

Daily Treasury Outlook

14 March 2024

Highlights

Global: US markets traded sideways overnight ahead of key data releases tonight. US equities were mixed (S&P closed 0.2% lower; NASDAQ: -0.5%; Dow: +0.1%) while the DXY index was choppy and UST yields closed the session higher but pull back from intra-day highs. Market pricing for Fed rate cuts this year were slightly below 80bp, with rate cuts still priced in to begin in June. Meanwhile, US Treasury Secretary Janet Yellen in response to questions about the White House projections for higher interest rates remarked that market interest rates are “unlikely” reverting to pre-pandemic levels and that it is important that budget assumptions are “consistent with thinking of the broad range of forecasters”. The result of the long-awaited Operational Framework Review from the European Central Bank is out. There are many aspects to it but of the important ones include that the minimum reserve requirements were left unchanged at 1% and that the spread between the main refinancing rate and deposit rate were narrowed to 15bp from 50bp, effective 18 September. EUR/USD moved higher following ECB’s announcement. In Asia, the focus remains on Bank of Japan. The Nikkei newspaper reported that BOJ “will discuss whether to end its negative interest rate policy at a meeting that starts Monday, as pay hikes by major companies bring the central bank’s 2% price stability target within reach”.

Market Watch: Asia markets may remain cautious ahead of key US data releases tonight including February retail sales, February PPI, and initial jobless claims for week of 9 March. India’s February wholesale price index will also be released today.

SG: MAS professional forecasters survey saw a modest upgrade for 2024 GDP growth to 2.4% YoY while the headline inflation forecast was shaved down to 3.1% YoY. For MAS, the key to watch is the expected core inflation trajectory going ahead. While a flattening of the policy slope appears to be the most likely option, we do not expect this to materialize anytime soon.

Oil: Crude oil benchmarks jumped higher on Wednesday. WTI and Brent rose by 2.8% and 2.6% to settle at USD79.7/bbl and USD84.0/bbl respectively. The rally was largely driven by supply-side factors. Ukrainian drone attacks have struck and caused a fire at Russian oil refineries (Rosneft's PJSC refinery with a capacity of 340k bpd). Consequently, this will have an impact on Russia's refinery capacity in the near-term, leading to concerns of the flow of Russian oil exports into the global market. This was further exacerbated by a larger-than-expected drawdown in both US crude and gasoline inventories. US crude and gasoline inventories declined by 1.5mn bbls and 5.7mn bbls to 447.0 mn bbls and 234.1 mn bbls respectively.

Key Market Movements

Equity	Value	% chg
S&P 500	5165.3	-0.2%
DJIA	39043	0.1%
Nikkei 225	38696	-0.3%
SH Comp	3043.8	-0.4%
STI	3160.7	0.6%
Hang Seng	17082	-0.1%
KLCI	1538.1	-1.1%
	Value	% chg
DXY	102.789	-0.2%
USDJPY	147.76	0.1%
EURUSD	1.0948	0.2%
GBPUSD	1.2797	0.0%
USDIDR	15578	-0.1%
USDSGD	1.3323	0.0%
SGDMYR	3.5146	0.0%
	Value	chg (bp)
2Y UST	4.63	4.83
10Y UST	4.19	3.92
2Y SGS	3.41	1.20
10Y SGS	3.02	2.39
3M SORA	3.63	-0.55
3M SOFR	5.35	0.00
	Value	% chg
Brent	84.03	2.6%
WTI	79.72	2.8%
Gold	2174	0.7%
Silver	25.01	3.6%
Palladium	1062	2.1%
Copper	8657	0.0%
BCOM	98.99	0.8%

Source: Bloomberg

Major Markets

ID: The Consumer Confidence Index (CCI) fell to 123.1 in February from 125.0 in January. The easing was primarily due to the fall in the 'present situation' sub-index, as all subcomponents (income, durable goods purchases, and employment conditions) eased, albeit still above the 100 level. This has more than offset the slight improvement in the 'expectations' sub-index, as consumers expect improvement in employment and income outlook within the next six months.

