

Daily Treasury Outlook

5 January 2024

Highlights

Global: US' ADP employment data saw a stronger-than-expected 164k addition from 101k previously, marking the most since August, while initial jobless claims also fell more-than-expected from a revised 220k to 202k in late December. The S&P500 fell another 0.34% overnight as the selloff for tech stocks extended (note Apple saw its second downgrade this week). Meanwhile, UST bonds continued to sell off, pushing the 10-year yield up 8bps to 4.0% as the probability pricing for a March Fed rate cut was pared back slightly. The Treasury's US\$80b 8-week bills (which matures before the March FOMC decision) fetched 5.285% versus the 4-week bills (which matures after the January FOMC decision) that came in at 5.29%. The Federal Bank of St Louis has appointed Alberto Musalem as president from, 2 April, replacing James Bullard.

Market watch: Asian markets may range trade today, taking a breather from the selling interest prevailing earlier this week as investors await the US employment report. Today's economic data calendar comprises of CPI from the Eurozone, Thailand, Philippines and Taiwan, Singapore retail sales (forecast: 4.8% YoY versus -0.1% previously), and US December nonfarm payrolls (forecast: 175k versus 199k previously), unemployment rate (forecast: 3.8% versus 3.7% previously) and average hourly earnings (forecast: 0.3% MoM versus 0.4% previously).

SG: COE premiums for the category A and B fell to S\$65,010 and S\$85,010 respectively, down from S\$85,000 and S\$110,001 previously, while the open category fell to S\$106,388 (lowest since February 2023). The STI declined 0.79% to close at 3,174.01 yesterday but may fare better today amid modest bargain hunting interest. SGS bonds gained yesterday, with yields lower by 2-8bps, and may range trade ahead of NFP report. The S\$6.1b 6-month T-bill auction fetched a cut-off yield of 3.74% (up 1bp from the last auction) and a bid-cover ratio of 2.09x.

Oil: WTI and Brent declined by ~0.8% on Thursday to close at USD72.2/bbl and USD77.6/bbl respectively. Prices edged lower after the Energy Information Administration (EIA) reported a substantial buildup in US gasoline and distillate inventories, which rose by 10.9mn bbls and 10.1mn bbls respectively. The buildup in gasoline and distillate inventories raised concerns around oil demand more than offsetting the larger-than-expected drawdown (declined by 5.5mn bbls to 431.1mn bbls) in US crude inventories last week.

Key Market Movements

Equity	Value	% chg
S&P 500	4688.7	-0.3%
DJIA	37440	0.0%
Nikkei 225	33288	-0.5%
SH Comp	2954.3	-0.4%
STI	3174.0	-0.8%
Hang Seng	16646	0.0%
KLCI	1477.3	1.0%
	Value	% chg
DXY	102.422	-0.1%
USDJPY	144.63	0.9%
EURUSD	1.0945	0.2%
GBPUSD	1.2682	0.1%
USDIDR	15490	0.1%
USDSGD	1.3293	0.0%
SGDMYR	3.4923	0.0%
	Value	chg (bp)
2Y UST	4.38	5.40
10Y UST	4.00	8.26
2Y SGS	3.27	-3.10
10Y SGS	2.76	-5.10
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	0.26
3M SOFR	5.36	0.08
	Value	% chg
Brent	77.59	-0.8%
WTI	72.19	-0.7%
Gold	2044	0.1%
Silver	23.01	0.1%
Palladium	1040	-2.7%
Copper	8467	-0.6%
BCOM	98.31	0.0%

Source: Bloomberg

Major Markets

CN: In a recent article, Finance Minister Lan Fuan emphasized the need for a proactive fiscal policy, highlighting the importance of maintaining an appropriate level of government spending. Minister Lan underscored the strategic use of fiscal revenues and the need to incorporate a certain degree of deficit in order to ensure an increase in total fiscal expenditure. This statement sparked renewed anticipation in the market regarding the direction of fiscal policy, particularly in the lead-up to the upcoming National People's Congress. There is a growing expectation that the government may opt for a higher budget deficit to bolster economic growth. The significance of fiscal policy as a driver of economic momentum this year is increasingly becoming evident. The market is keenly awaiting policy developments that could provide tailwinds for growth, with fiscal measures expected to play a pivotal role.

HK: Total retail sales grew by 15.9% YoY in November 2023 in value terms (+12.4% in volume terms), due to a more favourable base effect and a sustained recovery of inbound tourism. In sequential terms, total value and volume of retail sales edged up by 1.0% MoM and 0.4% respectively in November, despite having fewer public holidays during the month. On a separate note, Hong Kong's PMI rose to 51.3 in December, up from 50.1 in November, on the back of improvements in the 'output' and 'new orders' sub-indices. Private sector activities expanded for the second month in a row, although business sentiment turned more pessimistic at the end of 2023 amid concerns over the outlook.

MY: The Chief Statistician Mohd Uzir Mahidin opined that the country is likely to achieve its 4%-5% GDP growth target for 2023 (i.e., last year). He indicated that growth momentum in 4Q23 moved in the right direction. This positive trend was attributed to consumer spending sentiment, which typically reaches above-average levels in 4Q, a declining unemployment rate, as well as growth industrial production and trade. The economy expanded by 3.9% in 1Q-3Q23. The advance reading for the 4Q23 GDP will be published on January 19, 2024.

