
Gold	2041	-0.8%
Silver	22.99	-2.8%
Palladium	1069	-1.1%
Copper	8517	-0.3%
BCOM	98.32	0.2%

Source: Bloomberg

**Oil:** Both WTI and Brent rose 3.3% and 3.1% on Wednesday to close at USD72.7/bbl and USD78.3/bbl respectively. Prices rose higher after a protest disrupted supply at Libya's largest oilfield. The oilfield had been producing ~0.3mbpd. Additional support to prices came from increased geopolitical tensions associated to the Israel-Hamas conflict (i.e., the killing of Hamas' deputy leader in Lebanon, and two explosions in Iran that killed about 100 people), which led to concerns regarding the security of oil supplies from the Middle East. Separately, the US Department of Energy announced that it will post a monthly solicitation to purchase oil (up to 3 million barrels) for its Strategic Petroleum Reserve (SPR) for delivery in April 2024. The decision to replenish the SPR may keep oil prices elevated in the near-term. Meanwhile, the American Petroleum Institute (API) reported a drawdown of 7.4mn bbls in US crude inventories for the week ending 29 December. Energy Information Administration (EIA) crude oil inventories data will be released tonight (consensus: -3.4mn) and could mirror the drawdown in US inventories.

## Major Markets

**CN:** PBoC vowed to incrementally raise the proportion of loans allocated to private enterprises, emphasising a more targeted approach to credit distribution. In line with this initiative, the central bank plans to leverage the role of existing tools designed to support bond financing for private enterprises. Key to this strategy is the promotion and enlargement of these support mechanisms. The goal is not only to stabilise the current volume of bond financing but also to significantly expand its scale. Elsewhere, total sales of the top 100 real estate developers in China fell by 17.3% YoY to CNY6.279 trillion in 2023.

**MY:** Communication Minister Fahmi Fadzil has revealed that the government is planning to streamline the functions of government-linked investment companies (GLICs) this year, with the aim of boosting the economy. Minister Fahmi reiterated PM Anwar's views on the role of GLICs in stimulating the economy but added that there is a need for "some penyelarasan (streamlining)" as reported by The Edge. However, he did not specify the details of the streamlining process. Currently, there are seven GLICs in the country: the Employee Provident Fund (EPF), Khazanah Nasional Bhd, Kumpulan Wang Amanah Pencen (KWAP), Armed Forces Fund Board (LTAT), Lembaga Tabung Haji (LTH), Minister of Finance Inc, and Permodalan Nasional Bhd (PNB).

**ID:** Minister of State-Owned Enterprises (SOEs), Erick Thohir, has stated that 79 out of the 88 strategic projects planned for the past four years have been completed, as reported by Tempo. Minister Thohir has set a target for 7 out of the remaining 9 projects to be 'finalized this year,' which would bring the total completion rate to "99 percent." To facilitate the acceleration and completion of SOE projects, the ministry has established the Strategic Delivery Unit (SDU), which operates directly under the minister and deputy minister of SOEs.

**TH:** The government is preparing short-term measures to boost growth. Amongst these, the cabinet approved on 3 January 2024, cuts to excise tax for alcoholic beverages and entertainment venues to boost tourism. Wine and Spirits will be taxed at 5% and 0% respectively, from the 10% tax originally levied on both items. Meanwhile, the excise tax on entertainment venues will be halved to 5% from 10%. These tax adjustments will be in place till the end-2024. Separately, Thailand manufacturing PMI declined to 45.1 in December (November: 47.6).

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded mostly higher yesterday, with short tenors trading 3-4bps higher, belly tenors trading 2-3bps higher, and the 10Y trading 2bps higher. According to Bloomberg, Vedanta Resources Ltd. stated that bondholders have agreed to extend the maturities on USD3.2bn of debt, allowing the company to better manage its debt it amassed in an acquisition spree. Yesterday, Bloomberg Asia USD Investment Grade spreads widened 2bps to 105bps while the Asia USD High Yield spreads tightened 11 bps to 715bps, per Bloomberg.

### New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
03 Jan	Hyundai Capital America	Fixed	USD	1,000	3-Yr	T+130bps	T+150bps
03 Jan	Hyundai Capital America	FRN	USD	300	3-Yr	SOFRRATE +150	NA
03 Jan	Hyundai Capital America	Fixed	USD	700	5-Yr	T+145bps	T+170bps
03 Jan	Hyundai Capital America	Fixed	USD	500	7-Yr	T+155bps	T+185bps
03 Jan	Republic of Indonesia	Fixed	USD	500	5.2-Yr	4.65%	4.90%
03 Jan	Republic of Indonesia	Fixed	USD	650	10.1-Yr	4.85%	5.05%
03 Jan	Republic of Indonesia	Fixed	USD	900	30.1-Yr	5.20%	5.45%

