

Daily Treasury Outlook

4 March 2024

Highlights

Global: US equities climbed higher on Friday, with the NASDAQ rising to a record high on the back of continued AI euphoria, following a solid 4Q23 earnings result season. The incoming economic data, however, was more mixed. The Uni. Of Michigan Sentiment index, dropped to 76.9 in February with 1 year inflation expectations remaining unchanged. The February ISM manufacturing reading dropped further into contraction territory at 47.8 from 49.1 in January. Fed fund futures showed that markets are now pricing in more rate cuts (91.6bp) for 2024 versus 78.6bp at the start of last week. Separately, the OPEC+ alliance decided on Sunday to extend voluntary oil cuts of 2.2mbp into 2Q24. This decision was not entirely a surprise but some aspects of the decision including an extension of cuts to end of 2Q24 and incremental cuts to production and exports (of 471k bpd) by Russia may exacerbate the physical tightness in the oil market. This should support Brent prices, which are currently trading at USD83.4/barrel.

Market Watch: This week is busy with key data and events across numerous regions. In Asia, the focus will be on China's annual 'two sessions' gathering. The Chinese People's Political Consultative Conference, an advisory body, will kick off its annual meeting on Monday. On Tuesday, the National People's Congress legislature will meet. It is also when announcements of the year's key economic targets will be made including GDP, employment, and other economic indicators in the "Government Work Report." The latest politburo meeting chaired by President Xi last week approved the draft of the Government Work Report and reaffirmed key messages outlined in December's Central Economic Working Conference, namely proactive fiscal and monetary policies. To that end, the fiscal deficit and special bonds target will be watched closely. In the US, the focus remains on key economic data with February non-farm payrolls data due on Friday ahead of which Fed Chair Powell will testify in Congress. Super Tuesday is on 5 March with 15 states and one territory voting in presidential primaries. In terms of central banks, ECB and BNM meet on Thursday; both central banks are expected to keep respective policy rates unchanged.

SG: At the Committee of Supply (COS) debate on Friday, Minister of State for Trade and Industry Alvin Tan shared that S\$300mn will be added to the Tourism Development Fund 4. The additional funding is set to channel support for the upskilling of workers in the tourism sector and enable tourism enterprises to develop new intellectual properties to boost new tourism products and experiences. Thus far, the fund reportedly assisted more than 100 local tourism businesses. On markets, STI shed 0.2% to close at 3,135.8 on Friday, with decliners narrowly outnumbering advancers 278 to 274 with 2.1bn securities worth S\$1.4bn trading hands.

Key Market Movements

Equity	Value	% chg
S&P 500	5137.1	0.8%
DJIA	39087	0.2%
Nikkei 225	39911	1.9%
SH Comp	3027.0	0.4%
STI	3135.8	-0.2%
Hang Seng	16589	0.5%
KLCI	1538.0	-0.9%
	Value	% chg
DXY	103.861	-0.3%
USDJPY	150.12	0.1%
EURUSD	1.0837	0.3%
GBPUSD	1.2655	0.2%
USDIDR	15700	-0.1%
USDSGD	1.3439	-0.1%
SGDMYR	3.5246	-0.1%
	Value	chg (bp)
2Y UST	4.53	-8.74
10Y UST	4.18	-7.04
2Y SGS	3.39	1.10
10Y SGS	3.11	1.32
3M LIBOR	5.59	-0.24
3M SIBOR	4.06	0.00
3M SORA	3.65	0.22
3M SOFR	5.36	-0.08
	Value	% chg
Brent	83.55	2.0%
WTI	79.97	2.2%
Gold	2083	1.9%
Silver	23.12	2.0%
Palladium	958	1.2%
Copper	8504	0.1%
BCOM	97.22	0.5%

Source: Bloomberg

Major Markets

CN: Manufacturing Purchasing Managers' Index (PMI) experienced a modest decline of 0.1 to 49.1 in February, consistent with the seasonal pattern observed when Chinese New Year falls. This decrease was primarily driven by a downturn in production. Conversely, the non-manufacturing PMI exhibited significant improvement, rising notably to 51.4 from 50.7, propelled by a robust increase in the service PMI by 0.9 to 51, reflecting heightened business activities associated with holiday spending. However, contrary to reports of a gradual resurgence in work and production in construction projects nationwide following the Chinese New Year holiday, construction PMI declined by 0.4 to 53.5. While still within expansionary territory, this dip may be attributed to holiday-related factors or possibly to the caution exercised by local governments amidst ongoing deleveraging efforts. Continued monitoring of upcoming construction PMI releases will be crucial in assessing the pace of recovery in infrastructure investment. Despite February's PMI slightly surpassing market expectations, the lingering uncertainty surrounding domestic demand is unlikely to alter the bullish sentiment prevailing in the bond market. Continued vigilance and analysis of economic indicators will be essential in navigating the evolving landscape.

