

## Daily Treasury Outlook

8 March 2024

### Highlights

**Global:** The risk on rally continued overnight with US equities closing higher (S&P: +1.03%; NASDAQ: +1.51%; Dow: +0.34%) buoyed by central bank talk. US Federal Reserve Chairman Powell, in his testimony to Congress, indicated that while the Fed would clearly remain data dependent, he believes that the Fed is “not far” from gaining confidence that inflation is moving sustainably towards the 2% target. The mention of a potential timeline supported sentiment, with the DXY index moving lower and front-end UST yields declining (longer-tenor yields were more mixed). In terms of market pricing of rate cuts, there was not much of a shift; the fed fund futures market is still looking for less than 100bp in rate cuts this year (92.3bp as of 8 March). Initial jobless claims for the week of 2 March remained stable at 217k and the focus will now shift to the February non-farm payroll release this evening. Separately, Cleveland Fed’s Mester also reiterated a similar message to Fed Chair Powell. Like the Fed, the ECB also hinted that rate cuts were forthcoming. As expected, ECB left its policy rates unchanged and continued to emphasize data dependency. However, President Lagarde mentioned in relation to incoming data and wages that ECB “...will know little more in April, but we will know a lot more in June”. She had hinted at a similar timeline in the past but in conjunction with ECB’s lowered headline and core inflation forecasts to 2.3% and 2.6% from 2.7% and 2.7%, respectively, there seems additional confidence around this timeline. In Asia, Bank Negara Malaysia kept its policy rate unchanged but the explicit mention in the policy statement that the currency (MYR) was “currently undervalued”, and that coordinated action will be taken to support the currency bolstered MYR following the rate decision.

**Market Watch:** Asian markets will likely mirror the risk on rally in US markets overnight. The focus today is on US February non-farm payrolls. The final print of 4Q GDP Euro area GDP will also be released. ECB’s Simkus, Holzmann speak today.

**SG:** Foreign reserves declined -0.12% MoM in February to stand at US\$ 357.35bn from US\$ 357.79bn prior. STI shed 0.1% to close at 3,133.8.

**Oil:** Both oil benchmarks traded mixed on Thursday. WTI declined by 0.3% while Brent remained unchanged to close at USD78.9/bbl and USD83.0/bbl respectively. The drivers of the markets were mixed. On the one hand, data from China showed softening demand: January-February imports of crude oil rose 5.1% YoY to 10.7mbpd but was still lower relative to December imports (11.4 mbpd). On the other hand, global central banks hinted at forthcoming rate cuts supporting the oil market.

### Key Market Movements

Equity	Value	% chg
S&P 500	5157.4	1.0%
DJIA	38791	0.3%
Nikkei 225	39599	-1.2%
SH Comp	3027.4	-0.4%
STI	3133.8	-0.1%
Hang Seng	16230	-1.3%
KLCI	1535.8	0.3%
	Value	% chg
DXY	102.823	-0.5%
USDJPY	148.05	-0.9%
EURUSD	1.0948	0.4%
GBPUSD	1.2809	0.6%
USDIDR	15653	-0.3%
USDSGD	1.3332	-0.4%
SGDMYR	3.5223	-0.2%
	Value	chg (bp)
2Y UST	4.50	-5.22
10Y UST	4.08	-1.93
2Y SGS	3.38	0.40
10Y SGS	3.02	-1.69
3M SORA	3.65	-0.16
3M SOFR	5.35	-0.01
	Value	% chg
Brent	82.96	0.0%
WTI	78.93	-0.3%
Gold	2160	0.5%
Silver	24.33	0.7%
Palladium	1041	-0.6%
Copper	8641	0.7%
BCOM	98.29	0.4%

Source: Bloomberg

## Major Markets

**CN:** Despite weak new export orders indicated by the manufacturing PMI, exports in the first two months of the year exceeded market expectations, expanding by 7.1% YoY in dollar terms. Similarly, imports saw a robust growth of 3.5% YoY, surpassing market forecasts. This resulted in a trade surplus of US \$125.16bn for the two-month period. Notably, emerging markets, particularly Latin America, played a pivotal role in driving China's export growth, while key trading partners such as the US and ASEAN contributed significantly, offsetting declines from Japan, the EU, and South Korea. The resurgence of external demand presents a favourable backdrop for China to potentially achieve its targeted around 5% growth for the year ahead.

