

Daily Treasury Outlook

9 January 2024

Highlights

Global: Risk appetite recovered as tech stocks bounced. The S&P500 rebounded 1.41%, with Nvidia among the outperformers post-announcement of new AI products for PCs whereas Boeing Co fell after its 737 Max9 model was grounded. Meanwhile, UST bonds also rallied with the 10-year yield lower by 2bps to 4.03% as Fed's Bowman opined that "should inflation continue to fall closer to our 2% goal over time, it will eventually become appropriate to begin the process of lowering our policy rate to prevent policy from becoming overly restrictive". The New York Fed's inflation expectations survey also showed that consumer see prices rising a more subdued 3.01% (lowest in three years) over the next one year, down from 3.36% in November. The UST department sold US\$75b of 3-month T-bills at 5.235% and US\$68b of 6-month bills at 5.03%, while the Fed's overnight reverse repo facility fell to US\$691.5b. Market players are now anticipating when the end of QT could begin. Elsewhere, Japan's consumer price gains excluding fresh food in Tokyo moderated for the second month to 2.1% (weakest since June 2022) in December and households cut their spending more than expected by 2.9% yoy in November. This comes ahead of the BOJ's 23 January policy meeting where updates for inflation and growth outlooks are due.

Market watch: Asian markets are likely to open with a firmer tone today, with market players awaiting China's aggregate financing and loans data. Other economic data releases to keep an eye on include Taiwan's December trade data, Germany's industrial production, Eurozone's unemployment rate, and US' NFIB small business optimism and trade balance. Fed's Barr and ECB's Villeroy are also speaking today.

SG: December foreign reserves rose 1.61% MoM to \$351.03b in December. The STI ended nearly flat (+0.09%) at 3187.02 as investors were sidelined yesterday while waiting for key inflation data from China and the US due later this week but should trade firmer today amid the risk appetite improvement. SGS bond yields rose 2-4bps yesterday with the exception of the 2-year bond but given the rally in the UST bond market overnight, SGS bonds should also gain today.

Oil: WTI and Brent declined by 4.1% and 3.4% on Monday to close at USD70.8/bbl and USD76.1/bbl respectively. Prices declined sharply following a decision by Saudi Arabia to cut the official selling prices of its flagship Arab Light for all regions. This raised concerns of weakening global demand for oil which more than offset supply concerns associated with escalating geopolitical tensions in the Middle East.

Key Market Movements

Equity	Value	% chg
S&P 500	4763.5	1.4%
DJIA	37683	0.6%
Nikkei 225	33377	0.0%
SH Comp	2887.5	-1.4%
STI	3187.0	0.1%
Hang Seng	16224	-1.9%
KLCI	1495.7	0.5%
	Value	% chg
DX	102.209	-0.2%
USDJPY	144.23	-0.3%
EURUSD	1.0950	0.1%
GBPUSD	1.2748	0.2%
USDIDR	15525	0.1%
USDSGD	1.3281	-0.1%
SGDMYR	3.4964	0.0%
	Value	chg (bp)
2Y UST	4.37	-0.61
10Y UST	4.03	-1.52
2Y SGS	3.29	-1.60
10Y SGS	2.84	2.75
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.24
3M SOFR	5.36	0.00
	Value	% chg
Brent	76.12	-3.4%
WTI	70.77	-4.1%
Gold	2028	-0.8%
Silver	23.11	-0.4%
Palladium	999	-3.0%
Copper	8448	-0.2%
BCOM	97.40	-1.2%

Source: Bloomberg

Major Markets

CN: It was reported by media that the regulator has lifted the unofficial restriction of net sale of equity. This allows mutual fund managers to sell more shares than they buy on a given day. China's equity markets experienced notable volatility, with the Shanghai index dropping by 1.42% on Monday. This downturn can be partly attributed to asset managers potentially unwinding positions to accommodate increasing redemption demands, a response to the current weak market sentiment. Elsewhere, Zhou Lan, the head of monetary policy at the People's Bank of China (PBoC), stated that the central bank is committed to strengthening both counter-cyclical and cross-cyclical adjustments. This approach involves focusing on three key areas: the aggregate amount, structure, and price levels within the monetary and financial sectors. Such efforts are aimed at cultivating a conducive environment for high-quality economic development. To achieve these objectives, the PBoC plans to deploy a combination of monetary tools. These include open market operations, Medium-term Lending Facility (MLF), re-lending and rediscounting programs, and adjustments to reserve requirements. These measures are intended to effectively inject base money into the economy, thereby supporting the reasonable growth of social financing. Furthermore, the PBoC has reiterated its commitment to gradually guiding financing costs lower, a statement that might fuel market expectations of an impending rate cut.