ID: The Ministry of Agriculture forecasts that the national rice harvest in March-April 2024 will reach 8.46mn tons, based on Statistics Indonesia's (BPS) sampling frame, ensuring sufficient rice supply throughout Ramadan. Separately, the State Logistics Agency, Bulog, revealed that approximately 300k tons of rice imports from Thailand and Pakistan are expected to arrive before Ramadan. The imports will increase rice stocks in Bulog's warehouses, which currently stand at 1.3 million tons, as reported by Tempo. Rice prices rose by over 20% YoY in February, ahead of the fasting month, and were the primary contributor to the headline inflation uptick in February (2.8% YoY from 2.6% in Jan23), according to BPS.

MY: The seasonally adjusted S&P Global Manufacturing PMI rose to 49.5 in February from 49.0 in January, marking the highest level in 18 months but still falling short of expansion (above 50). The improvement reflects tentative signs of demand improvement midway through the first quarter of 2024, amid slower moderations in both output and new orders. In addition, broad stabilization in backlogs of work indicates capacity pressures were starting to build, according to the survey. Furthermore, the rate of input cost inflation rose for the first time in three months, but output charges only rose fractionally amid an attempt to stimulate sales.

PH: Headline inflation for February 2024 is expected to "settle within the range of 2.8%-3.6%", according to Bangko Sentral ng Pilipinas (BSP). BSP shared that the primary sources of upward price pressures in February will come from higher prices of petroleum, utilities, and some key food items (i.e., rice, meat and fish). Meanwhile, lower prices in vegetables, fruits and sugar are expected to contribute to downward price pressures. Moving forward, the BSP reiterates that it "will continue to monitor developments affecting the outlook for inflation and growth in line with its data-dependent approach to monetary policy decision-making".

TH: The business sentiment index (BSI) rose to 48.8 in February from 48.0 in January. The increase in BSI was due to higher sentiment in 'production', 'employment', and 'performance' sub-indices. By sector, "the BSI rose mostly in the manufacturing sector, while the non-manufacturing index remained closed to the previous month", as reported by Bank of Thailand (BOT). Admittedly, business confidence remains fragile: the three-month expected BSI edged lower to 53.5 in February from 53.9 in January. Separately, PM Srettha Thavisin announced a plan to raise the capacity of Thailand's main international airport (Suvarnabhumi Airport) by 150%. This upgrade will allow the airport to accommodate 150 million passengers per year.

Oil: The WTI contract for April rose by 2.2% on Friday to close higher at USD80.0/bbl. Meanwhile, the Brent futures for May rose by 2.1% to close higher at USD83.9/bbl (the Brent futures for April expire on 29 February). OPEC+ member countries announced an extension to its additional oil supply cuts (additional voluntary cuts of 2.2mbpd for 2Q24) to the middle of the year. We expect these events to support oil prices during early Asian trading hours. Meanwhile, Houthi rebel groups in Yemen announced they will introduce "surprises" in its military operations in the Red Sea area, as reported by Reuters.

ESG Updates

SG: Petroleum Sarawak Bhd (Petros), Petronas subsidiary CCS Ventures Sdn Bhd, and three Japanese consortium parties signed a CO2 storage site agreement for the depleted M3 gas field offshore Sarawak. This paves the way for feasibility studies of the carbon storage sites, as well as the planning of CO2 storage site development.

CN: Indonesia is planning to develop cattle livestock in Kalimantan, Sulawesi, as part of efforts to reduce beef imports and targets for beef self-sufficiency by 2026. During President Joko Widodo's administration, the Ministry of Agriculture has issued policies to increase births, improve feed quality, and control disease in cattle.

Credit Market Updates

Market Commentary: The SGD SORA curve traded flat last Friday, with short tenors, belly tenors and 10Y all trading flat. According to Bloomberg, Sino-Ocean Group Holding Ltd. is seeking to prolong payment by exchanging two onshore bonds into new ones, as the defaulted Chinese developer continues to struggle with their lack of cash. The state-linked builder's onshore subsidiary, Sino-Ocean Holding Group (China) Limited, has been reaching out to bondholders to estimate their interest. The notes under discussion are a CNY3bn private bond, which the builder has failed to repay by the January 2024 maturity, and another CNY2bn private debt due in March 2025. Last Friday, Bloomberg Asia USD Investment Grade spreads widened by 2bps to 93bps while the Asia USD High Yield spreads tightened by 2bps to 598bps, per Bloomberg.

New Issues:

- There were no notable bond issuances in the Singdollar market yesterday.
- There was one notable bond issuance in the Asiadollar market yesterday. Bank of Communications Co., Ltd of Hong Kong priced a USD100mn 3Y senior unsecured FRN with final pricing of SOFR+63bps.

