

Daily Treasury Outlook

12 January 2024

Highlights

Global: Wall Street closed mostly unchanged amid hotter-than-expected CPI prints and falling initial jobless claims for the week ending 6 January. The S&P 500 closed -0.1%, the Dow and NASDAQ closed flat, and 10Y UST yields fell 5.11 bps to 3.97%. US headline CPI rose 3.4% YoY (0.3% MoM) in December, beating consensus estimates of 3.2% YoY (0.2% MoM) and accelerating from the November print of 3.1% YoY (0.1% MoM). Gasoline prices rebounded by 0.2% after a 6.0% drop in November, while food prices rose by 0.2% for the second consecutive month. The core CPI gauge, which excludes food and energy components, printed above consensus as well at 3.9% YoY against consensus estimates of 3.8% YoY but slowing down slightly from 4.0% YoY in November. Although shelter costs increased by 0.5% MoM, overall pressure is easing due to declining rent asking prices. The modest decline in initial jobless claims for the week ending 6 January to 202K from 203K in the week prior reveals continued labour market resilience, confirming the strength observed in nonfarm payroll gains in December. Cleveland Fed President Mester stated in an interview that the Fed needs more evidence before considering interest rate reductions, and she believed that the anticipated March rate cut by financial markets is premature. Richmond Fed President Thomas Barkin mentioned that the December CPI did not provide enough conviction about future declines in inflation. Elsewhere, Japan's current account surplus narrowed to JPY1.93trn in November from JPY2.56trn in October as its trade deficit widened to JPY724.1bn in November from JPY472.8bn in October.

Market Watch: Market participants will closely monitor the Producer Price Index (PPI) tonight to gauge the possible trajectory of core Personal Consumption Expenditures (PCE). A slew of data releases from China including its December trade balance, CPI and PPI will also be closely monitored. Other items on today's economic calendar include the UK's industrial production figures, India's December CPI and Thailand's foreign reserves position.

Oil: WTI and Brent rose by ~1.0% to close at US\$72.0/bbl and US\$77.4/bbl respectively. In a choppy session, both oil benchmarks initially rose higher (up by more than US\$2/bbl) but pulled lower in the middle of US trading session on a larger-than-expected rise in US CPI and reports of China seeking fewer Saudi crude oil imports (~38.5mn bbls) for its February loading (January: ~40mn bbls). Nonetheless, prices recovered to close higher as events in the Gulf of Oman (i.e., Iran seized an oil tanker in the Gulf of Oman) led to concerns regarding the security of oil supplies from the Middle East.

Key Market Movements

Equity	Value	% chg
S&P 500	4780.2	-0.1%
DJIA	37711	0.0%
Nikkei 225	35050	1.8%
SH Comp	2886.7	0.3%
STI	3201.4	0.7%
Hang Seng	16302	1.3%
KLCI	1483.0	-0.3%
	Value	% chg
DX	102.291	-0.1%
USDJPY	145.29	-0.3%
EURUSD	1.0972	0.0%
GBPUSD	1.2760	0.1%
USDIDR	15549	-0.1%
USDSGD	1.3308	-0.1%
SGDMYR	3.4914	0.1%
	Value	chg (bp)
2Y UST	4.25	-11.29
10Y UST	3.97	-6.25
2Y SGS	3.25	-1.90
10Y SGS	2.81	-3.38
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	0.08
3M SOFR	5.36	0.00
	Value	% chg
Brent	77.41	0.8%
WTI	72.02	0.9%
Gold	2029	0.2%
Silver	22.75	-0.7%
Palladium	991	-1.3%
Copper	8355	-0.2%
BCOM	97.67	0.2%

Source: Bloomberg

Major Markets

SG: Business and industry leaders at a pre-Budget roundtable expressed concerns about rising costs and geopolitical uncertainties for local companies in 2024. Emphasising the importance of continuing businesses' digital and green transformation journeys, the business leaders hoped for increased government support to facilitate digitalisation, upskilling of workers, and the adoption of sustainable practices and technologies. Additionally, Bukit Panjang MP Liang Eng Hwa, chairman of the Government Parliamentary Committee for Finance and Trade and Industry, stressed that "it will get harder to grow Singapore's economy amid domestic constraints and a grim external environment". The STI closed 0.7% higher at 3201.4.