**ID:** The foreign reserves fell slightly to US\$ 140.0bn as of end-February 2024 from US\$ 145.1bn in January. The lower reserves were due to, among other factors, "from the government's external debt payments" according to Bank Indonesia. The reserves position is equivalent to 6.5 months of imports of 6.3 months of imports and servicing government's external debt, well above the international adequacy of three months of imports.

**MY:** Bank Negara Malaysia kept its policy rate unchanged at 3.00%, in line with expectations. The tone of the official policy statement was also relatively unchanged from the previous meeting on 24 January. There were some changes to made to BNM's statement vis-à-vis certain parameters. While BNM maintains that the global growth will be supported by domestic demand and better trade activities, it sees expansion as moderate. Furthermore, it now sees "prospects of monetary easing in some countries in the second half of the year" which was absent in the January policy statement. Importantly, BNM was categorical that the currency (MYR) is "currently undervalued". Looking ahead, BNM will remain a steady pair of hands for the rest of 2024, in our view. We expect no changes to the policy rate, at 3%, while BNM remains mindful of external (specifically currency) developments.

**TH:** The consumer confidence index (CCI) rose for a seven straight month to 63.8 in February from 62.9 in January. The increase in CCI remained broad-based: The sub-indices of 'economic situation', 'income' and 'job' sub-indices all rose to 57.7, 73.2 and 60.4 in February from 56.9, 72.2 and 59.5 in January respectively. University of the Thai Camber of Commerce (UTCC) President Thanavath Phonvichai shared that the improvement can be "attributed to a tax rebate measure to stimulate consumer spending earlier this year, state subsidies for energy and power prices as well as higher foreign tourist arrivals after visa-free measures", as reported by Bloomberg. Nonetheless, he expects the country's dampened growth to bottom out in April amid Thailand's festive season (Songkran) and the anticipated disbursement of Budget 2024.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with short tenors trading 1-2bps lower, belly tenors trading 2-4bps lower and 10Y trading 4bps lower. Chinese developer Kaisa Group Holdings Ltd. is set to face a court hearing in Hong Kong this morning over a winding-up petition. The Shenzhen-based developer must demonstrate progress on restructuring talks to avoid a liquidation order. The lawsuit was filed by Singapore-based hedge fund Broad Peak Investment Advisers in July. Kaisa's debt-recovery ratio would be about 5% if any liquidation were eventually ordered, a lawyer said in an October hearing. Adani Enterprises Ltd announced that it would redeem its USD500mn ADGREG 6.25% '24s due 10 December 2024 on 13 March. The redemption will include a premium as well as accrued and unpaid interest and be completed through using proceeds from its recently issued USD409mn 18Y bond by solar energy unit Adani Green Energy Ltd and associated firms that received around USD2.9bn in orders. Yesterday, Bloomberg Asia USD Investment Grade spreads remained flat at 95bps while the Asia USD High Yield spreads widened by 2bps to 600bps. (Bloomberg, OCBC)

### New Issues:

- There were no bond issuances in the Singdollar market yesterday.
- In the Asiadollar market yesterday, Development Bank of Mongolia LLC priced a USD48.3mn retap of the DBMMN 11.00% '26s whose total issue size is now USD200mn.