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.861	-0.28%	USD-SGD	1.3439	-0.13%
USD-JPY	150.120	0.09%	EUR-SGD	1.4568	0.19%
EUR-USD	1.084	0.30%	JPY-SGD	0.8950	-0.25%
AUD-USD	0.653	0.46%	GBP-SGD	1.7007	0.11%
GBP-USD	1.266	0.24%	AUD-SGD	0.8772	0.32%
USD-MYR	4.746	0.07%	NZD-SGD	0.8206	0.18%
USD-CNY	7.197	0.11%	CHF-SGD	1.5214	0.01%
USD-IDR	15700	-0.10%	SGD-MYR	3.5246	-0.09%
USD-VND	24637	-0.04%	SGD-CNY	5.3550	0.24%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8170	-1.24%	1M	5.3226	0.05%
3M	3.9380	0.03%	2M	5.3282	0.02%
6M	3.9120	0.10%	3M	5.3219	0.02%
12M	3.7440	-0.13%	6M	5.2370	0.05%
			1Y	5.0050	0.16%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.054	-0.014	5.318
05/01/2024	-0.271	-0.068	5.263
06/12/2024	-0.934	-0.233	5.098
07/31/2024	-1.554	-0.389	4.943
09/18/2024	-2.322	-0.580	4.751
11/07/2024	-2.901	-0.725	4.606
12/18/2024	-3.599	-0.900	4.431
01/29/2025	-4.174	-1.044	4.288
0	0.000	0.000	0.000

Equity and Commodity

Index	Value	Net change
DJIA	39,087.38	90.99
S&P	5,137.08	40.81
Nasdaq	16,274.94	183.02
Nikkei 225	39,910.82	744.63
STI	3,135.76	-6.09
KLCI	1,538.02	-13.42
JCI	7,311.91	-4.20
Baltic Dry	2,203.00	92.00
VIX	13.11	-0.29

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (+0.01)	4.55(--)
5Y	3.05 (+0.01)	4.16 (-0.09)
10Y	3.11 (+0.01)	4.2 (-0.07)
15Y	3.11 (+0.02)	--
20Y	3.08 (+0.02)	--
30Y	3.01 (+0.03)	4.34 (-0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.97	2.19%	Corn (per bushel)	4.123	-0.8%
Brent (per barrel)	83.55	-0.08%	Soybean (per bushel)	11.430	1.3%
Heating Oil (per gallon)	270.42	0.76%	Wheat (per bushel)	5.600	-3.0%
Gasoline (per gallon)	261.44	13.46%	Crude Palm Oil (MYR/MT)	40.240	0.0%
Natural Gas (per MMBtu)	1.84	-1.34%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8503.50	0.12%	Gold (per oz)	2082.9	1.9%
Nickel (per mt)	17662.00	-1.31%	Silver (per oz)	23.1	2.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/04/2024 05:45	NZ Terms of Trade Index QoQ	4Q	-0.10%	-7.80%	-0.60%
03/04/2024 07:00	SK Industrial Production YoY	Jan	10.00%	12.90%	6.10%
03/04/2024 07:00	SK Industrial Production SA MoM	Jan	0.90%	-1.30%	0.60%
03/04/2024 07:00	SK Cyclical Leading Index Change	Jan	--	0	0.1
03/04/2024 07:50	JN Capital Spending YoY	4Q	2.80%	16.40%	3.40%
03/04/2024 07:50	JN Monetary Base YoY	Feb	--	2.40%	4.80%
03/04/2024 07:50	JN Capital Spending Ex Software YoY	4Q	1.50%	11.70%	1.70%
03/04/2024 08:00	AU Melbourne Institute Inflation MoM	Feb	--	-0.10%	0.30%
03/04/2024 08:00	AU Melbourne Institute Inflation YoY	Feb	--	4.00%	4.60%
03/04/2024 08:30	SK S&P Global South Korea PMI Mfg	Feb	--	--	51.2
03/04/2024 08:30	AU Building Approvals MoM	Jan	4.00%	--	-9.50%
03/04/2024 08:30	AU ANZ-Indeed Job Advertisements MoM	Feb	--	--	1.70%
03/04/2024 08:30	AU Company Operating Profit QoQ	4Q	1.10%	--	-1.30%
03/04/2024 08:30	AU Inventories SA QoQ	4Q	0.00%	--	1.20%
03/04/2024 17:30	EC Sentix Investor Confidence	Mar	-10.6	--	-12.9
03/04/2024 21:00	CA Bloomberg Nanos Confidence	Mar-01	--	--	52.6

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau
HerberthtWong@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
Cindyckung@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

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