

Daily Treasury Outlook

11 April 2024

Highlights

Global: The upside surprise to March US CPI print was the main driver of global markets overnight. Headline inflation rose by 3.5% YoY versus 3.2% in February, and above consensus expectations of 3.4%. Gains on a month-on-month basis were 0.4%, similar to February (versus expectations of a slowdown to 0.3%). Core inflation, excluding food and energy, remained stable at 3.8% YoY versus February; gains on MoM basis were also unchanged at 0.4% versus February. US equities closed lower by ~1%, while UST yields climbed across the curve and the DXY index rose above 105 handle. Market pricing for US Fed rate cuts readjusted sharply with the Fed funds futures now pricing in 42.4bp in rate cuts in 2024 versus 64.8bp at the end of last Friday. Former Treasury Secretary Larry Summers further opined that he sees a 15-25% change of a rate move upward rather than downward. Closer home, Bank of Thailand (BOT) kept its policy rate unchanged at 2.50% with the MPC voting pattern unchanged at 5-2, similar to its 7 February meeting. 2 members voted for a 25bp cut. BOT lowered its 2024 and 2025 headline and core inflation forecasts while keeping its growth outlook unchanged.

Market Watch: Asian markets are likely to whipsaw as the impact of the March US CPI print feeds through. In terms of data, China's March CPI and PPI print will be a focus along with March financing data, Philippines February trade data.

SG: The S'pore economy likely expanded 2.9% YoY (0.2% QoQ sa) in 1Q24, up from 4Q23's 2.2% YoY (1.2% QoQ sa). All three key sectors, namely manufacturing, services and construction, probably expanded again amid the stabilization in electronics industry and the uptick in tourist arrivals. This could be the fastest YoY GDP growth print since 3Q22 (4.2% YoY). Manufacturing likely accelerated to 2.1% YoY, from 1.4% in 4Q23 while the services possibly registered its 13th consecutive growth quarter to expand 3.6% YoY.

Oil: Benchmarks rebounded on Wednesday following two consecutive sessions of decline. Both WTI and Brent rose by more than 1.0% to settle at USD86.2/bbl and USD90.5/bbl respectively, with intraday trade choppy. Oil prices initially traded lower as the Energy Information Administration (EIA) reported a significant buildup in US inventories: crude inventories rose by 5.8mn bbls to 457.3mn bbls while gasoline inventories rose by 0.7mn bbls to 228.5mn bbls, for the week ending on 05 April. However, oil prices rebounded on a potential escalation in geopolitical tensions after reports of an "imminent" strike against Israel, and family members of Hamas leader Ismail Haniyeh were killed in an Israeli airstrike in Gaza. Markets are concerned that this may put the Israel-Hamas ceasefire talks into a deadlock. This sets the stage for oil benchmarks to hold firm during Asian trading hours.

Key Market Movements

Equity	Value	% chg
S&P 500	5160.6	-0.9%
DJIA	38462	-1.1%
Nikkei 225	39582	-0.5%
SH Comp	3027.3	-0.7%
STI	3237.5	0.0%
Hang Seng	17139	1.8%
KLCI	1553.5	0.0%
	Value	% chg
DXY	105.245	1.1%
USDJPY	153.16	0.9%
EURUSD	1.0743	-1.1%
GBPUSD	1.2540	-1.1%
USDIDR	15845	0.0%
USDSGD	1.3538	0.7%
SGDMYR	3.5319	0.1%
	Value	chg (bp)
2Y UST	4.97	23.05
10Y UST	4.54	18.19
2Y SGS	3.42	0.00
10Y SGS	3.26	0.00
3M SORA	3.66	0.00
3M SOFR	5.35	0.00
	Value	% chg
Brent	90.48	1.2%
WTI	86.21	1.1%
Gold	2334	-0.8%
Silver	27.95	-0.7%
Palladium	1049	-4.2%
Copper	9374	-0.5%
BCOM	102.87	0.1%

Source: Bloomberg

Major Markets

CN: In response to rating agency Fitch's outlook downgrade on China's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Negative from Stable citing uncertain economic prospects amid a transition away from property-reliant growth to what the government views as a more sustainable growth model, China's Ministry of Finance said the result showed that "the indicator system of Fitch's sovereign credit rating methodology fails to effectively and forward-lookingly reflect the positive role of China's fiscal policy in promoting economic growth and stabilizing the macro-leverage ratio." Nevertheless, MoF also reckons that maintaining a moderate deficit and making good use of precious debt funds will help expand domestic demand, support economic growth, and ultimately help maintain good sovereign credit.

