

Daily Treasury Outlook

11 January 2024

Highlights

Global: Hopeful? The S&P500 gained 0.6% after the US SEC approved ETFs that invest directly in Bitcoin. Fed's Williams opined that the "current restrictive stance of monetary policy will continue to restore balance and bring inflation back to our 2% longer-run goal" and "my expectation is interest rates will also come down over time", but pushed back against the view on starting discussions to slow QT. UST bond markets closed mixed as the early rally ran out of steam, while the US\$37bn 10-year note auction fetched 4.024% (low since August) with a bid-cover ratio of 2.56x. Elsewhere, the Bank of Korea left its policy rate unchanged at 3.50% as widely expected.

Market watch: Asian markets may be off to a firmer start this morning while awaiting the US' December inflation data release due later tonight. While US' headline CPI is expected to accelerate to 3.2% YoY (0.2% MoM), up from November's 3.1% YoY (0.1% MoM), core inflation is tipped to fall to 3.8% YoY (0.3% MoM) from 4.0% YoY (0.3% MoM) previously and would be interpreted as reinforcing the Fed's rate cut trajectory later this year. Other economic data to keep an eye on includes Malaysia's November industrial production, Thailand's December consumer confidence and the US' initial jobless claims. ECB's Vujcic, Fed's Mester and Barkin are also speaking today.

SG: SCCC's budget wishlist includes rental reductions or freezes for government properties, a higher corporate income tax rebate threshold, time-bound rebates for electricity, not hiking government compliance costs, charges and fees, and more support for specialised skills under SkillsFuture. The STI slipped 0.56% to close at 3,179.96 as investors turned cautious ahead of the US inflation report and the upcoming US earnings season. SGS bonds rallied with yields lower by 2-3 bps yesterday but may tread water today.

Oil: WTI and Brent declined by ~1.0% to close at US\$71.4/bbl and US\$76.8/bbl respectively. Prices edged lower after the US Energy Information Administration (EIA) revealed an unexpected buildup in US crude inventories which rose by 1.3mn bbls to 432.4mn bbls, last week. The downside was further supported by a larger-than-expected buildup in US gasoline and distillate inventories which rose by 8mn bbls and 6.5mn bbls respectively. The buildup in US oil inventories raised concerns of weakening US oil demand which more than offset recent escalations in the Red Sea.

Key Market Movements

Equity	Value	% chg
S&P 500	4783.5	0.6%
DJIA	37696	0.5%
Nikkei 225	34442	2.0%
SH Comp	2877.7	-0.5%
STI	3180.0	-0.6%
Hang Seng	16097	-0.6%
KLCI	1486.9	-0.8%
	Value	% chg
DX	102.362	-0.2%
USDJPY	145.76	0.9%
EURUSD	1.0973	0.4%
GBPUSD	1.2742	0.3%
USDIDR	15570	0.3%
USDSGD	1.3316	0.0%
SGDMYR	3.4867	-0.2%
	Value	chg (bp)
2Y UST	4.36	-0.62
10Y UST	4.03	1.50
2Y SGS	3.27	-0.80
10Y SGS	2.85	-2.58
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	0.02
3M SOFR	5.36	0.00
	Value	% chg
Brent	76.8	-1.0%
WTI	71.37	-1.2%
Gold	2024	-0.3%
Silver	22.90	-0.4%
Palladium	1003	2.3%
Copper	8370	0.0%
BCOM	97.49	-0.8%

Source: Bloomberg

Major Markets

CN: The latest China Insurance Investment Officials Survey reveals a cautiously optimistic outlook on China among investment officials in the insurance sector. About 32% of the respondents expressed 'relative optimism' regarding the investment prospects for this year, while approximately 55% view the investment outlook as 'neutral'. Nevertheless, a notable 58% of insurance investment officials anticipate an improvement in the investment climate this year compared to last year. In terms of asset allocation strategies for 2024, the majority of the investment officials favour maintaining relative stability or a moderate increase in equity asset allocations.

