

Daily Treasury Outlook

16 January 2024

Highlights

Global: Caution in the Red Sea after Houthi militants hit a US-owned commercial vessel with an antiship ballistic missile and shippers were told to avoid the area until further notice. With the US markets closed yesterday, the attention was mostly focused on PBoC, which kept its 1-year MLF rate unchanged at 2.5%. Meanwhile, ECB officials also pushed back on quick rate cut expectations, with Holzmann opining that market should not count on rate cuts at all this year. Nagel said rate cuts can maybe wait for the summer break. Meanwhile, the German economy contracted 0.3% YoY in 2023, the first decline since 2020 when it shrank 3.8%, and also fell 0.3% in 4Q23 versus 0% in 3Q23.

Market Watch: Asian markets are likely to tread water today after ECB rate cut expectations were dampened and challenges for China's economy remain. Today's economic data calendar comprise ECB's 1- and 3-year inflation expectations, Germany's inflation and ZEW survey expectations, UK's jobless claims and US' Empire manufacturing. Fed's Waller is speaking today and BOE governor Bailey is also testifying to the House of Lords. US earnings reports include Goldman Sachs and Morgan Stanley.

SG: December NODX is due to be released at 8am tomorrow morning and may accelerate to 5.9% YoY (3.7% MoM SA) from 1.0% YoY (0.3% MoM SA) in November due to a low base last year. The STI added 0.24% to close at 3,199.42 yesterday but may consolidate today amid weak market sentiment. SGS bonds gained with yields lower by 1-3bps yesterday and may stay bid amid the external headwinds.

Oil: Brent declined by 0.2% on Monday to close at USD78.2/bbl respectively. In a choppy session, Brent oil prices fell lower (down by ~USD1/bbl) but pared back much its losses due to ongoing concerns of a widening conflict in the Middle East. The US military has reported in a social media post that Houthi forces in Yemen had struck a dry bulk ship that is owned and operated by the US. Although there were no reports of injuries, the attack led to limited damage to the ship's cargo hold.

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

CN: Despite the usual seasonality where Chinese exporters typically sell foreign currency before year-end for accounting purposes, the demand for foreign currency remained robust in December. The deficit in net sales of foreign currency, including spot and derivative positions, remained sizable at US\$15.7 billion albeit narrowing from US\$23.5 billion in November. The willingness to sell foreign currency rebounded to 66% from 59%, while the willingness to buy foreign currency stabilized at around 67%.

MY: PM Anwar Ibrahim specified that the government is seeking to enhance the governance of approved permits (AP) and import permits (IP) during its first National Economic Action Council (MTEN) meeting of the year. PM Anwar emphasized the importance of the initiative, especially its potential benefits for consumers and local producers, particularly in ensuring national food supply security, as reported by The Edge. In addition, the meeting also addressed ways to "boost efficiency and transparency in the import risk analysis process." Going forward, the MTEN permanent members will include the Minister of Investment, Trade, and Industry, the Digital Minister, and the finance minister II.

ID: Export growth remained weak at -5.8% YoY in December versus -8.5% in November, while imports growth fell to -3.8% YoY, down from +3.3% in November. As a result, December's trade surplus rose to USD 3.3bn, nearly a USD 1bn increase from the previous month. On the import side by end-use, consumer goods imports eased to 13.4% YoY in December from 19.8% in November, while capital goods imports contracted (-9.9% YoY in December from +13.7% in November) and raw materials import contraction deepened (-4.4% from -1.0%). On the exports front, the oil and gas (O&G) exports growth eased to 1.5% YoY in December from 16.4% in November. while non-O&G exports growth improved to -6.2% YoY in December from -9.8% in November. For 4Q23, both exports and imports growth improved to -8.3% YoY and -1.0% from -18.6% and -11.9% in 3Q23, respectively, signalling an improving, albeit still weak, external demand environment.

TH: The Bank of Thailand (BOT) has strongly resisted calls to cut its policy rate. BOT Assistant Governor Piti Disyatat, at the 15 January "policy brief", said that the BOT has ended its tightening cycle at a neutral rate. He shared that the current policy rate of 2.50% is "appropriate" to support Thailand's economy as well as keep inflation in check. Despite the recent negative CPI readings, BOT's Assistant Governor Disyatat dismissed the argument that it would warrant a rate cut to boost consumption. He explained that BOT policy rates are meant to tackle near-term price pressures and cannot fix structural economic problems. He revealed that the rate-panel's future decisions will be dependent on the outlook for growth, inflation and financial conditions. He also highlighted some key policies that BOT will prioritise this year. These policies include improving lending conditions, establishing targeted schemes to assist vulnerable debtors as well as the roadmap for open data.

ESG Updates

CN: China plans to take an annual inventory of its greenhouse gas emissions, as part of efforts to achieve carbon neutrality by 2060. While China has not previously published annual greenhouse gas emissions data, it has been obliged to submit figures to the United Nations every five years. China has acknowledged that data gaps are holding back the country's abatement efforts, and it aims to improve data integrity to align them with international standards.

