

Daily Treasury Outlook

6 March 2024

Highlights

Global: US stocks ended lower due to a decline in tech stocks. The market was also affected by China's economic plan for 2024, which failed to boost global sentiment. Additionally, US data released yesterday showed a slight softening. The US ISM non-manufacturing PMI slipped to 52.6 in February, down from 53.4 in January, falling below market expectations of 53. However, there was a positive note as new orders rose to 56.1, reaching the highest level since last August. Unfortunately, the strong domestic demand was offset by softer employment and external demand. The employment component fell by 2.5, entering contractionary territory at 48. Furthermore, new export orders notably fell by 4.5 to 51.6. In other news, US factory orders also fell more than expected, declining by 3.6% in January.

Market Watch: Markets will watch for Australia's 4Q GDP growth, US ADP employment data as well as Bank of Canada's rate decision. In addition, China's central bank will also host its press conference today.

SG: Headline retail sales picked up in January to grow 1.3% YoY against a 0.4% decline in December. However, the sequential measure saw retail sales decline -0.7% MoM so to reverse a 0.1% rise prior, whilst retail sales ex-auto declined at a slower pace by -2.1% YoY from -2.7% in December. By categories, motor vehicle sales leaped 37.3% YoY from 23.8% prior, largely due to higher quotas for Certificate of Entitlements (COE). Food and alcohol retailers saw sales grow by 8.5% YoY (Dec: 4.5%) while recreational goods fell -4.9% YoY (Dec: -11.7%). Further tourism recovery will likely be a tailwind for retail sales as expansions to flight capacity, concerts and a Singapore-China 30-day mutual visa scheme starting 9 February may uplift F&B sales and shopping. On markets, STI shed a further 0.5% to close at 3,107.1, posting a third consecutive day of losses.

CN: The official growth target has been set at "around 5%" for 2024, a figure largely aligning with market expectations. However, this target appears more ambitious compared to the similar "around 5%" target set for 2023, primarily due to a stronger base effect this year. Assessing the two-year average basis, the 2023 "around 5%" target implies a 4.1% two-year average growth, whereas the 2024 "around 5%" target implies a 5.1% two-year average growth, necessitating increased policy support compared to the previous year. Achieving this target hinges on several factors, including the need for the economy to enter a sustainable phase of restocking and a narrowing decline in real estate investment. However, current indicators such as the Purchasing Managers' Index (PMI) suggest a lack of concrete evidence regarding restocking, alongside persistently weak property transactions. Consequently, a more assertive approach to monetary and fiscal policy support is imperative.

Key Market Movements

Equity	Value	% chg
S&P 500	5078.7	-1.0%
DJIA	38585	-1.0%
Nikkei 225	40098	0.0%
SH Comp	3047.8	0.3%
STI	3107.1	-0.5%
Hang Seng	16163	-2.6%
KLCI	1537.0	-0.1%

	Value	% chg
DXY	103.798	0.0%
USDJPY	150.05	-0.3%
EURUSD	1.0857	0.0%
GBPUSD	1.2705	0.1%
USDIDR	15769	0.2%
USDSGD	1.3428	0.0%
SGDMYR	3.5231	0.2%

	Value	chg (bp)
2Y UST	4.56	-4.38
10Y UST	4.15	-6.06
2Y SGS	3.38	0.40
10Y SGS	3.06	-0.98
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.65	-0.10
3M SOFR	5.35	-0.02

	Value	% chg
Brent	82.04	-0.9%
WTI	78.15	-0.7%
Gold	2128	0.6%
Silver	23.67	-0.9%
Palladium	950	-1.5%
Copper	8492	-0.6%
BCOM	97.30	-0.4%

Source: Bloomberg

Major Markets

CN: Fiscal deficit target as a percentage of GDP was maintained at 3%, unchanged from previous years, signalling a commitment to fiscal discipline amidst debt constraints. Market expectations regarding the fiscal deficit target have gradually adjusted downward in recent months, from approximately 3.5% to 3%. The decision to keep the target unchanged suggests that China is unlikely to pursue aggressive stimulus measures. However, the absolute size of the fiscal deficit target has increased by 180 billion yuan to 4.06 trillion, surpassing 4 trillion for the first time in history. Based on this target and the 3% deficit-to-GDP ratio, the implied nominal GDP size would be around 135 trillion yuan. This implies China's aspiration for nominal GDP growth to reach approximately 7.4%, a significant acceleration from the 4.6% growth observed in 2023, indicating its intent to reflate the economy.