TH: Bank of Thailand (BOT) kept its policy rate unchanged at 2.50%, in line with consensus and our expectations. The voting pattern remained unchanged from the 7 February meeting at 5-2 in favour of a hold and two members in favour of a 25bp cut. Our base case is for a shallow rate cutting cycle of a cumulative 50bp in 2024. The risk, however, is that the BOT deems it fit to keep rates unchanged. Separately, the details of the Digital Wallet Programme have been revealed. Finance Permanent Secretary Lavaron Sangsnit said that the THB500bn digital wallet plan will be financed using a combination of state budget and assistance from a state bank, as reported by Bloomberg. Specifically, a total of THB327.7bn will be drawn from budgets for fiscal 2024 and 2025. The remaining THB172.3bn will be "carved out of state-owned Bank for Agriculture and Agricultural Cooperatives' budget". PM Srettha Thavisin said that the plan will be implemented in 4Q24, boosting the economy by 1.2-1.6%.

PH: Foreign Direct Investment (FDI) net inflows started the year on a firm note. January FDI increased by 89.9% YoY (December 2023: 29.9%) to register a net inflow of USD907mn, according to Bangko Sentral ng Pilipinas. The manufacturing industry remains the key focus for FDI inflows. This is followed by the real estate, construction and wholesale and retail trade industries.

ESG Updates

SG: The Maritime and Port Authority of Singapore launched the first pilot trial for an electric harbour craft charging point at Marina South Pier, as part of efforts to decarbonise the maritime industry. The 150kW charger can charge an electric harbour craft with an approximate battery capacity of 500kWh in around three hours, to enable an operating range of around 90km. By 2030, all new harbour craft must be fully electric, be able to use cleaner biofuels or be compatible with net-zero fuels such as hydrogen.

CN: China has released draft emissions guidelines for the cement sector, in preparation for the expansion of the China ETS. It may take longer to include the steel sector because of data quality concerns.

MY: Malaysia has reported an increase in food waste of 15% – 20% during Ramadan, as a result of unsold food at bazaars across the country. Organisations such as the MySaveFood programme have stepped up to reduce food waste, by collecting surplus food and redistributing it to the underprivileged. In the first three weeks of this year's Ramadan, MySaveFood has already saved more than 54 tonnes of food.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower on Tuesday, with short tenors trading 3-4bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower. China Vanke Co. said that a regional manager in the city of Jinan was assisting in an investigation. Following this news, bond prices of Vanke generally reacted lower while its Hong Kong listed shares lost more than 4%. Separately, Shimao Group is contemplating applying to the High Court for a validation order after considering the progress of its offshore restructuring. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 4bps to 80bps, which is at another all-time lows, while Asia USD High Yield spreads tightened by 21bps to 571bps. (Bloomberg, OCBC)

New Issues:

There were five notable bond issuances in the Asiadollar market on Tuesday.

- **Jinan Hi-Tech International (Cayman) Investment** (Guarantor: Jinan Hi-tech Holding Group Co Ltd) priced a USD180mn 3Y bond at 6.1%.
- **China Development Bank** priced a USD500mn 3Y FRN at SOFR+33bps.
- **Far East Horizon Ltd (FRESHK)** priced a USD500mn 3Y bond at 6.7%.
- **Melco Resorts Finance Ltd (MPEL)** priced a USD750mn 8NC3 at 7.625%.
- **Nippon Life Insurance Co (NIPLIF)** priced a USD1.32bn 30NC10 subordinated issue at 5.95%.

There were no notable bond issuances in the Singdollar market yesterday.