MY: Economy Minister Rafizi Ramli signed a memorandum of understanding (MoU) with Singapore's Minister of Trade Gan Kim Yong to formalize cooperation on the Johor-Singapore Special Economic Zone (JS-SEZ). The agreement aims to enhance cross-border flows of goods and people, while also bolstering the business ecosystem within the JS-SEZ to promote investments. The initiatives include the establishment of a one-stop business centre in Johor, the implementation of a passport-free QR code clearance system, and the digitization of cargo clearance processes at land checkpoints, as reported by The Edge. Both nations have plans to progress towards a comprehensive JS-SEZ agreement and will provide an update during the 2024 Malaysia-Singapore Leaders' Retreat later this year.

ID: The Commissioner of the General Elections Commission (KPU), Idham Holik, has specified that the Regional Head Election (Pilkada) is still scheduled for November 2024, as regulated in Article 201 (8) of Law No. 10 of 2016. This statement was made in response to concerns raised about accelerating the simultaneous election of regional heads to September, as to avoid a vacancy of regional head/vice head positions and ensure the simultaneous inauguration of elected regional heads, as reported by Tempo and Kompas. Indonesia is also scheduled to hold the 2024 general election on 14 February, with the possibility of a runoff taking place only in June 2024.

TH: The consumer index of the University of the Thai Chamber of Commerce revealed that consumer confidence index (CCI) rose for a fifth straight month to 62.0 in December from 60.9 in November. This is the highest level in about 4 years bringing the 4Q23 average to 61.0 (3Q23: 57.1). The increase in CCI is broad-based with 'economic situation', 'income' and 'job' sub-indices all rose to 56.0, 71.3 and 58.7 in December from 55.1, 69.9 and 57.6 in November respectively. The increase in CCI for a fifth straight month suggests that consumer confidence should continue to improve further, particularly if the government can swiftly boost the Thai economy with its planned policies this year, according to the university.

ESG Updates

SG: Singapore is more than halfway to its solar power deployment target of at least 2,000 MWp by 2030. The private sector has been the driving force behind the growth in solar power deployment, accounting for 63.5% of the total installed capacity. Singapore is also working towards importing low-carbon electricity from the region e.g. Cambodia, Indonesia, Vietnam.

ID: Indonesia approved in 2023 the replanting of 53,012 ha of palm oil trees on land owned by smallholder farmers under a subsidised programme. The size of the replanting increased from 30,759 ha in 2022 but still fell short of the target to replant 180,000 ha of palm trees annually to boost output without clearing more forest. There is increased urgency to replant more palm oil trees to increase yields and meet the increase in demand for vegetable oil, including for biodiesel.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-2bps lower, belly tenors trading 1-2bps lower, and the 10Y trading 1bps lower. According to Bloomberg, creditors of Taeyoung Engineering & Construction have voted to start debt restructuring talks. Aoyuan Group Ltd has received approval from a Hong Kong court, allowing them to proceed with their USD6bn debt restructuring plan, dismissing opposition from a creditor. Aoyuan's restructuring has been closely monitored as it could set legal precedents for bigger trials like China Evergrande Group. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened 1bps to 107bps while the Asia USD High Yield spreads widened 8 bps to 729bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
11 Jan	Huaxin Pharmaceutical Hong Kong Co Ltd (Guarantor: Taizhou Huaxin Pharmaceutical Investment Co Ltd) (SBLC Provider: Postal Savings Bank of China Co Ltd/Taizhou)	Fixed	USD	60	3-Yr	5.55%	5.80%
11 Jan	Standard Chartered PLC	Fixed, Callable	SGD	335	6-Yr	4.00%	N/A

Mandates:

- There are no mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.291	-0.07%	USD-SGD	1.3308	-0.06%
USD-JPY	145.290	-0.32%	EUR-SGD	1.4602	-0.07%
EUR-USD	1.097	-0.01%	JPY-SGD	0.9161	0.27%
AUD-USD	0.669	-0.18%	GBP-SGD	1.6982	0.08%
GBP-USD	1.276	0.14%	AUD-SGD	0.8901	-0.24%
USD-MYR	4.644	0.04%	NZD-SGD	0.8296	0.05%
USD-CNY	7.167	-0.08%	CHF-SGD	1.5621	-0.19%
USD-IDR	15549	-0.13%	SGD-MYR	3.4914	0.13%
USD-VND	24441	0.26%	SGD-CNY	5.3784	-0.15%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8770	0.26%	1M	5.3341	0.03%
3M	3.9360	0.20%	2M	5.3450	0.02%
6M	3.9020	0.28%	3M	5.3063	0.01%
12M	3.6350	0.94%	6M	5.1205	-0.06%
			1Y	4.7183	-0.09%

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	37,711.02	15.29
S&P	4,780.24	-3.21
Nasdaq	14,970.18	0.53
Nikkei 225	35,049.86	608.14
STI	3,201.41	21.45
KLCI	1,483.00	-3.86
JCI	7,219.96	-7.33
Baltic Dry	1,664.00	-211.00
VIX	12.44	-0.25

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.25 (-0.02)	4.24(--)
5Y	2.69 (-0.03)	3.88 (-0.09)
10Y	2.81 (-0.03)	3.96 (-0.06)
15Y	2.86 (-0.03)	--
20Y	2.86 (-0.03)	--
30Y	2.82 (--)	4.16 (-0.03)

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)	72.02	0.91%	Corn (per bushel)	4.578	-0.4%
Brent (per barrel)	77.41	0.79%	Soybean (per bushel)	12.313	0.2%
Heating Oil (per gallon)	267.38	2.81%	Wheat (per bushel)	6.038	-1.1%
Gasoline (per gallon)	211.43	2.27%	Crude Palm Oil (MYR/MT)	37.400	0.8%
Natural Gas (per MMBtu)	3.10	1.91%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8355.00	-0.19%	Gold (per oz)	2028.9	0.2%
Nickel (per mt)	16420.00	-0.05%	Silver (per oz)	22.8	-0.7%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/12/2024 07:50	JN BoP Current Account Balance	Nov	¥2385.1b	¥1925.6b	¥2582.8b
01/12/2024 09:00	PH Money Supply M3 SRF YoY	Nov	--	--	8.20%
01/12/2024 09:00	CH Imports YoY	Dec	-0.50%	--	-0.60%
01/12/2024 09:00	CH Money Supply M2 YoY	Dec	10.10%	--	10.00%
01/12/2024 09:00	CH Trade Balance	Dec	\$75.60b	--	\$68.39b
02/12/2024 09:00	CH Exports YoY	Dec	1.50%	--	0.50%
01/12/2024 09:30	CH CPI YoY	Dec	-0.40%	--	-0.50%
01/12/2024 09:30	CH PPI YoY	Dec	-2.60%	--	-3.00%
01/12/2024 13:00	JN Eco Watchers Survey Outlook SA	Dec	49.5	--	49.4
01/12/2024 15:00	UK Industrial Production MoM	Nov	0.30%	--	-0.80%
01/12/2024 15:00	UK Manufacturing Production MoM	Nov	0.30%	--	-1.10%
01/12/2024 15:00	UK Industrial Production YoY	Nov	0.70%	--	0.40%
01/12/2024 15:30	TH Foreign Reserves	Jan-05	--	--	\$224.5b
01/12/2024 20:00	IN Industrial Production YoY	Nov	3.50%	--	11.70%
01/12/2024 20:00	IN CPI YoY	Dec	5.86%	--	5.55%
01/12/2024 21:30	US PPI Final Demand MoM	Dec	0.10%	--	0.00%

Source: Bloomberg

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