ID: Bank Indonesia Governor Perry Warjiyo is confident that Indonesia's economic growth will exceed 5.1 percent in 2024, as there is an increasing likelihood that the general election will be completed in a single round. Governor Perry expects growth to be between 4.7% and 5.5% in 2024, and in the range of 4.8% to 5.6% in 2025. Indonesia's economy grew 5.1% in 2023. Meanwhile, presumed President-elect Prabowo Subianto has set an ambitious growth target of 8% in the next five years, higher than outgoing President Joko Widodo's 7% growth target. Prabowo is set to be inaugurated as Indonesia's 8th president on October 20, assuming current results hold.

MY: Prime Minister Anwar Ibrahim revealed that major Australian companies have shown interest in investing a total of MYR24.5bn in Malaysia. This includes expansion of existing investments and potential investments from companies such as AirTrunk and NextDC, who plan to spend MYR11bn and MYR3bn, respectively. Lynas, Fortescue, Macquarie Group, and Arnott's Group are also potential investors. These investments are expected to create job opportunities for approximately 1,200 skilled workers in Malaysia, the PM added.

TH: Headline inflation remained negative for a fifth consecutive month at -0.8% YoY in February, compared to -1.1% in January. Meanwhile, core inflation eased modestly to 0.4% YoY in February (January: 0.5%). The main drivers of the print were the 'food & non-alcoholic beverages', 'apparel & footwears', 'housing & furnishing', 'transport & communication' components. Headline inflation will likely remain negative in March before turning positive in May, according to the Ministry of Commerce. Following the release of January activity data and two consecutive negative headline prints in January and February, the government has ramped up pressure on the BOT to cut its policy rate. The government, for its part, is expediting the legislative approvals for FY23-24 and lend support to growth from 2Q24. We, however, believe that BOT is in no rush to lower its policy rate. BOT will need more data to assess underlying domestic demand conditions before pulling the trigger on monetary policy setting. Our forecast there remains for BOT to cut its policy rate by a shallow 50bp in 2024, starting in June.

PH: Headline CPI picked up more-than-expected to 3.4% YoY (Consensus: 3.0%; OCBC: 3.2%) in February versus 2.8% in January. The drivers of the headline inflation print were food, alcohol, utilities and transport. Core inflation eased to 3.6% YoY versus 3.8% in January. Despite the pickup in headline CPI, it remains within BSP's 2-4% inflation target range. BSP will remain vigilant of inflationary pressures as prices of key food items remain elevated compared to historical levels. To that end, we do not believe that BSP will be in any hurry to ease its policy rate. We expect a cumulative 100bp in rate cuts in 2024, starting in late 2Q24 based on our house view of rate cuts from the US Federal Reserve. This will allow the BSP a longer runway to assess the disinflation trend, assuming external conditions remain supported.

Oil: WTI and Brent declined by 0.7% and 0.9% on Tuesday to close at USD78.2/bbl and 82.0/bbl respectively. Both oil benchmarks declined amid the dampening of appetite for risk assets in the broader financial markets. Separately, the American Petroleum Institute (API) reported a buildup of 0.4mn bbls in US crude inventories for the week ending 01 March. Energy Information Administration (EIA) crude oil inventories data will be released on 06 March and could mirror the buildup in US crude inventories (consensus: 1.7mn bbls).

ESG Updates

SG: In view of upcoming regulations that mandate climate-related disclosures for some Singapore-incorporated companies, a new sustainability reporting grant and programme was announced by EDB and EnterpriseSG. For large companies, the grant defrays up to 30% of qualifying costs, capped at the lower of S\$150,000 per company or 30% of the qualifying costs in the preparation of their first sustainability report. For SMEs, a programme will be launched late this year to help them develop their first sustainability reports. EnterpriseSG will defray 70% of eligible costs for SMEs participating in the first year of the programme, and 50% of costs for the next two years.

EU: EU countries are divided on nuclear energy policy, with some countries like France promoting the technology and other countries led by Austria and Germany that are pushing to prioritise renewable energy sources instead. This has been disruptive to EU policymaking as countries could not reach a consensus on whether they should promote nuclear energy to achieve their emissions targets.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-2bps lower, belly tenors trading 3bps lower and 10Y trading 2bps lower. Bloomberg reported that some of China's insurers are raising caution over the debt risks of China Vanke Co. Ltd ("Vanke"). The share and bond prices of Vanke came under pressure on news of an extension request on private debt. On 5 March 2024, in a response to Bloomberg, Vanke shared that it has prepared funds to repay its USD bond (VNRLE 5.35% '24s) that is due next week. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 2bps to 95bps while the Asia USD High Yield spreads widened by 4bps to 594bps, per Bloomberg.

New Issues:

- There were three notable bond issuances in the Singdollar market yesterday. Housing & Development Board (HDBSP) priced a SGD700mn 7Y senior unsecured bond with final pricing of 3.151%. HSBC Holdings PLC priced a SGD750mn 10.5NC5.5 Tier 2 bank capital instrument with final pricing of 4.75%. The other transaction was from Athene Global Funding.
- There was one notable bond issuance in the Asiadollar market yesterday. Export-Import Bank of India/London priced a USD100mn 5Y FRN with final pricing of SOFR+115bps.

