

Daily Treasury Outlook

15 March 2024

Highlights

Global: US equities traded lower overnight driven by a hotter-than-expected producer price index (PPI) reading (Dow: -0.4%, S&P: -0.3%, Nasdaq: -0.3%). Chipmaker stocks also extended their losses for a second consecutive day. The DXY index traded higher while US treasury yields rose. Specifically, the UST 2Y and UST 10Y yields closed higher from their previous close at 4.69% and 4.29%, respectively. February US PPI accelerated by 0.6% MoM (January: 0.3%) driven by higher energy and food costs, stoking fears of an elevated inflation. In other data, February US retail sales rose by 0.6% MoM from a downwardly revised -1.1% in January. Meanwhile, initial jobless claims edged marginally lower by 0.5% to 209k (week ending 9 March) while continuing claims edged higher by 0.9% to 1.8mn (week ending 2 March). Both claims remained at historically low levels, underscoring a firm US labour market. Over in Europe, ECB Chief Economist Philip Lane said, “that the ECB must take its time to get interest rate cuts right and will have a clearer picture on inflationary pressures in June”. By contrast, his ECB colleague Yannis Stournaras, suggested a cut of four times this year: two times before the August summer break and another two times between September and December. Separately, UK PM Rishi Sunak ruled out a general election in early May.

Market Watch: Asian markets will likely trade under downward pressure today. Indonesia’s February trade data will be the main release in Asia’s time. Other data releases include US import price index, industrial production, and University of Michigan sentiment.

SG: STI edged 0.8% higher to end at 3,186.4 by market close. Decliners outnumbered gainers 285 to 270 in a session with trading volumes of 1.6bn securities worth S\$1.5bn exchanged.

Oil: Crude oil benchmarks extended its gain on Thursday, rising to a four-month high. WTI and Brent rose by 1.9% and 1.7% to settle at USD81.3/bbl and USD85.4/bbl respectively. The upbeat mood was driven by the revised outlook from the International Energy Agency (IEA). The IEA's latest monthly report revealed a revision of its 2024 outlook which signaled a tighter oil market based on the assumption that the OPEC+ group will maintain its production cuts throughout 2024. Separately, the US Department of Energy announced a solicitation to purchase oil (approximately 1.5 million barrels) for its Strategic Petroleum Reserve (SPR) for delivery in August 2024. The department also shared that another solicitation will be released on 21 March to purchase the same amount oil for its SPR for delivery in September 2024. The decision to replenish the SPR may support oil prices in the near-term.

Key Market Movements

Equity	Value	% chg
S&P 500	5150.5	-0.3%
DJIA	38906	-0.4%
Nikkei 225	38807	0.3%
SH Comp	3038.2	-0.2%
STI	3186.4	0.8%
Hang Seng	16962	-0.7%
KLCI	1543.8	0.4%
	Value	% chg
DXY	103.360	0.6%
USDJPY	148.33	0.4%
EURUSD	1.0883	-0.6%
GBPUSD	1.2753	-0.3%
USDIDR	15582	0.0%
USDSGD	1.336	0.3%
SGDMYR	3.5179	0.1%
	Value	chg (bp)
2Y UST	4.69	5.91
10Y UST	4.29	10.04
2Y SGS	3.44	2.40
10Y SGS	3.05	2.88
3M SORA	3.62	-0.69
3M SOFR	5.35	0.00
	Value	% chg
Brent	85.42	1.7%
WTI	81.26	1.9%
Gold	2162	-0.6%
Silver	24.82	-0.8%
Palladium	1068	0.6%
Copper	8888	-0.4%
BCOM	99.08	0.1%

Source: Bloomberg

Major Markets

ID & MY: The trade attaché from the Indonesian Embassy in Cairo and the Malaysia External Trade Development Cooperation (MATRADE) met in Egypt earlier this week to discuss ways to boost trade and investment, as well as explore the ASEAN-Egypt Free Trade Agreement. They also aim to discuss increasing the adoption of trading in local currencies. Previously, the Malaysian Ministry of Plantation and Commodities, Johari Ghani, specified that Malaysia has begun talks with Egypt to set up a palm oil export hub in the Suez Canal Economic Zone, as it aims to make Egypt a key part of its strategy to expand palm oil exports to Africa.

TH: The House of Representatives is expected to vote on the FY2024 Budget bill on 22 March, according to House Speaker Wan Muhamad Noor Matha. Prior to the actual vote, the second and third readings of the draft bill will take place during March 20-22 before its submission to the Senate for approval.

VN: PM Pham Minh Chinh renewed pressure on the State Bank of Vietnam to take "drastic measures to boost credit growth." Dao Minh Tu, the Deputy Governor of the State Bank of Vietnam (SBV), highlighted that the SBV has reduced policy rates four times in 2023 and will continue to focus on implementing measures to enhance businesses' access to credit. The central bank aims for a credit growth of 15% in 2024, an increase from 13.5% in 2023.

ESG Updates

MY: Sweden is keen to further collaborate with Malaysia on sustainable practices and increased trade within the energy transition area. There are already existing developments in the sustainability space, such as the 'Pioneer the Possible' initiative launched in 2023 to boost green transition in Malaysia through collaboration between Swedish companies such as Volvo Trucks and Atlas Copco. A new production facility for electrically-powered mining vehicles is also being constructed by Swedish company, Sandvik, in Sendayan TechValley business park.