Mandates:

- Yinson Production Offshore Pte. Ltd. is planning to issue a new USD500mn 5NC3 senior secured bond.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.245	1.05%	USD-SGD	1.3538	0.67%
USD-JPY	153.160	0.92%	EUR-SGD	1.4543	-0.40%
EUR-USD	1.074	-1.05%	JPY-SGD	0.8839	-0.25%
AUD-USD	0.651	-1.76%	GBP-SGD	1.6978	-0.42%
GBP-USD	1.254	-1.09%	AUD-SGD	0.8817	-1.10%
USD-MYR	4.748	-0.10%	NZD-SGD	0.8088	-0.75%
USD-CNY	7.234	0.03%	CHF-SGD	1.4830	-0.38%
USD-IDR	15845	#DIV/0!	SGD-MYR	3.5319	0.10%
USD-VND	24946	-0.10%	SGD-CNY	5.3413	-0.66%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8370	-1.03%	1M	5.3200	-0.02%
3M	3.9160	0.36%	2M	5.3300	-0.03%
6M	3.8680	0.57%	3M	5.3312	-0.02%
12M	3.6950	0.60%	6M	5.3125	-0.08%
			1Y	5.2200	-0.21%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.327
05/01/2024	-0.026	-0.006	5.322
06/12/2024	-0.188	-0.047	5.282
07/31/2024	-0.485	-0.121	5.208
09/18/2024	-0.908	-0.227	5.102
11/07/2024	-1.153	-0.288	5.041
12/18/2024	-1.647	-0.412	4.917
01/29/2025	-1.955	-0.489	4.840

Equity and Commodity

Index	Value	Net change
DJIA	38,461.51	-422.16
S&P	5,160.64	-49.27
Nasdaq	16,170.36	-136.28
Nikkei 225	39,581.81	-191.32
STI	3,237.52	21.53
KLCI	1,553.51	-6.47
JCI	7,286.88	7286.88
Baltic Dry	1,570.00	-24.00
VIX	15.80	0.82

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (-0.02)	4.96(--)
5Y	3.18 (-0.01)	4.6 (+0.23)
10Y	3.26 (-0.04)	4.54 (+0.18)
15Y	3.22 (-0.03)	--
20Y	3.19 (-0.03)	--
30Y	3.16 (-0.02)	4.63 (+0.13)

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)	86.21	1.15%	Corn (per bushel)	4.343	0.7%
Brent (per barrel)	90.48	1.19%	Soybean (per bushel)	11.648	-0.8%
Heating Oil (per gallon)	270.76	1.14%	Wheat (per bushel)	5.585	0.1%
Gasoline (per gallon)	278.16	0.94%	Crude Palm Oil (MYR/MT)	45.170	#DIV/0!
Natural Gas (per MMBtu)	1.89	0.69%	Rubber (JPY/KG)	345.300	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9374.00	-0.46%	Gold (per oz)	2334.0	-0.8%
Nickel (per mt)	18364.00	0.80%	Silver (per oz)	27.9	-0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
04/11/2024	PH	Money Supply M3 SRF YoY	Feb	--	--	6.00%	--
04/11/2024 02:00	US	Monthly Budget Statement	Mar	-\$223.0b	-\$236.5b	-\$378.1b	-\$378.4b
04/11/2024 07:50	JN	Money Stock M2 YoY	Mar	--	2.50%	2.50%	2.40%
04/11/2024 07:50	JN	Money Stock M3 YoY	Mar	--	1.80%	1.80%	--
04/11/2024 09:00	PH	Exports YoY	Feb	9.80%	--	9.10%	--
04/11/2024 09:00	PH	Trade Balance	Feb	-\$3993m	--	-\$4221m	--
04/11/2024 09:30	CH	CPI YoY	Mar	0.40%	--	0.70%	--
04/11/2024 09:30	CH	PPI YoY	Mar	-2.80%	--	-2.70%	--
04/11/2024 20:15	EC	ECB Main Refinancing Rate	Apr-11	4.50%	--	4.50%	--
04/11/2024 20:15	EC	ECB Deposit Facility Rate	Apr-11	4.00%	--	4.00%	--
04/11/2024 20:15	EC	ECB Marginal Lending Facility	Apr-11	4.75%	--	4.75%	--
04/11/2024 20:30	US	Initial Jobless Claims	Apr-06	215k	--	221k	--
04/11/2024 20:30	US	PPI Final Demand MoM	Mar	0.30%	--	0.60%	--
04/11/2024 20:30	US	Continuing Claims	Mar-30	1800k	--	1791k	--
04/11/2024 20:30	US	PPI Final Demand YoY	Mar	2.20%	--	1.60%	--
04/11/2024 20:30	US	PPI Ex Food and Energy MoM	Mar	0.20%	--	0.30%	--

Source: Bloomberg

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