MY: Wholesale and retail trade sales value growth accelerated to 5.4% YoY in January from 4.8% in December. Nevertheless, the January print brings the 3-month rolling average growth to 5.5% YoY compared to 5.8% in 4Q23. January's uptick was supported by growth in all sub-sectors, with notable growth acceleration in motor vehicle sales (16% YoY from 5.9% in December) and wholesale trade (5.5% from 4.4%), while a slight easing was seen in retail trade (2.6% from 5.0%).

TH: Thai PM Srettha Thavisin is set to relinquish his role as Finance Minister, according to a local media as reported by Bloomberg. It was reported that Pichai Chunhavajira, Chairman of the Stock Exchange of Thailand, may be appointed as the new Finance Minister. Chairman Pichai Chunhavajira was also revealed to be a close confidant of PM Srettha Thavisin. Separately, Bank of Thailand (BOT) has announced more measures to address household debt ratio. From 1 April, BOT will ask all commercial banks and non-bank lenders to provide a new restructuring program for persistent debts.

PH: President Ferdinand Marcos Jr. has secured eight investment agreements during his working visit in Germany. These investment agreements are worth at least USD4bn, according to his communications office. The pledged projects would include an innovation think-tank hub, a digital partnership in healthcare with the Department of Health, the expansion of potential collaborations in software services, manufacturing, amongst others.

ESG Updates

SG: Sembcorp Industries has announced that PT Sembcorp Renewables Energy formed a joint venture with PT PLN Nusantara Renewables to build and develop a utility-scale integrated solar and energy storage project in Indonesia. The project will comprise a battery energy storage system with 50 MW of solar and 14 MWh of battery energy storage capacity in Nusantara. The deal follows a joint development study agreement that Sembcorp signed with PLN (Persero) in Oct 2023 on the export of green hydrogen from Indonesia to Singapore.

Rest of the world: Japan's government has approved a draft amendment to existing legislation to allow for the installation of offshore wind power in exclusive economic zones (EEZ). The new legislation would allow wind farms to be installed further out at sea from current territorial and internal waters, a step closer to achieving the country's goal of carbon neutrality by 2050.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 3-4bps higher and 10Y trading 4bps higher. Shares of Korea's Taeyoung Engineering & Construction Co. ("Taeyoung") were halted from trading after dropping into negative equity due to restructuring charges. The firm's liabilities exceeded its assets by KRW562.6bn (USD428mn) at the end of 2023, which triggered the halt as per the rules of the exchange. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 92bps, which is just 1bp higher than its all-time lows on 29 February 2024, while the Asia USD High Yield spreads tightened by 6bps to 575bps to reach another 52-week low. (Bloomberg, OCBC)

New Issues:

- There were two notable bond issuances in the Asiadollar market yesterday. Ninghai County Urban Investment Group Co. Ltd. priced a USD100mn 3Y bond at 5.6%. Jubilant Year Investments Ltd. (Guarantors: Del Monte Philippines Inc and Philippine Packing Management Service Corp.) priced a USD70mn PerpNC3 at 9%.
- In the Singdollar market yesterday, Kookmin Bank priced a SGD30mn issue.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.789	-0.16%	USD-SGD	1.3323	0.00%
USD-JPY	147.760	0.05%	EUR-SGD	1.4586	0.19%
EUR-USD	1.095	0.19%	JPY-SGD	0.9017	-0.08%
AUD-USD	0.662	0.23%	GBP-SGD	1.7049	0.02%
GBP-USD	1.280	0.03%	AUD-SGD	0.8821	0.22%
USD-MYR	4.686	0.17%	NZD-SGD	0.8203	0.10%
USD-CNY	7.187	0.06%	CHF-SGD	1.5159	-0.18%
USD-IDR	15578	-0.08%	SGD-MYR	3.5146	-0.01%
USD-VND	24670	0.11%	SGD-CNY	5.3956	0.12%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8470	-0.62%	1M	5.3273	0.01%
3M	3.9290	0.03%	2M	5.3333	0.00%
6M	3.9050	0.33%	3M	5.3320	-0.02%
12M	3.7120	0.24%	6M	5.2610	-0.06%
			1Y	5.0450	-0.10%