Rest of the world: The Net-Zero Banking Alliance (NZBA) released updated guidance for members, requiring them to report emissions related to capital markets. They will also have to disclose the coverage of each of their emission reduction targets as a percentage of their exposure. The guidelines also require data disclosure on transition planning and climate-related advocacy by member banks.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2-4bps higher and 10Y trading 4bps higher. The offshore holdings of local government financing vehicles' ("LGFV") debt at Chinese financial institutions in Hong Kong are facing greater scrutiny by China's banking regulator. Officials were particularly interested in their exposure to bonds with tenors of less than one year. These Hong Kong units are the biggest buyers of LGFV bonds. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 3bps to 90bps, while the Asia USD High Yield spreads tightened by 11bps to 564bps. (Bloomberg, OCBC)

New Issues:

- There was one notable bond issuance in the Asiadollar market yesterday. Singapore Airlines Ltd (SIASP) issued a USD500mn 10Y Fixed with final pricing of T+110bps.
- There were no notable bond issuances in the Singdollar market yesterday.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.360	0.56%	USD-SGD	1.3360	0.28%
USD-JPY	148.330	0.39%	EUR-SGD	1.4539	-0.32%
EUR-USD	1.088	-0.59%	JPY-SGD	0.9008	-0.10%
AUD-USD	0.658	-0.60%	GBP-SGD	1.7038	-0.06%
GBP-USD	1.275	-0.34%	AUD-SGD	0.8792	-0.33%
USD-MYR	4.686	0.00%	NZD-SGD	0.8191	-0.15%
USD-CNY	7.194	0.10%	CHF-SGD	1.5118	-0.27%
USD-IDR	15582	0.03%	SGD-MYR	3.5179	0.09%
USD-VND	24700	0.12%	SGD-CNY	5.3845	-0.21%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8590	0.31%	1M	5.3276	0.01%
3M	3.9400	0.28%	2M	5.3341	0.00%
6M	3.8920	-0.33%	3M	5.3320	-0.03%
12M	3.7020	-0.27%	6M	5.2707	0.01%
			1Y	5.0677	0.01%

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	-0.111	-0.028	5.302
06/12/2024	-0.648	-0.162	5.167
07/31/2024	-1.128	-0.282	5.048
09/18/2024	-1.873	-0.468	4.861
11/07/2024	-2.363	-0.591	4.739
12/18/2024	-3.038	-0.759	4.570
01/29/2025	-3.558	-0.889	4.440

Equity and Commodity

Index	Value	Net change
DJIA	38,905.66	-137.66
S&P	5,150.48	-14.83
Nasdaq	16,128.53	-49.24
Nikkei 225	38,807.38	111.41
STI	3,186.40	25.68
KLCI	1,543.75	5.62
JCI	7,433.32	12.11
Baltic Dry	2,370.00	55.00
VIX	14.40	0.65

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.44 (+0.02)	4.69(--)
5Y	3.01 (+0.02)	4.29 (+0.09)
10Y	3.05 (+0.03)	4.29 (+0.1)
15Y	3.04 (+0.03)	--
20Y	3.04 (+0.02)	--
30Y	3 (+0.02)	4.43 (+0.09)

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)	81.26	1.93%	Corn (per bushel)	4.225	-0.9%
Brent (per barrel)	85.42	1.65%	Soybean (per bushel)	11.808	-0.1%
Heating Oil (per gallon)	270.88	0.88%	Wheat (per bushel)	5.195	-2.4%
Gasoline (per gallon)	270.33	1.57%	Crude Palm Oil (MYR/MT)	43.300	2.0%
Natural Gas (per MMBtu)	1.74	5.01%	Rubber (JPY/KG)	345.000	0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8653.00	0.86%	Gold (per oz)	2162.2	-0.6%
Nickel (per mt)	18377.00	2.03%	Silver (per oz)	24.8	-0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/15/2024 05:30	NZ	BusinessNZ Manufacturing PMI	Feb	--	49.3	47.3	47.5
03/15/2024 09:00	PH	Overseas Cash Remittances YoY	Jan	2.80%	--	3.80%	--
03/15/2024 09:00	PH	Overseas Workers Cash Remittances	Jan	\$2800m	--	\$3280m	--
03/15/2024 09:00	PH	Budget Balance PHP	Jan	--	--	-401.0b	--
03/15/2024 10:00	ID	Exports YoY	Feb	-6.42%	--	-8.06%	-8.20%
03/15/2024 10:00	ID	Trade Balance	Feb	\$2287m	--	\$2015m	--
03/15/2024 11:30	IN	Exports YoY	Feb	--	--	3.10%	--
03/15/2024 12:30	JN	Tertiary Industry Index MoM	Jan	0.10%	--	0.70%	--
03/15/2024 15:30	TH	Gross International Reserves	Mar-08	--	--	\$223.1b	--
03/15/2024 20:15	CA	Housing Starts	Feb	227.5k	--	223.6k	--
03/15/2024 20:30	US	Empire Manufacturing	Mar	-7	--	-2.4	--
03/15/2024 20:30	US	Import Price Index MoM	Feb	0.30%	--	0.80%	--
03/15/2024 20:30	US	Import Price Index ex Petroleum MoM	Feb	-0.20%	--	0.60%	--
03/15/2024 21:15	US	Industrial Production MoM	Feb	0.00%	--	-0.10%	--
03/15/2024 21:15	US	Capacity Utilization	Feb	78.50%	--	78.50%	--
03/15/2024 22:00	US	U. of Mich. Sentiment	Mar P	77.1	--	76.9	--

Source: Bloomberg

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