MY: Bank Negara Malaysia (BNM)'s international reserves rose to USD113.5bn as per 29 December 2023 from USD112.3bn on 30 November 2023. The reserve position is sufficient to finance 5.4 months of imports of goods and services and is 1.0 time the total short-term external debt. Specifically, BNM reported that the foreign currency reserves rose, special drawing rights (SDR), IMF reserve position, and gold rose to USD100.9bn, USD5.8bn, USD1.4bn and USD2.6bn, respectively. Meanwhile, the other reserves assets were unchanged at USD2.8bn.

ID: The foreign reserves rose to USD 146.4bn in as of end-December 2023 from USD138.1bn in November on the back of "tax and service receipts as well as the government's foreign loan withdrawal." The reserves position is equivalent to 6.7 months of imports or 6.5 months of imports and servicing government's external debt, well above the international adequacy standard of three months of imports.

PH: Finance Secretary Benjamin Diokno expects the Bangko Sentral Pilipinas (BSP) to cut its policy rate by as much as 100bp to 5.50% in 2024. He added that the cut may start in 2H24 but noted that the timing of the cut "will of course be data dependent". On inflation, Finance Secretary Diokno expects headline CPI to ease into BSP's 2-4% target in 1Q24, and the middle of the 2-4% target in 2025. On growth, he reiterated the country's 2024 GDP growth will likely be within the government's revised target of 6.5-7.5%. Separately, the approval rating of Philippine President Ferdinand Marcos Jr. edged slightly higher by 3 percentage points to 68% in December 2023 (September 2023: 65%). Notable efforts on the three key issues of inflation, economic

growth and employment were key drivers to the improvement of President Marcos Jr.'s approval ratings.

TH: The Council of State has given the approval for the government to borrow to finance its THB500bn digital wallet programme, according to Deputy Finance Minister Julapun Amornvivat. The Council of State said that the borrowing bill for the digital wallet programme is within the government's power. It added that the government must ensure that the programme should only be launched in an event of an economic crisis, and ask government to seek wider opinions. Deputy Finance Minister Amornvivat revealed that the committee overseeing the digital wallet programme will be meeting to discuss the draft bill and timeline of the distribution.

ESG Updates

SG: Singapore's Third National Climate Change Study (V3) projects higher temperatures, more wet and dry extremes, and accelerating increase in mean sea levels for Singapore and Southeast Asia by the end of the century. The findings are consistent with the findings from the Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report (AR6). To increase the understanding of climate change impacts, the National Environmental Agency (NEA) has launched the second grant call under the Climate Impacts Science Research (CISR) Programme for new research proposals on food security, impacts on human health, water resources, and sea level rise etc.

Rest of the world: Mukhtar Babayev, Azerbaijan's Minister of Ecology and Natural Resources, has been appointed as the president of the United Nations COP29 climate talks to be held in Baku in November. Babayev spent over two decades at Azerbaijan's state-owned oil and gas company SOCAR, continuing the contentious trend of people having ties with oil and gas to lead the UN climate talks.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mixed yesterday, with short tenors trading 1-3bps lower, belly tenors trading from 1bps lower to 1bps higher, and the 10Y trading 1bps higher. According to Bloomberg, distressed Korean builder Taeyoung Engineering & Construction (“TYEC”) received a cash infusion of KRW89bn (USD67mn) from its parent TY Holdings yesterday. TY Holdings has also pledged other measures, including beginning the sale of its water treatment business Ecorbit Co. Ltd. TYEC has disagreed with creditors over the restructuring of its debts, and has until 11 January to come up with a plan. The Chinese government is stopping LGFVs from issuing offshore 364-Day Bonds. This closes a regulatory loophole that allowed LGFVs to borrow more last year. Yesterday, Bloomberg Asia USD Investment Grade spreads widened 3bps to 109bps while the Asia USD High Yield spreads widened 12 bps to 726bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Jan	SK Hynix Inc	Fixed	USD	500	3-Yr	T+145bps	T+180bps
08 Jan	SK Hynix Inc	Fixed	USD	1,000	5-Yr	T+167bps	T+200bps
08 Jan	Zhejiang Xinchang Investment Development Co Ltd	Fixed; Sustainability Bond	USD	300	3-Yr	6.00%	6.80%
08 Jan	STT GDC PTE. LTD	Fixed; Sustainability-Linked	SGD	450	PERP NC6	5.70%	6.00%

