

Daily Treasury Outlook

8 January 2024

Highlights

Global: Healthy US nonfarm payrolls for December suggested the US labour market still had legs to run. Nonfarm payrolls rose more-than-expected by 216k, the most in three months, albeit the net two-month revision was -71k. The unemployment rate was surprisingly unchanged at 3.7% (Consensus: 3.8%), while the average hourly earnings grew 0.4% MoM (4.1% YoY) in December. US factory orders also rebounded 2.6% MoM SA in November, but though services ISM retreated from 52.7 to 50.6 as new orders pared back to 52.8. The S&P500 edged up 0.18% on Friday, while the 10-year UST bond yield rose 5bps to 4.05%. Meanwhile, Fed's Logan (non-voter) opined that the central bank should slow its balance sheet runoff pace. Elsewhere, China announced new sanctions on five US defence companies.

Market watch: Asian markets may see a soft start to the week while waiting for foreign reserves data from Indonesia, Malaysia and S'pore, Germany's factory orders and trade balance, Eurozone's Sentix index, retail sales and economic confidence. Fed's Boston is also speaking today. For the week ahead, watch for China's key data releases (comprising loans and financing data on Tuesday and CPI, PPI and trade balance on Friday), the SEC vote on Bitcoin ETF applications on Wednesday, US inflation data and BOK policy rate decision (likely unchanged at 3.5%) on Thursday, and the start of US earnings season with banks including JPMorgan, Citigroup, Wells Fargo and Bank of America reporting end of the week.

SG: November retail sales rose 2.5% YoY (0.5% MoM SA) in November. The STI added 0.32% to close at 3,184.30 on Friday but may range trade today. SGS bonds may be under pressure today given the extended selloff in UST bond market.

Oil: WTI and Brent rose by 2.2% and 1.5% on Friday to close at USD73.8/bbl and USD78.8/bbl respectively. Prices rose on increased tensions in the Middle East (i.e., a US air strike on an Iraqi security headquarters killed two commanders of Iran-backed militia) and the ongoing supply disruption at Libya's largest oil field. These tensions also led to a decision by Shipping giant Maersk to divert its vessels away from the Red Sea "for the foreseeable future" to avoid the risk of attack.

Key Market Movements

Equity	Value	% chg
S&P 500	4697.2	0.2%
DJIA	37466	0.1%
Nikkei 225	33377	0.3%
SH Comp	2929.2	-0.9%
STI	3184.3	0.3%
Hang Seng	16535	-0.7%
KLCI	1487.6	0.7%
	Value	% chg
DX	102.412	0.0%
USDJPY	144.63	0.0%
EURUSD	1.0943	0.0%
GBPUSD	1.2720	0.3%
USDIDR	15515	0.2%
USDSGD	1.3296	0.0%
SGDMYR	3.4964	0.1%
	Value	chg (bp)
2Y UST	4.38	-0.38
10Y UST	4.05	4.69
2Y SGS	3.31	3.90
10Y SGS	2.81	5.30
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.71	0.25
3M SOFR	5.36	0.01
	Value	% chg
Brent	78.76	1.5%
WTI	73.81	2.2%
Gold	2045	0.1%
Silver	23.19	0.8%
Palladium	1031	-0.9%
Copper	8463	0.0%
BCOM	98.63	0.3%

Source: Bloomberg

Major Markets

CN: There was a notable tightening in offshore RMB liquidity on 5 January, as evidenced by the overnight CNH Hibor reaching its highest level since December 19th. According to a report by Reuters News, major Chinese banks were observed reducing their lending in offshore yuan markets. Additionally, these big banks were actively engaged in currency swaps, exchanging yuan for USD in the onshore swap market, a manoeuvre aimed at bolstering the RMB spot rate. These recent actions, when viewed in conjunction with the stronger-than-expected RMB fixing, signal a clear inclination by the authorities towards ensuring currency stability.

HK: Given that the housing supply in this fiscal year is close to the annual target and developers are less keen to bid amid the challenging market environment, the government has decided not to put more residential land for sale in this quarter, alongside earlier decision to suspend the sales of commercial sites. In the first quarter, the government will put to the market one piece of industrial use land in Yuen Long, to promote industrial development. Amid the ongoing price correction in the housing market, we believe the government will refrain from selling more residential/commercial land plots in the coming few quarters.