ID: The Central Jakarta General Elections Supervisory Agency (Bawaslu Jakarta Pusat) ruled on Thursday that Gibran Rakabuming Raka, the leading candidate's running mate in the upcoming presidential election, had committed a violation when he handed out free milk to people at a public "car-free day" last December. A 2016 Jakarta gubernatorial regulation stipulates that the car-free day event must not be utilized for the interests of political parties, race, ethnicity, religion, and group (sara) activities, and provocative speech, as reported by Tempo. Meanwhile, Bawaslu Central Jakarta recommends Bawaslu Jakarta to proceed with the finding. That said, any sanctions would be fall short of disqualifications, several local media reported.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with short tenors trading 4-5bps lower, belly tenors trading 4-5bps lower, and the 10Y trading 4bps lower. According to Bloomberg, Dalian Wanda Group announced to holders of its extended maturity DALWAN 7.25% '24s dollar bond that it has sufficient cash for the first installment payment due today. The payment is 10% in principal of the note with 20% due in May, 30% in September and 40% in December. In Korea, credit market contagion concerns have resurfaced with uncertainty surrounding the debt restructuring plans of construction company Taeyoung Engineering & Construction. The governor of Korea's Financial Supervisory Service expects the company to submit a restructuring plan this week with credit responses due by 11 January. Contagion concerns have previously impacted Korea's credit market in July 2023 and November 2022. Yesterday, Bloomberg Asia USD Investment Grade spreads remained at 105bps while the Asia USD High Yield spreads tightened 6 bps to 709bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
04 Jan	Golden Dragon Mountain Trading BVI Co Ltd (Guarantor: Jinan Zhangqiu Holding Group Co Ltd; SBLC Provider: Shanghai Pudong Development Bank Co Ltd/Hong Kong)	Fixed	USD	119	11-month	5.91%	6.20%

Mandates:

- There are no mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.422	-0.07%	USD-SGD	1.3293	0.05%
USD-JPY	144.630	0.94%	EUR-SGD	1.4549	0.25%
EUR-USD	1.095	0.21%	JPY-SGD	0.9191	-0.88%
AUD-USD	0.671	-0.37%	GBP-SGD	1.6859	0.18%
GBP-USD	1.268	0.13%	AUD-SGD	0.8916	-0.31%
USD-MYR	4.635	0.05%	NZD-SGD	0.8288	-0.14%
USD-CNY	7.161	0.16%	CHF-SGD	1.5635	-0.08%
USD-IDR	15490	0.06%	SGD-MYR	3.4923	0.03%
USD-VND	24373	0.02%	SGD-CNY	5.3860	0.14%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8650	0.23%	1M	5.3400	0.02%
3M	3.9290	0.61%	2M	5.3507	0.07%
6M	3.8820	0.54%	3M	5.3303	0.01%
12M	3.5450	0.37%	6M	5.1948	-0.03%
			1Y	4.8604	-0.07%

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	37,440.34	10.15
S&P	4,688.68	-16.13
Nasdaq	14,510.30	-81.91
Nikkei 225	33,288.29	33288.29
STI	3,174.01	-25.43
KLCI	1,477.26	14.89
JCI	7,359.76	80.67
Baltic Dry	2,091.00	-2.00
VIX	14.13	0.09

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.27 (-0.03)	4.38(--)
5Y	2.68 (-0.08)	3.98 (+0.08)
10Y	2.76 (-0.05)	4 (+0.08)
15Y	2.8 (-0.05)	--
20Y	2.81 (-0.03)	--
30Y	2.76 (-0.04)	4.15 (+0.08)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.39
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.19	-0.70%	Corn (per bushel)	4.665	0.3%
Brent (per barrel)	77.59	-0.84%	Soybean (per bushel)	12.620	-0.6%
Heating Oil (per gallon)	258.84	-0.61%	Wheat (per bushel)	6.135	2.2%
Gasoline (per gallon)	211.01	-2.22%	Crude Palm Oil (MYR/MT)	36.840	0.9%
Natural Gas (per MMBtu)	2.82	5.73%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8466.50	-0.59%	Gold (per oz)	2043.7	0.1%
Nickel (per mt)	16064.00	-2.10%	Silver (per oz)	23.0	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/05/2024 07:50 JN	Monetary Base YoY	Dec	--	7.80%	8.90%	--
01/05/2024 09:00 PH	CPI YoY 2018=100	Dec	4.00%	--	4.10%	--
01/05/2024 11:30 TH	CPI YoY	Dec	-0.35%	--	-0.44%	--
01/05/2024 13:00 SI	Retail Sales YoY	Nov	2.20%	--	-0.10%	--
01/05/2024 15:30 TH	Foreign Reserves	Dec-29	--	--	\$222.5b	--
01/05/2024 16:00 TA	CPI YoY	Dec	2.60%	--	2.90%	--
01/05/2024 17:30 UK	S&P Global UK Construction PMI	Dec	46.1	--	45.5	--
01/05/2024 18:00 EC	CPI MoM	Dec P	0.20%	--	-0.60%	--
01/05/2024 18:00 EC	CPI Estimate YoY	Dec	3.00%	--	2.40%	--
01/05/2024 21:30 US	Change in Nonfarm Payrolls	Dec	175k	--	199k	--
01/05/2024 21:30 CA	Unemployment Rate	Dec	5.90%	--	5.80%	--
01/05/2024 21:30 US	Unemployment Rate	Dec	3.80%	--	3.70%	--
01/05/2024 21:30 CA	Net Change in Employment	Dec	15.0k	--	24.9k	--
01/05/2024 23:00 US	Durable Goods Orders	Nov F	5.40%	--	5.40%	--
01/05/2024 23:00 US	Factory Orders	Nov	2.40%	--	-3.60%	--
01/05/2024 23:00 US	ISM Services Index	Dec	52.5	--	52.7	--

Source: Bloomberg

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