### Mandates:

- SK Hynix is planning a 144A/Reg S offering of USD-denominated notes with expected tenors of 3Y and/or 5Y.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.494	0.29%	USD-SGD	1.3287	0.23%
USD-JPY	143.290	0.92%	EUR-SGD	1.4513	0.06%
EUR-USD	1.092	-0.18%	JPY-SGD	0.9273	-0.76%
AUD-USD	0.673	-0.43%	GBP-SGD	1.6828	0.54%
GBP-USD	1.267	0.38%	AUD-SGD	0.8944	-0.26%
USD-MYR	4.633	0.59%	NZD-SGD	0.8300	0.08%
USD-CNY	7.149	0.09%	CHF-SGD	1.5648	0.30%
USD-IDR	15480	0.06%	SGD-MYR	3.4911	0.27%
USD-VND	24368	0.14%	SGD-CNY	5.3785	-0.10%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8560	0.29%	1M	5.3408	-0.05%
3M	3.9050	-0.10%	2M	5.3469	-0.03%
6M	3.8610	0.00%	3M	5.3270	-0.11%
12M	3.5320	0.54%	6M	5.1790	-0.21%
			1Y	4.8199	-0.24%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
01/31/2024	-0.120	-0.030	5.302
03/20/2024	-0.788	-0.197	5.135
05/01/2024	-1.648	-0.412	4.920
06/12/2024	-2.587	-0.647	4.686
07/31/2024	-3.390	-0.848	4.485
09/18/2024	-4.290	-1.073	4.260
11/07/2024	-5.033	-1.258	4.074
12/18/2024	-5.700	-1.425	3.907
01/29/2025	-6.360	-1.590	3.743

## Equity and Commodity

Index	Value	Net change
DJIA	37,430.19	-284.85
S&P	4,704.81	-38.02
Nasdaq	14,592.21	-173.73
Nikkei 225	33,464.17	33464.17
STI	3,199.44	-30.51
KLCI	1,462.37	9.27
JCI	7,279.09	-44.50
Baltic Dry	2,093.00	-1.00
VIX	14.04	0.84

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.3 (--)	4.32(--)
5Y	2.76 (+0.02)	3.9 (-0.01)
10Y	2.81 (+0.02)	3.91 (-0.01)
15Y	2.85 (+0.02)	--
20Y	2.84 (+0.01)	--
30Y	2.8 (+0.02)	4.07(--)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.40
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.70	3.30%	Corn (per bushel)	4.653	0.3%
Brent (per barrel)	78.25	3.11%	Soybean (per bushel)	12.695	-0.4%
Heating Oil (per gallon)	260.44	3.11%	Wheat (per bushel)	6.003	-1.1%
Gasoline (per gallon)	215.81	3.02%	Crude Palm Oil (MYR/MT)	36.510	0.5%
Natural Gas (per MMBtu)	2.67	3.89%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8517.00	-0.32%	Gold (per oz)	2041.5	-0.8%
Nickel (per mt)	16409.00	-1.00%	Silver (per oz)	23.0	-2.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/04/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Dec F	--	47.9	47.7	--
01/04/2024 08:30	HK	S&P Global Hong Kong PMI	Dec	--	51.3	50.1	--
01/04/2024 09:45	CH	Caixin China PMI Services	Dec	51.6	--	51.5	--
01/04/2024 09:45	CH	Caixin China PMI Composite	Dec	--	--	51.6	--
01/04/2024 16:30	HK	Retail Sales Value YoY	Nov	11.60%	--	5.60%	--
01/04/2024 16:55	GE	HCOB Germany Services PMI	Dec F	48.4	--	48.4	--
01/04/2024 16:55	GE	HCOB Germany Composite PMI	Dec F	46.7	--	46.7	--
01/04/2024 17:00	EC	HCOB Eurozone Composite PMI	Dec F	47	--	47	--
01/04/2024 17:30	UK	Mortgage Approvals	Nov	48.8k	--	47.4k	--
01/04/2024 17:30	UK	S&P Global UK Services PMI	Dec F	52.7	--	52.7	--
01/04/2024 21:00	GE	CPI YoY	Dec P	3.70%	--	3.20%	--
01/04/2024 21:00	GE	CPI MoM	Dec P	0.20%	--	-0.40%	--
01/04/2024 21:00	GE	CPI EU Harmonized YoY	Dec P	3.90%	--	2.30%	--
01/04/2024 21:00	GE	CPI EU Harmonized MoM	Dec P	0.30%	--	-0.70%	--
01/04/2024 21:15	US	ADP Employment Change	Dec	125k	--	103k	--
01/04/2024 21:30	US	Initial Jobless Claims	Dec-30	216k	--	218k	--

Source: Bloomberg

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