

Daily Treasury Outlook

15 January 2024

Highlights

Global: Taiwan elections saw current VP Lai Ching-te of the ruling DPP win with 40.1% of votes counted. A US bipartisan delegation of former senior officials is due to arrive in Taiwan. The S&P500 edged up 0.08% on Friday, while the 10-year bond yield fell 3bps to 3.94%. US PPI unexpectedly fell for a third straight month by 0.1% MoM (1.0% YoY) in December, with core PPI was flat at 0% MoM (1.8% YoY). This added to market speculation of a March FOMC rate cut. Meanwhile, on the US earnings side, Citigroup and Wells Fargo tipped a decline in NII, whilst JPMorgan also forecast meaningful, sequential, quarterly declines in 2024.

Market Watch: Asian markets may tread water this morning. China's 1- and 5-year MLF fixings were left unchanged (versus expectations of a cut).

Today's economic data calendar also comprises of Indonesia and India's December trade, and Germany's 2023 GDP growth. ECB's Holzmann is also speaking. For the week ahead, investors will be watching China's data dump on Wednesday, including 4Q23 GDP growth, December retail sales and industrial output, UK's wages and consumer prices, US' retail sales on Wednesday and Fed's Beige Book on Thursday, as well as the BI policy decision (likely static at 6%) on Wednesday. BOE governor Bailey is appearing before the House of Lords tomorrow, while the ECB chief Lagarde is also speaking at the World Economic Forum in Davos which is titled "Rebuilding Trust" and Chinese Premier Li Qiang, US Secretary of State Anthony Blinken are also attending. Meanwhile, the clock is ticking down to 19 January and 2 February where the US government is at risk of shutdown if a stopgap spending plan is not agreed on in time, and talks revolve around US\$70b of tax breaks for businesses and child tax credit.

Oil: Both WTI and Brent rose 0.9% and 1.1% on Friday to close at USD72.7/bbl and USD78.3/bbl respectively. Prices edged higher on news that the US and UK had launched airstrikes against Houthi targets in Yemen. This is in retaliation against Houthi forces for attacks in the Red Sea which raised concerns of a widening conflict in the Middle East. The upside was further supported by a decline in US PPI. US PPI declined 0.1% MoM in December (November: -0.1% MoM), rekindling market optimism of an early Fed cut.

Key Market Movements

Equity	Value	% chg
S&P 500	4783.8	0.1%
DJIA	37593	-0.3%
Nikkei 225	35577	1.5%
SH Comp	2882.0	-0.2%
STI	3191.7	-0.3%
Hang Seng	16245	-0.4%
KLCI	1487.3	0.3%
	Value	% chg
DXY	102.404	0.1%
USDJPY	144.88	-0.3%
EURUSD	1.0951	-0.2%
GBPUSD	1.2753	-0.1%
USDIDR	15550	0.0%
USDSGD	1.3314	0.0%
SGDMYR	3.4920	0.0%
	Value	chg (bp)
2Y UST	4.14	-10.10
10Y UST	3.94	-2.68
2Y SGS	3.24	-0.80
10Y SGS	2.81	-0.94
3M LIBOR	5.58	0.25
3M SIBOR	4.06	0.00
3M SORA	3.71	0.17
3M SOFR	5.36	0.00
	Value	% chg
Brent	78.29	1.1%
WTI	72.68	0.9%
Gold	2049	1.0%
Silver	23.19	2.0%
Palladium	978	-1.3%
Copper	8339	-0.2%
BCOM	97.96	0.3%

Source: Bloomberg

Major Markets

SG: The STI retreated 0.30% to close at 3191.72 on Friday and may range trade today. SGS bonds had rallied on Friday with yields lower by 1-3bps and may extend gains today.