Rest of the World: According to the International Environmental Agency, global renewable energy capacity is on track to grow by two and a half times by 2030. However, more work is required to achieve the target set at COP28 to triple renewable energy capacity globally. Under existing policies and market conditions, it is forecast to grow to a total of 7,300 GW by 2028, but to reach the 2030 goal agreed in 2023, it will require reaching at least 11,000 GW.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-4bps lower, belly tenors trading 2bps lower, and the 10Y trading 1bps lower. According to Bloomberg, a total of USD10.5bn in bonds of China's major developers are coming due in the second quarter alone. This is an increase from USD7.6bn in the first quarter of the year. Meanwhile, China Real Estate Information Corp. data showed that the value of new home sales among the 100 biggest developers fell 34.6% YoY in December, larger than November's 29.6% drop. Yesterday, Bloomberg Asia USD Investment Grade spreads maintained at 107bps while the Asia USD High Yield spreads maintained at 725bps due to the Martin Luther King Jr holiday. The Markit iTraxx Asia ex-Japan Investment Grade index was steady at 96bps.

Mandates:

- SATS Ltd is planning to issue a USD or SGD-denominated Regulation S only senior unsecured 5-year fixed rate bond offering under the Company's USD3bn Guaranteed Multicurrency Debt Issuance Programme.
- Shriram Finance is planning to issue a benchmark-sized USD denominated 144A/Regulation S senior secured social bond offering.
- Sumitomo Mitsui Finance & Leasing Co Ltd is planning to issue a 5-year senior unsecured fixed rate USD-denominated benchmark notes issue under Regulation S.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX-Y	102.404	0.00%	USD-SGD	1.3334	0.15%
USD-JPY	145.730	0.59%	EUR-SGD	1.4601	0.14%
EUR-USD	1.095	-0.01%	JPY-SGD	0.9148	-0.45%
AUD-USD	0.666	-0.39%	GBP-SGD	1.6970	-0.06%
GBP-USD	1.273	-0.20%	AUD-SGD	0.8881	-0.27%
USD-MYR	4.671	0.49%	NZD-SGD	0.8268	-0.51%
USD-CNY	7.172	0.06%	CHF-SGD	1.5581	-0.24%
USD-IDR	15555	0.03%	SGD-MYR	3.5013	0.27%
USD-VND	24487	-0.07%	SGD-CNY	5.3768	-0.09%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8930	0.34%	1M	5.3354	0.06%
3M	3.9320	-0.25%	3M	5.3449	0.06%
6M	3.8960	-0.61%	6M	5.3057	0.10%
12M	3.6360	-0.49%	1Y	5.1034	0.35%
				4.6668	0.61%

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	35,901.79	324.68
STI	3,199.42	7.70
KLCI	1,501.11	13.77
JCI	7,224.00	-17.14
Baltic Dry	1,460.00	-94.00
VIX	13.25	0.55

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.21 (-0.03)	4.19(--)
5Y	2.66 (-0.03)	3.83(--)
10Y	2.79 (-0.01)	3.99(--)
15Y	2.82 (-0.02)	--
20Y	2.82 (-0.01)	--
30Y	2.78 (-0.02)	4.22(--)

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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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/16/2024 07:30	AU	Westpac Consumer Conf SA MoM	Jan	--	-1.30%	2.70%	--
01/16/2024 07:50	JN	PPI YoY	Dec	-0.30%	0.00%	0.30%	--
01/16/2024 15:00	GE	CPI YoY	Dec F	3.70%	--	3.70%	--
01/16/2024 15:00	UK	Jobless Claims Change	Dec	--	--	16.0k	--
01/16/2024 15:00	GE	CPI MoM	Dec F	0.10%	--	0.10%	--
01/16/2024 15:00	UK	Claimant Count Rate	Dec	--	--	4.00%	--
01/16/2024 15:00	UK	Payrolled Employees Monthly Change	Dec	-13k	--	-13k	--
01/16/2024 15:00	GE	CPI EU Harmonized YoY	Dec F	3.80%	--	3.80%	--
01/16/2024 15:00	GE	CPI EU Harmonized MoM	Dec F	0.20%	--	0.20%	--
01/16/2024 15:00	UK	Average Weekly Earnings 3M/YoY	Nov	6.80%	--	7.20%	--
01/16/2024 18:00	GE	ZEW Survey Expectations	Jan	11.7	--	12.8	--
01/16/2024 18:00	GE	ZEW Survey Current Situation	Jan	-77	--	-77.1	--
01/16/2024 21:15	CA	Housing Starts	Dec	250.0k	--	212.6k	--
01/16/2024 21:30	CA	CPI YoY	Dec	3.40%	--	3.10%	--
01/16/2024 21:30	CA	CPI NSA MoM	Dec	-0.30%	--	0.10%	--
01/16/2024 21:30	US	Empire Manufacturing	Jan	-5	--	-14.5	--

Source: Bloomberg



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