

## Daily Treasury Outlook

7 March 2024

### Highlights

**Global:** US stocks closed higher on Wednesday (S&P 500: +0.5%, Nasdaq: +0.6%, Dow: +0.2%) following a more than 1% drop on Tuesday. Sentiment was partly supported by US Fed Chair Powell's semi-annual monetary policy testimony to Congress, which noted that rate reductions will "likely be appropriate" later this year "if the economy evolves broadly as expected." However, Powell added that the central bank will require more confidence in a steady decline of inflation. Powell emphasized that the central bank will not rush to cut rates citing a strong economy and reiterating that it will be data-dependent going forward. Fed funds futures continue to price in a cumulative ~88bp rate cut for this year. On the data front, the ADP private payrolls data rose to 140k in February from a revised 111k in January. This data comes ahead of Friday's non-farm payrolls report, which is expected to show an easing to 200k in February from 353k in January, with an unchanged unemployment rate of 3.7%.

**Market Watch:** Asian markets are expected to open on a positive note this morning, following a broad risk-on sentiment on Wednesday. Key data for today includes trade figures from China and Australia, as well as an interest rate decision from Malaysia. We expect Bank Negara Malaysia (BNM) to keep its overnight policy rate (OPR) unchanged at 3.00%.

**SG:** COE premiums rose for Categories A and E to S\$83,000 and S\$95,010, but Category B fell slightly to S\$96,010. STI ended its 3-day losing streak by gaining 0.9% to end at 3,136.1 at market close.

**Oil:** WTI and Brent rose by 1.3% and 1.1% on Wednesday to close at USD79.1/bbl and 83.0/bbl respectively. Both oil benchmarks edged higher on Fed Chair Powell's testimony. Powell maintained the view that monetary policy easing will take place this year, though policymakers would require more confidence in the disinflation trend. Consequently, the DXY index dipped to a one month low, supporting oil prices. The upside was further supported by a smaller-than-expected buildup in US crude inventories which rose by 1.4mn bbls to 448.5mn bbls last week (consensus: 1.7mn bbls) as well as a larger-than-expected withdrawal of gasoline and distillate inventories, which declined by 4.5mn bbls and 4.1mn bbls respectively.

### Key Market Movements

Equity	Value	% chg
S&P 500	5104.8	0.5%
DJIA	38661	0.2%
Nikkei 225	40091	0.0%
SH Comp	3039.9	-0.3%
STI	3136.1	0.9%
Hang Seng	16438	1.7%
KLCI	1531.5	-0.4%

	Value	% chg
DXY	103.369	-0.4%
USDJPY	149.38	-0.4%
EURUSD	1.0899	0.4%
GBPUSD	1.2731	0.2%
USDIDR	15700	-0.4%
USDSGD	1.3388	-0.3%
SGDMYR	3.5290	0.2%

	Value	chg (bp)
2Y UST	4.55	-0.43
10Y UST	4.10	-5.05
2Y SGS	3.38	-0.10
10Y SGS	3.04	-2.65
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.65	-0.13
3M SOFR	5.35	-0.01

	Value	% chg
Brent	82.96	1.1%
WTI	79.13	1.3%
Gold	2148	0.9%
Silver	24.17	2.1%
Palladium	1047	10.2%
Copper	8492	0.0%
BCOM	97.87	0.6%

Source: Bloomberg

## Major Markets

**CN:** During a joint press conference held by China's key economic planners yesterday, Zheng Zhajie, the director of the National Development and Reform Commission, affirmed that this year's economic growth target of around 5% is attainable through concerted efforts. He underscored the significance of large-scale equipment upgrades and trade-in programs for consumer goods, highlighting the potential of equipment upgrades to generate a substantial market exceeding 5 trillion yuan annually. Furthermore, PBoC Governor Pan Gongsheng reiterated the availability of room to reduce the reserve requirement ratio. His remarks exerted downward pressure on bond yields across the curve. In light of these developments, it is evident that China is poised to introduce additional measures to bolster its target of achieving around 5% economic growth.