Mandates:

- Rizal Commercial Banking Corp is planning to raise a USD benchmark 5Y Regulation S senior unsecured sustainability bond under its USD3bn medium term note program.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.209	-0.20%	USD-SGD	1.3281	-0.11%
USD-JPY	144.230	-0.28%	EUR-SGD	1.4543	-0.04%
EUR-USD	1.095	0.06%	JPY-SGD	0.9208	0.17%
AUD-USD	0.672	0.10%	GBP-SGD	1.6931	0.11%
GBP-USD	1.275	0.22%	AUD-SGD	0.8925	0.02%
USD-MYR	4.652	-0.08%	NZD-SGD	0.8302	-0.01%
USD-CNY	7.151	0.06%	CHF-SGD	1.5661	0.12%
USD-IDR	15525	0.06%	SGD-MYR	3.4964	0.00%
USD-VND	24340	-0.18%	SGD-CNY	5.3825	0.09%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8780	0.52%	1M	5.3361	-0.02%
3M	3.9360	0.36%	2M	5.3465	-0.03%
6M	3.9120	1.01%	3M	5.3265	-0.04%
12M	3.5840	1.13%	6M	5.1820	-0.08%
			1Y	4.8341	-0.26%

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	37,683.01	216.90
S&P	4,763.54	66.30
Nasdaq	14,843.77	319.70
Nikkei 225	33,377.42	89.13
STI	3,187.02	2.72
KLCI	1,495.70	8.09
JCI	7,283.58	-67.04
Baltic Dry	2,110.00	24.00
VIX	13.08	-0.27

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.29 (-0.02)	4.36(--)
5Y	2.72 (+0.02)	3.99 (-0.02)
10Y	2.84 (+0.03)	4.02 (-0.02)
15Y	2.88 (+0.03)	--
20Y	2.89 (+0.03)	--
30Y	2.81 (+0.02)	4.18 (-0.01)

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)	70.77	-4.12%	Corn (per bushel)	4.550	-1.2%
Brent (per barrel)	76.12	-3.35%	Soybean (per bushel)	12.395	-0.8%
Heating Oil (per gallon)	257.69	-1.21%	Wheat (per bushel)	5.963	-3.2%
Gasoline (per gallon)	202.78	-3.69%	Crude Palm Oil (MYR/MT)	36.800	-0.3%
Natural Gas (per MMBtu)	2.98	3.01%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8448.00	-0.18%	Gold (per oz)	2028.1	-0.8%
Nickel (per mt)	16303.00	-0.42%	Silver (per oz)	23.1	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/09/2024 07:00	SK	BoP Current Account Balance	Nov	--	\$4059.7m	\$6796.1m	--
01/09/2024 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Dec	2.10%	2.10%	2.30%	--
01/09/2024 07:30	JN	Tokyo CPI YoY	Dec	2.50%	2.40%	2.60%	2.70%
01/09/2024 08:30	AU	Building Approvals MoM	Nov	-2.00%	1.60%	7.50%	7.20%
01/09/2024 08:30	AU	Retail Sales MoM	Nov	1.20%	2.00%	-0.20%	-0.40%
01/09/2024 09:00	CH	Money Supply M2 YoY	Dec	10.10%	--	10.00%	--
01/09/2024 09:00	CH	New Yuan Loans CNY	Dec	1350.0b	--	1090.0b	1088.7b
01/09/2024 10:00	VN	Domestic Vehicle Sales YoY	Dec	--	--	-15.20%	--
01/09/2024 15:00	GE	Industrial Production SA MoM	Nov	0.30%	--	-0.40%	--
01/09/2024 15:00	GE	Industrial Production WDA YoY	Nov	-4.00%	--	-3.50%	--
01/09/2024 16:00	TA	Exports YoY	Dec	5.60%	--	3.80%	--
01/09/2024 18:00	EC	Unemployment Rate	Nov	6.50%	--	6.50%	--
01/09/2024 19:00	US	NFIB Small Business Optimism	Dec	91	--	90.6	--
01/09/2024 21:30	US	Trade Balance	Nov	-\$64.9b	--	-\$64.3b	--
01/09/2024 21:30	CA	Building Permits MoM	Nov	-1.40%	--	2.30%	--
01/09/2024 21:30	CA	Int'l Merchandise Trade	Nov	2.00b	--	2.97b	--

Source: Bloomberg

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