MY: Johor's state government has proposed designating Iskandar Malaysia as the special economic zone planned between Singapore and Malaysia. Iskandar, spanning 2,217 sq km, includes various areas such as Pasir Gudang, Johor Bahru, and Iskandar Puteri. It has attracted significant foreign investments reaching RM153.4bn (S\$44bn) between 2006 and 2022 in various industries ranging from electrical and electronics, data centres, to pharmaceuticals, with Singapore being the second-largest investor, as reported by The Business Times. The proposal will be discussed with Singapore, and a memorandum of understanding is expected to be signed on January 11.

ID: Presidential candidates, Prabowo Subianto, Ganjar Pranowo and Anies Beswadan, participated in the second Presidential debate ahead of the 14 February elections. The topics covered included defense, security, international relations, globalization, geopolitics, and foreign policy. Candidates also discussed plans to boost revenue collections and raising the country's tax ratio. While all these candidates proposed a reorganisation of the Finance Ministry, the individual tax proposals differed with Anies proposing tax rate increases for high sugar foods, single-use plastics, Prabowo proposing higher taxes on MSMEs and Ganjar looking to introduce a progressive luxury tax.

PH: Headline CPI eased to 3.9% YoY in December from 4.1% in November (Consensus: 4.0%, OCBC: 3.8%), bringing the full-year 2023 average headline CPI to 6.0% YoY versus 5.8% in 2022. Food and utilities inflation were the main drivers of the lower inflation print. However, rice inflation remained elevated. Core inflation also eased to 4.4% YoY in December from 4.7% in November. However, for the full year 2023 core inflation rose to 6.6% from 6.0% in 2022 underscoring broad-based inflationary pressures. We expect Bangko Sentral ng Pilipinas (BSP) to maintain its policy rate at 6.50% in 1Q24 before cutting its policy rates by a cumulative 100bp from 2Q24.

TH: Headline CPI declined further to -0.8% YoY in December from -0.4% in November (Consensus and OCBC: -0.3%) bringing the full-year 2023 average headline CPI to 1.2% YoY versus 6.1% in 2022. The main drivers of the print were the 'food & non-alcoholic beverages' and 'transport & communication' components. Core inflation held steady at 0.6% YoY in December, bringing the full-year 2023 core inflation to 1.3% YoY versus 2.5% in 2022. Given a relatively sanguine growth-inflation mix, we expect Bank of Thailand (BOT) to maintain its policy rate at 2.50% in 2024.

ESG Updates

SG: Singapore has published the Eligibility List under the International Carbon Credit (ICC) Framework, effective 1 January 2024. The ICC Framework allows carbon tax-liable companies to use eligible ICCs to offset up to 5% of their taxable emissions. Papua New Guinea is the only host country on the Eligibility List, as Singapore and Papua New Guinea signed an implementation agreement on carbon credits on the sidelines of COP28. The Eligibility List, which also covers the carbon crediting programmes and methodologies, will be reviewed and updated annually to maintain relevance and aims to uphold high environmental integrity standards.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly higher last Friday, with short tenors trading 5-7bps higher, belly tenors trading 8bps higher, and the 10Y trading 8bps higher. According to Bloomberg, Chinese shadow bank Zhongzhi Enterprise Group ("Zhongzhi") has filed for bankruptcy. Zhongzhi's debts were as much as CNY460bn (USD64bn), while having assets of CNY200bn (USD28bn). Most of Zhongzhi's creditors are wealthy individuals, hence the impact on financial systems is limited. However, such failure is demonstrating the risks of the high growth private credit market, where debts raised outside the banking system lack of public disclosure. Last Friday, Bloomberg Asia USD Investment Grade spreads widened 2bps to 107bps while the Asia USD High Yield spreads widened 5 bps to 714bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
04 Jan	Export-Import Bank of Korea	Fixed; Sustainability Bond	USD	800	3-Yr	T+53bps	T+80bps
04 Jan	Export-Import Bank of Korea	Fixed	USD	800	5-Yr	T+63bps	T+90bps
04 Jan	Export-Import Bank of Korea	Fixed	USD	400	10-Yr	T+73bps	T+100bps

Mandates:

- Hanwha Totalenergies Petrochemical is arranging a series of fixed income investor calls commencing on 8 January 2024 to issue a USD-denominated Reg S only fixed rate notes with expected tenor of 5Y or 5.5Y.
- Shriram Finance is tapping on global investors to raise USD500mn worth of debt, with expected tenors ranging from 3Y to 5Y.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.412	-0.01%	USD-SGD	1.3296	0.02%
USD-JPY	144.630	0.00%	EUR-SGD	1.4549	0.00%
EUR-USD	1.094	-0.02%	JPY-SGD	0.9192	0.01%
AUD-USD	0.671	0.09%	GBP-SGD	1.6913	0.32%
GBP-USD	1.272	0.30%	AUD-SGD	0.8923	0.08%
USD-MYR	4.655	0.44%	NZD-SGD	0.8303	0.18%
USD-CNY	7.147	-0.19%	CHF-SGD	1.5643	0.05%
USD-IDR	15515	0.16%	SGD-MYR	3.4964	0.12%
USD-VND	24383	0.04%	SGD-CNY	5.3776	-0.16%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8780	0.52%	1M	5.3370	-0.04%
3M	3.9360	0.36%	2M	5.3468	0.00%
6M	3.9120	1.01%	3M	5.3230	-0.13%
12M	3.5840	1.13%	6M	5.1787	-0.34%
			1Y	4.8402	-0.49%

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	37,466.11	25.77
S&P	4,697.24	8.56
Nasdaq	14,524.07	13.77
Nikkei 225	33,377.42	89.13
STI	3,184.30	10.29
KLCI	1,487.61	10.35
JCI	7,350.62	-9.14
Baltic Dry	2,110.00	24.00
VIX	13.35	-0.78

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.31 (+0.04)	4.38(--)
5Y	2.7 (+0.02)	4.01 (+0.03)
10Y	2.81 (+0.05)	4.05 (+0.05)
15Y	2.85 (+0.04)	--
20Y	2.86 (+0.04)	--
30Y	2.79 (+0.03)	4.2 (+0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.81	2.24%	Corn (per bushel)	4.608	-1.2%
Brent (per barrel)	78.76	1.51%	Soybean (per bushel)	12.498	-1.0%
Heating Oil (per gallon)	260.85	0.78%	Wheat (per bushel)	6.160	0.4%
Gasoline (per gallon)	210.55	-0.22%	Crude Palm Oil (MYR/MT)	36.900	0.2%
Natural Gas (per MMBtu)	2.89	2.55%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8463.00	-0.04%	Gold (per oz)	2045.5	0.1%
Nickel (per mt)	16372.00	1.92%	Silver (per oz)	23.2	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/08/2024 04:00 NZ	CoreLogic House Prices YoY	Dec	--	--	-4.50%	--
01/08/2024 10:00 VN	Domestic Vehicle Sales YoY	Dec	--	--	-15.20%	--
01/08/2024 10:00 TH	Consumer Confidence Economic	Dec	--	--	55.1	--
01/08/2024 11:00 ID	Foreign Reserves	Dec	--	--	\$138.10b	--
01/08/2024 13:30 AU	Foreign Reserves	Dec	--	--	A\$92.2b	--
01/08/2024 15:00 GE	Factory Orders MoM	Nov	1.10%	--	-3.70%	--
01/08/2024 15:00 MA	Foreign Reserves	Dec-29	--	--	\$112.8b	--
01/08/2024 15:00 GE	Factory Orders WDA YoY	Nov	-3.40%	--	-7.30%	--
01/08/2024 15:00 GE	Exports SA MoM	Nov	0.50%	--	-0.20%	-0.10%
01/08/2024 17:00 SI	Foreign Reserves	Dec	--	--	\$345.46b	--
01/08/2024 18:00 EC	Consumer Confidence	Dec F	--	--	-15.1	--
01/08/2024 18:00 EC	Retail Sales MoM	Nov	-0.30%	--	0.10%	--
01/08/2024 18:00 EC	Retail Sales YoY	Nov	-1.50%	--	-1.20%	--
01/08/2024 18:00 EC	Economic Confidence	Dec	94.2	--	93.8	--
01/08/2024 18:00 EC	Industrial Confidence	Dec	-9.5	--	-9.5	--
01/08/2024 18:00 EC	Services Confidence	Dec	5.2	--	4.9	--

Source: Bloomberg

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