

Daily Treasury Outlook

13 March 2024

Highlights

Global: US stocks closed higher on Tuesday (S&P500: 1.12%, Nasdaq: 1.54%, and Dow Jones: 0.61%) despite a higher-than-expected Consumer Price Index (CPI) reading. Meanwhile, US Treasury yields moved slightly higher, with the 2-year and 10-year yields touching 4.58% and 4.15%, respectively. The Fed funds futures market assigned a ~78% probability for the first rate cut in June, versus over 80% prior to the inflation print. Specifically, US headline inflation rose by 3.2% YoY (0.4% MoM) in February, compared to 3.1% in January, which was higher than expected (consensus: +3.1%). Excluding food and energy, core CPI eased to 3.8% YoY (0.4% MoM) compared to 3.9% in January, again above consensus (+3.7%). Prior to the FOMC meeting next week (20 March), the market will pay close attention to Thursday's release of February Producer Price Index (PPI, with the headline PPI expected to reaccelerate to 1.2% YoY from 0.9% in January).

Market Watch: Asian markets are likely to open firm today amid following broad-based advances on Wall Street. For the day ahead in Asia, markets will look out for Indonesia's February consumer confidence figures and China's new lending and money supply due as soon as today. Elsewhere, trade balance and manufacturing production prints from the UK and wholesale price index data from Germany are also due today.

SG: STI edged up marginally ahead of US CPI data, moving up 0.1% to close at 3,141.5.

Oil: Crude oil benchmarks traded lower on Tuesday. Both WTI and Brent declined marginally by ~0.4% to close at USD77.6/bbl and USD81.9/bbl respectively. US February CPI came in slightly higher-than-expected at 3.2% YoY (January: 3.1%). The persistence in US inflation will reaffirm the Fed's view on no near-term monetary policy easing. Higher interest rates in the near-term do not bode well for oil demand, weighing on prices. The downside was further driven by higher projections for US crude oil production: the US Energy Information Administration (EIA) raised its projections on oil output growth by 260k versus its previous projection of 170k. Separately, the American Petroleum Institute (API) reported a drawdown of 5.5mn bbls in US crude inventories for the week ending 08 March. Energy Information Administration (EIA) crude oil inventories data will be released tonight (13 March) with consensus expecting a modest buildup in US crude inventories (consensus: 307k bbls).

Key Market Movements

Equity	Value	% chg
S&P 500	5175.3	1.1%
DJIA	39005	0.6%
Nikkei 225	38798	-0.1%
SH Comp	3055.9	-0.4%
STI	3141.5	0.1%
Hang Seng	17094	3.1%
KLCI	1554.6	0.6%
	Value	% chg
DXY	102.957	0.1%
USDJPY	147.68	0.5%
EURUSD	1.0927	0.0%
GBPUSD	1.2793	-0.2%
USDIDR	15590	0.0%
USDSGD	1.3323	0.1%
SGDMYR	3.5148	-0.2%
	Value	chg (bp)
2Y UST	4.59	5.02
10Y UST	4.15	5.25
2Y SGS	3.40	3.10
10Y SGS	3.00	2.98
3M SORA	3.63	-0.39
3M SOFR	5.35	0.00
	Value	% chg
Brent	81.92	-0.4%
WTI	77.56	-0.5%
Gold	2158	-1.1%
Silver	24.14	-1.3%
Palladium	1041	0.8%
Copper	8653	0.0%
BCOM	98.18	-0.1%
Source: Bloomberg		

Major Markets

ID: Deputy Head for Human, Community, and Cultural Development of the National Development Planning Agency (Bappenas), Amich Alhumami, revealed that the free lunch program proposed by presumptive president-elect Prabowo-Gibran will be included in the National Medium Term Development Plan (RPJMN) 2024-2029, once the General Election Commission makes an official declaration of Prabowo Subianto-Gibran Rakabuming Raka as the winners of the 2024 Presidential Election. The RPJMN is a five-year plan that reflects the president's vision and mission, aligning with the National Long-Term Development Plan (RJPN) prepared every 20 years.