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	-0.132	-0.033	5.297
06/12/2024	-0.745	-0.186	5.143
07/31/2024	-1.248	-0.312	5.017
09/18/2024	-1.993	-0.498	4.831
11/07/2024	-2.496	-0.624	4.705
12/18/2024	-3.192	-0.798	4.531
01/29/2025	-3.738	-0.934	4.395

Equity and Commodity

Index	Value	Net change
DJIA	39,043.32	37.83
S&P	5,165.31	-9.96
Nasdaq	16,177.77	-87.87
Nikkei 225	38,695.97	-101.54
STI	3,160.72	19.25
KLCI	1,538.13	-16.43
JCI	7,421.21	39.30
Baltic Dry	2,315.00	-62.00
VIX	13.75	-0.09

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.41 (+0.01)	4.63(--)
5Y	2.99 (+0.02)	4.2 (+0.05)
10Y	3.02 (+0.02)	4.19 (+0.04)
15Y	3.02 (+0.02)	--
20Y	3.02 (+0.02)	--
30Y	2.98 (+0.02)	4.34 (+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)	79.72	2.78%	Corn (per bushel)	4.265	-0.6%
Brent (per barrel)	84.03	2.58%	Soybean (per bushel)	11.818	0.0%
Heating Oil (per gallon)	268.51	2.62%	Wheat (per bushel)	5.323	-0.6%
Gasoline (per gallon)	266.15	2.90%	Crude Palm Oil (MYR/MT)	42.450	1.1%
Natural Gas (per MMBtu)	1.66	-3.27%	Rubber (JPY/KG)	345.000	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8653.00	0.86%	Gold (per oz)	2174.4	0.7%
Nickel (per mt)	18377.00	2.03%	Silver (per oz)	25.0	3.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
03/14/2024 - 03/15/2024	IN Exports YoY	Feb	--	3.10%	--
03/14/2024 - 03/15/2024	CH Money Supply M2 YoY	Feb	8.80%	8.70%	--
03/14/2024 - 03/15/2024	CH New Yuan Loans CNY	Feb	1550.0b	4920.0b	--
03/14/2024 - 03/15/2024	CH Money Supply M1 YoY	Feb	2.00%	5.90%	--
03/14/2024 04:00	NZ REINZ House Sales YoY	Feb	--	37.90%	4.90%
03/14/2024 08:01	UK RICS House Price Balance	Feb	-10%	--	-18%
03/14/2024 14:30	IN Wholesale Prices YoY	Feb	0.20%	--	0.27%
03/14/2024 20:30	US Initial Jobless Claims	Mar-09	218k	--	217k
03/14/2024 20:30	US Retail Sales Advance MoM	Feb	0.80%	--	-0.80%
03/14/2024 20:30	US PPI Final Demand MoM	Feb	0.30%	--	0.30%
03/14/2024 20:30	US Continuing Claims	Mar-02	1905k	--	1906k
03/14/2024 20:30	US PPI Final Demand YoY	Feb	1.20%	--	0.90%
03/14/2024 20:30	US PPI Ex Food and Energy MoM	Feb	0.20%	--	0.50%
03/14/2024 20:30	US PPI Ex Food and Energy YoY	Feb	1.90%	--	2.00%
03/14/2024 20:30	US Retail Sales Ex Auto MoM	Feb	0.50%	--	-0.60%
03/14/2024 20:30	CA Manufacturing Sales MoM	Jan	0.40%	--	-0.70%

Source: Bloomberg

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