Mandates:

- Bank of East Asia is planning to issue USD 3NC2 Reg S Loss Absorbing Notes.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.798	-0.03%	USD-SGD	1.3428	-0.04%
USD-JPY	150.050	-0.32%	EUR-SGD	1.4578	-0.04%
EUR-USD	1.086	0.01%	JPY-SGD	0.8949	0.28%
AUD-USD	0.650	-0.11%	GBP-SGD	1.7060	0.06%
GBP-USD	1.271	0.10%	AUD-SGD	0.8733	-0.14%
USD-MYR	4.735	0.27%	NZD-SGD	0.8173	-0.18%
USD-CNY	7.197	-0.03%	CHF-SGD	1.5199	0.12%
USD-IDR	15769	0.18%	SGD-MYR	3.5231	0.21%
USD-VND	24693	0.07%	SGD-CNY	5.3589	0.00%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8390	0.58%	1M	5.3210	-0.02%
3M	3.9320	-0.15%	2M	5.3270	-0.03%
6M	3.9150	0.08%	3M	5.3245	-0.02%
12M	3.7320	-0.32%	6M	5.2439	-0.03%
			1Y	5.0100	-0.13%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.023	-0.006	5.323
05/01/2024	-0.230	-0.057	5.271
06/12/2024	-0.848	-0.212	5.116
07/31/2024	-1.423	-0.356	4.972
09/18/2024	-2.213	-0.553	4.775
11/07/2024	-2.777	-0.694	4.634
12/18/2024	-3.496	-0.874	4.454
01/29/2025	-4.073	-1.018	4.310
0	0.000	0.000	0.000

Equity and Commodity

Index	Value	Net change
DJIA	38,585.19	-404.64
S&P	5,078.65	-52.30
Nasdaq	15,939.59	-267.92
Nikkei 225	40,097.63	-11.60
STI	3,107.10	-15.11
KLCI	1,536.98	-2.29
JCI	7,247.46	-29.29
Baltic Dry	2,297.00	94.00
VIX	14.46	0.97

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.38 (--)	4.56 (--)
5Y	3.01 (-0.01)	4.14 (-0.06)
10Y	3.06 (-0.01)	4.15 (-0.06)
15Y	3.07 (-0.01)	--
20Y	3.04 (--)	--
30Y	3 (--)	4.29 (-0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.15	-0.75%	Corn (per bushel)	4.135	-1.0%
Brent (per barrel)	82.04	-0.92%	Soybean (per bushel)	11.408	-0.5%
Heating Oil (per gallon)	260.65	-1.54%	Wheat (per bushel)	5.458	-3.1%
Gasoline (per gallon)	253.28	-2.05%	Crude Palm Oil (MYR/MT)	40.490	0.8%
Natural Gas (per MMBtu)	1.96	2.14%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8491.50	-0.60%	Gold (per oz)	2128.0	0.6%
Nickel (per mt)	17759.00	-1.04%	Silver (per oz)	23.7	-0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/06/2024 05:00	SK Foreign Reserves	Feb	--	\$415.73b	\$415.76b
03/06/2024 05:45	NZ Volume of All Buildings SA QoQ	4Q	-1.80%	-0.10%	-2.40%
03/06/2024 07:00	SK CPI YoY	Feb	3.00%	3.10%	2.80%
03/06/2024 07:00	SK CPI MoM	Feb	0.50%	0.50%	0.40%
03/06/2024 08:30	AU GDP SA QoQ	4Q	0.20%	--	0.20%
03/06/2024 08:30	AU GDP YoY	4Q	1.50%	--	2.10%
03/06/2024 16:00	SI Automobile COE Open Bid Cat A	Mar-06	--	--	76801
03/06/2024 16:00	SI Automobile COE Open Bid Cat B	Mar-06	--	--	97000
03/06/2024 16:00	SI Automobile COE Open Bid Cat E	Mar-06	--	--	94006
03/06/2024 17:30	UK S&P Global UK Construction PMI	Feb	49	--	48.8
03/06/2024 18:00	EC Retail Sales MoM	Jan	0.20%	--	-1.10%
03/06/2024 20:00	US MBA Mortgage Applications	Mar-01	--	--	-5.60%
03/06/2024 21:15	US ADP Employment Change	Feb	150k	--	107k
03/06/2024 22:45	CA Bank of Canada Rate Decision	Mar-06	5.00%	--	5.00%
03/06/2024 23:00	US Wholesale Inventories MoM	Jan F	-0.10%	--	-0.10%

Source: Bloomberg

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