**ID:** President Jokowi led the Indonesian delegates at the ASEAN-Australia Special Summit in Melbourne, celebrating 75 years of diplomatic relations between Indonesia and Australia. They emphasized strategic cooperation in the Indo-Pacific region, signing agreements including one on electric vehicle collaboration and expanding market access, particularly for beef and cattle imports from Australia. Jokowi highlighted the significance of people-to-people connections, encouraging more Australian students to explore Indonesia, not just as a tourist destination but also for studying Indonesian culture and language under the new Colombo Plan scheme.

**MY:** Bank Negara Malaysia projects that the economy will grow between 4-5% in 2024, citing resilience in the external sector, including a current-account surplus, manageable external debt, net external asset position, and adequate international reserves, as reported by The Edge citing BNM Governor Abdul Rasheed. Additionally, the Governor added that the global economic improvement and the tech upcycle are expected to benefit Malaysia's exports, particularly in semiconductors. The central bank is expected to maintain its interest rate at 3.00% in today's monetary policy decision.

**TH:** PM Srettha Thavisin will be making his first official visit to Europe today (07 March). He will be making visits to both France and Germany where he plans to discuss the EU-Thailand FTA and investment incentives. Government Spokesman Chai Wacharonke shared that the official visit will include discussions on "the exemption of Schengen visa for Thai passport holders and cooperation with France and Germany on sustainable economic development, clean energy and environmental issues", as reported by Bloomberg.

**PH:** Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona, at the sideline of a forum, signalled that the policy rate will be kept unchanged for an extended period of time. Governor Remolona shared that they are "still not comfortable with where the inflation rate is" and wants the inflation rate to be established within BSP's 2-4% target range. BSP will hold its next meeting on 04 April. Separately, the BSP may pilot its wholesale Central Bank Digital Currency project this year.

## ESG Updates

**CN:** China has set more stringent energy intensity targets for 2024 and aims to cut energy intensity by 2.5% in 2024, higher than 2023's missed 2% goal. The National Development and Reform Commission reported that the goal was missed due to high energy consumption from industries and households. To achieve the targets, China would need to cut energy intensity by 6% and carbon intensity by 7% in both 2024 and 2025.

**EU:** Malaysia's biodiesel production could rise to 1.8 million metric tonnes in 2024 if the government expands its B20 programme to more areas in the country. The B20 programme mandates diesel for transportation to be blended with 20% palm-based biodiesel, with most areas currently implementing the 10% blending as part of the B10 programme.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 1bps lower, belly tenors trading 1-2bps lower and 10Y trading 2bps lower. China Vanke Co Ltd announced that it has prepared funds to repay a dollar bond due 11 March. Chinese education firm XJ International Holdings Co. defaulted on USD315.1mn of convertible bonds. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 1bps to 95bps while the Asia USD High Yield spreads widened by 5bps to 598bps.

### New Issues:

- There were no bond issuances in the Singdollar market yesterday.
- In the Asiadollar market yesterday, Bank of East Asia Ltd priced a USD500mn 3NC2 non-preferred at T+230bps.

### Mandates:

- Cimic Group Ltd is planning to issue a new USD Benchmark 10Y fixed bond, with fixed income investor meetings starting 7 March.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.369	-0.41%	USD-SGD	1.3388	-0.30%
USD-JPY	149.380	-0.45%	EUR-SGD	1.4592	0.10%
EUR-USD	1.090	0.39%	JPY-SGD	0.8960	0.12%
AUD-USD	0.656	0.94%	GBP-SGD	1.7046	-0.08%
GBP-USD	1.273	0.20%	AUD-SGD	0.8789	0.64%
USD-MYR	4.732	-0.06%	NZD-SGD	0.8206	0.40%
USD-CNY	7.198	0.01%	CHF-SGD	1.5178	-0.14%
USD-IDR	15700	-0.44%	SGD-MYR	3.5290	0.17%
USD-VND	24680	-0.05%	SGD-CNY	5.3779	0.35%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8680	0.76%	1M	5.3187	0.01%
3M	3.9260	-0.15%	2M	5.3233	-0.02%
6M	3.9210	0.15%	3M	5.3246	0.00%
12M	3.7510	0.51%	6M	5.2412	-0.07%
			1Y	5.0085	-0.10%