CN: The contraction in December Consumer Price Index (CPI) narrowed to to -0.3% YoY versus -0.5% YoY in November. Concurrently, the Producer Price Index (PPI) reading was -2.7% YoY in December versus -3.0% in November, indicating continued deflationary pressures in the production sector. Elsewhere, the aggregate social financing witnessed an increase of CNY1.97tr, with new Yuan loans contributing CNY1.17tr to this expansion. However, there was a slight deceleration in M2 money supply growth, which eased to 9.7% YoY from 10% in November, while M1 growth remained low at 1.3% YoY. The still weak inflation reading and weak effective demand for credit showed that further monetary policy easing is needed.

MY: The Investment, Trade, and Industry (MITI) Minister, Zafrul Aziz, revealed that the country received MYR 2.8bn in committed foreign direct investment (FDI) during its one-day visit to Singapore on January 12. The investment reportedly originates from global food manufacturing companies and Equinix Inc, a global digital infrastructure company, as reported by The Edge. Equinix is set to open data centres in Johor and Kuala Lumpur. MITI highlighted that between January and September 2023, MYR 20.4bn in investment projects from Singapore were approved, establishing it as the second largest FDI source.

ID: Indonesia and Vietnam have agreed to increase bilateral trade with target of surpassing USD 15bn by 2028 as the recent target of USD 10bn have been achieved in 2023. During President 'Joko Jokowi' Widodo visit to Vietnam last week, the two leaders agreed to improve market access and reduce trade barriers and encourage agricultural cooperation in strategic food commodities and R&D, as well as efforts to eradicate illegal, unreported, and unregulated fishing. Additionally, both leaders discussed cooperation in the field of renewable energy, as reported by Tempo. President Jokowi, who also visited the VinFast EV manufacturing complex, praised the company's plans to invest USD 1.2 billion in Indonesia for EV and EV battery ecosystem development.

PH: President Ferdinand Marcos Jr. has revamped his economic team on Friday. Despite the cabinet reshuffle, he said his government's policies will continue. Veteran lawmaker Ralph Recto is appointed as the country's new Finance Secretary. Meanwhile, ex-Finance Secretary Benjamin Diokno will return to the Bangko Sentral ng Pilipinas (BSP) as member of the central bank's policy-setting Monetary Board. Along with Finance Secretary Recto, Frederick Go who was earlier appointed as the head of the Office of the Special Assistant to the President for Investment and Economic Affairs was also sworn into office on Friday.

ESG Updates

CN: China proposed new targets for improved air quality, although the targets are still above the limit recommended by the World Health Organisation (WHO). It aims to reduce the national average concentration of fine particulate matter to less than 28 µg/m³ by 2027 and less than 25 µg/m³ by 2035, which is well above the 5 µg/m³ recommended by the WHO. China also aims to promote an ultra-low emission upgrade for emissions-intensive industries such as steel and cement manufacturing, as part of decarbonising emissions-intensive sectors.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 1bps lower, belly tenors trading 1-2bps lower, and the 10Y trading 1bps lower. According to Bloomberg, Logan Group creditors have agreed to terms regarding offshore debt restructuring. These four options include 1. A Cash offer 2. Priority notes and mandatory convertible bonds 3. Mandatory convertible bonds and ordinary notes 4. Mandatory convertible bonds. Logan Group is seeking to restructure USD3.369bn offshore senior notes in principle amount. Last Friday, Bloomberg Asia USD Investment Grade spreads maintained at 107bps while the Asia USD High Yield spreads tightened 4 bps to 725bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
11 Jan	Mongolian Mortgage Corp Hfc LLC (Guarantor: MIK Holding JSC)	Fixed	USD	225	3-Yr	12.525%	-

Mandates:

- SK Battery America Inc is planning to issue a USD-denominated 3Y Reg S only fixed rate senior unsecured green bond. An unconditional and irrevocable guarantee by Kookmin Bank may follow.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.404	0.11%	USD-SGD	1.3314	0.05%
USD-JPY	144.880	-0.28%	EUR-SGD	1.4580	-0.15%
EUR-USD	1.095	-0.19%	JPY-SGD	0.9189	0.31%
AUD-USD	0.669	-0.03%	GBP-SGD	1.6981	-0.01%
GBP-USD	1.275	-0.05%	AUD-SGD	0.8905	0.04%
USD-MYR	4.648	0.08%	NZD-SGD	0.8310	0.17%
USD-CNY	7.168	0.01%	CHF-SGD	1.5619	-0.01%
USD-IDR	15550	0.01%	SGD-MYR	3.4920	0.02%
USD-VND	24505	0.26%	SGD-CNY	5.3815	0.06%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8930	0.34%	1M	5.3321	-0.01%
3M	3.9320	-0.25%	2M	5.3418	-0.04%
6M	3.8960	-0.61%	3M	5.3005	-0.10%
12M	3.6360	-0.49%	6M	5.0855	-0.74%
			1Y	4.6385	-1.78%

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	37,592.98	-118.04
S&P	4,783.83	3.59
Nasdaq	14,972.76	2.58
Nikkei 225	35,577.11	527.25
STI	3,191.72	-9.69
KLCI	1,487.34	4.34
JCI	7,241.14	21.17
Baltic Dry	1,460.00	-94.00
VIX	12.70	0.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.24 (-0.01)	4.14(--)
5Y	2.68 (-0.01)	3.83 (-0.05)
10Y	2.81 (-0.01)	3.94 (-0.03)
15Y	2.84 (-0.02)	--
20Y	2.83 (-0.02)	--
30Y	2.8 (-0.02)	4.18(--)

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)	72.68	0.92%	Corn (per bushel)	4.470	-2.3%
Brent (per barrel)	78.29	1.14%	Soybean (per bushel)	12.058	-2.1%
Heating Oil (per gallon)	266.93	-0.17%	Wheat (per bushel)	5.960	-1.3%
Gasoline (per gallon)	212.03	0.28%	Crude Palm Oil (MYR/MT)	37.800	1.1%
Natural Gas (per MMBtu)	3.31	6.97%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8339.00	-0.19%	Gold (per oz)	2049.1	1.0%
Nickel (per mt)	16343.00	-0.47%	Silver (per oz)	23.2	2.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/15/2024 07:50	JN	Money Stock M2 YoY	Dec	--	--	2.30%	--
01/15/2024 07:50	JN	Money Stock M3 YoY	Dec	--	--	1.70%	--
01/15/2024 08:00	AU	Melbourne Institute Inflation MoM	Dec	--	--	0.30%	--
01/15/2024 08:01	UK	Rightmove House Prices MoM	Jan	--	--	-1.90%	--
01/15/2024 08:01	UK	Rightmove House Prices YoY	Jan	--	--	-1.10%	--
01/15/2024 08:30	AU	ANZ-Indeed Job Advertisements MoM	Dec	--	--	-4.60%	--
01/15/2024 09:00	PH	Overseas Cash Remittances YoY	Nov	2.90%	--	3.00%	--
01/15/2024 09:00	PH	Overseas Workers Cash Remittances	Nov	\$2715m	--	\$3000m	--
01/15/2024 11:30	IN	Exports YoY	Dec	--	--	-2.80%	--
01/15/2024 12:00	ID	Exports YoY	Dec	-8.40%	--	-8.56%	--
01/15/2024 14:00	JN	Machine Tool Orders YoY	Dec P	--	--	-13.60%	--
01/15/2024 14:30	IN	Wholesale Prices YoY	Dec	1.23%	--	0.26%	--
01/15/2024 15:00	GE	Wholesale Price Index MoM	Dec	--	--	-0.20%	--
01/15/2024 15:00	GE	Wholesale Price Index YoY	Dec	--	--	-3.60%	--
01/15/2024 18:00	EC	Industrial Production SA MoM	Nov	-0.30%	--	-0.70%	--
01/15/2024 21:30	CA	Manufacturing Sales MoM	Nov	1.00%	--	-2.80%	--

Source: Bloomberg

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