### Mandates:

- There are no Asiadollar mandates for today.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.823	-0.53%	USD-SGD	1.3332	-0.42%
USD-JPY	148.050	-0.89%	EUR-SGD	1.4596	0.03%
EUR-USD	1.095	0.45%	JPY-SGD	0.9005	0.50%
AUD-USD	0.662	0.85%	GBP-SGD	1.7075	0.17%
GBP-USD	1.281	0.61%	AUD-SGD	0.8826	0.42%
USD-MYR	4.705	-0.57%	NZD-SGD	0.8231	0.30%
USD-CNY	7.193	-0.07%	CHF-SGD	1.5191	0.09%
USD-IDR	15653	-0.30%	SGD-MYR	3.5223	-0.19%
USD-VND	24690	0.04%	SGD-CNY	5.3944	0.31%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8650	-0.08%	1M	5.3181	0.01%
3M	3.9420	0.41%	2M	5.3180	-0.03%
6M	3.9020	-0.48%	3M	5.3135	-0.03%
12M	3.7480	-0.08%	6M	5.2158	-0.07%
			1Y	4.9666	-0.12%

## 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	-0.302	-0.076	5.255
06/12/2024	-0.973	-0.243	5.088
07/31/2024	-1.594	-0.399	4.932
09/18/2024	-2.407	-0.602	4.729
11/07/2024	-2.981	-0.745	4.586
12/18/2024	-3.722	-0.931	4.401
01/29/2025	-4.304	-1.076	4.255

## Equity and Commodity

Index	Value	Net change
DJIA	38,791.35	130.30
S&P	5,157.36	52.60
Nasdaq	16,273.38	241.84
Nikkei 225	39,598.71	-492.07
STI	3,133.78	-2.36
KLCI	1,535.83	4.32
JCI	7,373.96	44.16
Baltic Dry	2,176.00	-115.00
VIX	14.44	-0.06

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.38 (--)	4.5 (--)
5Y	2.98 (-0.01)	4.07 (-0.04)
10Y	3.02 (-0.02)	4.08 (-0.02)
15Y	3.01 (-0.03)	--
20Y	3.01 (-0.02)	--
30Y	2.96 (-0.02)	4.24 (--)

## 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)	78.93	-0.25%	Corn (per bushel)	4.260	1.9%
Brent (per barrel)	82.96	0.00%	Soybean (per bushel)	11.570	1.5%
Heating Oil (per gallon)	269.47	1.18%	Wheat (per bushel)	5.208	-0.1%
Gasoline (per gallon)	255.48	0.04%	Crude Palm Oil (MYR/MT)	41.450	0.1%
Natural Gas (per MMBtu)	1.82	-5.75%	Rubber (JPY/KG)	299.000	1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8640.50	0.74%	Gold (per oz)	2160.0	0.5%
Nickel (per mt)	17983.00	1.50%	Silver (per oz)	24.3	0.7%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/08/2024 07:00	SK BoP Current Account Balance	Jan	--	\$3045.7m	\$7414.6m
03/08/2024 07:50	JN BoP Current Account Balance	Jan	-¥330.4b	¥438.2b	¥744.3b
03/08/2024 07:50	JN Trade Balance BoP Basis	Jan	-¥1483.2b	-¥1442.7b	¥115.5b
03/08/2024 09:00	PH Money Supply M3 SRF YoY	Jan	--	--	5.90%
03/08/2024 15:00	GE Industrial Production SA MoM	Jan	0.60%	--	-1.60%
03/08/2024 15:30	TH Foreign Reserves	Mar-01	--	--	\$222.4b
03/08/2024 16:00	TA Exports YoY	Feb	2.00%	--	18.10%
03/08/2024 18:00	EC GDP SA QoQ	4Q F	0.00%	--	0.00%
03/08/2024 18:00	EC GDP SA YoY	4Q F	0.10%	--	0.10%
03/08/2024 18:00	EC Govt Expend QoQ	4Q	0.20%	--	0.30%
03/08/2024 21:30	US Change in Nonfarm Payrolls	Feb	200k	--	353k
03/08/2024 21:30	CA Unemployment Rate	Feb	5.80%	--	5.70%
03/08/2024 21:30	US Unemployment Rate	Feb	3.70%	--	3.70%
03/08/2024 21:30	CA Net Change in Employment	Feb	20.0k	--	37.3k
03/08/2024 21:30	CA Hourly Wage Rate Permanent Employees YoY	Feb	5.10%	--	5.30%
03/08/2024 21:30	US Change in Manufact. Payrolls	Feb	7k	--	23k

Source: Bloomberg

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