MY: The unemployment rate fell to 3.3% in November from 3.4% in October, while the labour force participation rate remained steady at 70.1%. The number of employed individuals rose by 27.9k (0.2% MoM) in November to 16.4mn, while the number of unemployed individuals dropped by 1.7k (-0.3% MoM) to 569.2k. The Department of Statistics Malaysia (DOSM) noted that higher employment was seen in the services and manufacturing sectors, while the agriculture sector recorded a decline.

ID: Bank Indonesia's retail sales survey estimates a 0.1% YoY growth in December 2023, easing from the 2.1% growth in November. The rise was supported by growth improvement in 'fuels' and steady growth in 'household equipment,' 'food, beverages, and tobacco,' and 'car spare parts & accessories' sub-components, offsetting the weakness in the 'communication equipment' and 'culture & recreation' sectors. According to the same survey, respondents anticipate easing price pressures over the next three months (February) and six months (May), aligning with the passing of the Eid holiday.

PH: Export growth in November declined by 13.7% YoY (October: -17.5%) while imports growth remained unchanged (October: -2.4%; November: 0.0%). As a result, the trade deficit widened in November to USD4.7bn (October: -USD4.4bn). The contraction in exports was driven by 'other agro-based products' (-21.3% YoY from -0.4% in October), 'forest products' (-22.4% YoY from -3.9% in October), 'manufactures' (-17.5% YoY from -21.1% in October) which more than offset growth in other categories. Separately, both the Philippines and Indonesia signed a memorandum of understanding (MOU) to strengthen their cooperation on energy. Under the MOU, both countries agreed to facilitate trade in energy commodities such as coal and liquified natural gas during periods of supply constraints. Additionally, the MOU also entails cooperation between both countries on energy transition.

ESG Updates

CN: China's National Development and Reform Commission (NDRC) is calling for the creation of initial technical standards governing new energy vehicle integration into the grid by 2025. It plans to strengthen the integration of new energy vehicles with the electric grid, to manage its power demand amid the increase in battery charging. Potential solutions include implementing time-of-use pricing for residential charging points.

MY: The Malaysian government will be developing a policy framework and targeted plans with the aim of making Malaysia a major regional green investment destination and hub. This move is a continuation of initiatives under the National Energy Transition Roadmap seeking to mobilise investments in high-value green sectors.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-3 bps lower, belly and 10Y tenors trading 3bps. As reported by Bloomberg, Chinese builder Longfor Group Holdings Ltd ("Longfor") is looking to issue new bonds guaranteed by state-owned China Bond Insurance and take on CNY10bn more bank loans backed by commercial properties, on the assumption of 50% LTV ratio. Longfor is also intending to repay certain debt ahead of maturity, including a HKD8bn (USD1bn) syndicated loan due Jan 2025 in 2H24, while another HKD8bn (USD1bn) syndicated loan due Dec 2025 will be gradually paid off in 1H25. Major creditors of Taeyoung Engineering & Construction Co Ltd have agreed with its planned restructuring if the plans are implemented as proposed, with its share price rising ~13% as of writing. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened 1bps to 108bps while the Asia USD High Yield spreads tightened 1 bps to 721bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
10 Jan	CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp International Ltd, Keepwell Provider: China International Capital Corporation Limited)	FRN	USD	700	3-Yr	SOFR+95bps	SOFR+140bps area
10 Jan	CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp International Ltd, Keepwell Provider: China International Capital Corporation Limited)	Fixed	USD	500	3-Yr	5.012% (T+90bps)	T+130bps area
10 Jan	Rizal Commercial Banking Corp	Fixed; Sustainability Bond	USD	400	5-Yr	5.606% (T+165bps)	T+195bps
10 Jan	State Bank of India/London	Fixed	USD	600	5-Yr	5.112% (T+117bps)	T+150bps
10 Jan	Sumitomo Life Insurance Company	Fixed for 10Y till Jan-34, subsequently reset at H15TSY+3.841% and every 5Y thereafter	USD	1040	PerpNC10	5.875%	6.125%