## 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	-0.199	-0.050	5.281
06/12/2024	-0.846	-0.212	5.120
07/31/2024	-1.414	-0.354	4.977
09/18/2024	-2.204	-0.551	4.780
11/07/2024	-2.755	-0.689	4.642
12/18/2024	-3.484	-0.871	4.460
01/29/2025	-4.064	-1.016	4.315
0	0.000	0.000	0.000

## Equity and Commodity

Index	Value	Net change
DJIA	38,661.05	75.86
S&P	5,104.76	26.11
Nasdaq	16,031.54	91.95
Nikkei 225	40,090.78	-6.85
STI	3,136.14	29.04
KLCI	1,531.51	-5.47
JCI	7,329.80	82.34
Baltic Dry	2,291.00	-6.00
VIX	14.50	0.04

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.38 (--)	4.55 (--)
5Y	2.99 (-0.01)	4.12 (-0.03)
10Y	3.04 (-0.03)	4.1 (-0.05)
15Y	3.04 (-0.03)	--
20Y	3.02 (-0.02)	--
30Y	2.98 (-0.02)	4.24 (-0.05)

## 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)	79.13	1.25%	Corn (per bushel)	4.180	1.1%
Brent (per barrel)	82.96	1.12%	Soybean (per bushel)	11.403	0.0%
Heating Oil (per gallon)	266.33	2.18%	Wheat (per bushel)	5.213	-4.5%
Gasoline (per gallon)	255.39	0.83%	Crude Palm Oil (MYR/MT)	41.420	2.3%
Natural Gas (per MMBtu)	1.93	-1.43%	Rubber (JPY/KG)	298.500	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8491.50	-0.60%	Gold (per oz)	2148.2	0.9%
Nickel (per mt)	17759.00	-1.04%	Silver (per oz)	24.2	2.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/07/2024 08:30 AU	Investor Loan Value MoM	Jan	--	-1.30%	--
03/07/2024 08:30 AU	Trade Balance	Jan	A\$11500m	A\$10959m	--
03/07/2024 09:00 CH	Exports YTD YoY CNY	Feb	--	--	--
04/07/2024 09:00 CH	Trade Balance YTD CNY	Feb	--	--	--
05/07/2024 09:00 CH	Foreign Reserves	Feb	\$3217.00b	\$3219.32b	--
03/07/2024 11:00 ID	Foreign Reserves	Feb	--	\$145.10b	--
03/07/2024 15:00 MA	BNM Overnight Policy Rate	Mar-07	3.00%	3.00%	--
03/07/2024 15:00 GE	Factory Orders MoM	Jan	-6.00%	8.90%	--
03/07/2024 16:00 TA	CPI YoY	Feb	2.60%	1.79%	--
03/07/2024 21:15 EC	ECB Main Refinancing Rate	Mar-07	4.50%	4.50%	--
03/07/2024 21:15 EC	ECB Deposit Facility Rate	Mar-07	4.00%	4.00%	--
03/07/2024 21:15 EC	ECB Marginal Lending Facility	Mar-07	4.75%	4.75%	--
03/07/2024 21:30 US	Initial Jobless Claims	Mar-02	216k	215k	--
03/07/2024 21:30 US	Trade Balance	Jan	-\$63.5b	-\$62.2b	--
03/07/2024 21:30 US	Continuing Claims	Feb-24	1880k	1905k	--
03/07/2024 21:30 CA	Building Permits MoM	Jan	4.50%	-14.00%	--

Source: Bloomberg

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