MY: Prime Minister Anwar Ibrahim's recent meetings in Germany have garnered new investment interest totalling MYR 45.bn, according to Investment, Trade and Industry Minister Zafrul Aziz. These potential investments cover a range of industries, including semiconductor, aerospace, medical devices, chemicals, and services. The meetings involved 38 industry leaders from Germany, Belgium, and France, including officials from companies such as X-Fab, Melexis, Infineon Technologies AG, Schott AG, and Airbus, as reported by The Edge. Elsewhere, January's Industrial production index (IPI) rose 4.3% YoY from 0.0% in December.

TH: Thailand has waived the personal income tax on capital gains from investment tokens as it seeks to promote the use of the instrument for fund raising, as reported by Bloomberg. Deputy government spokesman Karom Polpornklang shared that the government will instead impose a withholding tax of 15% on capital gains from investment tokens. Separately, the Election Commission (EC) is seeking the dissolution of the Move Forward Party. Members of the EC have unanimously agreed to submit a petition to the Constitutional Court to disband Move Forward Party as the party was deemed to have violated election rules.

PH: January exports rose by 9.1% YoY versus -0.5% in December while imports contracted further to 7.6% YoY (December: -3.5%). Consequently, the trade deficit remained relatively unchanged at USD4.2bn. On the exports front, the growth was primarily driven by higher shipments in 'agro-based products' (20.9% YoY versus 14.1%), other agro-based products' (6.8% YoY versus -16.6%), 'petroleum products' (17.0% YoY versus 19.9%), and 'manufactures' (10.5% versus 0.5%) which more than offset lower shipments in other categories. On the imports front, the contraction was primarily driven by a decline in capital goods imports (-6.5% YoY versus 0.0%), raw materials imports (-5.0% YoY versus -5.8%), and mineral fuel imports (-35.4% versus -27.2%). These more than offset growth in consumer goods (15.8% YoY versus 10.6%), and special transactions imports (14.8% YoY versus -55.7%). By destination, exports to the US contributed the highest to the total export value. This is followed by Japan, Hong Kong, China, and South Korea.

ESG Updates

SG: Vopak signed an agreement with Air Liquide to develop and operate infrastructure for ammonia import, cracking and hydrogen distribution in Singapore. The companies will explore developing low-carbon ammonia supply chains, including ammonia cracking facilities, storage and handling infrastructure at Vopak's Banyan terminal, as well as distributing low-carbon hydrogen through a hydrogen pipeline network. Ammonia is one of the alternative fuels that shippers and power companies are exploring to reduce their greenhouse gas emissions.

Rest of the world: Britain's finance ministry said that it will introduce regulation for providers of ESG ratings on companies to improve the clarity and credibility of benchmarks widely used to steer investments. A full consultation response and legislative steps can be expected later in 2024.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 2-3bps higher and 10Y trading 2bps higher. China Vanke Co. ("Vanke") is in talks with banks on a debt swap that could help the developer prevent its first-ever bond default per Bloomberg. Vanke's major creditor banks are considering swapping bond holdings (in tens of billions of RMB in principal) into secured debt. The ongoing talks are being coordinated by China's financial regulators and the local government of Shenzhen. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 95bps while the Asia USD High Yield spreads tightened by 11bps to 581bps. (Bloomberg, OCBC)

New Issues:

- There was one notable bond issuance in the Asiadollar market yesterday. Soar Wise Ltd (AVIILC) issued a USD500mn 3Y Fixed bond with final pricing of T+87.5bps.
- There were no notable bond issuances in the Singdollar market yesterday.