Mandates:

- There are no mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.362	-0.20%	USD-SGD	1.3316	0.05%
USD-JPY	145.760	0.89%	EUR-SGD	1.4612	0.43%
EUR-USD	1.097	0.38%	JPY-SGD	0.9136	-0.83%
AUD-USD	0.670	0.19%	GBP-SGD	1.6968	0.30%
GBP-USD	1.274	0.25%	AUD-SGD	0.8922	0.24%
USD-MYR	4.642	-0.01%	NZD-SGD	0.8292	-0.16%
USD-CNY	7.173	0.06%	CHF-SGD	1.5651	0.23%
USD-IDR	15570	0.32%	SGD-MYR	3.4867	-0.18%
USD-VND	24378	0.09%	SGD-CNY	5.3864	0.07%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8670	-0.10%	1M	5.3340	0.02%
3M	3.9280	0.08%	2M	5.3470	0.03%
6M	3.8910	-0.97%	3M	5.3180	-0.07%
12M	3.6010	-0.41%	6M	5.1590	-0.26%
			1Y	4.8040	-0.32%

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	37,695.73	170.57
S&P	4,783.45	26.95
Nasdaq	14,969.65	111.94
Nikkei 225	34,441.72	678.54
STI	3,179.96	-18.00
KLCI	1,486.86	-11.97
JCI	7,227.30	27.09
Baltic Dry	1,875.00	-147.00
VIX	12.69	-0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.27 (-0.01)	4.36(--)
5Y	2.72 (-0.01)	3.97(--)
10Y	2.85 (-0.03)	4.03 (+0.01)
15Y	2.88 (-0.02)	--
20Y	2.89 (-0.02)	--
30Y	2.83 (--)	4.2 (+0.02)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.37	-1.20%	Corn (per bushel)	4.595	0.1%
Brent (per barrel)	76.80	-1.02%	Soybean (per bushel)	12.288	-1.0%
Heating Oil (per gallon)	260.06	-1.88%	Wheat (per bushel)	6.108	0.1%
Gasoline (per gallon)	206.73	-0.46%	Crude Palm Oil (MYR/MT)	37.120	0.5%
Natural Gas (per MMBtu)	3.04	-4.73%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8369.50	#DIV/0!	Gold (per oz)	2024.4	-0.3%
Nickel (per mt)	16287.00	#DIV/0!	Silver (per oz)	22.9	-0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/11/2024 05:45	NZ Building Permits MoM	Nov	--	-10.60%	8.70%
01/11/2024 08:00	SK BOK Base Rate	Jan-11	3.50%	3.50%	3.50%
01/11/2024 08:30	AU Trade Balance	Nov	A\$7300m	--	A\$7129m
01/11/2024 10:00	ID Local Auto Sales	Dec	--	--	84930
01/11/2024 11:00	TH Consumer Confidence Economic	Dec	--	--	55.1
01/11/2024 12:00	MA Industrial Production YoY	Nov	1.00%	--	2.70%
01/11/2024 13:00	JN Leading Index CI	Nov P	107.9	--	108.9
01/11/2024 16:00	GE Current Account Balance	Nov	--	--	21.4b
01/11/2024 21:30	US Initial Jobless Claims	Jan-06	210k	--	202k
01/11/2024 21:30	US CPI MoM	Dec	0.20%	--	0.10%
01/11/2024 21:30	US CPI YoY	Dec	3.20%	--	3.10%
01/11/2024 21:30	US CPI Ex Food and Energy MoM	Dec	0.30%	--	0.30%
01/11/2024 21:30	US Continuing Claims	Dec-30	1870k	--	1855k
01/11/2024 21:30	US CPI Ex Food and Energy YoY	Dec	3.80%	--	4.00%
01/11/2024 21:30	US CPI Core Index SA	Dec	313.006	--	312.251
01/11/2024 21:30	US CPI Index NSA	Dec	306.602	--	307.051

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
Cindyckung@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W