Mandates:

- Shinhan Bank has mandated several banks to arrange a series of fixed income meetings.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.957	0.09%	USD-SGD	1.3323	0.14%
USD-JPY	147.680	0.50%	EUR-SGD	1.4558	0.16%
EUR-USD	1.093	0.01%	JPY-SGD	0.9024	-0.33%
AUD-USD	0.661	-0.12%	GBP-SGD	1.7046	-0.01%
GBP-USD	1.279	-0.16%	AUD-SGD	0.8802	0.02%
USD-MYR	4.678	-0.08%	NZD-SGD	0.8195	-0.17%
USD-CNY	7.183	0.02%	CHF-SGD	1.5187	0.16%
USD-IDR	15590	-0.40%	SGD-MYR	3.5148	-0.17%
USD-VND	24644	-0.01%	SGD-CNY	5.3892	-0.17%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8710	-0.18%	1M	5.3270	-0.01%
3M	3.9280	-0.30%	2M	5.3315	-0.02%
6M	3.8920	-0.26%	3M	5.3314	-0.07%
12M	3.7030	-1.12%	6M	5.2515	-0.03%
			1Y	5.0153	-0.16%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.328
05/01/2024	-0.152	-0.038	5.291
06/12/2024	-0.778	-0.194	5.135
07/31/2024	-1.328	-0.332	4.998
09/18/2024	-2.128	-0.532	4.798
11/07/2024	-2.676	-0.669	4.661
12/18/2024	-3.393	-0.848	4.481
01/29/2025	-3.968	-0.992	4.338

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.56	-0.47%	Corn (per bushel)	4.290	0.2%
Brent (per barrel)	81.92	-0.35%	Soybean (per bushel)	11.820	1.5%
Heating Oil (per gallon)	261.65	-1.33%	Wheat (per bushel)	5.355	-0.4%
Gasoline (per gallon)	258.64	0.23%	Crude Palm Oil (MYR/MT)	42.000	-0.2%
Natural Gas (per MMBtu)	1.71	-2.56%	Rubber (JPY/KG)	326.500	5.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8653.00	0.86%	Gold (per oz)	2158.3	-1.1%
Nickel (per mt)	18377.00	2.03%	Silver (per oz)	24.1	-1.3%

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

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/12/2024 - 03/15/2024	CH Money Supply M2 YoY	Feb 8.80%	--	8.70%	--
03/12/2024 - 03/15/2024	CH New Yuan Loans CNY	Feb 1550.0b	--	4920.0b	--
03/12/2024 - 03/15/2024	CH Money Supply M1 YoY	Feb 2.00%	--	5.90%	--
03/13/2024 02:00	US Monthly Budget Statement	Feb -\$298.5b	-\$296.3b	-\$262.4b	--
03/13/2024 05:45	NZ Food Prices MoM	Feb --	-0.60%	0.90%	--
03/13/2024 07:00	SK Unemployment rate SA	Feb 3.00%	2.60%	3.00%	--
03/13/2024 15:00	UK Industrial Production MoM	Jan 0.00%	--	0.60%	--
03/13/2024 15:00	GE Wholesale Price Index MoM	Feb --	--	0.10%	--
03/13/2024 15:00	UK Manufacturing Production MoM	Jan 0.00%	--	0.80%	--
03/13/2024 15:00	UK Industrial Production YoY	Jan 0.80%	--	0.60%	--
03/13/2024 15:00	UK Trade Balance GBP/Mn	Jan -£3000m	--	-£2603m	--
03/13/2024 15:00	GE Wholesale Price Index YoY	Feb --	--	-2.70%	--
03/13/2024 15:00	UK Manufacturing Production YoY	Jan 2.00%	--	2.30%	--
03/13/2024 15:00	UK Visible Trade Balance GBP/Mn	Jan -£15000m	--	-£13989m	--
03/13/2024 18:00	EC Industrial Production SA MoM	Jan -1.80%	--	2.60%	--
03/13/2024 19:00	US MBA Mortgage Applications	Mar-08 --	--	9.70%	--

Source: Bloomberg

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